ESSENTIAL TRENDS

BID MARKET INTELLIGENCE

ISSUE 4 JANUARY 2011

Welcome to the 2010 annual "bumper" edition of Essential Trends. In addition to the regular monthly health check indicators, this issue also includes some analysis features from some of Essential Edinburgh's key partners.

A thriving city centre with a diversity of quality offerings is at the heart of Edinburgh's ambitions for sustainable economic growth and prosperity. In 2010, retail and tourism proved to be two of Edinburgh's strongest sectors, and played an important role in driving the city out of recession. With most of Edinburgh's city centre health check indicators showing an improvement on 2009, I am pleased to see Essential Edinburgh's businesses continue to punch above their weight. But we are still faced with challenges: Growth has returned to the city but it has been slow, and most forecasters agree that this trend will continue in 2011 and beyond.

In this edition, we hear two private sector perspectives on how Edinburgh is faring. On page 14, Liz McAreavey of the Edinburgh Chamber of Commerce looks more closely at some of the city's economic indicators, and notes what action the Chamber is taking to ensure that the businesses that will drive us through the recovery are well positioned for growth. Focussing on the city centre, Dr Mark Robertson, Partner at Ryden, offers his expert opinion on how Edinburgh's retail and property sectors are performing, and gives us the low-down on some of the new big names to join the high street.

Pages 4 and 5 examine the key findings of the Edinburgh Visitor Survey, which gives data about tourists' origins, demographics and impressions of the city. Pages 12 to 13 summarise the main findings from a study on the Evening Economy, which is so vital to the city centre's restaurants, pubs and clubs.

Although Essential Edinburgh cannot directly influence global and national economic circumstances, it will continue to work locally with its businesses and a range of partners including the City Council, to assist trading conditions in this vital area of the city.

I hope you find this review of the year useful and would welcome any feedback to Emily@essentialedinburgh.co.uk.

Councillor Tom Buchanan
Convenor of Economic Development
The City of Edinburgh Council

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Edinburgh City Region Retail Footprint

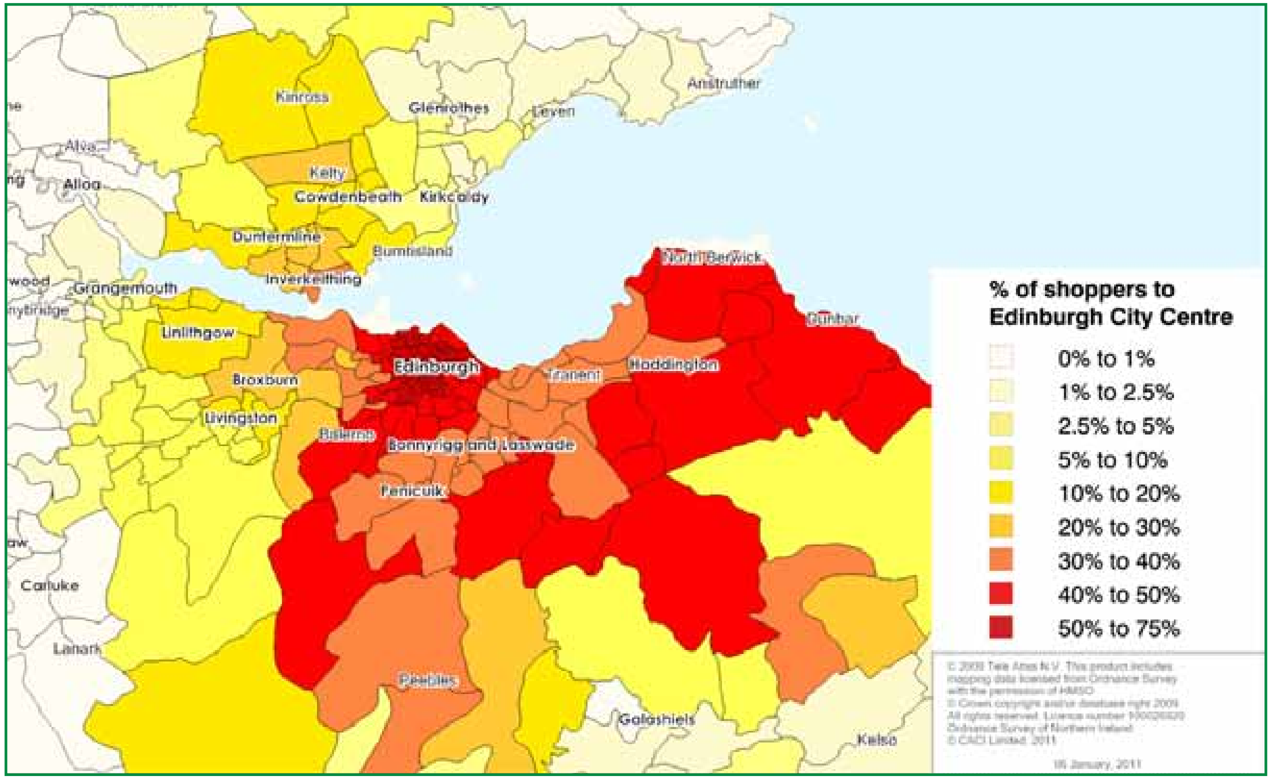
Annotated map 1 indicates where shoppers to Edinburgh City Region come from.

This map is similar to the one we published previously (see Essential Trends Issue 3); however, this one is broader and more detailed. The map indicates that Edinburgh City Centre operates as a major trip attractor from a very wide catchment reaching to Fife and East Lothian.

The map was generated by CACI's InSite Modeller – a software package that allows various databases such as socio-demographic information, lifestyle data, shopping behaviour to be mapped. CACI also enables analysis of how different retail centres interact with each other and allows locations to be evaluated according to market spend, customer potential and more.

The red areas in the map below (indicating neighbourhoods where at least 30% of residents go to Edinburgh City Centre for shopping) are home to 688,807 residents. Importantly, more than 100,000 of these are "Wealthy Executives", "Affluent Greys", and "Flourishing Families", according to ACORN, CACI's consumer lifestyle database. That means that these residents are the most affluent people in the UK who live in wealthy, high status areas of the country and/or well educated families who are in an earlier stage of their lives.

More than 250,000 of those who do at least 30% of their shopping in Edinburgh City Centre are the so-called "Prosperous Professionals", "Educated Urbanites", and "Aspiring Singles". These residents tend to have a university qualification and appreciate culture and the arts. They have significant disposable income, and like to spend this on new technology, looking good and going out to restaurants and theatres. According to ACORN, they spend significantly higher than average on footwear and clothing (see Essential Trends Issue 2).



The latter groups are more prevalent in Edinburgh's city centre: some 259,189 residents do at least 50% of their shopping in the city centre. Almost 69% of these are, according to ACORN, the above mentioned "Prosperous Professionals", "Educated Urbanites", and "Aspiring Singles".

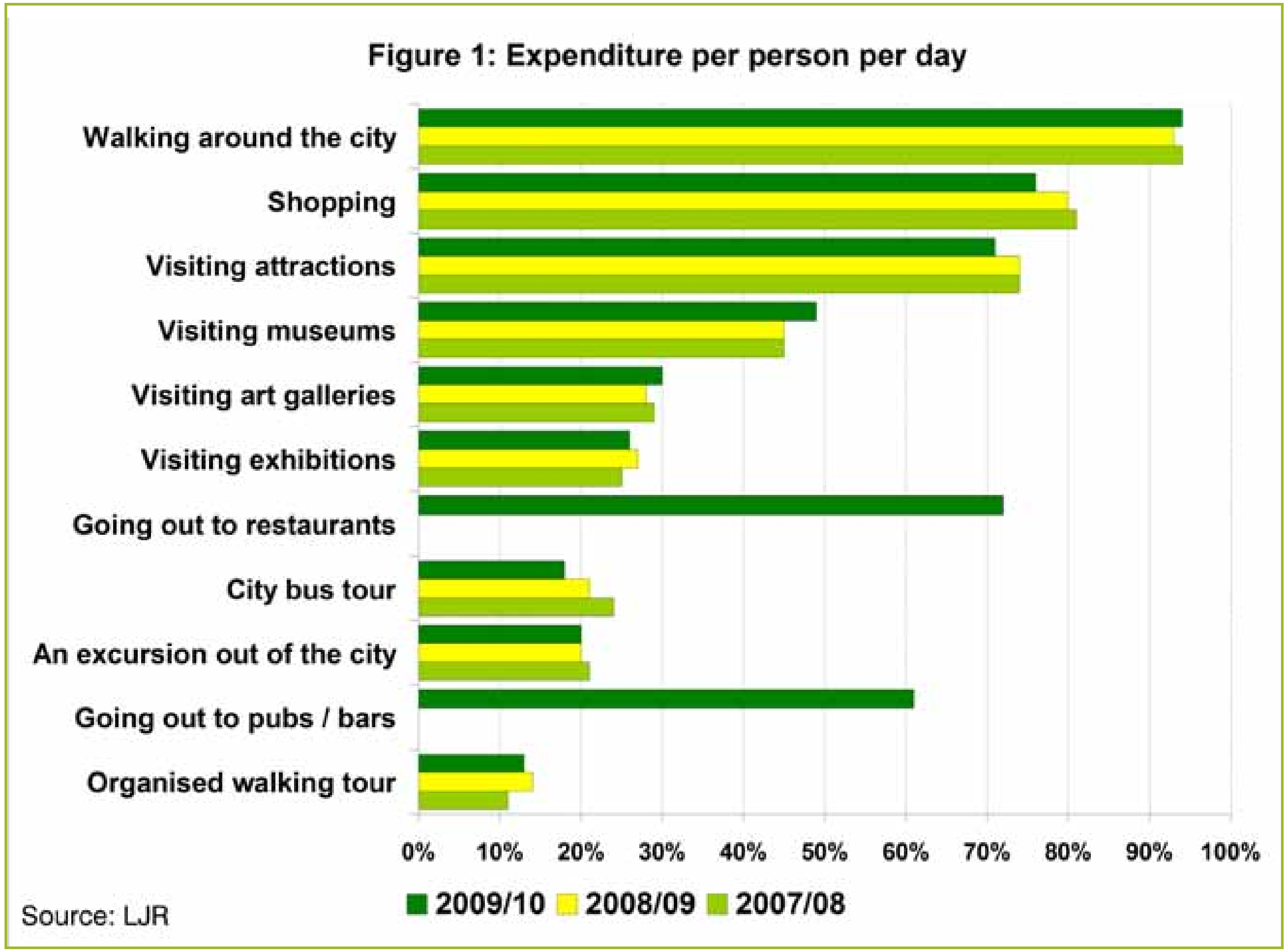
The Gravity Model underlying this analysis is based on four general principles which influence the level of spatial interaction between centres: physical distance (and/or time taken), the size of the population within a geographical area, the 'attractiveness' of facilities and the degree of intervening opportunities or level of competition.

Have you got information on where your customers come from? How does your information correspond with this retail footprint map? Essential Edinburgh can help you to make similar analyses using the InSite Modeller, which could aid you with promoting your business more effectively. If you are interested in accessing this and other free information on patterns of expenditure in Edinburgh, please contact Emily Johnston, Marketing and Communications Co-ordinator, on 0131 652 5940 or e-mail: **emily@essentialedinburgh.co.uk** for further details.

Edinburgh Visitor Survey

The Edinburgh Visitor Survey reveals tourists' mainly positive and some negative experiences of shopping in Edinburgh's city centre.

Results from the Edinburgh Visitor Survey – a year-long study conducted by Lynn Jones Research – were published in January 2011. The major focus of this survey is on tourists' experiences of Edinburgh as a place to visit; however, the Edinburgh Visitor Survey also includes more precise questions on Edinburgh's shopping centre and related questions on shoppers' impressions and perceptions.



When asked for the three reasons that made them visit Edinburgh, 18% of all respondents stated they came to Edinburgh for shopping (71% said they came because Edinburgh is a historic city, while 51% stated they came to see Edinburgh Castle). Some 28% stated that a main highlight of Edinburgh was the shops in the city centre and other shopping malls. Customer service in shops was rated fairly positively but slightly below last year's level.

Respondents highlighted that the combination of a stunning view and the New Town's retail offer made shopping in Edinburgh a unique experience. "Great shopping in beautiful surroundings", commented one respondent. Another one remarked that "the shopping centre is so easy to get around". A third respondent mentioned that the "shopping staff were friendly and helpful, especially in the big department stores. The quality of goods was terrific."

Despite the overall positive ratings and comments, some respondents made some rather critical remarks: "The shopping centre was not as good as I expected. Big chain stores repeated over and over again. And then there were the smaller 'Scottish' stores selling the same things." Another visitor stated that "I don't really like that the shopping area (Princes Street) is not very pedestrianised". For some respondents the closing times were an issue: "Everything closed fast by 6pm and us visitors are still trying to get some shopping in and exchange money if needed. Several times I couldn't do either due to the stores closing early."

Importantly, the study revealed that three quarters of all

"Shopping staff were friendly and helpful, especially in the big department stores. The quality of goods was terrific."

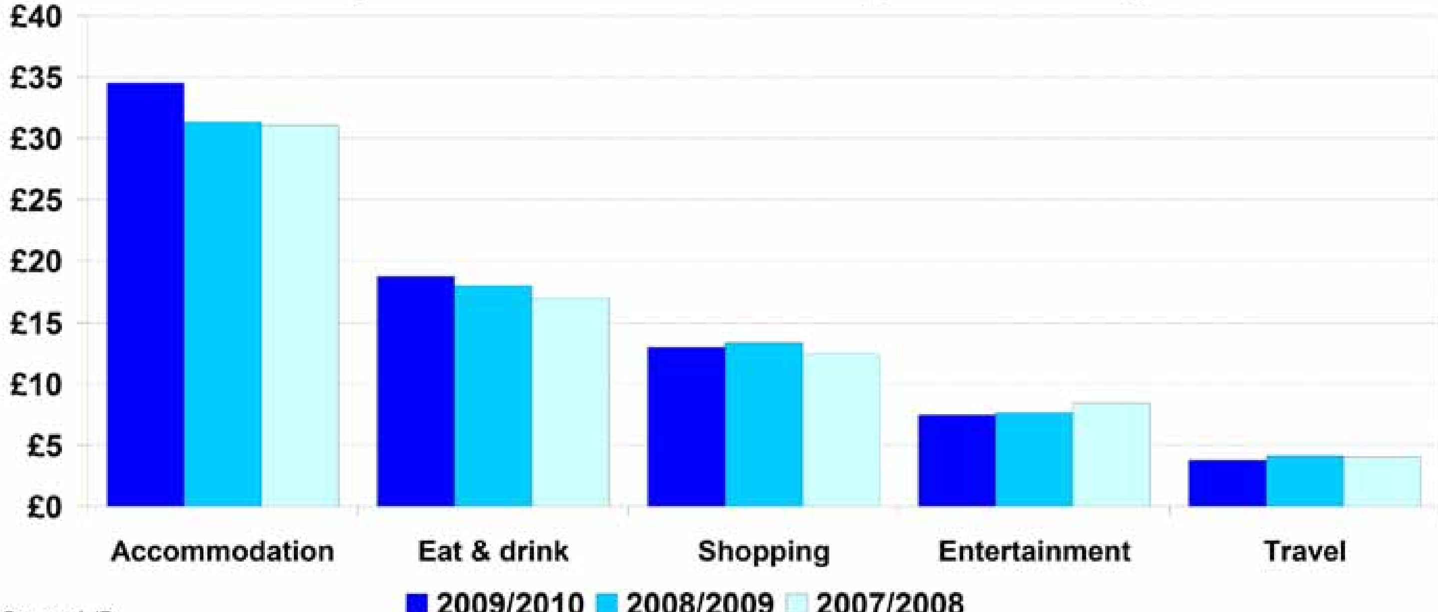
visitors to Edinburgh went shopping whilst being in the city. On average, they spent £13 per person per day. Visitors aged 35-54 years, i.e. those who can be considered a family segment, were more likely to go shopping than visitors in other age groups. Likewise, EU and US visitors were more likely to stroll the streets with shopping bags than visitors from the UK. The survey also revealed, however, that shopping expenditure has not increased compared to previous surveys.

Lynn Jones Research therefore recommends more "cooperation between retailers and attractions and the packaging of deals". By the same token, to develop more flexible pricing options may be a way to encourage expenditure especially amongst those who may be least inclined to spend in the first place.

The Edinburgh Visitor Survey was commissioned by the City of Edinburgh Council, Edinburgh Convention Bureau, Destination Edinburgh Marketing Alliance, Scottish Enterprise, Festivals Edinburgh and VisitScotland.

A summary of all major findings from the study can be read in *Invest Edinburgh 35* which can be found online from **www.edinburgh-inspiringcapital.com**.

Figure 2: Activities undertaken during visit to Edinburgh



Source: LJR

"Everything closed fast by 6pm and us visitors are still trying to get some shopping in and exchange money if needed. Several times I couldn't do either due to the stores closing early."

Check Out

Check Out was launched on the 25th November 2009. The project is a retail sector information sharing system that offers a unique approach to detecting and reducing retail crime within the City Centre of Edinburgh.

This initiative mirrors an existing and successful hotel initiative in the City whereby partners share information (including CCTV images) in relation to suspicious or criminal activity.

The project is administered and managed by a Steering Group, which consists of 9 voluntary partners made up of representitives from Lothian & Borders Police (LBP), Essential Edinburgh, John Lewis, Princes Mall, St James Centre, Brooks Brothers, Phase Eight, Assembly Rooms and Harvey Nichols.

The project consists of 149 partners (with 26 pending requests) in the BID. By becoming a partner in this initiative members have the potential to reduce retail crime, increase crime detection and create a safer environment for staff, customers, members of the public, tourists and visitors. By reducing/preventing crime members can also positively impact on the monetary costs associated with criminal activity (loss prevention).

In the first operating year (November 2009 to October 2010) a total of 593 information circulations were sent out (see figure 1) to all partners. Not all circulations are related to shoplifting. We have presented information on various crime prevention issues including: The UK Counter Terrorist Strategy; Counterfiet Money, Capital Bonds, Credit/Debit Cards, Travellers Cheques awareness and identification; Bicycle theft and prevention; Lothian & Borders seasonal policing procedures.

Figure 2: Check Out Case Solvency Rate (April to March)

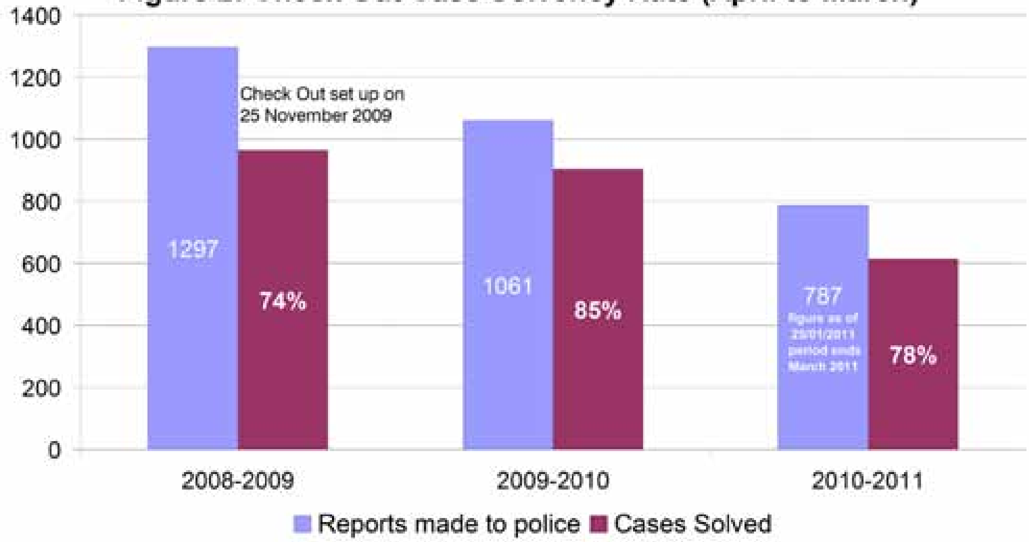
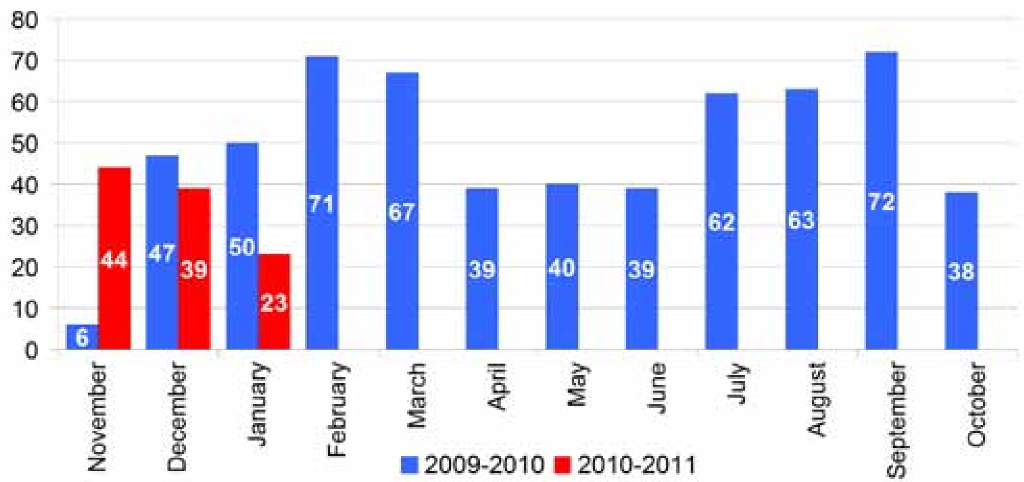


Figure 1: Check Out Circulations



Project Check Out has also provided the police with intellegence relating to Serious Organised Crime and terrorism concerns. Since the launch of the project crime solvency rates have risen above 80% (see figure 2), this is one of the highest, if not the highest rate in the UK. Lothian & Borders Police crime figures are to be published shortly and indications show that crime rates in the BID have fallen since the last report.

As a member of Check Out partners become part of a team working towards reducing crime, which will subsequently send out a strong message to those

CHECK OUT

thinking about committing crime in the City Centre.

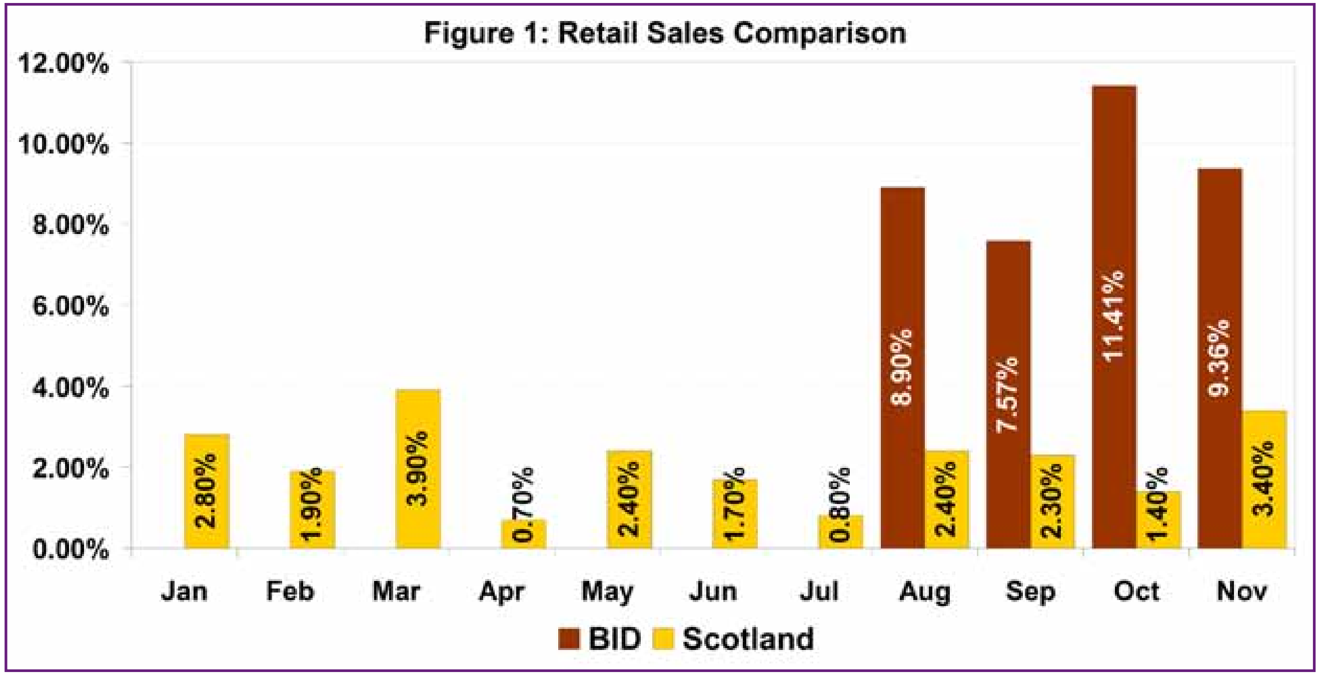
Membership of Check Out is free and open to all retailers, pubs, clubs, restaurants, tourist attractions and other organisations that believe they will benefit from and contribute to the service. The joining process takes around two minutes and membership includes an email system to share information efficiently and effectively amongst members, Data Protection compliance and information circulations that will include CCTV images (where available). Potential partners wishing to join Project Check Out can send an introductory email stating their business name, address and telephone number to: **checkoutsecurity@googlemail.com.**

Retail Sales Turnover

Since August 2010, Essential Edinburgh and the Economic Development Unit of the City of Edinburgh Council have been collecting monthly turnover information from local retailers. The City Centre Monitoring Project aims to obtain reliable and current data on the economic health of Edinburgh's city centre.

In November 2010 sales values in Edinburgh's city centre were up 9.36% on a like-for-like basis from November 2009 (see figure 1). This is significantly more than the rest of Scotland and the rest of the UK. Fiona Moriarty from the Scottish Retail Consortium commented that "these figures show a slow, steady lead into Christmas but Scottish customers are still nervous about the New Year and cautious about spending."

The heavy snowfall that occurred in the end of November did not much disrupt overall figures for the month. It is very likely, though, that the extreme weather conditions become manifest in December figures (which are reported in the February edition of Essential Trends).



Fawns Reid, Head of the Grassmarket Traders Association commented "It is interesting to see these figures and compare them with anecdotes from traders. Although our footfall was very poor, during the bad weather, sales held up surprisingly well. However customers now seem more anxious and reticent to spend."

Many retailers in the BID and city centre area are currently sharing their information with us. The more retailers who participate in the project, however, the more reliable and meaningful the information will be. If you are able to provide monthly percentage figures to build up a bigger picture of the health of the city centre please contact Tom Mathar, Market Research Executive on 0131 529 4962 or email: **tom.mathar@edinburgh.gov.uk.**

In recognition of their contribution, participating retailers will be given first sight of the monthly data and, for comparison, the latest figures from the Scottish Retail Sales Monitor and the UK Retail Sales Monitor.

Footfall 2010 Commentary

Pedestrian footfall is a recognised measure of the health and vitality of urban areas, with pedestrians providing trade for shops, eateries and visitor attractions and contributing to the vibrant atmosphere of the city centre. Footfall in Edinburgh is monitored using a network of counters strategically positioned around the city centre.

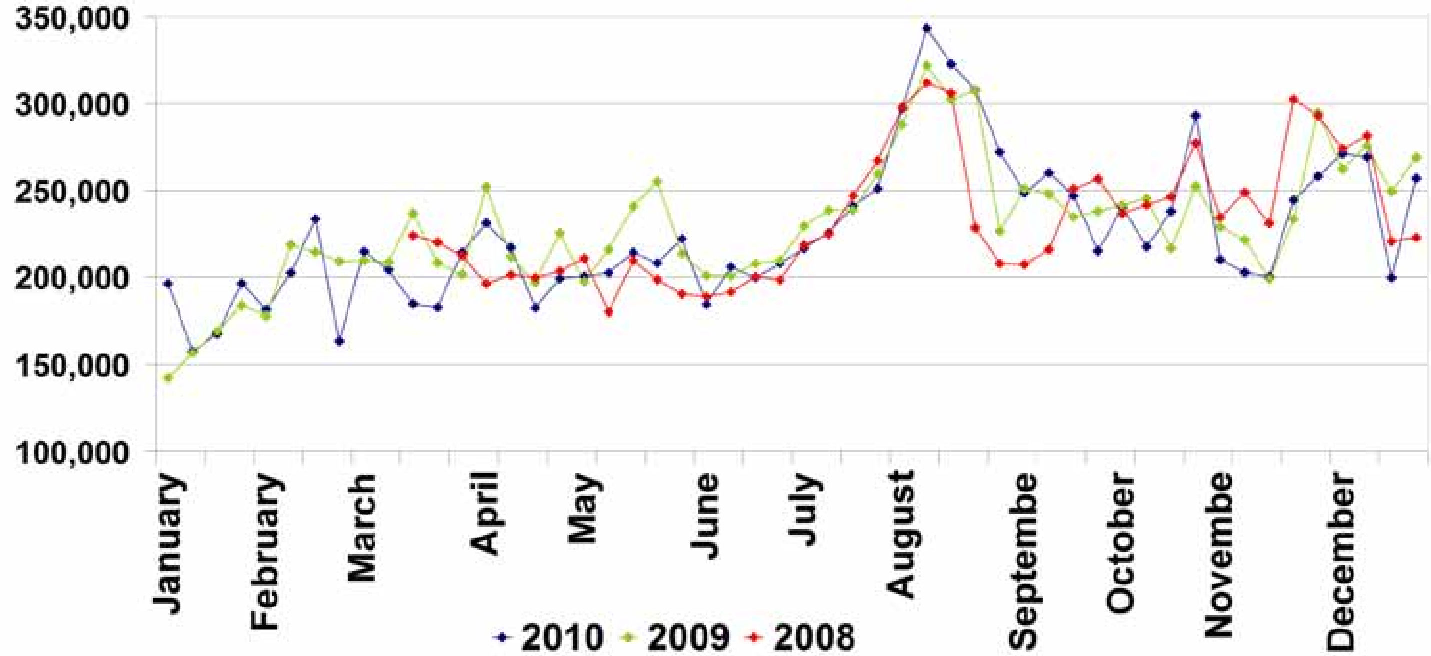
In 2010, footfall in most of Edinburgh's streets declined. This is not a positive indicator of the performance of our retailers, restaurants, cafés and other enterprises; however, it is in line with national trends as Springboard, a provider of automated customer counting devices, reports.

In 2010 some 11,720,296 pedestrians passed our counter installed at the Carphone Warehouse on Princes Street. This is down 1.8% in comparison to 2009. The site at Carphone Warehouse, in the east end of Princes Street, is the second busiest location. This counter gives a more valid comparison with 2008 than the busiest location at Marks & Spencer as it was not directly affected by the closure of Princes Street to traffic between 21 February and 29 November in 2009.

The trajectory in figure 1 indicates that in late August/early September of 2010, footfall was higher than in previous years. This can be explained

	% Change on 2009 (Princes Street, Carphone Warehouse)
January	10.70%
February	-4.80%
March	-6.00%
April	-6.40%
May	-6.70%
June	-2.60%
July	-3.30%
August	6.70%
September	-0.10%
October	3.50%
November	-5.20%
December	-5.60%
Year	**-1.80%**

Figure 1: Footfall chart for Princes Street, Carphone Warehouse

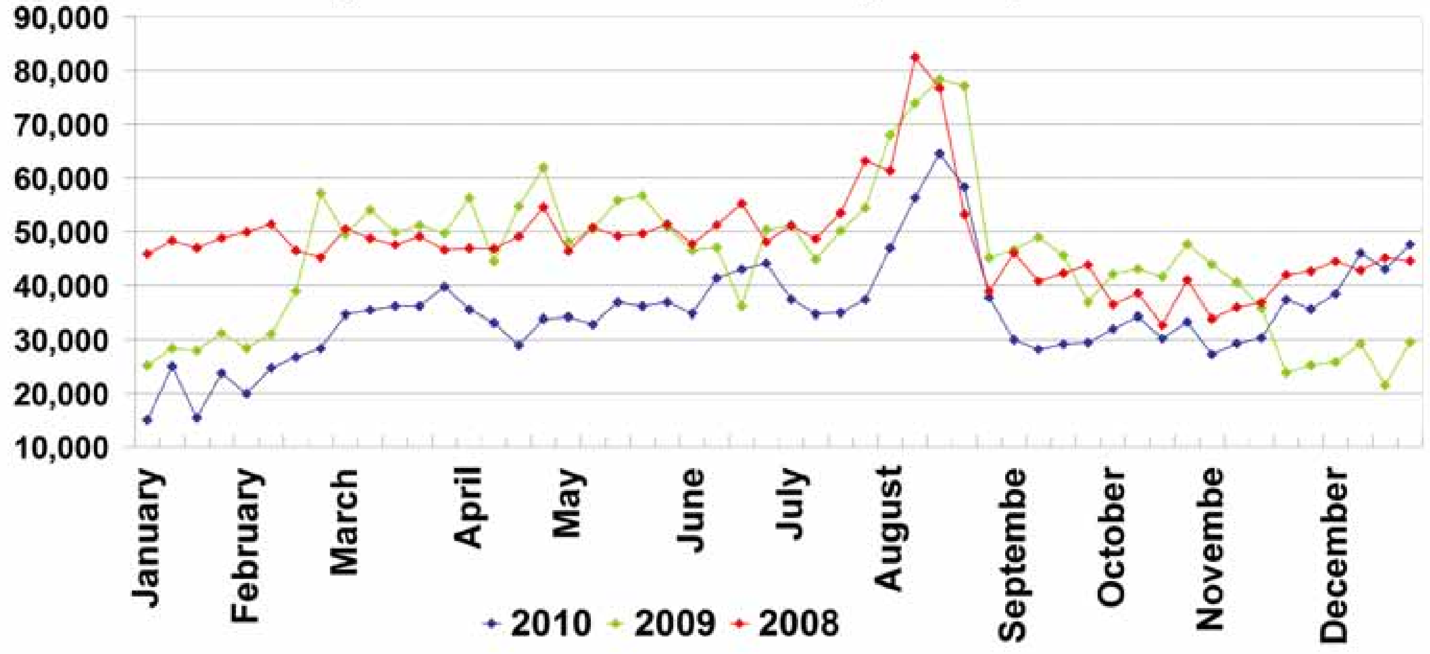


with the exceptionally strong performance of the city's summer festivals, with the largest festival, the Fringe, selling a record 1.96 million tickets (up 5.2% on 2009). In fact, in August Edinburgh bucked UK national trends: whilst footfall in towns and cities nationally declined from August 2009 to August 2010 by 3.9%, in Edinburgh Princes Street it was up 6.7%.

The picture is different for George Street. In 2010, some 1,818,959 pedestrians passed the counter installed outside of fashion retailer Rohan. This is down 22.6% in comparison to 2009 which was an extremely busy year on George Street because of diverted traffic from Princes Street; however, footfall is also down some 26.9% from 2008 levels. Only December 2010 can almost reach the high levels from 2008. In December 2010, some 174,792 pedestrians passed the counter at Rohan – this is down 1.1% from December 2008 and up 65.1% from December 2009.

	% Change on 2009 (George Street, Rohan)
January	-29.80%
February	-35.90%
March	-28.40%
April	-39.60%
May	-32.50%
June	-9.40%
July	-28%
August	-23%
September	-34.40%
October	-35.60%
November	-5.70%
December	65.10%
Year	**-22.60%**

Figure 2: Footfall chart for George Street, Rohan



Footfall 2010 Commentary continued...

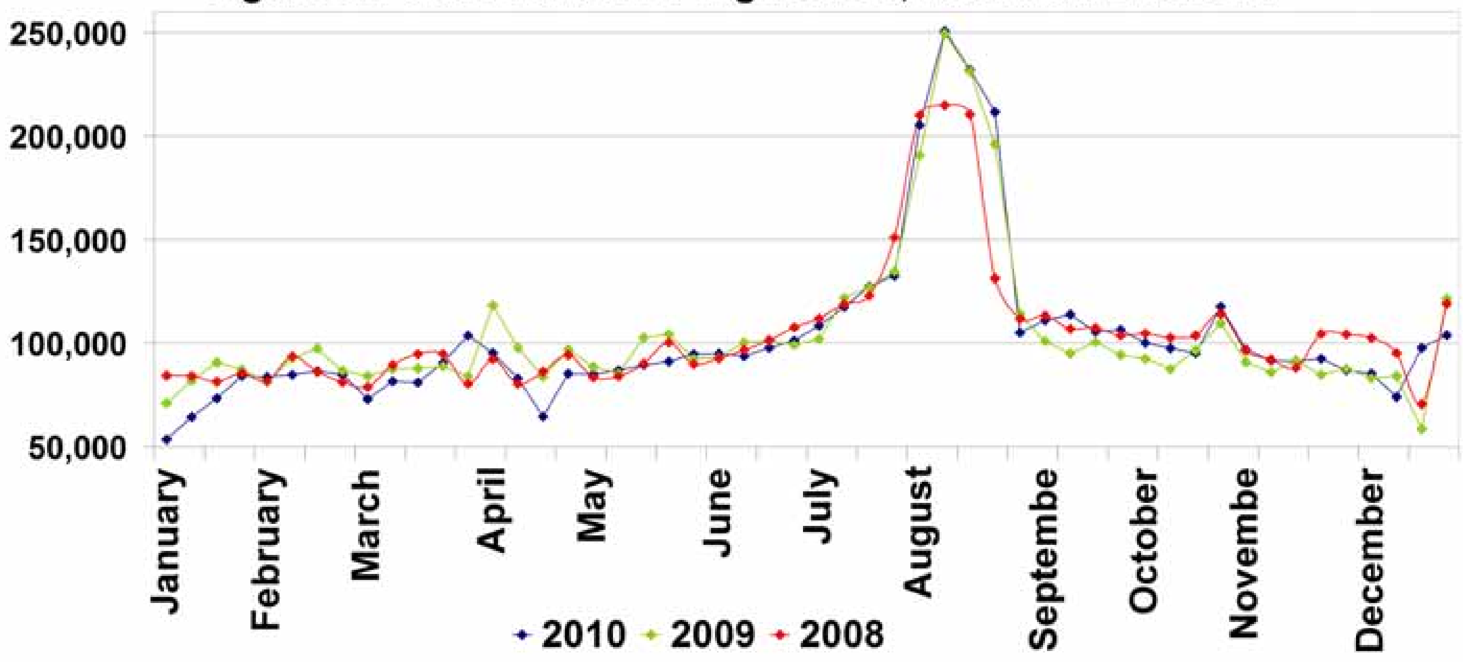
Between 2008 and 2010, pedestrian movement trends on High Street were relatively similar. The counter installed at the Radisson Blu Hotel measured a decline in January; however, it is very likely that severe weather conditions played a significant part in this result. During the first two weeks of January – when the weather was most adverse – Springboard observed an average decline in footfall on UK high streets of 12.7% compared with a much lesser decline of just 2.4% in the latter half of the month when the weather improved.

In the Old Town, the dramatic impact of Edinburgh's festivals is more obvious than anywhere else: footfall in August (again from the above mentioned counter on High Street) is more than twice as much as in the rest of the year: average weekly footfall in August 2010 was 201,016. This compares to an average weekly footfall of 92,756 at this site in the rest of the year. Likewise, footfall in August 2010 was up 2.4% from August 2009 which is, once again, reflecting the strong performance of the festivals.

In 2010 footfall on Shandwick Place in the West End decreased by 19.6% in comparison to 2009. Results were worse in the first quarter of 2010 with a decline of more than 30%; they were slightly better in the

	% Change on 2009 (High Street, Radisson Blu Hotel)
January	-16.6
February	-5.1
March	-0.7
April	-17.2
May	-5.5
June	-1.5
July	0.1
August	2.4
September	11.8
October	6.3
November	4.1
December	3.9
Year	**-0.9**

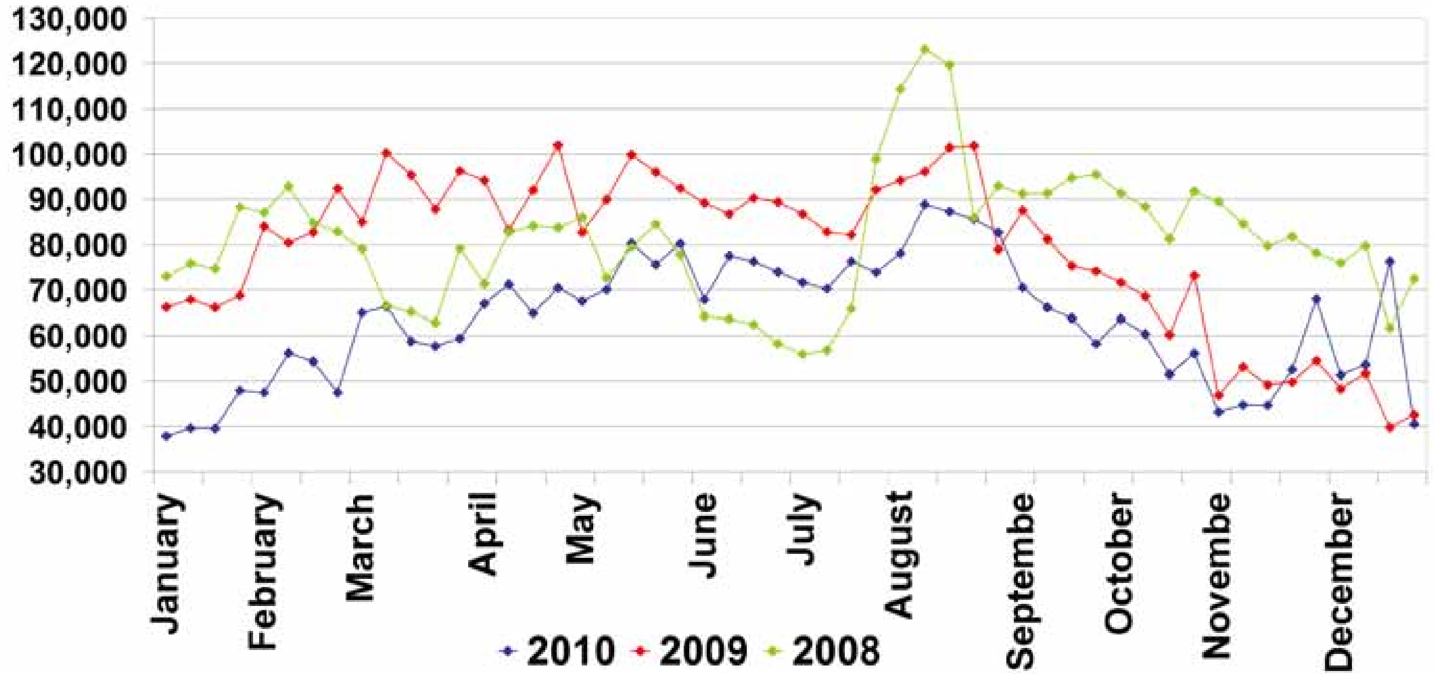
Figure 3: Footfall chart for High Street, Radisson Blu Hotel



last quarter of the year – but still below levels from 2009. From these figures and from numbers on vacancy levels at this site (see article on vacancy rates, pages 24-25) it seems that the West End is facing a challenge in retaining customers. Average footfall on Shandwick Place is less favourable than in other sites of the city centre; even Edinburgh's festivals did not have the positive impact that could be observed elsewhere.

	% Change on 2009 (Shandwick Place, Specsavers)
January	-38.7
February	-39.5
March	-33.8
April	-26.3
May	-18.4
June	-16.9
July	-15.1
August	-10.6
September	-18.7
October	-15.3
November	0
December	0.2
Year	**-19.6**

Figure 4: Footfall chart for Shandwick Place, Specsavers



Evening Economy

The evening economy is an integral part of the Country's economy and of a successful city centre environment. A recent study conducted by SQW for the City of Edinburgh Council's Economic Development Unit found that in 2008 some 11,817 employees worked in evening economy businesses in Edinburgh City Centre; this is 13.6% of the total workforce of the city centre. Annual gross value added (GVA) per employee was calculated to be £20,387.

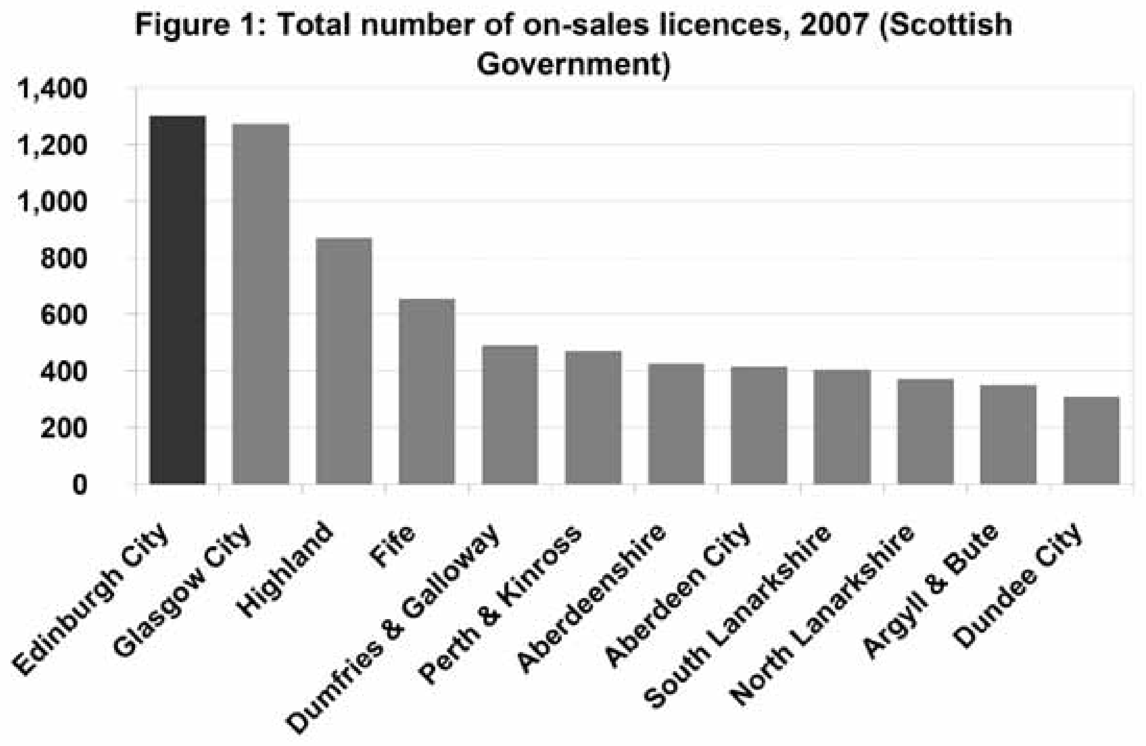
Edinburgh's bars, restaurants, hotels, theatres, cinemas and other businesses trading mainly in the evening offer considerable benefits for visitors, tourists and residents: They contribute to the image of Edinburgh as a vibrant capital city; they are an important employer for residents; they attract a variety of people including students and those working in the knowledge-based sectors.

In the city centre, evening economy businesses make up around 11% of all businesses. Edinburgh's evening economy has been shown to be relatively robust over time: between 2000 and 2007, there were, on average, some 743 pubs, 183 restaurants, 149 hotels, 96 premises offering entertainment for which an entrance fee was charged, and another 96 premises that served food and drink but did not have a bar counter (see figure 3). Whilst the number of pubs, restaurants and hotels in 2007 was slightly below this average figure, the number of refreshment and entertainment premises increased by 20% between 2000 and 2007.

The evening economy in Edinburgh's city centre provides jobs for some 11,817 people. The study identified that the largest share of these are provided by those businesses also supplying accommodation (35%); this compares to a UK average of 24%. Some 24% of all employees working in the evening economy work in bars (UK average: 34%).

The Edinburgh Visitor Survey (see pages 4-5 for further info) also reflects the importance of the evening economy: From a base of 1,548 staying visitors, 41% of respondents said the city's pubs, bars, restaurants, and nightlife were one reason for them to visit Scotland's capital. Destination Edinburgh Marketing Alliance (DEMA), the city's marketing body, promotes Scotland's capital as a vibrant, cosmopolitan city, highlighting amongst other things, the fact that the city is home to the largest number of Michelin starred restaurants of any city outside London.

Overall, the SQW survey concludes that Edinburgh's "evening economy businesses are an important part of the city centre" and, thus, a crucial contributor to its overall success.



"The evening economy in Edinburgh's city centre provides jobs for some 11,817 people"

"... of 1,548 staying visitors, 41% of respondents said the city's pubs, bars, restaurants, and nightlife were one reason for them to visit Scotland's capital."

The whole report can be downloaded here:
www.edinburgh.gov.uk/economicresearch

Figure 3: Number of liquor licences in Edinburgh by type (Edinburgh City Council)

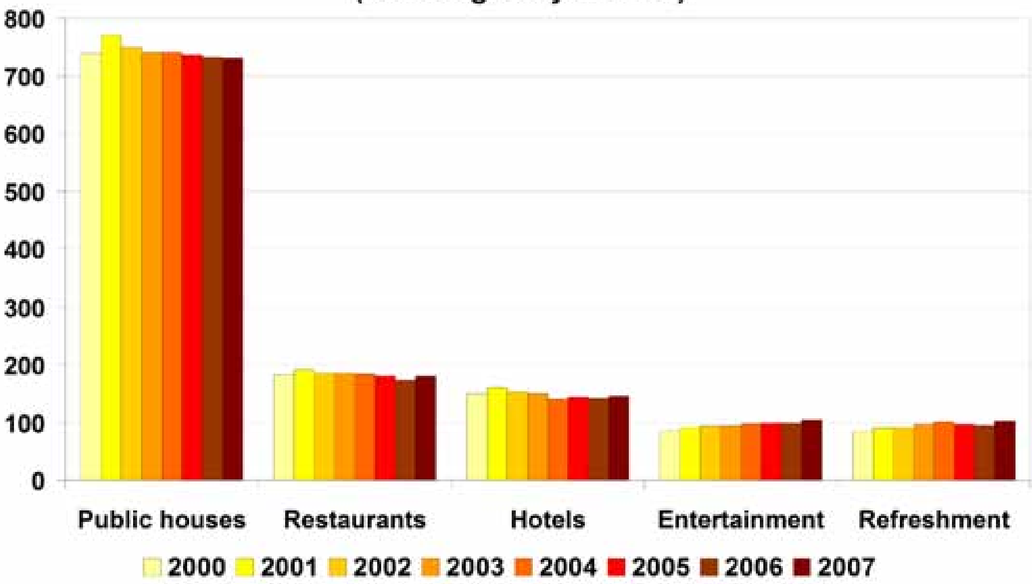


Figure 2: Evening economy businesses as a percentage of all businesses (Annual Business Inquiry)

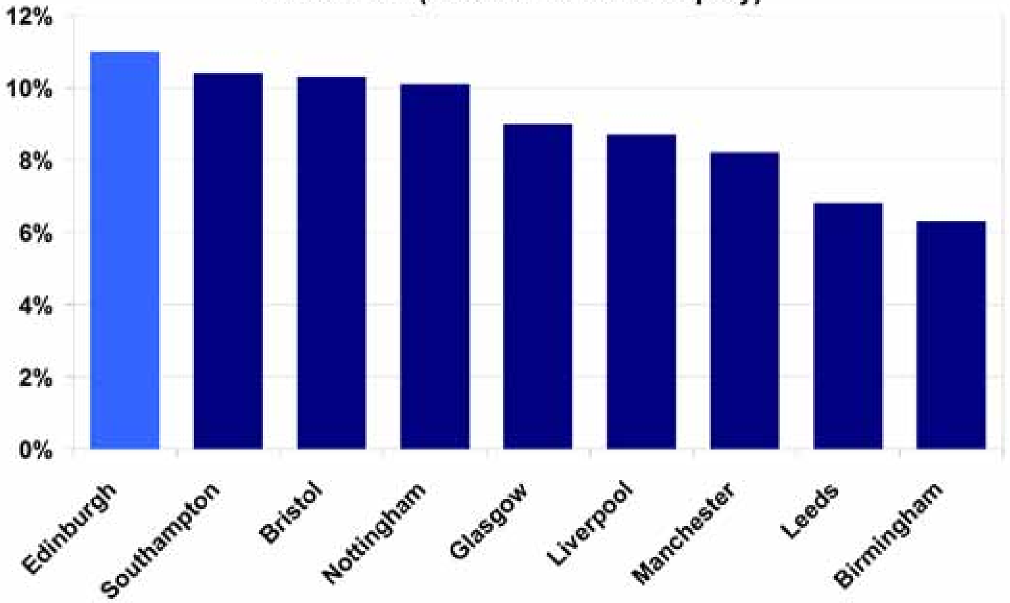
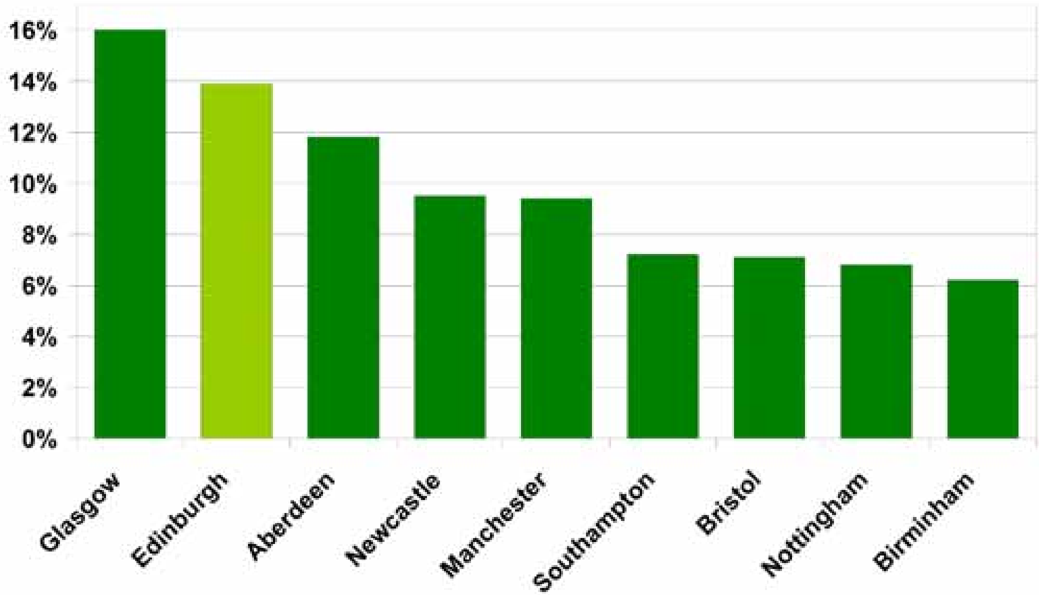


Figure 4: Evening economy employment as a percentage of all employment



Edinburgh CHAMBER OF COMMERCE Inspiring Connections

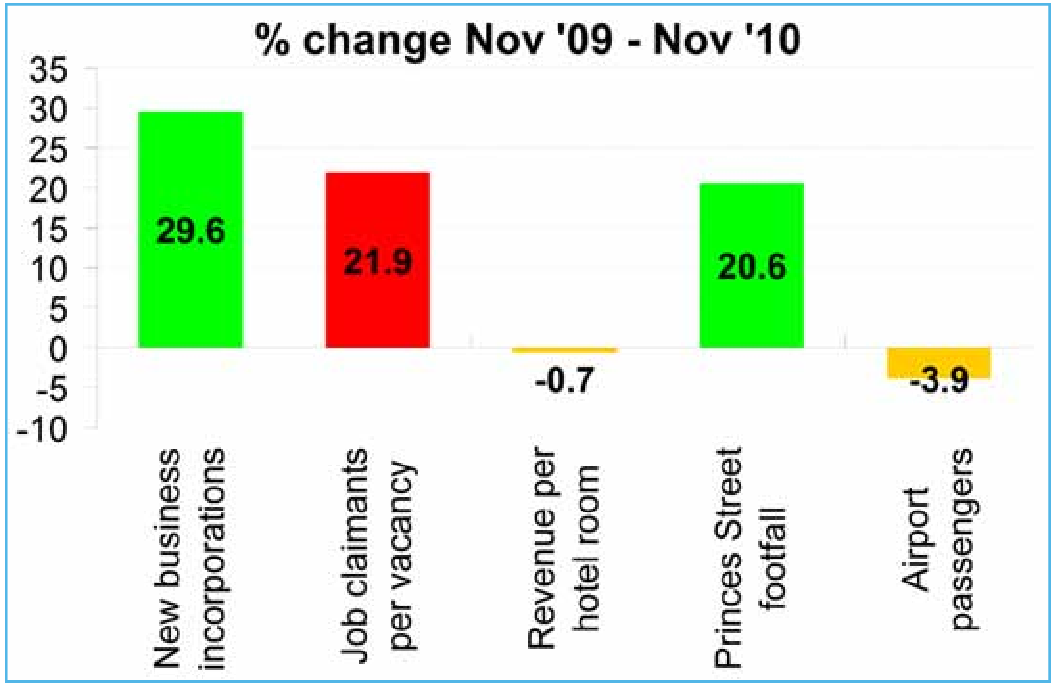
Mixed signals and a difficult year to come

By Liz McAreavey

Edinburgh's economy has shown enormous resilience since the credit crunch and the onset of recession three years ago. Our businesses have responded to the crisis with ingenuity and dynamism so that the dire predictions of some have not come to pass, and we can look forward with cautious optimism.

Nonetheless the picture remains very uncertain and the local economy is experiencing considerable difficulties.

The big question is how 2011 will pan out, and in particular what effect the reductions in public spending will have on growth and unemployment. Broadly speaking, business understands the necessity to control the deficit and is in favour of the government's plans to cut spending over the course of the Parliament. But undeniably this will result in a reduction in demand which will flow through into lower consumer spending and employment, and smaller order books in some sectors.



To some extent this will be counterbalanced by the private sector-led recovery, which is being aided by low interest rates (itself partly a product of deficit control).

What does the evidence tell us about which of these two countervailing forces will come out on top?

The answer is that the data is very mixed, which is why we are so uncertain about our prospects this year.

The Scottish Chambers of Commerce monthly business survey gives us a picture of fragile business confidence overall, but with strong growth in manufacturing and exports. And this story seems to be being confirmed by other surveys too.

There seems to have been a stronger than expected bounce in the spring of last year (with Scottish GDP rising by 13% in the second quarter, and then a more modest but still robust 0.5% in Q3), but things seem to have stalled somewhat in the recent winter, particularly in the retail and service sectors. This may have been caused in part by the severe weather, in which case we can hope for better news shortly. But then we must factor in the rise in VAT and the first big cuts in spending from Spring 2011.

A muddled picture indeed, and I suspect we will not understand the true pattern of Scotland's recovery until the summer at the earliest.

The situation in Edinburgh mirrors the national one, but overall we seem to be doing somewhat better locally than both Scotland as a whole, and than other UK cities with a similar economic and demographic profile.

The data on hotel occupancy, retail footfall and airport use have all ticked along moderately, reflected hesitant consumer activity.

There are more encouraging measures of business investment, however, including rising rates of planning applications and business incorporations.

Even in the labour market our businesses have performed robustly, with the ratio of job claimants to vacancies standing at 3.9, compared to 5.9 Scotland wide and 4.7 in similar cities. This is a rise year on year, but joblessness has increased only moderately as businesses have sought to introduce greater flexibility into working arrangements rather than make redundancies

Ironically, Scottish unemployment has seen two consecutive monthly falls, bucking the overall UK trend. Because of our greater reliance on the public sector, it seems unlikely that this reversal of roles will continue indefinitely, though in the event the Comprehensive Spending Review inflicted smaller than expected cuts on the Scottish Budget.

My expectation is for a difficult start to the year, but with the economy beginning to resume its momentum in the final two quarters. The Scottish Government forecasts 2% growth in 2011, which would be a reasonable rate at this stage of the cycle. The Holyrood elections offer a timely opportunity of new ideas to support economic growth, including meaningful reform of the public sector.

For Edinburgh Chamber of Commerce it means we will be focussing on building our support for sectors with strong recovery hopes- renewable energy and life sciences on the sunrise side are clear opportunities. Our investment in helping members build their export markets has been a crucial component of Scotland's strong showing in this area. Financial services has seen significant new growth in the arrival of Virgin and Tesco Finance. Never underestimate the strength of the Capital's educational offerings – a significant business in its own right but one which is increasingly spawning spin-out businesses. With a 100% growth in new office take-up over a year previously there are plenty of 'green shoots', but it's definitely early days yet.

Liz McAreavey is Director of Customer Development at Edinburgh Chamber of Commerce

Edinburgh Convention Bureau
Inspiring Conferences

Confirmed Conferences

To help you inform your marketing decisions and business strategies, we are – from now – reporting the number of upcoming conferences/ meetings that are confirmed with the Edinburgh Convention Bureau.

Business travellers spend 80% more per night than leisure visitors; importantly, business travellers spend more than leisure visitors on hotel accommodation and restaurants.

	Conferences	Delegates
February 2011	4	2,200
March 2011	5	2,705
April 2011	4	795
TOTAL	**13**	**5,700**

Edinburgh's Tourism Industry in 2010

Comment from Kenneth Wardrop (Destination Edinburgh Marketing Alliance, DEMA)

2010 was a challenging year for Edinburgh's tourism industry: Exceptional weather conditions, a volcano called Eyjafjallajökull, a slow recovery after the credit crunch and a newly elected government and its announced austerity measures inevitably affected the capital's hotels, visitor attractions, Edinburgh airport and various further related businesses. Nevertheless, 2010 was a good year.

Most of Edinburgh's Top 10 tourist attractions saw an increase in visitor numbers. Edinburgh Festival Fringe sold a record 1.96 million tickets (up 5.2% on 2009). This affected footfall throughout the city (see "Footfall 2010 Commentary" on pages 10-13) and also partly explains the strong performance of most of visitor attractions in August (up 2% compared to 2009).

According to STR, a business consultancy firm, hotel occupancy levels in 2010 were, on average, up 1% in comparison to 2009. Likewise, average revenues per available room increased from £57.13 in 2009 to £61.35 in 2010. Unsurprisingly, revenues per available room were highest throughout the summer months. Between June and August 2010, revenue per available room was, on average, £84.70. This is up 13% in comparison to the same period in 2009.

For Edinburgh Airport, 2010 was marked by a series of exceptional events: The Icelandic volcanic ash cloud (in April and May), two extended periods of industrial action by British Airways, and heavy snowfall (in November and December). The British Airport Authority (BAA) reported that without these events, overall volumes of all their airports would have increased by 0.6%; instead, they dropped 2.8%. Edinburgh Airport welcomed 8.6million passengers in 2010; this is down 4.9% from 2009. BAA estimates, that the exceptional events have caused the loss of roughly 600,000 passengers. Thus, without this loss, passenger numbers at Edinburgh Airport would have been up compared to last year. Nevertheless, Edinburgh Airport moved up the rankings to become 5th largest airport in the UK for the first time with its busiest ever month in July. It is one of the few UK airports to show an upwards trend in passenger numbers. The ongoing capital investment programme at the airport is creating a better experience for passengers.

Successful business tourism is a vital element of the Edinburgh and Lothians economy and an increasingly important contributor to Scotland's economy. Business travellers spend 80% more per night than leisure visitors, they address seasonality issues by visiting throughout the year and they offer enormous potential for return leisure visits. ECB works in conjunction with its public sector partners such as the City of Edinburgh Council and Scottish Enterprise (East) – along with its members in the private sector – to develop the conference market as an inward investment tool and as a mechanism for attracting internationally recognised expertise and talent to the city.

The economic value of conferences which took place in Edinburgh during 2010 was £69.5m. The ECB figures show an increase of 8.3% in the economic benefit of conferences held in the city over the value achieved last calendar year. Growth was achieved by helping to win 176 conferences which attracted 49,104 high spending delegates to the city.

The Edinburgh Visitor Survey (see pages 4-5 for further info) conducted between October 2009 and September 2010, confirmed positive trends for Scotland's capital. Overall, the largest proportion of visitors to Edinburgh was aged under 35 (42%); around half of all visitors came from the UK (50.1%); notably, the biggest group of visitors from England were those aged 16-34 coming from London (12%). In total, 21% of all visitors from England came from the UK capital. As in previous years, visitors from Aberdeen and Aberdeenshire accounted for the largest share of visitors from Scotland (20%). Most overseas visitors arrived from the US (18%), followed by Germany (9%), and Australia (7%). Around 55% of all visitors had never been to Edinburgh before. (See figures 1 - 3 for further details.)

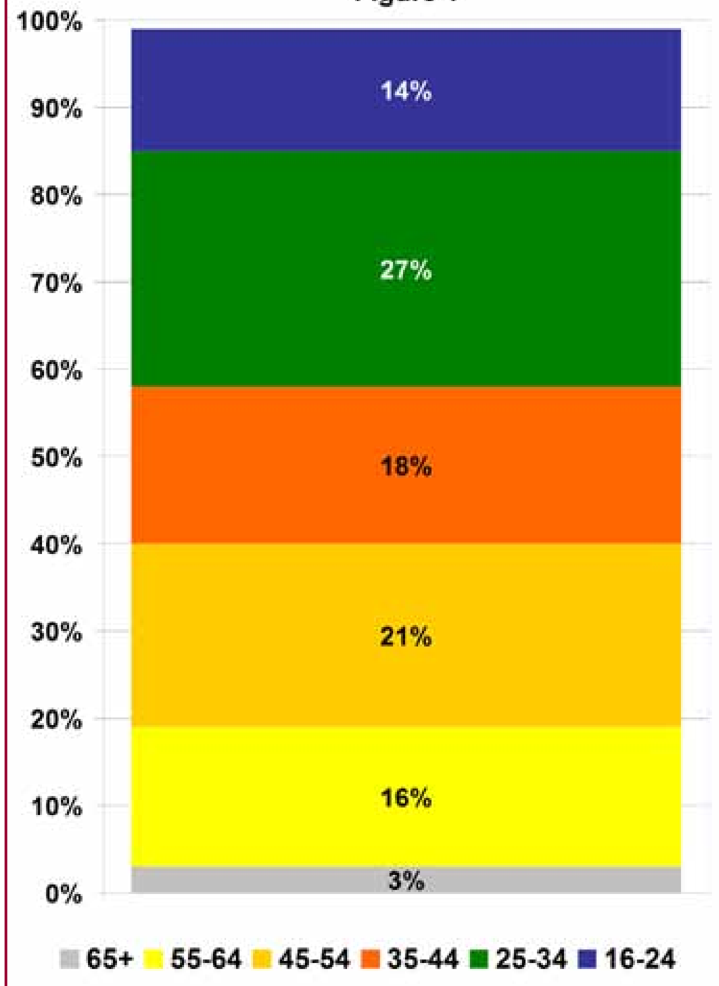


Figure 1

Destination Edinburgh Marketing Alliance (DEMA) conducted two marketing campaigns in 2010: This is my Edinburgh and Edinburgh Sparkles. The latter was repeated after the positive launch in 2009. Edinburgh Sparkles in 2009 promoted the city's leisure, retail and attraction offering. Edinburgh Sparkles complemented Hogmanay and the Edinburgh Christmas Programme through joint PR and promotions. According to retailers, hotel managers and other businessmen in the city centre, Edinburgh Sparkles helped to drive business, visitors, footfall, spend and media profile throughout the festive season (November to January). Surveys conducted by independent research firms found that 99.8% of 500 Edinburgh residents had heard of the winter campaign. Likewise, the vast majority of Glasgow residents (56.3%) stated they had heard of Edinburgh Sparkles .

This is my Edinburgh was the summer campaign running between June and September 2010. As Edinburgh Sparkles, This is my Edinburgh was partnered by City of Edinburgh Council, Essential Edinburgh, TIE, Edinburgh Airport, Festivals Edinburgh, and Lothian Buses. The summer campaign promoted a different, more vibrant side of the city. In the main, the campaign consisted of digital activity (website and social media),

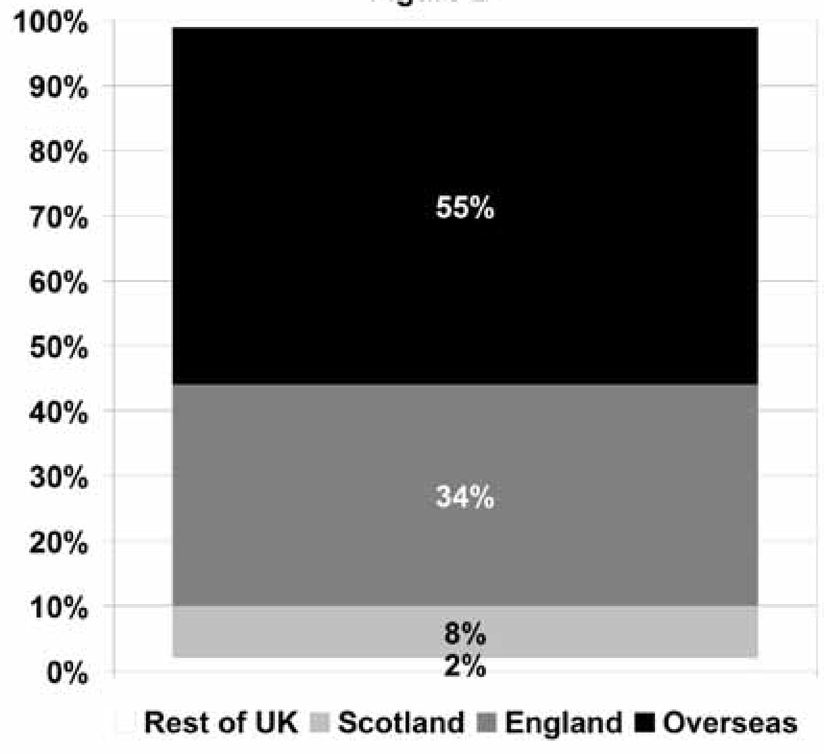


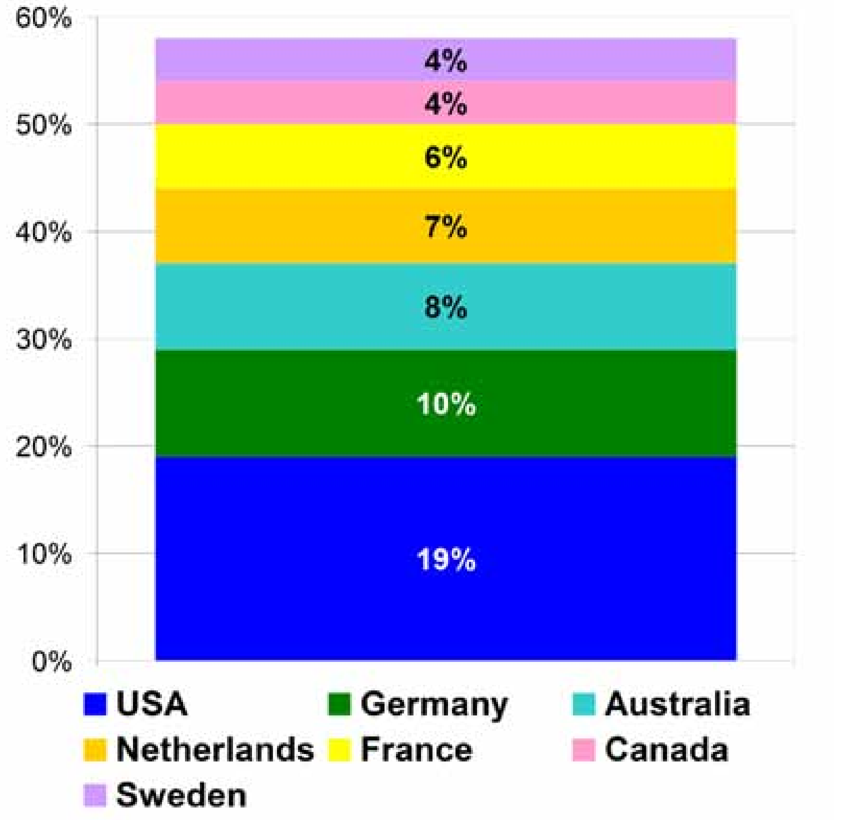
Figure 2

Edinburgh's Tourism Industry in 2010 continued...

advertising, promotions, familiarisation trips for media and PR activity. An independent survey conducted afterwards found that the vast majority of Edinburgh residents (487 out of 500, 97.4%) had heard from the campaign. Some 81.1% of those stated that this campaign made them want to go to the city centre.

Despite the recession, Edinburgh's tourism sector has performed robustly with many indicators showing improvements on the same period last year. The integration of Destination Edinburgh Marketing Alliance, Edinburgh Convention Bureau and Edinburgh Film Focus to form Marketing Edinburgh in 2011 will enhance the leadership and coordination for Edinburgh's promotion across visit, invest, live, work and study. The openings of several landmark developments in 2011 of the National Museum of Scotland (in July), the National Portrait Gallery (in November) and the unveiling of the new Royal Edinburgh Military Tattoo offer great opportunities to profile Edinburgh's world class visitor experience. We are also in the unique position of having Edinburgh's summer festivals falling right between the Olympics and Para Olympics and the city is well advanced in its planning to capitalise on this unique opportunity.

Figure 3



Parking

In 2010, almost 1,800 on-street parking bays were offered in the city centre. The average utilisation rate in Edinburgh city centre was 40.3% - this is down 3% from 2008 and 4.3% from 2006.

The average parking time in Edinburgh city centre in 2010 was almost 81 minutes; this is up 1 minute from 2008 and up almost 5 minutes from 2006.

As the graphs indicate, the New Town was the busiest area of the city centre with, on average, 56% of parking bays being occupied. Parking bays in the New Town are particularly busy in the late spring and summer months. In 2010, the average utilisation rate between May and August was 60.5%. The average length of stay in the New Town was 76 minutes. At 83 minutes, parking times were much longer than average in December 2010 (which was due to the extreem weather conditions).

Figure 1: New Town average parking time (in minutes)

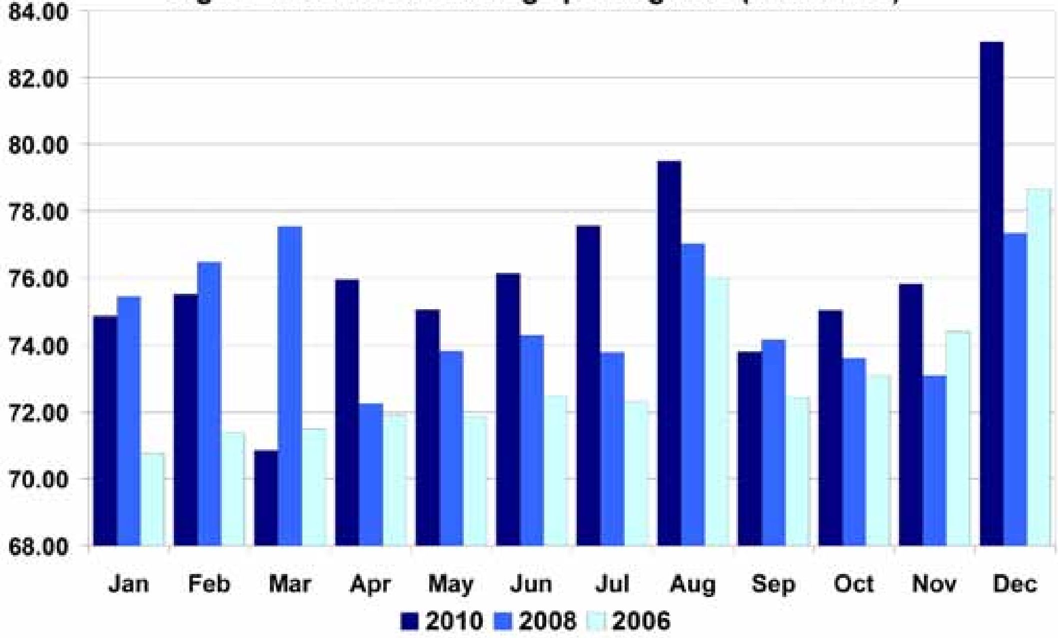
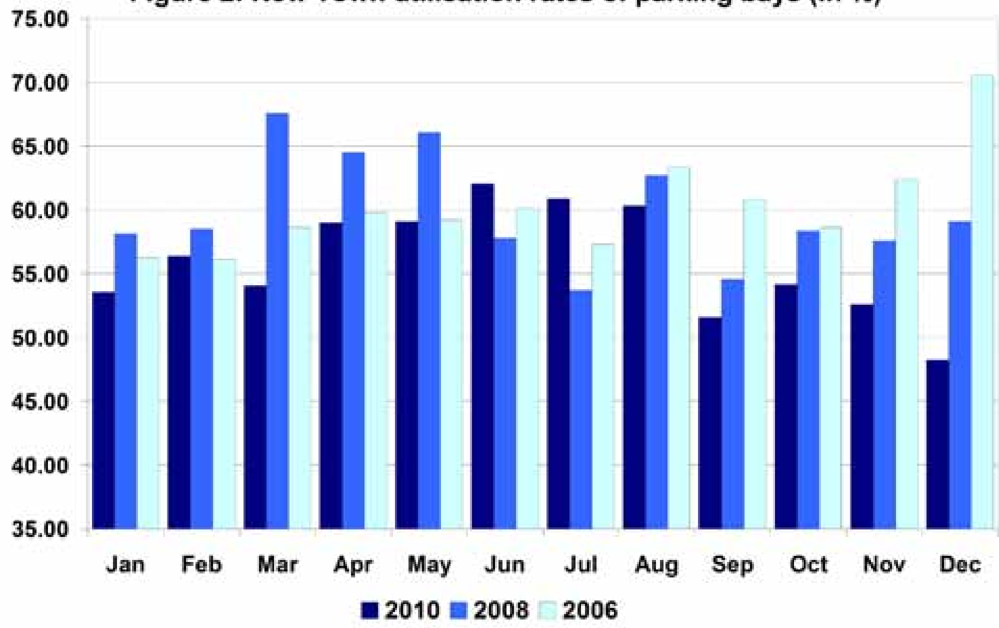
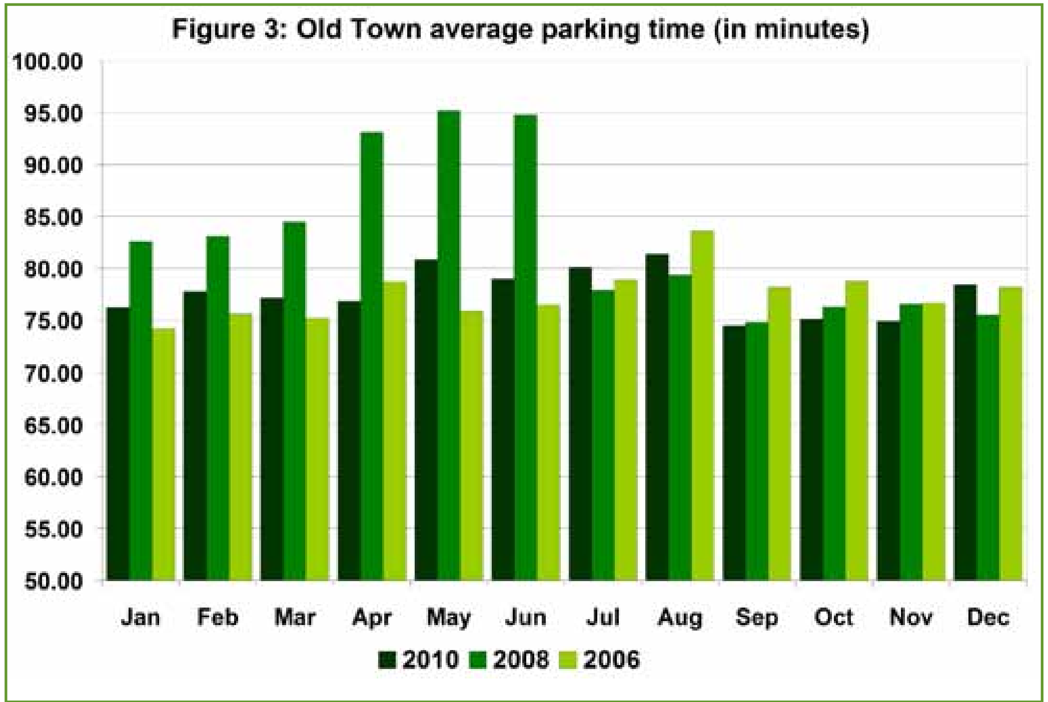


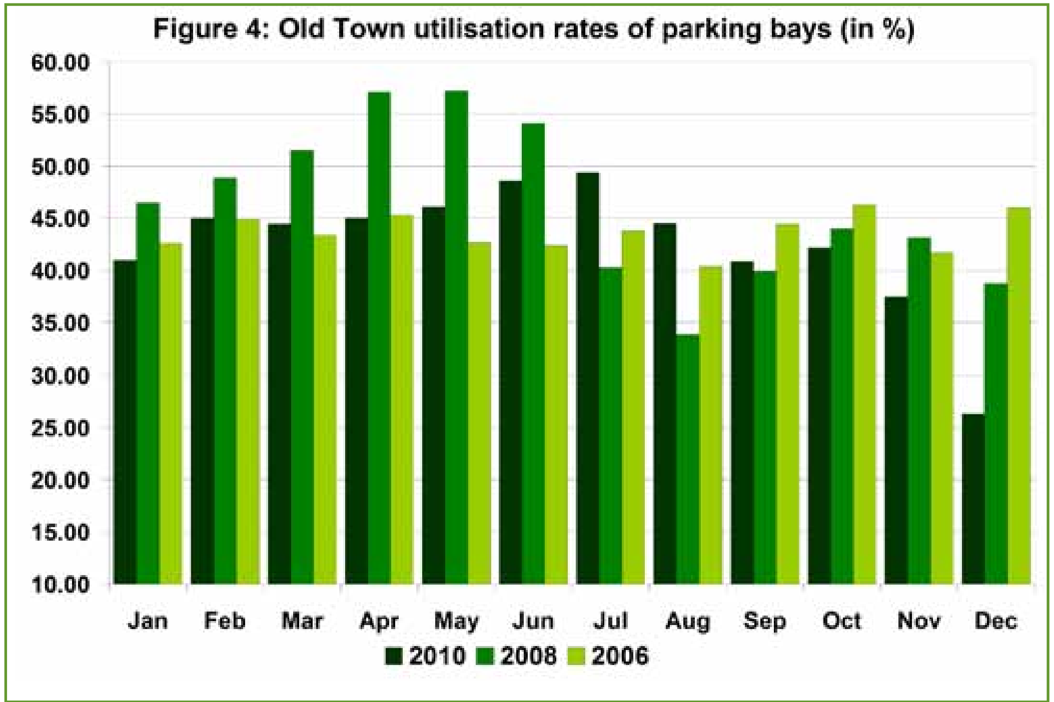
Figure 2: New Town utilisation rates of parking bays (in %)

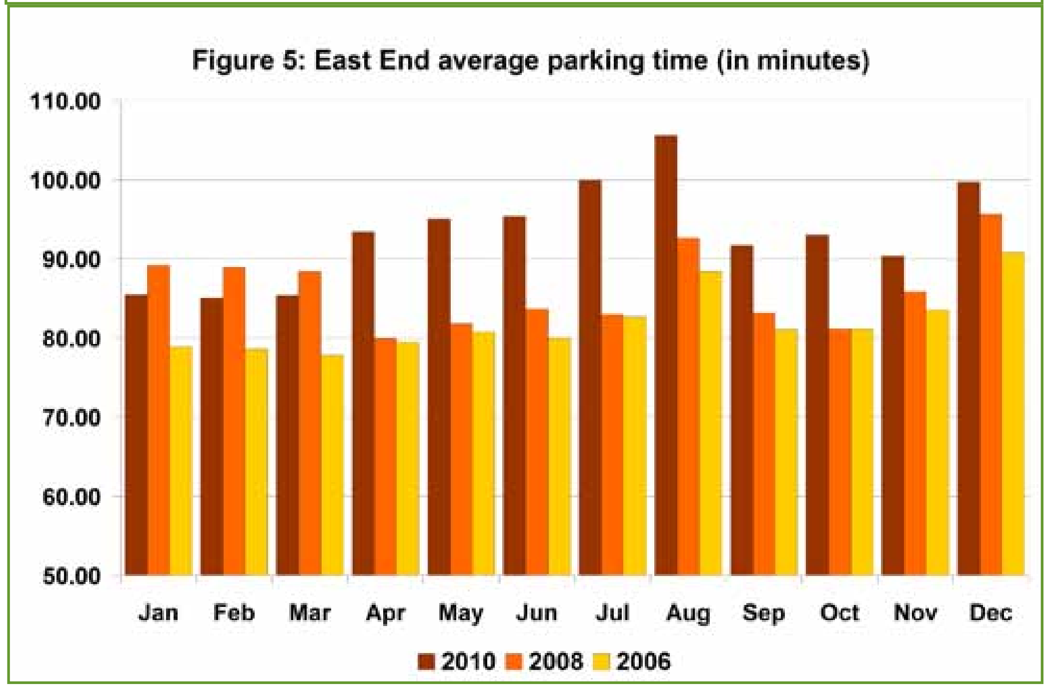


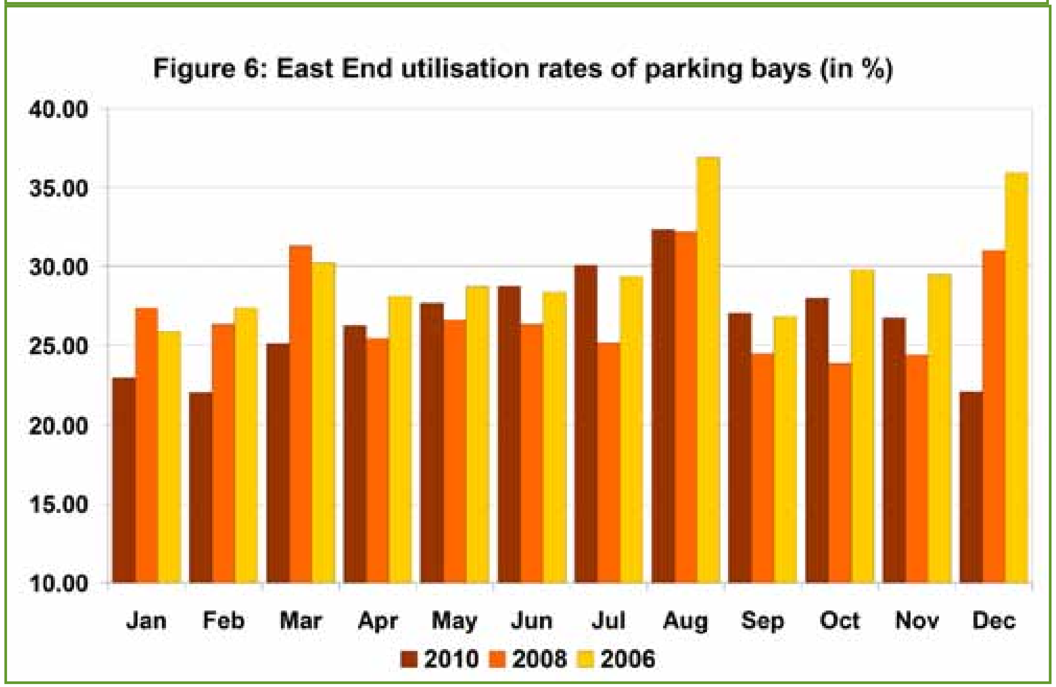
Parking bays in the Old Town had an average utilisation rate of 42.6% in 2010. This is down from both 2008 (where average utilisation was 46.3%) and 2006 (43.6%). In 2010, utilisation of parking bays in the Old Town peaked in June and July; in December, utilisation was far lower than in previous years in December. Average parking time in 2010 was almost 78 minutes. This is down from 2008 when the average length of stay was almost 83 minutes. However, the current figure is slightly up from 2006 when, on average, car owners returned to their vehicles after 77 minutes.

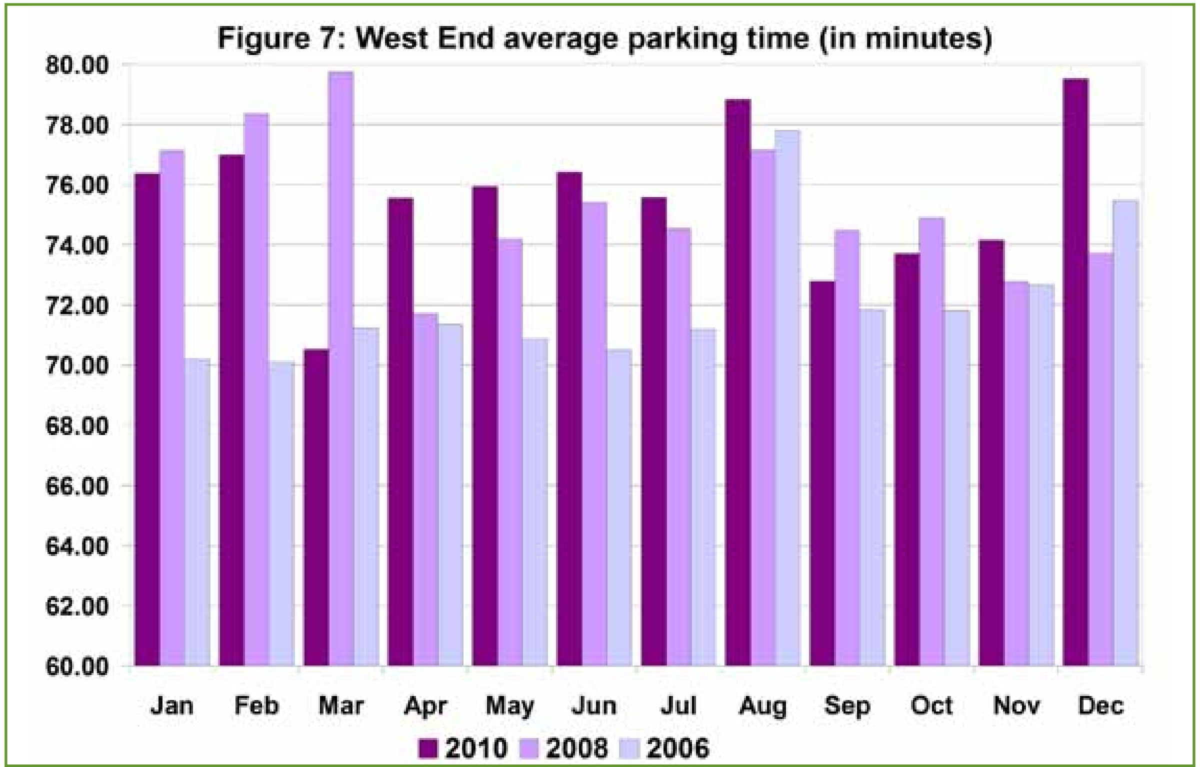
Parking Continued...





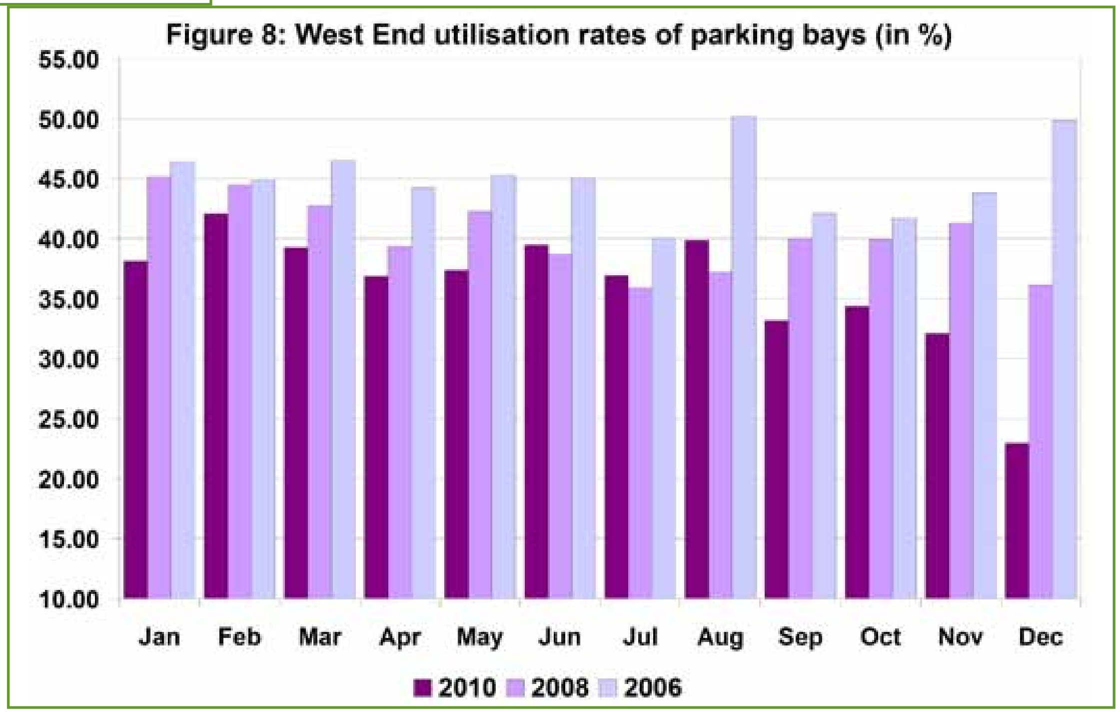






As in previous years, the longest average length of stay was in the East End; on average, cars were parked for more than 93 minutes. This is up from both 2008 (when average length of stay was 86 minutes) and 2006 (when it were 81 minutes). In August, car owners parked their cars for more than 100 minutes; likewise, in December cars parked in the East End stayed there for an average time of almost 100 minutes. Average utilisation rates in the East End are 26.6%. This compares to 27% in 2008 and 29.8% in 2006.

In 2010, average parking time in the West End was a bit more than 75 minutes. These levels are almost similar to levels from 2008; however, average parking time in 2006 was 3 minutes less at this site. In 2010, average utilisation rate of bays in the West End was 36%. This is down 4% from 2008 and 9% from 2006.



The Footfall Snowfall Connection

In late November, the Scottish weather delivered an early and spectacular cold blast.

Temperatures in Edinburgh dropped far below freezing to as low as -13°C. The snowfall between the 27th of November and 9th of December was the heaviest the city has seen in approximately 50 years, with up to 30cm (12in) in some areas.

Figure 1: Whole City Comparison (18 counters)

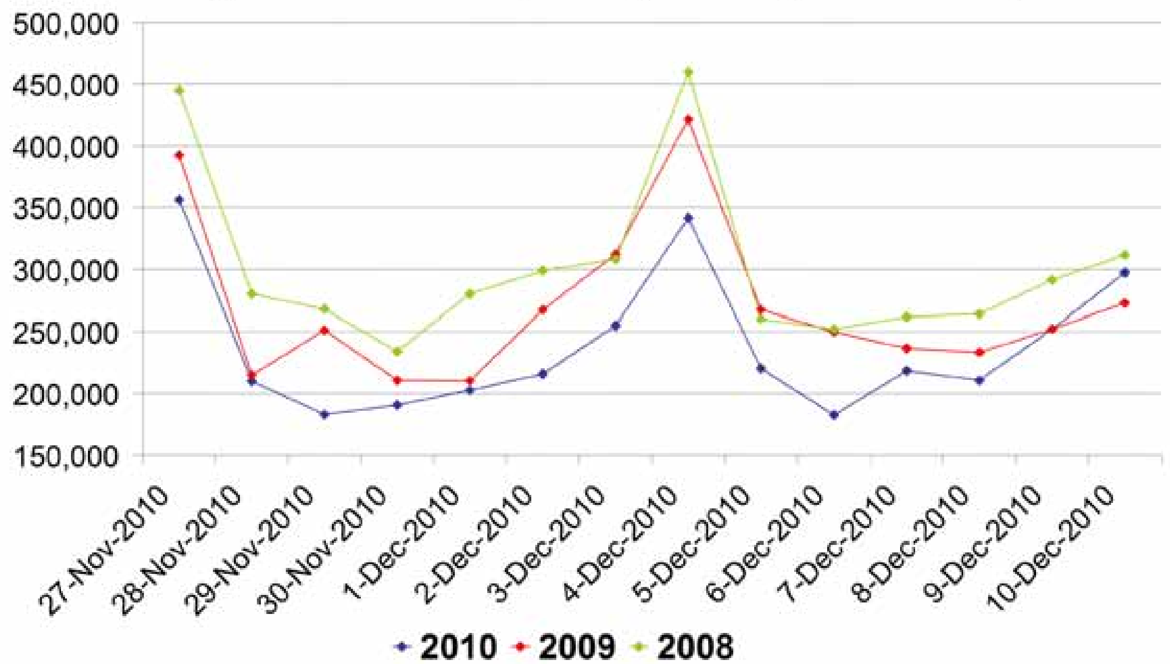
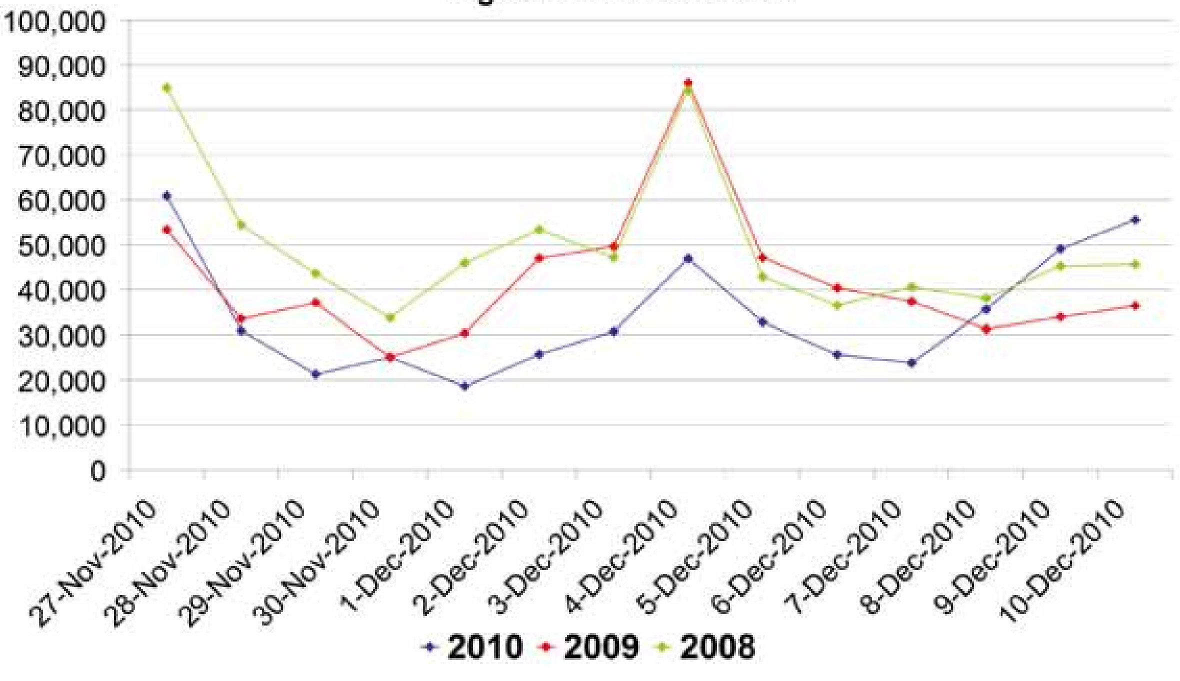
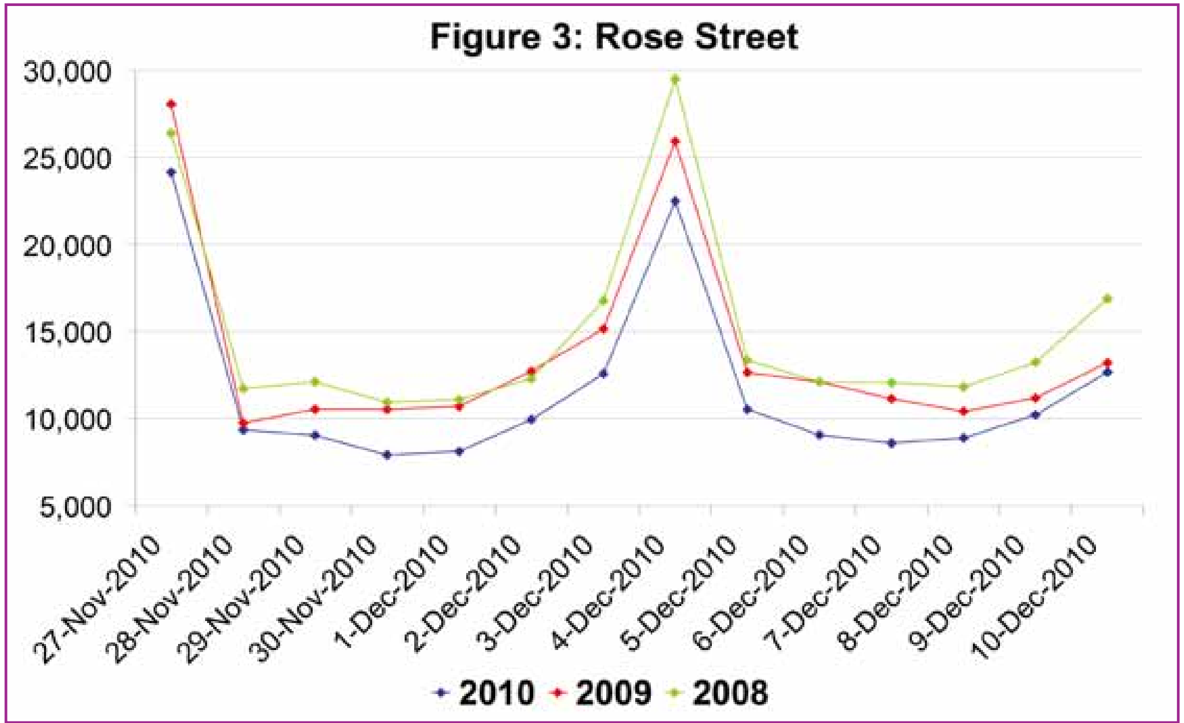


Figure 2: Princes Street



Inevitably, snowfall drove down footfall in the city centre. As figure 1 shows, pedestrian flow monitored by 18 counters at various sites in the city (from Leith Walk to Lothian Road and Shandwick Place to South Bridge) decreased by some 12.3% between 27th November and 10th of December in comparison to the same period in 2009 and by 30.6% in comparison to 2008.

Retailers in the New Town were affected more dramatically. Between 27th of November and 10th of December, some 482,528 pedestrians passed the counter installed at Marks & Spencer on Princes Street (the busiest location; see figure 2); this is down 18% in comparison to 2009 and down 30.7% in comparison to 2008.

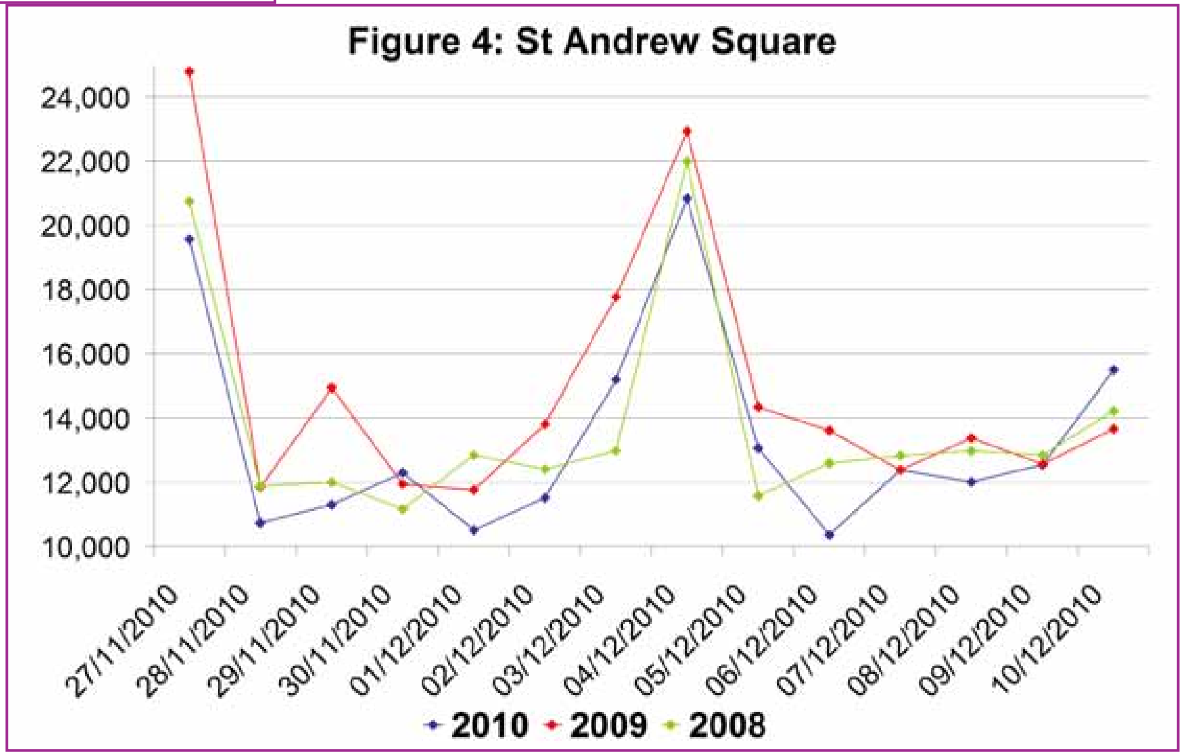


A decrease in footfall could also be observed in Rose Street and St Andrew Square (see figures 3 and 4).

The fall in pedestrians at these sites somewhat corresponds with the one observed in Princes Street:

Between 27th of November and 10th December footfall in Rose Street (Black & Lizars) was down 15.8% in comparison to the same period in 2009 and 22.3% in comparison to 2008.

At St Andrew Square (Harvey Nichols) footfall in the two weeks following the 27th of November were down 10.5% in comparison to this period in 2009, however, only down 2.8% in comparison to this period in 2008.



Trends in shop occupancy

The Planning Information Team of the City of Edinburgh Council conducted a detailed survey of shop usage in the city centre in autumn 2010. This annual study monitors the use of every unit in the centre and the number of vacant units.

Findings suggest that the average vacancy rate in the city centre increased from 6.6% in 2009 to 7.8% in 2010 (see figure 1). This means an increase in the number of vacant shops from 93 to 110 between 2009 and 2010 (see figure 2); current levels of empty shops are the second highest on record since 2006. However, these figures are not surprising as the recession continues and recovery is fragile. A study from July 2010 conducted by “The Local Data Company” – a London based market research firm focussing the retail industry – found that vacancy rates throughout Great Britain rose between 2009 and 2010.

Trends in shop occupancy differ for different zones in Edinburgh. The East End is holding up very well: Average vacancy rates are 3.4%; the number of vacant units reduced in the East End (from 12 in 2009 to 5 in 2010); the current levels are far below levels of previous years when, on average, 15.2 shops were vacant.

Figure 1: Trends in Vacancy Rates (zones, in %)

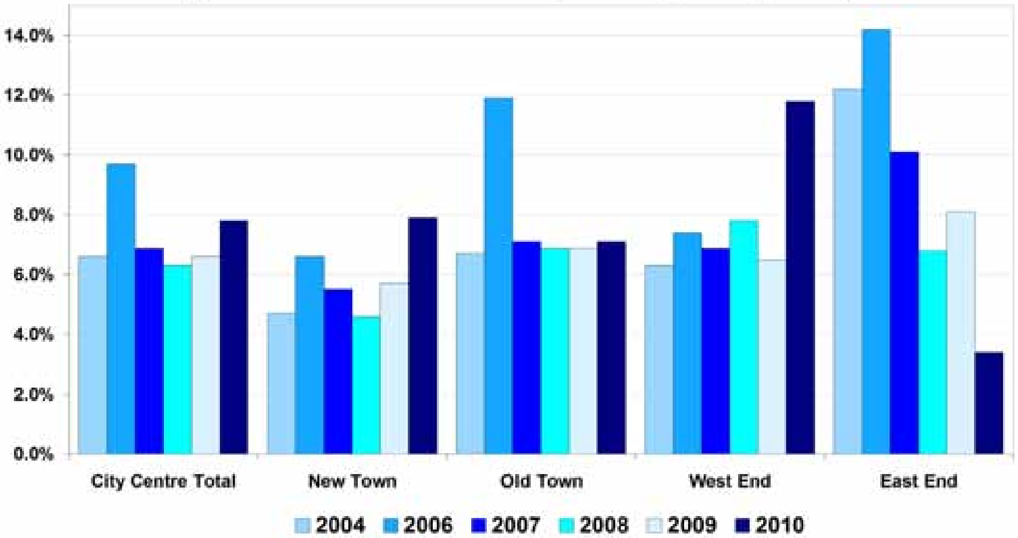


Figure 2: Trends in Vacancy Rates (zones, absolute numbers)

Vacancy rates in the Old Town remain the highest of the four city centre zones; however, they are somewhat stable: in the autumn of 2010, some 40 shops were empty – this is one more than in the year before and corresponds with figures from earlier years. (2006 was an exception when 69 shops were vacant.)

In the West End, average vacancy rates have risen sharply – some 11.8% of shops are empty. In autumn 2010, some 29 shops were vacant. This is almost twice as much as in 2009 (or an increase of 81%) when 16 shops were empty. The current figure is also significantly higher than in previous years; on average, 17 shops were vacant between 2004 and 2009.

Average vacancy levels continued to rise in the New Town and reached 7.9% in the autumn of 2010. The survey revealed that 36 shops were unoccupied – this is up 38.5% on 2009 and up 71.4% on 2008. Between 2004 and 2009, on average some 24.6 units were empty; the current figure is significantly higher.

A closer look at shop occupancy trends in the New Town reveals that more shops closed in Hanover Street, Frederick Street and Castle Street (see figure 3). In 2009, some 8 shops in these streets were empty; in 2008, there were 7 vacant shops. This compares to 11 shops that were not occupied in 2010.

Figure 3: Trends in Vacancy Rates (principal sites, in %)

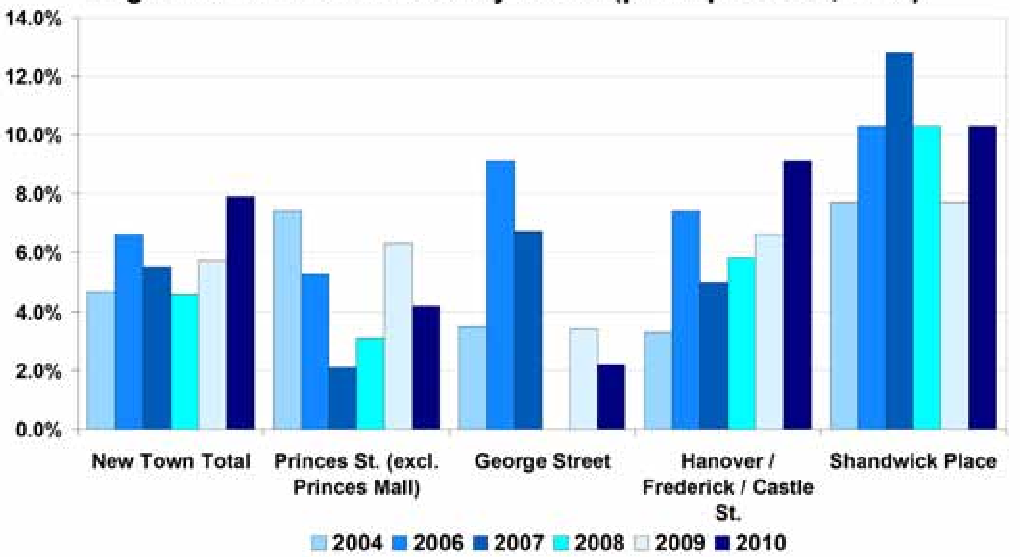


Figure 4: Trends in Vacancy Rates (principal sites, absolute numbers)

Bucking the trend in the New Town are Princes Street and George Street where vacancy levels decreased. In autumn 2010, average vacancy levels were 4.2% on Princes Street (not including the Princes Mall) and 2.2 % on George Street. This means that four shops on Princes Street and two shops on George Street were empty.

Every year the Planning Information Team from the City of Edinburgh Council conducts a shop occupancy survey to provide a picture of the retail composition of Edinburgh city centre (however, the study was not conducted in 2005). For further information contact Tom Mathar on 0131 5294962 or e-mail: **tom.mathar@edinburgh.gov.uk.**

Ryden

Market Review

By Dr Mark Robertson, Partner, Ryden

Overview

The Scottish economy emerged from recession in 2010. The recovery is not strong and consumers debt remains high.

However, unemployment has stabilised and actual spending in the shops has not suffered as much as might have been expected during the depths of the 2008/09 recession.

Like-for-like sales figures from the Scottish Retail Consortium indicate growth of 0.7% over the year to December 2010. This modest growth masks a strong performance from food and drink (3.5%) growth and a decline in non-food sales (-1.8%).

Market Activity

Within Edinburgh city centre, the George Street retail market has been very active in 2010. Princes Street has also attracted new investment to both ground and upper floors.

Some George Street retailers have relocated to larger units while others have opened new stores. White Stuff relocated to a new store at 89 George Street (former Grays DIY store) at the end of 2010. Austin Reed, Country Casuals and Viyella relocated to 102-104 George Street (former Pier and Pink stores) in January 2011. Joules is to open a store at 27 George Street (the unit vacated by White Stuff). Anthropologie is to open a store at 39-41 George Street (the unit to be vacated by Austin Reed).

Elsewhere on George Street the Assembly Rooms are to undergo a comprehensive £9.3 million refurbishment. Alongside the events and function space, the development will incorporate retail units and restaurant. The development is expected to be complete by summer 2012.

On Princes Street the 6,970 sq.m. Primark development is currently being developed and is expected to open by the end of 2011. The existing building has been demolished and the new building will also incorporate an entrance onto Rose Street. This will add to the small number of major stores which currently front both Princes Street and Rose Street including Jenners, Marks & Spencer, BHS and Debenhams, although Primark is expected to have single-level access between both streets.

Hotel and retail developments on Princes Street are recently-completed or are still progressing. The EasyHotel at 125a Princes Street opened in Autumn 2010. At 121-123 Princes Street Deramore Property Group is underway with the development of a New Look retail store at ground floor level and a Premier Inn Hotel on the upper floors; this is due to open early in 2012. There are also plans to develop a new hotel on the upper floors above Topshop at 30-31 Princes Street. At the east end of Princes Street Aberdeen Property Investors plan a £12 million redevelopment of the buildings at 10-14 to create ground floor retail units and again a new hotel on the upper floors. This redevelopment has required the closure of Waterstone's bookshop and Burger King while Boots and the Scotch House will close in March 2011.

An upgrade of the Waverley Steps (at Waverley railway station) is due to begin in February 2011. Escalators to Princes Street are to be installed alongside an overhauled flight of stairs which will be covered by a new glass and steel canopy. Two lifts will link the train station to Princes Street via the Princes Mall shopping centre. Within the Princes Mall shopping centre, Cult opened a 1,068 sq.m. store at the end of 2010.

Unconfirmed market intelligence suggests that an Apple store may open on Princes Street while Waitrose is reportedly considering a small format store on St Andrew Square.

In the retail investment market there have been few transactions. The 292 sq.m. unit let to Footlocker (Freedom Sports) at 87 Princes Street was sold to CBRE Investors for £3.5 million (reflecting a net initial yield of 6.86%). At 63-65 George Street retail units totaling 1,200 sq.m. and let to Jack Wills and Crombie were sold to DTZ Investment Management for £10.4 million (net initial yield 5.61%). The 3,257 sq.m. office and retail development at 7 Castle Street was sold to CBRE Investors for £14.3 million (net initial yield 7.05%).

Market Performance

Table 1 provides Ryden's analysis of prime Zone A rental levels for the top 10 retails centres in Scotland.

Edinburgh city centre (Princes Street) has fallen below Braehead to sit third in the rankings based upon recent market evidence. Edinburgh's prime rent (Zone A) – for the best pitch on Princes Street – has fallen from £210 to £180 per sq.ft.

This fall in rents is partly due to a re-ordering of the rental hierarchy within the city centre. In the 1990s when George Street was dominated by financial services and offices, retail rents for the few shops on that street were £95 per sq.ft. Zone A compared with Princes Street's £225 per sq.ft. As George Street has emerged as a fashion destination, linked to Multrees Walk and Harvey Nichols, its rents have caught up with and passed Princes Street. Future redevelopment at St James Quarter is likely to further re-order the city centre's rental patterns.

Aside from Edinburgh, the only other changes during 2010 are the growth of Glasgow's prime retail rent, Livingston falling out of the table and Dundee moving into 9th position.

Table 1: Scottish Retail Rents Ranking

2010 position	Centre	2010 £/sq.ft. Zone A	Position change from 2009
1	Glasgow	£260	0
2	Braehead*	£200	+1
3	Edinburgh	£180	-1
4	Gyle	£175	+1
5=	Silverburn	£150	-1
5=	Aberdeen	£150	0
7=	Inverness	£115	+1
7=	Stirling	£115	+1
9	Dundee	£105	+2
10	East Kilbride	£100	-3

* 80% of OMV with turnover provisions

Source: Ryden

According to Property Intelligence the number of retailers with requirements for Edinburgh city centre increased during 2010. Edinburgh's relative position in the UK did improve from being the 21st most sought-after location in 2009 to the 16th position in 2010.

CACI's Retail Footprint for 2010 estimates the retail turnover of city centres and regional shopping malls across the UK. Edinburgh city centre is in position 15 on the rankings, with an estimated turnover of £1,040 million. This is an improvement of three positions, from 18 in 2009, based upon a turnover in that year of £940 million. The CACI data indicates that Edinburgh city centre improved in both relative and absolute terms between 2009 and 2010.

Outlook

Economic forecasters anticipates sluggish growth during 2011. Public sector cuts and the recent VAT rise present significant headwinds to the retail sector in 2011.

During the market growth phase to 2008, discretionary and leisure expenditure grew faster than comparison shopping, which in turn out-performed staple goods such as food and drink. Economic challenges have reversed that ranking.

The recent recession also curtailed new property development across the UK. Market activity in Edinburgh city centre has continued however as selective redevelopment takes place, generally for named retail and leisure operators. Redevelopments are bringing welcome activity to Princes Street's upper floors, typically in the form of new hotels. In the medium term, redevelopment to create St James Quarter at the east end of the city centre would build upon these incremental improvements to bring a step change to market profile and performance.

As reports on the wider city economy confirm, Edinburgh is performing comparatively well. In the retail sector the city has improved its UK ranking by 5 positions based upon retailer demand and by 3 positions on turnover. The rental picture is more mixed and will continue to evolve as the city centre's retail geography evolves away from its traditional internal hierarchy.

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