



UK 2017 VITALITY INDEX

THE DEFINITIVE HEALTH CHECK
ON THE UK'S MAJOR TOWNS
AND CITIES.

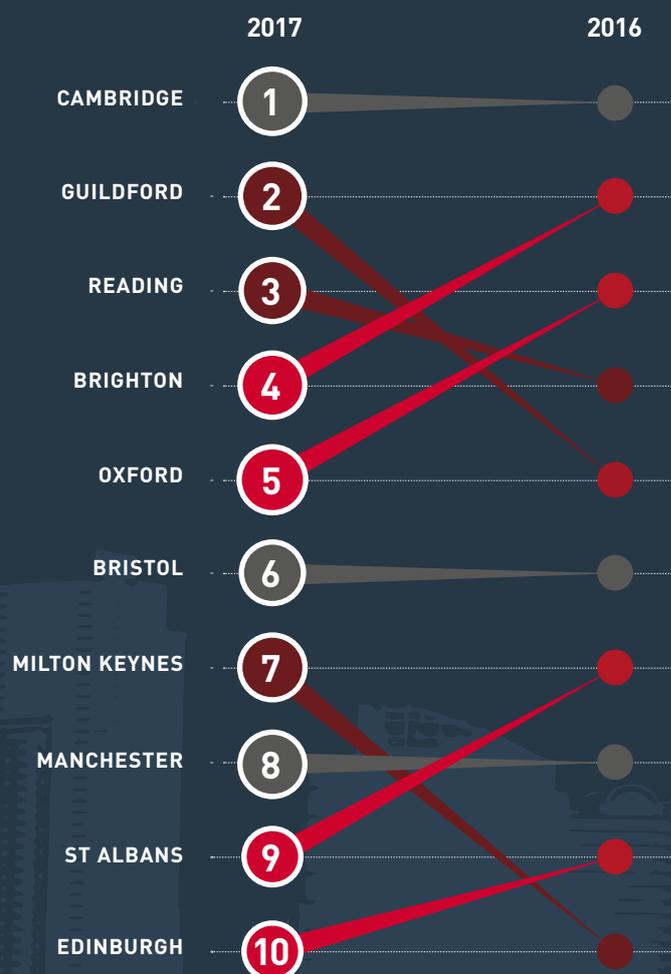
Welcome to the 2017 Vitality Index, our fourth annual assessment on the health of the UK's 65 largest towns and cities outside London.

The Index utilises 20 datasets to identify which towns and cities are best placed to support growth and provide opportunities for businesses to expand.

In spite of last summer's vote for Brexit, the overall health of the majority of the UK's major towns and cities has improved in absolute terms since last year. However, with the result of the vote leading to increased uncertainty in the macro economic outlook, which towns and cities will be most resilient and provide the prospects for growth in 2017?

Headline results

THE TOP 10: 2017 vs 2016



CAMBRIDGE is the top ranked location for the second year running.



ABERDEEN
BIGGEST
FALLER



**BIGGEST
RISER**
MACCLESFIELD



BRISTOL
In sixth place, Bristol is the highest ranked of the UK's major core cities.



EDINBURGH & MANCHESTER are the only top-ten locations outside the UK's southern regions



THE SOUTH EAST REGION is home to five of the top ten towns and cities; Guildford, Reading, Brighton, Oxford and Milton Keynes.



The main index

Our main Index provides a comprehensive assessment of the health of the local economies of the UK's main regional towns and cities. It identifies which destinations are best placed to support future economic growth and provide opportunities for businesses to expand over the coming year.

Alongside several other datasets, the main Index is the aggregate position from six thematic sub-indices, the results of which are outlined in the following section.

CAMBRIDGE REMAINS IN TOP SPOT

Having moved to the top of the rankings for the first time last year, Cambridge has reclaimed its place at the top of the rankings for 2017. The highly acclaimed university city continues to harness its reputation as a hub of scientific expertise, attracting significant inward investment. Strong demand for residential and commercial property alike has driven considerable growth in both prices and rental levels.

Reflecting investor confidence in Cambridge, Aviva recently announced funding of 50 & 60 Station Road, the largest speculative office development ever seen in the city centre. This forms part of Brookgate's CB1 development which includes a public square, offices, student accommodation, retail & leisure and a £4.5m railway station upgrade, due to be delivered in early 2019. CB1 has already attracted notable tenants including Deloitte and Amazon, the latter being its first UK non-R&D or call centre office opening outside London.

THE SOUTH EAST REGION DOMINATES THE TOP TEN

Five of this year's top ten locations are in the South East, the UK's fastest growing region outside London. Guildford and Reading edged up nearer to the top, replacing Brighton and Oxford from last year's podium places. Both have seen notable levels of speculative office development, while Reading has seen the strongest average house price growth of any location, boosted by the anticipated arrival of the Elizabeth Line in 2019 which will improve journey times to Central London.

Ranked as the 'Most Productive' city in the six sub-indices, Milton Keynes climbed three places to seventh position. Milton Keynes is forecast to see the highest growth in jobs over the next five years and saw one of the strongest increases in average wages in 2016. Reflecting the expansive mood in the city, 2016 saw a major proposal for a 20 storey mixed-use tower which will comprise up to 250,000 sq ft of offices, 250 PRS homes and a skyline restaurant.

BRISTOL LEADS AMONG THE UK'S CORE CITIES

In sixth place, Bristol is the highest ranked of the UK's major regional cities. The largest city in the South West region saw the 4th highest increase in house prices, reflecting its strong reputation as a place to live and work. The electrification of the Great Western Railway line, which is currently underway, and plans to expand Bristol Airport, will further enhance the city's prospects over the coming years.

Having climbed into the top 10 for the first time last year, Manchester retained its position at eighth in the rankings. The unofficial capital of the Northern Powerhouse is one of the fastest growing city economies in the UK with a high proportion of millennials in its population. The city boasts a strong graduate retention rate and is a hot-bed for business start-ups, all adding to the dynamism of the city.

BIGGEST IMPROVERS

Looking beyond the top ten, the North West market town of Macclesfield saw the largest upward movement in the rankings, rising 20 places from last year to 21st position. This was largely driven by a notable increase in professional services employment alongside one of the strongest levels of growth in wages.

Southampton was another significant improver, moving up 14 places in the rankings to 30th position. The port city saw a notable increase in the number of new businesses per capita and performs best in the 'Greenest' Index, at 13th place. Hammerson's leisure-led regeneration scheme, WestQuay Watermark, opened in December 2016 and will enhance the city's consumer appeal and evening economy.

Offering an attractive lifestyle located by the coast and countryside, Exeter has broken into the top 20 to 14th position. This was partly driven by a strong rise in the proportion of employment in professional occupations, which increased from below the national average (GB= 44.9%) to 51.8%. Exeter also recorded the second strongest increase in millennial residents, which is now the sixth highest behind the likes of Oxford and Cambridge.

ABERDEEN TAKES A TUMBLE

While the relative positions in the rankings have changed, a host of indicators utilised in the rankings nevertheless reveal that the overall health of the UK's major towns and cities has improved in absolute terms since last year, despite the shock of the EU Referendum result. This includes house prices, wage growth, unemployment levels and new business formation, among others.

However, Aberdeen was the one clear exception. With a third of its employment dependant on the oil & gas industry, the sharp contraction in oil prices since mid 2014 has clearly impacted the local economy; recording one of the sharpest declines in average wages and one of the largest increases in unemployment over the year. As a result, Scotland's third largest city was the largest faller of the 65 locations, dropping 20 places down the rankings from last year to 36th position.



The six sub-indices



Most highly educated

The 'Most highly educated' Index reflects the level of educational attainment of each town or city's residents. This measure incorporates school exam results at age 16, the percentage of residents with a degree level qualification or above and the presence of a university, scored by its position in the national league tables.

On this measure, Cambridge has replaced Oxford as last year's top ranked location. Cambridge's GCSE examination results improved in 2015/16 to beat Oxford's which was previously higher, while Oxford's attainment slightly declined year-on-year. Cambridge has the highest proportion of residents qualified to degree level and is home to the UK's top ranked university.

| RANK | VS LAST YEAR | TOWN / CITY | REGION |
|------|--------------|-------------|--------|
| 1 | ▲ | Cambridge | EE |
| 2 | ▲ | Warwick | WM |
| 3 | ◀▶ | Guildford | SE |
| 4 | ▼ | Oxford | SE |
| 5 | ◀▶ | Edinburgh | SC |
| 6 | ◀▶ | York | YK |
| 7 | ▲ | Exeter | SW |
| 8 | ◀▶ | Reading | SE |
| 9 | ▼ | St Albans | EE |
| 10 | ◀▶ | Wycombe | SE |

Most entrepreneurial

The 'Most entrepreneurial' Index provides a top-down view of which towns and cities have proven to be the most supportive of new business. The Index includes metrics on business density, number of new enterprises and GVA per capita to assess which towns and cities in the UK have provided the best opportunity for business start-ups.

Windsor & Maidenhead holds on to its place at the top of this Index for the second year, with the highest business density and number of new enterprises per capita out of all the markets. Maidenhead will benefit from the Elizabeth Line which will reduce journey times to Central London (Bond Street and Canary Wharf to 41 and 55 minutes respectively), and also Western Rail Access to Heathrow (WRATH) which will reduce journey times to Heathrow to 14 minutes.

| RANK | VS LAST YEAR | TOWN / CITY | REGION |
|------|--------------|----------------------|--------|
| 1 | ◀▶ | Windsor & Maidenhead | SE |
| 2 | ▲ | Reading | SE |
| 3 | ▼ | Milton Keynes | SE |
| 4 | ▲ | Warwick | WM |
| 5 | ▲ | Slough | SE |
| 6 | ▼ | Guildford | SE |
| 7 | ▼ | Reigate & Banstead | SE |
| 8 | ▲ | Wycombe | SE |
| 9 | ▲ | Wokingham | SE |
| 10 | ▼ | St Albans | EE |

Growing affluence

The 'Growing affluence' Index combines house price growth, wage growth, along with socio-economic demographic data.

Wycombe has risen to the top of the Index, having seen one of the strongest rates of wage and house price growth, combined with an already highly affluent population. Macclesfield is the sole northern location to rank within the top 10 on this measure, with a high level of affluence and the 7th highest growth in wages.

| RANK | VS LAST YEAR | TOWN / CITY | REGION |
|------|--------------|---------------|--------|
| 1 | ▲ | Wycombe | SE |
| 2 | ▲ | Bracknell | SE |
| 3 | ▲ | Chelmsford | EE |
| 4 | ▲ | Colchester | EE |
| 5 | ▲ | Reading | SE |
| 6 | ▼ | Basingstoke | SE |
| 7 | ▲ | Guildford | SE |
| 8 | ▲ | Macclesfield | NW |
| 9 | ▲ | Milton Keynes | SE |
| 10 | ▼ | Wokingham | SE |



Most productive

| RANK | VS LAST YEAR | TOWN / CITY | REGION |
|------|--------------|---------------|--------|
| 1 | ↔ | Milton Keynes | SE |
| 2 | ▲ | Slough | SE |
| 3 | ▼ | Crawley | SE |
| 4 | ▲ | Edinburgh | SC |
| 5 | ▲ | Reading | SE |
| 6 | ▲ | Guildford | SE |
| 7 | ▲ | Oxford | SE |
| 8 | ▼ | Reigate | SE |
| 9 | ▲ | Basingstoke | SE |
| 10 | ▲ | Cambridge | EE |

This Index identifies the most economically productive towns and cities in the UK. In addition to using GVA per capita, which is the conventional measure of economic output, we have included forecasts on workforce job growth.

Milton Keynes retains its position at the top of the Index for a second year running, with the fastest rate of workforce job growth forecast over the next five years. It is forecast to increase 5% from 2016-2020, well above the UK growth of 1.5%. Slough has moved up to 2nd place, with GVA per capita rising to the 5th highest of the locations.



Fastest growing

| RANK | VS LAST YEAR | TOWN / CITY | REGION |
|------|--------------|---------------|--------|
| 1 | ▲ | Brighton | SE |
| 2 | ▲ | Cambridge | EE |
| 3 | ↔ | Milton Keynes | SE |
| 4 | ▼ | Manchester | NW |
| 5 | ▼ | St Albans | EE |
| 6 | ▲ | Oxford | SE |
| 7 | ▲ | Guildford | SE |
| 8 | ▼ | Derby | EM |
| 9 | ▲ | Leicester | EM |
| 10 | ↔ | Luton | EE |

The 'Fastest growing' Index ties in a combination of population growth, increase in economic output and commercial property rental data to show which UK regional towns and cities have seen the fastest rate of growth over recent years.

Brighton has risen to the top of the ranking on the back of strong levels of rental growth, reflecting occupier demand and constrained supply at the prime end of the market. This was most notable among offices, where the prime headline rent increased by 20% during 2016 following a letting at the newly speculatively developed building at CityView



Greenest

| RANK | VS LAST YEAR | TOWN / CITY | REGION |
|------|--------------|-----------------|--------|
| 1 | ▲ | Bournemouth | SW |
| 2 | ▼ | Southend-on-Sea | EE |
| 3 | ▲ | Bristol | SW |
| 4 | ▲ | Bradford | YK |
| 5 | ▲ | Hull | YK |
| 6 | ▲ | Plymouth | SW |
| 7 | ▲ | Poole | SW |
| 8 | ▲ | Bracknell | SE |
| 9 | ▲ | Reading | SE |
| 10 | ▼ | Ipswich | EE |

The 'Greenest' Index ranks UK towns and cities on household recycling, energy consumption and CO2 emissions per capita.

Bournemouth has overtaken Southend-on-Sea, exchanging positions for the third year as the greenest location. Already performing well on every 'green' matrix, Bournemouth improved on all three this year and has the lowest level of Energy consumption and CO2 emissions per capita of all the locations.

How we did it

The Vitality Index is informed by 20 datasets relating to the many different aspects of a town or city's economic vitality. The combination of demographic, educational attainment, business activity levels, economic output, affluence, sustainability and commercial property data provides a thoroughly rounded view of the health of those locations assessed.

65 UK towns and cities are ranked according to each of the 20 datasets, to give an update on last year's report. To compile the main Index these ranking scores were then added up to give an overall Index which provides the most complete view of the towns and cities.

In order to focus on particular aspects of these local economies, we have also segmented the datasets into six thematic sub-indices. These sub-indices show which towns and cities have the most highly educated workforce; which are the most economically productive; which are doing best on various sustainability measures; which are the most entrepreneurial; which are the fastest growing; and which are of growing affluence.

| DATASET | SOURCE |
|---|---|
| Population growth | ONS |
| Socio-economic groups | CACI |
| Standard Occupation Classification 2010 Major Group 1-3 | ONS |
| % millennial residents | ONS |
| GCSE results | Department for Education |
| JSA claimants | ONS |
| Average weekly pay | ONS |
| % of population with degree level qualification | ONS |
| University ranking | The Guardian 2017 University League Table |
| Average house prices | Land Registry, Registers of Scotland Executive Agency |
| Establishment of new enterprises (per 1000 people) | ONS |
| Business Density (per 1000 people) | ONS |
| F&BS jobs growth | ONS |
| GVA per capita | Experian |
| GVA growth | Experian |
| Workforce jobs forecast | Experian |
| Percentage of household waste recycled / re-used | DEFRA |
| Energy consumption per capita | DECC |
| Carbon dioxide emissions per capita | DECC |
| Retail Footprint Score | CACI |
| Commercial property rental growth | Lambert Smith Hampton |

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support
space