

# INVEST GLASGOW INWARD INVESTMENT ANNUAL REPORT 2023

## APPENDIX 3

### GLASGOW'S COMMERCIAL PROPERTY SECTORS PERFORMANCE

The post-Covid recovery is underway but with mixed outcomes depending on the sector. The status of Glasgow's key commercial property sectors is summarised below.

#### OFFICE MARKET

The accelerated shift to hybrid working presents new challenges for local office landlords who were enjoying a buoyant occupier market pre-pandemic. Corporate office tenants are showing a strong preference for high quality, ESG-friendly space. Prime rents have risen to £36.00/SF amid low levels of availability at the top end (record rent sits at £40/SF for 177 Bothwell St - HFD Group). However, investor appetite remains subdued.

#### RESIDENTIAL MARKET

Private sector city living is being driven by Build to Rent (BTR). It is a form of tenure that can contribute to the city's vision of doubling the city centre population by 2035 and enabling a sustainable, inclusive, and diverse city centre population (City Centre Living Strategy). BTR homes are developed and built specifically for the rental market and not for sale or let.

A number of developments are underway or planned and Solasta Riverside (L&G funded site adjacent to Barclays Campus) was the first to open in autumn 2022. The lettings at Solasta Riverside demonstrates the demand for highly amenitised quality products within the city. The scheme delivered 346 homes including 1,2 and 3 bedroom apartments.

Glasgow's significant pipeline of 8208 BTR homes includes Moda Living Holland Park (433 high-tech homes), Moda Living and Osborne + Co's 730-homes at Lancefield Quay, Drum Property Group and Stamford Property Investment's 346-apartment development at Candleriggs Square and Platform's 498-home Central Quay development. BTR accounts for some 2% of all households in Glasgow and Edinburgh compared to 6% in Manchester.

#### PURPOSE-BUILT STUDENT ACCOMMODATION (PBSA)

Glasgow has the second largest student population in the UK, with many overseas students attracted to study in the city. In recent years, (PBSA) has become an increasingly popular development model which primarily attracts post-graduate and international students. Glasgow has been identified as the 5<sup>th</sup> city in the UK for growth in the student accommodation sector (CBRE, 2023) in the years ahead. Their recent research suggests that the UK PBSA sector is characterised by an imbalance in demand and supply, which is especially true in Edinburgh and Glasgow. This is anticipated to remain a feature of the sector as demand for PBSA will continue to outstrip the pace of development.

## **RETAIL SECTOR**

The retail sector is yet to return to pre-pandemic levels of city centre footfall which was still down around 20% on its pre-coronavirus baseline in Q4 2022, partly because corporate office occupiers have embraced hybrid working. Glasgow's major shopping centres are also facing challenges and have new development plans to future-proof their offer: Landsec plans to demolish Buchanan Galleries to make way for an £825-million mixed-use urban neighbourhood with retail, leisure, residential and office space. Sovereign Centros' long-term vision for the nearby St. Enoch Centre is similar and a planning application has now been approved.

## **HOTEL AND LEISURE**

Glasgow is the second-largest Scottish hotel market, comprising 153 hotels, with roughly 13,500 rooms. Glasgow has the largest pipeline in the country, as a share of inventory, with the city centre expected to take the bulk of new rooms. Around 1675 rooms are under construction, most of which will be opening between 2023 and 2024, increasing supply by around 12.5%.

Events are key to the hotel market's recovery and demand generated by the Hydro Arena and Hampden Park drives weekend business and has supported most of the recovery to date. This year will see the UCI World Cycling Championships come to the city in August, further enabling hoteliers to capitalise on the additional demand.

## **INDUSTRIAL/MANUFACTURING**

Most of Glasgow's accessible industrial space is located outside the city, either on the periphery, eg Queenslie and Clyde Gateway, or in neighbouring local authorities including Hillington and AMIDS in Renfrewshire as well as Mossend in North Lanarkshire. Viewed at city region level, the level at which most commercial property agents report, Glasgow has a significant industrial property market. However, vacancy levels are historically low, according to Ryden, with the construction pipeline constrained due to the rising cost of materials, yet demand remains high. This is leading to an overall lack of supply which does not augur well for our priority sectors including advanced manufacturing, life science, biotech, or cleantech which require modern manufacturing infrastructure and lab space. The acute shortage of lab space is a Scotland and UK-wide challenge.