Hello and welcome to the latest issue of Invest Edinburgh.

In this issue we explore supply and demand for city centre property across Scotland’s capital; the economic factors fueling investor interest, and profile some of the transformational developments currently underway. It’s a vital issue for the city. As we prepare to showcase Edinburgh’s unique appeal at events such as MIPIM, it’s clear there has never been greater international interest in the city. Ensuring we get our property balance right and continue to deliver exciting development opportunities will be key to delivering Edinburgh’s economic potential in the future.

In our regular Round Table, developers and investors give their views on the unprecedented property demand and how Edinburgh can satisfy and sustain that demand. In 10 Questions, we speak to Money Dashboard, one of the high profile fintech businesses in the city disrupting financial services, while we also examine the growing appeal and social impact of social enterprise in the city in our Sector Focus column.

As ever, I hope you enjoy your read, be it in print or now online.

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To find out more about how we can help you, please contact the Investor Support team at invest@edinburgh.gov.uk

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www.investinedinburgh.com/invest-magazine

QIKSERVE, THE EDINBURGH TECHNOLOGY FIRM BEHIND THE ‘WAITER IN YOUR POCKET’ APP, HAS SECURED £2.7M OF GROWTH FUNDING THROUGH A DEAL LED BY MAVEN CAPITAL PARTNERS.
A £90m investment will create a 30,000m² home for the School of Biological Sciences, bringing together more than 800 researchers. At the heart of the project is a comprehensive refurbishment of the 10-storey Darwin Tower that will provide laboratories, offices and breakout areas, along with an advanced technology centre for genetic sequencing and spectrometry.

To the north of the Darwin Tower, the University will develop The Hive, a hub building featuring a 200-seat lecture theatre along with classrooms, offices, a café and a ‘science studio’. The Hive will physically link the Darwin Tower with the Michael Swann, Daniel Rutherford and CH Waddington buildings, creating a cohesive mini-campus. Other additions include a new research facility to the south of the Queen's Buildings.

“OVERT THE NEXT FIVE YEARS, WE WILL CREATE A POWERHOUSE OF RESEARCH AND INNOVATION ON THE KING’S BUILDINGS CAMPUS.”

Darwin Tower and an extension of the CH Waddington Building.

“Over the next five years, we will create a powerhouse of research and innovation on the King’s Buildings campus,” said Professor David Gray of the School of Biological Sciences.

Following a global competition, the University of Edinburgh has appointed John McAslan + Partners to design a new £60m home for the School of Geosciences and its 400+ researchers. The brief is for a 17,500m² building providing laboratories, offices and writing-up areas, all linked by a central feature atrium.

“Our concept for the new building is for a global meeting place – a vibrant space that creates an atmosphere of discovery and encourages the interaction and exchange of ideas relating to the factors and forces that shape our world;” said Hannah Lawson of McAslan.

Other major developments proposed for the King’s Buildings include the creation of a mini-campus for the School of Engineering and the refurbishment of the Joseph Black Building and Murchison House, creating homes for the School of Chemistry and Edinburgh Research and Innovation respectively. Meanwhile, the Nucleus Project will deliver lecture theatres, study areas and facilities such as a gym, shops and a student information centre in the heart of the King’s Buildings.

With world-class research and innovation capabilities in a breath-taking natural setting, the King’s Buildings epitomise Edinburgh’s unique offering.

FIND OUT MORE

www.ed.ac.uk/estatesprojects/king-buildings
1 TO WATCH

WHO ARE THEY?
Based at the Edinburgh Centre for Carbon Innovation, Capture Mobility's award-winning micro-turbine is the brainchild of founder and chief executive Sanwal Muneer. The technology start-up's ground-breaking roadside turbine is designed to not only generate electricity from the turbulence of passing traffic but also to filter particulates from the atmosphere, helping reduce air pollution. The turbine is also topped with solar panels that add to the power generated by the system.

Capture Mobility is one of only six companies selected for energy giant Shell's global Make the Future programme – an initiative to deliver off-grid energy to remote locations around the world.

WHERE HAVE THEY COME FROM?
The racetrack provided the inspiration for electrical engineer Sanwal to develop his concept. "In 2012, I was part of a team in Malaysia involved in the Shell Eco-marathon. We were focused on maximising energy usage in an electric race car. That gave me the idea of harvesting waste energy (the air turbulence) from existing traffic."

Having successfully completed trials of the technology, in conjunction with Transport Scotland and Dundee City Council, plans are in place to extend trials on the Forth Road Bridge, delivering sustainable energy for bridge lighting.

WHY ARE THEY WORTH WATCHING?
With nearly two billion cars on the world’s roads today, Capture Mobility has the potential to recast a known key polluter – traffic – as an energy source.

The turbines have already attracted interest from overseas markets, including France, China, Brazil and Chile.

Capture Mobility is also in discussions with the Scottish Environment Protection Agency and Forestry Commission Scotland to explore the potential for installing turbines in remote locations, providing unobtrusive mobile phone charging stations. The technology can also be used to supply electric car charging points with 100% green energy.

> Find out more:
www.capturemobility.co.uk

SKOOG GETS TO GRIPS WITH ITS GROWING APPEAL

2017 promises to be an exciting year for Skoog Music, the developer and manufacturer behind the hands-on tactile cube that helps to unlock musical creativity.

Since launching its initial colourful cube in 2010, the business has sought to enhance its innovative Skoog controller, adding new functionality, and connectivity. A successful crowdfunding campaign through Indiegogo in early 2015 saw the business smash its fundraising target by more than 300%.

"The vision behind the product was always to make music more accessible," explains Dr Ben Schögler, co-inventor of the Skoog cube. "For many, the instrument itself becomes a barrier to making music. For those with physical and learning difficulties, the young or old, those barriers can seem insurmountable.

"Having secured a SMART: SCOTLAND award through Scottish Enterprise we were able to re-engineer the product, adding wireless functionality and iOS compatibility with the launch of a new iPad app. Crowdfunding gave us the opportunity to market test our product development," adds Ben. "We wanted to broaden its consumer appeal – make the device less toy-like."

The new device was re-launched by Apple on 19 May 2016 – Global Accessibility Day. "Skoog has always dovetailed with Apple’s core value of improving accessibility through integrated technology. We’re now listed on Apple’s music, toys and games and accessible product ranges and the device is available in the US, Canada, Europe, China, Japan and Singapore. Skoog can also be bought direct via 83 Apple stores across Europe."

With more than 3,000 units sold in 2016, all of which have been designed and manufactured in Edinburgh, Skoog 2.0’s wider consumer appeal is proving popular with educators and among young families keen to encourage musical play in the home.

The addition of Skoog to Apple’s Swift Playground coding platform has been a further evolution of the product. The Skoog cube can now be used as an input device for the revolutionary app for iPad, which makes it fun to learn and experiment with code.

> Find out more:
www.skoogmusic.com
FreeAgent, the Edinburgh-based provider of accounting software, was floated on London’s Alternative Investment Market (AIM) last November.

The listing saw the firm valued at £34.1m, after it raised £10.7m in the process: £8m through a new share issue to institutional investors, and £2m through the sale of existing shares. Shares were offered at 87.5p and have traded above £1 per share throughout January 2017.

The firm was set up in 2007 and develops accounting software aimed at the UK’s five million ‘micro-businesses’. It now has more than 50,000 business customers, a base that grew by 66% in the two years prior to its floatation. Its founder and chief executive, Ed Molyneux, (pictured), sees the company’s admission to AIM as a transformational event: “It’s a positive step that marks the next phase of FreeAgent’s development as we progress our growth strategy.”

That strategy evolved rapidly, with an announcement on 19 January that FreeAgent had signed an agreement with Royal Bank of Scotland and NatWest that sees both banks offering the software as a service to their small business customers across the whole of the UK.

> Find out more: www.freeagent.com

**EDINBURGH TO HOST EUROCITIES**

Up to 500 mayors and political leaders from across Europe will gather in Edinburgh in November 2018, for one of Europe’s most prestigious conferences.

EUROCITIES is the platform for civic leaders to address key urban challenges faced by cities in Europe.

“We are delighted that Edinburgh will host our 2018 EUROCITIES conference; the city has so much to share as a creative and competitive city. We are expecting some very constructive discussions between major cities from all over Europe on how they can develop and nurture creativity to make cities more resilient, competitive and ultimately, deliver better quality of life for their citizens,” said Anna Lisa Boni, Eurocities secretary general.

The conference will be staged at the Edinburgh International Conference Centre (EICC) in November 2018, with support through Convention Edinburgh. Marshall Dallas, chief executive at the EICC said: “It is fitting that EUROCITIES will be taking place here. Edinburgh has been one of Europe’s great cities for centuries, with flourishing universities, modern industries, a vibrant cultural scene and a strong emotional connection to the continent.”

Councillor Gavin Barrie, Economy Convener, The City of Edinburgh Council, added: “EUROCITIES will present a valuable opportunity to welcome cities from across Europe to Edinburgh, to showcase and share know-how, expertise and ideas. Through our proposed theme – Creative Competitive Cities – we will be showcasing the best of Edinburgh. This is a great honour … and it will be a tremendous boost to the city’s economy.”

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> Find out more: www.freeagent.com
After securing a contract worth more than £14m through the UK Space Agency, Edinburgh-based sustainability software and data company Ecometrica is set to play a central role in preserving the world’s dwindling supply of tropical rainforest.

Under the ‘Forests 2020’ project, Ecometrica will deliver Earth Observation laboratories in Brazil, Colombia, Ghana, Indonesia, Kenya and Mexico, helping to conserve 300 million hectares of rainforest.

Dr Richard Tipper, executive chairman; Gary Davis, chief executive officer; and Bertrand Revenaz, chief product officer, founded the company in 2008. Last year, it reported sales of £2.77m and now employs 32 people across its Edinburgh HQ, London commercial hub and North American offices in Montreal and Boston.

In addition to traditional environmental and greenhouse gas accounting, businesses are increasingly looking to our Earth Observation platform to monitor the impact of their operations," explained Gary. "We also deliver Earth observation and mapping services for large-scale government contracts. Increasingly, those two worlds are coming together, supported by industry collaborations with the likes of NASA and the European Space Agency."

Earth observation produces vast volumes of data about what's happening on the Earth's surface and in the atmosphere. However, interpreting that data and applying it to real life issues such as agriculture, forestry, urban management and disaster management needs it to be cross-referenced with local data. This is the vision behind Ecometrica's growing network of Earth Observation laboratories. Each requires its own team of data analysts, trained and supported by Ecometrica.

“Local and regional data is often dispersed across different countries, ministries, universities and institutes,” added Richard. “With the advent of cloud computing, regional resources can be collated and curated in virtual laboratories, making assets more accessible and empowering international collaborations between end users. The aim is to deliver contextualised analysis that can be understood by a wide audience, not just GIS (geographic information system) experts.”

> Find out more:
www.ecometrica.com

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Edinburgh Airport has been chosen as a new transatlantic base for budget airline, Norwegian, and will host a new regular service to Munich operated by Eurowings, part of the Lufthansa Group.

Norwegian has plans to introduce transatlantic flights from Edinburgh to airports in the Boston and New York areas. It is recruiting 30 pilots and 100 air crew to operate new aircraft for its services from the Scottish capital.

Norwegian already operates to six destinations from Edinburgh – Copenhagen, Oslo, Stockholm, Barcelona, Tenerife, Malaga – and has flown more than 1 million passengers to and from the city since 2009.

“Edinburgh is a central part of our UK growth plans,” said Norwegian’s chief commercial officer Thomas Ramdahl. "More jobs in the air will also help create more jobs on the ground, and Norwegian’s plans for new flights into Edinburgh will help support tourism and business and hospitality opportunities in the UK’s second most visited city.”

Edinburgh Airport’s chief executive, Gordon Dewar, also confirmed Eurowings’ direct service to Munich, which will commence in March. “I am delighted that Edinburgh has a further direct service into Bavaria, in addition to EasyJet’s existing route. It provides even greater choice and is further confirmation of Edinburgh Airport’s position as a leader for connectivity between Scotland and the continent, for both business and leisure passengers.”

Munich was Edinburgh’s first twin city, in 1954, and this new link reinforces business and cultural ties between Bavaria and Scotland. The five times weekly service further highlights Edinburgh Airport’s key position as a gateway: “We handled in excess of 12 million passengers in 2016,” added Gordon. “We continue to grow, create jobs and make a positive contribution to Scotland’s economy.”

> Find out more:
www.edinburghairport.com
www.norwegian.com
www.eurowings.com
Travel search company Skyscanner lived up to its accolade as Scotland’s first technology start-up ‘unicorn’. In January, it was acquired by Chinese travel giant Ctrip in a deal worth £1.4bn.

Skyscanner is to be operationally independent to Ctrip, with its headquarters remaining in Edinburgh. “We’ll continue to recruit at pace for roles across the world, including our offices here in Scotland, where we employ more than 450 people,” said Skyscanner’s founder and chief executive Gareth Williams (pictured).

Ctrip has two-thirds share of the market in China and aims to grow significantly in the rest of the world. Headquartered in Shanghai, it was founded in 1999 and began life as a review site, then established a hotel business and now operates across the travel sector. It has 32,000 employees, mostly in China, and revenue in 2015 was $50bn.

“Ctrip’s support will allow us significant expansion in our reach and product globally, including through leverage of their product investments and insights,” said Gareth. “The deal will also augment our understanding of the Chinese market, where we saw a 67% increase in visitors in 2015, and 78% year-on-year revenue growth in September.”

The sale of Skyscanner to Ctrip is one of Europe’s largest ever venture capital exits. Since 2003, Skyscanner had raised more than £130m from investors, including Edinburgh-based Scottish Equity Partners (SEP), Sequoia Capital, Vitruvian Partners and Artemis. From its total investment of £9m, the sale saw SEP achieve a return of around 50 times on its initial investment, from its approximately one-third holding.

> Find out more: www.skyscanner.com

**SCOTTISH EQUITY PARTNERS WAS RECENTLY NAMED BEST EUROPEAN VENTURE/GROWTH CAPITAL FUND AT THE PRIVATE EQUITY EXCHANGE & AWARDS IN PARIS.**

> Find out more: www.aspinaloflondon.com

**NEW ARRIVALS**

**ASPINAL OF LONDON**

**WHAT DO THEY DO?**
Aspinal of London is a quintessential English luxury lifestyle brand. The business was established in 2001 by Iain Burton, chairman.

Aspinal sets itself apart from other luxury leather goods companies with two key characteristics: broad appeal and affordability. “Our handbags are considerably cheaper than those by other luxury handbag purveyors, starting at £295, and are suitable for all generations; from grandmothers to nieces and grand-daughters,” said Ian.

The business was recently valued at £75m, prior to a search for external investment to support ambitious international expansion plans.

**WHY THE MOVE?**
Initially an online retailer, the business opened its first concession in Selfridges, in London, in 2008. It now has ten stores in London, including concessions in House of Fraser and Harrods. There are a further 11 stores across England, two in Abu Dhabi and one in Kuwait. The Edinburgh store is Aspinal’s first in Scotland.

As a whole, footfall in Edinburgh is significantly higher than the UK average: in the four weeks prior to Christmas 2016, the average increased 7.4% year-on-year, and was 12% higher than the UK average. The city centre was marginally higher, with an average four-week increase of more than 13%.

**WHAT IT MEANS FOR EDINBURGH?**
Edinburgh’s status as the most prosperous UK city outside London has helped attract a growing number of premium retailers in recent years. Aspinal’s store, on George Street, is on one axis of the luxury shopping quarter centred on Multrees Walk, which is home to Burberry, Michael Kors, Harvey Nichols, Louis Vuitton and others.

> Find out more: www.aspinaloflondon.com

**RESEARCHERS AT HERIOT-WATT UNIVERSITY HAVE DEVELOPED A NEW WAY OF USING LED TECHNOLOGY TO HELP DIAGNOSE CATARACTS AT A MOLECULAR LEVEL.**

www.investinedinburgh.com

**SNAPSHOTS**

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IE> What is Money Dashboard and is the product aimed at a particular demographic or type of user?  
ST> Money Dashboard is the UK’s leading personal finance app. There are 16m people in the UK with less than £100 in savings. We help our customers become more financially resilient by taking the hassle out of budgeting.  
Most people bank online today and many of us have more than one account, with more than one financial institution. That becomes unwieldy in terms of getting a true picture of your finances. We pool all of your personal financial data into one place, giving you an overview of your finances. We also automatically categorise all your spending, which means you can see how much you’re spending on groceries, transport, entertainment, etc.

IE> How many customers do you currently have in the UK?  
ST> We currently have more than 100,000 users, but our goal is to have more than 1m customers by 2020. The catalyst for that growth will be a mix of changes within the UK banking sector, digital marketing and through smart partnerships. Large employers are increasingly looking at the financial wellbeing of their staff, so we’re working with a range of employers to help support their employees in managing their finances.

IE> To what extent does the UK’s track record in mobile banking adoption support innovation in the sector?  
ST> It’s certainly part of the picture. Although mobile banking adoption isn’t unique to the UK, the UK is recognised as the global fintech capital. Research from the British Bankers Association reveals the average high street branch now deals with 71 customer visits a day, representing a 32% decline since 2011. On the other hand, online customers are now using banking apps more than 7,610 times a minute. The number of daily logins to banking apps has leapt 50%, to reach almost 11m a day – that’s in excess of 4bn logins each year.

IE> How will the adoption of HM Treasury’s Open Banking Standard, in January 2018, impact Money Dashboard?  
ST> We believe it’s going to be transformational. Currently, for a customer to use Money Dashboard they have to tell us who they bank with and trust us with their log in details – for some, that’s a bit of a leap into the unknown. Open Banking Standards will change that. The consumer will give their bank the instruction to pass their data to trusted third party apps. Only accredited third parties, such as Money Dashboard, will be trusted. Establishing an industry standard goes a long way towards establishing trust online. It will also improve the quality of the data we harvest, providing customers with real time data.

IE> Is the business targeting domestic and international growth and if so, how?  
ST> We’re barely scratching the surface of the UK market at the moment. We firmly believe that the app has the potential to attract more than 4m customers. That represents a huge UK market and that’s where we’re focusing efforts. International expansion, from 2020 onwards, is likely to focus on European markets, as EU legislation has helped to shape the UK’s Open Banking Standards, meaning a high degree of commonality between UK and future EU standards.

IE> How does the business monetise its growing customer base?  
ST> One value stream comes via targeted product offers. For example, we might see a customer being charged unnecessary overdraft fees, in which case
we will suggest a fee-free alternative. The other method is through anonymised data. We create research on where UK consumers are spending their money, for example demonstrating shifts in market share between major high street and supermarket brands.

IE> You’ve talked about the need to build an entrepreneurial ecosystem in Edinburgh. Does your recent move into CodeBase provide that environment?

ST> My thoughts were heavily influenced by my time in Boston. There you find a large community of ambitious entrepreneurs coupled with experienced advisors, a rich talent pool, a vibrant investment community and commercially-focused academics. All those component parts were operating together, networking morning, noon and night. In Scotland, we had the component parts, but not the joined-up thinking. At CodeBase, we’re now emulating that ecosystem. What’s really exciting is seeing the current wave of entrepreneurial activity across Edinburgh, reflected in programmes such as Entrepreneurial Spark, coupled with a growing investment community and a real desire from the government to support start-ups.

IE> Has being based in Edinburgh, with its size and reputation as a global asset management hub, helped Money Dashboard break into the fintech sector?

ST> Being based in Edinburgh undoubtedly helps us access talent and, in the early days, early stage investors. The growth and influence of tech unicorns in the city has created a real tech buzz here, backed up by a new pipeline of scalable, high growth fintech companies making their mark. It’s also a more affordable city, with accessible talent for a start-up business. From an investment perspective, Edinburgh’s angel community is strong, especially in terms of securing seed funding. We still have work to do in delivering series A and B funding for companies scaling fast, but Edinburgh is very much on the venture capital radar.

IE> At the Edinburgh Fintech Summit in November 2016, Money Dashboard was selected as the UK’s entry to the Next Money Fintech Finals 2017 in Hong Kong. What has that meant to the business?

ST> The UK as a whole is a strong fintech brand, so to be representing the UK at such an event is a real privilege for Money Dashboard. We joined 24 international start-ups pitching for prizes and awards, so it was a great opportunity to learn from others, expand our thinking and network with the global fintech community.

IE> What attracted you to Edinburgh and the CEO position at Money Dashboard?

ST> I was one of the company’s earliest adopters, back in 2010. Money Dashboard fulfilled a real need in my life and I could see its potential. I remain firmly convinced that most people in the UK will eventually manage their money using tools like Money Dashboard. I was already in Edinburgh, running a property tech company. The city is a brilliant place to raise a family. I can’t imagine juggling family life with running a start-up in London; facing that lengthy commute everyday. Here we get the best of both worlds in a growing, ambitious city that continues to prosper on a global stage.

Steve joined the executive team at Money Dashboard in 2014 and was appointed CEO in late 2015. During this time, he has helped Money Dashboard secure significant equity investment, establish multiple revenue streams, grow the user base to more than 100,000 and develop innovative new products. Prior to joining the business, Steve was managing director at a high-growth internet property business and also had a successful career in advertising where he was responsible for developing brand advertising campaigns that worked. In 2010, Steve was awarded a scholarship to a one-year leadership and entrepreneurship programme in Boston, USA for Scotland’s most promising business leaders.
After a record-breaking 2015, Edinburgh’s commercial property market remained buoyant in 2016, fuelled by healthy levels of office demand, a thriving hospitality and leisure industry, and an unrivalled quality of life supporting a growing population.

According to Simon Capaldi, an Associate at Knight Frank, demand is being driven by the rise of the Technology, Media and Telecommunications (TMT) sector, complementing the city’s traditionally strong financial services.

“The TMT sector has performed exceptionally in the last 12-18 months. To a large extent, that’s helped by the quality of the workforce we have, and the type of courses now being offered across the city’s universities. It’s no coincidence that tech unicorns such as Skyscanner and FanDuel, as well as CodeBase, Europe’s largest tech accelerator, are all within walking distance of the world-class University of Edinburgh’s School of Informatics.”

Edinburgh’s start-up community is also thriving – all of which have contributed towards Edinburgh being named as the Best European City for Technology to locate to in 2016 by European Business Magazine.

The city’s cost base is approximately 30% cheaper than London, and Edinburgh continues to top surveys of the best cities in the UK in which to live.

“Staff retention is key for large corporates down to mid-sized companies,” adds Simon. “It frequently
comes out as the number one consideration for organisations seeking new premises, whether that involves traditional Georgian architecture or modern, de-furbished Grade A stock, which is increasingly appealing to businesses outside the tech sector. Modern workers enjoy a more informal working atmosphere and occupiers are factoring that into their decision-making process."

With between 75% and 80% of all office deals covering floorplates of less than 5,000 sq. ft. (464m²) – a typical size for a 10-40 person SME – the smaller end of the market remains active. “That’s a fairly normal benchmark across the UK,” confirms Simon. “However, we’re seeing a shift in the small to mid-market property bracket. Traditionally, Edinburgh has been dominated by professional services business, which generated churn as occupiers sought out deals across similar sized properties. We’re now seeing the impact of high growth TMT businesses, which require room to expand. As they scale, those businesses are travelling through the market.”

CROSS-SECTOR DEMAND
Office supply continues to face pressures from a thriving hotel sector, and the need to meet the accommodation requirements of a growing student population.

“After the recession we saw a lot of traditional Grade B offices converted for alternative uses, such as student accommodation, hotels and serviced apartments,” says Ben Reed. “The strong take up witnessed over the past few years has instead enabled developers to pursue comprehensive office refurbishments delivering much needed lower cost, but high quality, space into the market.” Examples include the 60,000 sq. ft. (5,570m²) One Lothrin Square coming to market in Spring 2017 and 36,000 sq. ft. (3,340m²) at Greenside (inset) later this year. “In terms of Grade A, with limited new stock coming to the market, the story has been consistent for some time,” explains Ben. “The current new Grade A vacancy rate stands at just 1%.”

Set for completion in 2017, Quartermile 3 will deliver 73,000 sq. ft. (6,780m²) in Q4, the only speculative completion this year. Looking further ahead, Semple Street will deliver an additional 37,000 sq. ft. (3,440m²) in 2018,
EVENTS AND CULTURAL OPPORTUNITIES WILL HELP TO ENCOURAGE A 24-HOUR A DAY, SEVEN-DAYS-A-WEEK, YEAR-ROUND APPEAL TO RESIDENTS, STUDENTS, CONFERENCE-GOERS AND TOURISTS.

“The Chris Stewart Group’s West Register Street/Mint Building development epitomises the potential of Edinburgh’s historic fabric. With The Mint Building in St Andrew Square adding a further 60,000 sq. ft. (5,570m²) in Q2 2018.

“Beyond that, we have no new-starts being announced,” adds Ben. “We have a limited number of Grade A schemes in the pipeline such as detailed consent for 340,000 sq. ft. (31,600m²) at the Haymarket and 120,000 sq. ft. (11,150m²) at India Quay both of which are currently pursuing pre-lets.”

It’s a fact recognised by David Cooper, recently appointed as Service Manager – Development within the Council’s Economic Development service. “Edinburgh’s appeal is clearly evident in the strength of the city’s economy and property market. The city centre has historically performed well and we need to continue to find ways of supporting development across all sectors in order to meet the needs of a growing capital city.”

David continues: “There is a strong case for increasing the supply of office space, so that we can support growing companies already within the city and others looking to move here.

“Looking beyond the city centre, the planned expansion areas in the west, south east and along the waterfront, are all exciting development opportunities. Work is well underway to make sure that these areas are masterplanned and served with the right supporting infrastructure, in order that the longer-term growth of the city is successfully delivered.”

WORLD-CLASS PLACE MAKING
That growth is being supported by large-scale mixed-use developments such as Edinburgh St James, one of the largest regeneration projects currently underway in the UK. Delivering more than 1.7m sq. ft. (158,000m²) of retail and leisure space, the development is expected to create up to 3,000 full-time equivalent jobs.

“Edinburgh St James will be a truly transformational development,” says Martin Perry, Director of Development, TH Real Estate. “It will tap into the demand created by people moving into the city for its employment and cultural opportunities. By connecting to the wider city environment it has been created with longevity in mind, a future in which Millennials – who make up 32% of Edinburgh’s population (compared to the UK average of 26%) – will want to live, work, shop and play.”

Martin continues: “Edinburgh St James is not being built speculatively, but nor is it without commercial risk. In securing John Lewis, Next, Everyman, Queensberry Property Limited joint venture and Starwood’s W Hotel, the required confidence in future tenants and owners has been satisfied.”

Retail demand is expected to be high, with modern operators seeking to trade in dynamic, exciting environments, boasting a mix of uses. “Events and cultural opportunities will help to encourage a 24-hour a day, seven-days-a-week, year-round appeal to residents, students, conference-goers and tourists,” adds Martin.

Target retailers will include boutique and independent stores, high street retailers, aspirational brands and high-end names, as well as international retailers looking to expand into the UK.

International appeal also lies at the heart of Edinburgh St James’ residential offer, which is part of the attraction for TH Real Estate’s partners; Native Land and Queensberry Properties.

“It’s a natural first move outside of Native Land’s core London business,” adds Martin, “and testament to the quality of the development. It will set a new standard for high-end residential, helping to improve the value and appeal of the city as a place to invest.”

Apartments will offer unrivalled views across the capital’s skyline, which will be in high demand from a diverse range of buyers. Recent trends indicate that much of that interest is likely to come from overseas, as international investors are increasingly drawn to Edinburgh’s residential, retail, office and hotel development opportunities.

OVERSEAS INVESTMENT
With UK institutional funds continuing to retrench, and limit their exposure to perceived uncertainties in the Scottish market, it has created opportunities for others. More than ever, 2016 saw demand
Aiming to replicate the success behind keystone development projects, such as King’s Cross in central London, The Haymarket Edinburgh (tHe) has a bold vision to deliver a new, vibrant urban quarter for central Edinburgh, creating a new centre of gravity around the West End and Haymarket station.

The mixed-use development will deliver more than 340,000 sq. ft. (31,600m²) of Grade A office space, as well as 54,000 sq. ft. (5,000m²) of retail and leisure space, a brand new 168-bed apart-hotel and a 190-bed hotel.

Developer Edinburgh Haymarket Development Ltd (EHDL), a collaboration between Tiger Developments and Interserve PLC, brings together commercial experience with the technical capabilities of a recognised infrastructure and construction partner.

“THE CHALLENGE OF PROTECTING AND REINFORCING THE TWO RAILWAY TUNNELS, WHICH RUN UNDERNEATH THE SITE, HAS BEEN A COMPLEX UNDERTAKING,” explains Richard Powell from EHDL.

After considerable site preparation, work is underway on piling and sinking foundations across the entire consented scheme. Once this crucial phase has been completed in March 2017, construction can commence on the first phases.

Looking ahead to H2 and beyond, it’s clear Edinburgh needs to meet the expanding needs of its thriving technology scene, one of the fastest growing tech clusters in Europe. These businesses aren’t necessarily looking for corporate Grade A office space. The trend is for well-located, refurbished accommodation, providing opportunities for developers to look at a range of building types.

However, a robust financial services sector continues to be a positive story for the city. Standard Life Investments pre-let 108,000 sq. ft. (10,030m²) on St Andrew Sq; JP Morgan doubled its footprint at Edinburgh Park in 2016, while HSBC’s UK centre for its global risk and compliance operations also opened at Edinburgh Park. Furthermore, Aberdeen Asset Management is looking to consolidate into new city centre premises. Robust demand has also been evident from boutique fund management and fintech, with high quality refurbishments around Charlotte Square, George Street and the city’s west end reflecting growth in these sub sectors.

“We expect to see similar market conditions to 2016, with interest from a broad range of sectors,” suggests Ben. “With the uncertainty of Brexit it is likely that some occupiers will remain cautious about expansion while seeking as much lease flexibility as they can.”

www.edinburghstjames.com
www.thehaymarketedinburgh.com
David Leslie, Chief Planning Officer, The City of Edinburgh Council

The Council has recently adopted its new Local Development Plan, which is the framework for investment in the next five to 10 years. The plan seeks to guide and shape development so that it conserves and enhances Edinburgh’s built and natural assets. The role of the plan is to provide a clear and fair basis for decisions on development proposals. Such decisions are often complex. They need to balance the inter-linked and often competing aims of economic growth, housing development, transport needs, environmental improvements and the well-being of the city’s communities.

Provision for commercial property, retail and hotel development underpins the city’s economic growth. The location and design of such development will have a significant role in place making, both within existing communities and in the city’s future growth areas. The plan sets out how such development can be accommodated in the four Strategic Development Areas of the City Centre, Waterfront, West Edinburgh and South-east Edinburgh and in the city’s town centres. It seeks to develop mixed use, sustainable urban communities. Business and residential development must co-exist and contribute to the infrastructure needed to support successful places, including investment in education facilities and transport connections.

It is through monitoring the implementation of the plan by the Council and its partners in the development community that we will be able to judge how well we are balancing commercial and other needs in the development of the city.

Kerr Young, Director, JLL Hotels & Hospitality Group

Edinburgh is an established leisure destination and one of the most visited cities in the UK. As such it continues to hold its position as the Regional UK city that tops hotel investor and brand requirement lists. The city is set to build on this momentum as key investments continue to yield an increase in visitor numbers, including new routes to and from the airport; continued investment in the tram network and the increasing number of events hosted at the Edinburgh International Conference Centre following its extension.

During 2016, hotels in Edinburgh outperformed the Regional UK with occupancy reaching 82%. Average rates rose by 5%, to £92, resulting in RevPAR of £76, 30% above the Regional UK average. The city is also benefitting from significant developments including the proposed £850 million Edinburgh St James development, which will transform the area east of Princes Street. On completion, the centrepiece of the development will be a new 214-bedroom W Hotel, which will be the first five star hotel to open in the city since the Missoni Hotel (now the G&V) opened in 2007.

Over the same period the city has seen an increase in rooms across the limited service and mid-scale market. In a city in which barriers to entry and competing land use remains high, market fundamentals should ensure that the quantum of supply of additional rooms keeps pace with demand. Perhaps the more pressing point should be what influence should the City have over the quality of those rooms.

Simon Capaldi, Associate, Knight Frank

“The last 12 months has seen a buoyant Edinburgh commercial property market, with office space take-up of 760,000 sq. ft. (70,600m2) across the city. Occupational transactions have remained remarkably robust, even compared to 2015’s stellar year. In fact, it could have been even better: many businesses have adopted a ‘wait and see’ approach in response to the uncertainty seen in 2016, while a number of deals have carried over and should conclude in Q1 or Q2 of this year.

“The growth of Edinburgh’s Technology, Media and Telecommunications has been clearly evident. The sector held top spot for the first three quarters of the year in terms of activity, while professional services firms became the main occupier for the final three months of the year, acquiring 47,000 sq. ft. (4,366m2).”

“However, with no new-build Grade A stock likely to come onto the market until early 2018, we believe supply and demand dynamics are likely to put pressure on rents. Demand continues to grow and supply levels are near ten-year lows. Furthermore, a number of lease events are approaching, which could create a spike in new requirements in the next 18 months.

“That said, there are some good quality refurbished office schemes, such as 1 Lochnrin Square, coming to the market in the window between now and the next set of new builds, which will provide much-needed accommodation.

“Consideration should also be given to landlords of existing stock where it may be possible to undertake comprehensive refurbishment/part redevelopment and provide good quality office accommodation without the need for a full redevelopment, given the tight supply of development sites within Edinburgh city centre.”
How well does Edinburgh balance supply and demand of commercial property, retail and hotel development opportunities now and how can the city meet growing demand in the future?

Richard Powell, Edinburgh Haymarket Developments Limited (EHDL)

“With Edinburgh having a tight urban core, opportunities for new development of any scale are exceptionally scarce. In the case of the hotel sector we have seen from recent opportunities presented to market that demand considerably outstrips supply. In fact, it is difficult to imagine a situation where the range of hotel-seeking representation in the city can actually satisfy requirements. There may be in excess of 20 operators currently focusing on Edinburgh as a core target location.

“In terms of the retail market here, this continues to flourish strongly across the city with a number of existing retailers looking to expand as a result of strong trading figures and new domestic and internationally recognised entrants seeking representation as a part of a strategic expansion outside London. This reflects Edinburgh’s status and appeal as a global destination, offering one of the strongest retail environments in the UK.

“Similarly, in the office sector, we have witnessed a steady erosion of supply whilst demand has remained consistently strong. This will inevitably lead to an increase in rents as occupiers seek to secure accommodation from within a limited supply pool.

“Particular to Edinburgh is the issue of so many office buildings (total of 1m sq. ft. (92,900m²) over the last 36 months) having been sold for alternative uses – particularly for hotel and residential. An increase in the supply of new accommodation is to be encouraged.”

Martin Perry, Director of Development, TH Real Estate

“It is difficult for Edinburgh to balance supply and demand for property, retail and hotel development opportunities. This is primarily because of the constraints of the historic fabric of the city are so much more prevalent in Edinburgh than elsewhere.

“The stock of the city centre, while in some wonderful and historic buildings, often does not lend itself to modern and efficient retailing, causing some brands to simply choose not to be represented.

“Hearteningly, the retail offer has seen some positive change: evidenced by the opening of Multrees Walk, St Andrews Square and now with the development of Edinburgh St James. The political determination to prioritise the city centre’s ‘health’ in this sector has also been extremely helpful.

“However, looking ahead to after Edinburgh St James has opened its doors in 2020, further opportunities are few and far between. If Edinburgh wants to see more retail development on a significant scale, site assembly will be necessary and this will be challenging from a heritage perspective.

“For the leisure and hospitality sector, there is a greater degree of flexibility in location and configuration for the developers.

“The imagination and ingenuity being deployed by developers such as the Chris Stewart Group to create profitable leisure and hospitality offers out of historic buildings and difficult sites in the city is to be applauded, although these sites are becoming increasingly harder to find.

“There is a clear Government and Council will to broker a better understanding between the developers in these sectors and other interest groups, and to assist in site assembly. More of this will be needed if there is a desire to see more development activity in the city.”

Edinburgh is a very delicate one – especially in the city centre.

New Waverley is one of the most exciting mixed-use city centre environments anywhere in the world – and demand reflects this. We are currently witnessing a huge requirement for office space in the heart of the city next to shops, restaurants and cafes and transport hubs. New Grade A city centre office space in this kind of environment simply won’t be available in a few years’ time.

Coupled with that, hotel demand is insatiable and we are finding an increasing appetite for independent retailers and ‘non high-street’ traders like those we have in the Arches, creating a real sense of difference, value and community in historic city centre environments. Demand for prime retail and restaurant sites is also growing significantly, especially in the eastern quadrant of the city centre with the redevelopment of the St James Centre and St Andrews Square, creating a real momentum in the east of the city centre.

The challenge for planners is to serve the city centre over the longer term, while getting the balance right between these competing but complementary markets. There has to be more emphasis placed on creating diverse mixed-use environments supported by efficient transport hubs, allowing for an attractive work life balance within city centre destinations.

“It’s an unenviable task, especially when the average gestation for a mixed-use city centre scheme such as New Waverley is between three to five years.

“Planners decisions have to reflect what people want from their city centre – and what we know at the moment is that just about everyone wants to be there!”

Charlotte Swanson, Asset Manager, New Waverley

“The balance of supply and demand across the whole spectrum of office, hotel and retail development in Edinburgh is the driving force behind the city’s continued growth and success.”

www.investinedinburgh.com
GATEWAY HELPS TO DELIVER INTEGRATED PUBLIC TRANSPORT

The opening of the new £41m Edinburgh Gateway Station, in December 2016, marks the latest phase in the Scottish Government-funded Edinburgh Glasgow Improvement Programme (EGIP) and another important step in creating an integrated public transport network for Scotland’s capital.

The new interchange provides passengers travelling into Edinburgh from the north, especially commuters to/from Fife, with access to tram services into the city centre, as well easy transfers to Edinburgh Airport.

Featuring two 265m-long, 10-car platforms, connected via a step-free access bridge, the new interchange connects to the tram line via lifts and escalators. In addition, a newly-constructed underpass beneath the A8 provides pedestrian and cyclist access to the nearby Gyle Shopping Centre.

The Gateway also means greater choice and flexibility for passengers wishing to travel to and from north west Edinburgh. Combined with the nearby South Gyle station, the number of hourly services has been increased from four to six.


“Many cities already benefit from a tram-train interchange, and the team at Edinburgh Trams looks forward to welcoming even more passengers who wish to travel to the airport or into the city centre.”

Investment under the EGIP, in conjunction with the ongoing electrification of mainline train services across the central belt of Scotland, has been developed to reduce journey times, increase capacity and allow the introduction of greener rolling stock on ScotRail’s services.

“A COMMUNITY WELCOME
Creating an inviting public realm space was an important aspiration for the new Edinburgh Gateway. The main approach to the station features sculptured landscaping, while the access route connecting to the Gyle Shopping Centre has been embellished with art works.

All the work was designed and delivered through the Edinburgh Gateway Partnership, a collaboration involving Edinburgh College of Art, Edinburgh Royal Botanic Gardens, Concrete Scotland, Queensferry Community High School and Inverkeithing High School.

“THE OPENING OF EDINBURGH GATEWAY BRINGS US ANOTHER STEP CLOSER TO FULLY INTEGRATED PASSENGER TRANSPORT FOR EDINBURGH AND THE EDINBURGH CITY REGION.”

www.transportforedinburgh.com
Entrepreneurship, the engine room of modern capitalism, remains essential to bringing new products and services to market. However, to germinate those embryonic ideas into successful businesses requires the right nurturing environment. Access to capital and talent are certainly among the most important ingredients, along with access to mentors and business support networks. Equally vital are the presence of an established start-up ecosystem and entrepreneurial culture. In addition, quality of life increasingly factors into the thinking of driven and ambitious innovators as they search for a home for their new enterprise. All are ingredients you’ll find in Edinburgh.

When it comes to networking and accessing support networks, the city’s compact size makes it the perfect microcosm for entrepreneurs. “Collaboration helps to single Edinburgh out as a special place for start-ups,” says Liz McAreavey, chief executive of Edinburgh Chamber of Commerce. Liz should know. Earlier in her career she successfully developed a multi-million pound catering business in the city, having initially come here to study Accountancy at Edinburgh Napier University. “The business community is increasingly connected, especially for start-ups. Support from Scottish Enterprise and the Council is complemented by incubator spaces such as Entrepreneurial Spark, Creative Exchange and our dedicated tech accelerator, CodeBase.”

“WHEN I LOOK BACK AT MY OWN ENTREPRENEURIAL EXPERIENCE, I HAVE TO SAY IT WAS THE HIGHLIGHT OF MY WORKING LIFE SO FAR.”

It’s an ecosystem that, as Liz explains, promotes the philosophy that ‘success is function of choice and not consequence’ – an ethos enshrined by the work of Entrepreneurial Spark. Now the world’s largest equity-free, non-sectorial business accelerator, the organisation has 13 hatcheries across the UK and a growing presence in India. eSpark grew as a result of founder Jim Duffy’s time spent at Babson College, Boston under the Saltire Fellowship programme. The accelerator, which focuses heavily on fostering leadership and a fearless approach to failure, works with an estimated 1,000 entrepreneurs a year, including around 100 companies in the Scottish capital.

“When I look back at my own experience, I have to say it was the highlight of my working life so far,” Liz adds. “I would wholly encourage anyone to give it a go and set up their own business, but to make sure they seek good advice from experienced mentors/advisors. Much of our work at the Chamber is to facilitate that mentoring process, while encouraging start-up businesses to internationalise where possible.

“There is something about the very fabric of the city that helps to foster creativity and encourages people to challenge the norm. We have one of the highest educated workforces in the UK; a thriving student population; we’re an international city and home to the world’s largest arts festival – no wonder entrepreneurs feel inspired by Edinburgh.”

FIND OUT MORE

www.edinburghchamber.co.uk
www.entrepreneurial-spark.com
THE RISE AND RISE OF THE SOCIAL ENTERPRISE

The rise of the social entrepreneur signals the desire for an inclusive way of doing business that delivers shared financial and social value.

There has never been a better time to ‘go social’. Today, more than 5,000 social enterprises exist across Scotland. The sector contributes more than £1.68bn GVA to the Scottish economy and supports more than 100,000 jobs; but the true value of social enterprise is its ability to help address some of society’s toughest challenges.

Edinburgh is at the forefront of Scotland’s social revolution. The city is home to 13% of all of Scotland’s social enterprises, one of which, The Melting Pot, provides a coworking hub for social innovators.

Founded in 2007 by Claire Carpenter, Social Enterprise Scotland’s 2016 Social Enterprise Champion, The Melting Pot provides a cost effective, 3,000 sq. ft. (280m²) flexible working/meeting space.

“I discovered that people get involved in social change when they connect with others who inspire them. I also knew many social start-ups secure two to three years funding and then struggle to survive. The Melting Pot was the answer to these challenges.

“I wanted to break the boom and bust cycle by harnessing the power of networks. Working with others who share the same values in a hosted space, increases motivation, provides stimulus and synergies and allows knowledge share. The result is a cost effective, nurturing environment for social start-ups.

“We have 170 members, many of whom have been with us since day one. As members they can access a wide range of services and events. However, our coworking space is available to anyone.”

Members are attracted by the concept of quality coworking; a term that Claire believes has been misappropriated.

“It’s about creating community: building intellectual, social and economic value through support and collaboration.”

Claire continues: “Business is about relationships. It’s human nature to do business with those we trust and get along with, so we work hard to create a friendly, supportive environment.”

Based in the city centre, the business has developed The Good Ideas Academy, an incubator for social enterprise, which has helped to launch and support more than 80 start-ups.

Claire and her team have also launched The Coworking Accelerator Network, supporting others in Scotland to set up and run their own quality coworking spaces, based on proven business systems. They will be helping six new spaces open in the first year while promoting similar quality coworking spaces across the globe on a Quality Coworking Map.

HELPING THOSE NEAR AND FAR

Few social enterprises in Scotland have attracted as much publicity as Social Bite. High profile collaborations with George Clooney, in 2015, and with Leonardo DiCaprio last November, placed Social Bite firmly on the map. The business provides employment opportunities and support for the homeless, enabling customers to pay forward for meals that can be collected later by those in need.

Inspired by the work of Bangladeshi social entrepreneur professor Muhammad Yunus, Josh Littlejohn, MBE and his long...
time friend Alan Mahon opened their first shop in August 2012. The business has now grown to be one of the largest independent corporate caterers in central Scotland, with two sandwich shops in Edinburgh and Glasgow and another in Aberdeen.

Employment, food and suspended items aren’t the full story however. “There’s a greater need for secure housing and psychological support, which has led to the launch of the Social Bite Academy,” says Alan. The Academy aims to help 10 homeless people each year, helping them to find accommodation, access training, gain qualifications and ultimately find a job.

Social Bite’s success has paved the way for a further collaboration with Scottish brewer, BrewDog. Launched in early 2016, Brewgooder aims to provide one million people with access to clean drinking water.

“Around the world 649 million people don’t have access to clean drinking water; stresses Alan. “We started work in Malawi last year, with two wells providing clean water for more than 5,000 of the world’s poorest people. We hope to drill around 200 new wells each year.”

The success of businesses such as The Melting Pot, Social Bite, Brewgooder and Ginerosity underlines the growing appeal of the modern social enterprise.

From improved job satisfaction and staff retention, to meeting consumer expectations that businesses should serve the world and not just shareholders, expect to see social enterprises playing an increasingly important role in the future.

A TOAST TO SOCIAL ENTERPRISE

Edinburgh’s growing strength in the craft beer and distilling market led to the launch of another social enterprise collaboration in 2016 – Ginerosity. The business is aiming to support 130 disadvantaged young adults this year, offering an intensive 12-month International Citizenship Programme.

Chris Thewlis provides the social enterprise expertise to the venture. As a board member of Social Enterprise Scotland he is already involved in a number of Edinburgh enterprises, including the expanding brand behind the Southside Social, Edinburgh’s first social enterprise public house; Harry’s Bar, in the city’s West End; and as the founder of GTS Solutions CIC, Scotland’s only social enterprise private security firm.

“I was discussing the idea of a social enterprise spirit with drinks industry specialist David Moore, who said the easiest route to market is through gin. I came up with the name Ginerosity and we asked Marcus Pickering and Matt Gammell (co-founders of Pickering’s Gin) if they were interested. After a conversation with Marcus and Dave Mullen, executive creative director at Story UK, we knew we had a marketable, quality product. 45 days later we launched.”

Chris continues: “For me, the social model works because I think it’s the right thing to do. From the consumer’s perspective however, the usual fundamentals apply: is the product good? Do you enjoy the experience? Is the product reasonably priced? And, by the way, do you know that by buying this product you’re also helping to do some good?”

FIND OUT MORE

www.themeltingpotedinburgh.org.uk
www.coworkingaccelerator.network
www.social-bite.co.uk
www.brewgooder.com
www.ginerosity.com
www.socialenterprisescotland.org.uk
EDINBURGH’S HOTEL MARKETPLACE

In 2016, Edinburgh was named the most attractive UK hotel investment destination outside London after consistently outperforming other leading European cities in terms of occupancy, RevPAR and average room rates.

Interest and activity in the city’s hotel and serviced apartment sector has never been greater.

Stay in the Loop
Keep up to date with the latest development opportunities with the 2017 Hotel Development Prospectus available as an app or via download (Live Links).

Key
- Sale
- Opened / Opening
- Refurb / Rebrand / Expansion