

Appendix 2 – Property and Infrastructure Investment

INTRODUCTION

The Glasgow Economic Strategy sets out the city's vision to achieve significant economic and social growth for all between 2016 and 2023. The key target for Glasgow to successfully achieve this objective is the creation of 50,000 new jobs, particularly within 8 key growth sectors outlined in the Strategy. Therefore, securing additional capital investment to create a fit-for-purpose business property infrastructure to accommodate such an increase in new jobs and the associated increase in the number of new businesses required to create them is critical.

Private investment in the pipeline will bring forward a number of landmark schemes, primarily in the city centre.

MIXED-USE

Mixed-use development is seen as a key driver in bringing forward new residential, office and leisure development within the city centre. Planned schemes will deliver future homes and workspace in the city centre and will change how we live, work and socialise. Major projects underway include:

Buchanan Wharf (Tradeston)

The first phase of development is underway at Buchanan Wharf as Drum Property Group has agreed a deal with Barclays for a new headquarters campus (470,000 ft²). Barclays have the option to extend their campus by an additional 210,000 ft² in a second phase of development. The site will also include 324 residential units, a 150 bed hotel and retail/leisure.

Central Quay

Platform has secured planning permission for a mixed use quarter on the city's waterfront for 300,000 ft² of office space, 400 new homes, a 150 bed hotel and food/retail units. Platform will deliver over 400 high quality purpose-built rental homes on the site which will form a crucial part of the Central Quay regeneration. This is one of Glasgow's earliest build-to-rent projects.

Custom House Quay

The area represents the last major waterfront development opportunity within the ownership of Glasgow City Council. This major regeneration project offers significant investment opportunities across residential, hotel and leisure and commercial. The Council is looking to commit significant capital investment with funds earmarked for delivery of engineering works to create development platforms and a re-design of the local road network.

University of Glasgow Masterplan

Following the acquisition of the former Western Infirmary hospital site, the University is expanding and transforming its campus as part of a £1 billion development plan into a globally recognized iconic place of learning and research, enhancing its position as a world-class leading institution. Work on the new Learning and Teaching hub is underway at a cost of £90 million with commercial research and office space to follow.

This exciting commercial development will comprise a true mixed use prospect from hotel to residential, retail and leisure.

OFFICE

Glasgow City Core is the largest office sub-market outside of London. The city provides high quality, competitively-priced workspaces. Office rental costs remain competitive in comparison to many UK cities with property costs typically 71% lower than London (West End), 4.5% lower than Manchester and 8.5% lower than Edinburgh. (Cushman & Wakefield, UK Office Market Snapshot, Q4 2018).

CITY CORE OFFICE MARKET AVERAGES 2018

12 Month Sales Volume	Prime Yield	Prime Rent (ft ²)	Vacancy Rate
£455.7m	5.25%	£30.00	9.1%

(CoStar – January 2019)

CITY CENTRE PRIME OFFICE RENTS & YIELDS – Q4 2018

Location	Rents per ft ² (£)	Yield (Q4 - 2018)
Glasgow	32.00	5.00
London (West End)	110.00	3.75
Edinburgh	35.00	4.50
Manchester	33.50	4.75
Birmingham	34.00	4.75
Bristol	35.00	4.75
Leeds	30.00	5.00
Cardiff	25.00	5.50
Newcastle	24.25	5.50
Reading	38.50	5.00

(Cushman & Wakefield, UK Office Market Snapshot, Q4 2018)

OCCUPIER MARKET

2018 was a record breaking year for Glasgow with over 1.4m ft² (130,064 m²) of city centre space leased. A number of significant pre-lets bolstered the market including Barclays' 470,000 ft² (43,664 m²) purchase at Buchanan Wharf, a major pre-let of 187,000 ft² (17,373 m²) to HMRC at Atlantic Square and Clydesdale Bank's 110,995 ft² (10,312 m²) pre-let at 177 Bothwell Street.

Some of the key 2018 occupier deals are detailed in the table below:

2018 KEY LEASING TRANSACTIONS

Address	Size (ft ²)	Occupier
Buchanan Wharf	470,000 (pre-let)	Barclays Bank
Atlantic Square	187,000 (pre-let)	HMRC
177 Bothwell Street	110,955 (pre-let)	Clydesdale Bank

123 St Vincent Street	60,473 30,745	HMRC KPMG
4 Atlantic Quay	52,888	Scottish Executive
Granite House, 31 Stockwell Street	39,244 (renewal)	Clydesdale Bank
G1 Building, 5 George Square	31,713	Jelf
1 West Regent Street	31,742	Regus (Spaces)
191 West George Street	10,601 15,301	HP Edrington-Beam Suntory UK

GRADE A OFFICE PIPELINE

Work is currently underway on phase 1 of Buchanan Wharf (470,000 ft²), Atlantic Square (284,000 ft²) and 177 Bothwell Street (313,000 ft²) which will jointly deliver over 1 million ft² of Grade A office space in 2020/21. As well as this, there is a range of Grade A Office pipeline projects planned which are detailed in the table below:

Address	Size (ft²)	Developer
Buchanan Wharf	470,000	Drum Property Group
177 Bothwell Street	313,000	HFD Property Group
Atlantic Square (Buildings 1 & 2)	310,000	BAM Properties/TCP Developments/LGIM Real Assets
1 Argyle	280,000	Osborne + Co
33 Cadogan Street (The Grid)	275,000	M&G Real Estate
67 Sauchiehall Street	130,000	Formal Investments Ltd
64 Waterloo Street (The Still)	100,000	Whiteburn Projects Ltd
20 Cadogan Street (Cadworks)	95,500	FORE Partnership

Alongside this high quality refurbishments completed include The Garment Factory at Montrose Street (53,800 ft²), 1 & 3 Atlantic Quay (106,200 ft²), 123 St Vincent Street (60,700 ft²), 310 St Vincent Street (78,941ft²), 58 Waterloo Street (31,068 ft²) and 191 West George Street (88,300 ft²).

INVESTMENT MARKET

Investment activity in Glasgow was very strong in 2018 with 49 sales transactions totaling £455.7 million, a year on year increase of 28%, with investors availing an impressive average yield of 5.7%.

(CoStar – Jan 2019)

In recent years, Glasgow has seen a significant increase in interest from investors in Asia, New Zealand, the Middle East, Europe and America. Glasgow's appeal for international investors is due to a number of factors including reduced competition from UK investors, value for money, a weakened pound, and strong local market fundamentals.

The table below outlines some of the latest transactions and net yield returns in the Glasgow property investment market (the yield refers to the annual percentage rate based on the investments cost):

2018/19 KEY OFFICE SALES

Property	Price (£m)	Yield	Purchaser
1 Atlantic Quay, Robertson Street	£55.00	5%	Bank of London & The Middle East plc
Equinox, 19 Cadogan Street	£30.50	6%	Roebuck Asset Management
100 Bothwell Street	£30.30	6.63%	HFD Group Ltd
2 Atlantic Quay, Robertson Street	£22.25	6.25%	Corum Asset Management
6 Atlantic Quay, Robertson Street	£14.12	-	6AQ Ltd
30-40 St Vincent Place	£14.00	6.31%	Ediston Properties Ltd
4 Atlantic Quay, 70 York Street	£13.50	-	Frankel Property Holding Ltd
The Mercantile Building, 53-69 Bath Street	£12.85	-	ADAPT Real Estate
145 St Vincent Street	£11.18	7.81%	Robert Jones Holdings Ltd

RESIDENTIAL – BUILD TO RENT (BTR)

2018 saw the arrival of the BTR sector in Glasgow with 3 major developments totalling 1,600 new homes from developers Moda, Get Living and Platform. Over the past 2 decades Glasgow has seen its city centre residential population rise rapidly, growing faster than the UK average, this is a trend that ensures Glasgow's popularity with BTR investors. The city has a range of notable BTR deals in the pipeline and is the market leader in Scotland. These deals include:

Development Site	No of BTR Units	Developer
Collegelands	727	Get Living London
Holland Park (Pitt Street)	482	Moda
Central Quay	400	Platform
Buchanan Wharf (Tradeston)	324	Drum Property Group
Minerva Street (Finnieston)	189	Drum Property Group

HOTEL DEVELOPMENT

Glasgow's profile as a top international tourism destination has gone from strength to strength. Business tourism, world-class retail, major attractions and global events are all driving demand for additional hotel rooms.

Glasgow delivered an impressive set of results for 2018 with average figures for hotel occupancy at 80.7% and both average daily rates (ADR) and revenue per available room (REV PAR) recording highs at £76.52 and £61.77 respectively.

STR Global 2018

Glasgow compares strongly with other European cities appearing in the Top 10 for average hotel occupancy rates.

Glasgow's new Tourism and Visitor Plan to 2023 sets out a clear direction for continuing to build the city's global profile as a successful tourist destination and is focused on increasing overnight leisure tourism visits by one million over the next seven years.

To meet these targets Glasgow requires an additional 2,500 rooms to add to the existing 10,000 rooms within the Glasgow City boundary. 2018 was a very successful year with the opening of 5 new hotels (Moxy, Native Glasgow, Motel One, ibis Styles and Radisson Red) adding nearly 1,000 new rooms to the existing stock. However, this still leaves Glasgow with a shortfall and therefore an opportunity for investors to explore investment opportunities in the city. Both Invest Glasgow and Scottish Development International (SDI) work closely with developers, investors and hotel operators to secure a successful hotel investment pipeline for Glasgow.

2019 Hotel Investment Pipeline

Hotel Operator	Location	No of Rooms
TRIBE (Accor)	236-246 Clyde Street	290
YOTEL	Westergate Building (Argyle Street)	256

There are also a range of pipeline projects planned throughout the city beyond 2019 bringing new brand arrivals such as Clayton, Maldron, Sandman, Courtyard by Marriott and Adagio Aparthotel.

RETAIL

Glasgow is the UK's 2nd largest retail centre by spend and achieves the 2nd highest prime rent in the UK. It is an exciting and extensive retail destination for shoppers and continues to attract new lettings within the core retail areas of the city centre. The market is competitive on prime Buchanan Street, delivering strong demand for prime retail space. In the last 12 months, the most expensive Zone A rate has risen by 4.8% from £314 per ft² to £329 per ft².

Glasgow's three city centre shopping malls - Buchanan Galleries, St Enoch and Princes Square - have extension plans underway to develop cinemas, additional retail and extensive food and beverage options.

Footfall figures recorded on four key locations on the Style Mile collectively amounted to just under 50 million people in 2018.