

On the up

Retail, commercial and housing schemes are driving the market in Scotland, with devolution bringing a new confidence.
by Andy Cook

WHEN CONSTRUCTION WORK STARTS ON A NEW HARVEY NICHOLS store in Edinburgh next year, it will be final proof of Scotland's economic renaissance. The country never recovered from the depression of the early 1990s in the way that English cities such as London, Leeds and Manchester did. But now, Glasgow boasts two megamalls in the Braehead Centre on the Clyde and the city-centre Buchanan Galleries. And with the development of Harvey Nichols, Edinburgh is going one step further. If the city can support one of the most expensive stores in the world, things must be going well.

Only a year ago, locals were concerned that devolution would hamper the revival in Scotland's fortunes. National construction firms were worried that the government would raise income tax independently of the rest of the UK making it difficult for them to attract staff north of the border. Worse still, they feared that construction work in Scotland might grind to a halt.

The doomsday scenario was that Scottish finance houses would carry out their threats to move south of the border. This would drain Scotland of its high earners, stall the housing and retail markets, hinder support services for the financiers that remained, and so stunt office development.

But since the May elections, which returned a Labour government to the Scottish Assembly, investors have held firm. With Labour promising economic stability in last month's Scottish budget, construction is booming.

According to local property agents, retail rents in Edinburgh are matched in only one other area of the UK – the West End of London. One local agent said: "We've seen rises of over 6% this year compared with just 1% last year. It's great."

The rent rises and other positive economic indicators are giving developers enough encouragement to start building. Gardiner & Theobald estimates that Scotland, Northern Ireland and the south of England are the only three regions of the UK that will have tender price inflation greater than 5% this year.

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Property agent

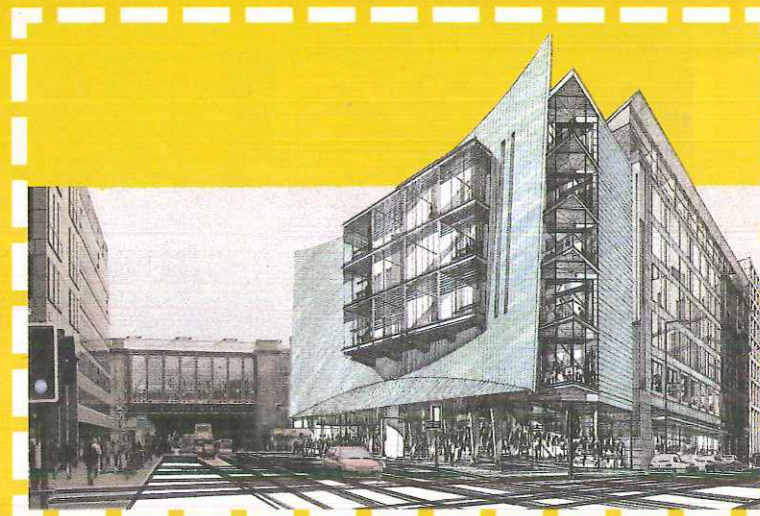
Fees are still tight, but there's plenty of work around

Sandy Fergusson, BDP

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Lindy Patterson

A £60m hotel designed by Gordon Murray + Alan Dunlop Architects is to go up in Glasgow.



On the back of this boom in work, architects' fees are healthy. Fees for traditional new-build work are 5.8% of contract value, according to a recent survey. Traditional refurbishment fees are 8%, design-and-build refurbishment fees are 4.4% and design-and-build fees for new build are 3.4%. Although the figures are still lower than for most of the rest of the UK, they are considerably higher than they were a couple of years ago. "Fees are still tight, but there's plenty of work about," says Sandy Fergusson, head of Building Design Partnership's office in Glasgow.

Lindy Patterson, partner and head of construction at top Scottish law firm MacRoberts, says: "There is a new mood of confidence since the elections. Lots of development plans are being dusted down; there's a real buzz."

"We've expanded hugely. Just a year or so ago, we had three or four construction partners. Now, we have 10 partners and 20 lawyers working in construction," says Patterson.

One benefit of the new Scottish parliament is that firms are close to policy-makers and can react quickly to changes. Indeed, most of the parliament's work is done through committees. This means that more people get their say than they would in a parliamentary debate. "It's important that we are closer to decision-makers and that Scottish interests are looked at separately," says Patterson.

The mood of optimism is spreading to all sectors. Leading civils QS George Corderoy recently acquired 20-strong Glasgow QS Kean Kennedy to give itself a Scottish office. And client Crown Estates made its first recent purchase in Scotland when it bought a site in Edinburgh for a 14 400 m² office development, half of which has been let to the Bank of Scotland.

Edinburgh is driving the construction market in Scotland. Holyrood is awash with development as the headquarters of *The Scotsman* rises next to Michael Hopkins and Partners' Dynamic Earth museum and opposite the site of the £62m Scottish parliament, which is just being piled.

Find a parliamentary building and close by you will find a conference centre. Edinburgh is no exception, and the recently completed ▶