



**Glasgow City Council**

**Neighbourhoods, Housing and Public Realm  
City Policy Committee**

**Report by Executive Director of Neighbourhoods, Regeneration and  
Sustainability**

**Contact: George Gillespie Ext: 79106**

**Item 5**

15<sup>th</sup> November 2022

## **CITY CENTRE PROPERTY REPURPOSING EVIDENCE BASE**

### **Purpose of Report:**

To update Members on the post-pandemic analysis undertaken on Glasgow city centre's property and economic position, and to outline the proposed next steps to develop a responsive action plan in collaboration with key partners.

### **Recommendations:**

It is recommended that Members:

- (i) Consider the contents of this report
- (ii) Consider the direct impact of the pandemic on Glasgow city centre's property supply and demand trends
- (iii) Consider the economic impact of the pandemic on Glasgow city centre, and the current trends within its business sectors
- (iv) Notes the limited powers available to the Council in relation to a number of the matters raised, and the need for further engagement with key partners in order to co-create an action plan response to be brought back to committee for consideration in early 2023

Ward No(s): 10

Citywide:

Local member(s) advised: Yes  No  consulted: Yes  No

# 1 PURPOSE OF REPORT

- 1.1 In March 2020 the Covid-19 pandemic forced a major shutdown of Glasgow city centre and its business sectors as employees were sent home for a period that ultimately stretched across the majority of the next two years. Commuter and visitor footfall ceased almost overnight. This has had a major effect on the vibrancy and prosperity of the city centre. While some positive signs of recovery have emerged, significant issues remain and will need a targeted approach to resolve.
- 1.2 The nature of Glasgow city centre, with its low residential population, reliance on a regional travel-to-work population, and high number of service sectors reliant on those footfall-drivers, means that it has been left in a vulnerable position. Indeed, the shift towards more permanent forms of hybrid working, as well as the ongoing economic pressures, cost crisis, cost of doing business crisis and a number of other external variables, have collectively combined to cement some fundamental structural shifts which will require a new approach to city centre strategy.
- 1.3 In recognition of the scale of the issue, the Scottish Government provided short-term funding to support city centre recovery over 2020/21 and 21/22. As part of the Glasgow City Council activity, two reports were commissioned through the Glasgow Chamber of Commerce in order to better understand the impact of the pandemic on the city centre economy and property sector. The full reports can be accessed at the links below, with the Stantec report<sup>1</sup> focusing on economic impact and the Ryden report<sup>2</sup> looking at property supply and demand.
- [Stantec report](#)
  - [Ryden report](#)
- 1.4 The purpose of this report is to outline the process, findings and recommendations of this work, and to outline the next steps required to develop an action plan response to the recommendations made by the external specialist teams. This will complete the evidence-gathering phase of the exercise, and allow the project to enter the implementation stage over 2022 to 2024.
- 1.5 It must be highlighted that many of the recommendations made by the Ryden report relate to matters are regulated or otherwise controlled by either the Scottish or UK Government. Accordingly, the Council will have a critical role in acting as a facilitator, advocate and in building partnerships as part of the action plan process. This will include lobbying for additional powers at local level where appropriate.

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<sup>1</sup> <http://connect.glasgow.gov.uk/CHttpHandler.ashx?id=58554>

<sup>2</sup> <http://connect.glasgow.gov.uk/CHttpHandler.ashx?id=58555>

## **2. BACKGROUND AND CONTEXT**

- 2.1 It became clear over 2020 that the Covid-19 pandemic would have long-lasting impact on city centres. Accordingly, consideration was given to the related effect that this would have on key property sectors and the economy. Members will be aware of other recovery work that took place over 2020 and 2021 which has previously been reported to committee, including the creation of the City Centre Task Force, the significant business support grant schemes, and the investments made into city marketing, events, action plans, and City Services activity as the city centre began to reopen.
- 2.2 However as it became evident that factors such as hybrid working were likely to remain in some form post-pandemic, it equally became apparent that this would continue to impact Glasgow city centre negatively, and as such it was important to develop an evidence base with which to support future policy and other interventions.
- 2.3 The City Centre Task Force, co-chaired by Glasgow City Council and the Glasgow Chamber of Commerce, and with membership of UK and Scottish Governments, representatives from all core city centre sectors, and Council and ALEO services, was established in November 2020. With the award of end-of-year Scottish Government recovery funding, the need to develop the economic and property evidence base was deemed a high priority. Accordingly, the Task Force agreed to progress three key actions under the “development” banner. This included:
- (i) the Ryden and Stantec reports
  - (ii) the development of a City Narrative in collaboration with Invest Glasgow
  - (iii) a real-time data dashboard for Glasgow city centre which can be freely accessed here:

**Dashboard link:** [City Centre Open Dashboard](#)

- 2.4 A Steering Group was established through the Chamber of Commerce to lead these three actions through from development to completion. The Steering Group was formed of representatives from the Council, the Chamber, and the development market. This Group developed the scope of activity, oversaw a competitive tendering process for all three actions, reviewed the outputs, and endorsed the recommendations.
- 2.5 The objectives of the Ryden and Stantec work, which is the subject of this report, were to:
- (i) undertake a post-pandemic stock take on property supply and demand, and the economy, in Glasgow city centre
  - (ii) produce industry-led recommendations for Glasgow City Council and its partners

## **3. POST-PANDEMIC ECONOMIC FINDINGS**

- 3.1 The pre-pandemic projected Gross Value Added suggested that Glasgow city centre would generate £9.2BN in 2021 from a base of £9BN in 2020. The

Central Forecast figure below relates to long-term average GVA growth rate 1998-2019 (reflecting economic cycles).

<b>Pre-Pandemic Projected GVA</b>	<b>2020</b>	<b>2021</b>
City Centre GVA (Central Forecast)	£9,006m	£9,217m
% growth on previous year	2.39%	2.67%

3.2 With Covid, the picture has changed substantially. The projection of £9.2BN for 2021 is replaced with a projected £8.27BN, indicating the stark impact of the pandemic on economic activity.

<b>Study Area</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
City Centre East	£1,247.4m	£1,269.8m	£1,289.7m	£1,613.3m	£1,724.8m	£1,550.3m	£1,622.5m
City Centre West	£796.4m	£740.8m	£771.4m	£1,088.0m	£1,196.0m	£1,075.0m	£1,125.1m
City Centre South	£5,834.4m	£5,664.4m	£5,867.1m	£5,661.2m	£5,874.7m	£5,280.3m	£5,526.3m
<b>Total GVA</b>	<b>£7,878.3m</b>	<b>£7,675.0m</b>	<b>£7,928.2m</b>	<b>£8,362.6m</b>	<b>£8,795.5m</b>	<b>£7,905.5m</b>	<b>£8,273.8m</b>

3.3 It can further be seen that the pandemic particularly affected employment sectors that are critical to Glasgow city centre. The table below illustrates the significant employment impact experienced in hospitality and retail sectors in particular.

	<b>2019 – 2020</b>	<b>2019- 2021</b>
Professional & Public Services	-4%	1%
Hospitality	-15%	-10%
Retail	-14%	-10%
Education	-6%	-1%
<b>Total Key Sector Employment</b>	<b>-6%</b>	<b>-1%</b>

#### **4. BUSINESS PERFORMANCE: OCTOBER 2022**

4.1 As at October 2022, the key headlines of city centre business sector performance are as follows:

- **Footfall** is 19% lower than pre-Covid – equating to c850,000 fewer visitors per month
- **Weekend and evening footfall** is now above pre-Covid levels (111% and 118% respectively)
- **Weekday and particularly lunchtime footfall** remains an issue at 84% of pre-Covid levels due to the generally slow return to office in Glasgow city centre – but this is an improvement from the last report to Committee in September due to students returning to campus

- **Buchanan Street** is recovering more slowly than other city centre shopping streets, equating to over 2.2m lost shoppers in 2022 so far, compared with 2019
- **Sales recovery** is 106% of same month pre-Covid, however there is a monthly decline of 4% compared to July 2022, with the greatest decline in sales found in Food and Drink
- **Hotel occupancy** is 89%, an increase from July and in line with pre-Covid occupancy rates. However, costs have significantly increased since 2019 (staff, utilities etc) and the increase has been driven primarily by the upscale/luxury sector
- **Airbnb bookings** now 95% of pre-Covid levels

- 4.2 It would appear from the above data that many sectors are performing relatively close to pre-pandemic levels. However this masks some key underlying issues:
- (i) rising **energy costs**
  - (ii) difficulties in **recruiting and retaining staff**, which is affecting retailers' and hoteliers' **ability to trade full opening hours**
  - (iii) **transport strikes and shortages of taxis** affecting night-time economy transport provision
  - (iv) **cost of doing business** with input costs increasing, staff costs increasing, and utilities costs rising by up to 250% in the night-time economy
  - (v) shortages of **student accommodation** – a city-wide issue
  - (vi) **office vacancy rate** is 14% - 78% higher than pre-Covid
  - (vii) **office take-up** for Q3 2022 is down 35% on last quarter and remains well below the five-year average
  - (viii) **government funding for local transport** has ended so existing bus networks are under review – passenger volumes are around 82% pre-Covid Monday to Friday levels

## 5. POST-PANDEMIC PROPERTY SUPPLY AND DEMAND FINDINGS

- 5.1 The Ryden report was based on extensive analysis of key property sectors, market and stakeholder engagement, and review of case studies which have delivered successful repurposing outcomes. This concluded with a series of recommendations for Council consideration. A summary of the report's key findings is provided in this section.

### 5.2 Office market:

- Stock is up to 18.2m sq.ft but vacancy up to 14% (from 11% at the Ryden report's time of production – Q1 2022)
- All evidence now points to need for smaller, higher quality, more agile offices
- Larger occupiers are seeking less space, higher quality/new/bespoke, flexible, good ICT, sustainability, services and amenities
- SMEs require less space, higher quality, flexible/shorter-term, affordable multi-occupied increased managed centres
- Start-ups, creatives and innovation industries need to be supported
- The legacy of obsolete offices is happening faster than before – now c400 buildings were built pre-1960 and require to be repurposed

## 5.2 Residential market:

- The number of total units including PBSA is c20,695
- Key opportunities proposed in the City Centre Living Strategy and DRFs are progressing – but at gap sites rather than complex/old/heritage buildings
- The market is narrowing with most focus on Build to Rent
- Converting or repurposing upper floors only results in small-scale outcomes e.g. average 10 units – does not achieve the large scale outcomes required to deal with the legacy of redundant office property, much of which sits in the old Commercial Business District west of Central Station
- Little affordable housing is coming through the pipeline – often priced out by commercial developers, and few sites of viable interest, or of scale

## 5.3 Retail and Leisure market

- The vacancy rate more than doubled during the pandemic to 9.4% not including large re-use schemes such as Debenhams
- Rents are declining
- Total stock of 8.9m sq.ft retail/leisure has not changed yet – but will
- Online comparison shopping forecasts again revised upwards – implications for Glasgow's position in the UK retail market
- 83 hotels in the city centre with three completed during the pandemic – this mature cycle is now resulting in operator stress
- Point of maximum risk has arrived with rents, rates and debts due, costs rising sharply, trade needs to rise, but consumer economy weakening

## 5.4 Engagement outcomes

- 50 consultations undertaken with key businesses, institutions and organisations
- Pre-Covid – city centre attracting strong development and significant spending on public realm
- Pandemic impacts are persisting in sectors where Glasgow city centre was strong
- Market comments focus on the following:
  - Need to accelerate adaptation and diversification and greening, or will see spiral towards vacancy
  - Flight to quality offices, vacating poorer stock
  - BTR is just starting, affordable housing struggles in the city centre, and a mixed demographic requires support
  - The best schemes will attract operators and funding; others may need to change
  - Retail was and is still contracting
  - Hotels and hospitality have high fixed costs and reduced demand; closures are likely
  - Space is required for creatives, and growing technology and innovation sectors

5.5 **Overall findings:** A number of findings have been produced by the report. These have been shared with the Scottish Government and other Scottish cities, and it is evident that a number of areas have broad consensus around

the issues, many of which will require national support. Discussions are ongoing with government colleagues, and this partnership will continue as the Property Repurposing Action Plan is implemented. The key findings can be summarised as follows:

- (i) The need for focus on repurposing pre 1960 office/commercial stock
- (ii) Technical, practical and fiscal barriers to refurb/repurposing (e.g. VAT on conversions, Cost Crisis, heritage/listed stock/circular economy, Net Zero costs)
- (iii) Unrealistic city centre values — how to incentivise development/disincentivise long term empty properties/sites, and deliver affordable housing, creative economy outputs
- (iv) More delegated powers to local authorities to e.g. set levies or use other levers
- (v) Unrealistic NDR levels in the context of post pandemic, cost crisis environment; consideration to be given to matters such as the scope for rates relief on conversions, higher NDR rates for online retail and out of town shopping malls, taxation on out of town car parking (which offers a major advantage to these malls which provide a large free parking offer)
- (vi) How to deliver repurposing at scale
- (vii) Placemaking focus v best price – and prioritisation of sites for development
- (viii) National position on hybrid working – potential long-term impact on city centres
- (ix) How to matchmake opportunities: developers with end users/building opportunities

## **6. NEXT STEPS**

- 6.1 The findings and recommendations outlined in the Ryden report have been reviewed by officers across the Council, discussed with government colleagues and tested with private sector partners. However it must be emphasised that property repurposing is a complex issue in which the Council has limited control or legal powers. The redundant property in Glasgow city centre that requires repurposed is all in private ownership. Many of the ownerships may reside outwith the UK. There are limited legal powers currently to compel productive outcomes, with the result being a legacy of long-term vacancy and decline. The costs of conversion are substantial, at a time of severely constrained economic circumstances.
- 6.2 Much of the redundant property was formerly utilised for commercial purposes. However with market changes, the demand for old Victorian/Georgian buildings to utilise for commercial activity has declined substantially in favour of newer, more flexible space, with communal/high quality amenity provision, and space that is responsive to the net zero carbon agenda. This is a particular concern for upper floors, many of which were already underused. Opportunities to incentivise and enable repurposing, where possible for residential outcomes, will be an important requirement going forward. However the scale of this issue should not be understated; hundreds of buildings may require to be repurposed in the city centre, and there are few existing legal powers to allow the public sector to intervene in terms of forcing a private ownership response –

notwithstanding the ongoing financial constraints which will further limit options in terms of public sector intervention. Policy and review of regulatory and legislative options will be critical levers going forward.

- 6.3 In addition, there are limitations to existing processes like Compulsory Purchase Orders; and other options such as Community Sales Orders and land value capture mechanisms. Adjustments to current planning and regulatory policy linked to conversions are complex areas that require further investigation and consultation with government colleagues at both Scottish and UK level, to establish deliverable options for progressing at city centre level.
- 6.4 It is essential therefore that a partnership approach is adopted for the delivery period of the Action Plan, with the Council playing an important enabling role. This will include alignment with parallel work activities currently underway, including the work on residential outcomes with Scottish Government and Scottish Cities Alliance, and the findings of the Place Commission.
- 6.5 The intention is to progress further detailed discussions, in particular with Scottish and UK Government partners, once Members have considered this report. Given the lack of direct powers in control of the Council, a robust response to the Ryden report's recommendations must be developed in collaboration and with a clear understanding of the essential role other organisations will play.
- 6.6 An Action Plan will therefore be prepared over December 22/January 23 and this will provide a direct response to the Ryden recommendations, including lead organisation roles and timescales. It is anticipated that this will be in the form of a two-year plan that will start to be delivered in advance of the new City Centre Strategy, which will be developed in 2023 with a view to going live from January 2024. Given the scale of the property related issues outlined in this report and the associated Ryden and Stantec outputs, the priorities of this Action Plan are likely to underpin the new approach to city centre development from 2024.
- 6.6 As part of the Action Plan, the Council will establish an officers' Property Repurposing Working Group to oversee progress of the Action Plan, which will be reported to Neighbourhoods, Housing and Public Realm committee on a bi-annual basis. This will include actions to be taken forward directly by the Council, as well as interventions that will require direct Scottish or UK Government leadership.
- 6.7 Supporting this agenda are various other workstreams focused on delivering high quality place outcomes. The Place Commission has recently published its main report, and the Avenues Programme is being reviewed in the context of all the various market/economic factors that have interrupted its progress. Once this review is complete, there will be clarity over the timelines of this major public realm investment scheme which will in turn support the property repurposing agenda through the creation of high quality streetscapes and public spaces.



## 7. POLICY AND RESOURCE IMPLICATIONS

### Resource Implications:

<i>Financial:</i>	There may be financial requirements as part of the planned action plan; these will be reported in the next committee update.
<i>Legal:</i>	There may be legal issues arising as part of the planned action plan; these will be considered as part of the next committee update
<i>Personnel:</i>	There are no personnel implications at this stage.
<i>Procurement:</i>	There may be procurement issues arising as part of the planned action plan; these will be considered as part of the next committee update.

### Equality and Socio-Economic Impacts:

<i>Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.</i>	Yes. The City Centre Property Repurposing research considers a broad range of cross-service actions that will lead to better access to employment, residential and retail & leisure uses throughout the city centre. In particular, it is expected successful delivery of these actions will contribute to achieving Outcome 1 by leading to the provision of more employment opportunities for a diverse workforce and Outcome 6 by helping to create a more vibrant and attractive city centre with more opportunities for social interaction. EQIAs will be considered for each of the individual actions as these are brought forward.
<i>What are the potential equality impacts as a result of this report?</i>	Positive. It is expected that any actions flowing from this research will lead to broader employment and economic development opportunities and more accessible homes and leisure services within the city centre.
<i>Please highlight if the policy/proposal will help address socio-</i>	Yes. When commitment is made to the action plan, this is expected to encourage skills development and business development more

*economic disadvantage.*

generally by improving access to jobs as well improving the overall economic prosperity of the city.

**Climate Impacts:**

*Does the proposal support any Climate Plan actions? Please specify:*

Yes. When delivered, the City Centre Property Repurposing response would aim to create a policy environment that better encourages the reuse and repurpose of existing building stocks reducing the need for more carbon intensive new build development. The potential repurposing to residential activity will aim to support citizens to live more centrally which will encouraging the uptake of more active travel choices. Supports Climate Plan Actions: 5, 8, 9, 10, 18, 22, 23, 24, 29, 39, 40, 41, 51, 56, 59.

*What are the potential climate impacts as a result of this proposal?*

Positive. The potential impacts are on carbon reduction, increasing active travel, support for circularity and sustainable development practices.

*Will the proposal contribute to Glasgow's net zero carbon target?*

Yes. In particular, repurposing the city centre's existing building stock will lead to considerably more energy efficient building uses as well as reducing the need for more carbon heavy new build development. Creating more sustainable homes within the city centre will also mean less reliance on carbon emitting modes of transport.

**Privacy and Data Protection Impacts:**

There are no immediate data protection impacts. These will be assessed as the action plan is developed, and DPIA's will be completed as required.

**8. RECOMMENDATIONS**

8.1 It is recommended that Members:

- (i) Consider the contents of this report
- (ii) Consider the direct impact of the pandemic on Glasgow city centre's property supply and demand trends
- (iii) Consider the economic impact of the pandemic on Glasgow city centre, and the current trends within its business sectors
- (iv) Notes the limited powers available to the Council in relation to a number of the matters raised, and the need for further engagement with key partners in order to co-create an action plan response to be brought back to committee for consideration in early 2023