PART F. UNITED KINGDOM

Edinburgh



Edinburgh from Calton Hill. Illustration adapted from a photograph by Ad Meskens, Wikimedia Commons · CC BY-SA 3.0

This part reproduces the Edinburgh edition, which, like the Swedish edition, is outside the euro area. As a single-metro edition, it has no comparison section and no city sub-parts; Section F3 sets out the metropolitan growth analysis, including the drivers of growth (Section F3.4). Edinburgh is compared with Great Britain on employee jobs (BRES), which exclude the self-employed, and its values are in pounds sterling.

Data vintage. Employee jobs and GDP run to 2024, population and pay to 2025. Office market figures run to Q3 2026 (prime yield Q2 2026), and Bank Rate to 5 November 2026.

F1. Executive summary and recommendations

Recommendations. Prioritise build-to-rent housing for underwriting, subject to entry price, planning consent and the affordable housing requirement; underwrite new or comprehensively refurbished prime offices in the city centre selectively; underwrite purpose-built student housing selectively, subject to planning and international student demand; do not prioritise secondary offices. Edinburgh's growth since 2019 has been led by pay and output rather than by numbers of jobs. Median full-time pay in the City of Edinburgh rose from 105.8% of the Great Britain level in 2019 to 111.7% in 2025, and finance, education and public administration added jobs much faster than in Great Britain. Housing and prime office space are both scarce. The main risks are a sharp fall in international migration, rising office vacancy outside prime buildings, and new rent controls for older private rental housing. These are market-level judgements by the authors from the evidence in this edition, not findings of the sources and not asset-level investment approvals: each strategy still needs underwriting with net cash flows, capex, incentives, financing and exit assumptions against the investor's required return.

One metro, the same method. This edition applies the Observatory's method to the Edinburgh and South East Scotland City Region: summary growth indicators and forecasts, growth and pay by sector, location quotients and shift-share against Great Britain, the demand- and supply-side drivers of growth and the forces behind it, followed by the office market, housing and capital markets, and illustrative strategies.

The case rests on seven findings:

1. **Growth since 2019 has been led by pay, not by job numbers.** Employee jobs in the city region grew 4.7% between 2019 and 2024, in line with Great Britain (4.8%), and 7.8% in the City of Edinburgh. Median full-time workplace pay rose 35.6% in the city between 2019 and 2025, against 28.4% in Great Britain.
2. **Output has grown faster than jobs.** Real GDP in the City of Edinburgh rose 22.3% between 2012 and 2019 and 9.1% between 2019 and 2024, despite a fall of 12.8% in 2020. The city produced 58% of the city region's GDP of GBP 66.2 billion in 2024.
3. **Finance and education are the growth sectors.** Finance and insurance jobs in the city region rose 25.2% between 2019 and 2024, against 1.4% in Great Britain, and are twice as concentrated as in Great Britain (location quotient 2.01; 3.36 in the city). Education jobs rose 23.4% between 2015 and 2024, against 3.5%.
4. **Population growth depends on migration, which has dropped sharply.** The city region grew 7.9% between 2012 and 2025, against 4.5% for Scotland. Deaths have exceeded births since 2018. Net international migration fell from 19,470 in 2022-23 to 1,220 in 2024-25, and the City of Edinburgh's population fell by 700 in the year to mid-2025.
5. **Prime offices are scarce, but overall vacancy is rising.** Prime vacancy in the city centre was 1.6% in Q3 2026 and the prime rent GBP 49.50 per sq ft, up 30% in five years. Overall vacancy rose to 14.9%, and Grade A availability rose 30% in the quarter (Savills).
6. **Housing is supply-constrained.** The average private rent was GBP 1,596 a month in Q2 2026, up 43.1% in five years but only 1.0% in the latest year (Citylets). The council declared a housing emergency in November 2023.

7. **New regulation shapes the opportunities.** Rent control areas under the Housing (Scotland) Act 2025 will cap rises for existing private lets at CPI plus 1%, up to 6% a year, but build-to-rent and purpose-built student housing are to be exempt. A 5% visitor levy applies to overnight stays from 24 July 2026, and short-term lets of whole homes need planning permission.

The assumptions this advice is most sensitive to: whether international migration and student numbers recover; whether demand for prime offices outlasts the rise in secondary vacancy; and the path of UK interest rates, after the Bank of England raised Bank Rate to 4% on 5 November 2026.

F2. Introduction: purpose, method and area

This edition assesses whether, and how, an institutional investor should commit capital to real estate in the Edinburgh metropolitan area. It begins with metropolitan growth, because real estate demand is generated at the metropolitan level and only then allocated to submarkets and buildings. The aim is to identify every asset class likely to benefit from the type of growth Edinburgh is experiencing, not only offices.

Why metropolitan analysis matters. Section 2 explains why the analysis is metropolitan: buildings last for decades, properties of the same type compete mainly within one metropolitan labour and housing market, and the type of growth decides which space is needed, with employment-led growth favouring volume demand and income-led growth favouring premium space. In Edinburgh, students and visitors add to that demand.

Area covered. The metropolitan area is the Edinburgh and South East Scotland City Region, the six councils of the City Region Deal: the City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian, with 1,426,250 residents in mid-2025. It is a policy region, wider than Edinburgh's travel-to-work area, and includes the whole of Fife. The City of Edinburgh, with 531,370 residents, is shown separately where it matters, because the office market and most of the growth are concentrated there. Great Britain is the reference economy for jobs and pay, and Scotland for population.

Method and data. The data come from a workbook compiled for this edition from the Business Register and Employment Survey (BRES), ONS regional GDP, National Records of Scotland (NRS) population and migration estimates, and the Annual Survey of Hours and Earnings (ASHE). Jobs are employee jobs at the workplace, excluding agriculture and the self-employed. BRES changed coverage in 2015, so growth is chained at 2015 across the two series; BRES counts are rounded and volatile for single sectors. GDP is nominal for the city region, because chained volume measures cannot be added across councils, and real for the City of Edinburgh. Pay is the median gross annual pay of full-time employees working in the City of Edinburgh (ASHE workplace analysis); pay by sector is not published for Edinburgh. **Real pay** is deflated with the City of Edinburgh GDP implied deflator from the workbook, because a consumer price index could not be retrieved for this edition; the comparison with Great Britain uses nominal pay ratios and needs no deflator. Growth is compared over 2012 to 2019 and 2019 to 2024.

Growth types. Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020) and DiPasquale and Wheaton (1996), we distinguish observed growth from its inferred mechanism. Demand-induced growth begins with stronger demand for local goods or services: elastic labour supply favours job growth with modest wage gains, while a less elastic response favours larger wage gains. Supply-induced growth begins with an independent expansion of labour supply and, in the model, raises jobs while reducing real wages. Migration can initiate a supply shift or respond to job demand; its presence does not distinguish the two. Employment and pay movements are diagnostic clues, not causal identification or estimates of elasticity. Inflation, hours, worker composition and measurement coverage can alter the pay signal. Labels are therefore indicative and are assessed alongside sector demand, migration, participation and recruitment evidence; see Section 2 and Table 4b.

The investment cases. The report tests three illustrative strategies:

Table F1. The strategies tested

Strategy	Asset	Location	Risk style
A	Prime office, new or comprehensively refurbished	City centre: Haymarket, the West End and St Andrew Square	Value-add
B	Build-to-rent housing, multifamily or single-family	City of Edinburgh and edge-of-city sites in Midlothian, East and West Lothian	Core-plus to development
C	Purpose-built student housing	Near the University of Edinburgh's central and King's Buildings sites and other campuses	Core-plus to value-add

Structure. Section F3 analyses metropolitan growth, Section F4 its implications by asset class, Section F5 the office market, Section F6 housing, hotels and capital markets and Section F7 the strategies. Section F8 sets out risks and monitoring, and Section F9 lists sources.

F3. Metropolitan growth patterns

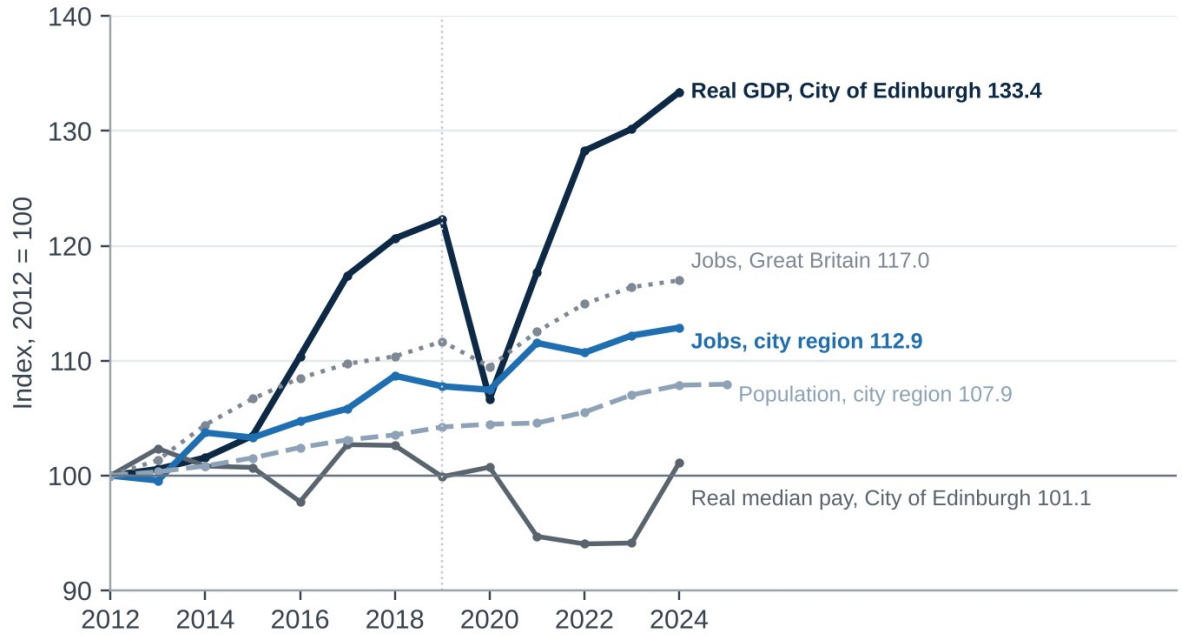
Metropolitan growth is analysed in five steps: summary indicators, population and forecasts (3.1), growth and pay by sector (3.2), specialisation and competitiveness against Great Britain (3.3), the demand- and supply-side drivers of growth (3.4) and the forces behind growth (3.5).

F3.1 Summary growth indicators

The city region's jobs grew more slowly than Great Britain's before 2019 and in line with them after; output grew faster than jobs, and the population grew faster than Scotland's.

Figure F1. Output grew faster than jobs; real pay barely changed

Summary growth indicators, Edinburgh city region, City of Edinburgh and Great Britain, 2012 to 2024 (index, 2012 = 100)



Sources: BRES employee jobs (chained at 2015), ONS regional GDP (chained volume measures, City of Edinburgh), NRS mid-year population and ASHE workplace median full-time pay, as compiled in the Edinburgh data workbook; authors' calculations. Real pay is deflated with the City of Edinburgh GDP implied deflator. Population to 2025.

Population. The city region had 1,321,260 residents in mid-2012 and 1,426,250 in mid-2025 (+7.9%), against +4.5% for Scotland. It grew 0.6% a year between 2012 and 2019 and 0.6% a year between 2019 and 2025, against 0.3% and 0.4% for Scotland. The City of Edinburgh grew faster, from 480,420 to 531,370 (+10.6%), but its population fell by 700 in the year to mid-2025.

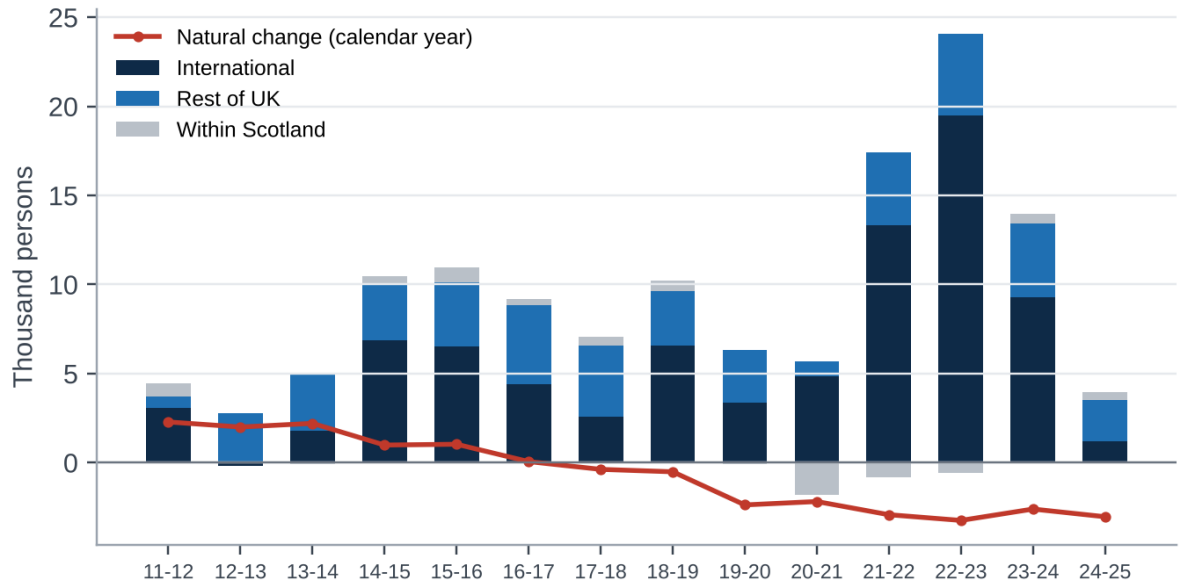
Employment. Employee jobs in the city region were 679,535 in 2024. They grew 7.8% between 2012 and 2019, against 11.7% for Great Britain, and 4.7% between 2019 and 2024, against 4.8%. Jobs in the City of Edinburgh grew 7.3% and 7.8% in the two periods. Edinburgh's employment rate of 83.2% is the highest of any major UK city (City of Edinburgh Council, Edinburgh by Numbers 2026).

Output and pay. Nominal GDP in the city region rose from GBP 36.0 billion in 2012 to GBP 48.8 billion in 2019 (+35.5%) and GBP 66.2 billion in 2024 (+35.7%). In the City of Edinburgh, real GDP rose 22.3% between 2012 and 2019, fell 12.8% in 2020 and was 9.1% above 2019 in 2024. Median full-time workplace pay in the city rose from GBP 28,282 in 2012 to GBP 32,250 in 2019 and GBP 43,715 in 2025. Relative to Great Britain it was 106.6% in 2012, 105.8% in 2019, 110.7% in 2024 and 111.7% in 2025. Deflated with the city's GDP deflator, real pay was flat between 2012 and 2019 (-0.1%) and rose 1.2% between 2019 and 2024; with a consumer price index the real change could differ. ASHE estimates for a single council are volatile from year to year.

Where population change comes from. Deaths have exceeded births in the city region every calendar year since 2018, by about 2,600 to 3,250 a year since 2022, so migration provides all growth (Figure F2 and Table F2). Net migration rose to 23,530 in 2022-23, mostly from abroad, and fell to 3,920 in 2024-25 as international net migration fell to 1,220, following tighter UK student and work visa rules. The City of Edinburgh loses residents to the rest of Scotland every year.

Figure F2. International migration drove growth, then fell sharply

Net migration by origin (mid-year periods) and natural change (calendar years), Edinburgh city region, 2011-12 to 2024-25 (thousand persons)



Source: National Records of Scotland, migration and vital events, as compiled in the Edinburgh data workbook; authors' calculations. Natural change is shown for the calendar year ending in the mid-year period.

Table F2. Components of population change, mid-2024 to mid-2025

Area	Births	Deaths	Natural change	Net migration, within Scotland	Net migration, rest of UK	Net migration, international	Population change
City of Edinburgh	4,340	4,476	-136	-3,090	+1,410	+1,190	-700
City region	11,536	14,267	-2,731	+400	+2,320	+1,220	+1,120
City region, 2022-23 for comparison	11,697	15,363	-3,666	-560	+4,620	+19,470	+19,980

Source: National Records of Scotland, mid-year population estimates, components of change, as compiled in the Edinburgh data workbook. Population change includes other small changes, so the components do not sum exactly.

Synthesis by period. Table F3 summarises growth in each period and the type of growth it indicates.

Table F3. Synthesis of growth patterns by period (average annual % change)

Area	Period	Population	Jobs	Median pay, nominal	Real pay	Output	Indicative mechanism	Main forces
City region (pay and real output: City of Edinburgh)	2012-19	+0.6	+1.1	+1.9	0.0	+2.9 (real)	Output growth not shared in pay; jobs slower than Great Britain	Finance and business services productivity; tourism; migration from the rest of the UK and abroad
City region (pay and real output: City of Edinburgh)	2019-24	+0.7	+0.9	+5.2	+0.2	+1.7 (real)	Demand-side evidence; elasticity unconfirmed	Finance, education, public administration; international migration until 2023
Great Britain	2012-19	n.a.	+1.6	+2.0	n.a.	n.a.	National reference	
Great Britain	2019-24	n.a.	+0.9	+4.3	n.a.	n.a.	National reference	

Sources: NRS population; BRES employee jobs (chained at 2015); ASHE workplace median full-time annual pay; ONS regional GDP, chained volume measures, as compiled in the Edinburgh data workbook; authors' calculations. Real pay is deflated with the City of Edinburgh GDP implied deflator. Growth types follow the framework in Section F2 and are indicative.

Forecasts. The Fraser of Allander Institute expected Scottish GDP to grow 1.0% in 2026, 1.1% in 2027 and 1.2% in 2028 (June 2026), and listed as risks the conflict in the Middle East and energy prices, softening hiring and tight public budgets. UK CPI inflation was 3.5% in September 2026, and the Bank of England raised Bank Rate from 3.75% to 4% on 5 November 2026. A population or employment forecast for the city region was not available to the authors.

Table F4. Historical and forecast growth, Edinburgh

Indicator	History	Forecast	Forecast source
Population	City region +7.9%, 2012 to 2025	Not available for the city region	
Jobs	City region +12.9%, 2012 to 2024	Not available	
Output	City of Edinburgh real GDP +33.4%, 2012 to 2024	Scotland +1.0% (2026), +1.1% (2027), +1.2% (2028)	Fraser of Allander Institute, June 2026
Pay	City of Edinburgh median full-time pay 111.7% of Great Britain, 2025	UK CPI inflation 3.5% (September 2026)	ONS

Sources: history as Figure F1 and Table F3; Fraser of Allander Institute, Economic Commentary 2026 Q2; ONS, Consumer price inflation, September 2026.

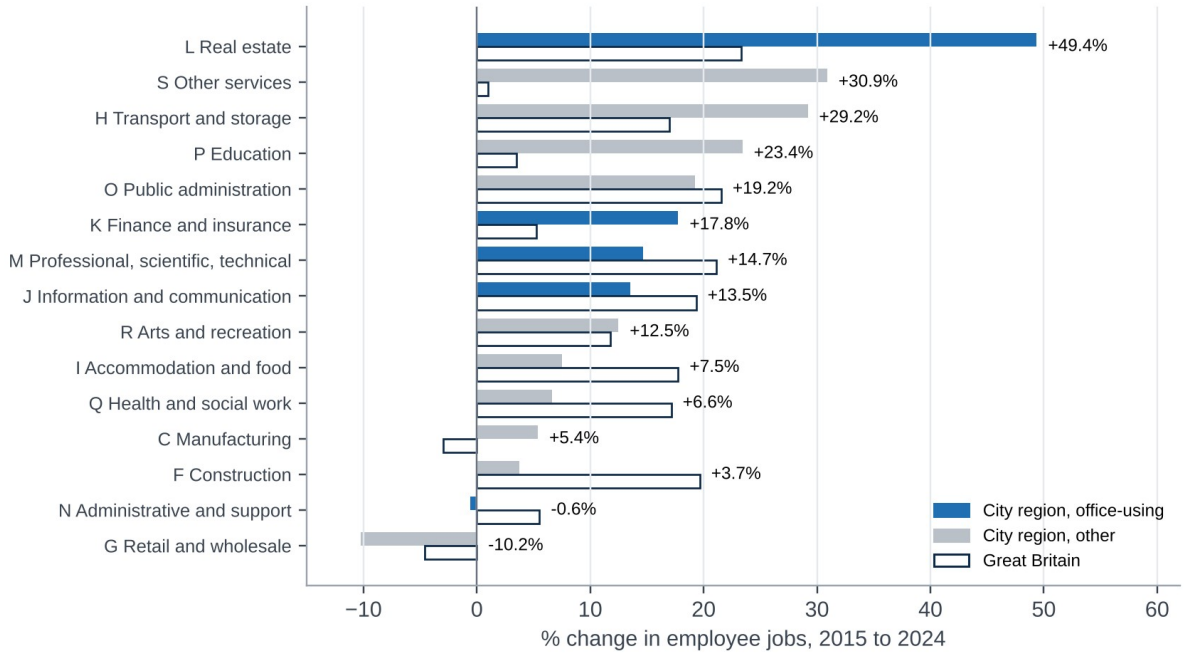
Reading for the investor. Edinburgh's growth since 2019 has raised pay and output rather than job numbers, a pattern that supports premium space: prime offices, good-quality rental housing and upper-tier hotels. Population growth depends on migration, and the fall in international arrivals in 2024-25 is the main weakness in the demand base.

F3.2 Growth and pay by sector

Real estate, transport, education, public administration and finance grew fastest; retail and administrative services shrank.

Figure F3. Finance and education outgrew Great Britain; retail shrank

Employee jobs by sector, Edinburgh city region and Great Britain, 2015 to 2024 (% change). Office-using sectors in blue.



Source: BRES employee jobs (2015 onwards coverage), city region councils and Great Britain, as compiled in the Edinburgh data workbook; authors' calculations.

Table F5. Employee jobs by sector, Edinburgh city region

Sector	Jobs 2015 (000)	Jobs 2019 (000)	Jobs 2024 (000)	Growth 2019-24	Great Britain 2019-24	Share 2024	LQ 2024	LQ 2024, City of Edinburgh
Q Health and social work	98.5	93.8	105.0	+11.9%	+13.4%	15.5%	1.09	1.09
G Retail and wholesale	89.4	85.6	80.3	-6.2%	-4.8%	11.8%	0.86	0.65
P Education	55.5	61.0	68.5	+12.3%	+4.1%	10.1%	1.17	1.17
I Accommodation and food	52.8	54.8	56.8	+3.6%	+6.1%	8.4%	1.07	1.22
M Professional, scientific, technical	44.7	48.1	51.3	+6.8%	+10.7%	7.6%	0.81	0.95
K Finance and insurance	39.6	37.2	46.6	+25.2%	+1.4%	6.9%	2.01	3.36
O Public administration	39.0	41.3	46.5	+12.7%	+16.7%	6.8%	1.40	1.44
C Manufacturing	38.9	37.1	41.0	+10.5%	-4.9%	6.0%	0.83	0.37
N Administrative and support	38.6	47.9	38.3	-20.0%	+1.4%	5.6%	0.66	0.74
F Construction	31.4	28.7	32.6	+13.5%	+6.8%	4.8%	0.96	0.57
H Transport and storage	22.2	25.2	28.7	+13.8%	+5.3%	4.2%	0.85	0.67
J Information and communication	24.3	36.7	27.6	-24.9%	+9.4%	4.1%	0.89	1.06
R Arts and recreation	19.8	20.7	22.3	+7.4%	+5.1%	3.3%	1.32	1.29
S Other services	11.6	12.3	15.2	+23.7%	+0.3%	2.2%	1.14	1.13
L Real estate	8.0	10.6	12.0	+12.7%	+14.0%	1.8%	0.93	1.15

Source: BRES employee jobs by SIC 2007 division, aggregated to sections, city region councils and Great Britain, 2015 onwards coverage, as compiled in the Edinburgh data workbook; authors' calculations. Mining and utilities are not shown. BRES counts are rounded and volatile for single sectors and councils: the rise and fall of information and communication jobs between 2015, 2019 and 2024 should be read with caution.

Growth types by sector. Pay by sector is not published for Edinburgh, so growth types by sector cannot be classified directly. The sector pattern is consistent with the rise in relative pay: the sectors that grew fastest relative to Great Britain, finance and education, are generally among the better paid, while lower-paid retail and administrative services shrank. Finance and insurance added 9,400 jobs between 2019 and 2024. Information and communication is not a clear growth sector on these data: its jobs rose sharply to 2019 and fell back by 2024, a swing that may partly reflect BRES volatility.

F3.3 Specialisation and competitiveness

The city region is specialised in finance, public administration, arts and recreation, education and health; the City of Edinburgh is more than three times as concentrated in finance as Great Britain.

Table F6. Location quotients by sector, Edinburgh city region (Great Britain = 1.0)

Sector	LQ 2015	LQ 2019	LQ 2024	Share of jobs 2024	Reading
K Finance and insurance	1.79	1.63	2.01	6.9%	Highly specialised, rising since 2019
O Public administration	1.42	1.44	1.40	6.8%	Specialised (capital functions)
R Arts and recreation	1.30	1.29	1.32	3.3%	Specialised (festivals, culture)
P Education	0.97	1.08	1.17	10.1%	Specialised, rising
Q Health and social work	1.19	1.10	1.09	15.5%	Specialised, falling
I Accommodation and food	1.17	1.10	1.07	8.4%	Specialised, falling
J Information and communication	0.94	1.30	0.89	4.1%	Below average (volatile)
M Professional, scientific, technical	0.85	0.84	0.81	7.6%	Below average
G Retail and wholesale	0.91	0.88	0.86	11.8%	Below average, falling

Source: BRES employee jobs, city region councils and Great Britain, 2015 onwards coverage, as compiled in the Edinburgh data workbook; authors' calculations.

Table F7. Shift-share decomposition, Edinburgh city region, 2015 to 2019 and 2019 to 2024 (thousands of employee jobs)

Sector	Change 2015-19	National	Mix	Local	Change 2019-24	National	Mix	Local
O-S Public, education, health and other services	+4.7	+10.5	-5.1	-0.7	+28.4	+10.9	+11.3	+6.2
K-N Finance, real estate, business services	+12.9	+6.1	+2.2	+4.6	+4.4	+6.9	+1.7	-4.1
B-E Industry excluding construction	-1.5	+2.2	-1.1	-2.6	+3.0	+2.1	-3.7	+4.6
F Construction	-2.7	+1.5	+2.3	-6.5	+3.9	+1.4	+0.6	+1.9
G-J Trade, transport, hospitality, ICT	+13.6	+8.8	+1.4	+3.4	-9.0	+9.6	-7.0	-11.7
Total	+26.9	+29.0	-0.4	-1.7	+30.7	+30.9	+2.8	-3.0

Source: BRES employee jobs, five sector groups, city region and Great Britain, 2015 onwards coverage, as compiled in the Edinburgh data workbook; authors' calculations, which reconcile to the workbook's own decomposition for 2019 to 2024. National, Mix and Local are the national effect, industry-mix effect and regional (local) shift. The regional shift is an accounting residual, not a causal estimate of competitiveness. Rows may not sum to totals because of rounding.

Quotients and shares. Finance is the defining specialisation: 6.9% of the city region's jobs, twice the Great Britain share, and 3.36 times in the City of Edinburgh. Public administration, arts and recreation and education are also concentrated, reflecting Edinburgh's role as Scotland's capital, its festivals and its universities. Professional services and information and communication are below the Great Britain share, which limits the breadth of office demand.

What the decomposition shows. Over both periods the city region grew almost exactly as fast as Great Britain implies: the regional shift was -1,700 jobs between 2015 and 2019 and -3,000 between 2019 and 2024. The composition differs. Before 2019, finance and business services and trade, transport, hospitality and ICT gained share. After 2019, public, education and health services gained 6,200 jobs more than their national trend, and industry 4,600, while trade, transport, hospitality and ICT lost 11,700, and finance and business services 4,100, mainly because administrative services shrank.

F3.4 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables F7a and F7b rate each driver for Edinburgh. The ratings are the authors' judgement from the evidence shown.

Table F7a. Demand-side drivers of growth, Edinburgh

Driver	Rating	Evidence
National economic influences	Weak	The Fraser of Allander Institute expected Scottish GDP growth of 1.0% in 2026 and 1.1% in 2027; UK inflation was 3.5% in September 2026 and Bank Rate was raised to 4% in November 2026; the city region grew in line with Great Britain's job trend in 2019 to 2024 (Table F7)
Amenities, infrastructure and tax	Strong	Edinburgh Airport handled a record 16.98 million passengers in 2025; the capital's cultural offer and festivals (arts and recreation LQ 1.32)
Clusters and innovation	Strong in finance	Finance and insurance LQ 2.01 in the city region and 3.36 in the city; finance jobs +25.2% in 2019 to 2024 against +1.4% in Great Britain; EY took 36,209 sq ft at Haymarket Square in 2026
Population growth	Moderate, now weakening	+7.9% in 2012 to 2025 against +4.5% for Scotland; deaths exceed births; net international migration fell from 19,470 in 2022-23 to 1,220 in 2024-25 (Table F2)
Visitor spending	Strong	Record airport traffic; real hotel RevPAR more than 20% above 2019 at the end of 2024 (HVS); a 5% visitor levy from 24 July 2026, expected to raise up to GBP 50 million a year
Government spending	Moderate to strong	Capital functions (public administration LQ 1.40); public, education and health services gained 6,200 jobs more than their national trend in 2019 to 2024; the council has committed GBP 1.6 billion to affordable homes and temporary accommodation

Sources: Fraser of Allander Institute, Economic Commentary 2026 Q2; ONS, Consumer price inflation, September 2026; Bank of England decision of 5 November 2026, as reported by ForexFundamentals; Edinburgh Airport, 2025 results; HVS, Edinburgh Market Pulse 2025; Savills, Edinburgh office market Q3 2026; City of Edinburgh Council, visitor levy, as reported by Edinburgh Magazine, and housing update of 16 September 2026; authors' calculations (shift-share, location quotients).

Table F7b. Supply-side drivers of growth, Edinburgh

Driver	Rating	Evidence
Immigration for non-wage reasons	Moderate, falling	International net migration to the city region fell to 1,220 in 2024-25; since January 2024 taught postgraduate students can no longer bring dependants, and the Graduate visa is shortened from 24 to 18 months from January 2027 (Migration Observatory)
Labour force participation	Weak (little room left)	Edinburgh's employment rate is 83.2%, the highest of any major UK city
Public policy programmes	Weak	Housing shortages constrain the labour supply: the council declared a housing emergency in November 2023, and Edinburgh requires 35% affordable housing on schemes of more than 11 homes

Sources: National Records of Scotland, as compiled in the Edinburgh data workbook; Migration Observatory, Student migration to the UK, 30 June 2026; City of Edinburgh Council, Edinburgh by Numbers 2026, as reported by Scottish Financial Review, 22 May 2026; Savills, Scottish development market 2026, 22 April 2026.

How the drivers explain the growth pattern. Before 2019, Edinburgh's output grew strongly, employment lagged Great Britain and real pay was broadly flat on the city's GDP deflator. Since 2019, finance, education and public services provide demand-side evidence, while pay has risen relative to Great Britain and jobs have grown at about the national rate. This supports a tentative demand-induced interpretation, but the small measured real-pay gain does not establish a less elastic labour supply or a broad wealth effect. Recruitment conditions and housing costs may constrain labour supply. International migration eased those constraints in 2021 to 2023 before slowing in 2024-25; its causal contribution is not measured here.

What could change the balance. Further cuts to international student and work migration would reduce the population and labour supply, raising pay but weakening housing and student demand. A slowdown in financial services, or further relocation of back-office functions, would weaken the main demand driver. More housing supply would make the labour supply more elastic.

F3.5 Forces behind growth and the five-year outlook

Preliminary conclusion: Edinburgh's economy rests on finance, the capital's public functions, its universities and its visitor economy. Since 2019 it has grown in pay and output rather than in job numbers.

1. **Finance.** Twice as concentrated as in Great Britain across the city region, and more than three times in the city, and growing.
2. **Education and public services.** Universities and the capital's functions added jobs much faster than in Great Britain.
3. **Visitors.** Record airport traffic and hotel performance above 2019, now taxed by a visitor levy.
4. **Migration-dependent population.** Growth depends on migration, which has fallen sharply.

Will these forces persist? The capital functions, universities and cultural offer are permanent. The risks are a slowdown in financial services, a sustained fall in international students and migrants, and tight public budgets.

F4. Growth prospects and real estate markets

Over the next five to ten years, Edinburgh's growth pattern most clearly supports rental housing and prime offices, which serve high-paid workers in a supply-constrained city; it supports student housing and hotels moderately, and secondary offices weakly.

Table F8. Asset classes and Edinburgh's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Build-to-rent housing	Strong	Rents +43% in five years; homes let in 27 days; housing emergency; exempt from rent control	New multifamily in the city; single-family at the city edge	Rent growth slowed to 1% a year; migration fell; 35% affordable requirement
Prime offices	Moderate to strong	Prime vacancy 1.6%; prime rent +30% in five years; finance and professional services growing	New or comprehensively refurbished Grade A in the core	Overall vacancy 14.9% and rising; Grade A availability rising
Student housing	Moderate	Education jobs +23% since 2015; exempt from rent control	Beds near the main campuses	Council planning restrictions; fewer international students; regional yields under pressure
Hotels	Moderate	Record airport traffic; real RevPAR above 2019; whole-home short lets restricted	Upper-tier and branded hotels	Pipeline of about 3,000 rooms; 5% visitor levy
Secondary offices	Weak	Occupiers moving to the best buildings	Conversion to other uses where feasible	Rising vacancy; obsolescence and energy standards

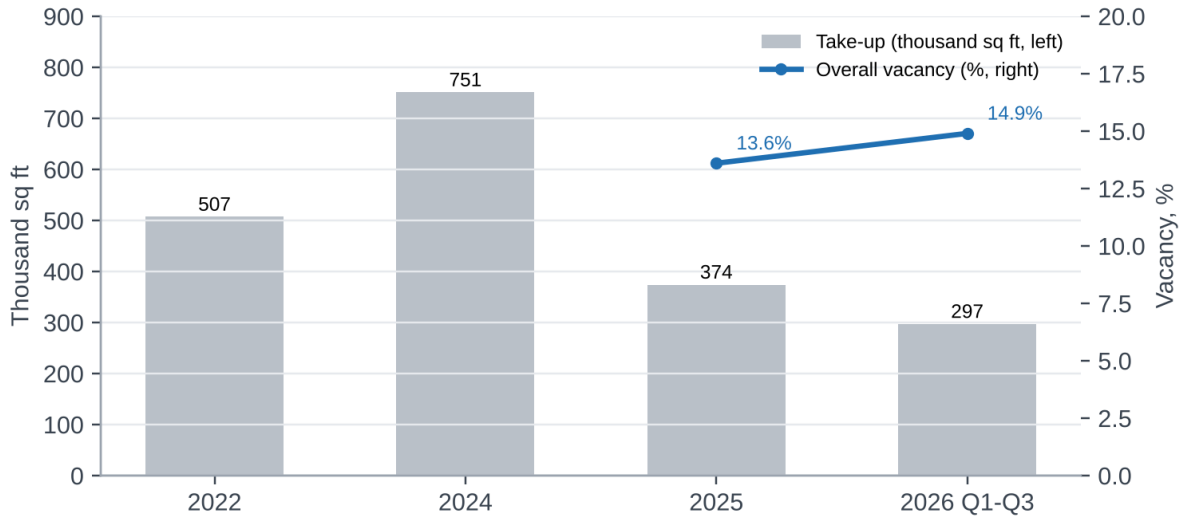
What the growth evidence does not support. Buying secondary offices for income: occupiers are concentrating in the best buildings, and the rise in vacancy is in secondary and older Grade A space. Buying existing private rented homes for rent growth is also less attractive than before, because they will fall under rent control areas once designated.

F5. The office market

Edinburgh's city-centre office market is two-tier: prime space is almost fully let and rents are rising, while overall vacancy is rising.

Figure F4. Take-up has fallen back from 2024, and overall vacancy is rising

Office take-up and overall vacancy, Edinburgh city centre, 2022 to Q3 2026



Source: Savills, Edinburgh office market reports (2022, 2024, 2025 and Q3 2026), as compiled in the Edinburgh data workbook and from Savills, 30 October 2026. Take-up for 2023 and vacancy before 2025 on a comparable basis are not shown. 2026 is the first three quarters only.

Table F9. Edinburgh office market indicators, 2026

Indicator	Value	Period	Source
Take-up, city centre	99,901 sq ft in the quarter; 297,286 sq ft year to date (+15%)	Q3 2026	Savills
Overall vacancy	14.9% (+220 bp in the quarter)	Q3 2026	Savills
Grade A vacancy	8.3%; 759,086 sq ft available (+30% in the quarter)	Q3 2026	Savills
Prime vacancy	1.6%; 147,492 sq ft available	Q3 2026	Savills
Prime headline rent	GBP 49.50 per sq ft a year (GBP 43 in 2023)	Q3 2026	Savills
Prime rent forecast	At least GBP 60 per sq ft by end-2030	Q3 2026	Savills
Prime yield	About 6.50%	Q2 2026	Knight Frank
Development pipeline	Proposed pipeline of 820,000 sq ft; space under construction reported inconsistently (none, or 159,000 sq ft)	Q2 2026	Knight Frank

Sources: Savills, Edinburgh office market Q3 2026 (30 October 2026) and earlier Savills reports in the Edinburgh data workbook; Knight Frank, UK Cities office market Q2 2026. Savills and Knight Frank use different market definitions: Knight Frank reported overall vacancy of 13.0% in Q2 2026.

Demand. Take-up in the first three quarters of 2026 was 297,286 sq ft, 15% above the same period of 2025 and in line with the five-year average, after a weak 2025 (374,438 sq ft) and a strong 2024 (750,621 sq ft). Professional services was the most active sector in 2026, with 29% of take-up, led by EY's 36,209 sq ft at Haymarket Square, the second-largest professional services letting on record. Grade A and prime space made up 44% of take-up (Savills).

Supply. Prime space is very scarce: 1.6% vacancy and 147,492 sq ft available. But Grade A availability rose 30% in Q3 2026 to 759,086 sq ft, and total availability rose 18% to 1.36 million sq ft, a third of it secondary. Knight Frank describes a proposed pipeline of 820,000 sq ft, but its reports are inconsistent on how much is under construction, and the authors could not verify a figure.

Rents and value. The prime rent rose 3% to GBP 49.50 per sq ft in Q1 2026 and has risen 30% in five years. Savills forecasts at least GBP 60 by 2030, about 21% higher. Knight Frank put the prime yield at about 6.50% in Q2 2026, the lowest among the UK regional cities it covers. Melford Capital bought Waverley Gate for GBP 77 million.

Reading for the investor. The evidence supports prime space and not the wider market. The gap between 1.6% prime vacancy and 14.9% overall vacancy means that the value of a refurbishment depends on reaching genuinely prime quality and location; older Grade A space is already accumulating.

F6. Housing, hotels and capital markets

Housing. Rents have risen fast but are now flattening. The average private rent was GBP 1,596 a month in Q2 2026, up 1.0% in a year, 43.1% in five years and 61.9% in ten years, and homes took 27 days to let (Citylets). The average selling price was GBP 317,070 in June to August 2026, up 1.1% in a year, with homes selling at 102.6% of their Home Report valuation and the number of sales down 5.2% (ESPC). On these averages the indicative gross yield is about 6.0%, the authors' calculation; the rented and sold stock differ in size and type, so this is only a rough guide. Supply is constrained: Savills describes Edinburgh as one of the UK's most supply-constrained urban markets outside London. The council and its partners completed a record 1,473 affordable homes in 2025/26.

Demand, supply and affordability. On the authors' calculation, population growth in the city region in the year to mid-2024 implies about 6,500 new households (NRS estimates 6,233), against 7,124 completions (1.10); over 2013 to 2024 the ratio was 1.28. NRS counts households from occupied dwellings, so this reconciles supply sources rather than measuring a surplus. The price of a dwelling was 3.8 years of household income in 2012, 4.5 at the 2022 peak and 4.0 in 2024, while advertised two-bedroom rents in the Lothian rent area rose from 21.9% to 27.7% of household income over 2012 to 2024 (Scottish Government); new private lets in the city equal about 28% of mean household income (2023/24) (Section 3.4).

Rent control. Under the Housing (Scotland) Act 2025, councils can designate rent control areas in which rent rises are capped at CPI plus 1%, up to a maximum of 6% a year. Build-to-rent homes completed after 31 August 2021 in developments of six or more, and certain mid-market rent homes, are to be exempt under regulations published in February 2026, and purpose-built student housing is excluded. The authors could not confirm whether Edinburgh has designated a rent control area. The exemption gives new build-to-rent a regulatory advantage over existing private rented homes.

Student housing. Education jobs in the city region rose 23.4% between 2015 and 2024, and student housing is excluded from rent control. But the council has considered licensing and planning limits on new student housing in areas where it is concentrated, and its 2023 guidance requires new schemes to include other housing, with 35% affordable. International demand is weaker: dependant visas for taught postgraduates ended in January 2024, and the Graduate visa will be shortened to 18 months from January 2027. Knight Frank put prime regional direct-let student housing yields at 5.75% to 6.00% in October 2026, with negative sentiment, and UK student housing investment at about GBP 2.8 billion in the first three quarters of 2026, below long-term trends.

Hotels. Edinburgh had nearly 19,000 hotel rooms in 2024, 23.1% more than in 2014, and real RevPAR at the end of 2024 was more than 20% above 2019 (HVS). About 3,000 rooms, nearly 15% of supply, were in the pipeline for opening by 2028, about two-thirds still in planning. Around ten hotels traded in 2024 at an average of about GBP 215,000 a room, and the W Hotel sold for about GBP 100 million in 2025. Since September 2022 the whole city has been a short-term let control area, where letting a whole home short-term needs planning permission; about 90% of applications were refused by November 2024. The 5% visitor levy applies from 24 July 2026, for up to five nights.

Table F10. Edinburgh pricing indicators, 2026

Indicator	Value	Period	Source
Average private rent	GBP 1,596 a month (+1.0% a year; +43.1% in five years)	Q2 2026	Citylets
Average selling price	GBP 317,070 (+1.1% a year)	June to August 2026	ESPC
Indicative gross residential yield	About 6.0%	2026	Authors' calculation
Prime BTR yield, Tier 1 regional cities	4.75% (stable)	October 2026	Knight Frank
Prime BTR yield, Tier 2 regional cities	5.00% to 5.25% (stable)	October 2026	Knight Frank
Prime regional student housing yield, direct let	5.75% to 6.00% (negative sentiment)	October 2026	Knight Frank
Prime office yield, Edinburgh	About 6.50%	Q2 2026	Knight Frank
Bank Rate	4.00%	5 November 2026	Bank of England, as reported

Sources: Citylets, Edinburgh rental report Q2 2026; ESPC, House Price Report, August 2026; Knight Frank, UK living sectors prime yield guide, October 2026, and UK Cities Q2 2026; Bank of England decision of 5 November 2026, as reported by ForexFundamentals. Knight Frank's tiering of cities was not verified; the BTR yields are shown as a range for regional cities, not as an Edinburgh figure.

Capital markets. Edinburgh's prime office yield of about 6.50% is a Q2 2026 observation. Bank Rate was then 3.75%, so the contemporaneous difference was about 275 basis points. Bank Rate subsequently rose to 4% on 5 November, reducing the arithmetic difference to 250 basis points if the earlier property yield is held unchanged. The quoted prime regional rental housing yields of 4.75% to 5.25% differ by 75 to 125 basis points from November's rate; this is a comparison across observation dates, not an observed contemporaneous spread. These policy rate comparisons do not measure financing costs or a property risk premium.

Reading for the investor. Housing has the strongest structural case: high-paid workers, a constrained supply and a regulatory advantage for new build-to-rent. The constraint is pricing: with Bank Rate at 4% and rent growth slowing, the yield spread is thin.

F7. Strategy appraisal

Strategy B has the strongest structural case and a regulatory advantage; Strategy A has the clearest rental growth but depends on reaching prime quality; Strategy C has a growing demand base but faces planning and international risks. All figures are illustrative.

Table F11. Value sensitivity to yield (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: prime office, Edinburgh (Knight Frank)	6.50%	+8.3%	+4.0%	-3.7%	-7.1%
B: prime BTR, Tier 1 regional cities (Knight Frank)	4.75%	+11.8%	+5.6%	-5.0%	-9.5%

Source: authors' calculations on the yields reported by Knight Frank (Q2 and October 2026). The BTR yield is a regional benchmark, not an Edinburgh-specific yield.

Because value is income divided by yield, a lower yield makes value more sensitive: a 50 basis point rise cuts BTR value by about 9.5% but prime office value by about 7.1%. Absolute capital values are not shown. Prime yields are quoted on net income, so an underwriting value needs the asset's net income after non-recoverable costs, operating costs and capex reserves, and must deduct capex, refurbishment and purchase costs. The percentage changes do not depend on the income level.

Table F12. Summary assessment of the Edinburgh strategies

Factor	A: prime office	B: build-to-rent housing	C: purpose-built student housing
Market tightness	Prime vacancy 1.6%; prime rent +30% in five years	Rents +43% in five years; 27 days to let; housing emergency	Education jobs +23% since 2015; limited new supply
Demand base	Finance and professional services; pay rising faster than Great Britain	High-paid workers; migrants; students after graduation	Domestic and international students
Regulation	No rent regulation	Exempt from rent control if completed after August 2021	Exempt from rent control; council planning limits
Pricing	Prime yield about 6.50%	Regional prime 4.75% to 5.25%	Regional prime 5.75% to 6.00%, negative sentiment
Main risk	Rising Grade A and secondary vacancy; refurbishment cost	Slowing rent growth; limited income margin at quoted entry yields; affordable housing requirement	Fewer international students; planning restrictions
Verdict	Underwrite selectively, new or comprehensively refurbished prime only	Prioritise for underwriting, subject to entry price, planning consent and the affordable housing requirement	Underwrite selectively, subject to planning and international demand

From growth to space. Table F12a traces each material source of Edinburgh's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table F12a. From growth to space: Edinburgh

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	Build-to-rent multifamily in the city and single-family homes at its edge	Completions covered 1.10 of new households in 2024 and 1.28 over 2013 to 2024; the council declared a housing emergency in 2023	**Construction.** Supply has matched recorded households, which the ratio cannot go beyond; in the authors' judgement, rents up 43.1% in five years and the housing emergency point to demand that has not been able to form. Net international migration fell to 1,220 in 2024-25, which weakens new demand.
Finance and education jobs	New or comprehensively refurbished Grade A offices in the core	Prime vacancy 1.6%; overall vacancy 14.9%; Grade A availability up 30% in Q3 2026 to 759,086 sq ft; proposed pipeline not verified	**Construction or comprehensive refurbishment for prime; adaptation or conversion for secondary.** Occupiers are concentrating in the best buildings, so the rising vacancy in secondary and older Grade A space will not be absorbed by growth alone.
Students	Purpose-built beds near the main campuses	Not measured	**Not assessed.** Education jobs rose 23.4% in 2015 to 2024, but council planning restrictions apply and fewer international students are arriving.
Visitors	Upper-tier and branded hotels	About 3,000 rooms (nearly 15% of supply) in the pipeline to 2028, about two-thirds still in planning	**Construction under way.** Airport traffic and real hotel revenue per room are above 2019, but the pipeline and the 5% visitor levy may absorb the growth.
Income and output	Premium space	As above	**Quality.** Median full-time pay rose 35.6% in 2019 to 2025 (Great Britain 28.4%) and real GDP 9.1% in 2019 to 2024, while job numbers grew in line with Great Britain.

Sources: Sections F3 to F7 and 3.4, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Edinburgh's growth raises the quality of space it needs more than the quantity: its pay-led growth is concentrating occupiers in prime buildings, which the existing stock barely supplies, while secondary offices lose their purpose.

Recent evidence and what it supports testing. Savills recorded 130,800 sq ft of Grade A and prime take-up in January to September 2026, 44% of the total, with vacancy of 14.9% overall, 8.3% for Grade A and 1.6% for prime. Citylets reports an average two-bedroom rent of £1,449 a month in Q2 2026, with 29 days to let. The council planning officer's report on 36 Russell Road cites the applicant's study as estimating 21,740 university-managed and private purpose-built student beds in 2025/26; the authors have not seen the study itself. A further 7,004 beds were in the pipeline in March 2025, as reported by the Edinburgh Evening News from campaigners' figures. In the authors' judgement, prime offices and rental schemes should be tested against local comparables, and any student bed shortfall estimated only after matching demand and supply to the same academic year and allowing for students in shared private rentals.

F8. Risks, monitoring and review triggers

Table F13. Risks, indicators and suggested review triggers

Risk	Indicator to monitor	Suggested review trigger
Migration and student demand	NRS migration; university enrolments; visa grants	International net migration below zero for a year
Office vacancy	Grade A and overall vacancy; take-up	Grade A vacancy above 10%
Rent control	Council designation of rent control areas; changes to exemptions	Exemptions narrowed or removed for build-to-rent
Financial services employment	BRES finance jobs; major relocations	Finance jobs falling for two consecutive years
Interest rates	Bank Rate; gilt yields	Further Bank Rate rises
Hotel supply and levy	Rooms opened; occupancy after the levy	Pipeline above 15% of supply, or RevPAR falling in real terms

Source: authors' assessment. Triggers are illustrative and should be set by the investor.

Monitoring. The figures in this edition should be refreshed quarterly. A consumer price deflator should replace the GDP deflator for real pay when it can be retrieved, and Edinburgh-specific yields, BTR rents and student bed numbers should be obtained from a local partner with transaction, leasing and yield evidence before any investment.

F9. Sources

Official statistics and data workbook. Edinburgh metro data workbook, compiled for this edition from the Business Register and Employment Survey (via Nomis), ONS regional gross domestic product by local authority (Tables F1 to F13), National Records of Scotland mid-year population estimates, migration and vital events, and the Annual Survey of Hours and Earnings (workplace and resident analysis, via Nomis); Savills office observations retained in the workbook. City of Edinburgh Council, Edinburgh by Numbers 2026, as reported by Scottish Financial Review (22 May 2026).

Housing demand, supply and affordability. Authors' calculations in the metro data workbook, available from the authors, from: Scottish Government, all-sector new-build completions by council and Private Sector Rent Statistics, Scotland, 2010 to 2025; NRS household estimates; ONS, regional gross disposable household income; UK House Price Index; City of Edinburgh Council, Local Housing Strategy 2025 to 2030 (Citylets rents and CACI income).

Drivers of growth (Section F3.4). Fraser of Allander Institute, Economic Commentary 2026 Q2 (June 2026); Edinburgh Airport, record year in 2025; HVS, Edinburgh Market Pulse 2025 (4 August 2025); Migration Observatory, Student migration to the UK (30 June 2026); Savills, Scottish development market 2026 (22 April 2026); City of Edinburgh Council, housing update (16 September 2026).

Forecasts and policy. ONS, Consumer price inflation, September 2026; Bank of England decision of 5 November 2026, as reported by ForexFundamentals; Pinsent Masons, Scotland rent control exemptions (2026); City of Edinburgh Council, visitor levy, as reported by Edinburgh Magazine (25 August 2026); Scottish Housing News, short-term let planning applications (20 November 2024); Urban Living News, Edinburgh considers restrictions on PBSA development (2025).

Market sources. Savills, Edinburgh office market Q3 2026 (30 October 2026); Knight Frank, UK Cities office market Q2 2026; Knight Frank, UK living sectors prime yield guide (14 October 2026); Knight Frank, UK PBSA: investing through the noise (20 October 2026); Citylets, Edinburgh rental report Q2 2026; ESPC, House Price Report, August 2026.

Recent market evidence (note after Table F12a). Citylets, Edinburgh rental report Q2 2026: citylets.co.uk; Savills, Market in Minutes: Edinburgh occupational office data Q3 2026: savills.co.uk; City of Edinburgh Council, planning officer's report on 36 Russell Road, citing the applicant's student accommodation study (study not seen by the authors); Edinburgh Evening News, housing campaigners on purpose-built student accommodation: edinburghnews.scotsman.com.

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