

City could succeed even as travel dries up

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After the coronavirus crisis, new patterns of work and travel are expected to change the nature of financial hubs such as London. However, Michael Mainelli, one of the sheriffs of the City of London, says that the UK capital is well placed to remain an attractive location for business.

Even once the health crisis has disappeared, many believe employees in finance will continue to work from home much more than they used to, while also perhaps cutting down on international travel.

This will inevitably change the look and feel of the cities in which global financial business is conducted: often in large offices, cafés, bars, restaurants and hotels clustered in particular districts.

London ranked second in the latest Global Financial Centres Index published by the think tank Z/Yen in March, falling behind New York. Tokyo, Shanghai, Singapore and Hong Kong followed behind.

Will London be harmed by new trends in travel and work, or can it weather the storm?

Mainelli is director and co-founder of Z/Yen, and has a background spanning technology and finance, alongside his role as sheriff. The sheriffs of the City of London act, among other things, as ambassadors for the finance and professional services industry based in the UK.

He thinks that business travel is likely to be slimmed down, as the crisis dims appetite and climate concerns ramp up. “I believe we are going to see a lot more opprobrium about that,” he said.

He suggests, therefore, that people travelling on business could stay in a particular location for several weeks, taking an opportunity to meet as many people as possible.

“You can see a lot less travel, but that means that the travel that you do have is going to have to be much more effective,” he said.

This is where the City of London could benefit as a financial hub, because of the number of relevant meetings that can be held in a small area. “People forget the intensity of the City of London. It is the most intense place on the entire planet,” said Mainelli.

If people have to choose only a couple of cities to visit, London is likely to be high up the list. This in turn presumably further increases the desire to be located in the city.

The cultural opportunities of the UK capital are seen as beneficial, too. “If I’m going to spend those two weeks in some European city somewhere, well I damn well ought to spend it in a place where it’s kind of fun in the evenings as well,” said Mainelli.

Dean Clifford agrees that what he calls the “soft fundamentals” of London’s attractiveness remain. He is co-founder of property developer Great Marlborough Estates, which focuses on high-end residential developments in London — the type of properties financiers might occupy — and mixed-use developments, such as Vauxhall Cross Island.

“A number of years ago there was this big threat because of taxation and all of the hedge fund bosses were going to live in the cantons of Switzerland because of tax rates,” he said. “And then they realised that actually there probably isn’t a lot to do in these cantons.”

Changing homes

However, London and cities like it are still set to change.

“The first order effect is clearly going to be great uncertainty over commercial property,” said Mainelli. “Some speculate that companies will downsize, given that their expensive office buildings will not be fully utilised.”

If working from home does become more common, this is also likely to change the residential dynamic of financial hubs. People who are commuting less and spending more time at home are likely to place a higher premium on space, rather than proximity to the city centre.

“We are all going to sit there and say: you know what, an extra 500 square feet would go

a long way to improving quality of life," said Mainelli. "So one could anticipate a huge push on residential property for size."

Grant Lipton, also co-founder of Great Marlborough Estates, which concentrates particularly on central London, says that as people work more from home, factors such as improving health, wellbeing and connectivity become more important in housing. "It's something we were already trying to master before this all broke out, but this is now definitely an area that needs a lot more focus and attention," he says.

As for working life, people's attitudes to meeting up could change.

"Will we see a stronger division between what you might call networking functions and traditional business meetings?" wondered Mainelli. This could mean that meetings and smaller events move online, while big showpiece events remain physical affairs.

As for the relative attractiveness of different financial hubs, some factors may rise in importance.

"Health preparedness could become very important," said Mainelli. "I'm going to want to know that I'm in a country with a good health system."