

Dumfries and Galloway Council

LOCAL DEVELOPMENT PLAN 2

Employment and Property Land Study

TECHNICAL PAPER

MARCH 2017



Ryden



Employment and Property Land Study

March 2017

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1.0 Executive Summary

- 1.1 Dumfries & Galloway Council appointed Ryden to undertake an Employment Land and Property Study for the Dumfries and Galloway Region. This study considers the strategic economic and property market context, provides supply and demand analysis of employment land and property, and reports the findings from a range of consultations.
- 1.2 Dumfries and Galloway lacks available serviced employment sites, with over half of the available supply constrained. These constraints are related to lack of infrastructure and services, particularly as a number of sites are greenfield. Private ownership is also a constraint to bringing these sites forward for development. The available supply is largely focused to the east of the region, within the Annan and Dumfries HMAs.
- 1.3 There is currently around 259 hectares of employment land allocated within Dumfries & Galloway, equating to over 40 years supply. However, over half of this supply is constrained meaning it is unlikely to be developed in the short to medium term.
- 1.4 Take-up of employment land has been focused to the east of the region, within the Annan and Dumfries HMAs. Lockerbie, in particular, has been the subject of business and industrial development due to its connectivity to the M74. As a result, there is a lack of allocated employment land remaining in Lockerbie. Annan, on the other hand, has an oversupply of employment land though much of this is located at Chapelcross and is constrained. This reduces the effective land supply to just six years based on recent take-up rates, requiring additional land to be allocated.
- 1.5 Sites adjacent to the M74 are considered to be attractive to occupiers with connectivity being a key factor, particularly for industrial users. These sites, however, have not been developed due to the existing constraints and should be considered for public sector intervention.
- 1.6 The employment property stock within Dumfries and Galloway is ageing, with the majority of office premises around 60-70 years old. The average age of industrial property stock is nearing 40, the life expectancy of building components. Therefore, the existing property stock is likely to require major refurbishment in the short-medium term or facing becoming obsolete.

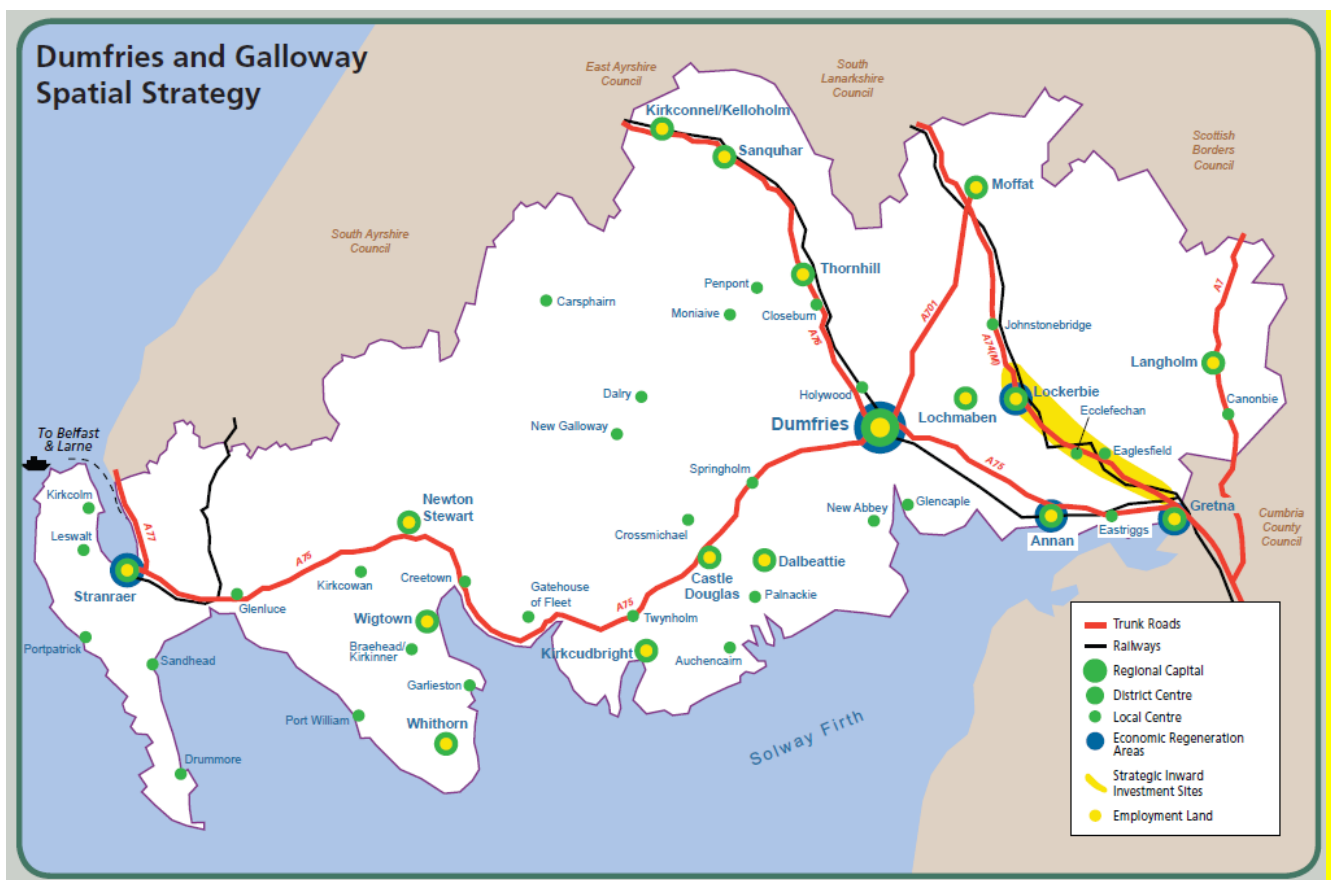
- 1.7 Office demand is predominately focused within Dumfries, where there is a healthy supply, particularly within the Crichton Campus. The lack of serviced office space within Dumfries and Lockerbie town centres was highlighted as a potential gap in the market. Town centre locations are generally more accessible and Lockerbie provides faster rail connections to both Edinburgh and Glasgow.
- 1.8 Lockerbie's accessibility to the strategic road network is driving demand from industrial occupiers, particularly those with a need to serve a large geographical market.
- 1.9 Rental values for both office and industrial property across Dumfries and Galloway are low compared to the build costs for new development which leaves a viability gap in development appraisals. As a result, speculative development is unlikely to happen despite growing demand for locations and modern business space.
- 1.10 Projections of market demand for the periods 2017-22 and 2022-27 suggests that around 35,000 sq m of sites or new/refurbished employment buildings will be required within Dumfries and Galloway in these periods to meet market demand.
- 1.11 Market support and intervention is clearly required within Dumfries and Galloway to address issues of market failure and lack of development viability. It is recommended that an action plan is developed to identify and deliver the necessary interventions.

2.0 Introduction

Background

- 2.1 Dumfries & Galloway Council appointed Ryden to undertake a workspace and employment land study for the Dumfries and Galloway region.
- 2.2 The study covers the entire Dumfries and Galloway region (Figure 1) incorporating the main settlements, with the largest being Dumfries, the regional capital, and the outlying rural areas. The extent of the rural area is highlighted by the fact that Dumfries & Galloway is the third largest council area in Scotland but has the third lowest population density, with less than 24 people per square kilometre. Dumfries and Galloway borders South Ayrshire, East Ayrshire, South Lanarkshire, Scottish Borders and Cumbria.

Figure 1: Study Area



Source: Dumfries and Galloway Local Development Plan

2.3 The aim of the study is to ensure that the supply of workspace and employment sites within Dumfries and Galloway reflects the needs of current and future business occupiers i.e. market demand. It also requires suitable intervention to be identified where market failure is evident.

2.4 The study's objectives are to:

- **understand and project demand** for business property and land
- test this potential against **available supply**; and
- identify **market gaps** and highlight **market failures**

2.5 A diverse geographic area and property sectors requires mixed-mode research. This project blends both qualitative and quantitative work. It has involved the collation and analysis of property market data for the study sub-area, supported by a number of consultations, and aided by market intelligence from Ryden's agency group.

2.6 The remainder of this report sets out:

- The strategic context for the study (Section 3).
- Employment land supply assessment (Section 4)
- Property supply and analysis (Section 5)
- Demand assessment (Section 6)
- Development viability (Section 7)

3.0 Strategic Context

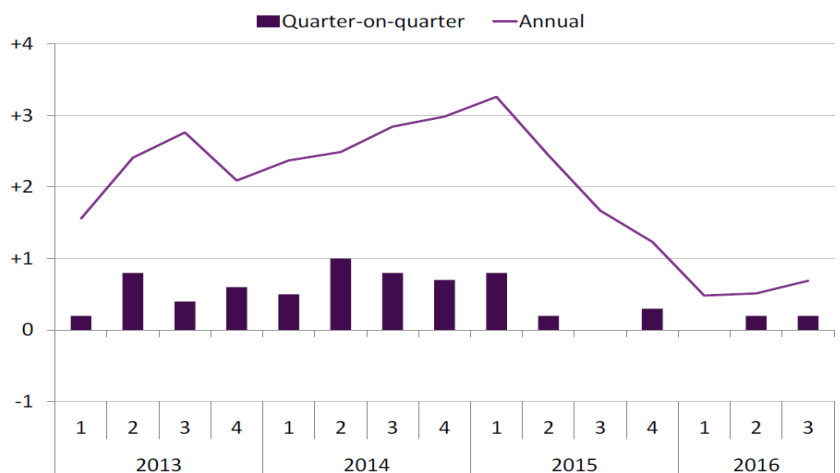
Introduction

3.1 This section of the report provides a strategic context for the Dumfries employment land and property study. It considers economic trends, economic strategies and planning policy.

Scottish Economy

3.2 The Scottish economy slowed during 2015 and into the first quarter of 2016, with marginal increases in the second and third quarters (Figure 1). Economic activity in Q3 2016 was 0.7% higher than in Q3 2015. During the third quarter of 2016 the dominant services sector grew by only 0.4% while both the production and construction sectors contracted by -0.1% and -1.4% respectively. Ryden’s property market experience on the ground in Scotland suggests that a significant proportion of this economic weakness has been due to the contracting oil industry affecting not only the Aberdeen area but also its supply chain and service locations.

Figure 2: Scottish GDP



Source: Scottish Government

- 3.3 Uncertainty remains around short-term economic forecasts following the Brexit vote, and with the prospect of a 2nd Scottish independence referendum. The most recent forecasts in March 2017 by the Fraser of Allander Institute predicts continued slow economic growth for Scotland, although at a higher level than 2016. Forecast annual growth is 1.2% in 2017, 1.3% in 2018 and 1.4% in 2019.

Regional Economy

- 3.4 Dumfries and Galloway's economic output was £2.6 billion in 2014. On a per capita basis the region delivered GVA of £17,343, which is 25% lower than the comparable Scottish average of £23,102. This is considered further under the review of economic strategies presented below.

Scottish Property Market

- 3.5 From a property market perspective, weakening economic growth is a concern. Market recovery since the global financial crisis had been slow, with occupier markets recovering significantly earlier than the development sector, and continued funder risk aversion other than in absolute prime locations and pre-let situations.
- 3.6 Since 2013, demand for office property had strengthened in line with economic recovery. Scotland's city office markets remain divergent. Aberdeen is in a multi-year market adjustment to lower oil prices, while Edinburgh and Glasgow face limited new-build development activity. The relatively buoyant market in Glasgow during 2015 and early 2016 gave way to a notable slowdown in occupier activity and new enquiries mid-2016 but indications suggest this picked up in the second half of 2016. Glasgow enjoyed an early development cycle with three new speculative office buildings now complete and letting well. Aberdeen has substantial new office development reaching the market just as the oil price began its decline in 2014/15, leading to currently high vacancy levels.
- 3.7 In April 2016 the Scottish Government announced changes to the business rates system ending the 100% relief for empty industrial buildings. Relief is now restricted to the first six months of vacancy after which it reduces to 10%. Where this leads to the demolition of poorer, older stock as it falls vacant, it will be good for the health of the market. However, many Scottish businesses start from low cost property and the removal of such options will make matters difficult for low margin businesses. It is also leading to soft

deals in the less prime areas in an attempt to limit the potential liability. This provides little incentive to spend money on improving the stock and, with the liabilities of The Assessment of Energy Performance of Non-Domestic Buildings (Scotland) Regulations 2016, it is possible that demolition will become more prevalent. The purpose of these regulations is to assess energy performance in non-domestic buildings over 1,000 sq m which do not meet 2002 building regulations, and identify improvements necessary to improve energy performance through completion of an action plan. This action plan will be required, along with an Energy Performance Certificate (EPC), prior to marketing (for lease or sale) of an affected building.

Regional Property Market

- 3.8 For Dumfries and Galloway, a slower national property market and continued skew towards prime locations such as cities will present challenges in stimulating new investment and re-development in employment property projects, at least over the medium term.

National and Regional Strategy

- 3.9 **Scotland's Economic Strategy (Scottish Government, 2015 update)** has two mutually supportive goals: increasing competitiveness and tackling inequality. The strategy has four priorities to support sustainable economic growth, one of which is investing in people and infrastructure.
- 3.10 **Scottish Enterprise's 2015-2018 Business Plan:** Building Scotland's International Competitiveness reflects the contribution that SE will make to the national economic strategy by helping to deliver long term, inclusive growth. Four drivers of growth are identified: internationalisation, innovation, inclusive growth, and investment. Investment will include building business infrastructure, both physical and digital.
- 3.11 **The Borderlands Initiative** spans Dumfries & Galloway, Scottish Borders, Northumberland, Cumbria and Carlisle. The report 'Developing the Framework for a Borderlands Strategy' (Universities of Northumbria and Cumbria, 2015) builds upon 'Borderlands: can the North East and Cumbria benefit from greater Scottish Autonomy?' (2013), by considering the evidence base to support a collaborative approach. The 2015 report found that the Borderlands area had a resident population of well over 1 million people and economic output of £18bn in 2013. Five economic sectors

account for 60% of employment: health, manufacturing, retail, accommodation & food services, and education. Notably for this study, manufacturing is a higher proportion of economic activity across all Borderlands in all four areas than it is nationally. Shared sectoral priorities are tourism, energy, food & drink, forestry, creative industries, and advanced manufacturing which is notably concentrated in Borderlands. The energy sector including low carbon technologies and environmental goods and services is shared strategic priority. Economic output per head was below the UK average and out-migration for education and to work in high growth industries is a challenge, leading to a strategic priority to improve both Borderlands' growth rates and productivity. Specific collaborative opportunities which are relevant to this study of business land and property markets are:

- Low carbon technologies and products
- Linkages between manufacturing firms
- Rural business development for example artisan and small food companies

3.12 The **South of Scotland Alliance** is a partnership between Dumfries and Galloway Council, Scottish Borders Council and Scottish Enterprise. The competitiveness strategy for the region 2016-23 sets out the vision:

3.13 *“By 2023 the South of Scotland will be a thriving rural economy, transformed by a growing core of innovative, ambitious businesses, and sustained by a renewed culture of entrepreneurship.”*

3.14 The priorities for action are: **innovation** (a comparatively high proportion of SE account-managed companies in South of Scotland receive innovation support grants); **enterprise and entrepreneurship**; and creating **resilient, future-proofed infrastructure**. The strategy notes that Scotland's business base expanded by 5% since 2010, but that numbers in the South of Scotland have remained static. The Alliance echoes the Borderlands requirement to create more dynamic businesses in high value sectors and increase GVA output; presently agriculture, forestry and fishing accounts for 25% of economic activity (three times the national average) while professional, scientific & technical, information and communication, and finance and insurance sectors represent 11% of activity (half of the Scottish average). Specific priority projects include the M74 Corridor and Stranraer Waterfront.

3.15 The Dumfries and Galloway Regional Economic Strategy 2015-2020 reports a baseline study¹ which highlights lower GVA (82% of the Scottish average) and proportionately fewer private sector jobs than nationally. The strategic vision is:

“By 2020, Dumfries and Galloway will have a more diverse and resilient economy. One which is capable of taking advantage of opportunities by combining an appropriately skilled workforce and connected infrastructure to support more prosperous and inclusive communities where every member of every community has equality of access to that prosperity.”

3.16 Opportunities include areas with good links to the strategic transport network, the roll-out of broadband, co-location of education providers at Crichton Campus and natural resources. Specifically relevant to this study are: many micro-businesses with potential for growth; plentiful supply of land for economic development with opportunities identified in the LDP; and Assisted Area status for the east of the region. The strategy further identifies market sectors with two types of growth potential:

- **Volume:** agriculture, creative industries (cultural), food and drink, health and social care, tourism / leisure / hospitality
- **Value:** creative industries (digital), energy (notably renewables and their supply chain), forest and timber technologies

3.17 Key investments being made that have direct market implications are the M74 Corridor area, Stranraer Waterfront, Chapelcross and Crichton Campus in Dumfries.

3.18 The baseline report for the Regional Economic Strategy provides important underpinning analysis for this property market study and identifies the GVA output gap highlighted at paragraph 2.4. The region has a total of 5,880 businesses, of which 89% have 0-9 employees, 9.9% have 10-49 employees and 1.1% have 50 or more employees. The Strategy also notes that Scottish Enterprise has forty-nine account-managed companies in Dumfries and Galloway; these are typically companies with high growth potential in key economic sectors.

¹ Dumfries & Galloway Regional Economic Strategy 2014-2020 Baseline Study and Economic Profile

3.19 The baseline report also sets a number of key questions, among which are how to assist the proposed LDP's new policy approach to business and industry, and how to align strategies to deliver both employment opportunities and affordable housing.

Planning Policy

3.20 National planning policy is set out within National Planning Framework (NPF 3) and Scottish Planning Policy SPP. These support the Scottish Government's national long-term strategy to *"create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth"*.

3.21 NPF 3 published June 2014, sets out the spatial strategy for Scotland with the vision to deliver:

- A successful, sustainable place;
- A low carbon place;
- A natural, resilient place;
- A connected place.

3.22 Whilst NPF 3 identifies Scotland's seven city-regions as key drivers of economic growth, it also acknowledges the importance of rural areas in delivering the spatial vision. The existing network of rural towns and villages are of significant importance as a means of delivering a *'sustainable, economically active rural area'*.

3.23 Dumfries is highlighted within NPF 3 as a 'gateway town' due to its role as regional capital of south west Scotland. Specific opportunities identified, as a means of making 'a significant and unique contribution' to Scotland's spatial vision include:

- Regeneration of Crichton Quarter and Learning Town initiative;
- Tourism, food and drink and primary industries;
- Development of a new Dumfries Royal Infirmary Hospital in securing Dumfries' role as a service centre;
- Diversification of the local economy through potential for marine renewable energy on the Solway Firth;
- The A74 corridor.

- 3.24 Links to Carlisle, by rail and A76 and A75, are also highlighted as important for continuing connections into England and across Europe. Collaboration between local authorities in south Scotland and north England is therefore key for determining a spatial strategy which maximises the cross-border connections.
- 3.25 The related planning policies set out in Scottish Planning Policy (SPP), published June 2014, support NPF3's vision for Scotland, which in terms of business space development, and encourage "economic growth and regeneration". Such development should be promoted on a range of sites to provide flexibility to accommodate a variety of economic opportunities, particularly within the key sectors identified, including :
- Energy;
 - Life sciences;
 - Universities and the creative industries;
 - Tourism and the food and drink sector; and
 - Financial and business services.
- 3.26 The national planning strategy set out by the Scottish Government is reflected at a local level within local development plans (LDPs). The current adopted LDP, Dumfries & Galloway Local Development Plan (29 September 2014) is in the process of being replaced with Dumfries & Galloway LDP 2, with consultations on the Main Issues Report closing on 24th April 2017.
- 3.27 The current LDP set outs the spatial vision for the period 2012 until 2032 and, in terms of employment land, identifies a need for 112 hectares over this period. This is based on historical take-up rates of 5.6 hectares per year. As required by SPP, a range and choice of sites is provided within the LDP. New sites added during the preparation of the 2014 plan include locations within Dumfries, district centres adjacent to the A75 corridor, within Gretna-Lockerbie-Annan regeneration corridor and next to the A74(M74) corridor. Furthermore, the LDP acknowledges that there may be requirements outwith these allocated sites and any such opportunity sites will be assessed against Policy ED1: Business and Industry. Business development in the rural area is specifically addressed through Policy ED2: Business Development in the Rural Area. This policy, supported by supplementary planning guidance, encourages such development within

existing local towns and villages. It also supports leisure based uses and farm diversification involving the re-use of farm buildings.

Key Findings

- 3.28 This cascade of policy and strategy sets an important context and direction for the Dumfries and Galloway employment property markets. At a national level there is a clear focus upon business infrastructure as a key driver of sustainable economic growth. Regional strategies highlight potential in low carbon industries, across manufacturing and in rural businesses, allied to a shift towards higher productivity sectors. The theme of infrastructure investment is also re-emphasised at regional level, which for this report means not only strategic infrastructure and site servicing, but also employment premises.
- 3.29 Planning policy, at all levels, emphasises the need for rural areas to provide suitable opportunities for economic growth across a number of sectors. Tourism, food and drink, renewable energy, education and services are key sectors for Dumfries & Galloway, all of which have different land and property requirements, from small industrial units to large scale sites. Also key is maximising the opportunities provided by access to strategic transport routes.

4.0 BUSINESS & INDUSTRY LAND

4.1 This section assesses the supply of employment land in Dumfries and Galloway. As is standard practice for this type of study, employment land supply is defined as:

Any vacant site currently available for employment uses (Class 4, 5 & 6 as defined by the Town and Country Planning (Uses Classes) (Scotland) Order Act 1997) with planning policy support in the Dumfries & Galloway Local Development Plan (LDP1), adopted 29 September 2014.

4.2 As mentioned in Section 3, planning policy support for industrial and business development in Dumfries and Galloway is provided via *Policy ED1: Business and Industry* of LDP1; this is replicated at Figure 3, below.

Figure 3: Dumfries & Galloway LDP Business and Industry Policy

Policy ED1: Business and Industry

a. Established and Allocated Business and Industrial Areas

The Council will support business and industrial development within established and allocated business and industry sites as shown on inset maps. Development must be compatible with business or industrial uses, and not result in the material loss of business and industrial land.

Alternative uses on individual plots within these sites will only be considered favourably by the Council if:

- the plot contains a building that has previously been used for business or industry;
- the plot has been disused for at least twelve months;
- it is demonstrated that despite marketing of the site for at least twelve months (supplementary guidance provides more detail) there has been no viable interest for other business and industry use; and
- the alternative use would not be materially detrimental to the specific character and amenity of the immediate area.

Proposals for waste management facilities will in principle be acceptable on sites identified or safeguarded for business and industry.

b. Business and Industrial Development on Unallocated Land

Business and industrial development will normally be encouraged to locate on sites allocated or established for such development in the Plan. In exceptional circumstances, it will be possible to support business and industrial development on unallocated land where established or allocated sites are unable to accommodate proposals. Where a proposal is not located on an established or allocated site, the developer will be required to demonstrate the need for the proposal at that location. Planning justification should consider sustainable transportation (i.e. how employees travel to work), impact on the natural environment including landscape, impact on surrounding properties, and any necessary mitigation measures.

Bad neighbour developments should be located where they do not adversely impact the amenity of adjacent land users.

- 4.3 LDP1 identifies a requirement for *112 hectares of employment land over a 20 year period*. This is based on historical take-up rates averaging 5.6 hectares per annum across the local authority area. In accordance with SPP, LDP1 seeks to allocate a range and choice of marketable employment sites, and protect existing business locations. Most of the allocated sites are located in Dumfries, around the district centres along the A75 and M74 corridors, with the latter including Chapelcross.
- 4.4 Chapelcross, with a total area of 190 hectares, is a major brownfield re-development project which was formerly operated as a nuclear power station. This operation ceased in the early 2000s and decommissioning is underway. There are a total of three sites currently allocated, extending to circa 59 hectares, with other land likely to be become available on a phased basis. It is noted that the current Chapelcross allocations equates to around a 10-year employment land requirement for the entire region of Dumfries and Galloway (concentrated at only one site which is in the process of being decommissioned) although this supply is currently constrained and not immediately available.

Marketable Employment Land Supply

- 4.5 Dumfries and Galloway Council completed its first annual business and industrial land audit in 2015. This collated information on all the business and industrial sites allocated within LDP1, a total of 36 sites over circa 259 ha of land, equating to over 40 years supply. These allocated sites comprise the total available business and industrial land, which is categorised as outlined in Figure 4 below.

Figure 4: Business and Industrial Land Summary

		No. of Sites	Area (ha)	% of Allocation
Total Allocated Business & Industrial Land in Dumfries & Galloway	Definition	36 ²	258.71	100
<i>Immediately Available Land</i>		10	60.12	23
<i>Marketable Land</i>		15	63.64	25
Immediately Available + Marketable Land		25	123.76	48
Constrained Land		10	134.95	52

Source: Dumfries & Galloway Council

² STRANRAER WATERFRONT IS NOT IDENTIFIED AS IA/MARKETABLE/CONSTRAINED SO NO. OF SITES DOESN'T ADD UP TO 36

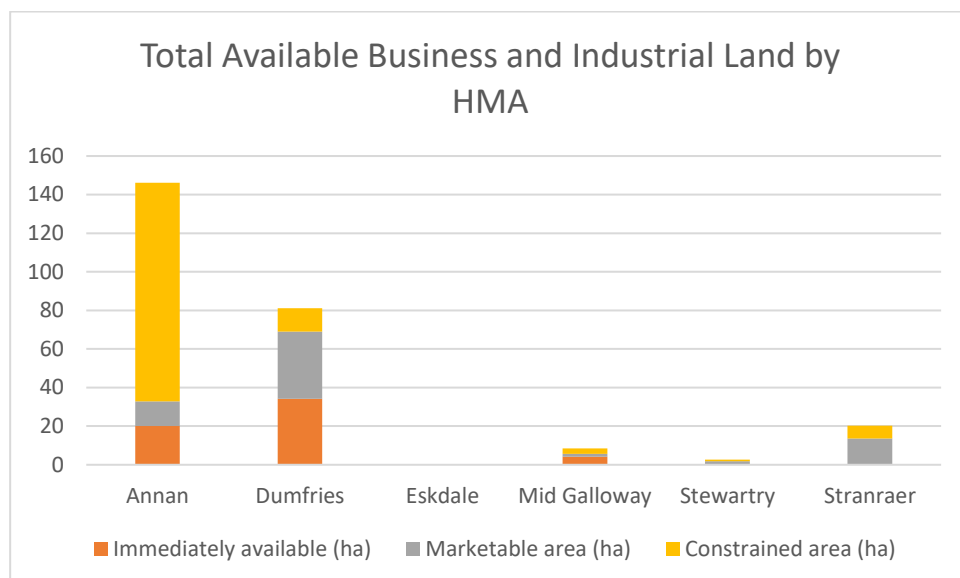
4.6 The Council's Business and Industrial Land Audit provides the following definitions for the categories included in Table 20:

- **Total Allocated Business and Industry Land:** This includes all land that has been allocated for business and industry use across Dumfries and Galloway in the Local Development Plan.
- **Immediately Available:** These are sites that are serviced (fully or partially) AND have no constraints that would prevent the site being developed immediately. Until physical construction commences, even if planning permission has been granted, land is considered allocated but not yet established.
- **Marketable Land:** Sites that are fully or partially or not serviced BUT have minor constraints which prevent immediate development OR the site has no constraints but is not yet serviced. It is estimated these sites are likely to be developed within 1-5 years.
- **Constrained Land:** Land that has no extant planning permission AND is partially or not serviced AND has a major constraint AND is unlikely to be developed within 5 years. Constraints can include:
 - Inability to obtain planning permission
 - Ownership issues (e.g. multiple owners or unwilling sellers)
 - Physical constraints including poor infrastructure provision or difficult topography
 - Accessibility issues
 - Poor service availability to site including water, gas, electricity & drainage
 - Ground condition constraints such as flood risk
 - Contamination

4.7 Just under half of the total employment land, some 124 hectares, is considered effective .i.e. developable either immediately or within the next five years. The remaining 52% is constrained and therefore unlikely to be developed within the short-medium term, without intervention.

4.8 It is informative to establish the amount and quality of employment land available by sub-market. The established "housing market areas" (HMAs) are essentially settlement-based and are used as a reasonable approximation for the urban sub-markets within Dumfries and Galloway. Figure 5 presents the employment land supply breakdown by HMA.

Figure 5: Total available employment land by housing market area



4.9 Analysis of the data underlying Figure 5 highlights the following key points:

- The majority of the employment land supply is located within the Annan HMA. However, much of this supply is constrained (over 80%), including the circa 59 hectares at Chapelcross. This leaves an effective supply of around 33 hectares. Since 2013/14, there has been 5.5 hectares of land take-up at Stapelton Road in Annan with the development of serviced plots by Scottish Enterprise. Based on this, the effective employment land supply in the Annan HMA currently equates to six years.
- Most of Dumfries' land supply, circa 70 hectares, is considered effective. The majority of this supply is located in Dumfries, the regional capital, in and around existing business and industrial areas at Cargenbridge, Heathhall and Brasswell. Ownership is predominately private, with only Cargenbride in public ownership. The supply is generally greenfield, with limited servicing and infrastructure.
- There is no allocated land supply in the Eskdale HMA. However, there is an existing business and industrial site situated within Langholm, the district centre but no take-up recorded over the last three years.
- Mid-Galloway has less than 10 ha of available land supply, with most of this immediately available. This supply is almost double the total annual

take-up for the entire region noted in LDP1. This along, with no demand having been recorded in the last three years, suggest a sufficient supply.

- There is a very low supply of allocated land in Stewartry with none considered immediately available. The sites allocated provide the opportunity for expansion in response to any future demand.
- Stranraer also has no immediately available employment land, with the current supply available within the next five years. The three sites currently allocated provide land within established business and industrial areas in the town. In addition, Stranraer Waterfront is allocated as mixed use site, providing potential future employment opportunities. However, it is understood that Dumfries & Galloway Council has appointed a preferred developer to take forward retail, leisure and residential proposals for the East Pier.

4.10 Dumfries and Galloway Council is in the process of preparing its 2016 Business and Industrial Land Audit. Initial analysis of the available site information gathered indicates that the available land supply reduced between 2015 and 2016 to 205 ha over 29 sites. Of the circa 33 hectares taken-up, 21 hectares has been for non-employment uses, including:

- the 19 hectare site Garroch Loaning in Dumfries, where NHS Dumfries and Galloway is constructing a new hospital to replace the existing Dumfries and Galloway Royal Infirmary (DGRI). In Lockerbie,
- the former Lockerbie primary school site, for an all-weather sports field).

4.11 Business and industrial development has been undertaken on the two remaining allocated sites in Lockerbie, at Dryfe Road and Broomhouses – where development plots remain. Therefore, consideration should be given to allocating further business and industrial sites in Lockerbie. The site at Stapelton Road in Annan has also been developed for business and industrial uses, reducing the available supply within the Annan HMA.

4.12 In addition to the allocated employment sites, there are a total of six mixed uses sites identified with potential to incorporate class 4/5/6 uses as detailed in Table 1 below.

Table 1: Mixed Use Development Sites (incorporating class 4/5/6 uses)

Site Ref/Location	Town	Proposed Uses
GTN.MU1/Former Golf Course	Gretna	200 residential units plus 1 hectare for business
ERL.MU1/Stanfield Farm	Eastriggs	200 residential units plus flexible business units
LRB.MU1/Land west of ice rink	Lockerbie	80 plus flexible business units
MOF.MU1/Former Academy	Moffat	10 residential units plus flexible business units
STR.MU1/Stranraer Waterfront	Stranraer	Mixed Use
THN.MU1/Gallows Knowe	Thornhill	47 residential units plus flexible business units

Marketable Land Supply Site Assessment

4.13 Substantial assessment work was undertaken for LDP1. The purpose of Ryden's assessment is to augment that analysis with a market view of each site. Our assessment of the 31 sites identified as effective within the 2016 business and industrial land (excludes the six sites removed from the 2015 audit) uses the criteria listed below:-

A. **Strategic fit** with economic development and re-development policy aims and objectives

B. **Market assessment** based around likely demand from occupiers, developers and investors for business space in the location

C. Quality of public **transport** and access to the strategic road network

D. Potential **economic impact** of the site based on the type and scale of business space there already and potentially investing

E. **Development potential** of site depending on the extent of undeveloped land, need for (and likely cost of) remediation and the need for (and cost of) infrastructure/ services

F. Alternative use pressure whereby sites attracting significant alternative use pressure score 0 (as this indicates such sites are more attractive to the market for non-employment uses) and sites where it is unlikely that alternative uses will emerge score 5 (as either the site is a successful business location or there is unlikely to be demand for alternative uses).

4.14 A maximum score of 5 points is awarded for each of these six criterion. The total, therefore, a site can achieve is up to a maximum score of 30 points. An important demand side theme running through this assessment is where occupiers, developers and investors would want business space and how this is serviced. The type and scale of infrastructure required varies and can include:

- I. Proximity to the strategic road network, e.g. adjacent to a motorway junction.
- II. Proximity to amenities and public transport which are important for attracting and retaining employees;
- III. Increasingly, digital infrastructure and access to broadband in particular, in addition to access to standard utilities infrastructure i.e. electricity, gas, water and sewerage.

4.15 Generally the more 'connected' a location is to markets and infrastructure, the more attractive it will be to occupiers, developers and investors. This has therefore been taken into account in our assessment by considering both the quality of public transport and access to the strategic road network. The M74 motorway is a key transport route, providing links both to the north and south, with access to/from the port at Cairnryan also important.

4.16 The results of this multi-factorial assessment allows each site to be ranked, highlighting which sites are most or less likely to be developed in the future, establishing a hierarchy. These results are set out in Table 2 on page 23.

4.17 At the top of the employment land hierarchy are the A74(M) sites. These benefit from excellent transport links due to the proximity to the motorway network. Although these sites have relatively high scores, development is hindered by issues relating to lack of existing infrastructure and services which need to be resolved to ensure that these sites can be developed.

Interest has been expressed in these sites due to their location but not pursued due to cost and difficulty of overcoming these constraints. This suggests that there would be good demand for these sites once these issues have been resolved.

- 4.18 Next, in terms of the scored employment land hierarchy, are sites within or adjacent to existing business and industrial areas located in Dumfries and in Stranraer. These established employment locations tend to be well connected in terms of transport, access to markets and are well suited to the local occupier markets in each town. Such sites should be protected for business and industrial uses, and where necessary, additional land for future expansion.
- 4.19 The sites at Chapelcross are strategically important within Dumfries and Galloway, due to the size and scale of re-development required following the decommissioning of the nuclear power station which is yielding this additional employment land. However, the attractiveness of these sites to the market is limited due to issues relating to road access via a B road (the sites would be suited to an industry operator of substantial scale, but most of those would have some input and / or output logistics requirement
- 4.20 Sites at the lower end of the hierarchy include sites within local industrial estates which form an effective part of the land supply, serving the local market. Whilst these are lower ranked, this can be attributed to their relatively small scale and locations, and it should be noted that these are important to the local market.
- 4.21 Other low-scoring sites such as Brooms Road in Dumfries may be better suited for alternative uses, or a mix of uses, due to its central location. The sites at the bottom of the hierarchy should be consider for de-allocation as these are unlikely to be developed for business and industrial uses. These include the sites at Brasswell and Clumpton Hill in Dumfries.
- 4.22 It is important to note that across all of the employment sites which have been appraised for this study, there is little market evidence at the current time of pressure for alternative uses such as residential and retail (as might be found for example in prime areas in city property markets).
- 4.23 For comparison, Ryden completed a similar employment land site assessment as part of a review of business and industrial land supply in East

Ayrshire. This review for East Ayrshire Council, completed in 2015, assessed the 52 business sites allocated in the adopted local plan and established an identified hierarchy of sites. The two top sites had a score of 26, with the lowest scoring only 12.

Table 2a: Site Assessment Results

Local Plan Ref	Site	Size (ha)	Town	A. Strategic Fit	B. Market Assessment	C. Transport & Access	D. Economic Impact	E. Development Potential	F. Alternative Use Pressure	Total
ECC.B&I1	Land adjoining B7076, Jct 19 A74(M),	11	Ecclefechan	5	4	5	4	3	5	26
A74(M).B&I2	Hayfield/Newhope, Kirkpatrick Fleming	26	A74(M)	5	5	3	4	3	5	25
A74(M).B&I3	Redhouse, Kirkpatrick Fleming	28	A74(M)	5	5	3	4	3	5	25
DFS.B&I2	Cargenbridge	11	Dumfries	4	4	4	3	3	5	23
DFS.B&I5	Land South of Dumfries Enterprise Park	5	Dumfries	4	3	2	3	4	5	21
DFS.B&I4	Heathhall Airfield	7	Dumfries	4	3	2	3	4	5	21
DFS.B&I1	Heathhall - North of Aviation Museum	9	Dumfries	4	3	2	3	4	5	21
STR.B&I3	Railway Yard	4	Stranraer	4	3	3	3	3	5	21
STR.B&I2	Clashmahew	7	Stranraer	4	3	3	3	3	5	21
STR.B&I1	Blackparks Industrial estate	7	Stranraer	4	3	3	3	3	5	21
CPC.B&I3	Chapelcross West	33	Annan	5	2	2	2	4	5	20
CPC.B&I2	Chapelcross South	7	Annan	5	2	2	2	4	5	20
CPC.B&I1	Chapelcross North	19	Annan	5	2	2	2	4	5	20
CSD.B&I1	land at Oakwell Road	1	Castle Douglas	4	3	3	2	3	5	20
DBT B&I1	Land at Edingham Business Park	1	Dalbeattie	3	3	3	3	3	5	20
SNQ.B&I1	Glasgow Road	4	Sanquhar	3	3	3	3	3	5	20
KCN.B&I1	Greystone Avenue	1	Kirkconnell/ Kelloholm	3	3	3	2	3	5	19
NST.B&I1	Barnkirk Farm	4	Newton Stewart	3	3	3	3	3	4	19
DFS.TC1	Brooms Road		Dumfries	4	3	3	3	2	3	18
DFS.B&I6	Brasswell	8	Dumfries	3	2	3	2	3	5	18
WTH.B&I	Stirnie Birnie Bridge	2.8	Whithorn	4	2	2	2	3	5	18
DFS.B&I7	Clumpton Hill	4.5	Dumfries	3	2	2	3	2	5	17

Table 2b: Mixed Use Site Assessment

Local Plan Ref	Site	Town	Size (ha)	A. Strategic Fit	B. Market Assessment	C. Transport & Access	D. Economic Impact	E. Development Potential	Total
STR.MU1	Stranraer Waterfront	Stranraer	flexible	5	3	3	4	4	19
LRB.MU1	Land west of ice rink	Lockerbie	0.6	3	4	3	3	3	16
ERL.MU1	Stanfield Farm	Eastriggs	flexible	4	2	3	3	3	15
MOF.MU1	Former Academy	Moffat	flexible	3	3	4	2	3	15
THN.MU1	Gallows Knowe	Thornhill	2.6	3	3	3	3	3	15
GTN.MU1	Former Golf Course	Gretna	1	3	2	3	2	3	13

Currently marketed sites

4.24 In addition to the allocated employment land supply, the sites detailed below in Table 3 are currently being marketed for industrial/business use in Dumfries and Galloway. These 12 sites equates to a marketed land supply of just under 30 ha. Just over 12 hectares of this marketed supply is contained within the existing allocated land supply.

4.25 These sites provide a range of sizes, with a mix of brownfield and greenfield locations. In terms of location, many are adjacent to existing industrial locations such as Heathhall and Cargenbride in Dumfries.

Table 3: Marketed Employment Sites (as at January 2017)

Building Address	Town	Size (ha)	Details
Development site, Rose St	Annan	0.14	Town centre development site, located adjacent to retail and residential premises
Stapelton Road	Annan	1.40	Three plots remaining, with offers in the region of £75,000 per acre invited.
Cargenbridge Business Park	Dumfries	5.30	Seven plots currently under offer
Former runway, Heathhall	Dumfries	1.60	Total of four plots, with one under offer
Catherinefield Road, Heathhall	Dumfries	6.58	Allocated site available at Heathhall
Brooms Rd	Dumfries	0.37	Brownfield site in a mixed commercial and residential area. Offers over £100,000 are invited.
Development site, Maxwelltown Industrial Est	Dumfries	2.88	Development site adjacent to A75 , next to existing industrial and commercial development
B7076	Gretna Green	4.42	Brownfield site with a previous planning consent for a distribution centre. Offers in the region of £350,000 are being sought.
Former, Creamery Site, Kirkcudbright Brg	Kirkcudbright	1.42	Part of site is allocated as housing land, with potential for mix of uses. Remainder of site within existing business and industrial location
Plots 3&4, Broomhouse Industrial Park, Dryfe Rd	Lockerbie	1.06	Two plots remaining adjacent to new build industrial units.
Land at Blackaddie Rd	Sanquhar	1.52	Greenfield site currently located within an established business and industrial area
Land at Cairnryan, A77	Stranraer	3.20	Site adjacent to A77 with potential for mix of uses. Available to lease or purchase.

- 4.26 The available land at Stapelton Road in Annan, owned by Scottish Enterprise, has been developed into a number of serviced plots, maximising the development potential and increasing the attractiveness to the market. These plots have provided opportunities for occupiers to purchase sites, a common preference in Dumfries and Galloway, and develop to suit their particular needs.
- 4.27 Part of the former Creamery site in Kirkcudbright has been sold for the development of social housing. The remainder has been the subject of interest for a variety of uses including residential and industrial.

Potential Employment Land Supply

- 4.28 Currie European is seeking to move from its existing haulage operations to a site closer to the M74 motorway. Its existing site on Edinburgh Road is the subject of planning application for mixed use development including residential, retail/leisure and an industrial warehouse.
- 4.29 Prior to sale following administration, Penman Engineering, located on the other side of Edinburgh Road, was understood to also be considering re-location in order to expand its premises.

Key Findings

- 4.30 Total employment land supply currently allocated in Dumfries & Galloway equates to around 40 years supply. However, over half of this supply is constrained and unlikely to be developed in the short-medium term, at least without any public sector intervention.
- 4.31 Much of this constrained land supply, which includes Chapelcross, is located within the Annan HMA. Chapelcross is a significant re-development project within Dumfries and Galloway, however its attractiveness to the market is limited due to access issues. Annan's effective land supply is much smaller, equating to six years supply based on recent take-up rates and given its close proximity to the M74 corridor is likely to require additional land to be identified in the medium to long term.
- 4.32 Dumfries has a healthy supply of effective employment land although much of this is greenfield, with limited servicing and infrastructure impacting on development potential. There are a number of successful established

business locations within the town, with land supply available to allow future growth and expansion.

- 4.33 Stranraer, however, has no immediately available employment land. The allocated sites within the town, adjacent to Blackparks Industrial Estate, require to overcome minor constraints related to transport/access and flooding to allow development.
- 4.34 In addition to the allocated land supply, there are a number of other sites being marketed for industrial/business use. These include the serviced development plots in Annan and sites adjacent to established business locations, where existing services and infrastructure are likely to prove attractive for business and industrial development.

5.0 Established Sites

5.1 This section analyses the supply of marketed employment property in the Dumfries & Galloway region. It utilises a wide range of market data and intelligence held by Ryden and third parties (all sources are identified).

5.2 The markets analysed are office property and industrial property. For each market sector the analysis considers:

- Total stock, including occupied and vacant premises;
- Supply of property, in terms of size, occupancy levels, values;
- historic take-up (sales and lettings 2011 – 2016 to date);
- demand and supply conditions;
- any ongoing or proposed new development.

All Employment Property (stock)

5.3 The stock of all occupied and vacant employment premises in Dumfries and Galloway has been analysed for this report. The aim is to understand important market statistics such as occupancy and vacancy rates, distribution of premises by type and location, and the age of the buildings as a guide to obsolescence (and as one indicator of the requirement for future investment).

5.4 Dumfries and Galloway's total stock of employment property is 276,058 sq m (approximately 3 million sq ft) across 301 properties, including offices, industrial and specialist premises. This indicates an average size of 917 sq m (9,868 sq ft), which is comparatively large but will be skewed by a few very large industrial buildings. Figure 6 indicates the share of floorspace by employment property sector.

5.5 The stock of employment property by district is shown on Figure 7. There is a clear market hierarchy in terms of scale from Dumfries with 52% of employment space, Annan with 19%, Stranraer with 13%, Mid Galloway and Eskdale with 6%, down to Stewartry with only 4% of floorspace. The next sub-sections of this report include an assessment of property stock within an overall supply review of each sector, beginning with offices.

Figure 6: Total Employment Stock by Floorspace

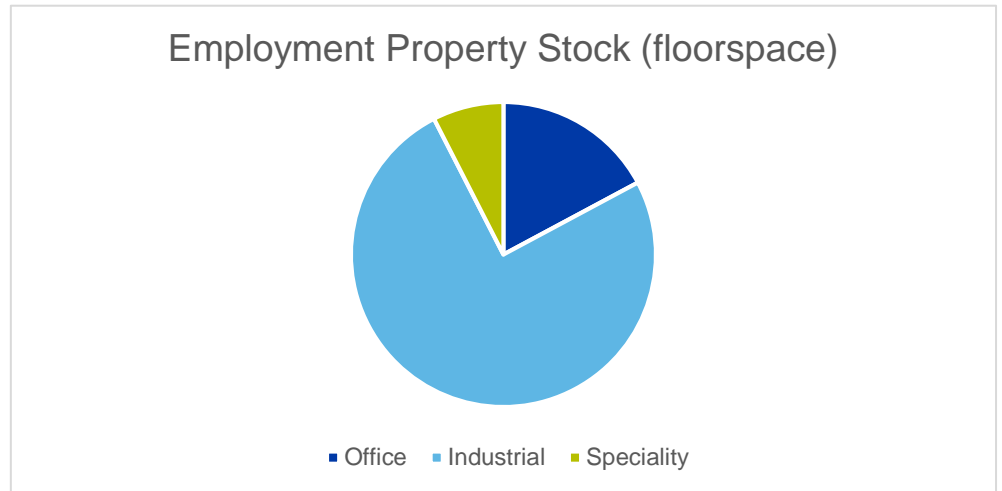
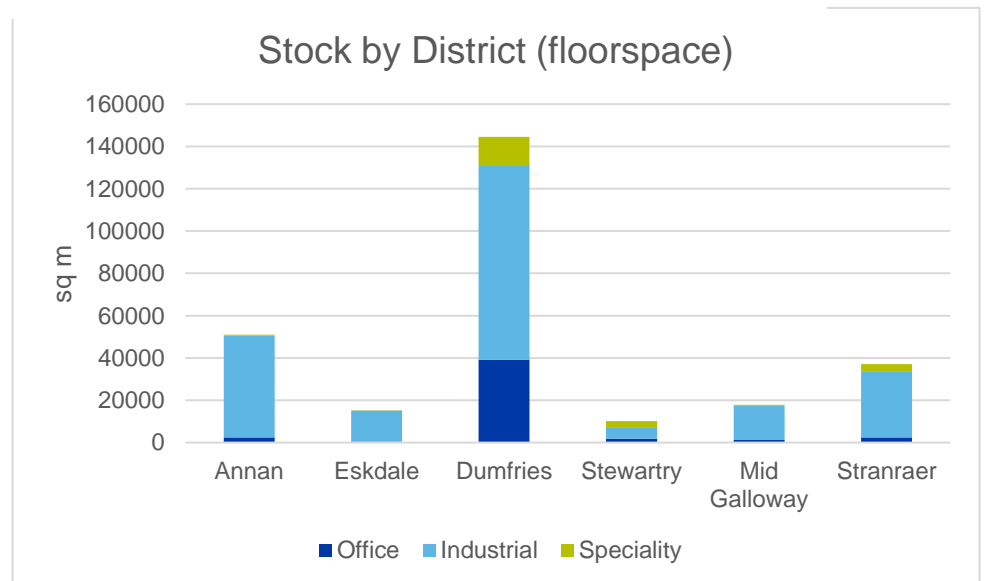







Figure 7: Employment Stock by District



5.6 Within this stock of employment floorspace, the main employment locations in Dumfries and Galloway include those summarised in Table 5.

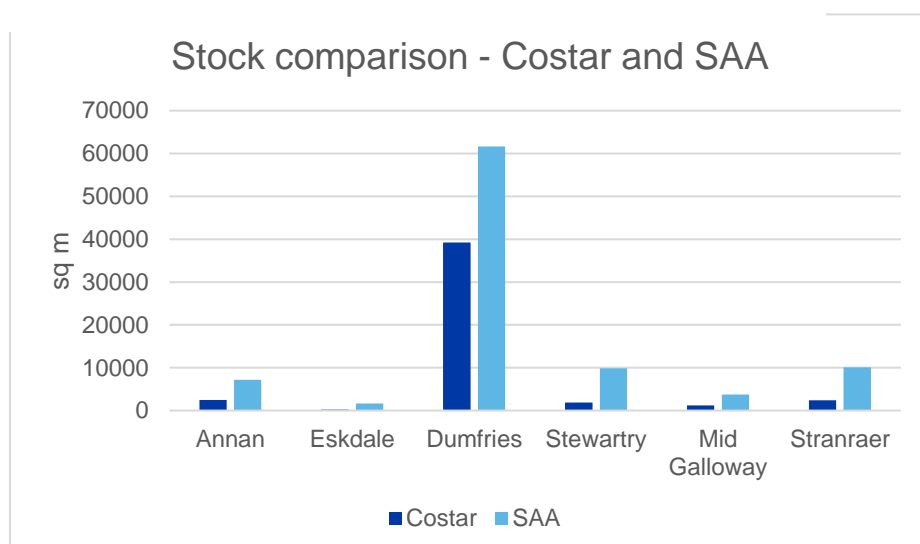
Table 5: Main employment locations

Image	Location	Uses	Occupiers	Availability Rate	Average Rental Values
	Heathhall Industrial Estate, Dumfries	Predominately industrial/light industrial. Office provision within Heathhall Business Centre	Mix of mainly local occupiers including local trade, storage companies, DIY.	34%	£32 per sq m
	Crichton Business Park	Office/ educational		4.4%	£145 per sq m
	Cargenbride (including Garroch Business Park)	Predominately industrial with some office use	Dumfries & Galloway Council	0%	None available
	St Mary's Industrial Estate, Dumfries	Light industrial/trade counter	Howdens, Plumb Centre, Screwfix, Dulux Paints, Dinbro, Enterprise Rent a Car	12%	£48 per sq m
	Lochside Industrial Estate, Irongray Road, Dumfries	Industrial	Euro Car Parts, Browns Pressure Washers Ltd, Lovell, Aviagen Ltd, Dumfries Tool Rim Ltd	3%	£41 per sq m
	Annan Business Park, Annan	Light industrial/office	Vault 101, Carron Insurance Brokers	59%	£65 per sq m

Office Property Stock and Supply

- 5.7 Office stock in Dumfries and Galloway has been collated using two difference databases – Costar and Scottish Assessors Association. Costar’s property database holds information on properties where there has been activity over the past 10 years. Therefore, properties which haven’t been on the market or otherwise captured by CoStar will not be on the database. The Scottish Assessors Association database (SAA) holds information on every property for non-domestic rating purposes (ie. it is statutory).
- 5.8 Office stock in Dumfries and Galloway according to Costar totals 47,422 sq m in a total of 116 properties³. Whereas office⁴ stock according to SAA totals 94,165 sq m in 724 offices⁵. Figures 8 and 9 show the difference in findings between Costar and the SAA by floorspace and then by number of offices. The main reason SAA records a much higher number is due to the fact they itemise each individual office whereas Costar itemises an entire building, although as noted above SAA is comprehensive and CoStar less so particularly in a dispersed and rural market such as Dumfries & Galloway.

Figure 8: Office Stock Comparisons by Floorspace

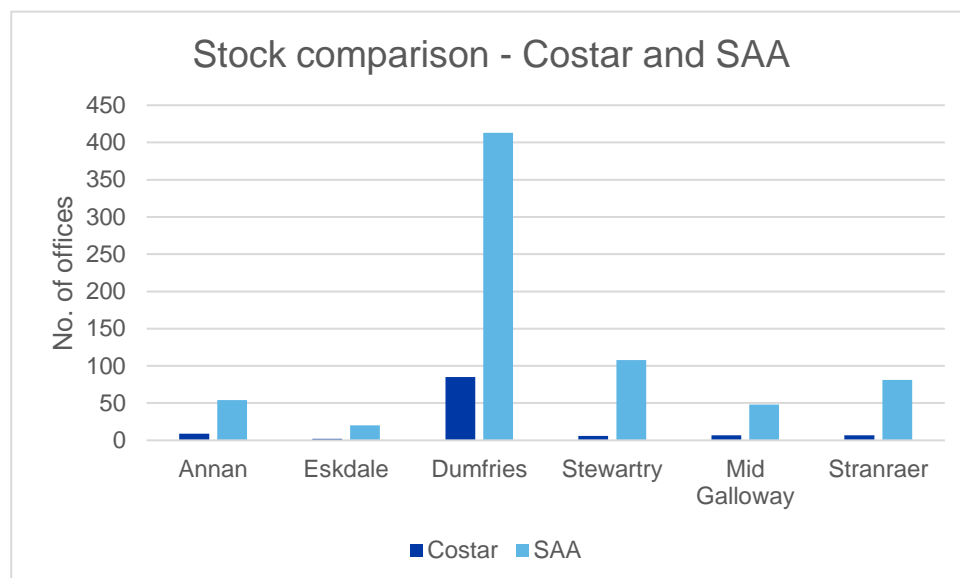


³ Note this is entire properties rather than individual office suites

⁴ Properties classed as ‘Offices’ by SAA are : Office, banks, public offices

⁵ Note this is individual office suites rather than entire properties.

Figure 9: Office Stock Comparisons by Number



5.9 The hierarchy for office floorspace (Figure 7 earlier) has Dumfries HMA as the largest, regionally dominant market with 83% of office floorspace and 73% of offices⁶. Annan and Stranraer each have 5% of regional office stock measured by floorspace, Stewartry has 4%, Mid Galloway has 3% and Eskdale is the smallest with less than 1%.

5.10 Figures 10 and 11 indicate an age-profile of Dumfries and Galloway's office stock (using Costar). The region has a very high proportion of office buildings which were constructed pre-1940, most of which are located in the Dumfries HMA. These are a mix of tenemental, townhouse, public sector and converted buildings.

⁶ According to SAA 57% by number and 65% by floorspace.

Figure 10: Age of Office Stock by Floorspace

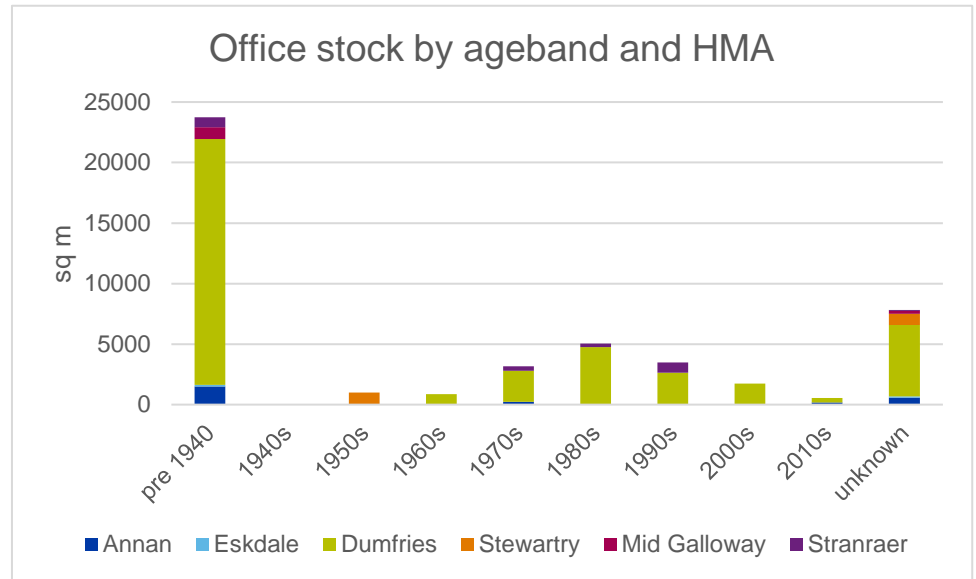
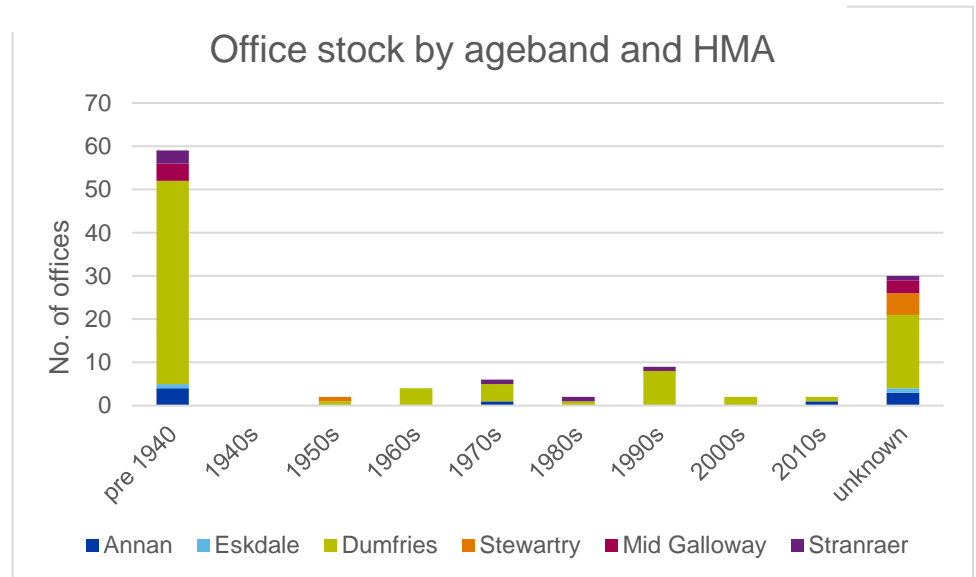
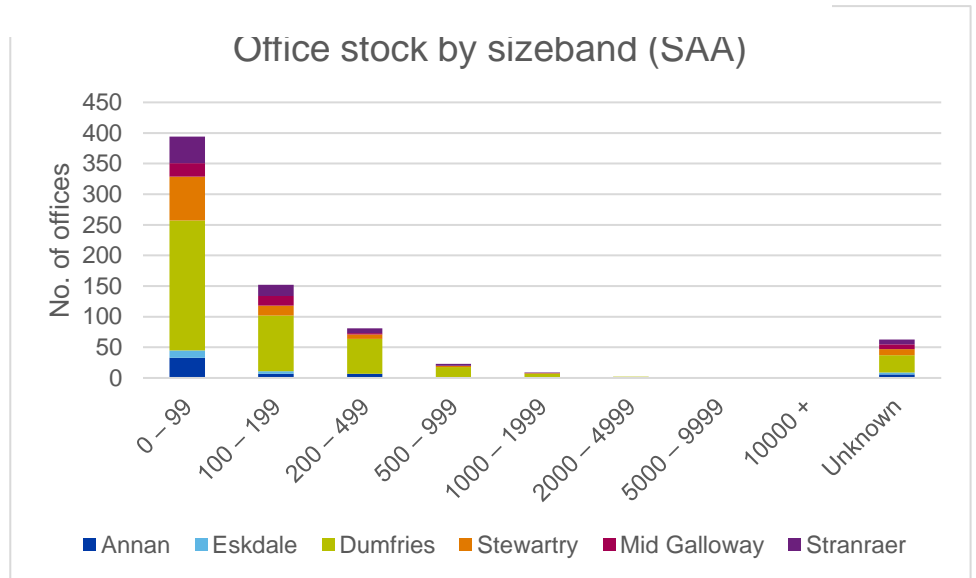


Figure 11: Age of Office Stock by Number



5.11 Figure 12 shows the breakdown of Dumfries and Galloway's office stock by sizeband (using SAA). The vast majority of office suites are smaller than 500 sq m. Indeed a majority of 55% of all offices are smaller than 100 sq m (suitable for perhaps up to 10 staff).

Figure 12: Office Stock by Size



5.12 Speciality stock in Dumfries and Galloway has been compiled using Costar. A total of 29 buildings totalling 20,784 sq m are classed as speciality and includes former schools, churches and public buildings which are in employment use. Stock by ageband and HMA is shown on Figures 13 and 14 below, again those properties constructed pre-1940 are in the majority. As before, the majority of properties are in the Dumfries HMA (51% by number and 66% of floorspace).

Figure 13: Age of Speciality Stock by Floorspace

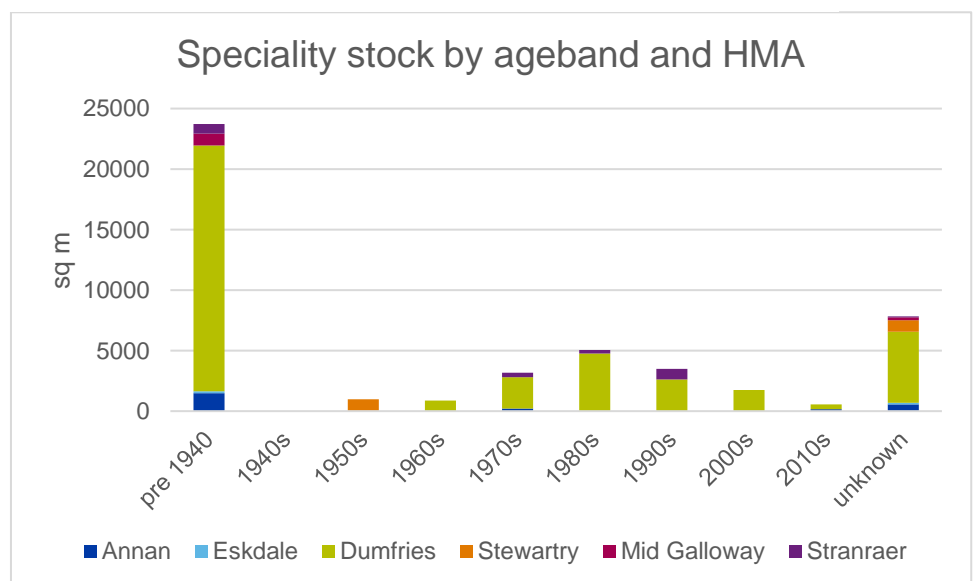
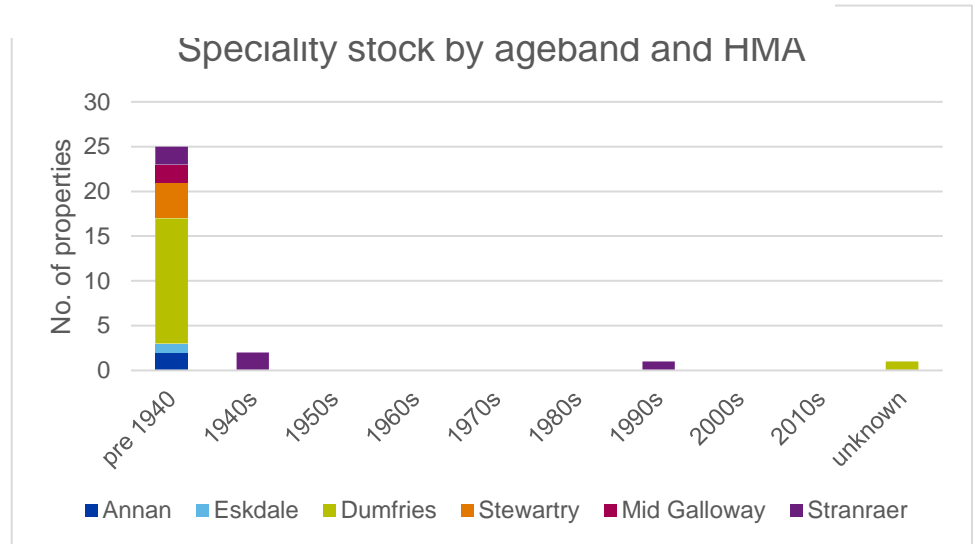


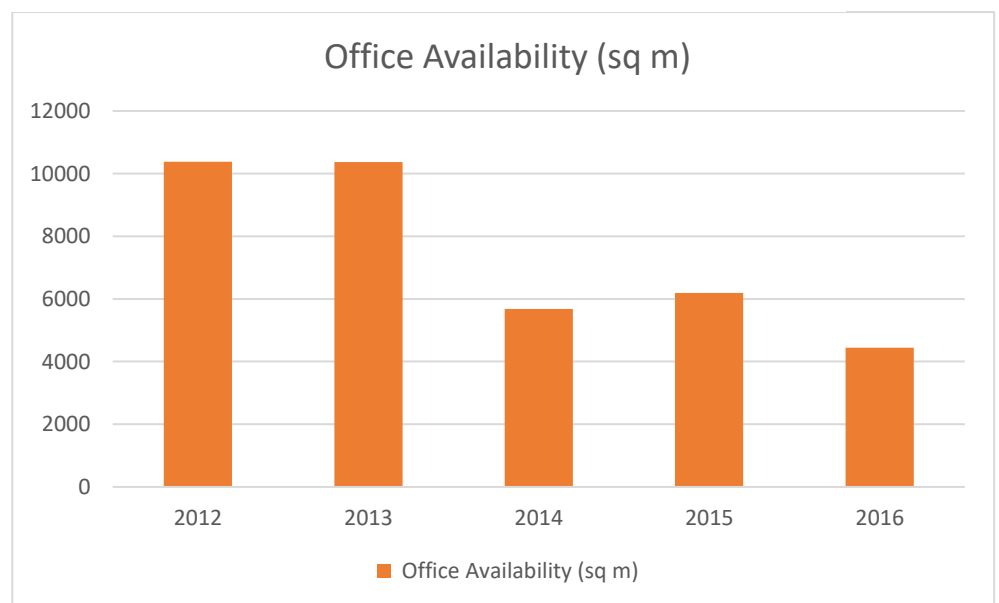
Figure 14: Age of speciality stock by Number



Supply of office property

5.13 The availability of office space in Dumfries and Galloway over the last five years has averaged around 7,700 sq m. (Figure 15). It has decreased from around 10,000 sq m in 2012 and 2013 to just over 4,000 sq m in 2016.

Figure 15: Supply of Offices (marketed)













- 5.14 Table 6 on the next page lists current supply of offices being marketed for sale or let in Dumfries & Galloway. In relation to the above analysis, this is the stock which is not occupied but is vacant and being offered to the market. Again in a small localised market with local agents, solicitors and public sector agencies, there may also be other offices available on a less formal basis through business-to-business arrangements or perhaps via sub-letting.
- 5.15 The majority of available office space in is located within Dumfries. In terms of size, offices range from very small (circa 30 sq m) to medium (1,100 sq m). These could accommodate from 1 or 2 up to potentially approaching 100 staff. The main office location within Dumfries is found at Crichton Business Park, where a number of listed buildings have been refurbished to provide modern office space. There is a range of space offered, from small serviced offices suites (with all-inclusive rentals) and larger, self-contained offices. Occupiers at the Crichton include those from both the private and public sectors such as Dumfries & Galloway Council. The office stock within Crichton Business Park accounts for over 20% of the entire Dumfries and Galloway stock.
- 5.16 The wider Crichton Campus includes educational uses with the University of Glasgow and the University of the West of Scotland both having a presence. The Crichton Trust also own additional buildings which have potential to provide refurbished office space (Table 8, after Table 7). Crichton Hall is currently owned and occupied by NHS Dumfries & Galloway although they are likely to vacate these premises in the future.
- 5.17 The Council, NHS D&G and other stakeholders are working together to produce a development framework for South Dumfries that will become Supplementary Planning Guidance to the adopted LDP and inform the Proposed LDP2. This area includes the Crichton Campus, the NHS Dumfries & Galloway's estate and housing sites. Future uses are being explored for the existing Dumfries & Galloway Royal Infirmary at Bankend Road which will become vacant late 2017/early 2018 as a result of its relocation to the west of the town. Crichton Hall and the Nithbank Hospital site are both likely to include a mix of residential and office space, with the Nithbankk Hospital site being proposed as an allocated site.

Table 7: Offices currently on the market in Dumfries & Galloway (as at January 2017)

Address	Town	Total Available Space (sq m)	Year Built	Details
Stapleton Rd	Annan	457	2014	Two modern ground floor office suites with an asking rent of £10.31 per sq ft on an FRI lease
Campbell House, Crichton Business Park, Bankend Rd	Dumfries	452	1919	Three office suites available to lease, asking rent not disclosed
Carmont House, Crichton Business Park, Bankend Rd	Dumfries	403	1900	First floor office space available with an asking rent of £13 per sq ft
Galloway House, Crichton Business Park, Bankend Rd	Dumfries	31	1911	First floor office space available to rent, asking rent not disclosed
Hestan House, Bankend Rd, Crichton Business Park	Dumfries	223	1902	Ground floor office space available to lease, with quoting rent of £14 per sq ft
Hillhead House, Crichton Business Park, Bankend Rd	Dumfries	118	1912	Ground and first floor office suites available to rent, asking rent not disclosed
Kindar House, Crichton Business Park, Bankend Rd	Dumfries	1141	1900	Ground and first floor office space available for lease, asking rent not disclosed
Maxwell House, Crichton Business Park, Bankend Rd	Dumfries	85	1912	Ground floor office space available to rent at £13 per sq ft on FRI terms
Queensberry House 147-151 High St	Dumfries	330	1982	First and second floor office space, above retail units, available to rent at £84-86 per sq m
Yard with office, Catherinefield Industrial Est	Dumfries	35	1950	Single storey office building, adjacent to industrial yard, quoting rent of £0.37-0.55 per sq ft
34 Great King St	Dumfries	72	1925	First floor office space available ground floor retail units, asking rent not disclosed
40 Main St, New Abbey	Dumfries	112	1993	Single storey office building, asking rent £5.98 per sq ft
39 Castle St	Dumfries	177	1875	Traditional office building with office space set over four floors, with an asking rent of £5.24 per sq ft
20 Castle St	Dumfries	194	1900	Traditional office space over three floors available to rent at £7.75 per sq ft
7 Irving St	Dumfries	199	1850	-
3 Irving St	Dumfries	217	1850	Traditional sandstone townhouse building providing office space for sale or lease (at £75,000)
161 Brooms Rd	Dumfries	260	1976	First floor office space available at £8.92 per sq ft
9-13 Castle St	Dumfries	705	1890	First floor office space above a retail unit, asking rent £4.66 per sq ft
Kirtle Place Extension, Kirtle Pl	Gretna	106	2013	Modern ground floor office space available, with an asking rent of c.£14 per sq ft
80-84 Ashwood Dr	Stranraer	334	1975	Traditional two storey office building, asking rent of £4-8 per sq ft

Table 8: Crichton Business Park Office Accommodation

Image	Building Name	Year Built	Size (sq m)	Available Space (sq m)
	Carmont House	1900	1,900	403
	Hestan House	1902	757	223
	Galloway House	1911	720	31
	Maxwell House	1912	744	85
	Hillhead House	1912	147	118
	Campbell House	1919	452	452
	Kindar House	1900	1,141	1,141
	Eskdale House	1910	511	-
	Annandale House	1910	370	-
	Solway House		1,253	n/a

Industrial Property Stock and Supply

5.18 Industrial property stock in Dumfries and Galloway has been collated using Costar⁷. A total of 156 buildings totalling 207,852 sq m are classed as industrial or light industrial. The hierarchy for industrial floorspace shown earlier in this section has Dumfries HMA as the largest market with 44% of industrial floorspace, Annan with 23%, Stranraer with 15%, Mid Galloway with 8%, Eskdale with 7% and Stewartry with only 3%.

5.19 Stock by age band and HMA is shown on Figures 16 and 17 below. Those properties constructed in the 1980s, which was a period of public sector activity by the likes of regional and local authorities and the Scottish Development Agency, are in the majority. The red lines on the charts indicating the c.40 life expectancy of building components which can signal a requirement for major refurbishment. Units built during this period include industrial buildings at:

- Holmpark Industrial Estate, Newton Stewart (Mid Galloway HMA);
- Dee Walk, Kirkcudbright (Stewartry HMA);
- Stapleton Road and The Broom, both Annan (Annan HMA);
- Broomhouses Industrial Park, Lockerbie (Dumfries HMA).

5.20 More recently units have been constructed at:

- Broomhouses Industrial Park, Lockerbie (Dumfries HMA);
- Blackparks Industrial Estate, Stranraer (Stranraer HMA);
- Annan Business Park, Stapleton Road, Annan (Annan HMA).

⁷ A comparison to the data held by the Scottish Assessors Association has not been made for industrial property, its categorisation of 'industrial' is vast and includes properties not relevant here.

Figure 6: Age of Industrial Stock by Floorspace

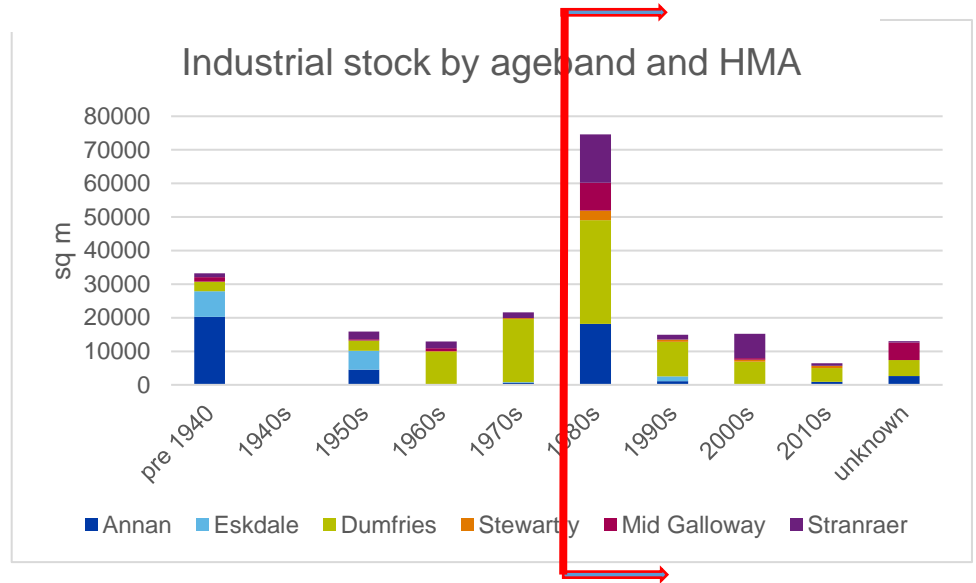
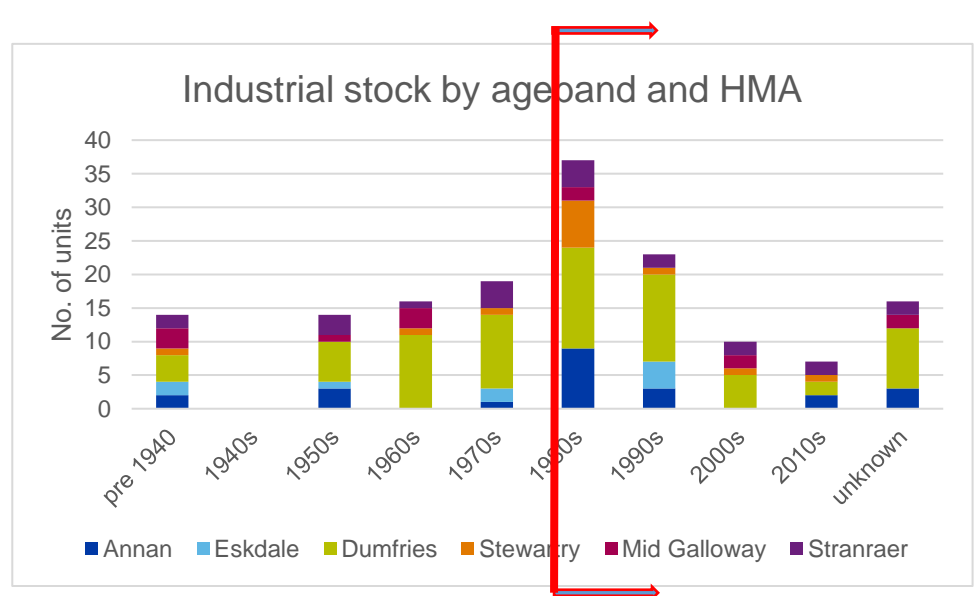


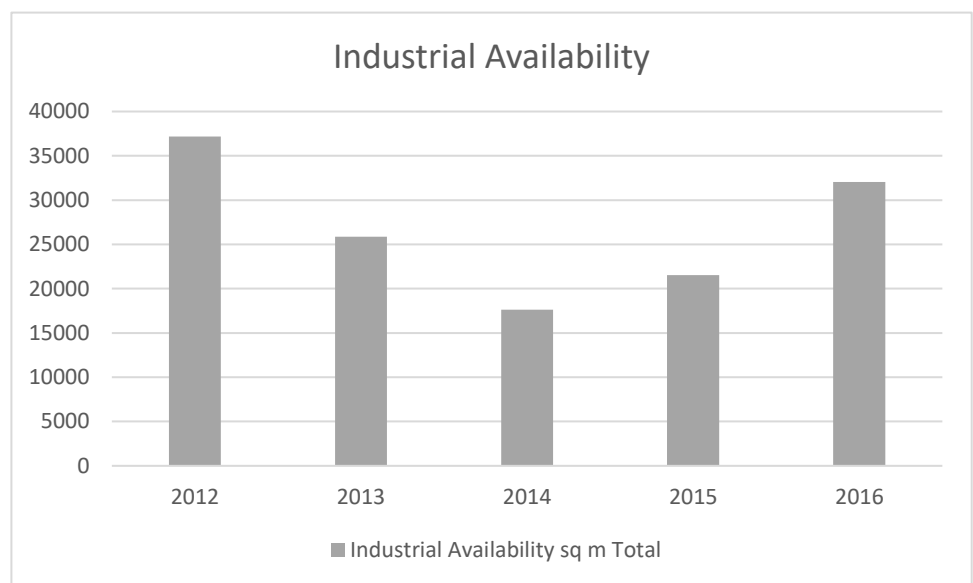
Figure 7: Age of Industrial Stock by Number



Supply of Industrial Property

5.21 Over the last five years, the average supply of industrial floorspace has been around 26,600 sq m. (Figure 18). It was at its highest point in 2012, at over 35,000 sq m and decreased to 17,600 sq m in 2014. Supply has increased again over the last two years to over 30,000 sq m.

Figure 18: Industrial Property Supply (marketed)



5.22 Table 9 on the next page identifies industrial properties in Dumfries & Galloway currently being marketed for sale or lease. Many of the properties are small units (below 464 sq m), with a limited number of medium and larger units. In keeping with the stock analysis, there is a very wide age spectrum of units on the market from modern through to potentially obsolete.

Table 9: Marketed Industrial Properties in Dumfries & Galloway

Building Address	Town	Total Available Space (sq m)	Year Built
Development Opportunity, Riverside Rd	Newton Stewart	65	1960
Store, Goods Ln	Newton Stewart	122	1910
New Galloway Rd	Newton Stewart	136	2005
Development Annex, Riverside Rd	Newton Stewart	140	1910
Maxwelltown Industrial Estate, Glasgow Rd	Dumfries	177	1995
Huntingdon Rd	Dumfries	192	
Industrial Unit, Back St	Thornhill	226	1975
Block 2, Glasgow Rd	Dumfries	252	1998
Block 1, Stapleton Rd	Annan	347	1982
Stapleton Rd	Annan	457	2014
Industrial Building, Irongray Rd	Dumfries	733	1950
2 Dryfe Rd	Lockerbie	773	1980
61-63 Bridge St	Lockerbie	809	1970
B793	Dalbeattie	1321	1987
Huntingdon Rd	Dumfries	1403	1950
Dryfe Rd	Lockerbie	1429	2014
Showroom & Garage, New Galloway Rd	Newton Stewart	1474	1980
5 Rosefield Mills	Dumfries	1495	
Former Cash & Carry, Commerce Rd	Stranraer	2052	1965
Dryfe Rd	Lockerbie	2647	2014
Warehouse Unit, Irongray Rd	Dumfries	3209	1960
Unit 131, Heathhall	Dumfries	5542	1970

Key Findings

- 5.23 Business and industrial property stock in Dumfries and Galloway is concentrated within Dumfries, which is not surprising given its status as regional capital. Dumfries accounts for over half of all property, followed by Annan (19%) and Stranraer (13%). Mid-Galloway, Eskdale and Stewartry combined account for 16%.
- 5.24 Office property stock in Dumfries and Galloway is ageing, with the majority of properties being over 60 years old. Offices tend to be small, up to 500 sq m. The majority of office space is located within Dumfries itself, with the largest currently available just over 1,000 sq m.
- 5.25 Industrial property is more modern, with the majority constructed during the 1980s. However, the average age of this stock is nearing 40 years, the life expectancy of building components, and is therefore likely to require major refurbishment in the short-medium term.

6.0 Demand for Business & Industrial Land and Property

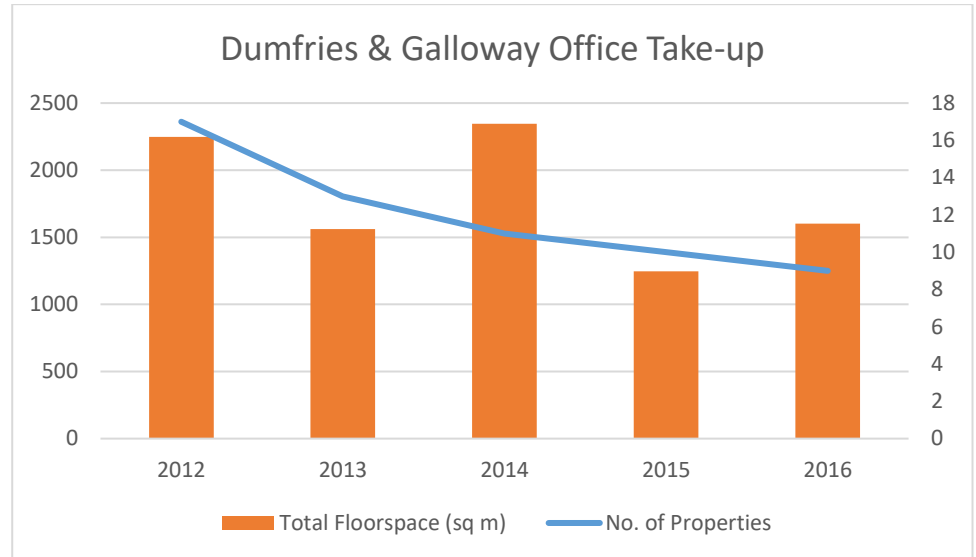
Introduction

- 6.1 This section assesses demand for industrial and office property in Dumfries and Galloway. The demand-side information is limited to historic transactions, current market sentiment and ongoing activity (from consultations and market intelligence), and trends which can be gleaned from the aims set out in policy and strategy (as reviewed in Section 3).
- 6.2 Formal property demand analysis for Dumfries and Galloway based upon new company/ occupier formation, growth, sectoral trends, occupancy and expiries, property enquiries, enquiry conversions and economic development sources is not (yet) available in a coherent and consistent fashion. Information and intelligence tends to be fragmented across organisations and locations. This report aims to plug some of those gaps, but is only a snapshot at a particular point in time.

Office Take-up (sales and lettings)

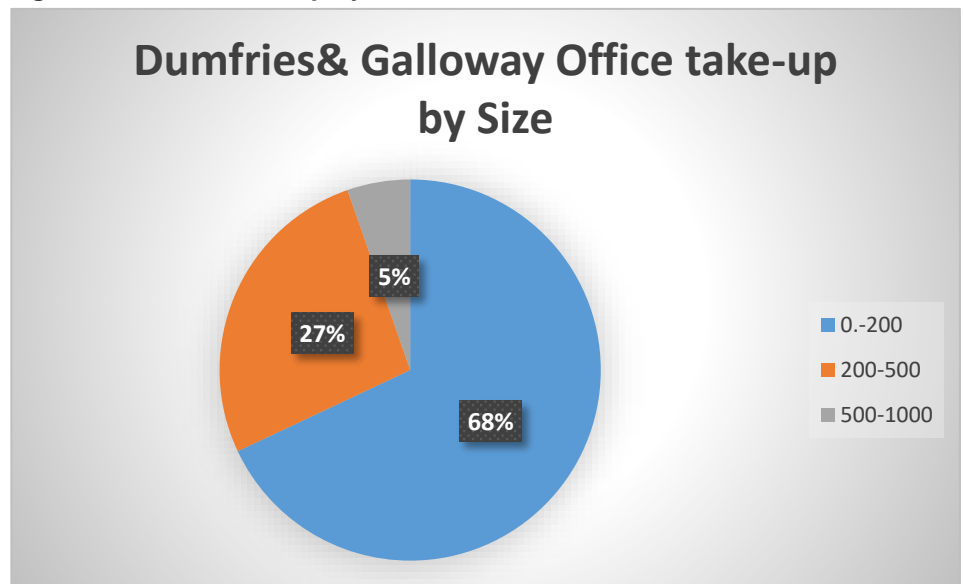
- 6.3 Since 2011, a total of 75 office transactions have been recorded in Dumfries and Galloway. These are shown on the chart on the next page (Figure 19). This is formal office market activity and in a smaller market such as Dumfries and Galloway there may also be informal / off-market smaller transactions which are not recorded, for example in managed business centres.
- 6.4 Average take-up of office floorspace in Dumfries & Galloway is 2,129 sq m, or around 12 properties sold or let. The majority of transactions relate to small office suites, below 200 sq m – suitable for up to around 15 staff - as shown in Figure 20 on the next page. There have been no offices larger than 1,000 sqm taken-up. Dumfries is the main area of activity, with 75% of the recorded deals. Annan, Newton Stewart, and Stranraer each account for 7% of all deals.

Figure 19: Dumfries & Galloway Office Take-up



Source: CoStar/Ryden

Figure 20: Office Take-up by Size



Source: CoStar/Ryden

6.5 Table 10 overleaf provides details of the most recent office transactions completed within Dumfries and Galloway. As can be seen, these relate to offices smaller than 500 sq m, with the largest office space taken-up being 315 sq m at Bank Street in Dumfries.

Table 10: Recent Office Transactions in Dumfries & Galloway

Address	Town	Lessee / Purchaser	Details
17 Buccleuch Street	Dumfries	Mr Colin Smyth MSP	90 sq m of ground and lower ground office let September 2016 on a five year lease at an undisclosed rent. Quoting rent was £9,000 per annum (£100 per sq m).
23 King Street	Newton Stewart	Undisclosed	265 sq m of office space sold for owner occupation at £110,000.
Suite 3, 161 Brooms Road	Dumfries	Croma Vigilant Security Services	260 sq m of first floor office space let June 2016 on a three year lease at £18,000 per annum (£69 per sq m) in year one, £21,000 per annum (£81 per sq m) in year 2, and £22,000 per annum (£85 per sq m) in year 3.
88A/B High Street	Dumfries	The Symphony Foundation	145 sq m of first and second floor office space let March 2016 on a month to month lease at £6,000 per annum (£41.38 psm)
Suite 6, Stapleton Rd	Annan	Vault 101 Ltd	228 sq m of office space let March 2016 on a five year lease at £10,720 per annum (£47.04 psm)
19-19A Bank St	Dumfries	Mr Brian Jardine	315 sq m office space building sold for £80,000 in March 2016
1 st Floor, 15 Church Crescent	Dumfries	Sacro	56 sq m of first floor office space let February 2016 on a five year lease at £5,000 per annum (£89.29 psm)
1 st Floor, 1 Tinwald Downs Rd	Dumfries	Cost2Build Ltd	117 sq m of office space let February 2016 on a 10 year lease at £7,500 per annum (£64.10 psm) in years one/two/three, rising to £8,500 per annum (£72.65 psm) from year 4
33 Burns St	Dumfries	Undisclosed	126 sm office building sold January 2016
1 st Floor, Tinwald Downs Rd	Dumfries	Undisclosed	197 sq m of first floor office space let in December 2015 on confidential terms
Arndale House, Charlotte St	Stranraer	Undisclosed	76 sq m of second floor office space let in October 2015 on confidential terms
Arndale House, Charlotte St	Stranraer	Undisclosed	46 sq m of second floor office space let in October 2015 on confidential terms
21 George St	Newton Stewart	Undisclosed	60 sq m office/retail building sold at auction September 2015 for £20,000

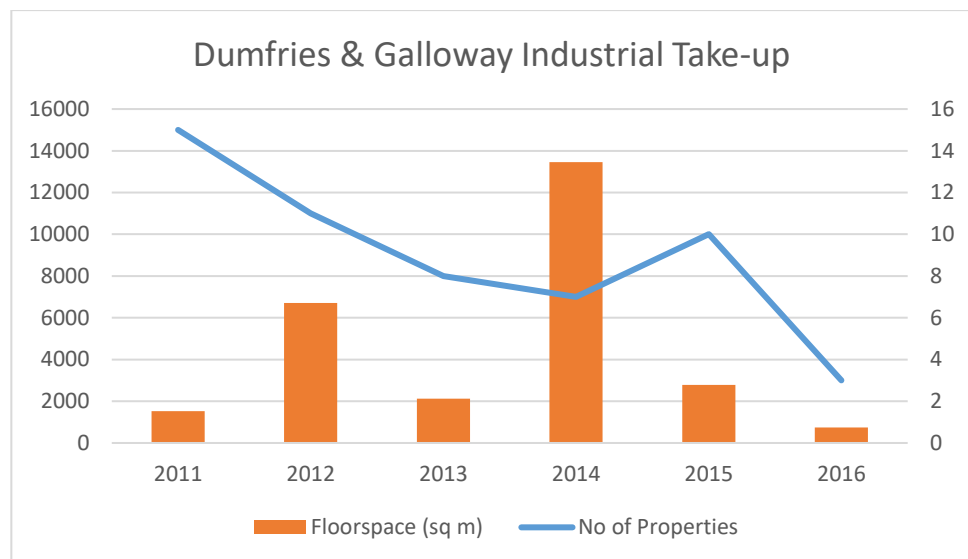
6.6 Rents for recent office transactions range from around £40 per sq m for upper floor office accommodation to £89 per sq m for purpose built office space. From the limited information available, occupiers are generally local businesses and include on-line retailers, voluntary organisations and care provider

Industrial Property Take-Up (sales and lettings)

6.7 Dumfries & Galloway recorded a total of 63 industrial transactions comprising 38,315 sq m of floorspace between 2010 and 2016. The trends in these transactions are shown on Figure 21.

6.8 The take-up of industrial property, for occupational use, over the period from 2011 to 2016 has averaged 5,316 sq m, or just over 10 properties per year. As can be seen from Figure 3, there is no clear trend in take-up during this time. It was at its lowest in 2011 with 15 properties and around 1,500 sq m of floorspace, peaking in 2014 with 7 seven properties and 13,455 sq m of space (this includes the sale of Barrholm Works, extending to 6,811 sq m). Less than 800 sq m of industrial property was taken up in 2016.

Figure 21: Industrial Take-up

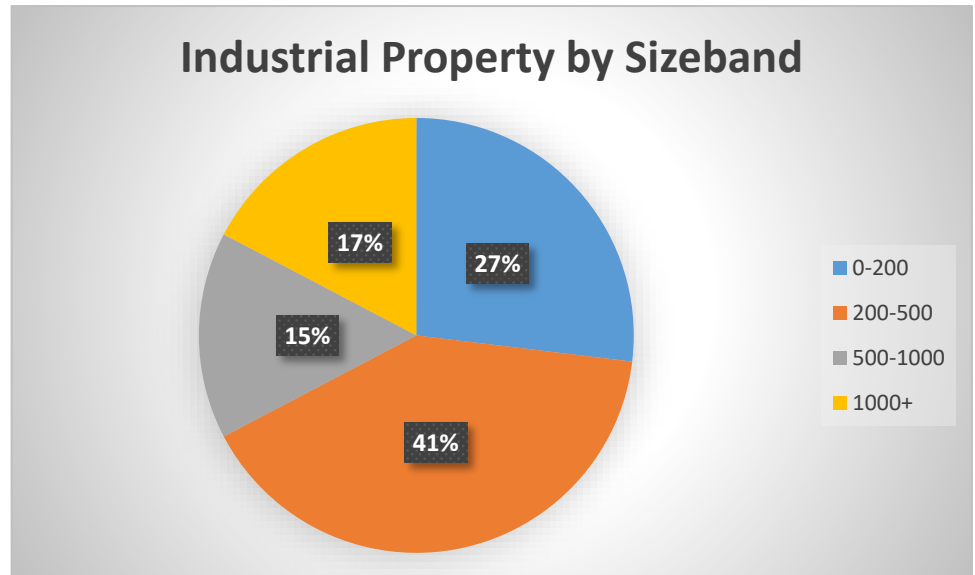


6.9 Table 11 details the most recent industrial transactions completed in Dumfries and Galloway. As Figure 22 on the next page confirms, the majority of units taken-up are between 200 and 500 sq m. Rents range from £27 – 63 per sq m, depending upon the location and quality of unit. A number of the transactions were sales as investments rather than for occupational use.

Table 11: Recent Industrial Transactions in Dumfries & Galloway

Address	Town	Lessee / Purchaser	Details
Back Street	Thornhill	Undisclosed	226 sq m of industrial space let in September 2016 on a five year lease at £8,500 per annum (£37.61 per sq m)
28 The Barras	Lockerbie	Undisclosed	321 sq m of industrial space let in June 2016 on confidential terms
10 St Andrew St	Stranraer	Undisclosed	393 sq m of industrial space sold in June 2016 for investment purposes at a confidential price
58 Queen Street	Dumfries	Undisclosed	257 sq m of industrial space sold in February 2016 for investment purposes at £50,000.
Blocks 1-4, Dee Walk	Kirkcubright	Undisclosed	740 sq m of industrial space sold in November 2015 for investment purposes at £205,075 sq m (net initial yield 10.69%)
Suite 4, Glasgow Road	Dumfries	DOLY	79 sq m of industrial space let in December 2015 at £5,000 per annum (£63.62 psm)
Units 1-3, St Mary's Industrial Estate	Dumfries	Private individual	561 sq m of industrial space let in November 2015 on a five year lease at £15,000 per annum (£26.74 psm)
Unit 1, St Mary's Industrial Estate	Dumfries	PPG Architectural Coatings UK Ltd	341 sq m of industrial space let in November 2015 on a 10 year lease at £10,000 per annum (£63.05 psm)
38 Annan Road	Dumfries	Undisclosed	162 sq m of industrial space sold in August 2015 for owner occupation at £55,000.
8 William Street	Langholm	The David Stevenson Trust	191 sq m of industrial space sold in June 2015 for investment purposes at £55,556.
Unit 4, Nivens Quay, Port Street	Annan	Undisclosed	86 sq m of industrial space let in June 2015 on confidential terms. Quoting rent was £3,700 per annum (£43.06 psm).

Figure 22: Industrial Take-up by Size



Consultations

- 6.10 Dumfries and Galloway covers a diverse geographical area, including a number of towns, ranging in size, and a large rural area. For this reason and to compensate for a lack of formal demand intelligence in the region, this study uses a mix of market analysis, outlined in the previous section, and qualitative research based upon in-depth consultations (as well as interpretation of economic trends as a longer term guide).
- 6.11 Consultations were undertaken with Dumfries & Galloway Council, Business Gateway, Scottish Enterprise and the Crichton Trust. Also consulted were agents active in the local market (including Ryden) to ascertain views on the local property markets within the area and also to understand their experience of occupier requirements. It had been the intention to undertake direct consultations with occupiers but this proved difficult to arrange due to lack of sufficient information and/or willing participants.
- 6.12 Both Dumfries & Galloway Council and Scottish Enterprise own property and land within the local area. The Council's commercial property portfolio comprises 57 industrial units, three retail units and one development site throughout the local authority area. Scottish Enterprise's land ownership includes sites at Cargenbridge Business Park in Dumfries and Annan, as well as industrial units also in Annan and in Gretna.

- 6.13 Dumfries & Galloway Council's commercial property portfolio is generally well-occupied, at around 90%. There tends to be a low turnover of tenants, with tenants leaving only if they go out of business. It can, however, be hard to attract new tenants. On average, the Council's property department receives around two to three enquires each month, and these tend to be location-specific. The Council does not own any office premises and has not received any enquiries for this type of space within the last 18 months.
- 6.14 There is a broad range of occupiers in the Council's portfolio, ranging from local trades such as window cleaners and car mechanics to productive activities such as food processing and high tech manufacturing. Unit sizes are small, and in general, no larger than 100 sq m. Larger units tend to be more difficult to let and it is considered that even smaller-sized units would be popular, particular with sole traders, such as car valets and window cleaners requiring small scale storage space.
- 6.15 Rents for the Council's stock, which is acknowledged to be ageing, range from around £38 to £65 per sq m (approximately £3.50 to £6 per sq ft.). This is below the rental levels at which development of new stock – or potentially comprehensive refurbishment – would be considered financially viable. However, local occupiers may potentially prefer to own property rather than lease it. It would, therefore, be better to also offer serviced sites for development rather than just rental units. Owner occupation development is currently being undertaken on two plots within Heathhall, on the site of the former runway, both 0.4 ha in size. This allows them to build and develop units to their bespoke requirements whilst leaving room for future expansion and also the possibility of building speculative development. Two development plots are being marketed at Broomhouse Industrial Estate, each around half a hectare in size, with these attracting interest from owner/occupiers, particularly from the agricultural and transportation sectors
- 6.16 The Council's stock is located across the council area, although is noted to be limited in the Stewarty area. Dalbeattie, where the Council does not actually have any stock, is popular with enquiries from small occupiers. There is also considered to be a shortage of available units in Castle Douglas. These local conditions suggest that focused market reviews of supply, occupancy and demand may identify future investment opportunities.
- 6.17 Dumfries & Galloway Council also has an operational property portfolio, which includes a number of office buildings. Due to public sector funding

cuts, the Council is seeking to rationalise its office estate in Dumfries. An options appraisal was undertaken in February 2016⁸ with five options considered to reduce the size and running costs whilst delivering an improved estate. The preferred option identified proposes to reduce the number of buildings by 10 (from 24 to 14) through vacating leased properties, disposing of surplus properties and requiring medium capital investment.

- 6.18 Cargenbridge Business Park in Dumfries previously formed part of the Dupont Site. Scottish Enterprise delivered the first phase of serviced plots on the site in 2008. This development was undertaken in response to expansion requirements from a number of local companies. However, this interest was impacted by the global recession, resulting in none of the plots being taken up at that time. Three of the plots are currently leased to Gas Networks Ireland to provide external storage in relation to gas pipeline project it is involved with. There is further interest from a local company to lease another plot for storage purposes. One plot (known as Plot B) has been recently sold to a local company which wishes to expand through the development of offices and training facility. Enquires in general tend to be from local companies seeking to develop property for owner occupation (which aligns with the Council's experience of local demand).
- 6.19 Scottish Enterprise also developed serviced plots in Annan, at Stapelton Road Business Park, along with the development of business units (for Class 4 & 5 uses). Funding for this development was provided from the Nuclear Decommissioning Authority (NDA) and Europe to off-set job losses at Chapelcross. Seven industrial units were developed in 2014 to a high BREEAM standard, with two now being let – one for office use. At the time of the development, the cost of servicing the sites was twice the site value so Scottish Enterprise were addressing market failure. Initially, sites were restricted to SMEs due to the nature of European funding. This has now been removed and three of the serviced plots are now under offer to a national company within the forestry sector. It is proposed to develop the plots to provide a showroom and maintenance/servicing depot.
- 6.20 In 2013, Scottish Enterprise developed a number of very small units in Gretna for business use (Class 4, 5 & 6), within the town centre. However, there has been no interest for the designated uses, with two having been let for retail use. The units in Annan noted above are proving more popular with

⁸ Dumfries Asset Plan: Offices Focus Options Appraisal, February 2016

occupiers but these are larger in size (100 – 200 sq m) compared with the maximum size of 35 sq m available in Gretna. Small units were considered by the Council to be attractive to occupiers which suggests that Gretna was not the best location for these. SE also owns around 16 acres of land at Heathhall in Dumfries which is not serviced and is currently being marketed for sale.

- 6.21 Lockerbie is seen as an attractive location for business development and Scottish Enterprise has received enquiries for office space in particular. It is easily accessible from the M74, important for industrial uses, and also has good train links –with travel to both Glasgow and Edinburgh taking around an hour. This potentially makes it a more convenient location than Dumfries for occupiers with a large geographical market and need for access to the strategic transport networks – the town is conveniently located for haulage companies due to its drive times from England and also the north of Scotland, important given the time directive for driving heavy goods vehicles. Speculative industrial development is hampered by low values, which make it difficult to achieve positive financial appraisals.
- 6.22 There has been an increase in demand for land and property within Dumfries and Galloway over the last 12 months or so, according to Business Gateway. In terms of location, the focus of enquiries has been Dumfries and the east – Annan, Gretna and Lockerbie. These have been from a mix of businesses, with requirements from 929 sq m up to 16 hectares. Companies enquiring have included:
- A building material manufacturer seeking industrial property around 929 to 1, 394 sq m with an external yard;
 - High tech engineering manufacturer, attracted to Dumfries and Galloway by its accessibility by sea and road;
 - Timber processing company, looking for a site of 8 hectares;
 - High tech liquid nitrogen freezing chemical producer, requiring a 1.2 – 1.6 hectare site;
 - A clothing manufacturer looking to expand into a 69, 678 sq m facility.
- 6.23 In general, Dumfries and Galloway is considered well-positioned for servicing and accessing some particular markets, with links to Ireland by sea

and the rest of the UK, and mainland Europe, by road. As a result of this connectivity, it is attracting interest from companies from outwith the area. There are also a number of local companies requiring larger premises/sites for expansion, with the M74 corridor seen as particularly attractive. Most requirements state a preference for owner occupation and the opportunity to deliver custom built premises. However, identifying sites suitable for these opportunities is highlighted as an issue. An understanding of what sites are available and capable of being delivered is required. Issues related to ownership, level of servicing and infrastructure capability need to be investigated, along with necessary intervention mechanisms. The cost of servicing sites is often higher than land values making development unviable.

- 6.24 A lack of modern, quality office accommodation within Dumfries and Galloway was raised as an issue by consultees. Provision of this type of space would be attractive to the number of high tech businesses in the area which are not tied to a specific location. This would assist with business incubation and enterprise within the region. Dumfries was highlighted as a potential location for this type of offering, with the former Royal Bank of Scotland premises on Whitesands identified as an ideal location, due to its prominent position and ease of access. It was also noted that the west of the region lacks office provision. Crichton Business Park offers small, serviced office suites but is seen as distant from the town to some potential occupiers.
- 6.25 The lack of business incubation space in Dumfries and Galloway, and Dumfries in particular, is seen as a gap in the market. Dumfries and Galloway has a high number of SME companies located within the area. Potential demand could come from existing small businesses seeking to grow and expand as well as high value start-ups. Further investigation into demand for this type of space is required to establish the business case. Crichton Business Park has been proposed for such development, with its links to academia and existing enterprises cited in its favour. However, establishing a business incubation centre is seen as more important than the end location.
- 6.26 It was suggested by consultees that there should be a co-ordinated approach within Dumfries and Galloway to the provision of land and property, otherwise will continue to lose out to other areas such as Carlisle to the south and Ayrshire to the north which has two enterprise areas.

- 6.27 Chapelcross Nuclear Power Station ceased operation in 2004 with staged de-commissioning up to 2095 underway. It covers an area of 190 hectares and is currently owned by NDA. Around one-third of the site will be available for development up till 2028 with the remainder becoming available on a phased basis – with the last phase, the land around the reactors, not available until 2095. Chapelcross is the subject of a development framework which explores the potential re-use of the site over this time. The most suitable uses are identified as industrial development, distribution and storage. Three development sites are identified 1. Chapelcross North (19.43 ha), 2. Chapelcross South (7.13 ha) and 3. Chapelcross West (32.37 ha). There has been interest from local companies in relocating to Chapelcross although there is concerns over how long site preparation may take.
- 6.28 Chapelcross is relatively isolated and served by B roads. There is a need to improve the road access to make it more attractive for industrial development. Incentives such as introducing a simplified planning zone, such as is already in place at Hillington Park, near Glasgow, and being considered for Tweedbank Business Park in Galashiels, are currently being investigated. Chapelcross is seen as having the ability to deliver economic benefits to Dumfries and Galloway but needs further investment over the next five years or so.

Key Findings

- 6.29 Demand for office property increased between 2015 and 2016, mainly in Dumfries. However, there may be latent demand in other town centres, and Lockerbie in particular due to its accessibility by road and rail to Glasgow and Edinburgh, for small serviced office space.
- 6.30 The take-up of industrial property averaged around 5,000 sq m between 2011 and 2016. Access to the key strategic network is attracting occupiers to locations within close proximity to the M74 such as Lockerbie in particular.
- 6.31 It is likely that the public sector estate across Dumfries and Galloway will reduce, with both Dumfries and Galloway Council and NHS Dumfries & Galloway planning to rationalise their estates. This has the potential to increase the current supply of office space within the region, although it is likely some properties will be re-provisioned for other uses.

- 6.32 Intervention by Scottish Enterprise to overcome market failure, where the cost of site servicing was double the value, has resulted in the delivery of serviced development plots which catered for demand from owner occupied units. Take-up was initially slow but has picked up following the removal of user restrictions.
- 6.33 Scottish Enterprise has also developed units in Gretna and Annan, with the latter proving more successful. The Gretna units were smaller in size and have now been let for retail use rather than industrial.
- 6.34 The M74 corridor is an attractive location for business development and Lockerbie has benefited in recent years with an increase in demand from companies requiring easy access to the strategic road network.
- 6.35 There is potentially a market gap for business incubation space within Dumfries and Galloway, with demand anticipated from existing SMEs as well as high value start-ups.
- 6.36 A co-ordinated approach to the provision of land and property across the region is key to ensure that Dumfries and Galloway capitalises on its locational advantages going forward.

7.0 Development Viability

- 7.1 Development viability is a critical factor in delivering new development. Private sector development has been highly focused upon prime locations, with most other areas regarded as having thin markets where occupational potential is uncertain and uneconomic, in terms of rents/values/lease/covenant terms meeting development costs. The supply side of the market is implicated too; older premises – for example Council industrial units and upper floor tenement offices - continue to be offered at rates far below new build costs. The recent market cycle has exacerbated these market conditions.
- 7.2 Addressing market failure is challenging and requires to address a number of factors. This section considers the viability of new business and industrial development in Dumfries and Galloway, taking into account future demand as well as considering development viability.

Potential Demand

- 7.3 Section 3 provided an overview of the economic strategies which will help to drive demand for office and business property in Dumfries and Galloway. This section considers sub-sectors which will drive the employment property markets⁹.
- 7.4 *A Manufacturing Future for Scotland* (2016) (MAP) provides an action plan to help achieve an export-driven economy based on a sector employing 190,000 people. Ryden's supporting Industrial Property Study (2016) identifies that building obsolescence is a major issue, due simply to age; obsolescence is however also created by changing occupier, environmental and technological factors.
- 7.5 There is the potential to link the national MAP programme of 600 proposed asset reviews and emerging sectoral strategies, with SE's forty-nine account-managed companies in Dumfries and Galloway, and mobile enquiries handled by SDI, to develop a local and regional property market response, noting the importance of manufacturing to the region at paragraph 2.9. MAP's sub-sectoral strategies identified to date cover only Chemical

⁹ *Additional national priorities in Scotland's Economic Strategy / NPF3 / MAP are: chemical & life sciences, textiles, financial & business services, sub-sea engineering, aerospace, oil and gas, defence and marine, ICT*

and Life Sciences, and Textiles – which do not match the “volume and value” sectors prioritised for Dumfries and Galloway. Specifically:

- The energy sector is a ‘value’ priority. National renewables strategies from 2009 and 2010 are arguably no longer valid given the selected UK investment locations (such as Hull), and will require to be re-calibrated; the Council should work with national agencies and local companies on a refreshed approach. In property market terms the sector is complex given its primary extractive / generation role then supply chain (in comparison say with business services which occupies offices and its needs can be calculated from job numbers).
- Forestry and Timber Technologies are also ‘value’ priorities. In addition to the primary resource (timber), this sector will require large sites for manufacturing / assembly and premises for suppliers and technological support. The existing national construction strategy ran from 2013-16 and the Council should engage with national agencies and local companies on updated work including the implications of the construction technologies workstream flowing from MAP.
- Creative Industries is a diverse sector which includes both “volume” and “value” opportunities for Dumfries and Galloway. Scotland’s creative industries strategy comprises a 12-month rolling plan within a 10-year strategy 2014-24. The strategy is outcome rather than metrics-focused and covers a broad base of sixteen creative industries sub-sectors. The most appropriate option for Dumfries and Galloway will be to focus upon sector and site-specific propositions, for example for digital technologies incubation.

7.6 Dumfries and Galloway’s other “volume” sector priorities are tourism/ food & drink, agriculture and health & social care. These will each have specific property requirements and a general need for a supply chain, but do not directly translate into employment floorspace or employment land. It is noted that recent major investment in the health, education and retail sectors is consolidating around the regional centre of Dumfries, which may provide market signal for industrial and service (office) supply chain demand for property.

Property-based Potential Demand (initial high level assessment)

- 7.7 Economic strategies reviewed in Section 3 and above naturally concentrate upon growth sectors. Other general market sectors – for example local business services, local trades and public sector - will still continue to require an adequate supply of suitable premises across the region, and indeed may often provide the majority of future demand for employment property.
- 7.8 Dumfries and Galloway Council requested that Ryden provide projections of full market demand for the periods 2017-22 and 2022-27. These are provided in Table 12:
- Market take-up is based upon proven historic demand; this will over-estimate the need for new development as much will be secondhand, but also overlooks purpose-building, which may be sporadic but large.
 - Land take-up is proven but requires to be treated with caution as uses and development densities and rates will vary greatly.
 - Stock replacement/ refurbishment is based upon a high level assumption of a 40-year building lifecycle.
- 7.9 Despite the different estimating methods, Table 12 converges around a view that Dumfries and Galloway will require to provide around 35,000 sq m of sites or new/ refurbished employment buildings in each 5-year period to meet market demand.

Table 12: 10-year Projected Development Requirement (office and industrial)

Method	Analysis	10-year inference (total)
Market take-up	7500 sq m per annum	75,000 sq m
Employment land	5.6 hectares per annum <i>Say 50% employment & 25% plot ratio</i>	70,000 sq m
Replacement rate	Existing stock of c.275, 000 sq m <i>Say 40-year life cycle to refurbish/replace</i>	68,750 sq m

7.10 Further analysis is required to reconcile these estimates with economic growth potential, and to consider both the locational distribution and sectoral distribution of future market needs. General market trends would suggest future growth in the services sector, requiring additional office and business space in urban areas. Dumfries and Galloway, however, has a diverse economy covering a number of sectors. This has property and land implications, particularly for companies within the energy and food & drink sectors, which require sizeable sites located adjacent to power and transport infrastructure.

7.11 At this point in time there is a clear requirement to build a much more robust monitoring approach to the regional property market across Dumfries and Galloway, to create the evidence base to underpin strategies and projects. For example, concentrating the investment implied in Table 12 into larger economic centres and on proven sectors may maximise the chances of success and minimise the costs of intervention. However, Dumfries and Galloway is a large and diverse region with a range of economic needs and growth potential in both established and emerging sectors. This will require a robust evidence base across both economic and property indicators to identify, select and support property market planning and economic development activity.

Viability Assessment

7.12 Development appraisals are widely used within the property development industry to assess the commercial viability of projects. A combination of locational specific and standard market data is taken into consideration and as a guide, generally includes: rental/capital values; investment yield; build



cost; target profit; void and rent free periods, professional fees and marketing and other costs. The outcome provides an indication of the overall development value and cost, with the difference between the two determining the viability.

- 7.13 Individual developments will present their own unique challenges and land value will vary dependant on location. However, the main development variables are similar. At the present time (February 2017), building costs for industrial development range from £592 per sq m (assuming normal foundations and servicing) to £807 per sq m where ground issues exist or a high specification is required. A highly specified bespoke product is likely to attract even higher build costs. A budget cost of £592 per sq m is likely to deliver a simplified layout and specification, with a minimal amount of external hardstanding. An oversized concrete yard would unlikely to be concluded at this cost rate.
- 7.14 In Ryden's experience, the rent required to produce a viable industrial development is around £81 per sq m for a standard 1,858 sq m unit. It may be possible where the building is simple with efficient external areas and in an area of strong investment demand to achieve viability at a rent of £75 per sq m. Average industrial rents in Dumfries and Galloway are currently around £48 per sq m (Table 11), which is significantly below the required £81 per sq m.
- 7.15 Prime industrial yields in the west of Scotland are currently around 6.25 – 6.5% for long leases to strong covenants with in-built growth mechanisms (i.e. fixed rental uplifts). Within Dumfries and Galloway, it is unlikely that similar yields could be achieved without a lease to an international or national covenant for a minimum of 15 years (with a period of 20 years more likely to be required). Some form of growth mechanism would be needed as part of the lease terms as the initial rent required would be higher than the rents passing in the local market. Recent transactional evidence would suggest that yields in Dumfries & Galloway are around 10 – 11%.
- 7.16 There has been little speculative office development over the last few years. In Glasgow, the prime office market for the west of Scotland, three speculative office developments were completed in 2015. These have proved successful in attracting new tenants but has not resulted in any further speculative development. Rents in Glasgow for Grade A office space

are between £306 and £323 per sq m, with prime yields in the 5.25 – 5.75% range.

- 7.17 Out of town, there has been very little development activity by the private sector. Recent development undertaken has been, in general, by the public sector. For example, Irvine Bay UEC is currently construction two new office buildings at Annickbank in Irvine within the designated Enterprise Area.
- 7.18 Build costs for a small office pavilion (370 – 465 sq m) are considered to be in the region of £1,500 per sq m. It is likely that a rental value of £100 - £130 per sq m would be required to make this project viable. Based on recent transactional data, rental values in Dumfries and Galloway average around £70 per sq m.

Table 13: Summary of Development Viability Assessment

Development Type	Build Costs (per sq m)	Required Rental Value (per sq m)	D&G Rental Values (per sq m)
Industrial unit (1,858 sq m) 	£592	£81	£48
Office pavilion 	£1,500	£100 - £130	£70

- 7.19 Market failure afflicts employment land and property across Dumfries and Galloway. The commercial development appraisals in Table 13 do not take account of the economic benefits of occupiers actively using property and creating employment, goods and services.
- 7.20 Furthermore, in the post-2008 market following the global financial crash, property funding is concentrated upon prime locations such as cities, and on pre-committed developments (e.g. shops, offices, hotels and student

housing where the occupier has committed in advance to buy or lease the building).

- 7.21 Market such as Dumfries and Galloway not only have precious few of these prime funding opportunities, but the continued supply of obsolete buildings on low rents can undercut the market and suppress rents and lease terms at a level where the private sector cannot develop new units.
- 7.22 Market intervention is therefore required by the public sector to ensure that economic activity and growth is not constrained by lack of suitable employment land or property. An employment land and property Action Plan for market support and intervention will, therefore, be required.
- 7.23 The Action Plan, based upon the detailed research presented in this report, which require to be sustained, enhanced and taken down to project-specific levels to build individual cases for intervention. A pilot study for this approach is recommended, for example either the refurbishment plan for the Council's own portfolio, or identifying an existing industrial estate for a local action plan.