

CUER Discussion Paper

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Local Property Markets and Effective Flexible Market Institutions:
Key Strategic Elements for Competing in the Global Urban Economy
February 2002
CUER Discussion Paper 02-03

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A Paper Prepared Initially for the
Hong Kong Polytechnic Workshop and Edited Volume on
“International Real Estate: Institutional Considerations”
26-27 May 2000, Hong Kong

Revised February 2002

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ABSTRACT

It is increasingly being appreciated that cities and urban regions are no longer passive wards of senior governments helpless to shape their own futures in the face of growing global competition and integration. Rather, it has come to be realized that cities cannot escape functioning in a highly integrated and global economy, but more fundamentally, cities and networks of cities, are the locus of economic power and progress in this global setting. Property market institutions have a key role to play in developing competitive strategies and will form a significant part of the discussion in this paper as a result.

This paper explores the growing connectedness of global cities and their property markets. Urban property markets are yet another powerful example of globalisation and of the mechanisms by which globalisation advances. In this global context, traditional urban policy mechanisms and property market institutions can become ineffectual, requiring new modes of thought, active strategies and policy and property market institutions. Thus, it is argued, sound property market institutions and supporting infrastructure are critical to the competitiveness of the urban region.

I. The issues: Flexible and adaptive property market institutions and infrastructure

This paper begins by exploring “global (or world) cities” to set the stage for a larger discussion of the policy institutions needed to manage them successfully where cities are both a cause and effect of globalisation. A special concern here are property markets in these cities and the institutions and policies that guide urban development. The globalisation of property markets is both a metaphor and a mechanism for globalisation processes. Understanding globalisation in general, and globalisation of real property markets is vital for crafting and implementing effective future urban policy. Flexible, responsive and competitive property market institutions and good infrastructure are central elements for urban regions to prosper in the global city network. Accordingly, this paper begins by reviewing briefly the evolution of global cities as both outcomes and shapers of globalisation. It then sketches how their property markets are becoming integrated. It closes with a discussion of property market policy and regulatory institutions and the need for flexible and adaptive policies and guidance mechanisms combined with appropriate infrastructure development.

II. Global cities: Finance and real estate market forces forming and being formed by them

Global (or world) cities are those urban centres at the nexus of global economic decision-making (Hall (1984)). These cities are integrated and functioning elements in a global network. Global cities, individually and through their network partners, increasingly: make key economic decisions that allocate capital (both human and financial); influence governments worldwide directly and by their investment decisions; and host global corporations, international organizations, and cultural institutions. In short, global cities are emerging as the crossroads for people, capital and information, the grist for today's global economic mill.

As King (1990) documents thoroughly, many researchers broadened the global or world city concept by adding one or more important specific functions or traits to characterize these cities. Friedmann and Wolff (1982) are particularly concerned about the network of global cities and its impact on the spatial organization of production and product and service markets. Subsequently Friedmann (1986) focuses on the importance of financial functions, the presence of global and regional headquarters and international institutions, and business services in describing world cities, while Dunning and Norman (1983) focus on multinational enterprises (MNEs) and their location in world cities and their ability to direct the location of branch plants and offices around the world, particularly in developing nations.

There is an on-going and heated debate in the literature about the competitiveness of cities and their ability to make explicit strategies for competing globally (Budd (1999) and Maskell (1999)). This paper sides with those who argue that cities can influence their competitiveness through crafting and implementing appropriate strategies (see Goldberg (2000) for a more complete statement of the argument). Moreover, a key theme below is that effective and flexible property market institutions need to be part of any effective competitive strategy.

a. Global forces introduced: An overview

1. Financial markets: Leading the globalisation wave

One of the first forces globalising cities was the integration of capital markets dating

from the 1950s when the Soviet Union held its US dollar balances outside the US to avoid possible seizure of these assets (Levi (1989)). This was a progenitor of the Eurodollar market, the foundation of modern international banking. From about \$110 billion in 1970, the Eurocurrency market is now estimated to exceed \$4.0 trillion. Trade imbalances (e.g., "petrodollars" and "Samurai bonds") have also been important contributors to the growth in international lending and Eurocurrency activity.

Another force behind the internationalisation of financial markets is, in part, the breakdown of the Bretton Woods agreement with the move to floating exchange rates after 1971. Floating exchange rates increased foreign exchange risks leading to a proliferation of financial instruments (e.g., currency futures and options), as hedges.

Internationalisation of finance would have been impossible though without the use of advanced technology, particularly in telecommunications and computers (Hamilton (1986)). In 1970 the Clearing House Interbank Payments System (CHIPS) was created. In 1972 the Society for Worldwide Interbank Financial Telecommunications (SWIFT) was formed for international payments instructions. Starting in May 1977, it carried some 800 banking transactions daily and now numbers in the millions each day.

Telecommunications progress has enabled stock, option and commodity exchanges to trade globally. Since 1984, the Singapore International Monetary Exchange (SIMEX) and the Chicago Mercantile Exchange (CME) have been linked to offer financial futures and options allowing market players to take a position on one exchange and liquidate it on the other, creating a 24-hour trading day. Technology created the possibility of a truly global financial market, leading to a more competition. Technology has fostered new financial instruments and, arguably (Kaufman (1986)), greater efficiency via instantaneous global flows of information.

A final key factor in financial market globalisation is the deregulation and liberalization of financial markets in the 1970s and 1980s. Deregulation led to the integration of domestic financial systems into a single global financial market, where no country could regulate its financial sector in isolation (Hamilton (1986)). Deregulation is self-propagating forcing global harmonization of financial rules and regulations. Globalisation will intensify as borrowers seek the lowest cost funds no matter where they are located, while investors use liberalized financial markets for portfolio diversification, yield enhancement and new investment opportunities.

2. Property markets: Latecomers but large players in globalisation

Yield enhancement and diversification are also thrusting urban property markets onto the global business stage (Gordon (1991)). Local housing markets now operate in a truly global context, suggesting that urban housing policy must increasingly be aware of the international forces impacting their local setting (Goldberg (1985); (1990)).

The collapse of real estate markets in North America, Europe and Japan in the early 1990s has clearly slowed the pace of international real estate investment in and from these

countries (McCoy (1991)). The Asian crisis of the late 1990s also slowed the pace of investment from within and from Asia. However, the initial real estate investment frenzy of the late 1980s led to the present irreversible state of widespread foreign ownership of real property in virtually all global cities, and the emergence of a truly global real estate market today, particularly among global and soon-to-be-global cities.

a. Background forces and trends

Real estate markets are becoming linked along lines that were so clearly noticeable in financial markets. As information becomes global, cities are being forged into a powerful network of financial and managerial functions. Financial and economic information flows essentially instantaneously among these cities. As more trans-national corporations, especially international banks and financial firms and their clients, locate regional and branch offices in global cities, information about the cities themselves and their property markets is poured into the information networks linking global cities (McGee (1984)). This free flow of urban economic and property information combines with the free flow of capital that was so essential to the globalisation of financial markets, to create the basis (i.e., the necessary conditions) for a truly global property market.

The potential for globalisation of real estate markets started to be realized with the accumulation of huge capital pools that could flow among the cities of the network in response to economic information about these cities and their property investment opportunities. These large pools of capital arose from several sources. First, trade surpluses have been significant sources going back into the 19th century with British mercantilist surpluses leading to widespread real estate investment in North America, the petrodollars of the 1970s flooded London's property market, and Japanese trade surpluses of the 1980s flooded North American and Australian property markets (Edgington (1988)).

Large pools of real estate investment capital also can be traced to the burgeoning coffers of pension funds in North America, Southeast Asia, Japan and Europe. The gargantuan Japanese postal savings system (some US\$3 trillion (i.e., US\$3,000,000,000,000)) poses the most dramatic possibility for global real estate investment. The registered pension funds of Canada and the U.S. also total some US\$3 trillion and should as little as 10% of those funds find their way into real estate investment, they must quickly start spreading around the globe so as not to overheat any specific North American urban market. Indeed, a recent study (Hamilton and Heinkel (1994)) suggests that pension funds should place up to 20% of their assets into real estate, implying an even more dramatic global search for suitable properties.

Among the most frequently cited sources of investment capital seeking global outlets in property markets are the Southeast Asian ethnic Chinese who have benefited from and been at the centre of the economic explosion of the Asia Pacific region. Through their extensive worldwide family networks, the ethnic Chinese have spanned the globe looking for sound real estate investment opportunities to diversify their portfolios and provide safety for future generations of their extended families (Goldberg (1985)). While the Southeast Asian ethnic

Chinese and the Japanese have received the most media attention, a substantial pool of capital amassed by European families over centuries has quietly, and out of the limelight, been acquiring extensive real estate holdings for decades in North America, Australia, and South America. Though less visible than recent Asian investment, British, Dutch and German investors have enormous holdings of property throughout the New World, and in many ways were the precursors of today's global real estate market.

b. Indications of global integration in urban property markets

Against this backdrop we can explore some specific evidence of the global movement of real estate investment capital, which began, on a large-scale in the 1980s and 1990s. First, in the U.S., a remarkably sheltered and isolated place despite its international pre-eminence, the mass and professional media frequently focus on foreign investment in real estate, even during the 1980s collapse of most U.S. markets (Bacow (1988); Rodman (1992); *Shopping Centers Today* (1991) and (1992)). The passage of the North American Free Trade Agreement (NAFTA) has created significant interest in trans-border real estate investment (Foster (1991) and Robaton (1994)). The development of global real estate pools like the US\$2.0 billion global fund by The Prudential Insurance Company (Miles (1994) and the recent US\$400 million Government of Singapore Investment Corporation purchase of a Seoul office tower (*Asiaweek* (2000)), are evidence that real estate investment is global, and likely to stay global. The creation of new investment instruments based on underlying real estate assets makes it possible for real estate based securities to be traded globally further integrates property markets and ties them to global financial markets (Cooperman *et. al.* (1994) and Ryland (1993)).

The Canadian situation is very similar as is that in Australia, Asia and Europe. Given the growth in globally integrated activities (e.g., multinational firms and international finance) it is obvious that all these firms need urban space. Thus, more and more market information flows around the world instantly. Combine this global market information explosion with the need for space and geographic diversification of investment capital and a decade of inflation in the 1980s, the global real estate boom that resulted, and a world property market follows logically. Despite the decline, and even the disintegration of some local and regional real estate markets, real estate markets were so thoroughly globalised during the 1980s boom that there is simply no turning back now. The Asian crisis of the late 1990s was largely the result of the globalisation of real estate with enormous flows of funds into overheated, and subsequently oversupplied, urban and resort real property markets.

Hard and fast numbers on the dollar value of offshore investment are extremely difficult to obtain since much investment is done by small investors, nominees, family members, or through corporations. Accordingly, it is necessary to rely on more fragmentary, but relatively abundant, qualitative evidence to paint a picture of offshore investment in North American real property. Also, much foreign real estate investment in North America is associated with immigration and family relationships from the originating country. Thus, it is often difficult to ascertain whether or not an investment is foreign or whether it is really a domestic investment on the part of a Canadian or American family member.

Looking specifically at the United States, Canada is, not surprisingly, the largest investor followed by Europeans and then Asians (*Land Use Digest* (1991)). The Japanese were very active during the late 1980s (*Land Use Digest* (1990)), but the decline of the Tokyo market in the 1990s dampened their enthusiasm for North American property (Leventhal (1990)). In Canada, the U.S. is the largest investor, followed by the British, Dutch and Germans (*Canada Yearbook* (1990)). A great deal of investment has also occurred by ethnic Chinese families and by Japanese businesses (Goldberg (1985)).

3. The “global/world city” and the “new international division of labour”

The “new international division of labour” (NIDL) argues that production is organized and managed on a global scale, tying previously independent rural agrarian economies directly into the global marketplace (Frobel, Heinrichs and Kreye (1980); and Cohen (1981)). This global production is tied to the emergence of global corporations which can: internalise many specific product markets; allocate capital globally to the most profitable locales; and gather, process and communicate information globally to carry out its functions ((Taylor and Thrift (1982); and Thrift (1983)). These functions almost force global corporations into cities, creating global cities which reinforce the rise of global corporations (Hall (1991)), a process that has accelerated with the growth of regional trade blocs like the EU and NAFTA (Epstein, *et. al.*, (1993), and Kresl (1992)).

b. Local, regional and national forces impinging on “global cities”

1. Forces deriving from structural economic change

The new international division of labour represents one important facet of structural economic change facing cities. A related change is the dominance of the services in advanced economies and the relative (and often absolute) decline of goods production, due in part to higher wages in developed countries, in part to growing environmental controls, and in part to rapid technological change reducing employment in goods producing industries. Service activity is much less dependent on the location criteria of the industrial era. These activities are essentially “footloose” and location of services is increasingly quality of life driven since employees and managers of service firms prefer living in high quality and secure surroundings (Blomquist, *et. al.* (1988)). The physical environment is also important as an attractor of the highly skilled labour pool needed to drive service (particularly knowledge-based) industries: clean air/water, and recreational activities linked to high quality natural and built environments do matter and will likely play a larger future role in changing urban and global economies.

The move to services also suggests (and in part helps to explain) that there will be a bimodal distribution of job opportunities in developed nations typified by: higher paying managerial and professional jobs; lower paying semi- or unskilled jobs. Resulting housing demand should be bimodal, as in Hong Kong, Vancouver and Toronto where high-priced condominiums are being built simultaneously with smaller more affordable units.

Likely the greatest driver though of urban economic change is the highly open and

cyclical nature of urban economies: a key differentiator of urban and national economies. As a result of their high volatility and their openness to external shocks, cities must be highly adaptable and flexible because they cannot diversify themselves very greatly (as compared with national economies). This forces cities to be more accommodating than larger state/provincial and national economies. Their smaller scale and greater degree of openness to competition and economic forces imposes on them a discipline that is usually lacking at more senior government levels. The inability of cities and urban regions to provide large subsidies to inefficient private sector firms suggests that the private sector must be more competitive and adaptable, a point made by Jane Jacobs very powerfully in 1969 and again in 1984.

The urban public sector must also be more competitive. Urban residents are quite efficient users of urban public services. As cities are the lowest level of government, they are best able to equate marginal costs of public services (i.e., local taxes) with marginal benefits of the bundle of public goods preferred locally. In contrast, national and provincial governments have to provide public goods that span the interests of all residents in the jurisdiction. The resulting bundle becomes quite large and complex and very difficult to price properly the costs and benefits associated with each of the national state/provincial bundle's attributes.

Cities are under pressure to equate marginal costs of providing goods (prices and taxes) with marginal benefits and revenues. This pushes cities, more than larger government units, to seek, and in many cases achieve, allocational efficiency. The pressure to change, adapt and be efficient is greater than that felt by other levels of government, and represents a force that cannot be overlooked. Also, cities are the level of government with the least ability to delude citizens about the service bundle provided. They exhibit a similar inability to shield residents from external economic and political pressures that forces cities to be adaptive à la Jacobs above. This need to respond to external forces provides cities with their essential economic and evolutionary “fitness.” As Peirce, *et. al.* (1993) argue, it is time to rethink notions that cities are the tail of the global economic dog, and replace them with older city state ideas that saw the global economy as the result of *citistates* and federations and networks of *citistates*. Such a view clearly turns conventional wisdom on its head, but it has intellectual appeal and is in keeping with earlier arguments and illustrations made by Jacobs a quarter of ago.

2. Forces deriving from demographic change

In countries of the Organization for Economic Cooperation and Development (OECD), where most global cities are located, aging populations, a slowing births, and the increasing importance of international (both legal and illegal) and interregional migration are all facets of the demographic forces shaping these cities and their property markets. Accommodating new immigrants and changing tastes (both from new and existing residents) will require alterations to current development and land use regulation, leading to new land use forms and densities which are not possible at present. In emerging global cities like Bangkok, Beijing, Shanghai, Sao Paulo, Rio de Janeiro, Buenos Aires, and Mexico City, rapid population growth and youth are still the rule with large numbers of rural migrants. Thus, in both OECD global cities and those of the developing world, immigration drives population growth.

International immigration is a very important issue for global cities as they receive the greatest numbers of international immigrants and they further internationalise and connect global cities to other global cities undergoing analogous change as a result of international immigration (Heenan and Perlmutter (1978)). Global cities extend their reach because of such international immigration and stimulate more immigration given their role in the flow of global economic information, managerial decisions, and capital (Friedmann and Wolff (1982) and Friedmann (1986)). Vancouver, Los Angeles, San Francisco, Sydney and Melbourne all provide interesting and quite different examples of the extent to which international migration has helped propel them into the ranks of global cities and caused them to receive additional international immigration and thus solidify and shape their niche in the global city network.

3. Forces associated with protecting the biophysical environment

Environmental protection will profoundly affect the growth and future of all cities, but especially global cities given. Growing environmental concerns force policy decisions that do not degrade the physical environment. Policymakers will be called upon to remedy past sins, through renewed emphasis on public transportation and land use policies which decrease air and noise pollution, while protecting and expanding open spaces for public use and enjoyment.

c. Summarizing the global city urban development and policymaking context

All the foregoing factors will reinforce and exacerbate the open and cyclical nature of urban economies. Urban areas will increasingly be impacted by economic shifts occurring in other areas. These shifts will impact urban economies directly through the demand for goods and services produced locally and also through shifts in global real estate investment patterns. Migration flows, themselves not unrelated to global economic forces, will also subject urban areas to cyclical fluctuations and instabilities. International population flows are increasingly difficult to monitor and influence as recent refugee issues and family reunification policies are proving in Canada. The confluence of urban economic growth and change and demographic growth and change largely resulting from international immigration combine to subject local property markets to stresses and strains only hinted at during the real estate boom of the late 1990s. As economic and demographic pressures move around the world, global cities and their property markets can be expected to be particularly sensitive to these ebbs and flows because of their centrality in the international flow of people, capital and information.

III. Globalisation of world city property markets: Observations and caveats on volatility

a. An institutional aside on why property markets are inherently volatile

Investment capital flows unceasingly, if unevenly, into world cities responding to the forces noted above. This influx has not been without its costs though, as can be seen from the heightened volatility that has typified property markets during the past decade.

The cyclical behaviour of real estate markets needs to be treated explicitly here as the erratic behaviour of property markets interacts with the volatility of open urban economies to provide policymakers and investors alike with some real challenges for making sound policy and

investment decisions concerning world city property markets. An exploration of the dynamics of global city property markets is in order therefore, if we are to set the appropriate context for seriously considering new and more effective modes of policymaking and property investing in our global economy.

Real estate, as students in introductory courses are taught, has some unique and defining traits that differentiate it from other assets (Wurtzebach and Miles (1994)). It is durable. Thus, the supply of real estate includes this year's production and also the standing stock that has accumulated over decades or centuries. It is highly regulated. Thus, producing new buildings takes time. Real estate production is capital intensive and heavily reliant on the availability of highly debt financing both for developers of real estate and for purchasers. Finally, the demand for real estate is not only a function of the volatile availability of capital noted below, but also of the demand fluctuations brought on by the ups and downs of the local and open urban economy discussed previously.

These features when taken together suggest that real property markets will be highly cyclical in their traditional localized setting. The long production time means that there are significant leads and lags in the property market that create volatility. Periodic spurts in demand resulting from good economic times and the availability of capital to both producers and purchasers of real estate combine with the lags resulting from regulation and long production times and imply that it takes several years before an observed increase in demand can be translated into increased supplies. During this construction period prices continue to rise encouraging more supply to be started. Several years of active building ensue and supplies begin to rise, and keep rising, even after the initial demand spurt has been met, leading to oversupply and falling prices and a downturn in the property cycle. This is worsened considerably by the already noted close and highly sensitive link to monetary policy and urban economic cycles.

b. Real estate cycles and world cities: Vulnerability through connectedness

The foregoing dynamic and causal chain has been documented too frequently in too many cities around the world to list here. The real estate cycle in its purely local traditional form has perplexed and challenged lenders, developers, and local planners and policymakers for a very long time. Placing property markets in a global context does nothing to reduce the volatility of these once purely local markets and their cycles. As argued below, globalising property markets is likely to make them considerably more volatile and heighten the already substantial challenge of managing them.

It is vital therefore that we understand some of the sources of this added volatility if we are to manage effectively global city property markets in their global context. Much of the increased volatility facing world city real estate derives from the same forces that have made financial markets so much more unpredictable than previously. This should be no surprise since the fluctuating flow of international capital is itself one of the causes of real estate market instability. Modern telecommunications and computing technology enable information to move unrestricted across the globe at electronic speeds and financial capital to flow in response to this

information also at electronic speeds. The technology of financial instrument design has also added to market instability by creating highly specialized new instruments whose markets are extremely sensitive not only to underlying information from the real sector, but also to financial information, creating positive feedback loops that aggravate market volatility so that financial flows are affected by information about these same financial flows.

Deregulation of financial institutions and the removal of international barriers to financial flows has greatly aided the flow of financial capital. It has also removed a former buffer, greatly speeding the responsiveness of national capital markets. The benefits of these near instantaneous financial market reactions are improved market efficiency and enormous increases in the volumes of transactions that can be handled. Capital can move anywhere to find its highest risk-return use. Real estate markets benefit from this improved efficiency of global capital markets because they can now obtain needed equity and debt financing from a much wider global market than having to rely on local or national sources.

The benefits however, are not without costs: volatility and vulnerability. Connecting local property markets, especially those in world cities, to global information networks and capital markets, can move capital in vast quantities around the world and into (and out of) world city property markets, heightening property market peaks and deepening slumps in the process. Daly (1982) noted this in Sydney twenty years ago. Through global integration of urban property markets, local enclaves are tied to the global economic system for good and bad. Restoring resilience, flexibility and longer-term stability to the global system is one of the principal tasks facing global city policymakers in both the public and private sectors.

IV. Vancouver: an emerging world city facing prototypical issues in the global economy

Vancouver, British Columbia provides an example of an emerging world city grappling with ways to transform itself, and manage this transformation, from a western Canadian centre to a Pacific Rim world city. Vancouver's efforts, and the challenges that it has encountered along the way, are reviewed here as they are likely instructive for urban policymakers who find that they too must govern and make decisions in the context of the global economic reality and of the network of global/world cities within which they must function in order to prosper. It is particularly useful to spend a bit of time below looking at Vancouver's much publicized property market and how the market and policymakers have dealt with becoming international.

a. Vancouver in an international context as an emerging international city

Vancouver, 135 miles north of Seattle, Washington is a metropolitan area of slightly more than 1.5 million people. It is a surprisingly international city for its size. Its global worldview is instructive because of its success in attracting global investment, tourism and i and busiest international airport on the Pacific Coast, for example, handling 3 times as many international passengers as does Seattle-Tacoma Airport, despite being only two-thirds Sea-Tac's total passenger volume.

There are 18 foreign bank ranches in Vancouver with an additional 2 foreign bank

representative offices. Foreign securities dealers also have 6 branches in the city, while with 8 leading global investment managers also have branches in Vancouver. Additionally, a total of 16 foreign language newspapers are published in the Vancouver region consistent with the presence of 45 foreign consulates.

Foreign language speakers are also a commonplace. For example, more than 50% of Vancouver public school children have English as a second language (ESL). There is a 3-year wait for French immersion programs (the longest wait in Canada) and the highest participation rate of any English-speaking province. Moreover, secondary school students now take Japanese or Mandarin for graduation purposes. Such openness to foreign languages is really quite in keeping with the ethnic *mélange* that is the Vancouver regional population. Early post World War II immigrants came largely from Western Europe. There are some 130,000 people of German ancestry. There are roughly 80,000 people of Dutch and Greek ancestry, with some 60,000 Italians and 40,000 Portuguese next, followed by several thousand each of Yugoslavs, Danes, and Swiss. Since 1970, there has been a dramatic shift to Asian immigration led by ethnic Chinese from Hong Kong and secondarily Singapore and Malaysia. In the 1990s, Taiwan and the People's Republic of China were at the top of the list of source countries for immigrants so that there are roughly 400,000 people of Chinese ancestry in the province with some 300,000 of these living in the Greater Vancouver region. There is a large Indian community in excess of 150,000 people, of which 75% are Sikhs from the Punjab. There are also some 50,000 ethnic Koreans and 30,000 ethnic Japanese mostly third and fourth generation Canadians, with some 10,000 Japanese business people and their families.

Given such a diverse population, and a location mid-way between Europe and Asia, it is not surprising that more than a dozen foreign business associations are active in Vancouver. In fact, the second largest business group in the province is the Hong Kong Canada Business Association with nearly 1000 members, second only to the Vancouver Board of Trade.

Lastly, Vancouver is home to provincially sponsored initiatives designed to promote international finance (the International Financial Centre), international shipping (the International Maritime Centre), and international commercial arbitration (the International Commercial Arbitration Centre) in the region. All have been successful in attracting new international business activity to Vancouver, which broadens its economic base and its range of international customers. Vancouver also houses the federally chartered Asia Pacific Foundation patterned after the Asia Society in the U.S. These activities have been the result of federal, provincial and urban/regional policy initiatives directly aimed at expanding the international scope of Vancouver's economy so that the city is truly a global city, and an important link in the growing network of Pacific Rim managerial and financial centres. Finally, the Vancouver International Airport Authority was created in 1992 as a local operating authority, which rents the airport (identifying code letters YVR) from the federal government that owns all airports in Canada. Under its new more independent management structure, YVR is working to greatly expand the airport facilities and improve existing ones to bring the entire airport infrastructure up to the highest international standards so that YVR can become the principal gateway between Asia and North America. The May 1995 "Open Skies Treaty" greatly expanded cross-border

travel and has made YVR a trans-Pacific hub, exceeded only by Los Angeles now, and a powerful building block for global city status and functioning (Goldberg (2000) and (2001)).

b. Local, provincial and federal actions aiding Vancouver emerge as a global city

Such internationalism as illustrated above is the result of conscious actions both by governments and the private sector. The British Columbia economy is highly reliant on international trade (nearly 40% of provincial income derives from trade), with the U.S. accounting for just under 80% of exports today, with Asia another 15% and Europe 5%. Tourism is now well ahead of mining as the province's number two industry. Vancouver hotel occupancy topped North America in 1992, 1993 and 1994, and is still among the highest.

The British Columbia provincial economy has historically been resource-based and highly cyclical. Vancouver, as the province's principal city, has similarly experienced its booms and busts. In order to broaden the province's and city's economic base, a number of initiatives have been set in motion to try to expand the service sector, particularly related to such internationally traded services as finance, tourism, and health and education. There are several key elements involved in the strategy to make Vancouver a major Asia Pacific urban centre. To begin, in late 1970s the City of Vancouver formed the Vancouver Economic Advisory Commission (VEAC) to help develop an economic strategy for the city. The strategy evolved through a series of public meetings and several drafts to the point where it was formally adopted by the City of Vancouver in 1983. It sought to build on the region's strengths in retail, business and public services to British Columbia and Western Canada (Vancouver Economic Advisory Commission, various years).

At the same time that the City of Vancouver had unveiled its strategy, the province was building EXPO '86 and doing post EXPO planning. A primary provincial concern was developing an international financial services centre in Vancouver, building on the Vancouver Stock Exchange, the several university business schools in the region, the existing regional financial infrastructure, and the absence of any history of exchange controls or freezing of foreign assets in Canada. This combined with excellent airline access to Asia and Europe (subsequently improved considerably), moderate living and office costs, good accounting and consulting support services, and a high quality physical environment to suggest that the idea was worth pursuing further. Thus, in 1986 the province created "IFC Vancouver" to promote Vancouver as an international financial centre and build on the following federal activities.

In February 1986 the governments of Canada and British Columbia signed a "Memorandum of Understanding" (MOU) to establish Vancouver as a "Pacific Rim centre for development, and to implementation, so to achieve the MOUs objectives (Asia Pacific Initiative (1988)). Also in the February 1986 federal budget Vancouver and Montreal were designated as "International Banking Centres" where financial institutions could make offshore loans with offshore deposits and free of Canadian income tax. This federal measure was by complemented legislation in British Columbia to exempt a broader range of international financial transactions

from provincial tax further spurring international financial business in Vancouver (Ministry of Finance and Corporate Relations (1987)). The provincial measures passed in October 1988 and created IFC Vancouver, a provincially sponsored agency to foster Vancouver as an international financial centre (Goldberg (1990)).

These conscious attempts to internationalise Vancouver's economy and population have been successful in positioning Vancouver globally. This success has not been without actual and perceived costs, virtually all of which related to housing issues. As a result, Vancouver provides a useful example of the need for urban housing and development policy to consider the global context when making local housing policy (Goldberg and Edgington (1992)).

c. Vancouver's globalised property market: The cycle of the late 1980s

1. Asia Pacific migration and investment: its local impacts

a. Employment

Paralleling government efforts to attract East Asian immigration and investment to move Vancouver into world city networks, concern emerged in the late 1980s, during a modest housing boom, that immigration and investment were driving up housing prices and destroying traditional neighbourhoods. Vancouver was changing and local citizens had little control over what was happening: really a core issue for managing a world city in a global economy. This sense of loss of control to international forces was manifest in Vancouver's housing market: Asian money and migration were blamed for rising house prices. Average prices for single detached homes in Vancouver's desirable west-side rose from about C\$250,000 to C\$350,000 in 1987-1988 (City of Vancouver Planning Department (1989)).

Analyses of this tight housing situation in metropolitan Vancouver have pointed not to overseas immigration *per se*, but to a more general mismatch between the demand for and supply of housing units (Baxter (1989), Schwann (1989)). Apart from Asian migration and investment, the strong demand for housing was a result of both the general attractiveness of Vancouver as a place to live and the relative prosperity of the local job market (City of Vancouver Planning Department (1989)). Thus in 1988, net migration to B.C. was estimated to be 46,580 people, an increase of about 45 per cent over 1987 and the largest population increase since the 1940s. In particular, net inter-provincial migration from the rest of Canada rose sharply in 1988 (up by 53 per cent), after five years of overall decline consequent to the recession of the early 1980s, whereas net international migration increased by only 32.5 per cent in the same period (Schwann (1989)).

Compared to the high levels of housing demand, only about 6,000 additional single-family units were needed. The policy implications of these studies are clear: with or without in-migration, demand for well located housing in Vancouver will grow, placing pressure on prices, unless the supply of units keeps pace. This will mean increased densities in highly accessible existing suburbs as well as in new developments in more distant suburban locations.

The belief lingered for several years of a direct link between overseas investment and local housing prices. This was heightened by price increases and redevelopment pressures which occurred in areas favoured by Hong Kong affluent migrants (e.g., Vancouver's west side). Education was tied to clustering of Asian migrants given their penchant for quality schools. In some of the best primary or secondary schools ethnic Chinese are in the majority.

Throughout 1989 demand increased for City Council to downzone parts of the city subject to strong redevelopment pressure. This was resisted, but in recognising the local community's apprehension and reluctance to accept rapid rates of change, the Council introduced demolition controls contingent upon six months notice being given to tenants, or their relocation to another property, thus hoping to slow the demolition-rebuilding cycle in particular neighbourhoods. With 11 years hindsight neither the provincial nor city government has shown any enthusiasm for controls on real estate which may adversely affect the flows of investment to Vancouver from the Asia Pacific region. In the longer term it is already apparent that many investors and immigrants from Asia (and elsewhere) are shifting their investments from "passive" real estate acquisitions into new development and going beyond real estate into sectors such as garment and other light manufacturing, food processing, and trading, all of which fit better the strategic economic objectives described earlier.

Also since the beginning of the 1990s, housing demand and supply have balanced and prices are stable. There has been little if any talk of Asians making housing unaffordable. Rather, there seems to be a growing and surprisingly widespread understanding of the roles that immigrants from Asia are playing in plugging Vancouver into the global city network, helping the urban economy restructure, and allowing the provincial economy to skirt the late 1980s recession that plagued North America. In short, Vancouver is exhibiting many of those key characteristics that Heenan (1977) cited as concomitants of success for the global city.

2. Vancouver: The Metaphor

Vancouver is a Pacific Rim city still undergoing profound change. The city is moving from a regional centre built on a natural resources to an international city built on its location and high quality living environment. Recent demographic change associated with Asian immigration is more modest than the economic change. Immigration patterns really continue those established long ago. The economic shifts are new. It is the rapid shift into uncharted e g itself in changed land uses (e.g. luxury high rise condos and deluxe Asian hotels) and in higher residential and office densities. These physical manifestations catch the public eye and ire, while underlying economic changes and opportunities elude the public view.

Vancouver is still changing rapidly, which is stressful. People want to understand their world, and Asian migration and investment can be a (scapegoat) explanation. More helpful is understanding structural and global change and working with people to see how change can provide opportunities and not just losses. This is ultimately what Vancouver seems to have done and is now sharing with the world: How a city can cope with economic and demographic change

while becoming a new prototype: A North American Pacific Rim global city (Edgington and Goldberg (1992), and Goldberg (1998)). Flexible property institutions helped.

V. Policy issues and flexible institutional responses for global cities when they are both determinants and outcomes of globalisation

Vancouver illustrates nicely the central point being made in this paper: as a city moves into the league of global cities, both the public and private sectors must review their strategies for doing business, since both are affected by economic and investment decisions made in other countries and other global cities, particularly decisions dealing with real estate investment and the future of the global city's real estate markets. Because of their network connections and resultant information, capital and population flows, global cities can take advantage of opportunities not available to other urban areas. Their external connectedness forces them to be open and flexible to possibilities for economic and physical growth and development that would not normally confront small-unconnected cities. This connectedness also implies volatility, and therefore a need to absorb sometimes-volatile change in ways that others, would once again not have to handle.

Additionally, internal connectedness and the agglomeration economies they can bestow need to be carefully considered and cultivated. This internal and external connectedness need to be explicitly recognized and developed accommodated in a balanced manner simultaneously. After all, one of the great economic strengths and secrets of cities lies in their ability to provide external economies of scale and scope through clustering and infrastructure provision. Yet these very economies can be so successful as to generate congestion, pollution, and ultimately diseconomies. Thus, urban regions must manage their agglomeration assets carefully, and be particularly mindful of the property market development institutions (such as flexible and appropriate zoning controls) and infrastructure investments that created these agglomeration assets and external economies in the first place.

Elsewhere, the author has addressed broader issues of strategy making for cities in the global economy in considerable detail (Goldberg (2000)). There the emphasis was on strategy making *per se* and building the appropriate strategy processes and ideas be successful in the highly competitive global economy. Here the focus is narrower, being on property market and urban development institutions and infrastructure and their roles in enhancing or maintaining the competitiveness of cities in the global era. Accordingly, the policy ideas considered here can all be seen as approaches to dealing with the need for global cities to craft property market institutions that are more flexible, adaptive, and resilient.

a. Need for land use and real estate development policy flexibility

Given the foregoing, it is necessary to develop more flexible land use, housing and real estate development policies, which can absorb the changes likely facing global city policymakers in future. Changes in tastes, in technology, and in global and national economic, political and cultural forces will have to be taken into account and dealt with successfully by urban policies. As cities become better plugged into the global economy, they will need housing and land use

policies that are capable of satisfying the increasingly diverse tastes of the international populations that will come to settle within their boundaries.

1. The Stock of Real Property

Of special note is that buildings are durable and capable of providing useful housing and commercial services for decades, if not centuries. They must be upgraded, modified and adapted continuously to meet changing tastes and requirements of the global economy. New stock also needs to be built that is better suited to the diverse needs of an increasingly global real estate market. This implies developing new housing and commercial (office, industrial and retail) forms, and being able to modify existing housing, offices, retail and industrial buildings capable of catering to changing demographics, economic needs, and tastes.

2. Land use controls and densities

The changes and pressures above necessitate new ways to regulate land use and a willingness to accept higher land use densities through better planning and design. There is a much greater need to coordinate land use and infrastructure policies, both for “hard services” (such as roads, mass transit, water and sewers, and energy) and “soft services” (such as education and recreation). National and state/provincial governments also need to be linked since the higher levels of government often make policies with major implications for the global cities in their midst (e.g., immigration and trade policy).

3. Transportation infrastructure and real estate development policy

Transportation is the most critical of all of the infrastructure services: it virtually complements land use perfectly. Transportation must be seen as a critical tool of land use and development policy and vice versa. Hong Kong's MTR used dense housing and commercial development near MTR stations so the transit system could attract the capital and customers it needed. Transport investments and policies need a diversity of modes and a much denser set of connections among nodes to foster developing innovative and diverse real estate opportunities.

There is also a need to equate the marginal costs and marginal benefits of urban housing development. Thus, governments should consider shifting marginal costs onto the private sector through proper pricing of land use controls and development permits. The Lions Gate Bridge connecting Vancouver and its northern suburb West Vancouver is a fine example. The Bridge was completed in 1938 by the Guinness family to open up large tracts of land the family owned in West Vancouver. They built the bridge and developed one of Canada's most prestigious residential areas: British Properties. The Lions Gate Bridge principle can be expanded, namely that the private sector given suitable incentives (e.g. development rights) can provide both property and transportation infrastructure in an integrated way so that the housing and transportation needs of urban areas can be met efficiently and in a coordinated way without having to draw solely on scarce public funds. Public-private partnerships (P3s) are doing this now frequently and very effectively (Province of British Columbia (1996)).

In our present global framework external transportation infrastructure such as gateway ports and airports linking the urban region with the world must be also be seen strategically. The

foregoing marginal benefit and cost principles still hold with the caveat that the benefits can extend well beyond the gateway city to its region and nation. There is also a critical need to integrate these gateway ports and airports with local land use and development policy because of their immense influence on the future shape of the urban region and its economy.

4. Public attitudes to cope with change

Perhaps the biggest change required of urban policy analysts and decision-makers will be their own attitudes and those of the public. There will be a much greater need for open mindedness with a willingness to entertain and implement wider ranges of housing and urban development policies than in the past. The public and its policymakers will have to be more aware of the systemic and societal consequences of local actions (for example, the Not In My Backyard (NIMBY) phenomenon) and be more willing to share the burden locally of needed systemic developments such as innovative and denser housing and transportation modes catering to a greater diversity of residents, and denser commercial and industrial real estate development. The global city will need to supply all forms of residential and commercial-industrial property in adequate quantities to keep prices globally competitive so that it can lure successfully the residents and jobs it will require to remain a global city.

b. Policies for local/regional and state/provincial governments

Each of the policies presented argues for greater cooperation between the public and private sectors, and greater understanding of market forces and willingness to work with them.

1. Public-private cooperation

Public-private joint housing ventures should increasingly be sought where the public could contribute density or land use change bonuses, public land, fast track and simplified approvals processes, reductions in development cost or impost charges. On its part, the private sector could contribute its capital, development, marketing and management expertise. Residential and commercial density should be bonused for desired public goods. In particular, bonuses could be granted for creating social, rental and special needs housing and could be tied to fast track and simpler approval processes and reduced development charges. Other bonused or specially approved works might include public open space and art, and public recreational facilities and formal P3 agreements to provide both housing and support activities on contract.

2. Contractually link bonuses and public goods

The public should contractually link density bonuses and fast housing development approvals to the provision of desired public goods (e.g. social, rental and family housing; parks and open-space; schools and community centres). A bond could ensure that the developer's obligations will be met. This would replace present growth controls and regulation which limit development and the public goods developers can provide.

3. Re-examine land use contract prototype from British Columbia

More than 20 years ago the province of British Columbia pioneered a land use planning device called a "land use contract (LUC)." LUCs were essentially spot zonings municipalities

sold to developers. Municipalities agreed to certain uses, densities and approval schedules, and developers agreed to an array of public goods ranging from schools and community centres to road improvements. LUCs were flexible and administratively viable. Sadly, early excesses and bureaucratic abuse by municipalities led to their ban from the B.C. Municipal Act in 1977. After their demise developers realized what they had lost. The idea was well suited to the housing and development needs of a changing and growing region. LUCs in some form need revisiting to help finance the growing public need for roads, bridges and even transit, and more local infrastructure (community centres, parks, schools, public art and social housing).

4. Local governments should promote cyclical overbuilding

Local councils might actively encourage periodic overbuilding of housing during market upswings. Such consciously cyclical housing policies can help reduce pressure on local housing markets and provide ample supplies of diverse housing. Once again such an approach stands in marked contrast to present growth control and supply limiting regulatory policies. However, global cities will require substantial buffer stocks of housing especially, but also of office and industrial space, to respond to periodic spurts in demand that arise from their global connectivity. There is a downside as such policies can limit capital appreciation of housing assets and run the risk of incurring the wrath of local homeowners as Mr. Tung has done in Hong Kong recently with a similar policy (Crowell and Chung (2000)). It is still worth trying.

5. Use periodic oversupply for public benefit

Periodic housing oversupply conditions provide the public and non-profit sectors with opportunities to purchase and/or finance housing purchase for (or by) low-income households counter cyclically. This would work with market forces to achieve publicly ends in contrast to present crisis-based procyclical panic policies that build in tight markets at the cycle peaks when it is most costly and hard to do. It can boost prices and values, gaining public support.

6. Density is key to real estate affordability and urban economic viability

With limited supplies of serviced, well located, and properly zoned land, it is imperative that better use be made of these scarce urban resources. Much greater efforts need to be expended by all levels of government to educate the public about the virtues of density. Governments also need to take a much more proactive stance in developing high quality denser living and work environments so that the public comes to see well designed denser housing and offices as providing new residential and work opportunities that do not exist today. I am not suggesting Hong Kong densities, just higher densities than those that exist in the global cities today. Greater density allows the land used in housing development to drop by functionally expanding the supply of land available. Density increases need to be systemic and not limited to small areas since it is only through large-scale broadly based density increases that significant increases in potential housing supplies can be achieved to reduce the price of building rights and the cost of housing. They also must be closely tied to transport investment.

7. Transportation and land use integration is essential

Excellent transportation is critical for building competitive cities. Without adequate

transportation investment it will be difficult to develop new outlying residential and commercial areas. Without public mass transportation urban air and water quality are likely to deteriorate rapidly. Finally, without careful coordination of urban transportation and land use policy, costly transportation improvements may find themselves facing inadequate demand. Lacking increased land development and density near public mass transit, leads to low levels of potential rider ship resulting from increased sprawl and low demand density as is currently the case in Vancouver and other west coast cities (Goldberg (1999)).

This last point is vital. Transportation and land use policy go hand in hand and imply greater densities. Transportation and land use are complementary. More fundamentally they can be substitutes to deal with issues facing each other. Complementarity implies that not only will transportation and land use development reinforce each other, but also that each can be used to support policies originating in the other. Two decades ago the Toronto Transit Commission observed that its Yonge Street Subway line was at capacity inbound in the morning and outbound in the evening while reverse travel was under utilised. The TTC solution to its capacity constraint (a transportation problem) was to encourage office employment in North York to promote counter flows to use this excess capacity. This was achieved by working with North York municipality to rezone the present North York office corridor and by putting in an additional station between Finch and Lawrence. Regrettably, this is one of the few instances where land development was explicitly used to treat a transportation issue.

At the other end of the spectrum, failure to account for land use and transportation interactions can have serious negative impacts. The RAND Corporation found in a 1973 study of St. Louis (Enns and de Leon (1973)), that freeways were mainly responsible for central city decline, as freeways robbed the central city of its primary attribute: centrality. Freeways also had the effect of greatly increasing the supply of readily accessible land in the metropolitan area, driving down prices in the central city and setting in motion a series of highly negative expectations about land prices which led to disinvestment and heightened decline in the core.

Finally, the positive and reinforcing impacts of transportation investment can be readily used by the public sector to finance the transportation improvement and thus help to realize the benefits of the investment at little or no public cost. The Hong Kong Mass Transit Railway (MTR) development was paid for by being able to extract the increase in land values created by the improved accessibility due to the MTR. There was actually a two-way impact: MTR made density possible, and density paid for MTR. The positive impacts of MTR on housing opportunities are particularly noteworthy since MTR made possible building massive housing estates directly on top of or in very close proximity to its stations. The key was providing high densities. The resulting affordable AND accessible housing provide an excellent model to be emulated elsewhere by housing policymakers desiring to create large increments to housing supply that are also located where low and middle income households can readily purchase them. Thus, MTR and its associated housing and land development policies are a powerful example of the virtues of linking transportation investment, land use and urban housing policy.

c. Possible national government roles in urban policy in the global setting

National governments will need to be more proactive in monitoring and influencing local and regional property markets. Their most important role will be to provide systemic and contextual overviews of these local markets that no local or regional agency can provide.

1. Monitoring local and regional property supplies

To overcome the NIMBY fallacy of composition, it is imperative that a higher-level perspective be provided so that the systemic consequences of local actions can be ascertained. By monitoring local housing and property markets, and aggregating local supply potential, the national government can help local policy avoid the outcomes of NIMBY where the actions of local areas can aggregate to yield significant negative consequences for the global city region.

The NIMBY phenomenon can be pernicious as it is often tied to issues of density and transit investment. When local entities argue against higher density housing and commercial development in their area, the effects can impact the entire urban region and even the nation. It may appear rational for a neighbourhood to argue for demolition control and downzoning to try to preserve lower cost older rental housing. But, such policies usually wind up having the reverse effect when aggregated with similar policies and NIMBY demands from other areas. There is thus, an unintended, undesirable and counterproductive link between neighbourhood decisions and larger urban and regional housing issues such as periodic housing and transport shortages. The harmful effects can be particularly notable when considering the need to be globally competitive by providing ample and appropriate stocks of real property and transport.

Sydney, Australia in the late 1980s is a striking example of NIMBY at work. Local areas in Sydney consistently fought housing and office development with obvious adverse affects on the supply of both in a period of rapid growth. The state government removed the local councils and replaced them with an appointed triumvirate. The state argued that the Sydney economy was just too important state-wide and nationally to have it held captive by parochial local interests. The state broke the fallacy of composition by imposing broader state and national needs on top of the localized interests (Laurence (1987); and Simper (1987)).

NIMBY policies to limit demolition and curtail new housing development in the name of affordability and liveability can have the reverse effect by lowering potential supply, raising housing prices and thus lowering liveability in a metropolitan region. Not only can such actions lead to less affordable housing, but they can also have negative impacts on the job market as national and international firms by-pass the region because of its limited and costly housing. Growth control advocates should be wary of the larger negative regional consequences of their local actions. In their bid to improve living quality, they may in the aggregate lead to restrictions in housing supply and higher prices, which make the area less liveable (price clearly being an important determinant of liveability and quality of life).

NIMBY fallacies of composition can be overcome. It requires commitment from senior governments who must take positive action as Sydney showed. Unicity Winnipeg is a Canadian

case where 16 local governments were abolished thirty years ago to create a unified urban region. Lastly, 5 Toronto municipalities were merged in 1998 to form one vast city.

2. Make housing and infrastructure assistance available counter cyclically

National social housing funds should be offered counter cyclically to encourage purchase of excess units when the market is glutted, prices are moderate, and public pressure for action is minimal. The same is true for infrastructure, which should be built when there is slack in construction. This contrasts with present, and costly, procyclical approaches. Furthermore a range of local counter cyclical federal decentralization activities would nicely complement local procyclical forces such as NIMBY growth control efforts. Such locally market cycle sensitive federal policies could greatly help to stabilize urban economies.

3. Document local property effects of national policies

National governments almost routinely embark upon seemingly aspatial national policies (such as defence and energy development), which in fact have enormous and highly localized (spatial) impacts on local property markets. In such cases national measures are needed to mitigate adverse price and availability consequences of these policies. The impacts of national immigration policy needs to be singled out given the disproportional impacts of immigration on global cities and because of our concern here with policy issues arising from the new global context within which cities, especially world cities operate.

4. Craft incentives and penalties to counter NIMBYs

Servicing or density grants or bonuses should be considered to help local governments to deal with growing infrastructure expansion and replacement. In return, density increases and more flexible land use controls would follow which could reduce NIMBY pressures by stemming the need for higher local taxes. Local residents might be more willing to accept actual or perceived local pain associated with higher residential densities and innovative land uses in return for senior government infrastructure aid. Local groups seldom see the link between their NIMBY actions and systemic responses. By letting local citizens face the trade-off of lower taxes (for infrastructure upgrading) in return for higher densities, the decision goes back where it belongs on the local taxpayer. This will be particularly noticeable in the critical transportation area where local and even provincial governments find it increasingly difficult to fund needed massive in public transportation and road improvements. The national government can readily tie cost-sharing arrangements to land use plans and densities to ensure the viability of the public transportation investment. Infrastructure spending in general might be linked to more flexible controls and denser land uses.

More frequent use of surplus or marginally used national government lands could be considered as part of the P3 activities cited above. The national government could become a joint venture partner by offering its land on the condition that the local global city government rezone to higher residential densities and/or innovative housing opportunities. Again, linking a benefit (national lands for local use) and local actual or perceived pain (rezoning) needs to be done so local residents appreciate their NIMBY stances incur costs (the loss of national lands).

On a more draconian note, a set of penalties might be sought. Links might be made between continuing national grants to local and provincial governments on the condition that reductions occur in NIMBY based local land use policies. The national government might also restrict decentralization of national government employment or decision making to communities willing to maintain adequate supplies of diverse housing through flexible land use controls and urban development policies, and withdraw these benefits from communities unwilling to do so.

d. Growing vulnerability of cities in the connected global environment

There is no need to repeat the earlier discussion here only about growing vulnerability through connectedness. We do need to remind policymakers that this vulnerability is a new element in the urban policy that needs to be dealt with in future. It may also be necessary to seek buffers that decouple somewhat the global city from the global system to provide it with greater stability and lessen the vulnerability to transmitted global shocks. Creating buffer stocks of real property could help here as might analogous buffer stocks of appropriately zoned neighbourhoods and better linking of transportation investment with these zoning decisions.

VI. Conclusions

a. Flexibility is needed to absorb changes in tastes, technology, and global and national economic, political and cultural forces, in the following areas

Urban housing and development policies and related land use controls and transport investments can no longer be carried out as they have been in the past. The setting in which these policies must be made and implemented has simply changed too dramatically. Urban and housing policy must address two powerful simultaneous, and often conflicting forces.

First, the macro policy environment spans regional and national economic, political and social forces, and is increasingly international (witness the Asian crisis and its urban impacts). Globalisation of financial and property markets suggests that urban housing policymakers must heed global capital and information flows and global economic and political factors in policy making. Macro changes in demographics and tastes require new, more varied denser forms of housing and urban development institutional flexibility able to deal with such changes.

Second, simultaneous with the macro pressures on urban development policy there are growing local pressures reflecting the narrowest highly localized neighbourhood and citizen group interests. This NIMBY syndrome flies in the face of the growing global reality. It is also likely self-defeating since the larger systemic consequences of NIMBY actions often aggregate to create the reverse of the locally intended result.

Thus, whether housing and urban development policy and institutions are local, regional, provincial-state or national they will have to accommodate and build upon these conflicting pressures. Central to the formation of effective urban housing and land development institutions is an understanding of system-wide consequences of local actions. Policymakers must be cognizant of the inconsistency between local actions and desired outcomes. The burden will fall

largely on senior governments; the states or provinces and the national government, to overcome the fallacies of composition brought on by NIMBY based local policies. Only senior governments have the needed systemic overview and policy tools to challenge and overcome the negative effects of NIMBY.

b. Closing the loop and thinking globally again

In the global city there is a need to understand and monitor the nature of global forces.

1. Monitor flows of property and capital investment at the global city level

Specifically, there will be the need to monitor global property and investment flows, perhaps on a worldwide basis through such global agencies as the World Bank and/or the International Monetary Fund. There will certainly be the need to understand the magnitude and sources of these funds flows at the global city level, as the Asian crisis made apparent.

2. Maintain global competitiveness

See cities as key actors in today's highly competitive global economic environment suggest that cities must be competitive if they are to survive, let alone prosper. Competitiveness will be achieved and maintained by acting vigorously in those areas that are the purview of the global city. First, high quality infrastructure must be in place and maintained to a high standard. Second, maintenance of living quality will be of growing importance as the most profitable and important economic activities are so-called knowledge-based and require skilled knowledge workers who are very footloose and seek high quality living and work environments. Thus, heightened liveability can attract profitable economic activities and talented and energetic people who will be able to pay for the additional public goods that maintain and enhance the liveability of the global city's living and work environment. In the final analysis, liveability (including affordability of housing and office space) may well be ultimate competitive weapon for global cities in the future.

3. Recognize the need to maintain a balance between taxes and the quality and supply of public goods and services

Governments can and do play a centrally important role in competitiveness. By providing needed social and physical infrastructure (education, health care, parks, streets, etc.) governments present the global city with a powerful ability to attract and retain people and economic activities that can compete globally. Governments must be aware of their capacity to enhance their own global competitiveness through providing high quality services at reasonable and stable prices (i.e., taxes). This balance between taxes and services must be front and centre if global cities are to remain competitive in the future.

4. Raising competitiveness to the highest policy priority for global cities

Traditionally, urban policymakers, even in the world's leading urban centres, have focussed their attention on local issues of land use regulation, education, parks and recreation, and on the provision of hard engineering and infrastructure services. They have usually seen these issues as being local and unrelated to global competitiveness of their urban region. Now

and in future, world city policy analysts and decision-makers will have to see these and the entire panoply of issues addressed above in a broader context of global competitiveness.

Competitiveness, particularly in a global setting, will have to be one of the principal strategic objectives of urban policy and be front and centre in the planning and delivery of public services and the design of urban governance institutions, especially those relating to property.

c. The Punch line: Cities are at the fore of the global economy

Cities can, and must, be designers of their destiny. Global city policymakers need to see that as the global city adapts to, and in the process changes, the network of global cities, the global economy will change well since it is largely based in and built upon global cities (Peirce, *et. al.*, (1993)). The proactive strategic city will be the prosperous city, and to prosper in the 21st century, a city will unavoidably have to be global in outlook, planning, and outreach (Knight (1989b); Gappert (1989)). In this vein Peirce *et. al.*, (1993) note:

"Citistates that hope to prosper in the international economy need to plan as carefully as the smartest corporations. They need to decide what they're good at and seize their comparative advantages. They have to keep on strategizing to stay afloat in the volatile global economy." (Peirce, et. al. (1993), p. 292).

Jean Gottmann (1989) talked about the "delocalised" city to connote much of what we have discussing here dealing with the connectedness of global cities to the world economy and to each other. This raises a useful paradox: a "delocalised" city is really a more independent entity, freed up to be proactive and international and no longer tied solely to the whims of its national and state/provincial policies. Instead we see evolving rapidly the global city, where dependence and independence are inseparable (Knight (1989a)).

Elkins (1995) in his seminal work on nation-states and territoriality, noted something very similar about the role of cities in the face of territorial decline of nation-states:

"Just to be fair, in the long run the cities may have lost the battle [for dominion over nations] but won the war. As they were subordinated politically to state functions, they became even more economically essential to nations because of the 'crossroads' status, their value to hinterlands, and the vast reservoir of voters (when voting became common) attached to them." (Elkins (1995), pp. 49-50)).

Going with the flow (more and more an information, capital and population flow) will be the order of the day, the decade, and the century. The helpless hapless city is dead: long live the strategic global city.

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