

September 2016

# *Cities of Opportunity:* A New Zealand perspective







# *A New Zealand lens on Cities of Opportunity*

The latest global Cities of Opportunity research continues to focus on two basic questions:

*What makes cities thrive?*

*What lessons are there for urban businesses, policy-makers and citizens?*

To find answers to these questions, a number of variables we track have been refined from the 2015 study. In addition, PwC has focussed on three issues critical to urban life:

- The ability to withstand disasters and remain resilient to natural, man-made and disease risks
- To offer effective public transport as people and jobs move further from the city centre
- To knit together a funding system that works for local needs

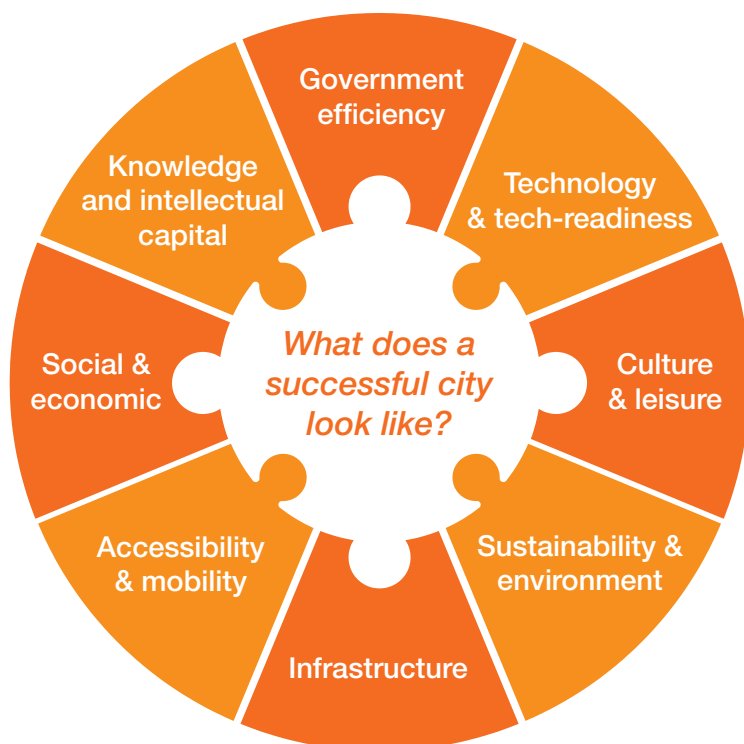
All three issues have resonance in the New Zealand context, whether it be Christchurch's earthquake recovery, Auckland grappling with traffic congestion or Queenstown seeking to fund infrastructure from a burgeoning tourism market.

The outcome of the Cities of Opportunity 2016 assessment, which ranks London first among the 30 metropolitan regions covered in the survey, reinforces our hypothesis that cities require a balance of social and economic strengths to work as a whole. In fact, despite many of the cities in the study representing engines of global or regional economies, the strongest relationships with overall success comes from areas like:

- Quality of living
- Disaster preparedness
- Relocation attractiveness
- Workforce management risk\*
- Housing
- Senior well-being

To put it simply, dealing with human needs – both every day and extraordinary ones – remains the essence of urban success.

\* Workforce management risk relates to health, safety, security and ease of doing business.





# What makes a successful city?

Our study found some interesting correlations across different metrics that help us to understand what makes a great city. Quality of living has the strongest association with urban success, followed by disaster preparedness and relocation attractiveness.

## Degrees of correlation - urban success



- Quality of living



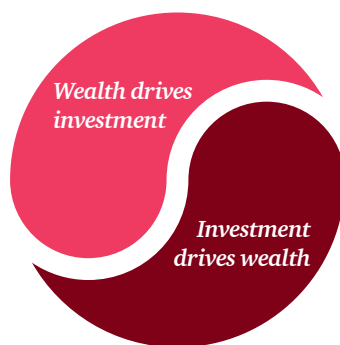
- Disaster preparedness



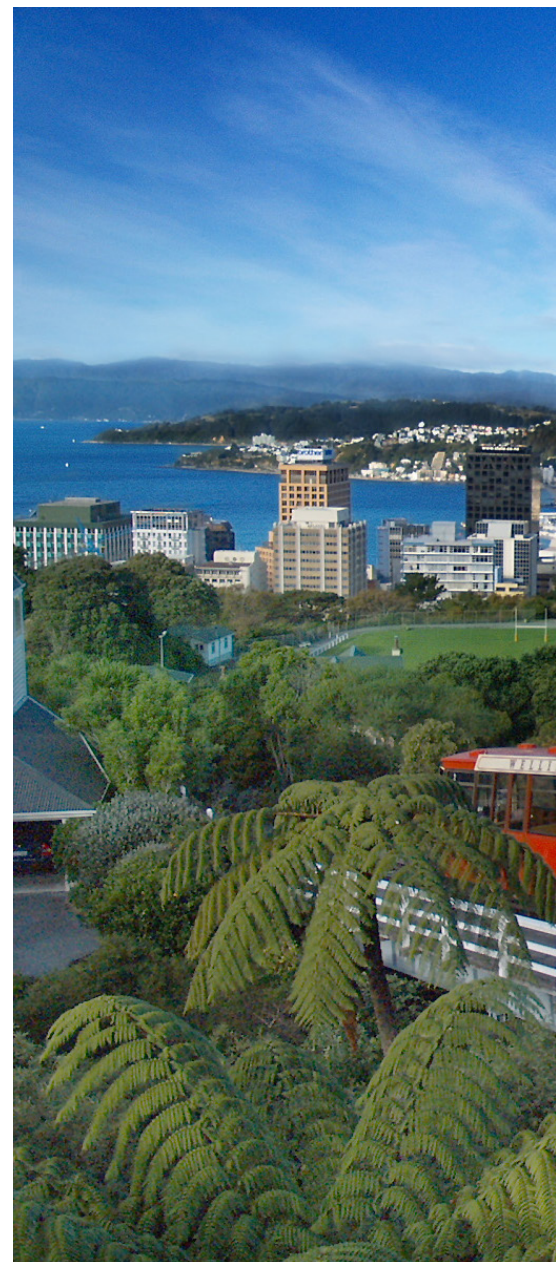
- Relocation attractiveness
- Housing
- Workforce management risk
- Senior well-being

The evidence also reinforced the linkage between infrastructure and well-being. In other words, a city's backbone of transport, technology, health, education, security and housing must be engineered and maintained to work for urban success.

In our research, good transport & infrastructure relates strongly with quality of living (76%) and relocation attractiveness (67%).



**IMF World Economic Outlook makes a case for infrastructure ROI... \$1 invested > \$3 output**



# Spotlighting the challenges



Four areas within the findings spotlight key challenges that cities are having to deal with:

1. **Disaster exposure**, which means disaster preparedness, must be intensified. The costs of not doing so are enormous in financial and human terms, and are a challenge with real currency in the New Zealand context.
2. **Lack of affordable housing** can easily hold cities back. Although housing quality exhibits a strong relationship with successful cities, economic strength is often associated with housing that is priced out of reach. This can also lead to difficulty in talent attraction, retention and ultimately cities possessing the critical hands-on skills they need. We are starting to see this effect in Auckland with spill-over now occurring, particularly to the south of the city.
3. **Income distribution** presents an issue for cities to be aware of and manage in terms of social and political impact.
4. **Demographics** where a combination of aging and slowing birth rates will require realignment of both public and private demands. For instance while public costs relating to areas such as superannuation and health care increase, businesses gain opportunities to develop new services and products to respond to these changing patterns.

Of the four areas, housing is the priority challenge in New Zealand. The Government is correctly prioritising housing availability and affordability and not just because the country is facing short term accommodation requirements. However, from a longer term perspective, housing affordability threatens growth and good housing correlates strongly with city success.

In this regard our Cities of Opportunity research is beginning to highlight that economically, successful cities are potentially 'pricing out' the future. For instance:

- New York, San Francisco, London, Paris, Beijing and Shanghai share bottom-half rent affordability in the study
- Citizens in these cities have to endure longer commutes, difficult staff retention and elitist living.

The current housing cost pressures that Auckland and other growth districts are now facing therefore aren't unique. In fact, the economic impact of high housing costs is beginning to galvanise interest in the business community globally, particularly in high growth cities.



# The two urban truths

These study findings reinforce the fact that success depends on two urban truths:



1. The need to possess balanced, ultimately reinforcing qualities to create a virtuous cycle of social and economic strength.



2. The human element that pushes everything forward and makes it all work. Humans are the city, not the after-thought.





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# Public and private sector working together

Businesses depend on city well-being and Governments depend on healthy economies for shared success. They need to work together actively to shape operating environments in a world where a continued urban renaissance is far from guaranteed. The market will not necessarily resolve all the issues our cities face and success will require the alignment of both private and public sectors.

The study highlighted that some countries have already recognised the need for the public and private sectors to work together and collaborate. In Sweden for example, large companies are becoming much more engaged in regular discussions about how urban areas can best develop.

In the New Zealand context, formalised engagement opportunities through planning mechanisms such as the long-term plans and economic development strategies, by nature have mixed levels of collaboration. The Swedish experience shows a need for these to be more regular and consistent, compared to periodic planning events, so that they translate into effective decision-making.

On a global scale, leading international businesses, including PwC, support the Global Cities Business Alliance<sup>1</sup> to promote strategic direction and leverage expertise to address urban challenges. This has manifested itself in a number of ways, including the recent impact study on the economic effects of housing costs.<sup>2</sup>

## *Results show what works*

In summary, “balance” works best in today’s complex urban ecosystem. This means education, transit, health, housing, economies and governance all have to line up for cities to meet their collective visions of the “good life”.

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***“In Sweden for example, large companies are becoming much more engaged in regular discussions about how urban areas can best develop.”***

<sup>1</sup> [www.businessincities.com](http://www.businessincities.com)

<sup>2</sup> *Housing for inclusive cities: The economic impact of high housing costs*

# Get in touch



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