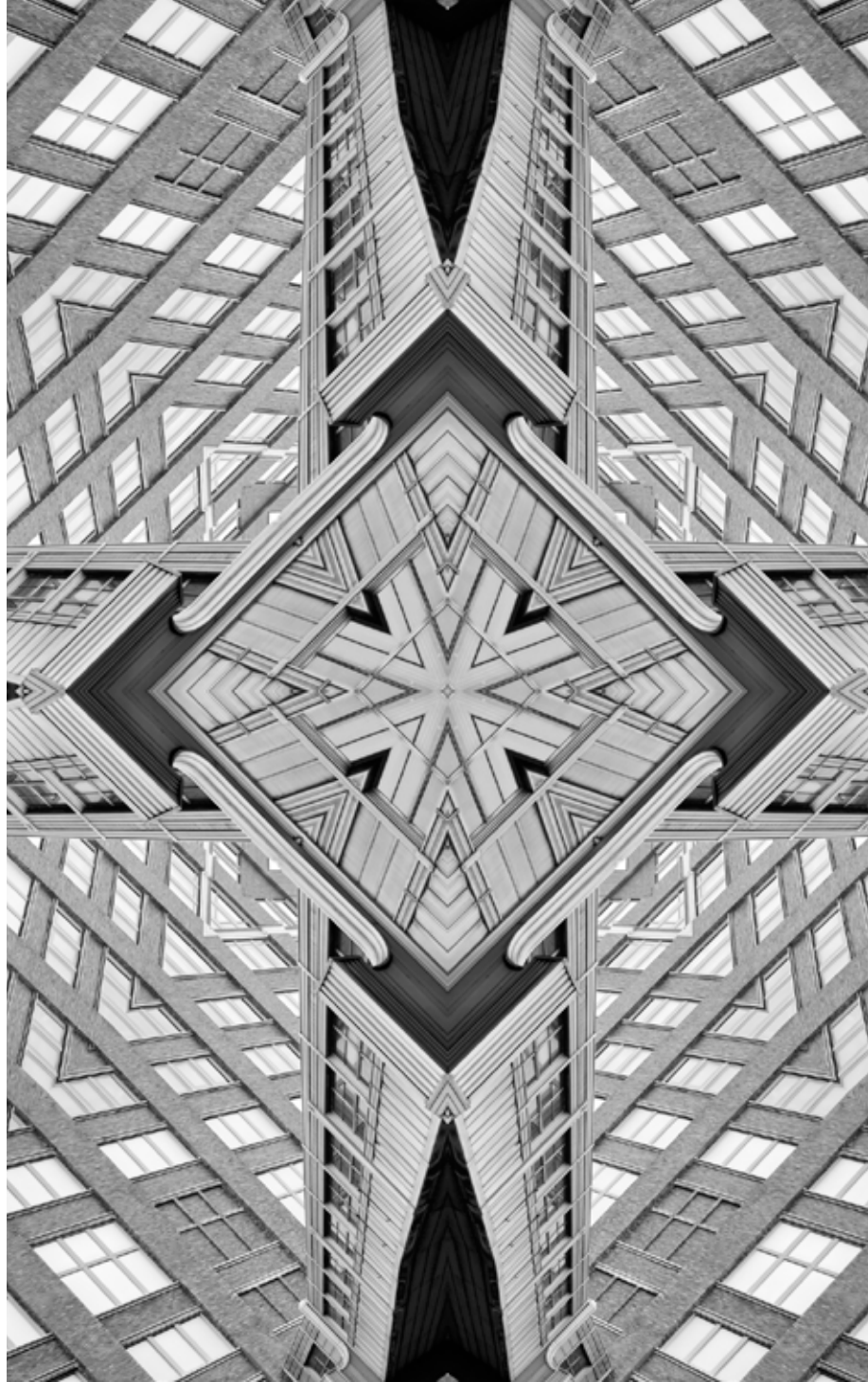


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Reimagining Central Business Districts

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Abstract

Central business districts (CBDs) dominate economic activity in large cities. In India's capital, New Delhi, for example, Connaught Place is a CBD. Firms relocate to CBDs due to the ease of doing business in such areas owing to retail agglomeration, functional grouping, labour pooling, and the ability to attract talent. However, recent phenomenon such as an increase in remote working, the rise in real estate costs, and the expansion of city limits have impacted CBDs. The COVID-19 pandemic has only hastened the decline of such spaces. Cities must reposition and reinvent their CBDs to counter these challenges and must consider having multiple smaller CBDs to balance business and commerce with social and recreational experiences.

The central business district (CBD), the core business and commercial area of a city (and often also referred to as the ‘city centre’ or ‘downtown’), represents the space in a city that houses businesses, commercial offices, banking and financial organisations, retail shops, and other service providers. Globally, CBDs have played a key role in powering the economic growth and character of cities.¹

CBDs are typically dense spaces with tall structures, numerous business activities, and heavy pedestrian and vehicular traffic. Land prices and property values in CBDs tend to be among the highest in the city due to the commercial value of the space. CBDs are often supported by multiple transport services and may also have traffic calming measures, such as pedestrianised streets.² Often, CBDs house an anchor company or specific kinds of firms. For instance, in India’s financial capital, Mumbai, the Bandra Kurla Complex has many banking and financial services companies, much like the City of London area in the UK.³ The involvement of such anchor companies creates job opportunities, attracts more investments, and helps establish the CBD as a business hub.⁴ The kinds of companies located in CBDs are also determined by a city’s established traditions and geographic location.⁵

At the same time, the emphasis on economic activities in CBDs has meant a minimal availability of open and green spaces, giving rise to the “homogenisation” of urban landscapes, a feature seen around the world.⁶ Additionally, the increase in online shopping and shift to remote working, the expansion of cities, and the onslaught of the COVID-19 pandemic have had a massive impact on CBDs. To survive, CBDs must align with the new realities. Indeed, many cities were already considering altering their CBDs even before the pandemic; in India, for instance, Mumbai has included multiple and smaller CBDs in its 2034 Development Plan.

Evolution of Central Business Districts

The concept of CBDs has evolved over centuries from the original market squares, where farmers, merchants and customers gathered in the town square to buy and sell. In the West in the 18th and 19th centuries, business was conducted in a city's transportation hub, with people travelling using public transport to buy and sell goods.⁷ Gradually, the marketplace developed into a proper urban centre where commercial and retail activities took place and was eventually deemed a CBD. In many instances, the CBD is in the oldest part of the city or near major transportation routes.⁸ The rapid growth of transportation services aided the densification of business and commercial activities in these areas.⁹

Over time, CBDs began to house banking, financial and government institutions, and office spaces for lawyers, doctors, academics, and entertainers, among others. Eventually, these areas also grew to include residences and recreational and cultural spaces. More recently, mega shopping malls, theatres, museums, and stadiums are also becoming part of CBDs; for instance, the CR2 Mall, the Oberoi Shopping Centre, and the National Centre for the Performing Arts in Nariman Point, Mumbai; Paul Brown Stadium in Cincinnati, Ohio; and the Singapore City Gallery in Singapore.

The inclusion of various new activities was driven by the economics of agglomeration—the concept that clustering of economic activities leads to greater economic productivity.¹⁰ The proximity to markets, customers and partners was a key factor in making CBDs attractive locations for doing business.¹¹ This led to an increased demand for space, resulting in the construction of high-rise buildings (to take advantage of the easy availability of vertical space) and exorbitant land prices, becoming the 'peak land value intersection' (the point where land values are highest) in the city.¹² While real estate prices in CBDs may be excessive, organisations tend to assess such costs against the overall business environment in these areas.¹³

CBDs have enabled retail agglomeration, and in many CBDs, major global brands are often found at the same location.¹⁴ This has resulted in fiercer competition and more value for money for the customer. CBDs also promote a functional grouping of related economic activities—a chain of associated businesses that rely on one another. For instance, food shops and restaurants

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may be located near law offices that are often situated near the courts, which are found near government institutions. Similarly, nightclubs are often located near bars and restaurants to enable the potential movement of clientele from one venue to another.¹⁵

Business-centric areas like CBDs are also known to easily attract both volume and variety of talent on account of multiple businesses and a wide assortment of enterprises. Such labour pooling is advantageous for the firm and the worker, enabling a better match between organisations and potential employees.¹⁶ A large pool of workers in a single area makes it easier for firms to find personnel with the skills that are needed. Conversely, workers are more likely to find a job suited to their skills in a larger labour market. Labour pooling also allows the firm to size the labour force to its current demand by hiring temporary workers to meet surges in demand. It also mitigates against rising wages in response to increased demand because the total labour supply is likely to be less affected by the volatility of any given sector. At the same time, the worker gains from the many job opportunities to move across industry segments as demand ebbs and flows. Finally, the entire local economy becomes more productive by being able to absorb sector-specific volatility.¹⁷

CBDs have also enabled employers to connect with potential employees more easily since similar businesses are in close proximity to each other, consequently reducing the costs associated with locating, hiring and training new workers.¹⁸ The high-density and diverse environment of CBDs has also provided huge learning and knowledge exchange opportunities, which have catalysed innovation and economic productivity gains. Importantly, high human capital workers, such as those with software engineering and management skills, typically seek residential areas with several amenities, including nightlife, cultural attractions, and other public services. Firms keen on hiring such workers will automatically set up offices closer to these areas, enabling the continued growth of CBDs.¹⁹

Originally, most cities had only one CBD area, such as the City of London in London, UK; Midtown Manhattan in New York City, US; the Bund in Shanghai, China; La Défense in Paris, France; Centro Internacional in Bogota, Colombia; and Mumbai's Nariman Point.²⁰ However, over time, the idea of a single CBD lost favour to polycentrism—having multiple business centres in

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each city—due to a lack of space for further growth, high real estate costs, and a lack of amenities. These factors led to agglomeration economies shifting from a monocentric business model at a metropolitan level (single city-level business centre) to a polycentric business model at the sub-metropolitan level (multiple sub-city level business centres).²¹ For instance, Nariman Point encountered many limitations and challenges in recent years due to the lack of space for amenities (parking and food outlets), exorbitant rental rates, and locational inconvenience (long commute hours for most workers who typically live in other parts of the city). These deficits led several businesses to shift their front-office functions from Nariman Point to secondary locations in the suburbs, such as Lower Parel and Bandra Kurla Complex, which has become Mumbai's de facto CBD.²² Similarly, in addition to Connaught Place, Delhi's CBD spaces now include Nehru Place and commercial areas in Old Delhi and Karol Bagh, with commerce, businesses and sociocultural facilities.²³ Likewise, London has additional CBDs in Canary Wharf, London Docklands and City of Westminster; New York City has Lower Manhattan, Downtown Brooklyn, Long Island City, Fordham and Downtown Flushing; and Shanghai has Lujiazui, People's Square, Jing'an District and Xujiahui.

“The expansion of CBDs to include a variety of activities was driven by the economics of agglomeration—the concept that clustering of economic activities leads to greater economic productivity.”

The COVID-19 pandemic saw widespread social and economic restrictions being imposed worldwide, resulting in extensive disruptions to most human activities, including those in CBDs. With the imposition of lockdowns and social distancing norms, offices, restaurants, and retail stores in CBDs and elsewhere were forced to close, impacting their business and leaving many workers unemployed. Some experts saw this as the beginning of the demise of cities and predicted an exodus of the urban population.²⁴ Although such fears have proved unfounded, CBDs have exhibited heightened susceptibility to the impact of the pandemic more than other city space.²⁵

Before the pandemic, 21 global CBDs^a were estimated to house 4.5 million workers in 100 million square metres of office space.²⁶ The growth of information and communication technologies enabled businesses to continue functioning through virtual means as a substitution of proximity and in-person encounters, keeping with COVID-19 mitigation and prevention norms. As a result, the 10 largest CBDs in the US^b saw employee visits to the office drop to 27 percent of pre-pandemic levels. Similarly, in Australia, occupancy rates in CBDs in its two largest cities (Sydney and Melbourne) dropped to 59 percent and 41 percent, respectively, in April 2021.²⁷

At the same time, the shift to a remote working structure gave employers and employees the option to move to other parts of the city where rents and other costs may be lower, even if these areas are not as easily accessible. This was on account of advances in telecommunications, which allowed businesses to connect from anywhere, in a phenomenon often termed as the “death of distance”.²⁸ Eventually, it is expected that these new spaces will be served by more transport options at lower costs, making it cheaper and quicker to overcome the distance.

a These are: The Loop in Chicago; Midtown and the Financial District in New York City; Toronto’s Financial District; Sao Paulo’s Paulista Avenue; Johannesburg’s Sandton; Downtown Core in Singapore; Bandra Kurla Complex in Mumbai; Dubai International Financial Centre; Frankfurt’s Bankenviertel; Paris’s La Défense; Zuidas in Amsterdam; London’s Canary Wharf and The City; Shanghai’s Pudong-Lujiazui; the Beijing Central Business District; Hong Kong’s Central District; Marunouchi in Tokyo; the Sydney Central Business District; Seoul’s Gangnam; and the Financial District in San Francisco.

b CBDs in New York City, San Francisco, San Jose, Chicago, Washington DC, Los Angeles, Philadelphia, Austin, Houston, and Dallas.

Impact of COVID-19

During the pandemic, employees were wary of using public transport to reach their workplaces in CBDs and elsewhere and sought to avoid crowded places. In many cities, the administration placed strict limits on ridership volumes in public transport to impose social distancing, leading to a sharp drop in overall ridership numbers. In Mumbai, the suburban rail system, seen as a COVID-19 ‘super spreader’, was closed entirely or saw a restricted use during the city’s various waves.²⁹

Notably, the pandemic appears to have catalysed nascent trends, particularly related to the use of public transport. For instance, data collected by urban transport planners who are currently surveying parking demand in Mumbai shows that 36 percent of public transport users are likely to purchase private vehicles for use instead of continuing with current transport options.³⁰

Additionally, COVID-19 has also hastened the need to transform CBDs to include a greater mix of uses, more attention to recreational experiences, better responsiveness to evolving work patterns and mobility, and the emergence of smaller CBDs.³¹

“The shift to a remote working structure gave employers and employees the option to move to parts of the city where rents and other costs may be lower, which has impacted the CBD areas.”

Reimagining Central Business Districts

Although some experts saw the pandemic-induced closures as the death knell for CBDs, many urban thinkers widely believe that the business forces that underline such areas will enable them to resurge. While a large percentage of work is expected to be done remotely permanently—and, as a result, impact the CBDs where such work occurred before the pandemic—CBDs are well-positioned to be remade into more vibrant neighbourhoods.³² This will mean that while CBDs continue to be prime business locations, space in these areas can also be allocated for social and recreational activities. Some experts have envisioned CBDs as “central social districts,” with formal entertainment, restaurants, parks and public spaces, housing, and work adjacent to each other.³³

Surveys conducted in the US indicate that as economies reopen post-pandemic, several activities may permanently go online, such as medicine (telemedicine and digital medicine) and banking.³⁴ Some experts calculate that remote work done from home may likely account for roughly a fifth of all workdays.³⁵ However, digital technologies may not be able to re-engineer all human activity. Humans are social creatures, and social interaction is a part of human behaviour. People, therefore, are expected to want to resume activities that require an in-person experience, such as visiting friends and family, attending reduced office hours, shopping at physical retail outlets, and eating out.³⁶ Additionally, many employers continue to favour an office environment for specific work activities that may require brainstorming, and to foster team building and encourage collaboration and networking. Big businesses, often located in CBDs, will likely opt to resume staff and strategic meetings and host clients and business partners in the offices.³⁷ Therefore, while office spaces will continue to be used for work, they will also become spaces for social interaction, especially in the post-pandemic world.³⁸

CBDs will need to be repositioned in a new form due to these pandemic-induced trends, and factors such as an increase in the number of urban spaces and evolving digital technologies.

Reimagining Central Business Districts

As cities expand and some transform into megacities, a single CBD may not serve the needs of such urban areas on account of distance, time, and convenience. Additionally, despite what the name suggests, a modern CBD need not be central to the entire city. Megacities are often divided into smaller, composite geographical areas for administrative purposes. Each of these smaller areas can be served by an exclusive CBD that need not be massive in size but must fit the modern principles of new urbanism (walkability, mixed-use, green transportation). Public transport will be needed to connect the CBDs to other parts of the city, and existing public transport options will be an important factor when determining the sites for the new CBDs. Several cities in India have already shown an inclination to the polycentric model of multiple small CBDs, such as Bengaluru, New Delhi and Mumbai.³⁹ Mumbai's 2034 Development Plan has identified numerous areas to establish smaller CBDs at the erstwhile 'octroi *nakas*' (spaces at the city's entry points that were used for tax collection).⁴⁰

Furthermore, as the need and demand for more social infrastructure—residential areas, public open spaces, and recreational options—increases, post-pandemic CBDs can transform to include these alongside existing business activities.

“Even as they continue to be prime business locations, modern CBDs—necessarily smaller than existing ones—must transform to include formal entertainment, restaurants, parks and public spaces, and housing as well.”

While CBDs appear to have defied expectations of demise during the COVID-19-induced closures, their precise shape and form in the post-pandemic era is unknown. What is certain is that urban agglomerations will continue to exist and, consequently, so will CBDs.

Cities must adopt or capitalise on existing polycentric models to develop multiple smaller CBDs that will essentially retain the character and role of bigger CBDs. The newer CBDs should necessarily be mixed-use spaces that serve business and social needs, including the need for residential, recreational, and public open areas. The pandemic is also most likely to impact construction methodologies to discourage crowding and allow greater social distancing. If CBDs can successfully be reimagined to cater to the demands of post-pandemic urban areas, a new term may be needed to describe these reconceived spaces—Central Business and Social Districts. [ORF](#)

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