



**The Moray Council on behalf of
The Moray Economic Partnership**

**Elgin City Centre Masterplan
– Mini-Charrette**

Appendix 2: Property Market Report

August 2014

1.0 Introduction

1.1 The Moray Council instructed a team led by Douglas Wheeler Associates Ltd/Austin-Smith: Lord to deliver The Elgin City Centre Masterplan - Mini Charrette. Ryden is providing property market analysis and advice.

1.2 The mini-charrette may lead to further work and physical projects in due course. The purpose of this report is to show emerging property market options and provide a broad indication of how these might be delivered.

1.3 The work presented here builds upon the *Elgin: City for the Future* consultancy work and supporting suite of reports published in June 2011. That report sets out five *platforms for change*:

- High Street First
- Arts, Culture, Heritage
- Visitor Economy
- Education and Health
- Technology & Business

These themes are inter-dependent and overlapping and are intended to stimulate investments to create a more self-sustaining and diverse economy.

1.4 This short property market report uses the charrette discussions and emerging market trends in 2014 to begin to build upon and provide direction for the *City for the Future* scenarios.

1.5 Those scenarios are summarised in the table below. The scenarios can also be viewed as stages (bronze 2011-15; silver 2016-21; gold 2022 onwards).

| Do nothing: at trend | Bronze: trend plus | Silver: trend diversion | Gold |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| No new interventions leading to steady decline. | Public sector programme arrests decline, attracting some growth & private sector participation. | Public sector programme with significant private sector investment in positive national economy diverts trends towards sustained growth. | Public sector programme including new delivery agency and significant private sector investment leading to transformational change. For Lossie Green this means a new mixed-use comprehensive redevelopment to deliver an expanded city centre. |

1.6 The total development capacity within the 2011 city centre master plan is approximately 92,000 sq.m (1 million sq.ft.). Of this 49,000 sq.m. is at Lossie Green and a further 10,000 sq.m. between North Street and Cooper

Park. The balance of 33,000 sq.m. is along the northern edge of the existing centre fronting the A96 and in the east end of the centre. These figures indicate total capacity and will be reduced substantially by existing buildings, site availability, development phasing, market demand and development viability/ funding. The 2011 masterplan states that none of the attainment scenarios examined was viable at that time. While market conditions have improved a little in the intervening period, that statement still generally holds true in 2014. Land value would build over time through the scenarios.

1.7 The 49,000 sq.m. at Lossie Green is indicatively shown in the 2011 masterplan as 64% residential, 16% retail, 18% offices¹. The economic impact assessment behind this element has not been separately examined, but as a broad guide this scale of development at Lossie Green could accommodate:

- Additional city centre population of say 800 people²
- Additional retail turnover of say £15 million³, equivalent to adding around 15% to Elgin town centre's current retail turnover [compare to potential to extend St Giles and fill up core town centre buildings]
- Additional office employment of around 625 jobs⁴

1.8 The master plan also considers **delivery and funding** of the City for the Future vision. Comments on Enterprise Areas are superseded by events, while JESSICA/ SPRUCE will be fully invested during 2015 (although monies may be recycled). Tax Incremental Finance is not appropriate for the development mix. A Business Improvement District is already established and could be extended, although for revenue projects not capital investment. A Local Asset-Backed Vehicle (LABVs) could combine private investment with public sector assets; development agreements are a simpler approach where the private sector builds on public sector land. Property leases as a security for investors may suit specific uses such as student housing. The review concludes that no single delivery structure fits all of the projects.

¹ Potential new multi-storey car-parking is not included in this total

² Assuming typical 75 sq.m. units with average 2 persons per unit

³ Assuming £3100 per sq.m. per annum turnover and 60% net sales area; densities and town centre turnover from *Moray Cumulative Retail Impact Assessment – 2012 update*

⁴ Assuming 85% net office area and 1 job per 12 sq.m.; density source is Homes & Communities Agency (2010)

2.0 Market Context

Residential Property

- 2.1 House prices in Scotland increased by 3.1% during 2013 according to Registers of Scotland or 3.7% according to Nationwide, although Lloyds Banking Group (Halifax) suggests a fall of -0.8%. Meanwhile, by the end of 2013 loans for house purchases reached their highest level since 2008⁵.
- 2.2 Registers of Scotland reports that the average price of a residential property in Moray in Q4 2013 was £146,438, an annual rise of 0.8% which is positive but below the national average. The average price of a detached house in Moray was £192,828 (1.6% rise); a semi-detached £123,604 (3.2%); terraced £101,026 (-7.4%); and flatted £81,778 (-7.1%).
- 2.3 The estate housing market is currently active in Elgin. Developer Springfield is building phase 2 of Dunkinty which comprises fourteen units (1 remaining for sale) and Duncansfield totalling 85 homes (2 left). Barratt's Phase 3 of The Grange comprises around 135 homes and Hamilton Gardens by Robertson Homes is due to commence soon.
- 2.4 This re-emergence of the estate housing market is typical of the recovery so far, as developers build mainly for customers already in the housing market who are trading up, typically in proven market locations on sites without major infrastructure constraints. The housing market has been stimulated by economic growth and Government support and activity is beginning to ripple out beyond these safe markets, although in Elgin development of more urban, higher density housing has not commenced and as noted above prices for those sectors are still falling while prices for estate houses are beginning to rise again. The range of housing offer is emerging as a challenge for Elgin as delivery of affordable units runs below the required rate and the focus on lower density formats is unlikely to meet the needs of smaller households and an ageing population. There is early evidence however of some interest in town centre opportunities being considered for flatted development.

⁵ Council of Mortgage Lenders

- 2.5 In the current market it is Ryden's assessment that serviced housing land with planning consent in Elgin could attract prices in the range £150,000 - £350,000 per acre (£370,000 - £865,000 per hectare). Prices for residential land are highly variable according to the specific location, proposed housing mix, and site characteristics including any costs associated with delivering a serviced site or planning contributions. Complex town centre sites for example may incur abnormal costs to create a developable residential site or building.

Retail

- 2.6 According to the Scottish Retail Consortium in February 2014 total retail sales decreased -by 1.0% compared with February 2013. Like-for-like sales decreased by 2.5% over the same period. Against a background of weak consumer expenditure growth the retail sector continues to face a challenging outlook. This is particularly true of small to medium-sized towns which are being squeezed between prime city destinations, out-of-town retail parks and superstores, and migration of expenditure on-line.
- 2.7 Elgin town centre is largely defined by the High Street, South Street and connecting streets. A range of national and independent retailers is present including Marks & Spencer, Boots, Edinburgh Woollen Mill, Costa Coffee, Starbucks, Game, Specsavers, Thomson, Shoe Zone, Poundland, Farmfoods, Yeadon's of Elgin, The Golden Needle, Dorothy Jack Ladieswear, Best Wishes, Bee Crafty and Room to Bloom.
- 2.8 In line with other UK town centres there have been recent store closures, including Clinton Cards, Birthdays, JBB Sports, Comet and DE Shoes. However, Elgin has also attracted new investment from Sports Direct, Beggs Shoes and Bags, Goggs Sports, Cash for Clothes, Dorothy Jack Ladieswear and Santander. Out-of-centre, Bensons for Beds, Dreams, Home Bargains and Topps Tiles have opened stores.
- 2.9 St Giles Shopping Centre in the town centre totals 6,225 sq.m. in 36 units and opened in the early 1990s. Occupiers here include Superdrug, Argos, Ramdens, Mountain Warehouse, Waterstones, Monsoon, Semi-Chem and WH Smith. Robertson Property and Upland Developments plans for a £7 million 4500 sq.m. extension of the centre comprising an anchor store and unit shops were approved in 2013.

- 2.10 Elgin has two retail parks: Springfield Retail Park on Edgar Road comprises 10 retail units including Next, Curry's, New Look, Boots, B&Q and Homebase. Adjacent to this is Elgin Retail Park comprising 10 new-build retail units including Matalan, Home Bargains, Dreams and Topps Tiles and six vacant units.
- 2.11 Supermarkets in Elgin are Tesco (Lossie Green), Asda (Edgar Road), Farmfoods (High Street), Aldi (Trinity Place), Co-operative Food (Pansport Place) and Lidl (Station Road).
- 2.12 Eight multiple retailers have requirements to open a store in Elgin. These include restaurant, bargain stores, clothing and homeware requirements.
- 2.13 There are currently 16 retail properties available in the town centre totalling 4,830 sq.m. The vacancy rate is 9.8%⁶, which is slightly below the Scottish national average of 10%. Although Elgin has fared reasonably well in securing new occupiers for vacated units, the rate has still increased.
- 2.14 There have been 23 retail deals in Elgin as a whole since January 2011; the table below shows a selection of recent transactions. Larger transactions have tended to be at out-of-town retail parks and unit shops in the town centre. Prime town centre retail rents⁷ remained at £40 per sq.ft. Zone A from 1998 to 2008, then fell to £37 per sq.ft. Zone A.

Table 1: Elgin Retail Deals (January 2011 – March 2014)

| Address | Size (sq.m.) | Comments |
|--------------------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 71 South Street | 37 | Let in January 2014 |
| 39 Main Street | 101 | Let in July 2013 to Cash for Clothes on a 33 month lease at £4,500 pa (£44.77 per sq.m.) |
| 79-83 High Street | 734 | Let March 2013 to Dorothy Jack Ladieswear, on an assignment of an existing lease to expire in August 2020 at a passing rent of £75,000 |
| Unit 7 Elgin Retail Park | 433 | Let in March 2013 to Topps Tiles on a new 10-year FRI lease at £55,187 pa |
| Unit 6 Elgin Retail Park | 473 | Let in December 2012 to Bensons for Beds on a new lease at £81,472 pa |
| 19a Batchen Street | 78 | Let in January 2012 to Bits and PCs on a ten year lease at £15,600 pa (£200.86 per sq.m.) |
| 207 High Street | 82 | Let in October 2011 to Nickel & Dime t/a Best Wishes on a three year lease at £15,000 pa (£183.48 per sq.m.) |

⁶ Source: The Local Data Company & Ryden Research

⁷ Source: Ryden

Office

- 2.15 Demand for office property across Scotland is strengthening as markets recover in line with the wider economy. Recovery is strongly focused upon prime locations in major cities, particularly in Aberdeen due to investment by the offshore industries.
- 2.16 Offices in Elgin are located on upper floors along the High Street and around the town centre. Park House Business Centre is a Georgian office building located on South Street and has 17 offices to rent. Alexander Fleming House, on Southfield Drive was built in 2010; occupiers include Springfield Properties, NFU Mutual and Scottish Ministers. Phoenix House on Wards Road totals 430 sq.m. and was built in 1985; occupiers here include Scottish Children’s Reporters and Morrison.
- 2.17 In terms of new office development, The Alexander Graham Bell Centre for life sciences opened in February 2014 and has been developed at Moray College and includes commercial premises for lease. Out-of-town, Springfield’s Elgin Business Park at Barmuckity will offer opportunities for new office development. Moray Council is currently considering a community asset transfer of existing office buildings prior to centralising into two buildings in Elgin
- 2.18 There are currently 12 offices available in Elgin totalling 1,828 sq.m. Eight of the available offices are smaller than 200 sq.m., while one is larger than 464 sq.m. Since 2011 there have been 20 office transactions totalling 2,558 sq.m. A selection of recent deals is shown in Table 2.

Table 2: Elgin Office Deals (January 2011 – March 2014)

| Address | Size (sq.m.) | Comments |
|----------------------------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| 227 High Street | 83 | Leased March 2013 to Cancer Link Aberdeen & North on a five -year lease at £12,800 pa (£155 per sq.m.) |
| 1 Francis Place | 156 | Leased March 2013. Ground and first-floor space on a lease at £11,700 pa (£75 per sq.m.) |
| 147-149 High Street | 80 | Leased September 2012 to Out of the Darkness Theatre Company . Second floor office in traditional building. 1-year lease at £7,150 pa (£89 per sq.m.) |
| Unit 1 Brumley Brae | 111 | Leased June 2012. Over two floors, quoting rent (£89 per sq.m.) |
| Suite 1, Alexander Fleming House | 262 | Leased May 2012 to Scottish Ministers. Within modern purpose built two storey office. 5-year lease at £42,270 sq.m. (£161 per sq.m.) |

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|------------------------------------------|-----|-------------------------------------------------------------------------------------------------------------------------------------------------|
| 96-102 High Street | 62 | Leased April 2012 to Specsavers. Office on first floor. 5-year lease at £5,250 pa (£85 per sq.m.) |
| 58-62 High Street/ 2a Commerce Street | 61 | Leased March 2012 to James Wallace Business Services. Office on second floor of traditional building. 1-year lease at £3,600 pa (£59 per sq.m.) |
| The Park House Centre, South Street | 360 | Sold October 2011 to Gairland LLP. Category B listed office building. Quoting price £350,000 |

Industrial

2.19 The modern industrial property market is driven by a diverse range of sectors, including manufacturing, distribution, ICT, and utilities and services. Trade counters, food & drink, motor vehicle and services also occupy traditional industrial estates.

2.20 Elgin has in recent years had a constrained supply of employment land and units. Analysis by Ryden in 2013 identified companies with relocation requirements unable to find suitable premises. A new development by Moray Council of 6 units totalling 720 sq.m. at Chanonry Road South eases some of this pressure, although these are in the process of being taken-up. At the time of writing there were only 4 industrial units on the market in Elgin (and one under offer). As with the office sector, Springfield's Elgin Business Park will offer some potential to accommodate demand, probably at the higher amenity end of the industrial market.

2.21 Since 2011 there have been 15 industrial transactions totalling 2,052 sq.m. A selection of recent transactions is shown in Table 3.

Table 3: Elgin Industrial Deals (January 2011 – March 2014)

| Address | Size (sq.m.) | Comments |
|--------------------------------------------------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Chanonry Road South | 610 (in total) | Five individual lettings at the advance factory units. Unit 9 110 sq.m., Unit 11 70 sq.m., Unit 13 180 sq.m., Unit 15 180 sq.m., Unit 17 70 sq.m. |
| 36 Moycroft Road, Chanonry Industrial Estate | 207 | Sold in October 2012 to Tool Up Asbestos Solutions Ltd for £107,500. |
| 11-17 Linkwood Place, Linkwood Industrial Estate | 202 | Leased Sep 2012 to Harrison Trace Ltd. Unit in terraced block. 5-year lease at £12,000 pa (£59 per sq.m.) |
| Unit 5 Chanonry Spur | 96 | Leased in April 2012 to AMDetails Detailing Solutions |

3. Lossie Green Charrette Market Assessment

- 3.1 This section summarises the findings of the property market opportunity sessions at the Lossie Green Charrette. The findings are the product of a series of presentations and working groups, informed by the market analysis and by Ryden's knowledge of current and emerging development trends in the wider property market.
- 3.2 The land uses and development types reviewed in Table 4 are not all assumed to happen at Lossie Green. A number of the existing buildings could remain in place either for a period of time or for the long term. The red-amber-green categories indicate whether it is judged likely that those markets could be attracted to Lossie Green, over the short (1-2 years), medium (3-5 years) and long (beyond 5 years) terms. An underlying principle of the assessment is that land uses should aim to be additional at the Moray level, i.e. providing new forms of development and not displacing land uses from elsewhere; by implication this suggests new forms of housing, and expanding and inwardly-locating businesses.
- 3.3 Delivery of new development at Lossie Green is likely to involve a mix of routes. The lead regeneration role will be in site assembly, any demolition and remediation, servicing and investment in creating an attractive city centre environment. Moray Council owns a number of local assets in the wider study area including the plant nursery in Cooper Park (which is surplus to requirements), the ground lease and car park of the St Giles Centre and also holds common good fund land at Lossie Green.

Table 4: Lossie Green Mini-Charrette: Emerging Land Uses

| Land Use | Sub-sector | Short term | Medium term | Long term | Market rationale and development format | Delivery & Funding Lead |
|----------|------------|------------|-------------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Housing | Private | | | | <p>Medium density housing in a mix of types and potentially including private rented and retirement housing as well as general market housing. Prices for flats and terraces are still under pressure and market potential is emergent based upon demographics and recovery, rather than immediate.</p> <p>The first move in residential regeneration of Lossie Green is to prove the market in the existing town centre (vacant blocks, upper floors and A96 frontage). Housing on Lossie Green in the medium term would then be launched into an established and growing town centre residential sector.</p> | <p>Sites and infrastructure: public sector</p> <p>Town centre pilots: public-private (5-10 units projects most likely given sites)</p> <p>Development: private sector</p> |
| | Affordable | | | | <p>Policy and strategy documents indicate both a need for and under-delivery of affordable housing in Moray. This should be programmed for delivery along with the market housing above, although in viability terms if a funded project exists it could happen earlier as one of the early new land uses at Lossie Green</p> | <p>Sites and infrastructure: public sector</p> <p>Delivery: Moray Council, RSL (Registered Social Landlord) and/or via private sector</p> |
| | Student | | | | <p>Student housing has been a growth sector generally in larger cities based upon the emergence of private sector providers offering new-build accommodation. The format is emergent in the north as UHI takes shape and it is understood that a new development vehicle is proposed with a preferred contractor in place.</p> | <p>Sites and infrastructure: public sector</p> <p>Delivery: private developer (viable assuming backed by college/ university)</p> |

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|---------|----------------|--|--|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Retail | Comparison | | | | <i>Moray retail capacity study identifies comparison expenditure leakage. The consented St Giles extension offers the potential to boost the town centre. The town centre will face the continual challenge of market renewal of unit shops, cafes, and services. Edgar Road provides further retailing in Elgin. Comparison shopping at Lossie Green would dilute the potential to regenerate the original town centre.</i> | <i>Continue to promote core town centre.</i> |
| | Superstore | | | | <i>There is no capacity for a further superstore in Elgin. Larger operators have reigned-in their expansion plans, although local convenience and discount formats are still active.</i> | <i>No action required.</i> |
| | Local shop | | | | <i>To meet local need as a part of a new-build development mix. Potentially either a small branded or independent store.</i> | <i>Private developer as part of mix.</i> |
| | Arts & culture | | | | <i>Potentially a good fit with Elgin branding and CCC; art and craft production and galleries, possibly as part of a wider building use.</i> | <i>Undefined, potential part of mix.</i> |
| Leisure | Hotel | | | | <i>A shortage of good quality accommodation is reported for both business and leisure markets. Activity outside of larger cities has been limited but may offer potential with economic recovery. ECfTF proposes a hotel at the eastern end of the town centre (North Port) which should be considered alongside Lossie Green.</i> | <i>Site and infrastructure: public sector Development: hotel operator or developer with license to operator</i> |
| | Café | | | | <i>Desirable to meet local residents' and visitor needs and help to drive footfall to and around Lossie Green. Wide range of independent or branded operators could be considered.</i> | <i>Develop as part of private sector mix.</i> |

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|----------|-------------|--|--|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| | Recreation | | | | Lossie Green and Cooper Park offer opportunities for intensification of recreational use. | Public and/or private sector. Opportunity cost to be assessed. |
| | Health club | | | | Potential at Lossie Green is more likely to be associated with a new hotel than stand-alone, unless a new wave of investment in stand-alone health clubs emerges or a budget gym invests. | Private sector as part of a development mix or within a new hotel. |
| | Conference | | | | Conference facilities could form part of a hotel or public venue. | Public and/ or private sector as part of a development mix. |
| | Cinema | | | | The Moray Playhouse in the town centre has operated since 1922. There may be an opportunity through digital projection to complement this with a new (possibly specialist, part-time) venue. There has been some evidence of recent demand through a Facebook campaign for a multiplex. | Public and/ or private sector as part of a development mix. |
| Business | Industry | | | | The wider Lossie Green / ECFTF site contains existing employers. Further low density uses with yard space would not be compatible with the vision of an extended city centre. | Not applicable. |
| | Office Park | | | | There is regional competition in this sector from the successful Forres Enterprise Park (which includes an Enterprise Area) and locally from the emerging Elgin Business Park. An office park in the foreseeable future would require substantial public sector support and lead to potential displacement from these sites. | Not applicable. |

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|------------------------|---------------------------------------|--|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| | <i>Incubator/ business centre</i> | | | | <i>Existing business centres in Elgin attract occupier demand and in the medium term the sector could be developed in line with a growing city centre and regional economy. High economic impact and footfall generator for the existing and expanded town centre.</i> | <i>Sites and infrastructure: public sector. Public sector as lead developer.</i> |
| | <i>Education/ research</i> | | | | <i>Potential noted to accommodate uses associated with UHI or future new investments in Elgin requiring city centre location. This would complement the proposed Elgin West Research & Innovation Park that would target life sciences companies. (Moray Economic Strategy)</i> | <i>Sites and infrastructure: public sector. Lead institutes/ users as appropriate.</i> |
| | <i>Professions</i> | | | | <i>Potential to accommodate new and expanding professional services sector, in a measured way if backfill uses (such as residential) create demand for townhouses and upper floors.</i> | <i>Sites and infrastructure: public sector. Development: public and/ or private sector, in response to market demand.</i> |
| | <i>Public services</i> | | | | <i>Currently consolidating occupational requirements with no immediate anticipation of expansion or new departments.</i> | <i>Not applicable.</i> |
| <i>Mobile projects</i> | <i>Visitor sites</i> | | | | <i>As yet unspecified mobile visitor attractions such as a gallery, museum or exhibition. Not a core use but offering Lossie Green as an appropriate location in Moray for suitable projects emerging.</i> | <i>Sites and infrastructure: public sector Development: if opportunity arises.</i> |

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|------------------|-------------------------------------------------------------------------------|--|--|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| | <i>Employment</i> | | | | <i>Lossie Green as potential site for mobile company or agency preferring city centre location and new-build property over existing options in Elgin and Moray.</i> | <i>Sites and infrastructure: public sector. Development: if opportunity arises.</i> |
| <i>Community</i> | <i>Civic function to include arts/cultural/creative industries facilities</i> | | | | <i>Potential for a new multi-purpose arts and civic centre at Lossie Green should be appraised against re-use of existing assets. ECtF recommended a Town Hall Feasibility Assessment. Could include art and craft production and galleries/retail.</i> | <i>Feasibility studies: public sector.</i> |
| | <i>Local amenity</i> | | | | <i>Potential to accommodate local services such as childcare and healthcare.</i> | <i>Public and private sector operators.</i> |