

GLASGOW INVESTMENT STRATEGY 2019-2023

1. Glasgow: a Great European City

Glasgow is Scotland's largest city with a population of over 621,000 at the centre of a metropolitan area of 1.8 million and a driving force of the 3.3 million central belt, one of the largest urban regions in Europe.

Over the next 15 years, Glasgow's metropolitan population will grow at a faster rate than Lisbon, Helsinki and Amsterdam and as fast as New York, Los Angeles and Paris. It will add some 175,000 residents, around 130% more than the population growth recorded between 2000 and 2018.

Glasgow is Scotland's economic powerhouse, generating around £20 billion GVA per annum, 30% of Scottish GVA, and in recent years has been one of the fastest growing economies of all major cities in the UK as the city reconnects with its DNA of engineering, design, entrepreneurship, and innovation.

The city's diversified jobs base and economy are growing at above average rates bolstered by industrial sector strengths in financial and business services (Glasgow is home to the UK's 2nd largest financial centre), advanced manufacturing, quantum/sensors/photonics and a burgeoning digital technology sector where Glasgow ranks second behind Manchester in the UK and accounts for 21,000 tech jobs (CBRE Tech Cities Report 2019).

During this same period, Glasgow's population has not only been growing but re-urbanising, with the proportion of people living in the city centre increasing, due primarily to an influx of 16-44 year olds. The residential population of the city centre has increased by 30% between 1996 and 2012 and is now growing faster than the UK average (Towards a Business Story for Glasgow, The Business of Cities 2019).

The city's skills and talent base is going from strength to strength and Glasgow ranks in the top 10% of regions in Europe for the proportion of working age adults with at least a degree-level qualification (46% of residents have a degree which places Glasgow well above the UK average of 38%). The city ranks 5th in the UK for graduate retention – 46% in 2015 while Glasgow ranks no 1 among the 10 UK Core Cities for producing the highest number of financial and business, digital tech, life sciences, as well as engineering, design and advanced manufacturing students and graduates.

"Glasgow has one of the most highly skilled, accessible and flexible workforces in Europe, supported by world class universities and agile college provision which develops the talent pool across the city.

With productivity at the heart of Glasgow's education policies, the number of people gaining vocational qualifications, designed by industry for industry, either while in education or within the workplace, continues to grow in line with industry demand" (Skills Development Scotland)

Consequently, the city's infrastructure is flexing to meet these new demands and the city boundary is expanding in all directions as new quarters emerge bringing with them new jobs, new

neighbourhoods and new investors. Innovation districts are forming in the city centre and the West End of Glasgow anchored by the University of Strathclyde and the University of Glasgow respectively, creating hubs for entrepreneurship, innovation and collaboration in advanced manufacturing and life sciences, as well as making places where people can meet, network and co-create. At the same time, the new Advanced Manufacturing Innovation District Scotland (AMIDS) has been established adjacent to Glasgow Airport and will be an internationally-recognised centre for innovation, research and manufacturing.

The Connectivity Commission, “Creating an Inclusive, Thriving, Liveable City”, launched in April 2019, sets out a package of measures which offer the opportunity to radically transform Glasgow’s economic potential and help close the productivity gap between Scotland and other competitor economies.

Development activity in the city is at a level not seen since the financial crash with a number of major projects underway or in the pipeline such as the Avenues Project, underpinned by City Deal funding.

Glasgow is a city open for business with an appetite to attract further investment across all industrial and property sectors to enable jobs and population growth and attract inward investment. Glasgow will seek to attract more investors who recognise fair work practices which help reduce inequality and improve people’s lives.

VISION

TO BE THE BEST PERFORMING CITY FOR INVESTMENT IN THE UK BY 2023

We want to promote Glasgow as a Fair Work City - an attractive place to live, work, innovate, invest and thrive.

2 INVESTMENT OVERVIEW

2.1 Foreign Direct Investment (FDI)

The ONS reports that provisional quarterly estimates suggest that the downward trend in FDI earnings ended in 2017, recording the first annual increase since 2011 (12.6%), with the largest markets being the US, Germany and France. The UK, it asserts, remains a top destination for foreign investment.

The Financial Services sector attracted more FDI than any other industry (£385bn, representing an increase of 19.5% from the previous year) accounting for 28.8% of total inward investment according to the UK Government.

The EY Attractiveness Survey 2018 (published March 2019), reported that for the sixth successive year, Scotland was the second best FDI performing region in the UK, after London, with a 7.4% increase in project numbers. Glasgow sits joint 5th in the UK top ten cities for FDI (up from 6th place in 2016 and not including the Barclays deal in 2018)*. The report cautions that the move towards Brexit and the digital revolution will require a refocusing of efforts to maintain future success.

The table below shows how Glasgow has performed in FDI since the launch of the Glasgow Economic Strategy in 2016.

Headline figures	Jan 2016 – Jan 2019
No of FDI projects	68
Total jobs created	2,309
Average project size (jobs)	33
Total capital investment	GBP 452.40 m
Average project size	GBP 6.66 m

Source: fDi Intelligence from The Financial Times Ltd

2.2 Capital investment

In 2018, investment in Glasgow offices hit its highest level since 2006, at £468m, a year-on-year increase of 28%, with investors achieving an average yield of 5.7%. Take-up by Q4 2018 was over 1.4 million sq feet making it a record-breaking year for the city and this looks set to continue with several large corporates all active in the market.

Glasgow's office rental costs remain competitive in comparison to many UK cities with property costs typically 73% lower than London, 17% lower than Edinburgh and 10.5% lower than Manchester (based on Grade A office rents).

Maintaining the flow of capital into Glasgow's infrastructure, and in particular to new development, is critical to ensure the city's ability to attract further FDI, create new jobs and achieve its overall economic and social goals. The software and technology sector saw the most FDI in 2018 and the city will need to ensure a supply of new, fit-for-purpose office space to suit non-traditional working practices such as co-working.

To that end, Glasgow will work closely with colleagues within the Council, partners in the Glasgow Partnership for Growth Inward Investment Hub and the wider development community to deliver a top quality investment offer and development propositions which have been rigorously tested for market-readiness. Our propositions will promote Glasgow as a city which invites only the highest standards of design quality and development which preserves and protects our built and natural heritage.

3. Strategic alignment

3.1 Global Scotland: Scotland's Trade and Investment Strategy 2016-2021

A strategy for trade and investment was launched by the Scottish Government in 2016 setting out its ambitions and targets for attracting FDI, capital and risk investment over the coming 5 years. At a strategic level, this approach is complementary to that of Glasgow and the city will work alongside Scottish Development International (SDI) and Scottish Enterprise (SE) to achieve synergetic benefits from coordinated policies and programmes.

3.2 Glasgow Economic Strategy 2016-2023

A new economic strategy for Glasgow was launched in 2016 with the over-riding goal of attaining inclusive, economic growth by making Glasgow the most productive major city economy in the UK. Given the volume and quality of jobs FDI can deliver, promoting Glasgow for inward investment is central to realising this goal. Based on a richness of skills and talent, and a world-class asset base which includes centres of excellence and top flight universities, its priority sectors are:

- digital technology
- financial and business services (including FinTech)

- creative Industries (including the film and tv sectors)
- circular economy/low carbon
- health and life sciences
- engineering, design and advanced manufacturing
- tourism and events
- higher and further education

From this broad range of sectors, many of which we share with our competitors, Glasgow will focus its support on those sectors where it can be differentiated by cost competitiveness, niche specialisms or centres of excellence as exemplified by precision medicine in life sciences, quantum technologies in advanced manufacturing, engineering and design, space technologies, and digital technology/FinTech.

Glasgow will support the city's retail sector (the largest and most successful in the UK outside London) employing 34,600, as well as the tourism and hospitality sector which employs 30,800 making a significant combined contribution to the city's economy. Both sectors have shown strong performances in terms of investment and infrastructure.

The table below shows which sectors have performed best since January 2016.

Sector	No of projects	Jobs Created		Capital investment	
		Total	Average	Total (GBP m)	Average (GBP m)
Software & IT services	13	300	23	20.80	1.60
Business services	9	567	63	53.40	6.00
Financial services	8	341	42	55.50	6.90
Textiles	7	252	36	74.10	10.60
Consumer products	6	365	60	94.10	15.70
Food & tobacco	3	76	25	2.70	0.90
Hotels & tourism	3	120	40	89.90	29.90
Industrial equipment	3	64	21	5.70	1.90
Real estate	3	24	8	4.50	1.50
Biotechnology	2	57	28	12.20	6.10
Other sectors	11	186	16	47.40	4.30
Total	68	2,309	33	452.40	6.70

Source: fDi Intelligence from The Financial Times Ltd

4 TARGETING INVESTMENT

Based on independently sourced market intelligence, Glasgow's most important overseas markets remain:

- North America
- Western Europe; and looking to explore
- China and the Far East

The table below from fDi intelligence illustrates the value of FDI into Glasgow in the past 3 years and clearly shows the dominance of the US and Western European markets. All indications suggest that these markets will remain the most important for Glasgow both for FDI and capital investment.

FDI trends by source country

Jan 2016-Jan 2019

Source country	No of projects	No of companies	Jobs Created		Capital investment	
			Total	Average	Total (GBP m)	Average (GBP m)
United States	22	22	806	36	160.60	7.30
Switzerland	6	4	161	26	40.60	6.70
Canada	5	5	123	24	33.10	6.60
Denmark	5	5	145	29	33.40	6.70
France	5	5	152	30	11.80	2.40
Germany	4	4	53	13	7.50	1.90
Ireland	4	4	73	18	10.00	2.50
Australia	3	3	63	21	5.60	1.90
Japan	3	3	54	18	3.10	1.00
Italy	2	2	101	50	22.10	11.00
Other source countries	9	9	616	68	125.20	13.90
Total	68	66	2,309	33	452.40	6.70

Source: fDi Intelligence from The Financial Times Ltd

5 DELIVERING THE STRATEGY

Attracting investment (capital or FDI) is challenging but in the current macro-economic and political climate of uncertainty there are likely to be more hurdles than usual in the way of success. Below are some of the strategic influences which will impact on Glasgow's ability to achieve its investment goals.

5.1 SWOT

Strengths

- Diverse and resilient economy
- Recognised skills and talent base
- Innovation hub
- Cost competitiveness
- Established centres of excellence
- Mature investment proposition
- Collaborative leadership

Opportunities

- Strong business story

Weaknesses

- Geographic location/distance from London
- Regional strategic transport
- Lags behind peers in scaling up innovation activity
- Working participation and productivity
- Lack of scale relative to competitors
- Low business and investment brand visibility
- Limited access to development funding & investment capital

Threats

- Brexit

Growing population	Global geopolitical uncertainty
Track record of success	Increased mobility and competition
Specialisms & niches	Loss of skills and talent
Investible urban assets	Technological disruption
Affordability/millennial appeal	Ineffective marketing

5.2 Invest Glasgow

Invest Glasgow is the city's dedicated resource providing a one stop shop service to investors. Invest Glasgow works in close partnership with national and city organisations to maximise available resources, support key sectors and bring forward projects of scale which match the investment criteria of overseas investors and funds. The team's remit covers the following:

- enquiry handling/conversion rates
- market intelligence and lead generation
- marketing and communications
- events
- aftercare and support for investors to expand
- stakeholder engagement

5.3 Strategic objectives

Invest Glasgow aspires to contribute directly to the inclusive growth and development of the city by:

- promoting Glasgow as a top location for FDI: across all platforms via digital and traditional media to raise awareness of Glasgow through evidence-based messaging and reporting
- winning new FDI investments and creating additional jobs across all sectors: seeking to match investment potential in target markets with emerging opportunities in key sectors
- attracting capital investment to support the ongoing development of the city's infrastructure: seeking to identify and tap into investment flows to match the wide range of infrastructure developments in the city including City Deal
- supporting existing investors with plans for expansion in the city: maintaining strong links with existing investors via account managers and city partners
- promoting Glasgow as a Fair Work City

In delivering the above, Invest Glasgow aims to add significant value to the role of the private sector and other public sector partners including the DIT, Scottish Government and Scottish Enterprise/Scottish Development International.

The achievement of these objectives will be dependent not only on strong partnerships and effective collaboration, but on the delivery of a clear, measurable set of actions (see appendix 1: Delivery Plan)

6. What will success look like in 2023?

Invest Glasgow will measure success against 4 KPIs:

By 2023

Number of new enquiries:	1000
Number of new projects/company investments:	150
Number of existing company investments/expansions:	50
Number of new jobs:	15,000

New investments will bring more innovative businesses with highly skilled, well paid jobs and create supply chains to contribute to the economic strategy's goal of a more inclusive, productive and innovative Glasgow economy.

These are ambitious targets in the face of significant political change, both domestically and internationally, which will take place during the lifetime of this strategy. The achievement of these ambitious targets will rely on partnership working and smart use of limited resources.

Progress will be reported to the Glasgow Partnership for Economic Growth Board.

7. Measuring success

The details of how Invest Glasgow will implement these strategic objectives are set out in the accompanying delivery plan.