Think Tank

A better future

Glasgow

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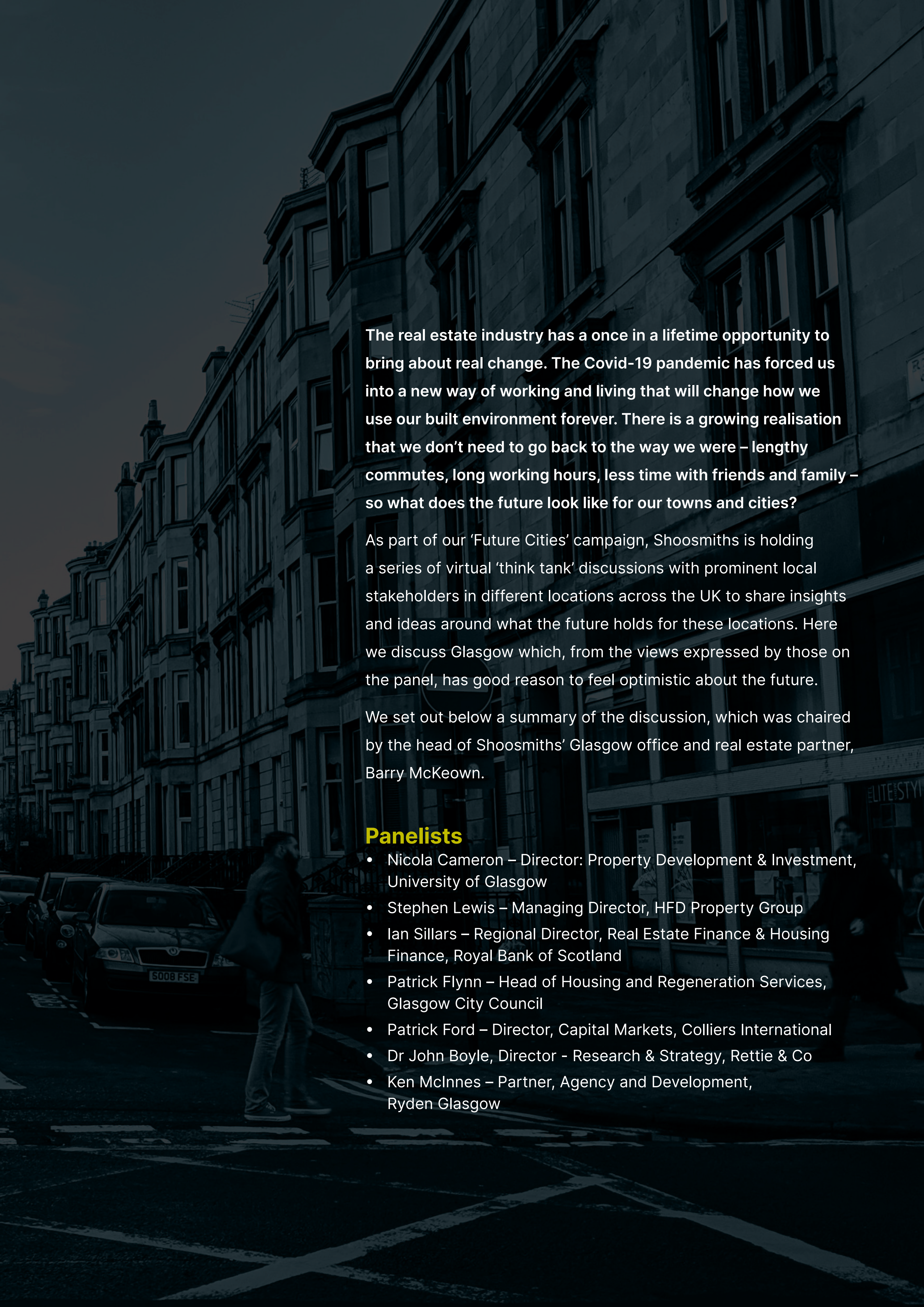
SHOOSMITHS

National expertise, local insight



The real estate industry has a once in a lifetime opportunity to bring about real change. The Covid-19 pandemic has forced us into a new way of working and living that will change how we use our built environment forever. There is a growing realisation that we don't need to go back to the way we were – lengthy commutes, long working hours, less time with friends and family – so what does the future look like for our towns and cities?

As part of our 'Future Cities' campaign, Shoosmiths is holding a series of virtual 'think tank' discussions with prominent local stakeholders in different locations across the UK to share insights and ideas around what the future holds for these locations. Here we discuss Glasgow which, from the views expressed by those on the panel, has good reason to feel optimistic about the future.

We set out below a summary of the discussion, which was chaired by the head of Shoosmiths' Glasgow office and real estate partner, Barry McKeown.

Panelists

- Nicola Cameron – Director: Property Development & Investment, University of Glasgow
- Stephen Lewis – Managing Director, HFD Property Group
- Ian Sillars – Regional Director, Real Estate Finance & Housing Finance, Royal Bank of Scotland
- Patrick Flynn – Head of Housing and Regeneration Services, Glasgow City Council
- Patrick Ford – Director, Capital Markets, Colliers International
- Dr John Boyle, Director - Research & Strategy, Rettie & Co
- Ken McInnes – Partner, Agency and Development, Ryden Glasgow

How will Glasgow bounce back faster, better, stronger than before?

Stephen Lewis – Glasgow is pretty resilient, both as a body of people but also in terms of business and market. With the office market, for example, we don't have lots of new space so we won't be in a position where we have a glut of empty offices in the city centre, which is good because that breeds negativity and negativity breeds poor sentiment which pulls the market down. There is a real possibility that we can get a green recovery-led bounce back with the work developers are doing on sustainability and all the supply chain that flows through it. The green recovery will be a strong one in Glasgow, and Glasgow has positioned itself well for that with its carbon neutrality statement.

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Nicola Cameron – In the short term, a lot will be around how safe a space we present the city as. How we present our management of the crisis is playing really well, with Glasgow and Scotland as a place that has a strong sense of control in what we are doing. We then need to build on that to look at where our resilience lies, where our agility is and where the strength of our people is. In everything that we do - and with so much pivoting online - how can we make sure that there is still that real Glasgow experience, which people can access through our people and our places? We need to have that balance between the virtual and the physical and I think that Glasgow is well-positioned to do that. The positivity of our people will support us in bouncing back faster and further.

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Patrick Flynn – Our diverse jobs base is going to be a strength. The high level of disposable income we offer compared to other cities in the UK is a boost in terms of attracting inward investment. The Glasgow City Centre Living Strategy also puts us strategically in a good place.

Ian Sillars – Glasgow has got strong fundamentals as a city, certainly for real estate investors. Even through the lockdown phase we were seeing interest from investors wanting to do deals. We have seen some grade A offices being let and leases being concluded, and it's got better availability for development, albeit some of that is brownfield and will need remediation. We've just seen JP Morgan Chase take 275,000 sq feet so the financial district seems to be resilient, although we don't know how the jobs market will fare over the short term. However, Glasgow benchmarks well against the other main cities across the UK, and that's the competition it has to look at. Fundamentally Glasgow is a strong city.

John Boyle – Glasgow was in a good position going into lockdown, if you look at the employment growth and population growth. People choosing to live in a place is a sign of confidence and Glasgow's population has been rising over the last 10-15 years. Population growth last year was over 1% and out of all the local authorities in Scotland it was fourth. With major employers choosing to come here, it shows the reach that the city has, with good commuter links to the greater Glasgow area of 1.6m people or thereabouts, which is one of the things that encourages employers to look at the city. And we also have the public/private partnerships and the work the universities do in attracting and retaining students and skills in the local economy. Unemployment will probably climb to around 10%, but we're not in the bubble territory that we were in in 2008, when it was like crashing into a wall at 100mph. This time we have still crashed into a wall, but it is more like at 20mph, and we should find our way out of it a bit more easily.

Which industries across Glasgow are best placed to thrive in the post-Covid climate?

Ken McInnes – I think the Scottish government is a real leader in sustainability, and I hope Covid will pass reasonably quickly and sustainability and carbon reduction gets put back at the top of the agenda, as it absolutely has to. I also think outsourcing is an area where Glasgow can really score; with the possibility that London's office market will be heavily affected over the longer term, cities like Glasgow, with a population of 600,000, will fare well as businesses look to north shoring away from the densely populated areas of the UK.

Patrick Ford – It's out with the old and in with the new – there needs to be a focus on the tech industries. Fintech is already a huge part of the Edinburgh market and that will be something which Glasgow will lean on a little more heavily going forward than it has done in the past.

> We need to have the environment that supports new technologies, new ideas and new creativity

Nicola Cameron – We have amazing research-focused institutions across Glasgow and Scotland, and some really creative ideas which come from that. At Glasgow University, for example, we have real strength in precision medicine and are heavily involved in the Lighthouse Lab at the Queen Elizabeth University Hospital campus. We also have real strengths in terms of engineering and nanofabrication, the arts, health and wellbeing and policy to name but a few. So, where we do have these research strengths, we need to find a way to build it into an ecosystem that attracts inward investment and creates an environment that is enabled and supported to grow. We've got a very capable research-focused NHS around the Greater Glasgow area, which will hold us in good stead if this is not the last crisis we face. So let's look at what we've learned from this. We can position the city as a place that is leading, but to do that we need to have the environment that supports new technologies, new ideas and new creativity, and that comes through people, through place and through available, agile and accessible funding.

Barry McKeown – One of the things I see in returning to normal is around the issue of preparedness. Clearly, we were completely broadsided by Covid initially. No one anticipated it at the time. However, in learning the lessons of the last few months, it is the flexibility and resilience of our entire approach that has got to be one of the key things that we take forward.

Glasgow City Council's new City Centre Living Strategy Vison 2035 proposes that the city centre population will double in size to 40,000 over the next 15 years. Is there demand in the City for that growth?

John Boyle - The capacity and demand is there, but what the city hasn't been good at in recent years is the private housing output. Our record on social housing has been a real success story, but since the last crash developers have preferred to build houses rather than flats. BTR is one of the possible ways to get relatively quick development and quick occupation, which would enhance the placemaking ability of areas and drive demand. BTR has been slow to get off the ground, not just in Glasgow but actually in most places outside of London and Manchester, although some of the schemes have been over-complicated in terms of design and there has been a bit of nervousness with viability.

Patrick Flynn – Sustainability and the green agenda will come back, and one of the things around the city outside of the centre is that it allows for some of the most sustainable forms of housing. That will go up the agenda and Glasgow is preparing for that. In terms of the city centre growth, we are behind the northern hemisphere trend, but we are certain that we can attract and retain students in particular, and we have been looking at BTR as part of that. But there is also the issue around mixed tenure – we are involved in a build programme of 10,000 houses around the city centre that we see as important in safeguarding our unique selling point, which is the largest job offering in Scotland, and good quality housing is integral to that.

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How will the City Centre Living Strategy Vision impact on other existing city centre uses, e.g. retail and office?

Stephen Lewis – It is a massive positive. Taking it back to first principles, the best type of developments are mixed use developments, and you need residential at the heart of that as you are then connecting people with the places to which they go. A city is, by its very nature, a mixed-use development. The delivery of this will come about through a combination of new build and change of use, although in Scotland we've been slow to take on change of use of buildings to residential. We need to be a little bit bolder and increase density as well as look at tall buildings, and ultimately that supports the sustainability strategy as it means we get more out of our city centre. A quality housing market across all tenures fundamentally supports both indigenous businesses and inward investments to the city.

Ken McInnes – Driving round some parts of the city at the moment can actually be quite a depressing experience but, if we can turn those areas into vibrant residential locations, it just helps sell the city enormously. An active city centre living strategy underpins everything.

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Are new planning and policy frameworks required to encourage Glasgow to develop in a clear and positive way, taking developers and occupiers with them, but also acknowledging the wider role Glasgow has to play in the West of Scotland economy?

Patrick Flynn – We've got a body of knowledge now around residential in the city centre that will allow us to accelerate development going forward, which will include density. Let's remember however that Glasgow is a very small city centre, so the ten minutes around the city is also important.

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Ken McInnes – One of the obvious outputs from the District Regeneration Frameworks will be increased city centre living across all tenures, and there is a great public/private consultancy team working on that. This also links in with the Avenues project.

Barry McKeown – It all plays into the idea of placemaking and connectivity of people's lives, jobs, leisure and home. It isn't just about the city centre but the wider environment. You are a ten-minute commute from the old city boundaries, so it's about the city region.

Stephen Lewis – One of the challenges around planning policy in the short-term and meeting the 40,000 city centre target is that we will struggle with ground floor active uses. Where demand for retail and leisure is not there and we have an over-capacity of ground floor active uses, I can see the next five years being difficult, certainly until we get new people into the city. It's an important public face of our buildings and, if they're lying empty or boarded up, it has a negative impact on the city. As a group of businesses and policy makers we have to look hard at how we make that work over the next five years.

Patrick Ford – In relation to the Avenues project, there is a big block that Tesco occupies which is on the market, and the area around it, whilst being quite busy, is in effect zombified, and the difference it would make to have a proper mixed-use development there of scale would be huge. Having a significant area of the city that is an eyesore makes it a difficult sell to investors.

Ken McInnes – One other thing needed around the city at the moment is infrastructure improvement. We need to feel proud about Glasgow as the way the city looks will impact our ability to attract investment. It will cost money, but it will be money well spent. One of the good things to come out of Covid should be the increased use of bikes; if we have thousands of people travelling into work by bike in a year's time it will be brilliant.

What role does the higher education sector have to play in delivering the future strategy for the city and attracting new talent and inward investment?

Nicola Cameron – The universities have an influential role in all of this as we have significant student numbers and draw a lot of people to the city, but what we need to start to think more about is how do you hold on to those people. Once you come to Glasgow and have fallen in love with the city, what do you do next? Where do you work? Where do you move to? How do you grow into the city and be part of its positive economic growth? Universities can contribute to that, but we need partnerships with business and at scale. We need to blend the boundaries between the universities and the city and, working together, we can grow something that is amazing and is a proposition that you can take out across the world to continue to showcase Glasgow. Additionally, students are beginning to assess the sustainability credentials of our institutions and how sustainable our cities are. This will become a determining factor in their choices and Glasgow has an amazing opportunity to be a leader on that. This crisis has allowed us to consider where in the future we need to focus our energies, and it is exciting.

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Will residential design change to cater for the shifts brought about by Covid and the likely increase in home working?

Stephen Lewis – I do see there being a mass return to the city centre. People will want to continue to work from home, but they won't work from home five days a week. How that works financially, with bigger flats in the city centre with outside space being a challenge, is unclear, but this is the time to do it with values perhaps slightly less.

John Boyle – What we are seeing is that everyone is thinking about suburbanisation and moving to the edge of cities to places with gardens. That will last for a period of time when Covid is fresh in the memory but, unless there is a substantial second wave, there will be a move back to a focus on city centre living. What we can do as an innovation is to look at serviced office space, whereby people can work where they live. This is what the BTR operators are looking closely at. The no parking thing is also interesting – with the Meadowbank development planned for Edinburgh, they have stipulated very little car parking within the whole scheme, and I don't think it will affect the value of the scheme at all. There will be a generation of younger people attracted to this type of development who won't have a car and, if they want to travel somewhere at the weekend, they'll just join a car share club. There are all of these societal shifts going on that will just be accelerated by Covid.

Stephen Lewis – What Covid has done is super-accelerated a number of the previous trends that were there, particularly in relation to offices but also elsewhere. Whether that's agile working, flexibility in tenure, flexibility of space, wellness, smart technology, sustainability, Covid is accelerating that. It's also accelerated the demise of a lot of our over-inflated retail centres and some of our leisure markets. We need to take the opportunity to grasp the positives of that acceleration and not so much the negatives.

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Ian Sillars – You are also going to see lenders - whether that's banks or the debt capital markets - looking at ESG (Environmental, Social, and Governance) and ensuring they see some form of benefit from at least one of those three strands. The government is pushing the green agenda a lot as we come out of lockdown and you are already seeing lenders moving away from areas such as mining, for example, and you'll see a gradual move away from carbon fuels over a period of time. When we look at Glasgow and how investable it is in terms of a location, we need to focus on what investors will be looking at, as well as how we will plan and develop those assets.

Barry McKeown – All of this needs money, and we are in an uncertain world post-Covid and haven't even mentioned the B word. Ultimately, It is all about viability and I'm interested to hear that funders are wanting to see some positive benefit and outcome to their developments and are willing to restrict access to the financing if they don't. That will drive the sustainable and green developments that are now being pushed up the agenda.

If you have any queries or would like to discuss any of the issues raised in this piece, please contact:

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