

FINAL REPORT

Market Assessment Feasibility Study and Development Strategy for New Business Space Tweedbank / Tweedside Park / Broomilees: **Summary Assessment**



Report 4

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with


Economic and Social Development

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1.0 INTRODUCTION

1.1 General

On the instruction of Scottish Borders Council (SBC) and Scottish Enterprise (SE), Ironside Farrar Limited has undertaken a suite of four reports assessing Marketing, Economic, Technical and Development issues for new business space in the vicinity of the Borders Railway Terminal in Tweedbank. This report (Report 4) provides a high level summary of all reporting including a general, non technical summary.

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', works are currently in progress. The railway is currently programmed to be operational by 2015.

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 Consultancy Works

Assessment and Reporting was undertaken by the following consultants:

- Ironside Farrar Ltd: Lead consultant and production of Technical and Development Assessments as well as summary reporting.
- EKOS Ltd: Economic analysis/ Assessment and input to Development Assessment
- Edwin Thomson: Market analysis and input to Development Assessment

1.5 Reporting and Study Approach

The following reports have been undertaken as part of the assessment:

- Report 1: Economic and Market Assessment for New Business Space – Tweedbank/ Tweedside Park/ Broomilees
- Report 2: Technical and Development Assessment – Tweedbank/ Tweedside Park
- Report 3: Summary Development Assessment – Broomilees
- Report 4: Market Assessment, Feasibility Study and Development Strategy for New Business Space, Tweedbank/ Tweedside Park/ Broomilees: Summary Assessment

The Economic and Market Report (Report 1) was the first report to be undertaken. The findings of this report were then used *inter alia* to refine the scope and subsequent approach to the Development Assessment Reports (Reports 2 & 3).

1.6 Site Details

The overall study is centred around the proposed Borders Railway Terminal at Tweedbank. The study area comprises existing zoned employment land comprising 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.

2.0 ECONOMIC AND MARKET ASSESSMENT (REPORT 1)

2.1 Study Approach

The Economic Assessment presents a review of the potential economic growth within the Borders (partly as a result of the Borders Railway 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.

2.2 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, it has been 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, it has been 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.

2.3 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 at Tweedbank 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.

2.4 Key Messages for the Borders

Based on the key findings presented above taken from the economic and property market reviews, assumptions have been made that any short term demand 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.

Recommendations

Given the findings of the report, a phased strategy was recommended with respect to development of the three sites and towards the technical and development studies.

- Tweedside Park: This site has a plot which is currently vacant and offers the opportunity to create a high quality employment environment at a key location for the new station. It was therefore taken through the full technical study and development layout brief.
- Tweedbank was considered to offer both existing vacant plots and buildings together with close proximity to the railway terminal. It offered opportunities for low cost immediate availability as well as potential for development over available vacant sites should the demand arise. This site was also progressed through the full technical/ development layout brief.
- The Market/ Economic study suggested that there is no foreseeable short term demand for development land at Broomilees and with medium/ long term trends difficult to predict, significant input to the site is unlikely to be required. A short high level technical/ development study (only) was undertaken which was in order to identify and summarise key issues/ costs and development timescales.

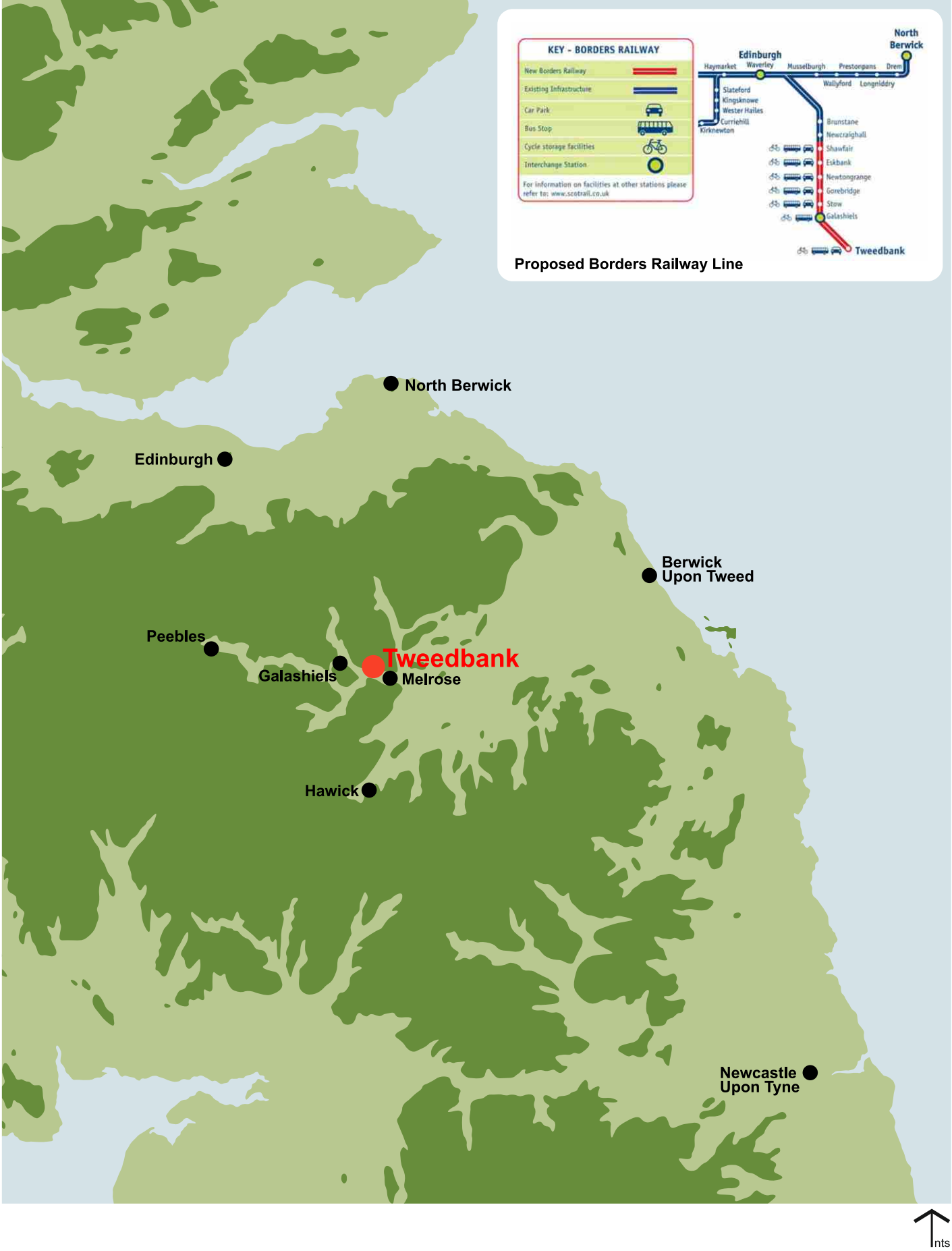


Figure 1
National Context





Figure 3
Aerial Photograph

3.0 TECHNICAL AND DEVELOPMENT ASSESSMENT – TWEEDBANK AND TWEEDSIDE PARK (REPORT 2)

3.1 Study Approach

The approach comprised a mainly desk study based approach together with meetings and site walkovers. Following the findings of the previous Market and Economic Assessment Report, a phased strategy was recommended with respect to development of the sites. Additional development options were also included within the report to assess potential opportunities that arose during the study period.

3.2 Key Findings

Access and Accessibility

Tweedbank has good road access and is adjacent to and accessed from the A6091 Trunk Road Network. Public transport provision is in the form of a bus service and a bus stop is located adjacent to the site on Tweedbank Drive. The site is well serviced for pedestrians by both Core Paths and Promoted paths.

There is currently no railway (passenger or freight) serving the Borders area, however the Borders Railway is currently under construction and is anticipated to be completed in 2015, with the terminal being located adjacent to Tweedside Park.

Utilities

All main utilities currently exist within the two sites. Given that the area is currently developed, it is not anticipated that future utilities provision would be problematic for modest expansion to the estate or for redevelopment of existing elements over the short to medium term.

Proposed Drainage

It is anticipated the existing foul drainage system would be maintained and utilised where possible to service new development. There may be a requirement to survey and potentially upgrade elements of existing infrastructure to ensure it was suitable to service a modern development.

Any new development or redevelopment of the site would require an appropriate SUDS system to be installed to treat surface water drainage. It would probably be appropriate to utilise the existing surface water drainage carrier system in a redevelopment scenario. However attenuation and treatment would be required. The existing system would require to be checked and potentially repaired / upgraded.

Landform, Environment and Visual Impact

The topography of most of the industrial estate is fairly level, with a more noticeable slope rising from the eastern estate road to the eastern boundary, although this is less than 1 in 20 slope at its steepest, so not a major constraint to development. The steepest areas within Tweedside Park have already been developed as part of the Scottish Public Pensions Agency site. The undeveloped part of the site is a gentle north-facing slope, with small undulations to the north.

The industrial estate forms a visible public frontage on to Tweedbank Drive. Elsewhere generous woodland planting ensures that both sites are relatively well screened from Tweedbank Drive, the strategic road network, the Special Landscape Area to the south, the National Scenic Area to the East and the River Tweed Special Area of Conservation and SSSI to the north of Tweedside Park. A few small gaps in the screening allow for intermittent narrow views through into the sites, most notably along the A6091 to the south.

There are a number of TPOs placed upon established groups or individual trees within the industrial estate. These include parts of the southern edge screening vegetation.

Views of the Eildon Hills are notable at certain points within both sites. The hills to the north and south also form attractive rural backdrops and sense of enclosure frequently visible as one moves through the sites. The most prominent building positions are located at the two entrances to the industrial estate. Following development of the railway station and clearing of vegetation to allow for the vehicular access, any building within the western corner of the business park site will also be rendered highly visible.

Aggmore Ltd

FT Linden are managing agents for Aggmore Ltd, who own the majority of the Tweedbank Industrial Estate. They noted that the estate was well located within the central Borders had good transport links and the potential to capitalise on the Borders Railway/ Terminal. FT Linden noted that there were issues associated with the estate that currently made it difficult to let units.

FT Linden noted that the estate was not commercially profitable for Aggmore in the current market conditions. As Tweedbank was Aggmore's only holding in Scotland and of a smaller scale/ nature to their other assets, Aggmore were looking to sell their holdings in the estate as soon as they were able/ achieved a realistic offer.

FT Linden stated that Aggmore were not currently interested in a potential joint or sole venture in the future to upgrade or reconfigure the estate under any foreseeable conditions.

The position taken by Aggmore Ltd offers the potential opportunity to acquire and redevelop parts of the estate. Without intervention, the possibilities/probability exists that maintaining the status quo at Tweedbank will lead to a further slow decline in the building stock and use of the estate, with the attendant issues that this may lead to.

Design Strategy

A broad design strategy to guide development towards achieving positive design, viability and sustainability objectives has been prepared and illustrated diagrammatically to convey the need for a flexible approach able to respond to changing markets and other circumstances.

- (i) **A Clear Urban Structure:** The new rail station will create an important entrance to the area and a key node in the movement network since both sites will gain access from the newly formed junction. Development should respond to this by creating welcoming public facades and a positive sense of enclosure which attracts pedestrian movement from the station in to the development. From here the existing road and path networks form an effective structure for any new development, forming secondary nodes at the junctions of Core Paths, site entrances and main roads.

The layout of the industrial estate should follow the principles of the perimeter block, whereby buildings are orientated to front on to the road and hide the more operational or car parking areas, which tend to be more visually-intrusive, to the rear of buildings in the internal part of the block. This also creates a more comfortable pedestrian environment with well defined streets, more public entrances and windows overlooking the streets. Corner buildings should seek to positively address both street frontages.

- (ii) **Protecting Sensitive Landscape and Neighbouring Communities:** The visual impact of development on the surrounding sensitive landscape areas can be limited by restricting the scale and massing of buildings. Buildings within the business park and the southern and eastern parts of the industrial

estate should be kept relatively low and small in terms of massing - no more than two storeys in height. Where larger buildings are proposed these could be accommodated towards the northern part of the industrial estate, particularly where they can contribute towards a strong and continuous frontage along Tweedbank Drive.

Views of the development sites can be further restricted through careful planting of vegetation to complement the already established planting around and within each site. Development should also seek to retain and protect as far as possible trees which contribute positively to the character of the area, in particular those with TPO status.

It will also be important to maintain the existing woodland planting along the western edge of the industrial estate which screens neighbouring homes from the noise and visual intrusion of industrial activities and vehicular movements.

- (iii) **Landscape Strategy:** Through the development of a robust palette of materials and landscape treatments future developments will emerge with consistency through approach and execution that will provide cohesion through the varying stages of development improving the identity of the Industrial estate.

Development Options

A series of potential development options have been prepared. The options identify a development on the vacant plot at Tweedside Park as well as a series of potential options within Tweedbank IE. Some of the options considered involve larger scale development than envisaged as being required by the Market and Economic Assessment Report in order to capitalise on potential opportunities associated with the site. Figure 4 presents one potential development option (long term full development). Other options are presented in Report 4.

Opportunity, Zoning and Phasing

Significant opportunities exist at the Tweedbank Site to create a high quality mixed use estate which capitalises on the Rail Terminal and provides a supply of industrial and business land for the central Borders.

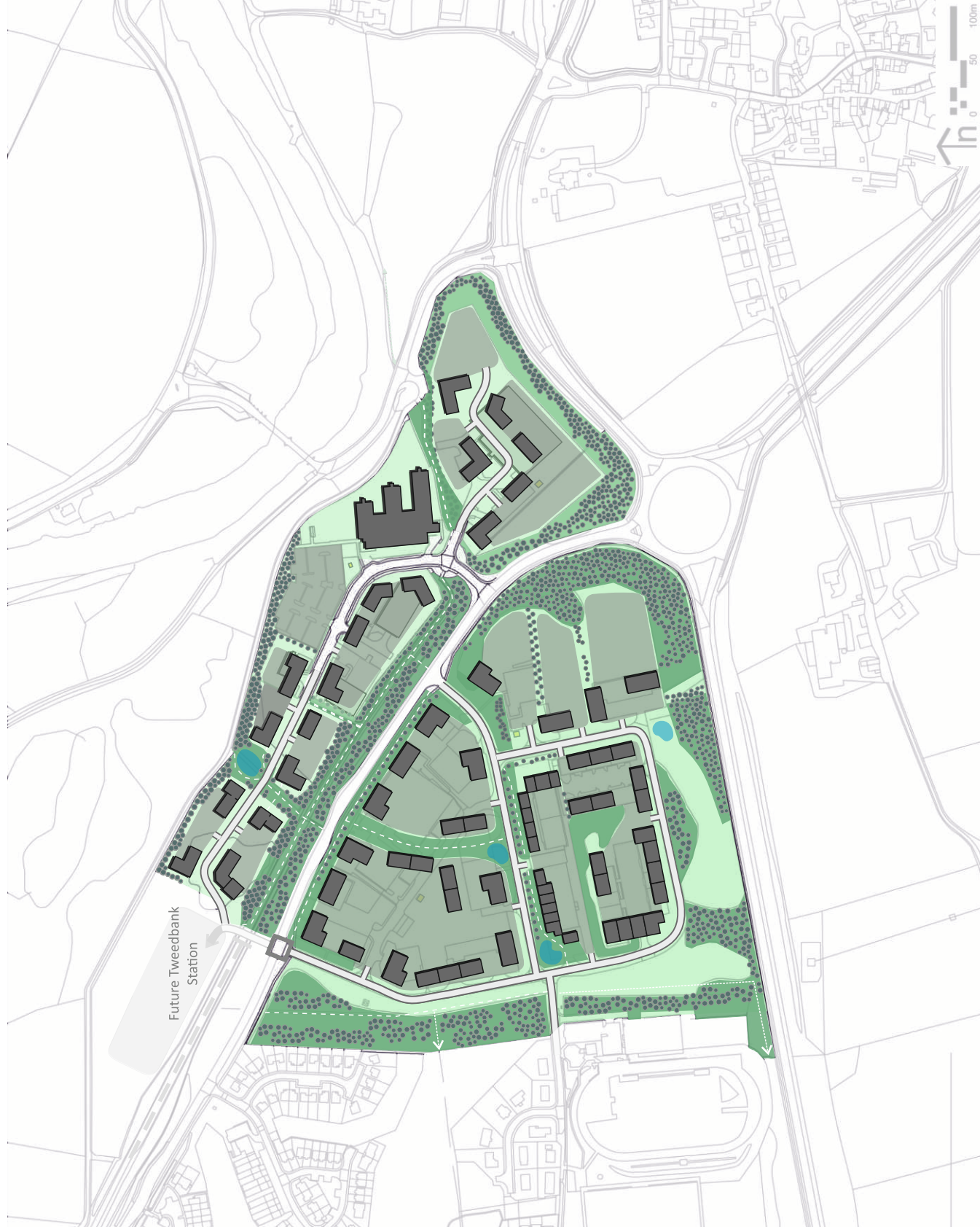
Given the scale of predicted demand, a phased approach is recommended which capitalises on “quick wins” for the area (to build on the momentum of the rail line) and meets short term demand whilst recognising the longer term aspiration and potential for a leading estate area. A potential phasing plan has been prepared for the development.

A zoning plan, figure 5, has been prepared to reflect aspirational longer term redevelopment of the estate. As well as commercial and industrial use, the estate offers opportunity for a Support Service Hub area associated with the rail terminal and a potential Strategic Employment Site.

Outline Cost Appraisal

A series of outline cost assessments have been undertaken as part of the study. These allocate the budget costs for infrastructure provision for the various development options considered.

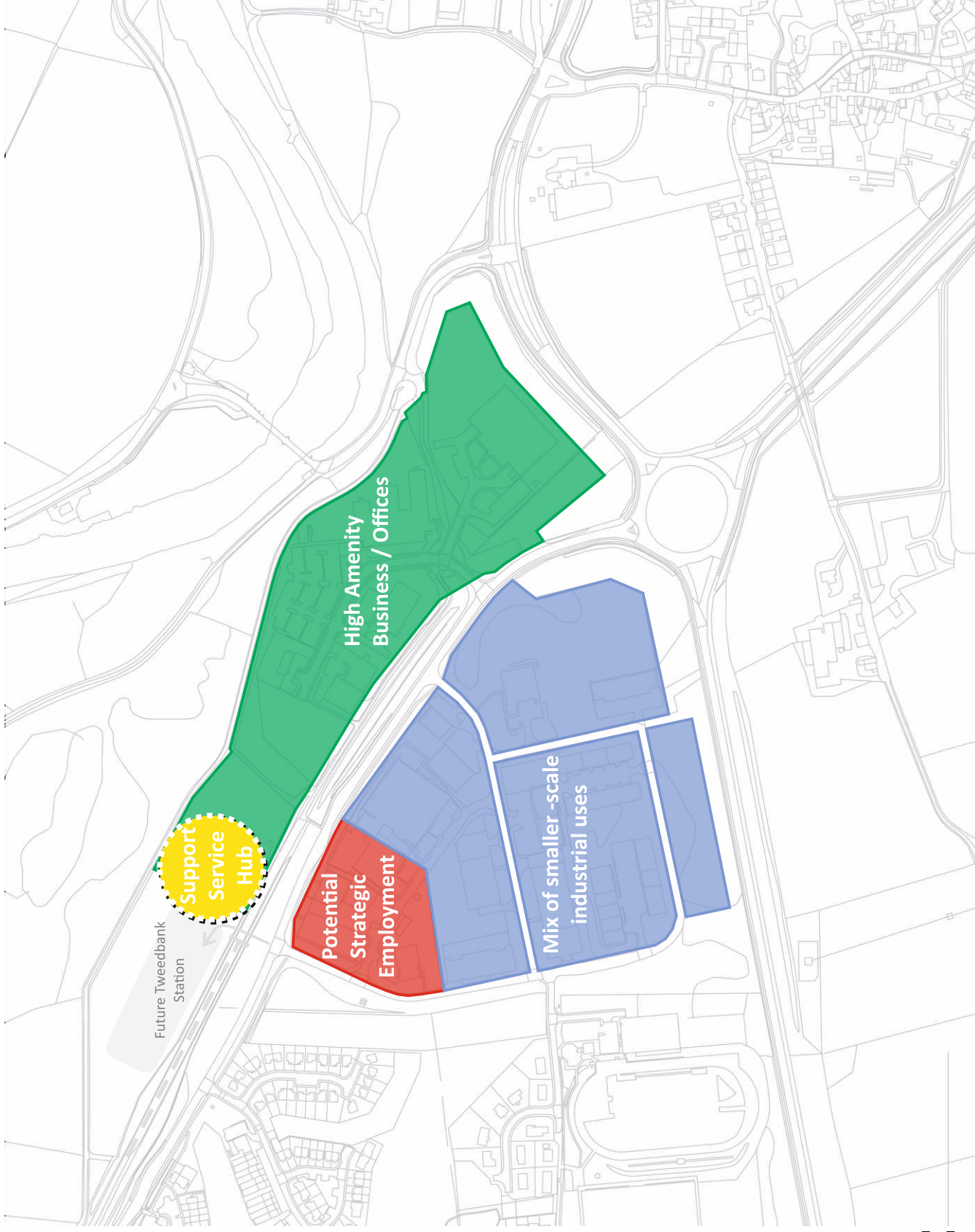
The costs assessments indicate that costs to redevelop parts of the existing industrial estate compare very favourably with development of Greenfield land. This is primarily due to the existing utilities and infrastructure on the site which would be retained where possible in a redevelopment scenario.



- Long-term future scenario could be implemented in phased approach as an when plots become available
- Continues perimeter block arrangement where possible to ensure clear street definition and overlooked paths to maximise passive surveillance
- Green/pedestrian corridor within industrial estate linking to northern corridor and public transport
- Provides mix of industrial/employment units including small/incubator industrial units and 'professional service' office accommodation.



Figure 4
Tweedbank /
Tweedside Park
Potential Long Term
Development Option



- Locate support services, including potential local centre retail and services, at key node adjacent to station.
- Safeguard strategic employment and development site at prominent and accessible location.
- Maintain and enhance high amenity business park.
- Provide mix of smaller-scale industrial units within existing Tweedbank Estate.

Figure 5
Tweedbank /
Tweedside Park
Indicative
Zoning Plan

4.0 BROOMILEES SUMMARY ASSESSMENT (REPORT 3)**4.1 Study Approach**

Previous assessment as part of the Market and Economic Assessment Report suggested that demand for development space was unlikely to be required at Broomilees in the short to medium term. A summary assessment of site development issues was therefore undertaken:

4.2 Key Findings

Based on the assessment undertaken it is considered that the majority of technical issues at the site are suitable to allow development to proceed, should the demand arise. It is considered that development can take place within a “reasonable” budget and timescale. Two issues critical to development of the site however include:

- Potential landscape and visual impacts have the potential to prevent development occurring at the site and are known to generate strong interest/ opposition from local residents and statutory organisations.
- The requirement for a new roundabout on the A6091 to provide road access to the site and the Borders General Hospital which would be relatively expensive relative to the size of the proposed development and would require consultation, design and a Transport Assessment to determine its suitability.

The cost estimate for infrastructure to provide a serviced site did not suggest that costs were overly excessive relative to development of a typical Greenfield site. However, at £650,000/ hectare (£270,000/ acre), they are considerably higher than the estimates for the redevelopment of Tweedbank.

Overall, on the basis of cost, lack of short/medium term anticipated demand and potential objectors to development in this area, it is not considered worthwhile progressing development at the Broomilees site at the current time.

It would be worthwhile reviewing demand and development uptake on a five year basis, concurrent with development of the Local Plan. Further consideration to development at Broomilees could be given should circumstances vary beyond those currently envisaged.

Figure 6 presents a potential development option for the site which is discussed in Report 3.



Figure 6
Broomilees
Potential
Development
Option

5.0 GENERAL (NON TECHNICAL) SUMMARY

General

A suite of reports and assessments have been undertaken to assess the economic impact of the arrival of the Borders Railway and the opportunities for new business creation.

The assessments included economic, marketing, development and technical reports. Three sites for potential development were considered as part of the studies, namely those at Broomilees, Tweedbank and Tweedside Park.

Economic and Market Assessment

As with the rest of the United Kingdom and Scotland, the Central Borders area is suffering from the current poor economic climate. Rates of recovery and anticipated demand for business and industrial growth are difficult to predict with certainty. None the less, it is considered that the arrival of the railway will have a beneficial impact on the area and a level of demand for business and industrial space is anticipated over the short term and increasingly over the medium term.

Broomilees

Of the three sites assessed, it is not considered worthwhile progressing development at the Broomilees site in the short term. This is on the basis of lack of identified demand, costs relative to other sites and likely objections to development on the basis of landscape and visual issues. The assessment does not preclude potential development at Broomilees in the longer term as the site does have a number of beneficial attributes.

Demand and development uptake should be reviewed on a frequency sufficient to allow inclusion of the site in the five year local plan review should circumstances change.

Tweedbank and Tweedside Park

Tweedbank and Tweedside Park sites have many advantages and attractive development features. They are well located in terms of roads and footway access and are ideally placed to capitalise on the arrival of the Borders Railway. The sites have a good internal roads layout, are serviced and benefit from a mature landscaping and screening scheme.

Tweedside Park operates generally as a high amenity strategic employment estate.

Tweedbank suffer from an ageing and increasingly substandard building stock and sizes/ layouts of both the buildings and external yard areas are not consistent with modern development requirements.

The current owners of a significant proportion of Tweedbank have stated that the estate is not commercially profitable in current market conditions. For this reason and as the estate does not site well within their other portfolio of sites, the owners are looking to sell their holdings in the estate as soon as they were able/ achieve a realistic offer.

Non intervention or a “do nothing” approach at the site may lead to a gradual decline of the building stock over the next 10 to 20 years. It is conceivable, if there is not a significant and unlikely pickup in market conditions, that this will lead to an increasing stock of vacant and deteriorating buildings together with the attendant issues of vandalism and public perception that such a site may attract. This could only be considered as undesirable at a future key Transport Node and access point to the

Borders, with implications of public perception perhaps stretching beyond the immediate employment/ land issues.

Economic estimates of likely demand uptake do not suggest that wholesale redevelopment of the estate will be required over the short term. However land purchase and a phased redevelopment of the estate does offer significant opportunities to create a high amenity, well located and connected commercial and industrial estate to service the central Borders. Public intervention and promotion of the site as a strategic "Tier 1" Borders development site would be anticipated to attract development to the site faster than economic estimates may predict. It should be noted that some of this development would be anticipated to be at the expense of other parts of the Borders by displacement.

Costs for the redevelopment of the estate are very favourable in relation to new development at Greenfield sites, primarily because key infrastructure including roads, utilities, drainage, and landscaping is already in place. Some works would still be required to modify and upgrade elements of the existing infrastructure.

Current circumstance including the arrival of the railway and opportunity for land purchase allow the opportunity to provide a well located, connected, "First Tier" strategic employment site for the Borders together with attendant infrastructure and facilities to provide an attractive entrance for those coming to the Borders.

Current market conditions in the Borders strongly suggest that public sector intervention will be required in order to progress development as commercially, the cost of developing the site outweighs any likely returns. Intervention could take the form of land purchase, demolition, servicing and infrastructure provision or upgrades. Another option includes provision of units/ starter units at reduced rates.