Agglomeration Economies & Global Cities: the case of London, New York & relativity

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Aim: examine change in agglomeration associated with development of Global Cities. Identify any change in property investor preference between London and New York pre and post GFC.

Method: inductive reasoning and secondary data provided by RCA, examine pre and post GFC commercial transactions plus the relationship between GVA and transaction volumes for London.

Conclusion and areas for future investigation.
Researchers differ in their thoughts as to what contributes to city growth.

Marshall’s theory relies on specialisation attracting like industry & benefits of economies of scale.

Jacobs theory relies on diversity stimulating growth and further diversity – import replacement & new business built on old (Jacobs, 1970).
Wealth producing industries - highly knowledge dependant. Knowledge spillover benefits drive spatial effect in land use agglomeration. Human capital value importance.

Existing research: Despite a ‘time-space compression’

Distance & agglomeration economies are more central
My study relates Jacob’s theories of agglomeration to London and New York IFCs determining the dominant recipient of commercial property investment funds.

Furthermore, to connect contemporary agglomeration and self-augmentation theories.

Using RCA data 2 periods, pre and post GFC, were analysed, i.e. 2000-07, 2008-14

Why?
Capital flows in, out and within cities have been examined but total relativity between investment flows to London and New York have not been explored.

My research aim is to test:

a) London and New York relativity in commercial real estate transactions from 2000 to 2014

b) ‘self-augmentation’ via efficient knowledge economies

RCA secondary data is analysed to:

Describe the comparable volatility and strength of capital flows
Figure 1: Commercial real estate transactions New York and London 2000 – 2013

- Source: Author complied RCA data
Table 1. London and New York proportionate annual share of commercial real estate transactions 2001 to 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>London</th>
<th>$US</th>
<th>New York</th>
<th>$US</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>0.56</td>
<td>12,641,769,825</td>
<td>0.44</td>
<td>9,802,405,081</td>
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<tr>
<td>2002</td>
<td>0.50</td>
<td>12,163,979,758</td>
<td>0.50</td>
<td>12,368,550,303</td>
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<tr>
<td>2003</td>
<td>0.51</td>
<td>15,106,809,461</td>
<td>0.49</td>
<td>14,749,571,552</td>
</tr>
<tr>
<td>2004</td>
<td>0.57</td>
<td>38,226,281,701</td>
<td>0.43</td>
<td>52,416,355,958</td>
</tr>
<tr>
<td>2005</td>
<td>0.49</td>
<td>38,226,281,701</td>
<td>0.51</td>
<td>40,408,442,098</td>
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<tr>
<td>2006</td>
<td>0.46</td>
<td>44,214,307,061</td>
<td>0.54</td>
<td>52,416,355,958</td>
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<tr>
<td>2007</td>
<td>0.38</td>
<td>49,768,003,209</td>
<td>0.62</td>
<td>81,740,259,224</td>
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<tr>
<td>2008</td>
<td>0.47</td>
<td>23,442,841,790</td>
<td>0.53</td>
<td>26,137,286,086</td>
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<tr>
<td>2009</td>
<td>0.73</td>
<td>18,593,855,526</td>
<td>0.27</td>
<td>6,777,967,487</td>
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<tr>
<td>2010</td>
<td>0.57</td>
<td>26,208,249,956</td>
<td>0.43</td>
<td>19,990,283,357</td>
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<tr>
<td>2011</td>
<td>0.48</td>
<td>32,801,246,870</td>
<td>0.52</td>
<td>36,170,770,551</td>
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<tr>
<td>2012</td>
<td>0.45</td>
<td>33,654,129,590</td>
<td>0.55</td>
<td>41,580,614,488</td>
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<tr>
<td>2013</td>
<td>0.47</td>
<td>46,088,647,389</td>
<td>0.53</td>
<td>52,202,695,151</td>
</tr>
</tbody>
</table>

Source: Author compilation of RCA data
• Self Augmentation
• An initial exploration of the value of human capital in self-augmenting agglomeration
• Regression of total Gross Value Added (GVA) with commercial real estate transactions for London.
• Concluding
• London/New York analysis indicates lower volatility and better estimate for London.
• A positive relationship between GVA and commercial real estate transactions
• Future research into linking knowledge economy drivers and agglomeration include:
  • Money supply
  • Employment and income figures in financial and advanced producer services industries
  • Exchange rates
  • High end residential real estate activity
Thank you for listening

Any questions?