

FINAL REPORT

Economic and Market Assessment for New Business Space

Tweedbank / Tweedside Park / Broomilees, Melrose



Report 1

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with


Economic and Social Development

Edwin
Thompson



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EXECUTIVE SUMMARY

General

On the instruction of Scottish Borders Council (SBC) and Scottish Enterprise (SE), Ironside Farrar Limited has undertaken an Economic and Market Assessment for new business space in the vicinity of the Borders Railway Terminal in Tweedbank. This report comprises one of a suite of four reports prepared on behalf of SBC and SE. It has been undertaken jointly by EKOS and Edwin Thomson LLP, acting as sub-consultants to Ironside Farrar Ltd.

The purpose of the report is to inform potential development of sites at Tweedbank, Tweedside Park and Broomilees.

Study Approach

The Economic Assessment presents a review of the potential economic growth within the Borders (partly as a result of the Borders Railway - due to be completed in 2015) and the impact this may have on the demand for commercial property. In particular, the study considers the current and historical performance of the Borders economy, reviews the impacts of other infrastructure developments on the wider economy for comparative purposes and reviews the wider context in which the Borders Railway is being delivered.

The Market Assessment Section of the report provides a breakdown and summary of current Office and Industrial Property within the Central Borders, analysis of demand in these sectors between 2000 and 2008 and associated commentary.

Economic Review

Key messages from the economic review include:

- there has been a steady decline in the employment base of traditional land based industries and early signs of adjustment towards a more diverse economy.
- in 2012 almost 40% of jobs within the Borders are considered within higher level occupations, and this has grown steadily since 2004 – a net change of 4% points;
- in terms of current demand for employment in the region (i.e. the supply side) – lower level occupations including sales, elementary occupations, and process/ plant workers make up almost two thirds (63%) of the those currently seeking employment;
- since 2008 the SE priority sectors have performed well across the region – with the only the food and drink and creative industries experiencing a decline in employment (-6% and -14% respectively). The Borders has a reasonable sized employment base in the areas of tourism, creative industries and financial and business services;
- similar to the employment base, the business base has experienced a decline since 2008, although encouragingly the professional services sector experienced small levels of growth during this period and currently represents one fifth of the total business base;
- the business base continues to be dominated by SMEs and in comparison with other regions the Borders has historically had a healthy level of business churn and new start survival rate;
- while the Borders has seen an increase in GVA output (2004 – 09) the growth is lower than comparator areas and proportionately the region 'punches below its weight';

- the proportion of the resident population who are of working age living in the Borders is lower than comparable areas – this identifies a common problem for rural areas of high levels of out migration of young people and an ageing population. That being said, it is acknowledged that the railway will likely have a positive impact in sustaining and increasing the resident population base and encouraging residential development;
- GVA and employment forecasts over the short term (2010 – 15) show fluctuations within the professional services sector, however, overall they will experience notable growth;
- looking at forecast for growth and applying them to the Borders, we have identified that over the short term there is potential for growth within the 'professional and business services sector' of c. 180 – 350 new jobs created across the Borders. Using a number of assumptions and caveats we have identified there is potential demand for 450 sqm – 1,750 sqm of new commercial office space to accommodate this forecast growth across the sector;
- a review of comparator projects identifies a range of impacts on the wider economy over the medium to longer term including, access to employment, services etc, business relocations, positive changes to the population base, productivity and perceptions of the area. However, there is little evidence to suggest that improvement to infrastructure (acting in isolation) will have an impact on catalysing and supporting the development market.
- medium/ longer term prospects for the Borders are difficult to predict with any level of certainty. Based on a number of assumptions there is potentially demand from the 'professional services', tourism and retail sector for additional floor space across the Borders that won't be met by the existing stock. This provides opportunity for development within the study area/potential phased approach as commented on within the recommendations.

Property Market Review

Office Development

- Analysis would suggest that there is a strong supply of existing office accommodation within all sectors of the market.
- It would appear unviable to demolish and re-build the existing stock on the core part of Tweedbank Industrial estate without significant grant funding.
- A proportion of the existing stock appears to be in need of refurbishment. Many of the units are single skin. In some cases the units appears to be approaching an age and condition where they may benefit from re-cladding. It may be possible to refurbish them in a format that is more flexible to cater for the needs of the current market. I.e hybrid office units, versatility to readily accommodate sub-division to meet smaller requirements etc.
- Whilst there is good availability within the existing office stock within the Central Borders area, if there was flexible new build accommodation available at Tweedbank with parking, given its central position, good road links and the rail connection it may prove an attractive option in relation to the other office availability.
- Whilst rents in the borders may be competitive with new build developments in parts of the city, the increasing build costs do mean that there is a continued upward pressure on rental levels for new build accommodation and there will also be competition from office accommodation in Midlothian which will also benefit from the re-establishment of the rail link.

Industrial Development

- Analysis would suggest that there is limited availability of industrial units on a freehold basis and whilst there is significant rental stock, there is limited availability in the 46.47 sq m (500 sq ft) to 185.87 sq m (2,000 sq ft) size bracket.
- Build costs appear prohibitive to many private sector new build options for commercial units at the moment and there is currently very little speculative new build activity in the commercial sector across Scotland.
- A broad brush analysis of recent new build projects suggests that potential rents would require to be in excess of those currently achievable to make new build commercially viable by the private sector.

Key Messages for the Borders

Based on the key findings presented above taken from the economic and property market reviews, we have made assumptions that any short term demand (0-5 years cumulative total) for new high quality office accommodation around the Central Borders area will be limited – c. 450 sqm – 1,750 sqm. This is based on modest levels of growth (from a small base) within the 'professional services' sector and the current supply of commercial office accommodation in the local area. There is also potential demand from the tourism and retail sectors, however we are unable to comment on the availability of existing stock to meet this demand;

It is also worth noting that historically, the business base in the Borders is populated by smaller businesses – less than 50 employees. This will undoubtedly have an impact on any potential future demand for floorspace i.e., smaller self contained units and floorplates etc.

In addition, the current restricted development market and risk averse nature of the private sector means that the railway line opening is unlikely to be incentive on its own to stimulate activity within the private development market. There is therefore scope for SBC and SE to consider a developer engagement strategy.

Medium/ longer term prospects for the Borders are difficult to predict with any level of certainty. Based on a number of assumptions there is potentially demand from the 'professional services', tourism and retail sector for additional floor space across the Borders that won't be met by the existing stock. This provides opportunity for development within the study area/potential phased approach as commented on within the recommendations.

If a viable development proposition is identified for the sites, in terms of moving development forward there are a further two important issues that need to be considered, 1) capitalising on the positive media coverage and momentum that will be generated through the opening of the new rail line and station at Tweedbank, and 2) setting a viable and realistic development timescale for the sites.

Recommendations

It is therefore recommended that further analysis be undertaken within the Development Appraisal reports to identify a viable and deliverable development timeline. This would consider both quick wins for the area (to build on the momentum of the rail line) and meet any short term demand, but also develop a longer term strategy to support the sustainable development of the area. Given the size of the sites and the current constraints within the development market, a 15+ year timeline would seem a reasonable starting point.

The development of any longer term strategy should help meet the objectives of both the region's land use (Local Development Plan) and economic development policy, and should

be reviewed and updated at five year cycles to reflect changes in both the strategic environment and wider market conditions.

Given the findings of the report, a phased strategy is recommended with respect to development of the three sites considered and towards the technical development studies included as part of the current brief:

- Tweedside Park, with current vacant plot and offering opportunity to create a high quality employment environment at a key location for the new station is proposed to be taken through the full technical study and development layout brief. SE/ SBC will then be in position to consider potential funding mechanisms/timescales and potential public sector input.
- Tweedbank offers both existing vacant plots and buildings together with close proximity to the railway terminal and offers opportunity for low cost immediate availability as well as potential for development over available vacant sites should the demand arise. It is proposed that this site should also progress to the full technical/ development layout brief.
- This study has suggested that is no current short term demand for development land at Broomilees and with medium/long term trends difficult to predict, significant input to the site at this stage is unlikely to be required. A short high level study only is proposed which would identify and summarise key issues/ costs and development timescales. This would allow SE/ SBC to be prepared for development of the site, should a demand arise in the future.

1.0 INTRODUCTION

1.1 General

On the instruction of Scottish Borders Council (SBC) and Scottish Enterprise (SE), Ironside Farrar Limited has undertaken an Economic and Market Assessment for new business space in the vicinity of the Borders Railway Terminal in Tweedbank. This report comprises one of a suite of four reports prepared on behalf of SBC and SE. It has been undertaken jointly by EKOS and Edwin Thomson LLP, acting as sub-consultants to Ironside Farrar Ltd.

The purpose of the report is to inform potential development of sites at Tweedbank, Tweedside Park and Broomilees.

1.2 Background

The Waverley Railway (Scotland) Bill received Royal Assent in July 2006. It proposed the re-establishment of a railway connecting the Central Borders and Midlothian to the national network at Edinburgh. Now known as the 'Borders Railway', preparatory works contracts are currently in progress in advance of the main contract. Formal confirmation from Transport Scotland of the letting of the main contract is anticipated in the autumn of 2012, and the railway itself is programmed to be operational by late 2014.

At well over £200m the Borders Railway represents the largest single investment in the transport infrastructure of both Midlothian and the Borders for a considerable period of time. In the longer term the improvement in public transport connectivity and reduction in the perceived peripherality of the Central Borders it will bring about should have significant net beneficial economic impacts. Some of these will happen without further public sector intervention, but there are also opportunities to create additionality by preparing or taking action now to enhance the economic development benefits that the railway can bring. Amongst these are the possibility of creating or enabling business land and/or property development in strategic locations in the railway corridor and so encouraging future business development in the Central Borders.

This current project is about identifying and planning how to capitalise on such an opportunity.

1.3 Objectives

Scottish Enterprise (SE) and Scottish Borders Council (SBC) have identified the need to investigate development options and infrastructure provision to encourage future business development in the Central Borders.

As part of their remit to provide or assist in the provision of development sites for business, SE and SBC have commissioned this feasibility study in the area around the proposed Tweedbank Railway Station and up to the Borders General Hospital (BGH) at Huntlyburn. This study will initially be about assessing whether or not an economic development opportunity exists in this area, and subsequently about planning how such an opportunity can best be realised. The outcome of the study will provide the basis for the business development land/ property proposals to be incorporated into the Local Development Plan. The principal aim of the study is to set the grounds for maximising the economic development potential of the Borders Railway by forming the basis of:

- an ambitious, proactive and credible development strategy for providing modern, environmentally efficient business property in the area, agreed with planning and

other statutory authorities, and based on a realistic appreciation of the potential market and of the impact of the rail reopening;

- planning guidance, that may be incorporated into the Scottish Borders Local Development Plan, compilation of which is currently underway through publication of the Main Issues Report;
- site development options and development briefs with indicative costings, and a phased implementation programme;

1.4 Reporting Format

This report comprises the Economic and Market Assessment for the study.

It comprises one of four reports produced as part of the project. The assessment undertaken in this report informs the need, or otherwise for Technical Appraisals of potential development sites at Tweedside Park, Tweedbank Industrial Estate and Broomilees.

2.0 SCOPE OF WORKS/ METHODOLOGY

The following outlines the scope of works undertaken as part of this assessment:

- Assessment of the potential of a reinstated rail connection to enhance the value of the Study Area.
- Review of the sectoral potential within the Central Borders
- Review of the potential scale and sources of demand: local, regional; national and inward investment.
- Assessment of likely demand in the context of the availability of development land in the Central Borders.
- Establishment of a basis for valuation of the asset under a variety of market demand scenarios (e.g. demand for small plots and demand for a large site user, demand for various types of premises, classes 4, 5 & 6) and provide valuation estimates.

2.1 Methodology and Consultations

The following methodology has been used during this report.

- Collation/ review of background information;
- Review of previous reports.
- Consultations with relevant organisations.
- Walk-over site survey, including photographs.

Table 1 presents a list of consultees.

Table 1 – List of Consultees

Consultation Name	Type of Information
Scottish Borders Council	Previous reporting and economic data
Scottish Enterprise	Comments regarding economic and development considerations.
Transport Scotland	Information relating to Updated Business Plan for the Borders Railway.

2.2 Previous Reports

As part of this study the following previous desk study and reporting information has been reviewed to provide pertinent details on the site.

- Nominal land ownership information.
- A list of Buildings at Tweedbank and Tweedside Park including owners and tenants, referenced from the valuation roll.
- Report from the Scottish Government Reporters unit on the Objections to the allocations at Broomilees and the issues raised by B&Q at Tweedbank IE.
- Ryden Property market studies for the Scottish Borders.

- Scottish Borders Local Plan.
- Scottish Borders Local Development Plan: Main Issues Report.
- Scottish Borders Council Annual Employment Land Audit.

2.3 Background Data Sources

A number of secondary data sources were used to inform the economic review including:

- Scottish Government – State of the Economy 2012.
- Ernest & Young ITEM Club Summer Update, 2012-10-04.
- Scottish Government - Annual Business Statistics, and Business Demography.
- Business Register and Employment Survey/ Annual Business Inquiry.
- Annual Population Survey.
- DWP Claimant Count.
- Office for National Statistics.
- General Register Office for Scotland.

2.4 Site Details

The study is centred around the proposed Borders Railway Terminal at Tweedbank. The study area comprises a mixture of agricultural lands and existing zoned employment land comprising three main sites:

- Tweedside Park
- Tweedbank industrial Estate
- Broomilees

Tweedside Park was constructed in 1989 and is a strategic employment site designed on a high amenity basis. It has one undeveloped plot and is located adjacent to the proposed Borders Railway Terminal.

The existing Tweedbank Industrial Estate was initially developed in the mid 1970's and generally consists of manufacturing and commercial uses.

The Broomilees site is located approximately 2km west of Melrose Town Centre and directly to the south and west of the A6091(T) trunk road. The site covers an area of up to approximately 5 hectares and predominantly comprises agricultural land that generally falls to the east.

Figure 1 shows the study area in a national context with Figures 2 and 3 identifying the local area and an aerial photograph respectively. Figure 4 provides an assessment of vacant sites/ buildings at Tweedbank/ Tweedside Park.

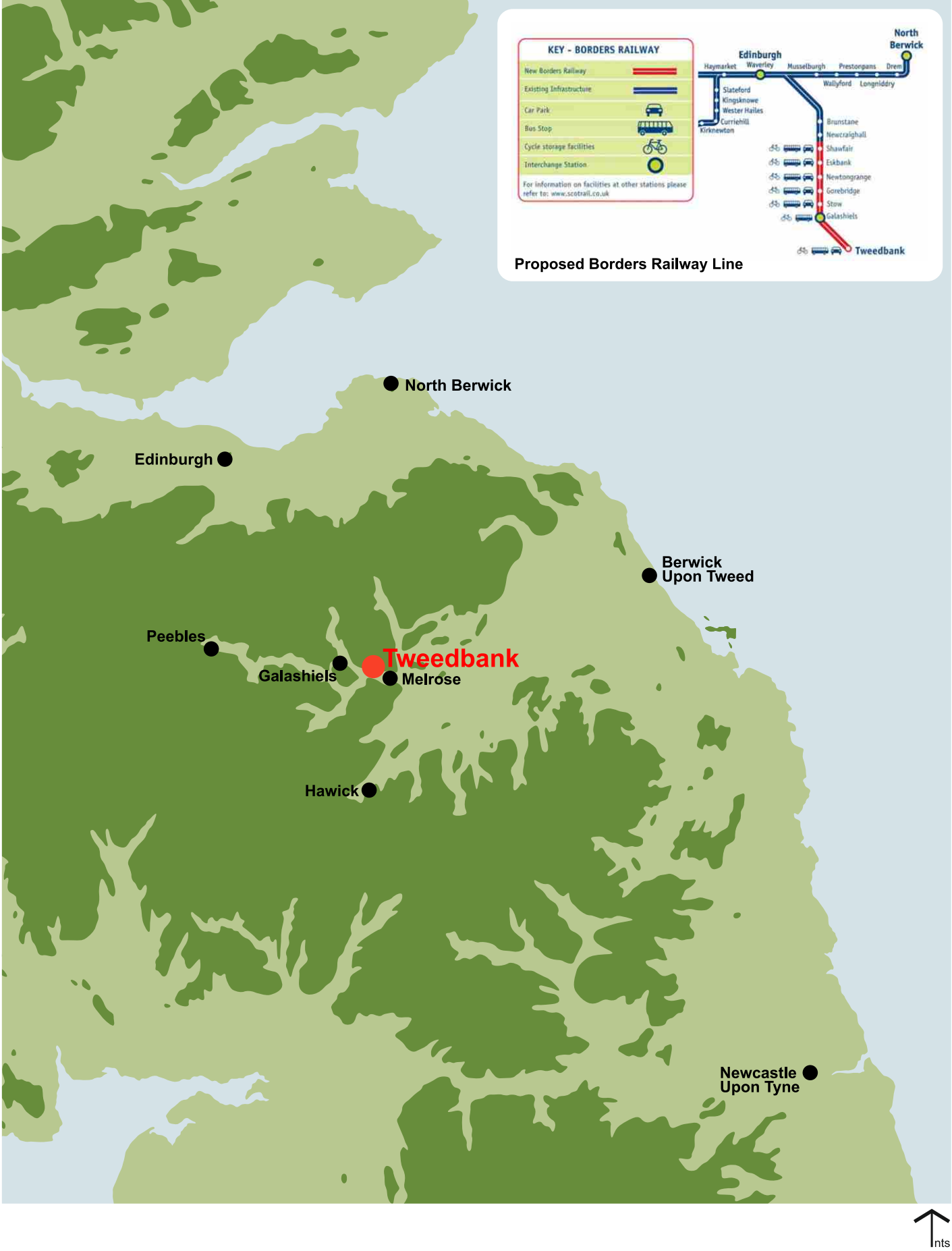
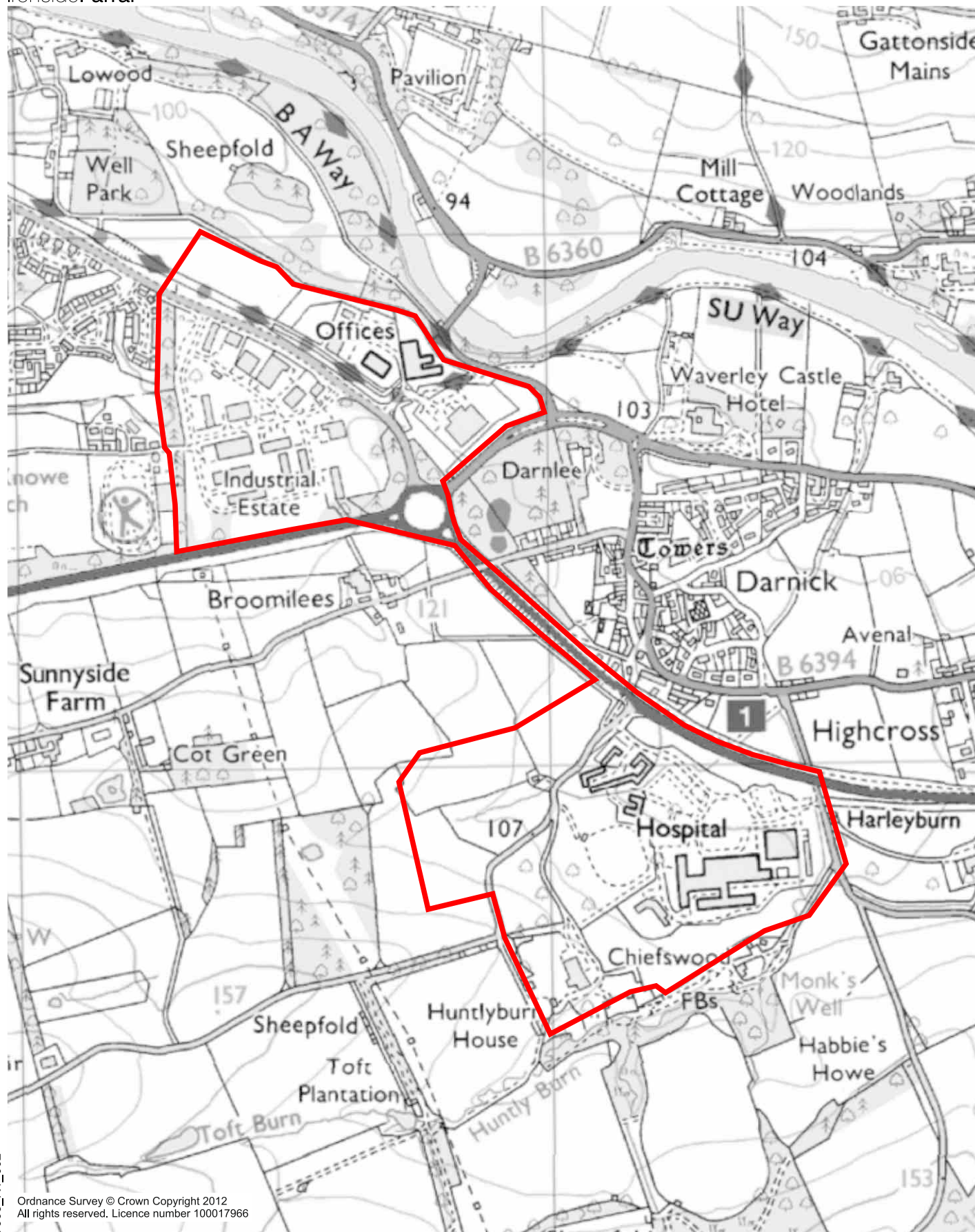


Figure 1
National Context



7908_R1_002

Ordnance Survey © Crown Copyright 2012
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Study Area



Figure 2
Study Area



Figure 3
Aerial Photograph

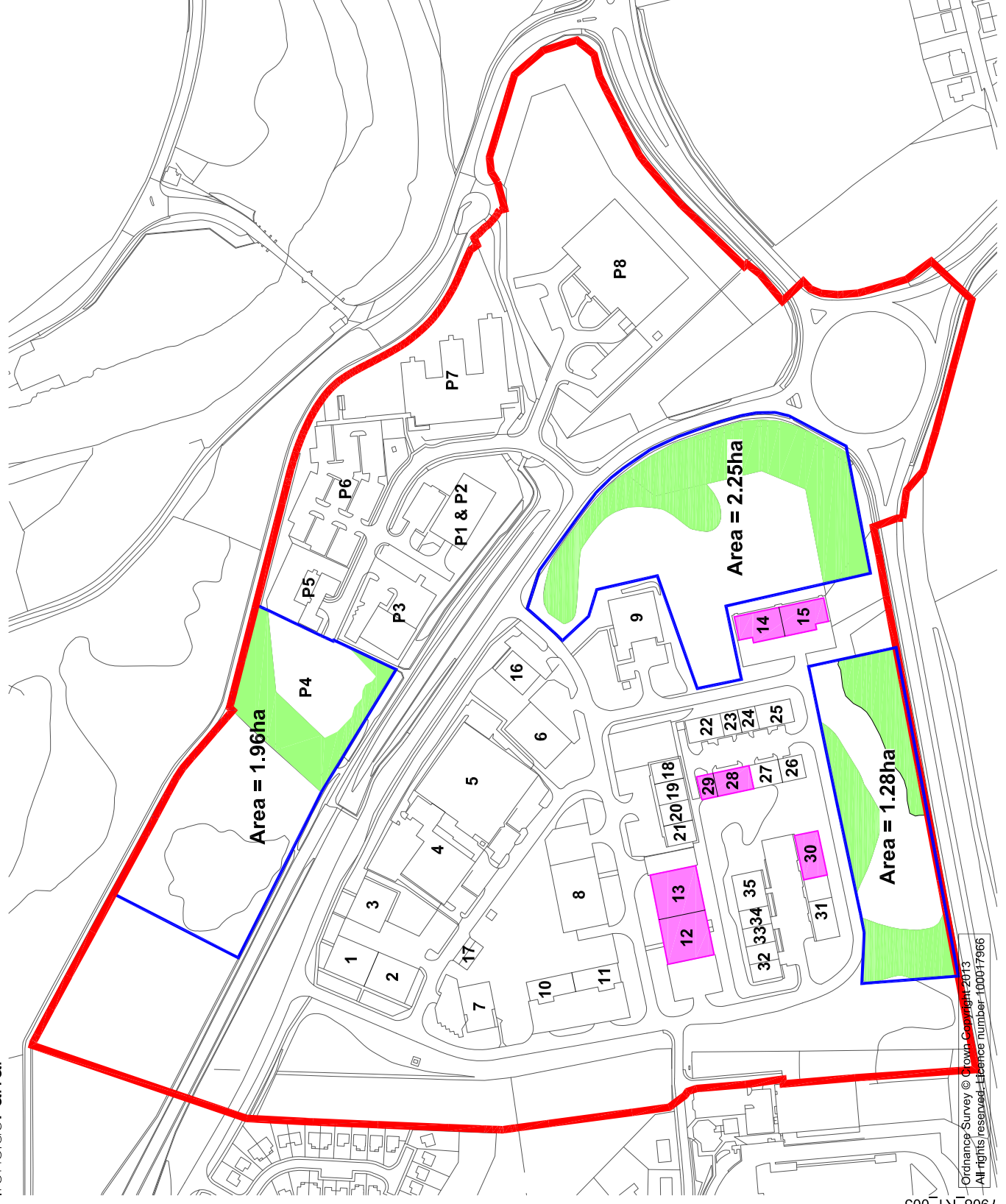
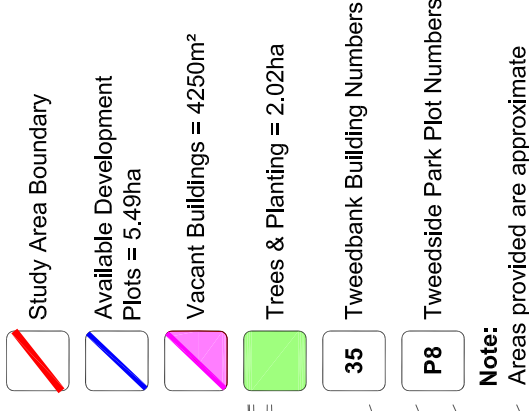


Figure 4
Tweedbank /
Tweedside Park
Available
Development Space
/ Vacant Buildings

3.0 ECONOMIC ASSESSMENT – EKOS

3.1 Introduction

This section presents a review of the potential economic growth within the Borders (partly as a result of the Borders Railway - due to be completed in 2014) and the impact this may have on the demand for commercial property. In particular, we have considered the current and historical performance of the Borders economy, reviewed the impacts of other infrastructure developments on the wider economy for comparative purposes, and reviewed the wider context in which the Borders Railway is being delivered.

In particular, this section considers the potential longer term growth within the higher value, professional services' sector across the region e.g. financial and business services.

The study method involved two key stages:

1. review of the historical performance of the region, using data to identify trends or potential opportunities for growth. Where appropriate we have drawn comparison with other areas; and
2. review of other key transport nodes/hubs, both rail and road and the impact they have had on supporting economic development and growth.

The economic research feeds into a wider market demand study (**Section 4**) that identifies potential opportunities and demand for high quality commercial premises to service the 'professional services' sector within three key sites (Tweedside Park, Tweedbank Industrial Estate, and Broomilees Farm), located beside the proposed rail line and stations.

The 'professional services' sector will have a different demand for commercial accommodation from the more traditional land based rural sectors that have historically dominated the Borders economy, which will in turn have a knock on effect for the supply of commercial accommodation.

3.2 Economic and Strategic Context

In undertaking the economic review it is first important to set the wider context, reflecting the fact that Scotland has a small open economy, and performance is influenced by economic shocks and events in the global and UK economies. The effects of the economic recession, which began in July 2007 and intensified dramatically in September 2008 with a series of bank failures, continues to have ramifications for the Scottish economy, although there are signs that the recovery is underway.

Please note: the majority of the economic context has been gleaned from published wider reports at the Scottish level, therefore, we have not commented on the validity but simply presented the key messages/issues that have emerged.

State of the Economy, Scottish Government, July 2012

The State of the Economy, published by the Scottish Government (July, 2012) provides information on Scotland's economic performance and highlights key global and Scottish level issues relevant to the economy during the economic recession¹.

¹ <http://www.scotland.gov.uk/Topics/Economy/state-economy>

The key recent changes within the economy as highlighted by the State of the Economy publication include:

- recovery remains fragile with output falling 0.1% during Q1 and Q2 of 2012;
- economic output remains c. 3.9% below that of pre-recession levels;
- the construction sector is a key component of this decline in output, and has experienced a decline in output over the past two quarters;
- positively, the production and service sectors (which account for 90% of the Scottish economy) grew during the first two quarters. The production and service sectors grew by 2.5% and 1% respectively;
- unemployment is currently at 8%, this is comparable with the wider UK level – 8.1%; and
- while feedback from business surveys remain mixed, the general message is one of continued recovery – although still behind pre-recession performance.

In terms of the short-term prospects for the Scottish economy, the key messages are:

- uncertainty with the Euro Zone and wider global economy will continue to impact upon investors confidence, and therefore, recovery remains fragile;
- the UK and Scottish Government's, and the Bank of England have adopted new measures to stimulate the private sector including improvements to the availability of capital monies, finance and credit, however, it is unclear, what, if any impact this will have on the Scottish economy;
- the Scottish Government has identified a need for 'shovel ready' infrastructure projects – in order to provide a short term catalyst, while at the same time developing an asset which can support growth over the medium-longer term;
- exports and inward investment remain critical to the Scottish economic recovery, and a recent Ernst and Young UK Attractiveness Survey (June, 2012) identifies Scotland as the leading location in the UK for inward investment. This is helped by growth within key sectors like food and drink; and
- overall, growth is expected to be fragile for the remainder of 2012, and pick up slightly in 2013/14 with output returning to near pre-recession levels in 2014. This is however, dependent on a number of outside factors including the Euro Zone and a continued period of deleveraging.

ITEM Club 2012, Summer Update

The ITEM Club provides independent economic forecasting across the UK. The most recent Scottish update report focuses on the position of Scotland in the UK and global markets, and provides insight into the economic health and future prospects for Scotland.

The key issues identified within the report include²:

- growth expectations have suffered yet more downgrades. The Scottish economy is forecast to grow by only 0.3% in 2012, slightly below the rate of growth forecast

² Information is taken from the ITEM Club 2012 Summer Update, full details of the report can be found here:
[http://www.ey.com/Publication/vwLUAssets/Scottish_ITEM_Club_Summer_Update_2012/\\$FILE/EY_ITEM_Club_Scotland_update_Summer_2012.pdf](http://www.ey.com/Publication/vwLUAssets/Scottish_ITEM_Club_Summer_Update_2012/$FILE/EY_ITEM_Club_Scotland_update_Summer_2012.pdf)

for the UK. External events and the unwillingness of companies to invest are holding back the recovery. For 2013, Scottish growth is now forecast at 1.1%, this is marginally lower than the expected rate of growth for the UK;

- total employment levels are forecast to be flat over 2012 and into 2013, primarily due to a slower than expected recovery and further predicted public sector job losses;
- a sectoral breakdown shows that manufacturing output is expected to remain stagnant in 2012. Construction is forecast to grow by 0.6%, in line with the economy as a whole, while business services is expected to enjoy output growth of around 2%;
- central government and local authority employment has fallen faster in Scotland since late 2008 compared with the rest of the UK - Scotland accounts for over half of the UK fall in central government headcount in the last three years. Further, Scotland has also disproportionately lost more staff from the NHS; and
- the Scottish export market has been fairly laboured and businesses have been unable to capitalise on international opportunities – this will further affect the speed of economic recovery.

Regional Context

The South of Scotland, similar to most rural areas across Scotland, is traditionally reliant on manufacturing and land-based industries. However, there has been a small shift towards higher value and high growth sectors like environmental technology services and food and drink.

The South of Scotland has relied for its wealth on sectors that are likely to have been more resilient in the recession – low and medium technology manufacturing, food and drink, and tourism (and much less dependent upon financial services), which are likely to have given the regional economy some protection from the worst of the economic downturn.

However, as the recovery is being service sector led, it may be a little weaker in the South region than at the Scottish level. This is in line with pre-recession performance where GVA growth has traditionally been below the Scottish average.

That being said, a recent report published by Experian³ considers how local authorities in Scotland are likely to perform in the aftermath of wide spread cuts to Government spending and tests the resilience of their economies. The criteria looked at both negative and positive factors, including:

- negative factors – local authority areas with: a high proportion of businesses in vulnerable sectors (i.e. affected by both the recession and public sector cuts), and areas where marketing data shows a high level of companies in insolvency; and
- positive factors – local authority areas with: high volumes of companies in the technology sector (demonstrating ability of the economy to adapt), companies that regularly pay their bills on time, high proportion of foreign-ownership, high levels of self-employment, and areas that have a strong export orientation.

Edinburgh and the Scottish Borders are ranked within the top ten (ranked 3rd and 8th respectively) best placed/most resilient local authorities in Scotland to be sustainable in the post recession environment.

³ Available at <http://publicsector.experian.co.uk>

However, the growth within the Scottish Borders has to be considered in the context that growth in the South region generally has been slower and at lower levels compared to Scotland as a whole. Therefore, while the region is predicted to make a steady recovery from the effects of the recession, growth in the short-term is still likely to be somewhat laboured.

South of Scotland Competitiveness Strategy 2007 – 2013

The South of Scotland Competitive Strategy outlines the vision of the South of Scotland Alliance for supporting the growth of the economies within the Borders and Dumfries and Galloway.

The Strategy outlines seven key priorities for the region:

- retain and attract more people of working age;
- grow a knowledge economy in the South of Scotland;
- increase the demand for learning and skills development amongst the workforce and wider community;
- maximise the benefits of connections to city regions and other economic centres including mainland Europe;
- realise the full potential of the indigenous business sectors and maximise the contribution to Scotland's priority industries and in particular the food, tourism, textiles and renewable industries. Improve micro-business support and growth potential;
- build a distinctive high quality sustainable place to live, work and visit and enjoy; and
- develop the coastal and land based assets of the South of Scotland.

The development of the Borders railway will contribute to a number of these priorities. In particular, it is envisaged that it will help to change the dynamics of the economy, through supporting the growth and development of the knowledge economy, and enhancing connections with the Edinburgh city region and the wider central belt.

As highlighted above, any change in the structure and dynamics of the economy, moving from traditional land based industries to a greater reliance on 'professional services' and the 'knowledge economy' will potentially have a knock on effect for the demand and supply of property.

Main Issues Report 2012

The Local Development Plan Main Issues Report (MIR) is Scottish Borders Council's response to the development of a new all in one spatial strategy for the region. It identifies new land use issues and outlines preferred sites for development. It is the basis for consultation regarding land use issues with the general public.

The MIR identifies sites within the Borders and Midlothian as strategic sites for the provision of additional employment land as a direct result of the proposed rail line. The report identifies the sites around Tweedbank, Tweedside Park and Broomilees as key employment locations due to the existing infrastructure and the accessibility of the railway.

Therefore, as highlighted in other supporting documents, the railway is important to help 'unlock' the land within these sites to encourage development activity.

Outline Business Case 2007

The Outline Business Case for the Railway development prepared by Turner and Townsend Project Management identifies four key areas where it is predicted to generate additional economic impact⁴:

- access to employment – increased commuting through greater accessibility to larger commercial centres;
- new housing – the railway will open up land for new residential developments. From this there will be a knock on effect for the local economy through additional expenditure from this incoming resident population;
- existing businesses – there is potential for productivity gains through working on the train and also increased access to larger commercial centres within Edinburgh and the central belt; and
- inward investment – improvements to the external perception of the Borders may encourage businesses to invest in the area.

At the local level, the railway is predicted to generate 63 – 213 net Full Time Equivalent jobs and net additional income/salaries of c. £1.6m - £4.9m per annum.

Please note that currently the Business Case is being updated by Transport Scotland and at the time of writing this report was not available for review. However, consultation with Transport Scotland identified that there have been no material changes to the 2007 report.

Summary

The wider economic recovery has been restricted and is predicted to fluctuate over the short-medium term. While there are early signs that, to some extent we are starting to 'turn the corner', this is tempered with caution regarding the potential impact of external issues e.g. Euro Zone crisis.

A review of relevant economic and physical development policy identifies Tweedbank, Tweedside Park and Broomilees as key sites for the provision of employment land, particularly in light of access to the new rail line.

Within this, there is also a recognition that the economic make-up of the region is starting to change, and in order to support economic recovery and growth the region has to adapt. In particular, the strategic view is that the Borders has to focus on moving away from traditional land based industries (which have seen a decline across the region in recent years) towards a higher value knowledge driven economy.

Employment Base - Pre and Post Recession

The employment base of the Borders is similar to many other rural areas and is dependent on a few key sectors – manufacturing, service sector (tourism focused) and the public sector, see **Table 3.1**.

⁴ Please note, Transport Scotland is currently updating the Business Case, however, was unavailable to feed into the research.

Table 3.1: Borders Employment Base Post Recession 2008 - 2011

Sector	2008	2011	% Change
Agriculture, forestry and fishing	489	354	-28%
Mining and quarrying	29	28	-3%
Manufacturing	5,893	5,169	-12%
Electricity, gas, steam and air conditioning supply	89	162	82%
Water supply; sewerage, waste management and remediation	86	100	16%
Construction	3,201	2,713	-15%
Wholesale and retail trade	7,134	7,098	-1%
Transportation and storage	1,193	1,154	-3%
Accommodation and food service activities	3,529	2,917	-17%
Information and communication	381	359	-6%
Financial and insurance activities	473	387	-18%
Real estate activities	718	810	13%
Professional, scientific and technical activities	1,296	1,659	28%
Administrative and support service activities	1,589	1,523	-4%
Public administration and defence; compulsory social security	1,814	1,999	10%
Education	3,280	2,919	-11%
Human health and social work activities	8,743	8,165	-7%
Arts, entertainment and recreation	1,218	1,618	33%
Other service activities	747	451	-40%
Total	41,902	39,585	-6%

Source: Business Register and Employment Survey

The key employing sectors (in terms of number of employees) are identified as:

- public sector (health and social work) which represents 21% of the employment base and has experienced a decrease of -7% since 2008;
- wholesale and retail which represents 18% of the employment base and has experienced a decrease of -1% since 2008; and
- manufacturing which represents 13% of the employment base and has experienced a decrease of -12% since 2008. That being said, while the manufacturing sector (including textiles) has been in decline for a number of years, the higher value 'luxury textiles' sector including cashmere and leather is still strong in the region, supported through initiatives like Scottish Textiles Industry Association.

As with most areas across Scotland since the onset of the recession c. 2008, the Borders has experienced a decline in its overall employment – c. 2,300 jobs representing a 6% decrease.

Six industry sectors have grown over the same period, including professional, scientific and technical activities, and real estate activities, which grew by 28%, and

13% respectively. Across these two sectors this represents a positive net increase of c. 265 jobs.

As highlighted in Section 2, a key part of supporting and driving economic development within the Borders is to shift reliance from traditional heavier manufacturing and rural industries towards higher value professional and service industries.

In 2011 'professional services'⁵ in the Borders employed c. 4,400 people and represented 11% of the employment base. The sector has experienced positive growth since 2008 experiencing a small increase of 300 jobs (+7%).

Table 3.2 reports the changes in the employment base pre-recession (2004-08). Please note that due to changes within the method for classifying different industry sectors, the economic data for the pre-recession (2004-08) is not directly comparable with the data after this date.

During the four year pre-recession period (2004-08) the Borders experienced a growth in its employment base of c. 2,200 employees, representing an increase of 6%. This level of growth compares favourably with neighbouring local authority areas Edinburgh and Midlothian, which experienced a decrease of -3% and an increase of 4% respectively over the same period.

Table 3.2: Borders Employment Base Pre Recession 2004 - 2008

Sector	2004	2008	% Change
Agriculture, hunting and forestry	630	576	-9%
Fishing	69	73	6%
Mining and quarrying	24	38	58%
Manufacturing	7,209	5,827	-19%
Electricity, gas and water supply	136	110	-19%
Construction	2,541	3,188	25%
Wholesale and retail trade	6,742	7,223	7%
Hotels and restaurants	1,812	3,607	99%
Transport, storage and communication	1,318	1,470	12%
Financial intermediation	538	461	-14%
Real estate, renting and business activities	3,262	3,568	9%
Public administration and defence	1,899	1,814	-4%
Education	2,503	3,023	21%
Health and social work	8,576	8,828	3%
Other community, social and personal service activities	2,484	2,154	-13%
Total	39,743	41,960	6%

Source: Annual Business Inquiry

The key drivers of this increase were the service sector (wholesale/retail and accommodation/food and drink), the transport/storage/communication sector, and construction.

There were gains and losses within the individual sectors that comprise the 'professional services' sector but overall a small positive increase of a few hundred jobs.

⁵ Professional Services considered as the following sectors: Financial and insurance activities, Real estate activities, Professional, and Scientific and technical activities, and Administrative and support service activities.

Of note, the more traditional rural economy sectors like manufacturing (-19%) and agriculture (-9%) had already started to experience notable levels of decline prior to the recession.

In 2004 the make-up of the employment base was dominated by the public sector (22% of employment), manufacturing (18% of employment), and wholesale and retail (17% of employment).

Although not directly comparable, if we look at the key employing sectors of the Borders economy in 2004 compared with 2010, it is broadly similar and, outside of a decline in the manufacturing sector (2004 – 18% of total employment, and 2010 – 14% of total employment), there have been no other notable adjustments across the employment base.

Employment by Occupation

Table 3.3 and **3.4** present the change in the employment base based on occupation during the pre and post recession period.

Table 3.3: Employment by Occupation in the Borders 2008 - 2012

SOC	2008	2012	% Change
1. Managers, directors and senior officials	5,400	4,000	-26%
2. Professional occupations	9,800	9,500	-3%
3. Associate prof & tech occupations	4,700	6,700	43%
4. Administrative and secretarial occupations	5,000	5,200	4%
5. Skilled trades occupations	10,000	7,000	-30%
6. Caring, leisure and other service occupations	5,700	4,700	-18%
7. Sales and customer service occupations	3,800	3,600	-5%
8. Process, plant and machine operatives	5,100	4,400	-14%
9. Elementary occupations	6,200	6,900	11%

Source: Annual Population Survey

*SOC - Standard Occupational Classification

In 2012 higher level occupations (SOC groups 1-3) represented 39% of the total employment base, and have experienced minor levels of growth since 2008. This growth in higher level occupations has been driven by those classified as (SOC 3) associate professional and technical occupations (2,000 new jobs) as SOC groups 1 and 2 experienced a decline.

Further, there has been a decrease across skilled trades and machine operatives – likely as a result of the decline in the manufacturing, agriculture and construction sectors (see **Table 3.1**).

Table 3.4: Employment by Occupation in the Borders 2004 – 2008

SOC	2004	2008	% Change
1. Managers, directors and senior officials	4,700	5,400	15%
2. Professional occupations	8,300	9,800	18%
3. Associate prof & tech occupations	5,500	4,700	-15%
4. Administrative and secretarial occupations	5,400	5,000	-7%
5. Skilled trades occupations	8,300	10,000	20%

6. Caring, leisure and other service occupations	4,700	5,700	21%
7. Sales and customer service occupations	3,300	3,800	15%
8. Process, plant and machine operatives	6,000	5,100	-15%
9. Elementary occupations	7,300	6,200	-15%

Source: Annual Population Survey

*SOC - Standard Occupational Classification

Pre recession, the Borders experienced an increase in higher value occupations (SOC 1 and 2).

If we compare the pre and post recession data, in 2004 the higher value occupations (SOC 1 – 3) represented 35% of total employment, while in 2012 they represented 39%. This represents an overall increase of 4% points, and positively, shows a steady increase of higher value occupations within the Borders.

More generally, the region has seen a shift from skilled trades and process/plant/ machine operatives to professional and service sector employment. If we compare this with the employment base reported above (**Table 3.1** and **3.2**) this is unsurprising given the gradual shift in the region's reliance on industries like manufacturing towards professional services and the wider service sector.

Employment Demand

In setting the economic context it is also important to review the type of jobs that are in demand, in order to review the supply of labour. This is based on a review of claimant count data (those receiving Job Seekers Allowance - JSA - and actively seeking employment) and reported in **Table 3.5**.

Since 2005 the number of people looking for employment in the region has more than doubled – representative of the wider decline in the employment and business base.

The highest level of demand for employment comes from lower value occupations (SOC 7 and 9) which account for 55% of all JSA claimants in the Borders. Those seeking employment in higher value occupations (SOC 1, 2 and 3) only accounts for 10% of total claimants.

Table 3.5: Employment Demand 2005 – 2012

Occupation	2005	2006	2007	2008	2009	2010	2011	2012
1. Managers, directors and senior officials	4%	5%	5%	3%	5%	4%	3%	3%
2. Professional occupations	5%	3%	4%	2%	3%	3%	2%	2%
3. Associate prof & tech occupations	7%	6%	6%	6%	6%	5%	5%	5%
4. Administrative and secretarial occupations	9%	9%	10%	9%	9%	8%	8%	7%
5. Skilled trades occupations	12%	12%	11%	12%	15%	12%	11%	11%
6. Caring, leisure and other service occupations	7%	7%	6%	9%	6%	7%	8%	8%
7. Sales and customer service occupations	11%	14%	16%	14%	15%	19%	23%	27%
8. Process, plant and machine	9%	9%	6%	9%	10%	10%	8%	8%

operatives								
9. Elementary occupations	37%	33%	35%	35%	31%	32%	30%	28%
Occupation unknown	0%	0%	1%	0%	0%	1%	2%	2%
Total	970	1,110	855	1,075	1,885	1,960	2,195	2,095

Source: Claimant Count

Key Sectors

Scottish Enterprise and the Scottish Government have identified a number of priority sectors to support economic growth and development across Scotland.

Based on the most recent Scottish Enterprise Business Plan (2012 - 15) we have identified six priority industries and have reported their change in performance during the post recession period, see **Table 3.6**.

Table 3.6: Borders Key Sectors Employment Base, 2008 - 2011

Key Sector	2008	2011	% Change
Food and Drink	1,190	1,120	-6%
Financial and Business Services	1,702	1,787	5%
Life Sciences	168	208	24%
Energy	368	448	22%
Tourism	3,147	3,491	11%
Creative Industries	3,306	2,833	-14%
Total	9,881	9,887	0%

Source: Business Register and Employment Survey

Priority sector breakdown based on Scottish Enterprise classifications

In the three year period post-recession, individually the priority sectors have performed comparably well, with the creative industries and food and drink sectors the only two sectors to experience a decline in employment.

However, across all priority sectors in the region employment has remained static, this is nevertheless encouraging given the 6% decline across the Borders economy as a whole over the same period (see **Table 3.1**).

Table 3.7 highlights the performance of key sectors 2004/08. Please note that due to changes in data collection it is not possible to draw direct comparison with more recent data. Therefore, the priority sectors considered are those that were identified as priority sectors by Scottish Enterprise during the period 2004/08.

Table 3.7: Borders Key Sectors Employment Base, 2004 - 2008

Key Sector	2004	2008	% Change
Chemicals	266	348	31%
Construction	3,513	4,071	16%
Digital Media	921	700	-24%
Energy	69	65	-6%
Financial Services	538	461	-14%
Food & Drink	1,326	1,317	-1%
Forest Industries	445	400	-10%
Shipbuilding & Marine	30	52	73%

Textiles	3,112	2,026	-35%
Tourism	3,031	3,838	27%

Source: Annual Business Inquiry

The performance of the priority sectors pre-recession was a mixed bag with six sectors experiencing a decrease, and four an increase in their employment base. Overall, there was a negligible increase within the employment base of the priority sectors.

Pre and Post Recession Business Base⁶

Tables 3.8 and 3.9 present changes within the business base.

During the post recession period 2008/10, the business base within the Borders contracted by 160 enterprises, representing a decrease of -3%. This is unsurprising given the decreases in employment during the same period, identified above.

Table 3.8: Borders Business Base Post Recession 2008 - 2010

Sector	2008	2010	% Change
Agriculture, forestry and fishing	1,330	1,300	-2%
Mining and quarrying	5	5	0%
Manufacturing	335	320	-4%
Electricity, gas and water supply	5	5	0%
Construction	650	605	-7%
Wholesale, retail and repairs	930	875	-6%
Hotels and restaurants	380	385	1%
Transport, storage and communication	180	165	-8%
Financial intermediation	40	45	13%
Real estate, renting and business activities	890	895	1%
Education	45	40	-11%
Health and social work	170	180	6%
Other community, social and personal services	355	340	-4%
Total	5,320	5,160	-3%

Source: Scottish Government

The key points to note include:

- there are around 950 businesses within the wider 'professional services' sector which represents around one fifth of the total business base. The sector has also experienced minor growth since 2008; and
- it should be noted that while agriculture, forestry and fishing (traditional rural industries) represent only 1% of the employment base, the sector accounts for one-quarter of the business base. This reflects the number of small businesses, high levels of self employment and seasonal nature of the sector.

⁶ Please note that published data for 2011 is unavailable for the Borders.

Table 3.9: Borders Business Base 2004 – 2008

Sector	2004	2008	% Change
Agriculture, forestry and fishing	1,480	1,330	-10%
Mining and quarrying	5	5	0%
Manufacturing	310	335	8%
Electricity, gas and water supply	5	5	0%
Construction	565	650	15%
Wholesale, retail and repairs	1,020	930	-9%
Hotels and restaurants	395	380	-4%
Transport, storage and communication	170	180	6%
Financial intermediation	30	40	33%
Real estate, renting and business activities	720	890	24%
Education	50	45	-10%
Health and social work	150	170	13%
Other community, social and personal services	390	355	-9%
Total	5,285	5,320	1%

Source: Scottish Government

Pre-recession, there was a small overall increase in the business base, 35 new business representing growth of 1%.

Although only accounting for 14% of the total business base in 2004, the 'professional services' sector grew by 140 businesses (2004/08), representing an increase of 19%.

If we look at the size of these businesses, historically around 95% of the Borders business base are SMEs (small companies <50 employees). This is consistently higher than neighbouring areas Midlothian and Edinburgh, whose businesses with < 50 employees represents 90% - 92% of the business base. This suggests the Borders has a greater reliance on smaller enterprises and self employment.

Business Survival Rates

The business survival rate and business churn (business births and deaths) can provide insight into the relative strength and dynamics of the economy.

Table 3.10 presents information on business births and deaths.

Table 3.10: Business Births and Deaths, Borders 2004 – 2009

	2004	2005	2006	2007	2008	2009
Births	360	405	355	420	375	305
Deaths	350	315	300	265	325	400
Net change	+3%	+22%	+15%	+37%	+13%	-31%

Source: Scottish Government

Until the onset of the recession, the Borders consistently had a healthy level of churn within the business base i.e. there was regular supply of new businesses entering the economy to replace those that ceased trading, while at the same time generating a net positive change in the number of businesses. This net increase in businesses helped to support growth with the economy. In 2009 there was a negative net change, indicating that more businesses had fallen out of the economy than entered it.

Table 3.11 presents the one to five year survival rates of new businesses within the Borders and draws comparison with Edinburgh and Midlothian.

Table 3.11: Business Survival Rates – 2004 based

	1 year	2 year	3 year	4 year	5 year
Borders	94%	78%	68%	57%	51%
Edinburgh	94%	78%	64%	55%	47%
Midlothian	95%	81%	65%	54%	47%

Source: Scottish Government

The business survival rate in the Borders has historically been healthy, and in particular the three to five year survival rates are greater than the comparator areas.

Productivity

The change in productivity with the Borders is measured through total Gross Value Added⁷ (GVA) and GVA per employee, see **Table 3.12** and **3.13**.

Total Gross Value Added

The total economic wealth of the region, measured in GVA, has increased by c. £172m (+14%) over the period 2004/09, see **Table 3.12**. That being said, the total GVA of the region is still comparatively small, and the growth has been slower than that of Midlothian (+17%) and Edinburgh (+24%) over the same period.

Table 3.12: Total GVA (£m) – Borders 2004 – 2009

Sector	2004	2008	2009	% Change 04 - 09
Production	£112	£67	£49	-56%
Construction	£184	£223	£221	20%
Distribution	£117	£156	£137	17%
Information	£243	£314	£314	29%
Finance	£20	£25	£24	20%
Real estate	£24	£34	£37	54%
Business	£113	£148	£124	10%
Public sector	£85	£112	£107	26%
Other services	£292	£340	£347	19%
Agriculture	£39	£42	£41	5%
Total	£1,229	£1,461	£1,401	14%

Source: Office for National Statistics

In 2009 the 'professional services' sector (based on the information, finance, real estate and business sectors) contributed over one-third of the region's GVA – c. £499m. If we compare this with the employment and business base (where 'professional services' represent a comparatively smaller share) this suggests the 'professional services' sector supports higher value employment.

Gross Value Added per Employee

⁷ GVA measures the income generated by businesses after the subtraction of input costs but before costs such as wages and capital investment.

GVA per employee provides a relative measure of productivity. Across all sectors, the average GVA per employee⁸ for the region is c. £36,000 – this is lower than the Scottish average of c. £42,000, suggesting lower levels of productivity and 'higher value' employment across the region.

Table 3.13 presents the average GVA per employee within the Borders broken down by sector. Please note, the data is based on 2006 data and uprated to 2012 prices.

The average GVA per employee for the financial and business services sector is the second highest in the region (£60,889) behind the energy sector.

Table 3.13: GVA per Employee 2012

Sector	GVA per Employee
Agriculture	£24,539
Extraction	£32,938
Manufacturing	£31,880
Electricity, gas & water	£112,470
Construction	£35,925
Retail & catering	£25,450
Transport & communications	£50,156
Financial & business services	£60,889
Public administration & defence	£39,032
Education & health	£25,541
Other personal services	£25,400

Source: Oxford Economics – 2006 figures uprated using GDP deflator

Population

As highlighted within the Outline Business Case, the railway is expected to have a significant positive impact on attracting and sustaining a diverse resident population base within the Borders.

Table 3.14 shows the change in population (2004/10) and draws comparison with Edinburgh and Midlothian.

Table 3.14: Resident Population Base 2004 - 2010

Year	Borders	Edinburgh	Midlothian
2004	109,300	453,700	79,600
2005	109,700	457,800	79,200
2006	110,200	463,500	79,300
2007	111,400	468,100	79,500
2008	112,400	471,700	80,600
2009	112,700	477,700	80,800
2010	112,900	486,100	81,100
Change	3,600 (3%)	32,400 (7%)	1,500 (2%)

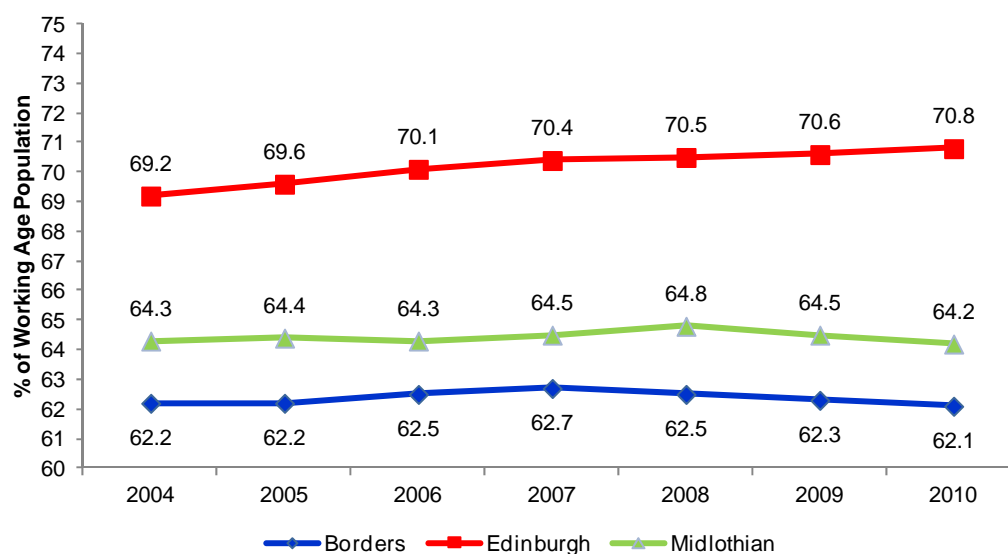
Source: General Register Office of Scotland

⁸ These figures are based on 2009 data and adjusted to reflect 2012 prices using the GDP deflator.

The population growth within the region has been at a similar level to Midlothian but lower than Edinburgh.

Figure 3.1 shows the proportion of working age people within the Borders and draws comparison with Midlothian and Edinburgh.

Figure 3.1: Working Age Population 2004 - 2010



Source: General Register Office of Scotland

In comparison, the Borders has consistently had a lower proportion of working age residents. This will undoubtedly impact upon the supply of labour and the region's ability to grow its economy.

Therefore, the supporting evidence would suggest that the railway will potentially have a wider indirect impact in supporting the economy within the Borders through supporting population growth.

Skills Base

Again, we consider the supply side and review the qualifications of working age residents – higher value jobs will likely require workers with greater levels of experience and qualifications, see **Table 3.15**.

Table 3.15: Working Age Population, Borders – Qualifications 2004 - 2011

Year	NVQ 4+	NVQ 3+	NVQ 2+	NVQ 1+	Apprenticeship	Other qualification	No qualifications
2004	29%	14%	15%	10%	10%	6%	17%
2005	33%	15%	13%	10%	11%	6%	12%
2006	31%	16%	14%	9%	10%	8%	13%
2007	30%	15%	16%	8%	8%	11%	13%
2008	30%	15%	18%	8%	8%	10%	11%
2009	33%	14%	16%	10%	8%	10%	10%

2010	33%	15%	16%	8%	7%	11%	11%
2011	36%	17%	14%	10%	6%	7%	10%

Source: Nomis

Positively, the proportion of the working age population with 'higher level' qualifications (NVQ 4 and 3) has increased steadily over a number of years, and currently 53% have either an NVQ 4 or 3.

In comparison, this is higher than Midlothian (47%), however, is notably lower than Edinburgh (66%). This potentially reflects the employment and business bases within these regions e.g. outside London, Edinburgh has one of the largest concentrations of businesses within the financial and professional services sectors and therefore has a greater demand for skilled labour.

3.3 Importance of Rail Infrastructure

Transport infrastructure is a critical 'hygiene' factor in supporting economic development and creating sustainable communities. A robust and reliable passenger rail network is important as more people travel to work by train than ever before.

A Centre for Cities report⁹ identifies the key ways in which rail infrastructure supports the economy and provides a number of recent examples where the development or upgrade of rail infrastructure has/is estimated to have measurable and tangible benefits.

The report highlights that cities/towns that are better connected (internally and externally) are better placed to take advantage of economic opportunities through:

- supporting business interaction;
- connecting people to jobs and promoting access to a wide pool of labour;
- opening up new, and sustaining 'area based' markets for businesses; and
- supporting a competitive market place.

In addition to these tangible economic impacts, a good transport infrastructure can have wider qualitative impacts on society e.g. promoting access to leisure facilities and lifestyle choices (living in the suburbs, rural areas, etc).

As highlighted above, there are tentative signs of growth and economic recovery across the country, and it is widely recognised that this growth will be driven by the private sector, and in particular through knowledge intensive sectors such as professional services¹⁰.

There is a wealth of literature that shows knowledge industries tend to cluster together, which leads to agglomeration benefits i.e. where concentrations of firms in the same sector give rise to "*economies of scale or scope; the development of general labour markets and pools of specialised skills, enhanced interaction between local suppliers and customers; shared infrastructure; and other localised externalities*" (Ketels, Lindqvist, & Solvell, 2007).

Having a good transport infrastructure is vital in connecting businesses and jobs and ensuring any agglomeration benefits are realised, and therefore, investment in transport infrastructure can increase agglomeration benefits.

⁹ On Track, Why Rail Matters, Centre for Cities (2010) <http://www.atoc.org/clientfiles/File/cfc.pdf>

¹⁰ Department for Business, Innovation and Skills (2010) Going for growth: our future prosperity.

Comparator Project Review

This section reviews comparator infrastructure development projects to provide an overview of the wider impacts and benefits that have been/forecast to be generated through other infrastructure projects to provide an element of benchmarking and comparative analysis.

This helps identify the scope and scale of wider benefits and impacts that could be catalysed through the Borders Railway development.

These wider impacts refer to the effects that have the potential to impact the local and regional economy over and above those already considered within the economic impact assessment/STAG appraisal contained in the Outline Business Case.

However, it should be noted that these comparator projects have been chosen purely to set the wider context, and therefore should be treated with caution. This study has identified that there is a general lack of available evidence and data concerning the economic effects of comparator projects.

Airdrie to Bathgate Line

The Airdrie to Bathgate line is a new electrified passenger rail line opened in 2010 that provides another rail connection between Glasgow and Edinburgh, and importantly, connects Bathgate to both commercial centres.

Although relatively close geographically, prior to the new rail line, there were no direct links between Bathgate and Glasgow, and passenger rail journeys took upwards of one and a half hours. However, the reinstated line and service now means that trains run four times an hour between Glasgow and Edinburgh via Bathgate, and which reduces journey times between Glasgow and Bathgate to 45 minutes.

Although the line has recently been opened, the case for the new line was based on a number of key impacts it would bring to the economies of Glasgow, Bathgate and Edinburgh, but also to the people using the link. The new link has the potential to:

- strengthen economic links between Glasgow and Bathgate;
- enhance access to employment opportunities in Glasgow - a quick analysis shows that employment opportunities in Glasgow (compared with Edinburgh) are more closely matched with the occupational skills base of Bathgate;
- reduce rail journey times by one hour which will lead to significant productivity savings;
- along with other infrastructure developments, namely the M74, ease congestion on the M8/A8 as more people use the rail as an alternative mode of transport;
- additional daily services into Edinburgh;
- generate productivity savings to large scale logistics businesses (for example, Lidl, Morrisons, and Wincanton Logistics) through reduced journey times via the M8;
- increase wage benefits of c. 75,000 residents in Bathgate;
- create productivity benefits for three-quarters of businesses in Bathgate; and
- over a 15-year period, generate aggregate productivity savings for passengers of c.£45m (based on 2010 prices).

Stirling to Alloa Line

The project involves the reinstatement of c. 21 km of disused and abandoned rail track between Stirling and Alloa and the development of a new station at Alloa. The new line allows for hourly direct passenger rail connections between Alloa and Glasgow and Edinburgh (via Stirling) and also the transfer of freight between the west and east coast.

The new rail line was opened in 2008 and is predicted to deliver significant economic, social and environmental benefits to the area. The key impacts have been identified as¹¹:

- improves the strategic accessibility of Clackmannanshire;
- alleviates capacity constraints on the central Scotland rail network;
- contributes to the reduction in carbon emissions associated with road borne freight transport;
- key link in the strategic rail network to allow increased flexibility for freight transport;
- more efficient freight route from the West of Scotland to Longannet Power Station;
- reduces road congestion along the route - both passenger and freight traffic; and
- economic development and social inclusion impacts:
 - regeneration of Alloa town centre and investment in public realm and other physical development
 - improved connectivity to enhance economic wellbeing
 - provide residents with significantly improved access to opportunities for employment, further education and leisure activities.

Manchester to Liverpool Rail Line

Manchester and Liverpool are key destinations for businesses and as a source of labour within the North West. While there are already strong rail and motorway links connecting the two cities, the electrification of additional lines in 2013 will provide further connections, and in particular, strengthen links within the two cities hinterlands.

Manchester is, and will likely to continue to be the key commercial centre in the region, and the private sector has grown considerably over the past ten years, and acts as a key source of employment opportunities.

The new line will mean there are more frequent and quicker journeys between the two cities and less congestion on both the motorway and existing passenger rail services.

The benefits are anticipated to be:

¹¹ Taken from presentation made by the Stirling Kincardine Alloa (SKA) project delivery team at the Rail Future conference, 2012.

- strengthen economic links between Manchester and Liverpool;
- increase access to employment opportunities to residents in the wider Merseyside hinterland;
- reduce rail journey times by 15 minutes which will help to generate productivity savings;
- ease congestion on existing services between Manchester and Liverpool and on the M62;
- increase wage benefits of c. one million residents across the North West;
- create productivity benefits for three-quarters of businesses in the wider hinterland; and
- over a 15-year period, generate aggregate productivity savings for passengers of c.£21m (based on 2010 prices).

Huddersfield to Leeds

Leeds is a key commercial centre in Yorkshire and in particular is a key source of employment opportunities for neighbouring towns and villages, including Huddersfield (11% of the resident population commute to Leeds for work). The number of people commuting by train from Huddersfield to Leeds has increased by 50% over a ten-year period (2001/11) and this has led to significant congestion on the train.

The electrification of additional lines between Liverpool and Leeds (via Huddersfield) will help to ease congestion at peak times and also reduce journey times. Although it is anticipated to reduce journey times by only a few minutes, these time/productivity savings are estimated to generate £3m in productivity savings over a 15-year period (based on 2010 prices).

In particular, businesses within the wider professional services and finance sectors (in which Leeds has a significant representation) will benefit through greater access.

M74 Completion

The M74 Completion project connects the M74 with the M8 (at the Kingston Bridge) to complete the 'missing link' within the Central Belt and improves connectivity between the west and east of the country. The new motorway route was opened up in 2011.

The basis on which the Business Case was developed (and approved by Scottish Ministers) was that the new infrastructure would help 'open up' 22 strategic sites for development along the M74 Corridor and improve congestion on the M8. The gross impact was estimated at c. 20,000 new jobs to the Scottish economy.

The economic recession has had a significant negative impact on development activity across Scotland. That being said, there is evidence to suggest that even at an early stage the new infrastructure works have generated catalytic impacts.

There are mixed use developments completed or underway at a few of the strategic sites including: Farm Cross, Newton, Cambuslang (Hoover factory site) and Queenslie. These developments will create jobs and bring new people to the area through the creation of new residential units.

In addition, there are planning consents on a number of other sites which are likely awaiting an upturn in the market.

In terms of the public sector's role in supporting development within the investment corridor, the various local authorities and development agencies have been important in terms of realising land, marketing and promoting sites, engaging with developers, supporting infrastructure e.g. access road to encourage development.

In addition, there were existing delivery vehicles (Urban Regeneration Companies, URCs) delivering physical regeneration within Inverclyde (Riverside Inverclyde) and Dalmarnock/ Rutherglen (Clyde Gateway). Both projects (URCs and M74 Completion) have been mutually beneficial in terms of supporting physical development.

Local and Regional Economic Impacts of Rail Investments – North Wales

This research¹² paper published by the Welsh Assembly Government identifies the impact of various types of rail infrastructure developments across North Wales and considers evidence from wider literature. In addition, it has undertaken a review of changes to the socio-economic position of various catchment areas where new rail lines or extensions have been delivered.

Secondary data sources were used to identify any impact on the local level socio-economic position of the catchment areas. In a general sense, the key changes identified include:

- population - a positive impact on growth. However, this trend may be associated with national population growth patterns;
- employment – a slowing in the decline of growth. Case study catchment areas saw a reduced decline in employment growth compared to the baseline;
- deprivation – no notable impact;
- house prices – a slowing in the decline of growth. Case study catchment areas saw reduced decline in house prices growth compared to the baseline;
- Gross Floor Area – a negative impact on growth; and
- car ownership – no notable impact.

The report identifies a number of broad conclusions with regards the development of light rail infrastructure¹³:

- increased rail investment in new lines and service improvements is likely to centralise (or re-distribute) economic activity to the better connected areas. Where economic activity will centralise is dependent on the underlying economic conditions of the areas that have been connected. These impacts may be enhanced when rail is part of a wider regeneration investment;
- economic agglomeration effects are likely to be minor on the back of the opening of a single station – particularly in an area where there is relatively low density within the business and employment base;
- rail services can sustain communities by connecting them to larger urban areas. Rural and peripheral communities with access to good local services that provide realistic commuting options to large employment centres can experience growth in population as a result of rail investment – or it can prevent depopulation from

¹² Local and Regional Economic Impacts of Rail Investments, Welsh Assembly Government (Mott McDonald)

¹³ Conclusions lifted directly from the report.

areas that have seen significant declines in local economic activities, by allowing them to survive as commuting centres; and

- in terms of how transport investment impacts affect different sectors of the economy, the main findings are that the impacts are larger for the service sectors than for manufacturing, the impacts show very steep rates of distance decay – very closely clustered around points of improvement such as stations and the impacts are specific and should not be transferred between different regions.

Dublin Transportation Office

This 2006 study looked at the impact on retailers and employers generated by two new rail lines within an identified catchment area in Dublin (opened in 2004)¹⁴. Prior to their opening, a study was carried out in order to understand travel patterns and transport usage of the general public within the catchment areas. The latest study was therefore used to benchmark the perceptions of retailers and employers after the new lines had been operational for a few years to determine whether their initial expectations on business performance, customer engagement, etc had been met.

The key findings from the study are identified as:

- the positive impact on ease of travel around Dublin is widely acknowledged;
- the problem of staff punctuality as a result of inadequate public transport has been eased;
- a positive impact on recruiting and retaining staff has not materialised to the extent that businesses originally envisaged at the outset;
- long-term positive effects on business expansion, though not hugely optimistic in the 'before' study, now appear even less likely than anticipated;
- the anticipated effect on property and leasing prices has been largely realised with one in every two claiming prices in their area have increased;
- one in three businesses located in the catchment area believe the new rail infrastructure has been advantageous for their business;
- easier and better access for staff, customers and clients was identified as the key beneficial impact for businesses in the catchment area; and
- perceptions of the area as a good place to work have improved slightly.

Summary

It has been challenging to identify appropriate rail development projects as relevant comparators due to the unique make up of the Borders economy and the scale of the Borders Railway. That being said, there are some clear findings coming back from the case studies (highlighted above) and a review of wider literature.

In the main, it is recognised that improvements to transport infrastructure and connectivity is an important element to supporting economic growth and development, particularly through promoting access to employment opportunities, connecting businesses and markets, easing congestion on other networks, and growing the resident population base.

¹⁴ Luas 'After Study' – Employers and Retailers, Dublin Transport Office (2006).
http://www.nationaltransport.ie/downloads/archive/luas_after_employers_2006.pdf

There is a wider evidence base that shows the more qualitative impacts such as increased access to leisure provision, lifestyle choices, and environmental benefits through a reduction in carbon intensity.

There is therefore a clear case to be made based on the Outline Business Case and a review of wider literature that the Borders Railway has the potential to deliver significant wider impacts and benefits to the Borders and wider Edinburgh and Lothian area.

That being said, while we have identified a number of reported and measurable economic impacts and benefits to the economy, there is a lack of published evidence to show the direct correlation between the development of single rail stations and a catalytic impact on business expansion and commercial property development within the local area.

Although there is a lack of published evidence, it would be reasonable to assume that the development of a new rail link will 'open up' sites and make them more attractive to private sector investors. However, given the current constraints on the development market, the development and provision of a good transport network is just one of many catalysts that will stimulate private sector investment and development.

Based on this, there is clearly a role for the public sector in supporting development activity to help realise and maximise the benefits and impacts driven by improvements to transport infrastructure, however, this also has to be tempered with caution against being too bullish in a development market that is currently (and for the foreseeable short term) very restricted. This is considered further below.

3.4 Development Options

EKOS recently undertook some research¹⁵ looking at constraints within the current development market and what the public and private sector were doing to address these constraints. There were two key parts of the research, 1) consultation with 20 private sector developers to establish the current issues/constraints they face, and 2) review of 30 comparator development projects to identify areas of good practice and what other public sector agencies/local authorities were doing to catalyse and stimulate private investment and development.

Below we have summarised the key messages being fed back through the consultations and set them within the context of three potential options for the strategic sites at Tweedbank/Tweedside Park/Broomilees.

Partnership Approach with the Private Sector

The land/sites at Tweedbank are currently owned by a majority land owner (Aggmore) and the Council should undertake discussions with regards the potential development of the site to help meet the Council's strategic development priorities.

There are a number of ways in which the public sector can support and incentivise the commercial development of sites, these could include:

- support with the planning application process e.g. simpler procurement or flexible zoning regulations;
- deferred land repayments/receipts;

¹⁵ Dundee Waterfront Developer Engagement: Best Practice for Dundee City Council and Scottish Enterprise, EKOS Ltd (2012).

- infrastructure and public realm works;
- joint venture and funding support (either internally or through external funders);
- guaranteed rents;
- help with securing an anchor tenant or pre-lets; and
- help promote the message of 'why invest in the Borders' i.e. help to promote and sell the area on the region's strengths e.g. close commuting distance to Edinburgh, rural quality of life, etc.

Public Sector Develops the Site

The public sector could develop out individual plots or sites if a suitable private sector investor could not be sourced.

There is both a positive and negative aspect of this. Firstly, the public sector investment helps to demonstrate that the public sector are willing to share the risk in a time when investors are very risk averse and there are considerable constraints on development funding. By developing out individual plots/site this helps demonstrate commitment to the longer sustainability of the area which may increase investor confidence.

However, the flip side of this is that the private sector can also view development markets where there is any significant public sector investment as weak/untested/risky and therefore may choose not to invest in a site.

That being said, given the strategic importance of the sites, and the impacts predicted to be generated through the new Railway and station at Tweedbank, the Council should consider potential development options for the sites if a suitable private sector development partner cannot be sourced.

In 2010, the Scottish Government launched '*Delivering Better Places in Scotland: Learning from Broader Experience*'¹⁶.

A review of case study examples and consultation with experienced practitioners identified eight key lessons for successful public sector lead development.

Ensuring **good leadership** helps to drive forward action, breed confidence, provide certainty for development partners, reduces risks and widens participation. "*Without such leadership, place delivery relies on rules and regulations.*" Quality places have an effective place promoter, who's primary task is to "*nurture a compelling vision of what a place will be like, inspire action and galvanise support, and ensure effective delivery*".

The Place Promoter needs to manage and integrate five key tasks to **co-ordinate delivery**:

- control the spatial development framework;
- achieve fast and co-ordinated regulatory approvals;
- exercise ownership power;
- attract funding for advance infrastructure provision; and
- secure design quality through procurement strategies.

¹⁶ <http://www.scotland.gov.uk/Resource/Doc/336587/0110158.pdf>

These tasks are as much about creating markets as creating places.

The Masterplan/Development Framework is essential to create integrated places, and the Place Promoter should **control the spatial development framework**, which should specify how infrastructure and components work together to deliver the vision.

The planning authority needs to **achieve fast and co-ordinated regulatory approval** by taking an active role in accelerating and co-ordinating the process.

Achieving and **exercising ownership power** ensures co-ordinated development and allows operational flexibility in selling/leasing land. It *“produces clarity and confidence in the market and ensures development happens at the time, location and quality described”*. Land consolidation and disposal should be seen as place shaping and creating sustainable value.

The Place Provider should **attract funding for advance infrastructure provision**. This ensures that the *“necessary physical and social infrastructure is planned and provided as an integral part of the overall development programme”*.

Procurement strategies should **secure design quality** by reconciling conflicts between financial bids and intended quality. The Place Provider should encourage variety, creativity and innovation – the mainland European case studies showed the prevalence of smaller projects being delivered by a range of developers. Land release strategies can *“address the longer term needs of the place and not just the shorter term development implementation issues”*.

Thereafter, project promoters should **continue to invest and provide stewardship over time**. *“Delivering better places takes time and demands long-term commitment to place quality, rather than short-term conventional speculative development.”* There is a need for pro-active aftercare to maintain and enhance place quality over the long-term.

Public Sector Relocation or Anchor Tenant

Securing a high quality pre-let is one of the major constraints/issues facing the development market in the current climate, and would likely act as a key catalyst for the development of the site (private or public sector lead).

In 2001, the Scottish Pension Agency, as part of the (then Scottish Executive's) public sector relocation programme relocated from Edinburgh to Galashiels taking some 175 staff. The relocation had a notable boost on the town and the area, with benefits for employment, retailing, housing, transport and schools.

Below we have considered the potential for further central Government public sector relocations or the public sector acting as an anchor tenant for any speculative office development.

The Scottish Government developed a relocation policy in 2008 that laid out guidance on how to best manage central Government estates and assets. There are five key requirements for consideration of relocation:

1. Relocation is likely to bring about efficiencies and/or benefits for the wider Scottish Government;
2. Ministers have powers to determine the location of the body;
3. Relocation would not lead to compulsory redundancies;

4. It is considered that the organisation should be able to operate effectively from another location (some restrictions may apply); and
5. Relocation costs can be afforded.

The policy also states that where possible, organisations will be moved to existing assets in order to ensure the best value for money. The distribution of central Government and civil service posts are expected to remain the same, at least in the short term i.e. the majority will remain Edinburgh based.

Therefore, in the short term it is not likely that the Borders will benefit from any public sector relocations.

The longer term potential is that the Borders could offer a more cost effective alternative to Edinburgh as a location. In 2008, the average central Government office rental costs were c. £16 per sq ft – based on an average of peppercorn rents and full commercial rates. If we remove those organisations that pay a peppercorn rate, and based on an analysis of office property in Edinburgh, average rentals for Grade A office property are likely to be £23 - £29 per sq ft.

The office rentals for good quality, serviced office space in Galashiels are likely to be around £12 - £13 per sq ft and therefore around half of the more mature Edinburgh market.

There is also the Small Units Initiative which looks to support disadvantaged and rural communities through the relocation of smaller organisations, which could also help secure a potential longer term occupant of any office development at the strategic sites.

At this stage we are unable to comment on the likeliness of the Borders securing another significant public sector relocation over the medium/ longer term. However, with the new rail line providing direct access into Edinburgh (within a reasonable commuting time) and the more cost effective rentals, the Borders could offer some cost savings and efficiencies over the longer term.

Marketing and Positioning of the Sites

Regardless of what development option is taken forward, it is crucial that any development is targeted and promoted at the appropriate market.

This section represents a high level view of the catalytic impact of the new rail line in terms of the potential to support economic development and grow the employment and business base of the Borders. However, there is a need for further detailed market assessment and feasibility to identify the scale and scope of any future demand, and there is a role for the public sector in this.

The extracts below are lifted from the section of the '*Delivering Better Places in Scotland*' report that provides guidance on establishing (making) property markets.

"In certain circumstances, where markets are mature and buoyant, public sector intervention in placemaking may require no more than the sensitive implementation of development control powers. But in other locations, where markets may have failed or simply not exist, effective place-making becomes equally about establishing market frameworks as about making places.

"Public sector intervention in such cases can play a crucial role in breeding confidence, reducing risk and coordinating timescales. The end result is to challenge developer attitudes and behaviour by turning development that would otherwise be considered unviable to the private sector into development that comes to be seen as an attractive opportunity for a developer. It also has the potential to produce places

of a much higher quality than the standard development products normally created by the private sector."

One of the issues the public sector should consider is how any development at Tweedbank can add value to, and complement the regional property market but also further afield – Edinburgh.

For example, while it is unlikely that the development of the strategic sites would attract a significant financial or professional services company (given that the Edinburgh higher spec office market continues to perform well), there is potential to attract businesses that deliver back office support to the financial and professional services – similar to the Glasgow International Financial Services District (IFSD) model (although on a significantly smaller scale).

As highlighted above, rental values for good quality office space in Galashiels are likely to be around half that of Edinburgh, and the new rail line means that they would have access to a considerable skilled labour pool within an hour's commute. Therefore the sites located near the new station could offer a more cost effective option, but still within a commutable distance to Edinburgh.

3.5 Employment Forecasts and Potential Demand for Floorspace

Employment Density of Strategic Sites

In order to provide some level of context for the potential development, we have considered the potential maximum occupancy levels of the three strategic sites (Tweedbank, Tweedside Park and Broomilees).

It is estimated the key strategic sites could potentially accommodate the following levels of employment:

- Tweedbank – total available plots are 67,300 sqm (3 plots – 63,050 sqm and four vacant buildings – 4,250 sqm) and an assumed office development footprint of 16,950 sqm. If the development was to be occupied as per the employment density for an average commercial office (1 FTE per 10 sqm) this could accommodate c. 2,000 FTE employees – based on a maximum occupancy profile. This represents 45% of the current 'professional services' employment base in the Borders;
- if we breakdown the Tweedbank site by individual plots:
 - plot 1 (19,550 sqm, development footprint of 4,900 sqm). This has the potential to accommodate 490 FTEs
 - plot 2 (24,500 sqm, development footprint of 6,000 sqm). This has the potential to accommodate 600 FTEs
 - plot 3 (19,000 sqm, development footprint of 4,800 sqm). This has the potential to accommodate 480 FTEs
 - vacant buildings (development footprint of 4,250 sqm). This has the potential to accommodate 425 FTEs;
- Tweedside Park – available plot is c. 5,250 sqm, and an assumed office development footprint of 1,000 sqm. If the development was to be occupied as per the employment density for an average commercial office (1 FTE per 10 sqm) this could accommodate c. 100 FTE employees – based on a maximum

occupancy profile. This represents 2% of the current 'professional services' employment base in the Borders; and

- Broomilees - available plot is c. 5 hectares, and an assumed office development footprint of 12,500 sqm. If the development was to be occupied as per the employment density for an average commercial office (1 FTE per 10 sqm) this could accommodate c. 1,250 FTE employees – based on a maximum occupancy profile. This represents 28% of the current 'professional services' employment base in the Borders.

Short Term Prospects (0 – 5 years)

As highlighted above, the Ernst & Young ITEM Club summer 2012 update report provides forecasts for the performance of key Scottish sectors.

Employment across the private sector based professional services in Scotland (where growth is anticipated to be driven) is forecast to fluctuate over the period 2010/15. That being said, overall it is forecast to experience net growth of c. 15,000 employees, representing an increase of 6%.

In order to try and forecast the scale of change within the employment base of the private sector based professional services at the Borders level, we have assumed a 4% - 8% forecast change to calculate a rough proxy indicator.

In 2010, there were 4,400 employees within the 'professional services' sector in the Borders. A forecast growth of 4% - 8% results in an increase of c. 180 – 350 new jobs at the Borders level by 2015. Please note, these jobs are new to the economy and are considered as those jobs created over and above what is predicted to be generated directly through the railway development as outlined in the Outline Business Case.

Information provided in the property market assessment (Section 4) identifies that currently there is a good supply of office accommodation to meet any short term growth fluctuations in demand.

Based on this, we have assumed that 50% - 75% of this forecast new employment would likely be accommodated within the existing stock - through either occupying empty premises or accommodating these new jobs within occupied premises.

Therefore, there is potentially demand to accommodate c. 45 – 175 new jobs within the professional services sector over a five year period (2010/15).

If we look at average employment density ratios¹⁷ (1 FTE per 10 sqm for office based accommodation), this results in potential demand of 450 sqm – 1,750 sqm of office floorspace over the short term.

3.6 Medium/ Longer Term Prospects (0 – 15 years)

While the majority of the economic review has focused on the shorter term (0 - 5 years implications), within the context of this review it is also important to consider the medium - longer term (5 – 15 years) prospects for the region.

The over-arching economic policy for the region identifies a few priority sectors within the knowledge economy as key for supporting and sustaining economic development and growth over the longer term. In addition, there are a number of key projects being

¹⁷ Employment Densities Guide, OffPAT, 2010.

delivered in the region that will help support these growth aspirations (see Appendix B).

While there is little evidence to suggest when the development market and economy in general may recover, for the purposes of this assessment we have assumed that over the medium – longer term, the Borders economy will recover to near pre-recession levels. Based on this, we have made a number of assumptions about what impact this may have on the Borders economy.

In terms of growth within the employment and business base, the ‘professional services’ sector and a number of SE priority sectors have demonstrated resilience during the recession and have bucked the more general trend of decline across the region. It is therefore reasonable to assume that this growth will continue, particularly in light of these sectors being a strategic priority for the public sector and the potential access to public sector support products (through, for example SE, SBC, Scottish Development International, etc).

In order to provide some scale and quantification to our assessment we have assumed a 1.5% - 3% annual increase within the ‘professional services’ sector across the Borders over a 15-year period. While we recognise that economic growth usually comes in ‘spurts’ as opposed to linear growth, this is simply to demonstrate the impact of this moderate level of growth on the economy longer term.

Based on this, there is scope for the ‘professional services sector to grow by c. 1,000 – 2,300 jobs over a 15-year period. Given the recent performance and strategic importance of the sector, this does not seem an unreasonable forecast level of growth over the longer term.

If we consider the average employment density ratios used above, this would generate new demand for c. 10,000 sqm – 23,000 sqm of office floorspace. However, again, we need to consider the level of demand that would be met by the existing supply.

Here, we need to look at three key issues:

- other development proposals coming through the Borders (that were previously put on hold during the recession);
- the availability and condition of the existing stock e.g. will there have been any investment in office accommodation and will it meet the needs of the ‘professional services’ sector; and
- the changing nature of competition with more developed property markets like Edinburgh i.e. there will be less direct competition as rental values start to increase (previously property rental values in the Borders were lower than Edinburgh, however, during the recession there was more direct competition as landlords looked to offer tenants significant discounts).

Therefore, based on the assumptions presented above, over the medium – longer term there is potentially demand from the ‘professional services’ sector for an additional c. 5,000 sqm – 12,000 sqm (0 – 15 years cumulative total) of office based floorspace across the Borders that likely won’t be met by the existing stock.

3.7 Wider Sectoral Growth

In addition to ‘professional services’, it is also important to consider other industries that may have an interest in occupying accommodation on the sites or where there is potential demand for commercial space. In particular we have provided a brief review

of tourism, which was identified as a sector that could benefit from the Borders railway as highlighted in 'The Reopening of the Waverley Line, Potential Tourism Impact report', The Market Specialists (2004), and the retail sector.

Below we highlight some key economic data for each sector.

Tourism:

- in the post recession period 2008 – 11, the tourism sector has performed well with the employment base experiencing an increase of 345 people, representing growth of 11%;
- if we dig below the data we can see that sporting and historical facilities/ attractions along with accommodation providers have been an important sub-sector in driving growth within the sector;
- prior to the recession, the tourism employment base in the Borders was strong, and from a comparatively small base of 3,000 employees grew by another 800 over the four years (2004 - 08);
- tourism remains a priority growth sector for the region with the two most popular attractions (Glentress and Teviot water gardens) pulling in c. 425,000 visitors per annum; and
- The Market Specialists report identifies that the new rail line could support gross economic impacts of:
 - 34 FTEs
 - £0.86m¹⁸ per annum
 - c. 9,000 additional visitors to the region.

There is no detailed information on employment forecasts for the tourism sector, however, as with the professional services sector we have assumed annual positive growth (2% - 3%) over the short (0-5 years) and medium terms (0-15 years) to give us some feel for potential changes in the sector.

Based on annual growth of 2% - 3%, the potential impacts on employment within the tourism sector are estimated at:

- short term (0 – 5 years) – potential for growth of 300 - 500 jobs within; and
- medium term (0 – 15 years) – potential for growth of 1,100 – 1,800 jobs.

Retail

- in the post recession period 2008 – 11, the retail sector has performed comparatively well with the employment base experiencing an increase of 350 jobs, representing growth of 5%. In particular, the sub-sectors of retail clothing and footwear grew by around 140 employees;
- the sector remains important for the Borders with around one fifth of employees employed directly within retail;
- during the pre-recession period (2004 – 08) the retail sector was one of the strongest performing sectors in the region, experiencing growth of c. 1,000 jobs (26%); and

¹⁸ Please note, the original figure of £0.7m per annum (in 2004 prices) has been uprated using the CPI.

- while the retail sector has performed well during the recent difficult trading times, the area still faces significant competition from larger commercial centres, for example, Edinburgh and out of town centres in West Lothian.

In terms of forecasting the change within the retail sector, based on the current size of the sector and potential for growth within a mature market we have assumed growth of around 1% - 2% per annum.

Based on annual growth of 1% - 2%, the potential impacts on employment within the retail sector are estimated at:

- short term (0 – 5 years) – potential for growth of 300 - 450 jobs; and
- medium term (0 – 15 years) – potential for growth of 1,205– 2,575 employees within the retail sector.

That being said, the retail sector in the region is relatively insular, and given the relatively small resident population base in the Borders, there is a likely only a limited capacity for growth within retail and the higher end estimates may overestimate the growth potential of the sector.

Both the tourism and retail sectors have outperformed other sectors in the post recession environment and remain important for supporting growth in the Borders. On the face of it, businesses from both sectors could be 'suitable' to occupy sites within the Tweedbank/ Tweedside Park/ Broomilees sites. However, due to a lack of wider market information we are unable to comment on the existing provision of available stock or how likely these new jobs could be absorbed into the existing stock.

4.0 MARKET ASSESSMENT – EDWIN THOMPSON LLP

4.1 Introduction

This report has been prepared on the basis of instructions received from Scottish Borders Council and Scottish Enterprise on 14 August 2012, together with their prior tendering brief dated 27 June 2012. This aspect of the report provides a breakdown and summary of current Office and Industrial Property within the Central Borders, analysis of demand in these sectors between 2000 and 2012 and associated commentary.

4.2 Tweedbank

Tweedbank comprises a planned new village established in the 1970s.

The village is characterised by cluster developments along its central spine road, Tweedbank Drive. It has been planned with a distinct layout comprising the residential element to the west and Industrial Estate to the east. Within the core of the residential section there is a village centre with facilities including a primary school, convenience store, hair salon, Public house with restaurant and office building currently occupied by Scottish Government Rural Payments and Inspectorates Directorate, as well as a park and man-made 'loch'.

Within recent years there has been a significant expansion to the village within the successful completion of the Weavers Linn housing development to the south. According to the GRO(s) 2008 mid-year estimates the population is 1,968 representing an increase of nearly 15% over the 2001 census population of 1,716.

The settlement is well situated within the Central Borders benefitting from good access from the A6091 trunk road (Melrose Bypass) via roundabouts to each end of the village.

Tweedbank Industrial Estate's central position means that it is within a ten minute drive time of the core population concentration within the Central Borders including Galashiels, Selkirk, Melrose, Tweedbank, Earlstoun, Newtown St Boswells and St Boswells.

The study area comprises three separate areas within or adjacent to Tweedbank Industrial Estate referred to as Tweedbank Industrial Estate (outlined in red), Tweedside Park (outlined in blue) and Broomilees (outlined in green), as identified on the plan below.



4.2.1 Tweedbank (outlined in red above)

Tweedbank is an established Industrial Estate. A significant proportion of the estate (coloured pink on the aerial photograph above) is understood to be within the ownership of Aggmore, a Real Estate Fund Manager. The remainder comprises a mix of owner occupied units and a tenanted unit owned by Scottish Borders Council.

The specification of the buildings varies, although they predominantly comprise single storey steel portal frame units.

The Aggmore units predominantly date to the early 1980s. They are generally of steel portal frame construction with low level brick/ blockwork perimeter walls externally clad in box profile sheeting (largely single skin) under pitched roofs clad in box profile sheeting, mainly metal, part fibre cement (presumed Asbestos).

A number of these units are now dated and may benefit from refurbishment/ re-cladding with insulated composite panelling.

Whilst sizes vary, in the main the Aggmore units cater for the larger warehouse sector of the market with only a limited number of smaller units. The vacant units are highlighted in grey below. A full summary of market availability in the Central Borders is detailed within Appendix D

The table below provides a summary of the occupiers, areas and type of units making up the estate.

REPORT 1

Economic & Market Assessment for New Business Space,
Tweedbank/ Tweedside Park/ Broomilees, Melrose

Type	Address	Occupier	Owner	Rateable Value	Area
Factory	Tweedbank	Peri-Dent Ltd	Owner Occupied	£194,500	5,169 sq m
Warehouse	Tweedbank	Magnet Ltd	Suffolk Life Annuities Ltd	£39,000	899 sq m
Factory	Block 1 Tweedbank	Meigle Colour Printers Ltd	Aggmore	£52,600	1,412.2 sq m
Warehouse	Block 2 Tweedbank	Vacant	Aggmore	£42,800	1,005 sq m
Warehouse	Block 3 Tweedbank	Plumbstore	Aggmore	£33,800	945 sq m
Factory	Block 4 Unit 1 Tweedbank	Vacant	Aggmore	£41,500	914 sq m
Warehouse	Block 4 Unit 2 Tweedbank	Vacant	Aggmore	£42,400	1,283 sq m
Depot	Block 5 Unit 1 Tweedbank	Vacant	Aggmore	£23,100	541 sq m
Factory	Block 5 Unit 2 Tweedbank	Vacant	Aggmore	£23,100	558 sq m
Workshop	Unit 6 Tweedbank	Alan G Lees	Owner Occupied	£21,000	465.8 sq m
Store	Block 7 Tweedbank	Martin Herriot	Aggmore	£4,100	106 sq m
Warehouse	Block 8 Unit 1 Tweedbank	Adam Purves	Edmundson Electrical Ltd	£18,300	505 sq m
Garage	Block 8 Units 2, 3 & 4 Tweedbank	Adam Purves Ltd	Owner Occupied	£41,500	482.7 sq m
Factory	Block 9 Tweedbank	Holders Technology Ltd	Aggmore	£50,100	1,275 sq m
Store	Block 10 Unit 1 Tweedbank	Holders Technology Ltd	Aggmore	£15,100	758.7 sq m
Workshop	Block 10 Unit 2 Tweedbank	User Friendly Computing Ltd	Aggmore	£8,500	183 sq m
Store	Block 10 Unit 3 Tweedbank	Vacant	Aggmore	£16,300	358 sq m
Workshop	Block 10 Unit 4 Tweedbank	Qube Uk Ltd	Aggmore	£7,700	184.4 sq m
Workshop	Block 11 Units 1-2 Tweedbank	Vacant	Aggmore	£32,000	753.8 sq m
Factory	Block 11 Units 4-5 Tweedbank	Colin & Mrs Susan Smith T/A Re-Form Kitchens & Bedrooms	Aggmore	£20,700	422.3 sq m
Store	Block 12 Units 1-2 Tweedbank	Plumblin Supplies Ltd	Aggmore	£20,400	488.7 sq m
Showroom	Block 12 Unit 3 Tweedbank	Bathroom Planet	Aggmore	£15,700	244.1 sq m
Store	Block 12 Units 4-5 Tweedbank	Scottish Borders Council	Aggmore	£34,400	

Type	Address	Occupier	Owner	Rateable Value	Area
Store	Unit A Tweedbank	Vacant	Scottish Borders Council	£27,500	694 sq m
Factory	Unit B Tweedbank	Ceta Precision Engineering Ltd	Scottish Borders Council	£26,700	718 sq m
Conference Facility	Eildon Mill Tweedbank	Scottish Borders Council	Scottish Borders Council	£29,300	7,535 sq m

Please note: Information compiled from Scottish Assessors Website, Costar Focus and Agents Websites. Information not verified.

A site to the east of Tweedbank Industrial Estate (shaded yellow above) has been identified as having potential to accommodate additional development with a developable area of approximately 24,500 sq m. In 2006, this site was subject to planning application reference 06/01710/ FUL submitted on behalf of the owner B & Q Plc proposing a retail development together with associated car parking and landscaping. This application was withdrawn. The site remains undeveloped and depending on the landowners ambitions for this site, it may offer scope for provision of additional business space.

There is a further site to the south of the estate which may offer scope for some additional development. This ground is currently outwith the development boundary of Tweedbank comprising screening to the A6091. Consideration would be required to the landscape treatment of this area, but initial considerations would suggest that it may be able to provide a developable site area of 19,000 sq m - again this site is within private ownership.

4.2.2 Tweedside Park

Tweedside Park is situated to the north of Tweedbank Industrial Estate on the opposite side of Tweedbank Drive, again with good road access off the A6091 via Broomilees roundabout.

The composition of units at Tweedside Park differs to Tweedbank Industrial Estate. This portion of Tweedbank would appear to have been developed as individual serviced sites which have been sold off and privately developed providing a mix of standalone units and offices.

The table below provides a summary of the occupiers, areas and mix of unit types at Tweedside Park:

Type	Address	Occupier	Owner	Rateable Value	Area
Factory	Tweedside Park Tweedbank	Plexus	J Barbour & sons Ltd	£168,500	4,124.6 sq m
Radio Station	Tweedside Park Tweedbank	Radio Borders Ltd	Owner Occupied	£14,900	208.6 sq m
Office	Tweedside Park Tweedbank	Gall Robertson Ca	Stewart Technology Ltd	£8,400	114.9 sq m
Warehouse	Tweedside Park Tweedbank	John Menzies Distribution Ltd	ASM Developments Ltd	£36,100	719.3 sq m
Factory	Tweedside Park Tweedbank	Stewart Technology Ltd	Owner Occupied	£44,500	1,043.9 sq m
Office	Tweedside Park Tweedbank	Scottish Public Pensions Agency	Dalton Airfield Estate Ltd	£258,000	No area figure available

The completed units are of a relatively high specification, which as detailed above includes offices let to the Scottish Government Pensions Agency. To the west of the Tweedside Park there is an undeveloped site (coloured in yellow on the aerial plan above) with approximate developable area of 0.75 ha (1.86 acre) or thereby.

Proposals were recently mooted for a Rural Agency Centre on this site housing the key Scottish Government Rural Agencies of Scottish Government rural payments and Inspections Directorate, Animal Health, Forestry Commission, Scottish Natural Heritage and Scottish Environment Protection Agency under one umbrella development. It is understood that the subject site has been discounted from consideration on the basis that it was too small to accommodate the scale of office development and associated parking required to accommodate this facility.

There were rumours that this proposal may instead be located at the site of the proposed relocation of the John Swan Auction Mart in Newtown St Boswells, however, there were rumours that relocating of the Animal Health did not sit comfortably with a position on the same site as the Auction Mart.

As part of the Scottish Government's decentralisation programme during the last decade the Scottish Public Pensions Agency relocated offices to purpose built offices at Tweedside Park in September 2002. An Audit of the 'Relocation of Scottish Executive Departments Agencies and NDPBs' stated that the organisation employed 194 staff at the original location with 33 staff transferring to the Galashiels office. At the time of the move the organisation took on additional work and staffing at September 2006 was 220. The report concluded that whilst some adjustments had been required to performance measures, there was no evidence of any long term drop in performance. It was noted that the organisation had experienced improvements in staff turnover ('churn') and staff absence levels.

In the current economic climate, it is understood that Scottish Government are limiting new public sector offices concentrating instead on co-location within existing public sector premises, where public sector bodies require to relocate. Whilst the railway would certainly assist the business case for any similar decentralisation proposals, enabling retention of a greater number of key staff, we are not aware of any current proposals of this type.

4.2.3 Broomilees

Broomilees comprises land adjacent to the Borders General Hospital complex situated approximately a third of a mile to the south west of Tweedbank Industrial Estate to the south of Darnick. Access to the Broomilees site is shared with the Borders General Hospital. Whilst we are not aware of any traffic impact assessment having been undertaken, given current levels of usage and an accident black spot at the junction with Melrose bypass, we would anticipate that significant improvement works would be required to the junction to facilitate further development at this location.

Within the Consolidated Scottish Borders Local Plan, 2011, the land at Borders General Hospital was noted to be outwith the boundary of designed landscape. the recommendation was for the site to be re-titled Broomilees and allocation retained for Class 4 Business Use with an indication that housing, parking and open space may also be acceptable as part of overall development brief. It was further noted that the site will need careful design.

This would appear to comprise three separate parcels – land to the west of Broomilees road extending to around 8.15 ha; a parcel of around 1.68 ha to the east of Broomilees road (west of cricket ground car park) and an area behind the hospital extending to around 3.23 ha or thereby.

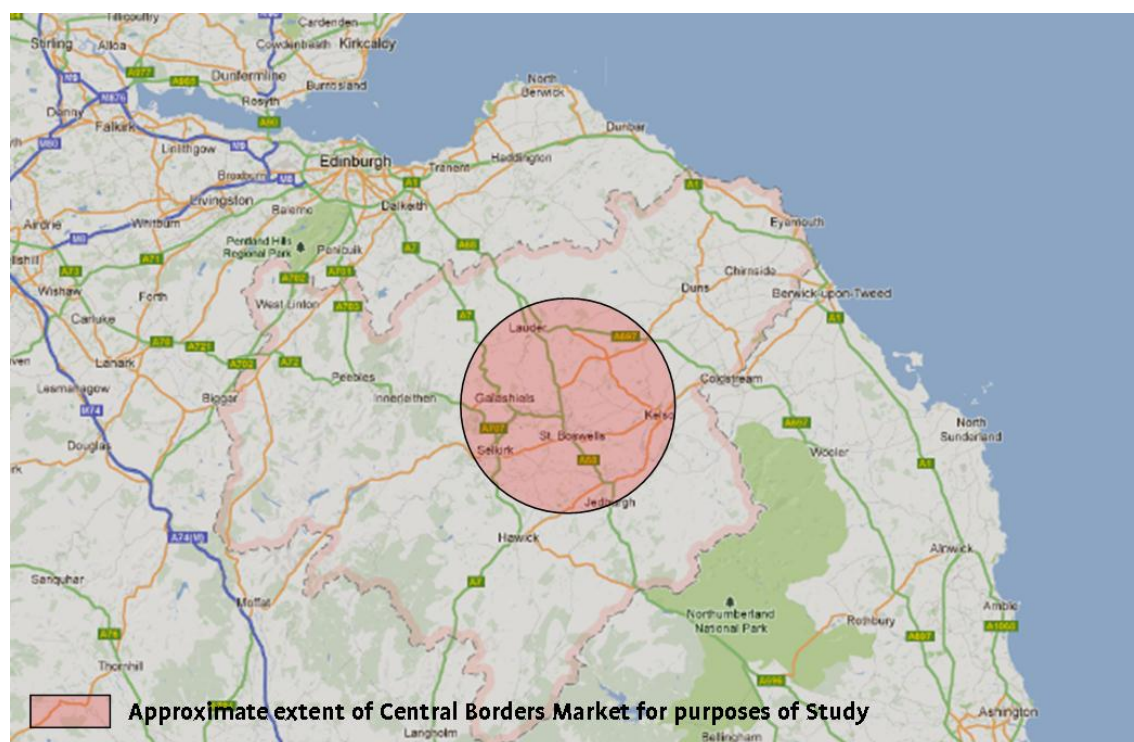
An indication of requirements in relation to access, landscaping and road layout would enable a more considered review of this option.

4.3 Market Analysis

We have undertaken a comprehensive review of industrial and office accommodation currently available on the market through the principal agents acting within the area and attach a copy of our office and industrial availability reports within the appendix. These reports provide hyperlinks to further information on each of the properties to assist in providing an overview of the type and quality of accommodation available in the market.

We have undertaken our analysis of the current availability in the Central Borders market, focusing on Earlston, Galashiels, Kelso, Melrose, Selkirk, Tweedbank and the surrounding areas, the approximate extent of which is identified on the plan below.

Central Borders market for industrial and office accommodation is by and large a “regional” market. On this basis, we have undertaken our analysis of the current availability in the Central Borders market in this context, the approximate extent of which is identified on the plan below.



4.3.1 Availability

4.3.1.1 Office availability

We have summarised our analysis of current (September 2012) office availability below:

Total office space available		24,849.44 sq m (267,380 sq ft)
Average quoting rent		(£7.56 /sq ft/per annum)
Quality of stock	Second Hand properties New or refurbished properties	73 14
Tenure	Leasehold Freehold	78 9
Size range		8sq m – 2,307sq m (96 sq ft -24,835 sq ft)
Total number of days on the market		23,148 days
Average days on the market		263 days

* Information compiled from Costar Focus

Class 2 (professional/town centre offices) are not directly relevant to this study, however, looking at Class 4 (business) office accommodation, we would consider there to be three different categories: Incubator/Fledgling Business offices; small/medium scale general office requirements 45 sq m to 185 sq m (500 sq ft to 2,000 sq ft) and larger scale requirements 375 sq m (4,000 sq ft plus).

Looking at each sector independently we have reviewed a number of the options available in each category.

1. Incubator offices

- a. Ettrick Riverside Business Centre, Dunsdale Road, Selkirk. TD7 5EN
 - Serviced offices within modern business centre available from 11 sq m (118 sq ft)
 - Well suited to meet the demand for sole traders and start-up businesses
 - Attractions to this sector include Business Gateway Services and the communal facilities that you would expect for serviced offices of this type.
 - Guide rents from £6 per sq ft to £10.50 per sq ft per annum plus service charge
 - Service charge budget 2012/13 within main centre approximately £6.50/ sq ft per annum
- b. Business and Conference Centre – Tweed Horizons, Newtown St Boswells, Melrose. TD6 OSG
 - Serviced offices from 12 sq m (129 sq ft) to 233 sq m (2,507 sq ft)
 - Good quality accommodation again well suited to small to medium sized enterprises
 - Business and Conference Centre different environment to the other options available
 - Guide rent £9/ sq ft per annum
 - Service charge budget 2012/13 within main building approximately £5/sq ft per annum

2. Medium scale offices 45 sq m to 375 sq m (500 sq ft to 4,000 sq ft)

- a. Tweed Mill Business Park, Dunsdale Road, Selkirk. TD7 5DZ

- Refurbished and new build offices from 60.40 sq m (650 sq ft) to 596.50 sq m (6,418 sq ft)
- Range of units available ready for fit out including:

Unit 7 (Riverside House)	From 60.40 sq m (650 sq ft) to 596.50 sq m (6,418 sq ft)
Unit 8	GIA 251.95 sq m (2,711 sq ft) NIA 239.5 sq m (2577 sq ft)
Units 9 C & D	GIA 232.34 sq m (2,500 sq ft) Potential to split into separate units
Unit 10	GIA 464.68 sq m (5,000 sq ft) Potential to split into separate units

- Units available by way of new FRI Lease, terms by negotiation
- Guide rents from £4/sq ft (pa) to £9/sq ft (pa) depending on standard of fit out
- Service charge applicable

b. Enterprise House, Galabank Business Park, Galashiels. TD1 1PR

- New build open plan offices
- 366.82 sq m (3,947 sq ft) remaining, available as a whole or as suites from 101 sq m (1,091 sq ft)
- Guide Rents understood to be in the region of £12 to £14 per sq ft per annum, depending on the specification of fit-out
- Service charge applicable

3. Larger scale offices 375 sq m (4,000 sq ft) plus

a. 12b Galabank Business Park, Galashiels. TD1 1PR

- Floor plates of 466 sq m (5,015 sq ft) which can be further sub divided to form smaller suites.
- Guide Rents understood to be in the region of (£12 to £14 per sq ft) per annum, depending on fit-out
- Service charge applicable

b. The Maxwell, Bridge Street, Galashiels. TD1 1PF

- Town centre offices
- Within five minutes walk of the proposed railway station in Galashiels
- Available for sale or let
- Rental NIA from 157.84 sq m (1,980 sq ft) to 960.40 sq m (10,338 sq ft)
- Quoting rent £8 to £10 per sq ft per annum

Our analysis would suggest that there is a strong supply of accommodation within all sectors of the market.

4.3.1.2 Industrial availability

We have summarised our analysis of current (September 2012) industrial availability below:

Total industrial space available		15,093.59 sq m (162,407 sq ft)
Average quoting rent		£2.56 /sq ft/per annum
Quality of stock	Second Hand properties New or refurbished properties	23 8
Tenure	Leasehold Freehold	28 3
Size range		21 sq m – 2,075 sq m (226 sq ft -22,340 sq ft)
Total number of days on the market		13,133days
Average days on the market		423 days

* Information compiled from Costar Focus

This details the current Class 5 (General) and Class 6 (Storage or Distribution) availability in September 2012 according to Costar Focus. There are relatively few properties in this category available on a freehold basis and at Tweedbank itself availability is understood to include:

a. Block 4, Unit 1	GIA 896 sq m	(9,640 sq ft)
b. Block 4, Unit 2	GIA 915 sq m	(9,848 sq ft)
c. Block 5, Unit 1	GIA 527 sq m	(5,669 sq ft)
d. Block 10, Unit 3	GIA 358 sq m	(3,854 sq ft)
e. Block 10, Unit 4	GIA 170 sq m	(1,831 sq ft)
f. Block 11, Unit 1	GIA 460 sq m	(4,950 sq ft)
g. Block 11, Unit 2	GIA 230 sq m	(2,479 sq ft)
Total	GIA 3,556 sq m	(38,271 sq ft)

Our analysis would suggest that there is limited availability of units on a freehold basis and whilst there is significant rental stock, there is limited availability in the 46.47 sq m (500 sq ft) to 185.87 sq m (2,000 sq ft) size bracket.

4.3.2 Demand

4.3.2.1 Office Take-up

The following tables summarises the Office transactions within the Central Borders between 2000 and 2012.

Year	Transactions	Total Space let/ sold	
		Sq m	Sq ft
2000	3	288.75	3,107
2001	27	5,044.70	54,281
2002	12	4,849.81	52,184
2003	20	6,789.59	73,056
2004	23	7,713.29	82,995
2005	28	20,581.13	221,453

Year	Transactions	Total Space let/ sold	
		Sq m	Sq ft
2006	10	2,956.78	31,815
2007	5	1,948.79	20,969
2008	7	4,331.69	46,609
2009	3	1,201.77	12,931
2010	10	1,867.94	20,099
2011	21	2,256.97	24,285
2012	8	1,621.00	17,442
Total	177	61,452.23	661,226
Average	13.62	4,727.09	50,863.54

* Information compiled from Costar Focus

4.3.2.2 Industrial Take-up

The following tables summarises the Industrial transactions within the Central Borders between 2000 and 2012.

Year	Transactions	Total Space let/ sold	
		Sq m	Sq ft
2000	5	1,019.42	10,969
2001	12	3,249.44	34,964
2002	9	2,751.95	29,611
2003	20	4,308.55	46,360
2004	22	8,788.85	94,568
2005	18	3,881.41	41,764
2006	26	14,718.68	158,373
2007	10	2,183.46	23,494
2008	7	12,728.44	136,958
2009	3	2,488.29	26,774
2010	10	8,315.52	89,475
2011	21	3,928.25	42,268
2012	8	1,308.18	14,076
Total	171	69,670.45	749,654.00
Average	21.38	5,359.27	57,665.69

* Information compiled from Costar Focus

4.4 Market Commentary

4.4. 1 Office Market

Our analysis of market demand over the past 13 years would appear to affirm that in the Scottish Borders we are starting from a relatively low base with the figures for that period showing an average office take-up of only 4,272 sq m per annum and industrial take up of 5,359 sq m.

Current office availability provides a good mix of accommodation well suited to all sectors of the market. With the majority of the available space, landlords are flexible in terms of landlord fit-out and sub-division and will attempt to meet tenant's requirements, within reason. Terms are in the vast majority of cases negotiable. Rents are typically in the region of £8 to £12/ sq ft pa depending on size, type and location. Service charges in the region range considerably from under £0.50/ sq ft to £6.50/ sq ft pa, but this is not necessarily charged on a like for like basis.

EKOS have identified that there are 2,421 employees in the professional services sector in the Borders, with forecasted growth of around 100 to 200 employees (4-8%) by 2015. Even working to the top of this band, allowing for an increase of 200 employees at 10 sq m per employee and providing for the average existing take-up, assuming all new take-up, rather than re-location (ie no additional stock returning to the market), there is more than sufficient capacity within the existing stock.

There is, however, very limited accommodation available on a freehold basis and we would anticipate a limited amount of owner occupier demand in this area.

Whilst there is good availability within the existing office stock within the Central Borders area, if there was flexible new build accommodation available at Tweedbank with parking, given its central position, good road links and the rail connection it may prove an attractive option in relation to the other office availability.

During our inception meeting we were asked to look at the scope to redevelop part of the Tweedbank Industrial Estate to provide office accommodation to assist in the aspiration of creating a business park environment at Tweedbank. Whilst no formal costings have been undertaken, a broad brush analysis of recent developments that we have been involved in would suggest that build costs are in the region of £850 to £950/ sq m (£80 to £90/ sq ft). On this basis, it would appear unviable to demolish and re-build the existing stock on the core part of Tweedbank Industrial estate without significant grant funding.

A proportion of the existing stock appears to be in need of refurbishment. From our experience many of the units are single skin. In some cases the units appear to be approaching an age and condition where they may benefit from re-cladding. If the landlord was seeking to undertake works, it may be possible to refurbish them in a format that is more flexible to cater for the needs of the current market, i.e hybrid office units, sub-division to meet smaller requirements etc.

There is an undeveloped site at Tweedside Park adjacent to the site earmarked for the railway station. As an initial step, it may be possible to improve the perception of the estate on arrival at the station, if the final section of Tweedside Park was reserved for a well designed modern show piece Class 4 development.

Larger scale office demand in the Scottish Borders has been heavily reliant on requirements from the Public and Charitable Sectors. We are not aware of any major de-centralisation projects in the pipeline, although as alluded to earlier in this report, it is conceivable that this could follow on from re-establishment of the railway. That said, there is currently a significant amount of relatively high quality office accommodation within close proximity to the proposed station in Galashiels.

Whilst rents in the borders may be competitive with new build developments in parts of the city, the increasing build costs do mean that there is a continued upward pressure on rental levels for new build accommodation and there will also be competition from office accommodation in Midlothian which will also benefit from the re-establishment of the rail link.

4.4.2 Industrial Market

Within the industrial sector there is also a strong rental supply of units of 185 sq m (2,000 sq ft) plus and a relatively high rate of vacancy within the existing stock. Rents appear to have fallen back a little since 2007/08 and now typically range between £2.50 to £4.50/ sq ft per annum for modern units depending on size and type. Due to limited rental demand for medium to large scale units heavy incentives have been offered in recent years in the form of discounted rent periods, reduced rental levels, and short term leases.

There is sustained local demand for smaller units within the 45 to 185 sq m (500 to 2,000 sq ft) band, but a shortage of units of this type within the Central Borders.

Unlike the office sector which offers a good number of options for start-up business, such as Ettrick Riverside in Selkirk which also offers Business Gateway services, there does not appear to be any availability of incubation/ start-up space in the industrial property sector.

Akin to the office market, there are very few units or serviced sites available to accommodate owner occupier requirements in this sector. There is a healthy demand for serviced sites. On the basis, of recent sales general market value for serviced sites would appear to be in the region of £175,000 to £185,000 per hectare (£70,000 to £75,000 per acre) for employment land.

Unfortunately, build costs appear prohibitive to many private sector new build options for commercial units at the moment and there is currently very little speculative new build activity in the commercial sector across Scotland.

A broad brush analysis of recent new build projects that we have been involved with would suggest that total costs are working out at around £590/ sq m to £755/ sq m (£55/ sq ft to £70/ sq ft) depending on specification. On the basis of current yields on commercial properties of this type and serviced site values for industrial property, assuming no grant assistance, we would anticipate that rents would need to be in excess of £6/ sq ft for a new build project to be viable, which is not considered realistic in the current market.

4.5 Legislation

At face value, our analysis of the market demonstrates that there is strong supply of industrial and office stock in the Central Borders Market Area. It should, however, be noted that this may not depict the full picture.

In addition to considerations such as tenure, type, specification, size, and location, legislation is also likely to have a strong influence on the commercial property sector.

4.5.1 Energy Performance

In accordance with The Energy Performance and Buildings (Scotland) Regulations 2008, Energy Performance Certificates (EPCs) have been required for non-domestic properties upon construction, sale or rent since April 2008.

With effect from 9 January 2013, the Energy Performance of Buildings (Scotland) Amendment Regulations 2012 require that all sales and lettings advertised in commercial media must show the EPC rating of the property being advertised. There is no requirement to display the full A to G energy performance graph unless there is space available. Areas of the act are complex and exemptions apply, including Listed Buildings.

Furthermore, The Energy Act 2011 (best known as the vehicle implementing the government's 'Green Deal' policy) has major implications for the commercial stock. Under this act, in its current form, by 01 April 2018 it will be unlawful to let property which does not meet certain minimum energy performance standards. Whilst the act itself does not detail the minimum threshold, government press releases would suggest that this will be set at Band 'E', meaning it will be unlawful to let a commercial property in the UK with an energy Performance Certificate rating of F or G.

Whilst to our knowledge no formal analysis has yet been undertaken on the overall energy performance of Commercial Property within the Central Borders it is anticipated by industry leaders that as much as 20% of the commercial stock at national level could be affected.

To a large degree, the private sector is market driven, therefore, if landlords are required to meet a minimum standard to let a property they will generally undertake the necessary improvements/ upgrades to satisfy the minimum requirements of legislation, where feasible. At the time of writing, there are still many question marks surrounding the Act, which is likely to have significant implications, in terms of the:

- Potential reduction in value of properties with poorer energy performance ratings;
- Cost of bringing buildings up to the prescribed level of energy efficiency;
- Effect of energy performance rating on property at rent review and lease renewals;
- Level of rental increase required to reflect the capital outlay by landlords in meeting these requirements and the implications this may have on the small/ fledgling business sector of the market and businesses working on tight margins relying on low cost units;

The business community appears largely unaware of this legislation. There is pressure on the government to highlight the implications of this Act to encourage companies to start taking action and outline what public sector initiatives, support and assistance, if any may be available to assist the market in dealing with transition.

4.6 Case Study – Extension Ramparts Business Park, Berwick-upon-Tweed

Berwick-upon-Tweed is situated approximately equi-distant between Edinburgh to the north and Newcastle-upon-Tyne to the south (65 miles each way) and is served by both the A1(T) and the mainline east coast railway network, giving regular access to Edinburgh and Newcastle-upon-Tyne (approximately 45 minutes) and London (approximately 3½ hours).

The town has a population of 13,500 with large rural hinterland and acts as a regional centre serving North Northumberland and the East Borders. It is considered relatively comparable to the centre borders town in terms of demographic and population base.

In 2005, recently after completion of the dualling of the A1 the majority of the route between Berwick-upon-Tweed and Edinburgh, Berwick-upon-Tweed Borough Council

released an extension to the Ramparts Business Park in Berwick-upon-Tweed to the market.

Berwick-upon-Tweed Borough Council serviced the 14 acre extension with an estate road and utility infrastructure offering the land as 19 serviced plots. A copy of the master plan showing the designated areas for development are detailed below.



The extension generated relatively strong interest with a mix of speculative developers and owner occupiers acquiring the sites. The average plot value achieved was around £172,000 per hectare (£70,000 per acre) as detailed within the summary below.

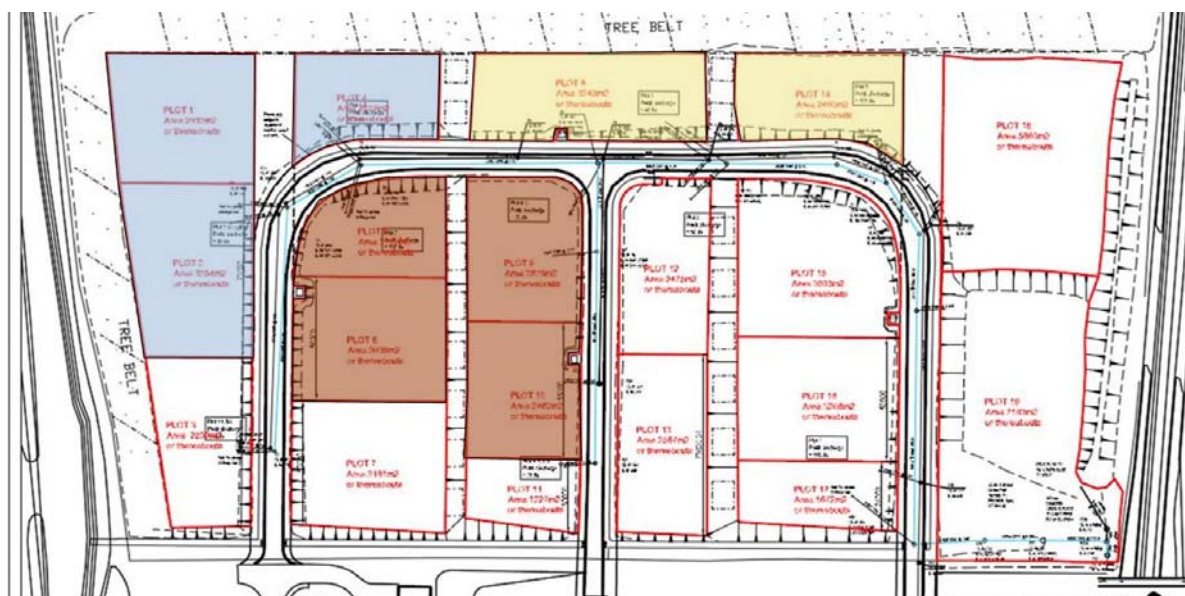
Ramparts Business Park - Plot Values (Ex VAT)

Plot	Hectares	Acreage	Estimated Cost	Price/ Hectare	Price/ acre	Designation
1	0.293	0.71	£57,000.00	£198,374	£80,281.69	Office
2	0.335	0.82	£66,000.00	£198,883	£80,487.80	Office
3	0.253	0.62	£50,000.00	£199,273	£80,645.16	Office
4	0.208	0.51	£41,000.00	£198,649	£80,392.16	Office
5	0.212	0.52	£36,000.00	£171,067	£69,230.77	Hybrid
6	0.304	0.74	£52,000.00	£173,637	£70,270.27	Hybrid
7	0.316	0.77	£54,000.00	£173,289	£70,129.87	Hybrid
8	0.324	0.79	£55,000.00	£172,031	£69,620.25	Industrial
9	0.263	0.64	£45,000.00	£173,741	£70,312.50	Hybrid
10	0.246	0.6	£42,000.00	£172,970	£70,000.00	Hybrid
11	0.123	0.3	£21,000.00	£172,970	£70,000.00	Hybrid
12	0.248	0.6	£42,000.00	£172,970	£70,000.00	Industrial

Plot	Hectares	Acreage	Estimated Cost	Price/ Hectare	Price/ acre	Designation
13	0.257	0.62	£37,000.00	£147,462	£59,677.42	Industrial
14	0.240	0.58	£35,000.00	£149,110	£60,344.83	Industrial
15	0.380	0.93	£56,000.00	£148,791	£60,215.05	Industrial
16	0.321	0.78	£47,000.00	£148,892	£60,256.41	Industrial
17	0.167	0.41	£25,000.00	£150,669	£60,975.61	Industrial
18	0.566	1.37	£123,000.00	£221,849	£89,781.02	Industrial
19	0.718	1.74	£105,000.00	£149,110	£60,344.83	Industrial
Total	5.774	14	£989,000	£173,936	£70,391	

E & oe

A significant proportion of the estate 24,258 sq m (6 acres) was acquired by the Gladman Group, a private company concentrating on Speculative Developments.



Gladman speculatively developed out the plots designated for Business Park development and a proportion of the land designated for Industrial Park development. Their development comprised:

Business Park Development (Plots 1,2 and 4) – coloured blue on the plan above:

Office Pavilions providing 2,658 sq m (28,600 sq ft) of modern office accommodation.



Unfortunately, take up of the offices has been slow, leaving a large proportion of the development vacant.

Deals to date include:

April '08	Detached Pavilion – Plot 4 565 sq m (NIA 6,100 sq ft)	Let on new 10 year lease
April '09	Two storey terraced unit – Plot 1 2,090 sq m (NIA 2,250 sq ft)	Long Leasehold (125 yr)
April '09	First floor terraced unit – Plot 1 115 sq m (NIA 1,245 sq ft)	Let on new 5 year lease
May '12	Ground Floor terraced unit – Plot 1 95 sq m (NIA 1,035 sq ft)	Let on new 2 year lease

Industrial Park Development (Plot 8) western of the two plots coloured yellow above:



Plot 8 developed with four semi-detached units with total GIA 1,408 sq m (15,153 ssq ft) - full occupancy achieved. All units have been taken by the same occupier.

Feb '08	Semi-detached unit GIA 75 sq m (3,789sq ft)	Let on new 5 year lease
April' 09	Pair semi-detached units GIA 700 sq m (7,575 sq ft)	Let on new 10 year lease

The details of the transactions are:

These leases incorporated options to buy. It is understood that the tenant took up the purchase options.

Plot 14 (designated Industrial Park) and Plots 5, 6, 9 and 10 (designated for 'Hybrid/ Office/ Showroom') as shown coloured brown above have not yet been developed.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Findings of the study have indicated the following:

Summary from Economic Review

- there has been a steady decline in the employment base of traditional land based industries and early signs of adjustment towards a more diverse economy. In particular, we reviewed the performance of the wider 'professional services' sector which identified that, pre-recession the sector experienced small levels of growth, however, has since contracted slightly since the onset of the recession;
- in 2012 almost 40% of jobs within the Borders are considered within higher level occupations, and this has grown steadily since 2004 – a net change of 4% points;
- in terms of current demand for employment in the region (i.e. the supply side) – lower level occupations including sales, elementary occupations, and process/ plant workers make up almost two thirds (63%) of the those currently seeking employment. This is perhaps reflective of those industries that have experienced losses over the last few years;
- since 2008 the SE priority sectors have performed well across the region – with the only the food and drink and creative industries experiencing a decline in employment (-6% and -14% respectively). The Borders has reasonably sized employment based in the areas of tourism, creative industries and financial and business services sectors;
- similar to the employment base, the business base has experienced a decline since 2008, although encouragingly the professional services sector experienced small levels of growth during this period and currently represents one fifth of the total business base;
- the business base continues to be dominated by SMEs (small companies employing <50 people) and in comparison with other regions the Borders has historically had a healthy level of business churn and new start survival rate;
- while the Borders has seen an increase in GVA output (2004 – 09) (although this has decreased slightly since 2008) the growth is lower than comparator areas and proportionately the region 'punches below its weight';
- the proportion of the resident population who are of working age living in the Borders is lower than comparable areas – this identifies a common problem for rural areas of high levels of out migration of young people and an ageing population. That being said, it is acknowledged that the railway will likely have a positive impact in sustaining and increasing the resident population base and encouraging residential development;
- over half the working age population have higher level qualifications (NVQ 3 – 4), however, this is significantly behind areas like Edinburgh, which rely heavily on professional services, and two thirds of their working age population have a higher level qualification;
- GVA and employment forecasts over the short term (2010 – 15) show fluctuations within the professional services sector, however, overall they will experience notable growth;

- looking at forecast for growth and applying them to the Borders, we have identified that over the short term there is potential for growth within the 'professional and business services sector' of c. 180 – 350 new jobs created across the Borders. Using a number of assumptions and caveats we have identified there is potential demand for 450 sqm – 1,750 sqm of new commercial office space to accommodate this forecast growth across the sector;
- a review of comparator projects identifies a range of impacts on the wider economy over the medium to longer term including, access to employment, services etc, business relocations, positive changes to the population base, productivity and perceptions of the area. However, there is little evidence to suggest that improvement to infrastructure (acting in isolation) will have an impact on catalysing and supporting the development market.
- medium/longer term prospects for the Borders are difficult to predict with any level of certainty. Based on a number of assumptions there is potentially demand from the 'professional services', tourism and retail sector for additional floor space across the Borders that won't be met by the existing stock. This provides opportunity for development within the study area/potential phased approach as commented on within the recommendations.

Summary of Property Market Review

Office Development

- On a simplistic basis, the figures would indicate that the current office availability would meet 5.26 years demand, based on the average annual office take-up figures, during the period analysed.
- Analysis would suggest that there is a strong supply of existing office accommodation within all sectors of the market.
- It would appear unviable to demolish and re-build the existing stock on the core part of Tweedbank Industrial estate without significant grant funding.
- A proportion of the existing stock appears to be in need of refurbishment. Many of the units are understood to be single skin. In some cases the units appear to be approaching an age and condition where they may benefit from re-cladding. It may be possible to refurbish them in a format that is more flexible to cater for the needs of the current market. For example hybrid office units, or layouts providing versatility to readily accommodate sub-division to meet smaller requirements etc.
- Whilst there is good availability within the existing office stock within the Central Borders area, if there was flexible new build accommodation available at Tweedbank with parking, given its central position, good road links and the rail connection it may prove an attractive option in relation to the other office availability.
- Whilst rents in the borders may be competitive with new build developments in parts of the city, the increasing build costs do mean that there is a continued upward pressure on rental levels for new build accommodation and there will also be competition from office accommodation in Midlothian which will also benefit from the re-establishment of the rail link.

Industrial Development

- On a simplistic basis, the figures would indicate that the current industrial availability would satisfy 2.82 years demand, based on the average annual

industrial take-up figures, during the period analysed.

- Analysis would suggest that there is limited availability of industrial units available on a freehold basis and whilst there is significant rental stock, there is limited availability in the 46.47 sq m (500 sq ft) to 185.87 sq m (2,000 sq ft) size bracket. By contrast there appears to be an over supply of larger units in the central borders market area leading to downward pressure on rental levels.
- Covenant strength has been identified as a concern. There have been reports of a relatively high rate of rental arrears on units let to lower covenant tenants within some of the industrial Estates within the Central Borders.
- Build costs appear prohibitive to many private sector new build options for commercial units at the moment and there is currently very little speculative new build activity in the commercial sector across Scotland.
- A broad brush analysis of recent new build projects suggests that potential rents would require to be in excess of those currently achievable to make new build commercially viable by the private sector.

Key Messages for the Borders

Based on the key findings presented above taken from the economic and property market reviews, we have made assumptions that any short term demand (0 – 5 years cumulative total) for new high quality office accommodation around the Central Borders area will be limited – c. 450 sqm – 1,750 sqm. This is based on modest levels of growth (from a small base) within the 'professional services' sector and the current supply of commercial office accommodation in the local area. There is also potential demand from the tourism and retail sectors, however we are unable to comment on the availability of existing stock to meet this demand;

It is also worth noting that historically, the business base in the Borders is populated by smaller businesses – less than 50 employees. This will undoubtedly have an impact on any potential future demand for floorspace i.e., smaller self contained units and floorplates etc.

In addition, the current restricted development market and risk averse nature of the private sector means that the railway line opening is unlikely to be incentive on its own to stimulate activity within the private development market. There is therefore scope for SBC and SE to consider a developer engagement strategy.

Medium/ longer term prospects for the Borders are difficult to predict with any level of certainty. Based on a number of assumptions there is potentially demand from the 'professional services', tourism and retail sector for additional floor space across the Borders that won't be met by the existing stock. This provides opportunity for development within the study area.

if a viable development proposition is identified for the sites, in terms of moving development forward there are a further two important issues that need to be considered, 1) capitalising on the positive media coverage and momentum that will be generated through the opening of the new rail line and station at Tweedbank, and 2) setting a viable and realistic development timescale for the sites.

We would therefore suggest that further analysis be undertaken to identify a viable and deliverable development timeline that considers both quick wins for the area (to build on the momentum of the rail line) and meet any short term demand, but also develop a longer term strategy to support the sustainable development of the area. Given the size of the sites and the current constraints within the development market, a 15+ year timeline would seem a reasonable starting point.

The development of any longer term strategy should help meet the objectives of both the region's land use (Local Development Plan) and economic development policy, and should be reviewed and updated at five year cycles to reflect changes in both the strategic environment and wider market conditions.

5.2 Recommendations

Given the findings of this report, a phased strategy is recommended with respect to development of the three sites considered and towards the technical studies included as part of the current brief:

- *Tweedside Park: This site has a plot which is currently vacant and offers opportunity to create a high quality employment environment at a key location for the new station. It is therefore proposed to be taken through the full technical study and development layout brief. SE/SBC will then be in position to consider potential funding mechanisms/timescales and potential public sector input.*
- *Tweedbank offers both existing vacant plots and buildings within close proximity to the railway terminal and offers opportunities for low cost immediate availability as well as potential for development over available vacant sites should the demand arise. It is proposed that this site should also progress to the full technical/ development layout brief.*
- *This study has suggested that there is no current short term demand for development land at Broomilees and with medium/ long term trends difficult to predict, significant input to the site at this stage is unlikely to be required. A short high level study only is proposed which would identify and summarise key issues/costs and development timescales.*

APPENDIX A

Site Photographs



1. Rail Terminal Location



2. Existing Unit - High End Specification



3. Tweedside Park



4. Existing Unit - Lower End Specification



5. General View looking towards the Eildons



6. Industrial / Garage Usage



7. Unit to Let



8. Commercial Use



9. General Site View



10. Existing Access from A609



11. Boundary Road



12. Borders General Hospital Entrance

APPENDIX B

Key Projects

Across the Borders there are a number of key projects and initiatives that will support the growth and development of the 'professional services', 'knowledge economy' and priority sectors over the longer term.

Below we have identified some of these key projects, some of which form an important part of the development of priority sectors across the region.

South of Scotland Food and Drink Network and the Cultivating Collaboration (C2) project

The key objective of the C2 project is to stimulate, encourage and support greater collaboration within Scottish food and drink supply chains to improve profitability, market responsiveness, efficiency and sustainability and make a positive contribution towards the Scottish Government and Scotland Food and Drink targets of growing the industry to £12.5 billion by 2017.

The project is designed to promote the food and drink sector across the South of Scotland, but also encourage collaboration between the region's food and drink businesses (particularly the supply chain) – from agriculture, to manufacturing and retail. It forms part of the wider umbrella organisation Scotland Food & Drink forum – an umbrella organisation that provides strategic direction for the sector.

An interim evaluation undertaken in 2010¹⁹ identifies that the project has been successful in progressing against a number of targets, including encouraging businesses to establish partnerships or collaborations and opening up access between supply chains.

South of Scotland Innovation Systems Initiative (SoSISI)

This programme looks to foster and promote innovation and collaboration across the region. The Initiative has three key objectives: to increase networking between businesses; foster knowledge partnerships between industry and academia; and enhance the research base in the region.

The South of Scotland Innovation System Initiative (SoSISI) aims to increase the level of innovative activity within the South of Scotland, and facilitate the interaction for new and growing businesses with the Scottish innovation system.

It is delivered through a number of project activities:

- Stimulating and Supporting Human Networking –Linking Entrepreneurs;
- Increasing Knowledge Transfer – Knowledge Links; and
- Developing the Innovation System Research – by undertaking key pieces of research to inform and shape further activity.

An evaluation of the project²⁰ identifies evidence of progress. The projects had a large influence on changing attitudes towards networking and increasing the awareness /understanding of innovation. A large percentage of businesses engaging in the programme noted that it allowed them to establish informal innovation networks, and many had explored new collaborative ventures.

Some benefits had already been seen by companies, including new products, increased sales, new markets and suppliers.

¹⁹ Interim Evaluation of C2 Project, EKOS Ltd, 2010.

²⁰ Strategic Review of SoSISI, EKOS Ltd, 2010.

That being said, tangible benefits had often not yet accrued, but beneficiaries highlighted that in the future, the projects would allow them to further explore new collaborative ventures and establish informal innovation networks – generating longer term impacts and benefits.

South of Scotland Creative Enterprise Initiative (SOSCEI)

SOSCEI is a partnership set up between the two local authorities, Dumfries and Galloway and Scottish Borders, under the umbrella of the South of Scotland Alliance. The initiative is designed to support creative individuals and micro enterprises to develop their business skills and fulfil their business potential

The creative sector in the South of Scotland is estimated to generate revenue of almost **£60m per annum**, employing **1,337 FTEs**. This equates to an **estimated GVA of £37-£39m per annum**. This is larger, for example, than forestry and fishing combined²¹ and demonstrates the important economic contribution of the sector.

Next Generation Broadband

The Scottish Government and SoS Alliance has a target of 90% broadband coverage within the South region. Currently connectivity is patchy and given the remoteness and isolation from the larger commercial centres, high speed broadband is essential to support economic growth within rural areas. Enhanced digital connectivity will support business growth and diversification and have a potential knock on positive effect through attracting inward investment into the region.

Tweed Valley Path Network

Scottish Borders Council was awarded c. £600k to develop the path network (Rural Priorities funding). The project will provide an off-road route connecting the town of Peebles to the villages of Cardrona and Innerleithen in the Tweed Valley, along with safe cycling and walking links between these communities, plus a link between the mountain biking centres at 7stanes, Glentress and Innerleithen.

Scottish Borders Campus

In 2009 a new further and higher education campus opened in Netherdale, Galashiels. The project was a partnership between Borders College and Heriot Watt University and represents an investment of nearly £50m into creating a new state of the art hub to promote lifelong learning and training in the Borders.

It is hoped the facility will help create a network for R&D, skills development, and commercialisation etc with the private sector.

It is envisaged that the new hub will provide strategic support to help develop the knowledge economy within the region.

²¹ According to BRES data, total employment in forestry and fishing activities in the South of Scotland in 2010 was 903 FTEs.

APPENDIX C

Cluster Development

There is a large and varied literature on clusters, including cluster emergence, evolution and policies. Different researchers have viewed clusters using different models.

Initial studies on clusters focused on agglomeration where concentrations of firms in the same sector were identified to give rise to “economies of scale or scope; the development of general labour markets and pools of specialised skills, enhanced interaction between local suppliers and customers; shared infrastructure; and other localised externalities” (Ketels, Lindqvist, & Solvell, 2007 p3). However this spatial analysis failed to adequately explain the success of some industrial groupings and the failure of others.

Authors, for example Saxenian (1994), for example, in her highly influential account of Silicon Valley and Route 128 highlighted the vital role of social behaviours, cooperation and collective learning in the successful growth of a cluster. This has led to the development of the social-network model of clusters (Gordon and McCann, 2000) where firms engage in higher risk collaboration for common mutually beneficial goals. The concept of the social network in clusters was conceived as reciprocal trust and co-operation based linkages between members of the cluster (Cooke 2001), where networking, social interaction and a culture of trust and reciprocity are common themes.

“A cluster is a concentration of firms that prosper because of their interaction, whether that is through competition or cooperation” (Padmore & Gibson 1998, p627).

Moulert and Sekia (2003) in their review of territorial innovation models highlight the similarity between some of these models, (including Saxenian’s model of clusters of innovation), where networking, social interaction and a culture of trust and reciprocity are common themes.

There is an increasing interest in collaboration and networking in recent innovation literature. In Steven Johnson’s ‘Where good ideas come from: The natural history of innovation. 2010’ he postulates that most innovation is not due to “eureka moments”, but in fact from a mixing of hunches and ideas. He argues those that regularly come into contact with people having diverse interests and viewpoints are more likely to come up with innovative ideas. “Chance favours the connected mind”.

Trying to channel these connections can, however, be more challenging. Jacques Levy, in his article on Serendipity²², suggests that whilst “it is possible to create more favourable conditions to encourage innovation”, it is difficult to programme and control these factors. He describes this as “the productivity of randomness”, suggesting that bringing together connections and networks helps multiply these opportunities. In this case the geographic proximity of individuals and organisations help provide that serendipity.

In a 2007 White Paper report published by the Economics Intelligence Unit²³, which looked at key changes in the world economy, the report reviewed the importance of business collaboration in an ever expanding global economy and concluded that “the future belongs to those who collaborate”.

High levels of collaboration and networking are now more commonly linked with, and act as a key driver for successful innovation. A NESTA working paper identifies that networking is a key tool to promote innovation. Knowledge and experience is more efficiently diffused through the collaboration of actors and there is a greater opportunity of successful innovation²⁴.

²² Jacques Levy, Serendipity, <http://www.espacestemps.net/document519.html>

²³ *Collaboration: Transforming the way business works*, published by the Economist Intelligence Unit in 2007 and also sponsored by Cisco

²⁴ Measuring Wider Framework Conditions for Innovation Success. A systems Review of UK and International Innovation Data, NESTA

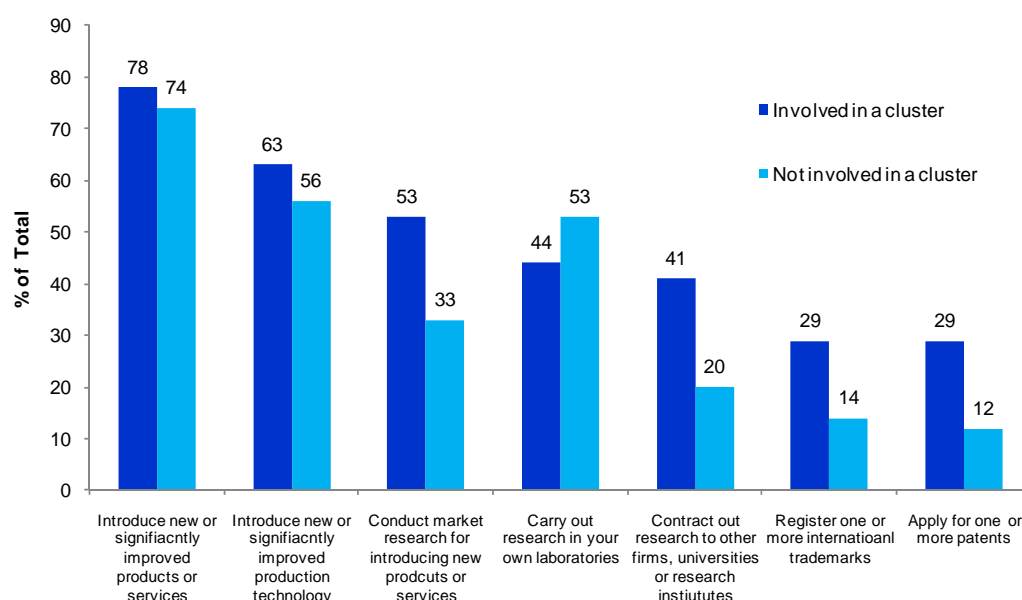
The OECD Innovation Strategy further supports this concept of knowledge sharing through networks and highlight the important role of knowledge networks and markets in generating and implementing ideas, and subsequently fostering innovation, “the circulation of knowledge is essential for innovation”²⁵.

There is a growing body of evidence that companies involved in formal networks have an improved innovation performance compared to those not in such a network.

There is a growing body of evidence that companies involved in formal networks (for example clusters) have an improved innovation performance compared to those not in such a network.

Figure D.1 provides a snapshot of innovation performance in clusters²⁶. It measures the performance of innovative businesses involved in clusters against a range of innovation indicators and draws comparisons with innovative businesses that are not involved in clusters.

Figure D.1: Innovation Performance in Clusters



Source: European Commission

The evidence suggests that there is a direct link between innovation and working together through clusters/networks, as those that are involved in cluster activity are generating higher levels of successful innovation than those that don't across a whole range of indicators.






²⁵ OECD Innovation Strategy 2010

²⁶ European Commission (2006d) Innobarometer on cluster's role in facilitating innovation in Europe

APPENDIX D

Industrial & Office Availability



	<p><u>Units 1 & 2 Turfford Park, Earlston</u></p> <ul style="list-style-type: none"> • To Let - Warehouse • Full height level access vehicle loading door • Unit 1 GIA 222.2 sq m (2,392 sq ft); Unit 2 GIA 111.5 sq m (1,200 sq ft) • Flexible terms <p>Rent on application</p> <p><i>Marketed by Scottish Borders Council</i></p>	<p>EARLSTON</p>
	<p><u>Block 4 Unit 1, Tweedbank, Galashiels</u></p> <ul style="list-style-type: none"> • To Let - Warehouse • Full height level access vehicle loading door • GIA 9,640 sq ft (896 sq m) • Flexible terms <p>Rent on application</p> <p><i>Marketed by CKD Galbraith and FT Linden</i></p>	<p>GALASHIELS</p>
	<p><u>Block 11 Units 1 & 2 Tweedbank, Galashiels</u></p> <ul style="list-style-type: none"> • To Let - Recently refurbished, warehouse/ workshop units • Currently interconnected, but scope to sub-divide • Area from 230 sq m (2,479 sq ft) to 690 sq m (7,429 sq ft) • Flexible terms <p>Rent on application</p> <p><i>Marketed by CKD Galbraith and FT Linden</i></p>	<p>GALASHIELS</p>
	<p><u>Block 5 Unit 1 Tweedbank Galashiels</u></p> <ul style="list-style-type: none"> • To Let - Attached warehouse • level access roller shutter doors; Office provision • Area 527 sq m (5,668 sq ft) • Flexible terms. Incentives available <p>Rent on application</p> <p><i>Marketed by CKD Galbraith and FT Linden</i></p>	<p>GALASHIELS</p>
	<p><u>Block 10 Unit 3 Tweedbank Galashiels</u></p> <ul style="list-style-type: none"> • To Let – warehouse • Generous shared yard • Area 358 sq m (3,854 sq ft) • Flexible terms <p>Rent on application</p> <p><i>Marketed by CKD Galbraith and FT Linden</i></p>	<p>GALASHIELS</p>



[Melrose Road, Galashiels](#)

- To Let - Unit/ Development
- Modern clearspan building with generous parking
- Ground floor 1,890 sq m (20,336 sq ft); First floor 186.3 sq m (2,004) sq ft
- New FRI lease. Flexible terms

Price on Application

Marketed by Edwin Thompson LLP

GALASHIELS



[Unit 8, Galabank Business Park, Galashiels](#)

- To Let – Commercial units
- Electrically operated vehicular roller shutter doors
- GIA 428.47 sq m (4610 sq ft)
- New FRI lease. Flexible terms

Rent on application

Marketed by Edwin Thompson LLP

GALASHIELS



[Unit 3 - 25 Market Street, Galashiels](#)

- To Let - Well suited to offices/dentist/leisure or warehouse uses
- Scope for window frontage
- Total GIA 342.94 sq m
- New FRI lease. Flexible terms

Rent on application

Marketed by Edwin Thompson LLP

GALASHIELS



[Netherdale, Galashiels](#)

- To Let - Versatile unit
- Occupying a level site of 0.5 acre
- GIA 407.34 sq m (4,383 sq ft) or thereby
- Available on new FRI lease. Terms by negotiation

Rent from £3/ sq ft pa

Marketed by Edwin Thompson LLP

GALASHIELS



[Wheatlands Mill, Galashiels](#)

- To Let - showroom/ retail/ office/ studio
- Existing café with good client base
- NIA 80.1 sqm (862 sq ft)
- Terms by negotiation

Rent on Application

Marketed by Edwin Thompson LLP

GALASHIELS



Winston Road, Galashiels

- For Sale - Zoned for Mixed use development
- Grounds extending down to the River Tweed
- Site area 3.04 ha (7.51 acres) or thereby

Guide Price £300,000

Marketed by Edwin Thompson LLP

GALASHIELS



Retail Warehouse, Abbotsford Fabrics, Gala Mill

- For Sale or Let - Warehouse
- Scope to divide to suit requirements
- GIA 2308 sq m (24,835 sq ft)
- Terms negotiable

Offers invited for sale or to let

Marketed by Edwin Thompson LLP

GALASHIELS



Unit 7, Galabank Business Park, Galashiels

- To Let - Commercial Unit(s)
- Class 4, 5, 6 and trade counter
- GIA 99.2 sq m (992 sq ft) to 757 sq m (8,141 sq ft)
- FRI lease. Flexible terms

Rent on application

Marketed by Edwin Thompson LLP

GALASHIELS



Unit 2 Wheatlands Mill Wheatlands Road Galashiels TD1 2HQ

- To Let – Versatile single storey unit
- located within 1 mile of town centre. Communal car parking
- Area from 495 sq m (5,333 sq ft)
- Flexible terms

Rent on application

Marketed by CKD Galbraith

GALASHIELS






Units 2,9 & 10,11 Craft Centre Workshops, Tweedbank

- To Let - Office unit
- Unit 11 GIA 121 sq m (1303 sq ft)
- Unit 9 & 10 GIA 35 sq m
- Unit 2 GIA 34.3 sqm (369 sq ft)
- IRI lease standard SBC terms

Rent on application

Marketed by Scottish Borders Council

GALASHIELS

	<p><u>Block 4 Unit 2 Tweedbank Galashiels</u></p> <ul style="list-style-type: none"> • To Let – good office provision • Large loading area • Area 915 sq m (9,848 sq ft) • Flexible terms. <p>Rent on application</p> <p><i>Marketed by CKD Galbraith and FT Linden</i></p>	<p>GALASHIELS</p>
	<p><u>Unit 2 and 9 Huddersfield Street Workshops, Galashiels</u></p> <ul style="list-style-type: none"> • To Let. Modern industrial units • Unit 2 GIA 111.5 sq m (1,200 sq ft) • Unit 9 GIA 101.6 sq m (1094 sq ft) • IRI lease standard SBC terms <p>Rent on application</p> <p><i>Marketed by Scottish Borders Council</i></p>	<p>GALASHIELS</p>
	<p><u>Block 10, Unit 4 Tweedbank Galashiels</u></p> <ul style="list-style-type: none"> • To Let – warehouse • Generous shared yard • Area 170 sq m (1,831 sq ft) • Flexible terms <p>Rent on application</p> <p><i>Marketed by CKD Galbraith and FT Linden</i></p>	<p>GALASHIELS</p>
	<p><u>A1-2 Hamilton Road, Burnfoot, Hawick</u></p> <ul style="list-style-type: none"> • To Let - Recently refurbished units • Suit industrial, storage or distribution use • GIA 840 sq m to 1,680 sq m. Yard and Offices also available • New lease. Flexible terms <p>Rental on Application. ALL ENQUIRIES INVITED</p> <p><i>Marketed by Edwin Thompson LLP</i></p>	<p>HAWICK</p>
	<p><u>80 High Street, Hawick</u></p> <ul style="list-style-type: none"> • For sale or let - versatile flexible town centre premises • Outline planning consent for ten self-contained apartments • NIA in excess of 5,200 sq ft – potential to split <p>Guide Price £ 150,000</p> <p><i>Marketed by Edwin Thompson LLP</i></p>	<p>HAWICK</p>



[Galalaw Business Park, Hawick](#)

- For Sale – Serviced Development Land
- Level greenfield site
- Zoned Business/General Industrial/Storage and Distribution
- Area approximately 0.74 ha (1.83 acres)

Offers over £ 73,200

Marketed by Edwin Thompson LLP

HAWICK



[Burnfoot Industrial Estate, Hawick](#)

- For Sale – Development Site
- Option agreements considered
- 9.4 acres in total
- **Offers over £ 250,000**

Marketed by Edwin Thompson LLP

HAWICK



[Riverside Works, Edinburgh Road, Jedburgh](#)

- To Let - Modern Warehouse
- Substantial hardcore surfaced yard
- GIA 368 sq m (3,960 sq ft)
- New lease. Terms by negotiation

Guide Rent (pa) £ 12,000

Marketed by Edwin Thompson LLP

JEDBURGH



[Unit 2 and 7 Bongate Stores, Jedburgh](#)

- To Let - Stores
- Unit 2 GIA Ground Floor 56.2 sq m (605 sq ft); First Floor 45.1 sq m (486 sq ft)
- Unit 7 GIA Ground Floor 56.2 sq m (605 sq ft); First Floor 45.1 sq m (486 sq ft)
- IRI lease standard SBC terms

Rent on application

Marketed by Scottish Borders Council

JEDBURGH







[Middleton Mill, Jedburgh](#)






- To Let -Versatile former mill
- Well suited to a range of office, production and storage uses
- GIA 671.40 sq m (7,224 sq ft)
- Available by way of new lease. Terms by negotiation

Guide Rent £ 8,500

Marketed by Edwin Thompson LLP

JEDBURGH

	<p><u>Commercial Yard, Bankend South Industrial Estate, Jedburgh</u></p> <ul style="list-style-type: none"> • To Let - Commercial Yard • External yard area • Site area 2.5 acres or thereby, excellent access • Flexible/short term lets available <p>Rental on Application</p> <p><i>Marketed by Edwin Thompson LLP</i></p>	JEDBURGH
	<p><u>Unit 4 and 5 Abbotsford Court Business Centre, Kelso</u></p> <ul style="list-style-type: none"> • To Let - Business Unit • Unit 4 GIA 321.7 sq m (3463 sq ft) • Unit 5 GIA 206.2 sq m (2220 sq ft) • IRI lease standard SBC terms <p>Rent on application</p> <p><i>Marketed by Scottish Borders Council</i></p>	KELSO
	<p><u>Unit 6a Edenside Workshops, Kelso</u></p> <ul style="list-style-type: none"> • To Let - Office/ workshop unit • Converted former primary school • GIA 21 sq m (226 sq ft) • IRI lease standard SBC terms <p>Rent on application</p> <p><i>Marketed by Scottish Borders Council</i></p>	KELSO
	<p><u>Unit 5, West End Units, Charlesfield, Melrose</u></p> <ul style="list-style-type: none"> • To Let – office and storage area • Fitted out with office and storage area • GIA approximately 180 sq m (1930 sq ft) • Flexible lease terms <p>Guide Rent £ 4,500</p> <p><i>Marketed by Edwin Thompson LLP</i></p>	MELROSE
	<p><u>Unit 9, Charlesfield, Melrose</u></p> <ul style="list-style-type: none"> • For Sale/ let - Flexible stand alone site • Office/showroom; garage and secure yard • GIA site approximately 0.41 acres • New FRI Lease <p>Rental Offers over (pa) £ 5,000</p> <p><i>Marketed by Edwin Thompson LLP</i></p>	MELROSE

	<p><u>Unit A and B Waverley Place, Newtown St Boswells</u></p> <ul style="list-style-type: none"> • To Let - Workshop unit • Purpose built portal frame building. Bi-folding sliding doors • Unit A GIA 222.2 sq m (2,392 sq ft); Unit B GIA 111.5 sq m (1,200 sq ft) • IRI lease standard SBC terms <p>Rent on application</p> <p><i>Marketed by Scottish Borders Council</i></p>	<p>MELROSE</p>
	<p><u>Charlesfield, St Boswells, Melrose</u></p> <ul style="list-style-type: none"> • To Let - warehouse/ production • Sizeable yard • GIA 275.6 sq m (2,965) sq ft • FRI Lease <p>Guide Rent (pa) £ 9,000</p> <p><i>Marketed by Edwin Thompson LLP</i></p>	<p>MELROSE</p>
	<p><u>Unit 6 Station Court, Newtown St Boswells</u></p> <ul style="list-style-type: none"> • To Let - Steel portal frame workshop unit • Courtyard area to front • GIA 96.8 sq m (1042 sq ft) • IRI lease standard SBC terms on yearly basis, termination subject to 3 months notice <p>Rent on application</p> <p><i>Marketed by Scottish Borders Council</i></p>	<p>MELROSE</p>
	<p><u>Elm Court, Peebles</u></p> <ul style="list-style-type: none"> • For Sale - Modern and highly versatile business unit • Suited to office, light production, storage and distribution uses • GIA 96.42 sq m (1038 sq ft) <p>Guide Price £ 65,000</p> <p><i>Marketed by Edwin Thompson LLP</i></p>	<p>PEEBLES</p>
	<p><u>Elm Court, Cavalry Park, Peebles</u></p> <ul style="list-style-type: none"> • For Sale/ To Let - High quality units • Suit office, light production, storage & distribution • 97.31 sq m (1047 sq ft) to 297.49 sq m (3201 sq ft) • FRI Lease <p>From Under (£/ sq ft pa) £ 5</p> <p><i>Marketed by Edwin Thompson LLP</i></p>	<p>PEEBLES</p>



[Weavers Court, Forest Mill, Selkirk](#)

- To Let - Grade B Listed former weaving mill
- Well suited to a wide range of uses
- GIA 86.85 sq m
- New FRI Lease – short term lease option

Guide Rent £ 5,500

Marketed by Edwin Thompson LLP

SELKIRK



[Tweed Mill, Dunsdale Road, Selkirk](#)

- To Let - Warehouse/Industrial Unit
- Highly flexible former factory unit
- GIA 1,082.18 sq m (11,645 sq ft)
- New FRI Lease terms

Rental on application

Marketed by Edwin Thompson LLP

SELKIRK



[Level Crossing Road, Selkirk TD7 5EQ](#)

- To Let. Office/ workshop unit
- Double loading doors
- GIA 565.8 sq m (6090 sq ft)
- IRI lease standard SBC terms

Rent on application

Marketed by Scottish Borders Council

SELKIRK



[Unit 10, Tweedmill Business Park, Selkirk](#)

- To Let – New build business unit(s)/ Retail Warehouse
- Available as a whole or as smaller units
- Extending to 5,000 sq ft in total
- New FRI lease terms.

Rental from (pa)/ sq ft £ 4

Marketed by Edwin Thompson LLP

SELKIRK



[Unit 6 and 7 Shepherd's Mill, Selkirk](#)

- To Let - Workshop unit
- Double timber doors
- Unit 6 GIA 374 sq m (4026 sq ft); Unit 7 GIA 399 sq m (4295 sq ft)
- IRI lease standard SBC terms

Rent on application

Marketed by Scottish Borders Council

SELKIRK

Yard 3 Rogers Road, Selkirk

- To Let - Surfaced yard
- Double gated access, timber screen perimeter fence
- GIA 588.8 sq m (6338 sq ft)
- Lease on standard SBC terms

Rent on application***Marketed by Scottish Borders Council*****IMPORTANT NOTICE**

This information has been compiled from the websites of the principal commercial agents acting within the Central Borders. All descriptions, plans, references to condition and necessary permissions for use and occupation, and other details, are given in good faith and are believed to be correct, but they should not rely upon as statements of fact. No person in the employment of Edwin Thompson has any authority to make or give any representation or warranty whatsoever in relation to these properties or these particulars.

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APPENDIX E

Notes Regarding Marketing Assessment

NOTES REGARDING MARKETING ASSESSMENT BY EDWIN THOMPSON LLP

In accordance with the instructions received, the report is a market study only. No valuation or survey has been undertaken of any of the properties referred to within the report.

The Marketing Assessment section of the report has been prepared by S J Sanderson MRICS, an Associate Partner and RICS Registered Valuer with Edwin Thompson. S J Sanderson is experienced in the local market and is suitably qualified to undertake these instructions.

To the knowledge of the Surveyor and Edwin Thompson, including all Partners, Members and Employees, neither the Surveyor nor Edwin Thompson are aware of any conflict of interest or potential conflict of interest arising as a result of the instructions.

Edwin Thompson maintains professional indemnity insurance cover in the sum of £10,000,000, subject to excess, on a per claim basis.

No allowance has been made within this report for property related taxation, value added tax or transaction costs which may be incurred.

In the course of this report, various assumptions have been made. In the event these assumptions are incorrect it may become necessary to review the contents of this report.

All measurements identified herein are to be regarded as being approximate assessments only.

Demand has been analysed on the basis of information available on Costar Focus (formerly Scottish Property Network).