# Angus Employment Land and Property Market Analysis

April 2020

# Contents

## 1.0 Introduction

1.1 Ryden was appointed by Angus Council to undertake an **employment land and property market analysis**. The Council requires to accommodate demand for development land and employment property. The scope of the project includes the Council's own economic development land and property portfolio.

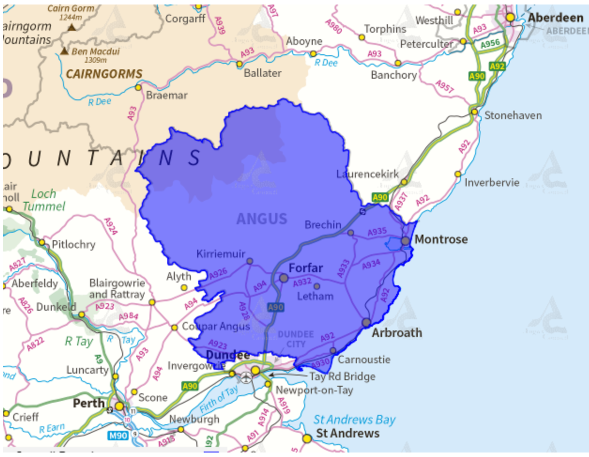


***Figure 1: Angus Council Local Authority Area***

1.2 The economic and market landscapes for employment property (office and industrial) are changing. Occupancy rates across Scotland are high, but buildings are increasingly obsolete and private development is financially viable only in proven prime markets. Public funding is limited and is often restricted to eligible locations and sectors. These topics are explored in Section 6.

1.3 The Council will produce a 5-10 year Angus Investment Strategy to maximise its own commercial property and land portfolio. The analysis will feed into this Investment Strategy and recommend key actions and determine its potential impact on where and what it should invest in to stimulate income, economic activity and job creation. This analysis will also inform the new Local Development Plan in Angus which is due in 2021.

1.4 This report is structured in line with the Council's objectives for this commission:

- Section 2 details the **policy context** to ensure this report aligns with existing plans and strategies
- Section 3 provides an overview of the **Scottish commercial property market** and looks in more detail at the **Angus commercial property market**
- Section 4 provides a market analysis of the **Council's current economic development land and property portfolio**
- Section 5 delivers a competitive analysis of the Angus Council commercial land and property offer with respect to other, **comparable and competing local authorities**

- Section 6 provides an overview of external **funding** sources and delivery options available for the Council and potential investors into Angus. It also provides examples of where these are being used by Scottish local authorities/developers.

- Section 7 sets out the Council's **strategic options** to continue to deliver economic development through land and property in Angus

**Appended** to the report are:

- Supply of available industrial properties in Angus as at January 2020 (Appendix 1a)

- Supply of available office properties in Angus as at January 2020 (Appendix 1b)

- Marketed supply of employment land in Angus as at January 2020 (Appendix 1c)

- Comments on individual properties held within Angus Council's economic development portfolio (Appendix 2)

It should be noted that the research for this study was undertaken prior to the Covid-19 outbreak in the UK. It is too early to predict the economic impact of this with any accuracy, however other countries affected and emerging forecasts suggest that a double-digit fall in economic output over the short term followed by a slow recovery is the central scenario.

## 2.0 Policy Context

2.1 It is important that the property market analysis aligns with existing plans and strategies. This section provides a focused review of Angus' existing economic development context to help identify **sectoral and locational** trends and anticipated change that can help to inform future property market needs and demand.

***Table 1: Overview of Relevant Policies***

| Policy and Brief Description | Relevance to study |
|---|---|
| **Scottish Government** | |
| **Scottish Government**<br>**National Performance Framework**[1]<br>Published in June 2018, identifies a set of national outcomes defining the kind of Scotland it aims to create and a set of indicators by which it will measure progress towards achieving these outcomes. This reflects a broader trend in public policy away from the centrality of economic growth and towards wider measures of social progress.<br><br>The national outcomes are aligned with the UN Sustainable Development Goals, placing the Framework in an international context. | While all 11 outcomes within the current NPF are inter-related, there are 5 of particular significance in terms of economic strategy:<br><br>• A globally competitive, entrepreneurial, inclusive and sustainable economy<br>• Thriving and innovative businesses, with quality jobs and fair work for everyone<br>• Open, connected and make a positive contribution internationally<br>• Well educated, skilled and able to contribute to society<br>• Tackle poverty by sharing opportunities, wealth and power more equally |
| **Scottish Government**<br>**Scotland's Economic Strategy 2015**[2]<br>Published in March 2015, this is the strategic plan for current and future Scottish Government policy. It sets out an overarching framework for how the Scottish Government will aim to achieve a more productive, cohesive and fairer Scotland. It prioritises boosting investment and innovation, supporting inclusive growth and maintaining focus on increasing economic internationalisation. | The strategy highlights four key priorities:<br><br>• Investment: creating opportunities for the people of Scotland at all stages of life, the foundations for businesses to grow and innovate and advance the capabilities of local communities;<br>• Innovation: establishing a culture which encourages businesses and workplaces to adopt innovative ideas, research and practices;<br>• Inclusive Growth: tackling barriers to employment and acting on opportunities in local communities<br>• Internationalisation: enhancing export and market opportunities for all businesses and industries in Scotland and continuing to promote Scotland internationally as a place for other countries to invest in.<br><br>These targets aim to reduce the gap in economic performance between regions in Scotland, support and enable growth in local communities, create employment opportunities and enable Scottish businesses to flourish. |

[1] Scottish Government (2018) National Performance Framework
[2] Scottish Government (2015) Scotland's Economic Strategy

| | |
|---|---|
| **Scottish Government**<br>**Climate Change Plan – The Third Report on Proposals & Policies 2018 – 2032**[3]<br>In 2009, the Scottish Government passed ambitious climate change legislation which set a target of a 42% reduction in emissions by 2020 and an 80% reduction in emissions by 2050. In 2018, the Government published this third report on proposals and policies to meet these ambitions.<br><br>[In 2019, Scotland passed legislation to reduce greenhouse gas emissions to net-zero by 2045. The Climate Change Plan will be updated to reflect the increased ambition of this new target]. | Scotland is targeted to produce 50% of its electrical energy from renewable sources by 2030. Major offshore windfarms are proposed underway in the North Sea, particularly around Montrose. It is sensible to assume that onshore facilities, e.g. office, warehouse, storage, maintenance space will be required nearby.<br><br>Scotland's buildings are targeted to see an overall reduction in emissions of 33% over the period of the Plan. **To achieve this, emissions from Scotland's non-domestic buildings will need to fall 53%.** The tightening of legislation in this area is something for the Council to consider particularly in terms of its existing stock.<br><br>[Note that these figures will likely be updated to reflect the increased ambition of the new Government target]. |
| **UK Government** | |
| **UK Government**<br>**Industrial Strategy**[4]<br>Published in November 2017 sets out how the UK Government intends to build a Britain fit for the future. It is based on five foundations of productivity – ideas, people, infrastructure, business environment and places. This approach seeks to ensure that investment in the skills, industries and infrastructure of the future will help businesses create better, higher-paying jobs in every part of the UK. | The strategy suggests that in order to drive growth nationally, attempts must be made to tackle factors which prevent different areas reaching their economic potential. This enables growth in both the area and the country as a whole. It suggests that this can be done by investing in infrastructure projects to support development. Expanding businesses access to commercial infrastructure in rural areas, such as Angus, aids this goal by promoting growth and development opportunities in the local area.<br>Rural areas are suggested to exhibit new opportunities and higher value jobs as a result of the digital economy and the investment of better digital infrastructure particularly into these areas. Increasing access to business infrastructure allows the capacity for businesses looking to relocate into the region to take advantage of such opportunities.<br><br>It is also suggested that rural areas face business threats such as a lack of working sites and knowledge transfer. Infrastructure enticing new businesses into the area can thus aid in enhancing this flow by bringing with them new skills and techniques. |
| **Tay Cities** | |
| **Tay Cities Region Deal, Heads of Terms Agreement, 22 November 2018**[5]<br>The Tay Cities Region comprises the local authority areas of Angus, Dundee City, Perth & Kinross and the North East area of Fife. The Heads of Terms sets out the scope of a City Region Deal that seeks to transform the regional economy by delivering inclusive growth, raising the productivity of the region and increasing the | City Region Deal partners believe that this investment has the potential to secure over 6,000 jobs and lever in over £400m in investment over the next 10-15 years, decisively reducing the economic inequality gap as part of the drive to boost productivity. |

[3] Scottish Government (2018) Climate Change Plan: The Third Report on Proposals and Policies 2018 - 2032
[4] HM Government (2017) Industrial Strategy: Building a Britain Fit for the Future
[5] UK Government, Scottish Government, Tay Cities (2018) Tay Cities Region Deal, Heads of Terms Agreement

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| participation of its workforce.<br><br>The Heads of Terms commits the UK Government and the Scottish Government to work collaboratively with the regional partners to deliver a Deal that will transform the regional economy. The Scottish Government and the UK Government will each invest up to £150 million in the Deal over 10-15 years, subject to final approval of robust business cases. | The Partners are committed to:<br>• Grow the base of knowledge-led businesses<br>• Support more businesses to trade internationally<br>• Attract investment<br>• Attract and retain talented people<br>• Improve connectivity to, from and around the region<br>• Increase economic participation<br>• Reduce inequalities.<br><br>As part of the investment balance across the region, the UK Government will invest a further £26.5m in Angus (the Angus Fund) to be developed collaboratively with Angus Council and other local partners. |
| **Tay Cities Region Economic Strategy 2019 - 2039**[6]<br>Published in 2019, the strategy's overarching ambition is to increase the number of businesses and to create more, better paid jobs across the Region in order to improve access to opportunity and increase the distribution of wealth and wellbeing within the region.<br><br>There are 3 inter-related themes :<br>• Key Business Sectors – includes Tourism, Food and Drink, Manufacturing and Engineering, Construction, Energy & Renewables, Digital & Creative Industries, Life Sciences<br>• Place: Investment and Infrastructure – supporting improvements in digital and transport connectivity, investing in key business infrastructure.<br>• People: Skills and Employability – improving workforce skills, re-skilling/up-skilling, tackling barriers to employment, streamlining the skills system | The strategy identifies an average of 1,500 additional jobs annually, in particular for Angus in its key sectors. As an approximate share, Angus has 18% of the region's employment (2017 data) and positive business growth and population projections. Angus' annual share of target regional employment growth across all sectors might thus be around 270 jobs<br><br>Engineering & Manufacturing:<br>• Implement a Tay Cities Industrial Investment Programme to enable key project development and support the growth of manufacturing businesses across the region.<br><br>Energy:<br>• Establish North Angus and Montrose as a clean growth zone to encourage the use of innovative green and clean technologies.<br>• Support additional port infrastructure investment in Montrose where this creates additional value propositions in the renewable energy sector.<br>• Continue to drive the development of the Forth & Tay Offshore wind cluster<br><br>Place<br>Transport Connectivity:<br>• Deliver proposals for the North Angus Road and investigate the feasibility of re-opening a railhead for freight at Montrose<br><br>Business Infrastructure:<br>• Develop a Clean Energy Zone in Montrose and develop the North Angus Growth corridor<br>• Support further investment in Montrose Port<br>• Support the expansion of Brechin Business Park and support future development of land and industrial estate infrastructure in Arbroath, Brechin, Carnoustie and Montrose. |

[6] Angus Council, Dundee City Council, Fife Council, Perth & Kinross Council (2019) Tay Cities Region Economic Strategy 2019 - 2039

<table>
<tr><th colspan="2">Angus Council</th></tr>
<tr><td>Angus Council Plan 2019 – 2024[7]<br>The Angus Council Plan highlights the Council's commitment to 4 strategic priorities:<br>1. Angus is a go to place for business<br>2. Maximise inclusion and reduce inequalities<br>3. Strong and resilient communities which are led by citizens<br>4. Angus Council to be efficient and effective<br>The Plan sets out intentions over the next 5 years.</td><td><u>Economy</u><br><br>Relevant achievements include:<br>• Tay Cities Deal – the Heads of Terms were signed off in November bringing £350m of additional resource to Tayside.<br>• Montrose South Regeneration – the Council completed the £3.1m Montrose South Regeneration Project in partnership with the private sector. In particular this project has supported key businesses such as Montrose Port, GSK and Rix Shipping, encouraged new investors such as Glassons Fertilisers and has been critical to the significant investment plans for Baker Hughes, a GE Company (BHGE).<br><br>Going forward the Council will continue to develop the infrastructure that will facilitate opportunities for growth. The options for the North Angus corridor are being considered.<br><br><u>Place</u><br><br>• Meeting Environmental Challenges – The Council is working to cut carbon emissions in its property estate, fleet vehicles and on its roads<br><br>Going forward the Council will do further work on the Active Travel Hub in Forfar which will allow for the faster charging of electric vehicles.<br><br><u>Council</u><br><br>• Agile Programme – reducing the number of buildings the Council occupies</td></tr>
<tr><td>Angus Local Development Plan[8]<br>Adopted in 2016, the Development Plan sets out a vision of how communities in Angus will develop over the next 10 years. It provides guidance on what and where development will or will not be allowed. The LDP provides the framework against which planning applications are assessed. The LDP is reviewed every five years and therefore the next Local Development Plan is due in 2021.<br><br>Enshrined in the Angus' LDP is a presumption in favour of sustainable development.</td><td>Most new development will be directed to the larger towns of Arbroath, Forfar and Montrose. The towns of Brechin, Carnoustie and Kirriemuir will also be a focus for businesses commensurate with their role as smaller centres of population and economic activity.<br><br>Development in the rural area will be focused on supporting the Rural Service Centres of Edzell, Friockheim, Letham and Newtyle.<br><br>There are development briefs for:<br><br>• Orchardbank, Forfar<br>• Forties Road Business Park, Montrose<br>• Brechin Business Park</td></tr>
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[7] Angus Council (2019) Angus Council Plan 2019 - 2024
[8] Angus Council (2016) Local Development Plan

| | |
|---|---|
| **Angus Employment Land Audit 2018**[9]<br>The Audit identifies and details the availability, effectiveness and take-up of employment land across Angus. Employment land is generally intended to accommodate Use Classes 4, 5 and 6 however other uses can be considered if deemed appropriate. The audit deals with land only and doesn't include vacant buildings. | The total area of available employment land is 166 ha:<br>• 23.9% (39.7 ha) is assessed as immediately available<br>• 56.6% (95.1 ha) is assessed as marketable within 2-5 years as a result of minor constraints<br>• 19.5% (32.4 ha) is assessed as having major constraints<br>• 2.71 ha of land taken-up for development during the survey period (annual)<br><br>**This means there is an "effective" land supply (sites which are immediately available or have minor constraints) of 134.8ha (80.5%).** |
| **The Mercury Programme**<br>The Mercury Programme is an ambitious £1bn partnership in the Tay Cities region between government, public, private and community sectors. The purpose of the programme is to increase productivity through clean growth, protecting places for future generations to live, work and visit.<br><br>There are 3 components of proposed interventions:<br>• Clean Growth Hub<br>• Low Carbon Network<br>• Agri-tech Productions | The Mercury Programme extends beyond Angus and links to other resources however the Programme will be used to determine where money from the Angus Fund (part of the Tay Cities Deal) will be spent.<br><br>As at December 2019, some indicative figures for the Angus Fund for projects relevant to this study were as follows:<br><br>Clean Growth<br><br>• £2.6m towards the road and railhead in Montrose<br>• £2m for low energy costs at Zero4 Montrose<br>• £1m for Drone Hub on Zero4 site<br><br>Low Carbon<br><br>• £2.9m for low carbon transport developments including hydrogen, solar powered electric vehicle charging and bio methane at Brechin, Padanaram and Stracathro.<br><br>Agri-tech<br><br>• **£15m** for a Centre for AgriTech Sustainable Innovation (CASI) based on a 'headquarter and hive' model. Location to be agreed. |
| **Angus Community Plan 2017 – 2030**[10]<br>The Vision for the future is that Angus is a great place to live, work and visit. The 3 cross-cutting themes of the plan are: economy, place and people. | The relevant local outcomes are:<br><br>• An inclusive and sustainable economy<br>• Attractive employment opportunities<br>• A reduced carbon footprint<br>• An enhanced, protected and enjoyed natural and built environment |

[9] Angus Council (2018) Employment Land Audit
[10] Angus Council (2017) Community Plan 2017 - 2030

| **Other Relevant Policies:** | |
|---|---|
| **Tay Cities Region Tourism Strategy 2019-2024**[11]<br>Launched in October 2019, the strategy aims to grow the value of the visitor economy in the Tay Cities Region. Its strategic objectives are to:<br><br>1. Grow the value of overnight stays across the region from £433m in 2016 to £550m in 2024 (approx. 3% growth year on year)<br>2. Improve the all-round experience for visitors across the region<br>3. Address common challenges, such as connectivity, accessibility, seasonality and productivity<br><br>These will be delivered using the shared values of collaboration, leadership, sustainable growth, quality of life and professional development. | Relevant actions are:<br><br>• Examine the potential for further assets in the region that would enhance the visitor offer in the field of culture and the creative industries while strengthening the asset base for this sector<br>• Evaluate the potential for increased tourism assets in the region that capitalise on the strong reputation for food and drink production and improve the offer for visitors<br>• Develop events and attractions that help to drive tourism during low-season and encourage visitor dispersal throughout the region<br>• Develop visitor attractions that strongly enhance the area's offer around the connector themes (culture and the creative industries, food and drink and outdoor adventures) |
| **Offshore Wind Farm Development Programme**<br>The Scottish Offshore Wind Energy Council aims to deliver at least 8GW of offshore wind in Scottish waters by 2030 in order to assist the achievement of the Scottish Government aim of achieving net-zero greenhouse gas emissions by 2045. | As part of the Forth & Tay Offshore Cluster there are a number of developments planned off the Angus coastline. Currently, consent has been granted to 3 major operators for wind fields namely Seagreen (SSE), Red Rock Power Ltd and EDF.<br><br>The Seagreen wind farm development will be located 27km from Montrose, covering an area of c. 2,850 km2 in the outer Firth of Forth. When completed, this development will be Scotland's largest offshore wind farm. The electricity generated by Seagreen Phase 1 will be delivered to a new onshore substation at Tealing (near Dundee) and Montrose Port has been selected as the preferred operations and maintenance base for the wind farm. Seagreen is working with the Montrose Port Authority to ensure ongoing investment and re-development of the existing facilities. Phase 1 is expected to complete in 2024. |

**Summary**

2.2 The Scottish Government has a clear agenda around place, inclusive growth and climate which is echoed within the Tay Cities Growth Deal. With the regards to locations, the following emerge as priorities for Angus:

- North Angus – proposals to establish as a clean growth zone, improve infrastructure and pilot a Simplified Planning Zone

[11] Angus Council, Dundee City Council, Fife Council, Perth & Kinross Council (2019) Tay Cities Region Tourism Strategy 2019-2024

- Montrose – additional investment in port infrastructure, potentially re-opening a freight railhead, supported expansion of industrial estate infrastructure, focus of activity for renewables
- Brechin and Brechin Business Park – support future development of land and industrial estate infrastructure in Brechin and the expansion of the existing business park (however we note from the Local Development Plan, Brechin is a second tier location for this)
- Arbroath - support future development of land and industrial estate infrastructure
- Carnoustie - support future development of land and industrial estate infrastructure

2.3 From the policy documentation, Angus' key sectors are confirmed as:

- Engineering and Manufacturing
- Food and Drink
- Tourism (including Golf)
- Offshore Wind

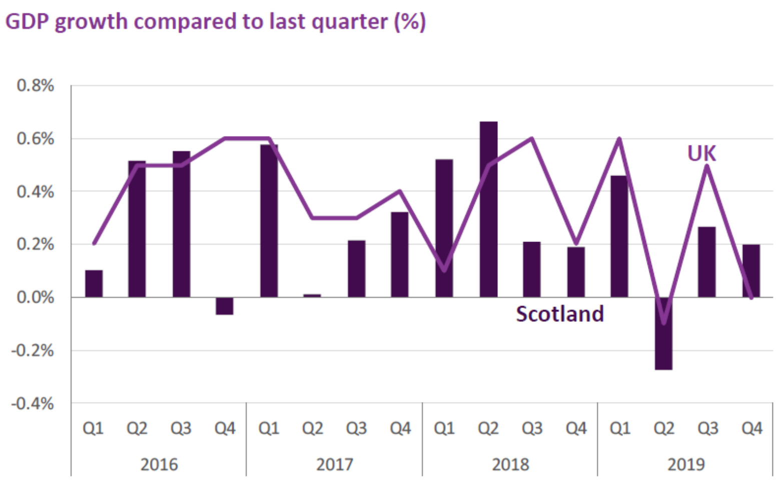
2.4 In terms of the volume of market potential, the regional economic strategy identifies an average of 1,500 additional jobs annually, in particular for Angus in the key economic sectors noted above. As an approximate share, Angus has 18% of the region's employment (2017 data) and positive business growth and population projections. Angus' annual share of target regional employment growth across all sectors might thus be around 250-300 jobs per annum. Based upon property stock analysis in the next section, industrial and office premises might accommodate around one-third of this, say **80-100 additional jobs per annum**.

## 3.0 Scotland and Angus Market Review

### The Scottish Economy

3.1 During the fourth quarter of 2019 Scotland's economy grew by 0.2% (Figure 2)[12]. Output grew by 0.5% in the services sector and by 0.7% in the construction sector but contracted by 1.2% in the production sector. Compared to the same quarter in 2018, Scotland's GDP grew 0.7% over 12 months, which was below UK growth 1.1% over the same period.

***Figure 2***




*Source: Scottish Government*

3.2 Scottish unemployment for the three months to January 2020 fell by 7,000 to 105,000. This is equivalent to an unemployment rate of 3.5%, which is down by 0.2 percentage points compared with the previous three months. Unemployment in Scotland is now well below the UK rate of 3.9%.

3.3 Fraser of Allander Institute's central forecast published in December 2019 had anticipated economic growth of 1.3% for 2020, followed by faster but still modest growth of 1.4% in 2021 and 2022. The comparison of independent forecasts for the UK economy published by HM Treasury in March 2020 had anticipated economic growth of 0.6% for 2020 and 1.3% for 2021. However these forecasts are now being revised to take account of the COVID-19 outbreak and show a sharp contraction, potentially one-quarter to one-third of economic output, during Q2 followed by a slow recovery during 2020 and potentially into 2021 and 2022. Property market output is dependent upon this economic activity and will also be negatively impacted over these time periods.

[12] First estimate

### Scottish Property Markets

3.4 Occupier confidence in Scotland's industrial property market has improved over the past few years as the economy has slowly expanded, leading to higher occupancy rates and rents. Rents are also driven by the need to upgrade or replace older, obsolete industrial premises. Notable sectors driving the industrial markets have been trade counters - although that cycle has eased recently - and logistics, in particular related to discount groceries and online retail fulfilment. In the Aberdeen region, there has been a resumption of small-unit industrial development related mainly to the oil and gas industry with five developments now on site around the city periphery.

3.5 Demand for office property has also accelerated, but this is focused upon particularly strong prime office markets in major cities such as Edinburgh and Glasgow, including a number of new headquarters for financial, legal and utility businesses. Office market activity in the wider regions is much weaker and the out-of-town business park model is now much less prevalent than in previous market cycles.

3.6 The retail sector remains challenging, as increasing volumes of expenditure shift online and consumers, retailers and investors focus on the largest destination city centres, malls and retail parks. For many traditional town centres the future retail footprint will be much smaller and alternative land uses will require to be introduced. While some of these new uses will be leisure, that cycle has also now slowed.

3.7 As noted above, these market comments and analysis were prepared before the COVID-19 outbreak.

### Angus - Total Stock

3.8 Angus' total stock of employment floorspace includes both occupied and vacant premises. The estimate for all stock is 8.530 million sq.ft. in 1,537 units. This is a broad estimate including not only industrial and office units but also specialist production facilities such as breweries, abattoirs, depots and laboratories, some of which are very large and distort the floorspace data[13].

3.9 Employment property within planning use classes 4, 5 and 6 comprises standard offices and industrial buildings. Angus' total stock of this floorspace is **3.78 million sq.ft., in 173 industrial buildings** (3.131 million sq.ft.) and **99 office buildings** (0.645 million sq.ft.).[14] This estate would be capable of accommodating in the region of 11,000 jobs at typical densities[15]. As a rough benchmark this would mean that office and industrial properties house one-third of Angus' c.33,000 jobs.

[13] A further category 'miscellaneous' which includes facilities such as dairies, wind turbines, lock-ups and car washes is not included here. There are 182 of these premises recorded in Angus.

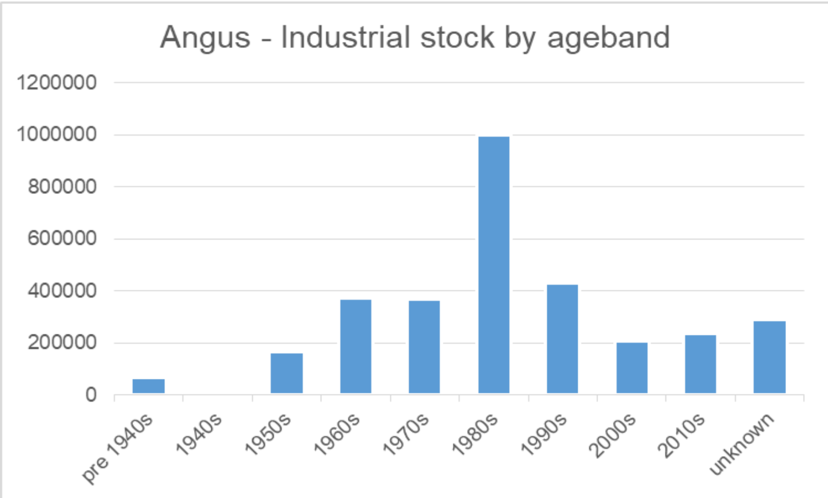
[14] This does not include 452,000 sq.ft. of warehousing and 22,000 sq.ft. of offices at Montrose Port due to the specialist nature of properties here

[15] Applying occupational densities from Homes & Communities Agency Employment Density Guide (3rd Edition, November 2015)

3.10 The age of Angus' stock of employment property provides a broad indication of its market potential, in terms of physical and functional obsolescence and any related reinvestment/ refurbishment requirements. Figure 3 groups Angus' industrial floorspace into the decades in which it was built.

3.11 Nearly half (46%) of the industrial floorspace was built in the 1980s and 1990s. The spike in the 1980s is due in large part to the 450,000 sq.ft. Don & Low textiles building in Forfar; without that the 1980s' peak would be much lower. This means that Angus' industrial stock is typically 20-50 years old. This is a more modern portfolio than Scotland as a whole, where many estates are from the 1960s and 1970s built by the Scottish Development Agency, New Town Development Corporations and regional councils.

***Figure 3***




*Sources: CoStar/ Ryden*

3.12 Angus' focus of development activity in the 1980s and 1990s was the industrial estates in Angus' principal towns – Broomfield (Montrose), Brechin, Elliot and Kirkton (Arbroath) and Orchardbank (Forfar). Ryden's long run market data indicates that Angus District Council then Angus Council led these waves of development, along with Scottish Enterprise and a number of private interests such as Foxdown Properties. The Arbroath Enterprise Zone 1984-1993 helped to boost new development in that town.

3.13 Angus' office stock is also comparatively modern; 38% was built during the 1990s and 2000s, which was the peak of out-of-town business park development in Scotland. However, the age of 34% of the stock is not determined and these appear to be a mix of modern pavilions and traditional town centre buildings.

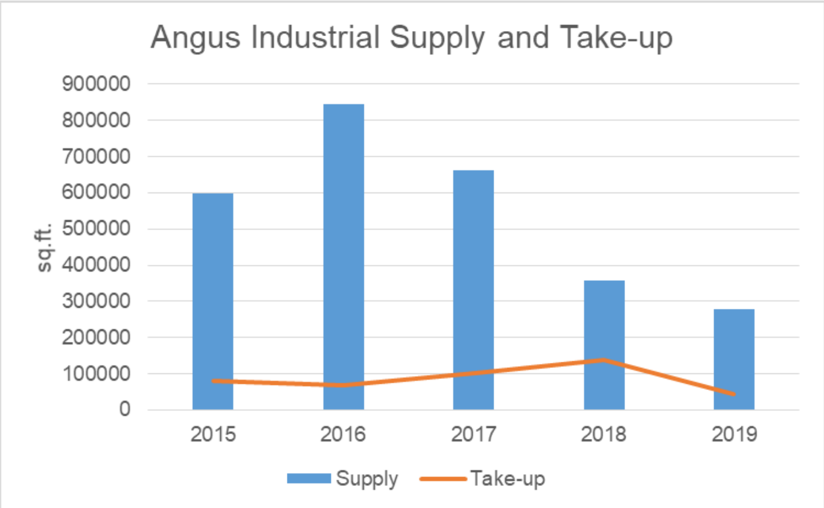
3.14 While there is a rising risk of obsolescence and need for refurbishment or replacement of industrial stock, Angus's industrial estates are thus relatively more modern than across many parts of Scotland.

**Industrial Property Market**

3.15 Figure 4 illustrates supply of and take-up (sales and lettings) of industrial property in Angus over the five years 2015-19 inclusive[16]. The chart shows formally marketed property and in a location like Angus with some small towns and a rural hinterland, other properties may come on and off the market less formally.

3.16 The principal employment property locations in Angus are: Broomfield Industrial Estate and Forties Road (Montrose); Elliot and Kirkton Industrial Estates (Arbroath); Brechin Industrial Estate; Panmure Industrial Estate (Carnoustie); Orchardbank Business Park (Forfar); and Logie Business Park (Kirriemuir).

***Figure 4***




*Sources: CoStar/ Ryden*

3.17 There is currently 277,317 sq.ft. of industrial floorspace for sale or let in 31 units across Angus (Table 2 on the next page – see also Appendix 1a for a full list of the currently available industrial units across Angus). A total of 42% of available industrial units in the region are smaller than 5,000 sq.ft. Larger vacant units include at Montrose Road in Brechin and Sir William Smith Road, Kirkton Industrial Estate in Arbroath.

3.18 The current supply of 277,317 sq.ft. equates to a vacancy rate of 8.8%. This is substantially higher than the Scottish industrial property vacancy rate of 4.2%. Vacancy rates are a good indication of an area's desirability and opportunity for development. Higher than average vacancy rates in Angus could reflect a number of factors including location, quality and overall demand.

[16] The drop in supply of industrial floorspace across Angus 2016-18 is not fully explained by take-up (sales and lettings). This normally means that one or more buildings has been redeveloped rather than taken for occupation. It is not possible to retrospectively identify the buildings in this dataset, although candidates could be the 110,000 sq.ft. former Presentation Production Building on Dundee Road, Arbroath which is now a development site, and the refurbishment and sub-division of a 106,000 sq.ft. factory on Peasiehill Road, Elliot Industrial Estate, Arbroath.

***Table 2: Industrial Supply in Angus (January 2020)***

| Size band | Total sq.ft. | Number |
|---|---|---|
| 0 - 999 | 578 | 3 |
| 1000 - 4999 | 26,208 | 10 |
| 5000 - 9999 | 41,311 | 6 |
| 10 - 29999 | 209,220 | 12 |
| 30 - 49999 | 0 | 0 |
| 50000+ | 0 | 0 |
| **Total** | **277,317** | **31** |

*Sources: Ryden / Costar / Agent websites*

3.19 Turning to demand, a total of 431,885 sq.ft. of industrial premises has been taken up (sold or let) in Angus since 2015, in 70 units (this is shown by the red line on Figure 4 above). Average annual take-up is 86,377 sq.ft. in 14 units. Take-up in 2019 appears to have fallen, although this may be due to a time-lag in the reporting of transactions rather than proving a decline in demand. A further 352 sq.ft. of industrial space in 1 unit is currently under offer at Brechin Business Centre. It is further understood from Angus Council that they have active occupier interest in marketed units within the Council economic development portfolio.

3.20 Although the aggregate take-up over 5 years is significant, the annual average of 86,000 sq.ft. in 14 units is not a large or deep market. It means that each of the larger towns may attract a few industrial property transactions each year. Beyond these new transactions there will of course be occupiers extending their existing leases and recommitting to Angus without moving premises.

3.21 The breakdown of all industrial property taken-up in Angus since January 2015 by size band is shown in Table 3. Take-up is hierarchical, with strong demand for units up to 5000 sq.ft., then steady but lower demand for units of 5,000-30,000 sq.ft., and far fewer occupiers seeking premises above this size. A selection of recent industrial transactions is shown in Table 4 on the next page. Where rents are disclosed these range from £3.50 to £5 per sq.ft., which is reasonable for older second-hand units but only around half of the levels required to support new-build development.

***Table 3: Industrial Take-up in Angus (January 2015 to December 2019)*** *Source: Ryden / Costar*

| Size band | Total sq.ft. | Number |
|---|---|---|
| 0 - 999 | 6,811 | 10 |
| 1000 - 4999 | 76,237 | 36 |
| 5000 - 9999 | 74,090 | 11 |
| 10 - 29999 | 147,470 | 10 |
| 30 - 49999 | 71,455 | 2 |
| 50000+ | 55,822 | 1 |
| **Total** | **431,885** | **70** |

***Table 4: Selection of Recent Industrial Transactions in Angus***

| Address | Size (sq.ft.) | Comment |
|---|---|---|
| 17 Lindsay Street, Arbroath | 2,734 | Built in 1990s. Let to SEPA in July 2019 on a 10-year lease at £11 per sq.ft. (*may be back on the market*) |
| Unit 4 Peasiehill Road, Elliot Industrial Estate, Arbroath<br><br>Unit 2 | 7,643<br><br>12,060 | Refurbished units.<br>Let in January 2019 to S J Anderson Holdings Limited on a 2-year lease at c. £3 per sq.ft.<br><br>Let in April 2018. |
| James Chalmers Road, Kirkton Industrial Estate, Arbroath | 976 | Built in 1980s. Let April 2019 to Mr Grzegorz Rymarz on a 3-year lease |
| King's Works, William Smith Road, Kirkton Industrial Estate, Arbroath | 11,429 | Built in 1970s. Let in March 2019 to Ladco Low & Duff Developments on a 5-year lease at £4.50 per sq.ft. |
| Broomfield Road, Broomfield Industrial Estate, Montrose | 30,067 | Built in 1980s. Sub-lease renewal in February 2019 to Barrett Steel |
| Unit 8 Peasiehill Road, Elliot Industrial Estate, Arbroath | 1,800 | One of 6 new build starter units let in January 2019 |
| Unit 4, 35 Dens Road, Arbroath | 3,014 | Built in 1960s. Let in January 2019 to Custom Motors on a 6-year lease at £5 per sq.ft. |
| Unit 1B, Broomfield Road, Broomfield Industrial Estate, Montrose | 14,426 | Let in January 2019 to Montrose Air Museum on a 25-year lease |

*Source: Ryden / Costar*

3.22 Although the Angus industrial property market is steady rather than deep or accelerating as noted above, a number of new-build industrial developments and proposals are noted:

- At 5 **Brent Avenue, Forties Road, Montrose** an opportunity for 13,143 sq.ft. unit is being marketed.
- At **Carlogie Business Park** in Carnoustie, permission was granted in 2018 for c. 200,000 sq.ft. of Class 4 (Business), Class 5 (General Industry) and 6 (Storage and Distribution) uses over 11 office pavilions and 6 industrial units. The developer is the DJ Laing Group.
- A planning application for 16 starter units (from 790 – 1,055 sq.ft.) at **Orchardbank Business Park** in Forfar was submitted in December 2018 by Saltire Business Parks. Still awaiting a decision following a SEPA objection citing a lack of information related to flood risk. Angus Council also has a joint venture with Muir Group at Orchardbank.
- Units 1-6 Peasiehill Road on Elliot Industrial Estate is a former factory which is currently being extensively refurbished into 6 modern units from 2,325 – 12,581 sq.ft. A deal is noted in Table 4.
- Plans by Isla Developments to turn the former military airfield in Montrose into 123 acre mixed-use enterprise park to be known as Zero Four.

Only the refurbishment at Elliot Industrial Estate is currently underway. Other projects remain at the proposals stage. The financial challenges associated with low rents and limited demand mean that refurbishment is only likely to happen where it is essential and can attract a rent to cover the costs, while new-build is unlikely to happen unless an occupier takes the building in advance.

**Office Property Market**

3.23 Angus' office property market is largely concentrated around upper floors and buildings within the main towns of Forfar, Arbroath, Montrose and Brechin. More modern office space is also provided on business parks, for example Brechin Business Park, Orchardbank Business Park (Forfar) and Arbroath Enterprise Park on Kirkton Industrial Estate.

3.24 Supply of office property in Angus is 79,871 sq.ft. in 50 offices (Figure 5[17]). The majority (92%) are smaller than 5,000 sq.ft. and many are in business centres, for example Arbroath Business Centre and Brechin Business Centre which are owned by the Council. Appendix 1b provides a full list of offices on the market in Angus at January 2020. When measured against Angus' office stock of 0.645 million sq.ft. this indicates a high vacancy rate of 12%. Two notable impacts inflate the 2019 figures:

[17] supply appears to increase in 2019 but this is due to the fact that Costar data has been supplemented with other agents' supply data; it is not possible to replicate this analysis for previous years

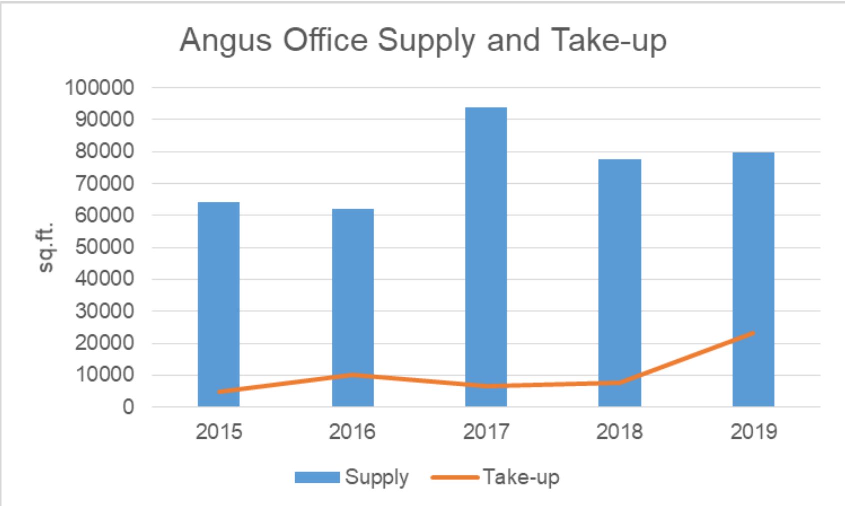
- Up to 2018 the supply data is from CoStar. For 2019 (the blue bar) Ryden has added office supply from local sources not included on CoStar. It is not possible to do this retrospectively for 2015-18.

- 2019's spike in take-up is due to larger transactions to Petrofac at Forties Road in Montrose.

3.25 Table 5 shows the breakdown of current, actively marketed office supply in Angus by size band. Many of the offices are capable of sub-division into smaller suites, for example St Margaret's House on Orchardbank Business Park in Forfar and 22-26 West High Street in Forfar.

3.26 A total of 52,349 sq.ft. of office floorspace has been taken up in Angus since 2015, in 36 offices. Average take-up is 10,470 sq.ft. per annum[18] in 7 offices. This indicates an average office sale or letting of 1,496 sq.ft. The confirmed take-up figure for 2019 may be higher due to a time lag in the reporting of transactions. Notably, in February 2020 a further 18,364 sq.ft. in 5 offices is currently under offer. Angus has a small, local office market with a limited number of transactions in any of its larger towns in any year.

***Figure 5***




*Sources: Ryden / Costar*

[18] Ryden has used actual transactions to develop this analysis rather than high level market averages

***Table 5: Office Supply in Angus (January 2020)***

| Size band | Total sq.ft. | Number |
|---|---|---|
| 0 - 999 | 12,292 | 28 |
| 1000 - 4999 | 40,464 | 19 |
| 5000 - 9999 | 17,286 | 2 |
| 10 - 29999 | 15,359 | 1 |
| 30000+ | 0 | 0 |
| **Total** | **79,871** | **50** |

*Source: Ryden / Costar / Agents websites*

3.27 The breakdown of office take-up in Angus by size band since January 2015 is shown in Table 6 overleaf. Just over half of Angus' take-up (58%) is in suites smaller than 1,000 sq.ft.; this size of office would be suitable for micro-businesses with ten or fewer employees.

3.28 A selection of recent office deals in Angus is shown in Table 7 overleaf. Leases are typically 5-10 years and rentals vary with building quality.

***Table 6: Office Take-up in Angus (January 2015 to December 2019)***

| Size band | Total sq.ft. | Number |
|---|---|---|
| 0 - 999 | 8,481 | 21 |
| 1000 - 4999 | 26,219 | 13 |
| 5000 - 9999 | 5,883 | 1 |
| 10 - 29999 | 11,766 | 1 |
| 30000+ | 0 | 0 |
| **Total** | **52,349** | **36** |

*Source: Ryden / Costar*

***Table 7: Office Transactions Angus***

| Address | Size (sq.ft.) | Comment |
|---|---|---|
| Former Training Centre, Forties Road, Montrose | 11,766 | Let in June 2019 to Petrofac Training Holdings Limited |
| Peasiehill Road, Elliot Industrial Estate, Arbroath | 4,480 | Let July 2019 to Streamtec Ltd on a 10-year lease at £6.78 per sq.ft. |
| 69 High Street, Arbroath | 1,102 | Let in October 2018 to Angus Independent Advocacy on a 5 year lease at £8 per sq.ft. |
| Montrose Business Centre, Broomfield Road, Broomfield Industrial Estate, Montrose | 467<br><br>1,306 | Let in October 2018 to Loch Duart on a 6 year lease at £9.64 per sq.ft.<br><br>Office let in February 2018 to Arts and Frames on a 6 year lease at £8.61 per sq.ft. |
| 33 Market Place, Arbroath | 1,090 | Office let in March 2018 |

*Source: Ryden / Costar*

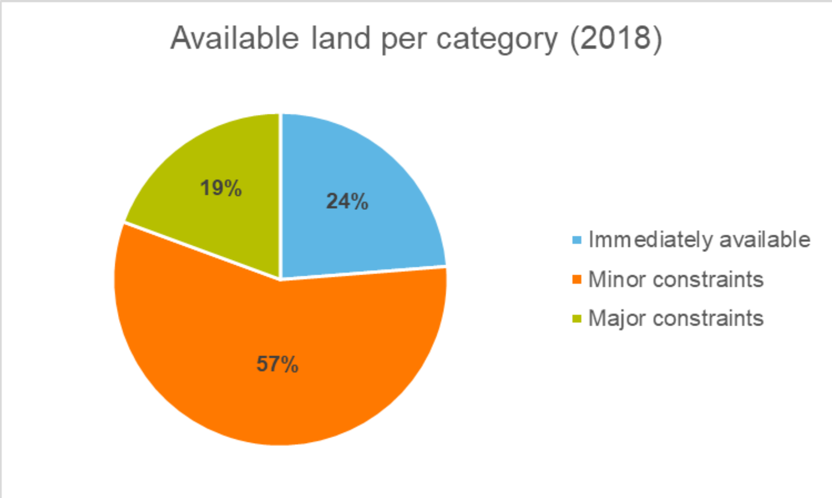
3.29 New office development is proposed as part of the development at Carlogie Business Park in Carnoustie. Permission was granted in 2018 for c. 200,000 sq.ft. of Class 4 (Business), Class 5 (General Industry) and 6 (Storage and Distribution) uses. As with the industrial proposals noted above, the project is seeking commitment from occupiers rather than building speculatively at this time. In comparable locations in Scotland, low achievable office rents can make it difficult to deliver new buildings even where occupiers are prepared to commit to a pre-let or pre-sale.

**Employment Land**

3.30 Angus Council's Employment Land Audit 2018 records the total area of available employment land as 167 hectares (412.6 acres) (Figure 6). This comprises 39.7 ha (98.1 acres) or 23.9% classed as immediately available, 95.1 ha (234.9 acres) or 56.6% with minor constraints, marketable within 2-5 years, and 32.4 ha (80 acres) or 19.5% with major constraints[19]. Constraints are categorised under three headings; infrastructure (costs of), ownership (willing or unwilling) or physical (for example topography, ground conditions, flood risk or contamination).

[19] As defined in Angus Council's Employment Land Audit 2018.)

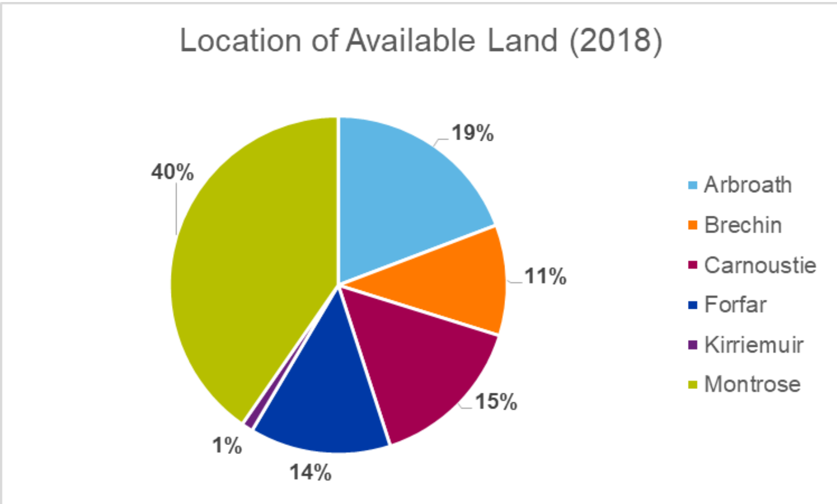
***Figure 6***




*Source: Ryden / Angus Council*

3.31 The Employment Land Audit shows that Montrose has 40% of the available supply of land, followed by Arbroath with 19% and Carnoustie with 15%. Kirriemuir only has 1%. This is illustrated on Figure 7.

***Figure 7***

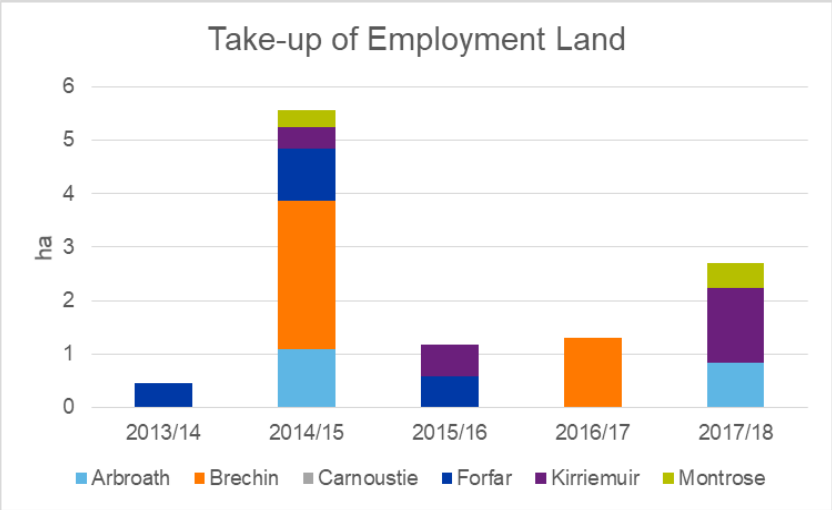



*Source: Ryden / Angus Council*

3.32 The Employment Land Audit also monitors take-up of employment land, a total of 11.22 ha (27.7 acres) was recorded from 2013/14 to 2017/18 giving an annual average of 2.24 ha (5.5 acres).

3.33 A total of 5.57 ha (13.7 acres) was taken up 2014/15 while 2013/14 only had 0.45 ha (1.1 acres) (see Figure 8 on the next page). Brechin (at Brechin Business Park) had the largest amount of employment land taken-up with 4.08 ha (10 acres) during this period.

***Figure 8***




*Source: Ryden / Angus Council*

3.34 Ryden has analysed land market transactions in Angus since 2015. A total of 156.89 acres (63.38 ha) in 12 plots has been recorded as taken-up for industrial / commercial uses. The largest being the 123 acre former airfield in Montrose (Zero Four)[20]. Other transactions include 3.25 acres at Orchardbank Business Park to Eurogarages (in 2018) and 15.5 acres at Glen Coull Mill, Forfar to a group of private investors (also 2018).

3.35 A further 17.16 acres in 13 plots has been taken-up for residential uses. Two sites totalling 2.08 acres are currently under offer and a likely to be used for residential purposes.

3.36 There are currently 25 plots of land totalling 150.26 acres being formally marketed in Angus. Of these 139.16 acres in 9 areas are being marketed for industrial / commercial uses. These include plots at Brechin Business Park in Brechin; plots at Orchardbank Industrial Estate in Forfar; land at Forties Road Industrial Estate in Montrose; and land at Zero Four in Montrose (the largest with up to 123 acres available). Whilst these sites are being formally marketed, we are aware of issues associated with their deliverability. For example, at Orchardbank SEPA has made objections to planning applications on the basis of flood risk and therefore sales are currently unable to progress.

3.37 The remaining land comprises 10.2 acres in 14 plots marketed for residential; while two totalling 0.9 acres are under offer, with one in a residential area and the other a cleared site of a former primary school.

[20] Although noted as take-up due to the land being sold onwards the land here is still available for development.

## 4.0 Angus Council Economic Development Portfolio

### Introduction

4.1 Angus Council owns and manages a property portfolio comprising industrial units, business/ office units, commercial premises and development land. The portfolio is occupied mainly by businesses. The portfolio is classified as non-operational, or investment assets. The Council's operational portfolio of offices, depots and other facilities from which it provides local services is held separately.

4.2 The portfolio generates rental income for the Council and delivers economic benefits, including overcoming market failure by providing premises where the private sector would not. The portfolio is managed by the Council's Economic Development team. Where there is more than one applicant for an available property, then both commercial considerations - rent, lease length, risk, entry date, conditions - and economic potential - economic benefit, links to key sectors, jobs supported and created - are considered as criteria in accepting a new tenant.

4.3 The review below considers the portfolio's role in economic development. The focus is upon how to meet market needs, and not the day-to-day operations of estate management. The review does however offer suggestions for groups of properties to be retained and invested in, or potentially disposed of.

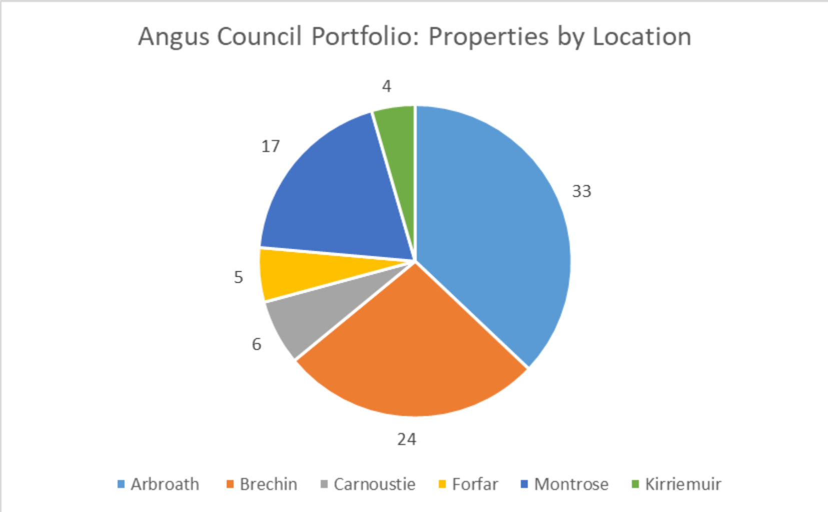
### Portfolio

4.4 The portfolio[21] extends to 89 assets. Figure 9 on the next page shows the distribution of these across Angus' principal towns. Arbroath has the largest number due largely to the multi-occupied Arbroath Business Centre, followed by Brechin at the industrial estate, the business park and the business centre, then Montrose which also has substantial floorspace at Broomfield Industrial Estate. Other towns have only small numbers of Council-owned business properties.

4.5 The largest number of properties (33) by type is industrial (Figure 10 on the next page). Taken together though, workshop/ office and office premises including those in multi-occupied business centres account for a similar number of units (35). The portfolio also comprises a notable number (10) of retail premises which were originally purchased as part of local economic development initiatives – these are at the Harbour Visitor Centre in Arbroath, Brechin High Street and Craft Shops in Cumberland Close, Kirriemuir.

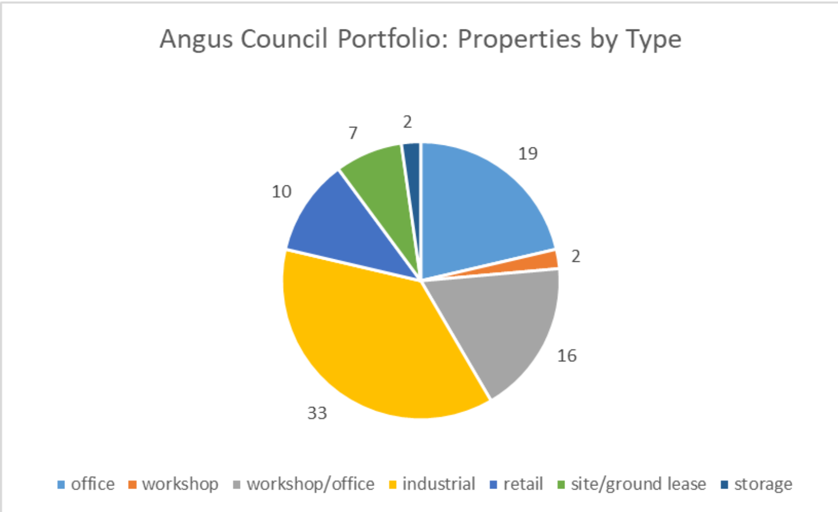
[21] Economic development property portfolio spreadsheet provided by Angus Council. Property condition and estimated values are added where this supplementary information was also available from the Council.

***Figure 9***




*Sources: Angus Council/ Ryden*

***Figure 10***

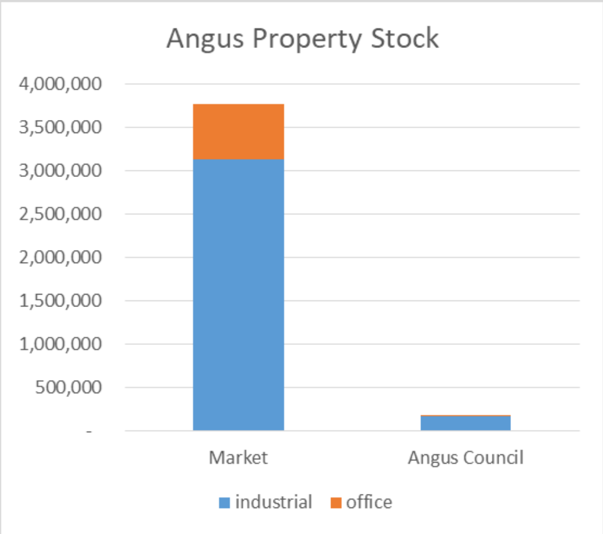



*Sources: Angus Council/ Ryden*

4.6 Figure 11 overleaf shows that the Council portfolio accounts for 5.7% of Angus' industrial stock and 1.7% of the office stock. By number, the Council's share is much higher, at 72[22] of 272 (26%) of all office and industrial units. This emphasises that the importance of the Council's portfolio is not its scale, but its types of property – affordable, comparatively flexible and mainly smaller premises for SMEs and micro-businesses.

[22] Sub-division of business centres suites into their smallest sizes would increase this number. Equally, the CoStar number may include some multi-let premises as single assets and could also be higher if these were sub-divided.

***Figure 11***




*Sources: CoStar/ Ryden*

**Portfolio Occupancy**

4.7 Figure 12 indicates the status[23] of properties within the Council portfolio. Setting aside the 8 ground leases (where the occupier owns the building and rents the land from the Council) and 3 unlettable properties, 56 of 78 units are occupied. This yields very high vacancy rates of 28% by unit numbers, or 23% (43,782 sq.ft.) if vacancy is measured by floorspace[24]. The vacant properties are listed in Table 8. The vacancies are heavily concentrated in at Arbroath Business Centre where 12 assets comprising 16 individual units are vacant.

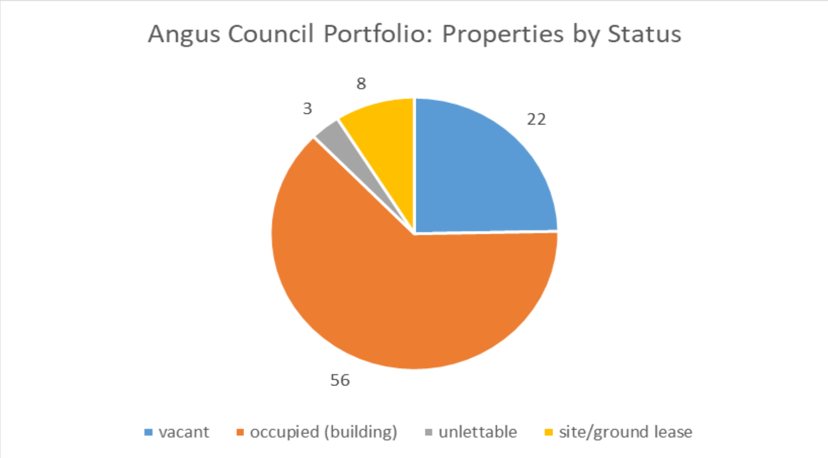
4.8 By contrast, some locations such as Brechin Industrial Estate and Panmure Industrial Estate are fully occupied, while Broomfield Industrial Estate (including Montrose Business Centre) has only one vacancy.

[23] Two properties require clarification:

- Orchardbank Cottages CAT lease generate £100 pa. income; this has been classed here as a ground lease.
- Call Centre Building Arbroath (building lease) is an office and generates £95,000 pa. but has no size.

[24] The Call Centre Building Arbroath is excluded from floorspace vacancy calculations as its size is not recorded.

***Figure 12***




*Sources: Angus Council/ Ryden*

***Table 8: Angus Council Portfolio Vacancies***

| Property | Unit | Type | Area (sq.ft.) |
|---|---|---|---|
| Industrial units, Dens Road, Arbroath | Unit 3 | Industrial | 3989 |
| | Units 5 & 6 * | Industrial | |
| Arbroath Business Centre | Units 1 & 3 | Office | 950 |
| | Units 5, 6 & 7 * | Office | 1170 |
| | Unit 8 | Workshop | 150 |
| | Unit 10 * | Workshop/office | 395 |
| | Units 12 & 13 | Workshop/office | 990 |
| | Unit 22 | Workshop/office | 135 |
| | Unit 9 | Office | 295 |
| | Unit 18 | Office | 4060 |
| | Unit 21 | Office | 100 |
| | Unit 24 | Office | 175 |
| | Units 25 & 26 | Office | 425 |
| | Unit 27 | Office | 145 |
| Brechin Business Park | Unit 5b | Storage | 2240 |
| | Unit 5c | Workshop/office | 2766 |
| | Unit 5a | Wrokshop/office | 5285 |
| | Unit 6 | Office | 388 |
| | Unit 7 | Workshop/office | 312 |
| | Unit 8 | Workshop/office | 353 |
| | Unit 10 | Workshop/office | 352 |
| Orchardbank Industrial Estate, Forfar | Unit 3 | Industrial | 1254 |
| Craft Shop, Cumberland Close, Kirriemuir | Unit 1 | Retail | 607 |
| | Unit 2 | Retail | 189 |
| Broomfield Industrial Estate, Montrose | Unit 4 | Industrial | 18622 |

**classed by Angus Council as unlettable*

**Floorspace and Property Sizes**

4.9 Eighty-one properties have sizes; the other eight are ground leases of land only. Analysing the floorspace:

- The total floorspace is 193,788 sq.ft. (as above, 23% of this is currently vacant)

- The portfolio is skewed towards smaller premises:

    - 60 of the 81 units are smaller than 2,000 sq.ft. This would typically suit businesses with 5–15 employees (depending upon the occupier and use). The mean size of the smaller properties is 692 sq.ft., suitable for micro-businesses with 5 or fewer employees.

    - There is a good spread of properties in sizes from 2,000 sq.ft. to 25,000 sq.ft, although 21 properties across the Angus area, of different types and quality, and many occupied, does not mean that supply is effective for all types of property in all towns.

**Financial Performance**

4.10 Current annual rental income from the portfolio is £829,035 (say £0.830 m). This comprises:

- £0.724 m from property rents (87.2%)
- £0.106 m from ground lease rents (12.8%)

Analysis by Ryden indicates that the mean rent across the occupied portfolio is £4.83 per sq.ft. This is comparatively low and thus attractive to occupiers, but is not sufficient to support new development. Viable rents for new buildings will vary with the site and scheme, but would begin at around £8 per sq.ft. for industrial units and at least double that rate for new-build offices.

4.11 This portfolio income is generated from 56 occupied premises and 8 ground leases. The 22 vacant and 3 unlettable properties do not currently generate any rental income (on a very approximate floorspace measure the theoretical rental potential of these unoccupied units may be around £0.2 m[25]).

4.12 The total market value of the portfolio has not been assessed for this report. The Council undertakes internal accountancy exercises which in April 2019 yielded an approximate figure of £7.312 m. The exercise does not include all assets and the valuation method has not been verified. For these reasons the figure is noted but is not compared with the rental income figure (as an income yield on capital).

[25] Simplistic calculation of 150,006 sq.ft. occupied generating £0.724 m = c. £4.83 per sq.ft. average rent. Applying £4.83 per sq.ft. 43,782 sq.ft. vacant = c.£0.211 m.

4.13 The portfolio comprises a range of lease lengths[26]. This is normal for economic development – some tenants will prefer the security of longer term occupation for their businesses, while others may not yet be sufficiently established or financially viable and prefer a shorter lease. The mean lease length for occupied properties is 5.8 years; in very broad terms, larger properties can be on longer leases, reflecting the needs of established businesses. The mean lease length in the Council's portfolio is close to the UK commercial average[27]. Economic development portfolios elsewhere are typically on leases of 1-5 years, subject to variations such as rolling arrangements or break options (e.g. a 5-year lease with a break option at year 3). Longer leases in Angus will secure rental income and occupiers' economic activity; but will also tie-up supply and prevent companies from moving on and releasing premises for new occupiers.

4.14 In managing the portfolio the Council will incur other operational costs, some of which may be passed to its tenants. These will include insurance, reactive and planned preventative maintenance, and non-domestic rates and utilities bills for managed business centres. These are not assessed here but will reduce the gross rental income noted above.

4.15 Estimated employment capacity within the portfolio is 1,000 jobs based on the Council's occupier surveys. Economic activity by occupiers within the portfolio will also generate multiplier effects for Angus (i.e. supply chain and services benefits).

4.16 In supporting economic activity, the Council's portfolio will also accommodate some of Angus' key sector employers (although individual occupiers have not been identified to Ryden).

**Condition**

4.17 The age of the premises tends to affect their overall condition and investment requirements. Angus Council uses an A-D rating for its premises. Analysis of condition ratings for individual units (not all were surveyed) undertaken in 2017/18 identifies:

- 18 are A-rated (*Performing well and operating efficiently)*. For example some units in Montrose Business Centre and Brechin Business Centre, and units at Arbroath Harbour Visitor Centre.

- The majority, 56 units, are B-rated (*Performing adequately but showing minor deterioration)*. These include industrial units at Orchardbank (Forfar), Panmure (Carnoustie) as well as Brechin Business Park, Brechin Industrial Estate and Arbroath Business Centre.

- Only 3 units including at Broomfield Road Industrial Estate (Montrose are C-rated (*Showing major defects and/or not operating adequately*) and only one unit at Dens Road (Arbroath) is D-rated

[26] The lease lengths provided to Ryden show the full durations and may be part-expired. Some may also have benefitted from rent-free initial periods rather than paying rent immediately.
[27] 6.3 years for the first half of 2019 according to MSCI

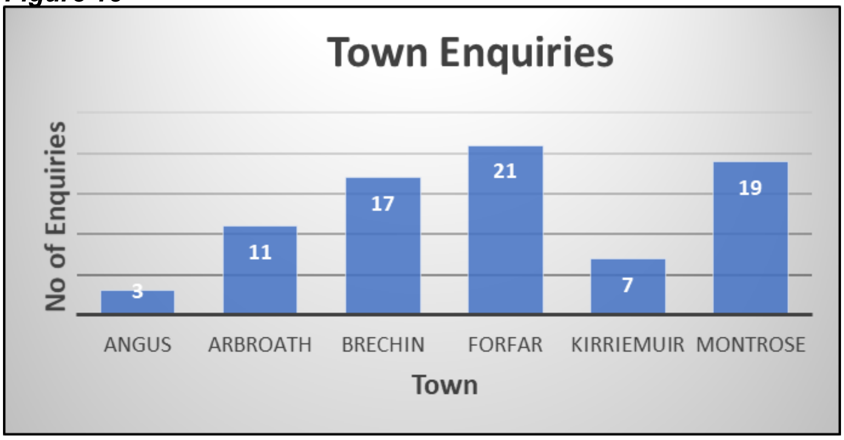
(*Economic life expired and/or risk of failure*), although two further unit groupings within Arbroath Business Centre are separately classed as unlettable.

4.18 Overall the condition of the large majority of units is adequate or better. The portfolio does however require constant reinvestment. Analysis provided by Angus Council indicates that approximately £0.750 m is outstanding for 2019/20 to 2022/23, most of it in the early years for general repairs and upgrading to security systems, heating, lighting, decoration, landscaping and car parking. If taken as a proportion of current portfolio rental income of £0.830 m noted above, this reinvestment requirement would average 23% of gross income annually.

**Demand**

4.19 A cross-section of enquiries for Council property from April to October 2019 is shown on Figure 13. Angus' main towns each attract market interest, with Forfar, Brechin and Montrose each showing similar levels of interest. This potentially indicates a focus of market demand upon the A90 corridor and the port, rather than the hinterland or other coastal settlements.

***Figure 13***

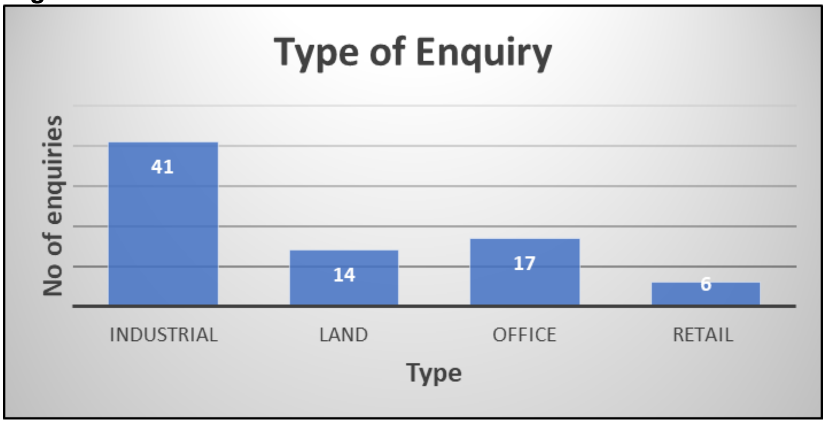



*Source: Angus Council*

4.20 The majority of enquiries (52%) are for industrial property, followed by offices and land on similar levels (see later in this section for a summary of Council development sites), then retail (Figure 14). The majority of units being marketed are offices, so the enquiries are not simply mirroring availability, but point to underlying market demand.

4.21 Notably, 63% of enquiries in this period came through property marketing website Nova Loca. This is important, as not all smaller Scottish local authorities market their vacancies formally (some simply list them on the Council website). Angus appears to show the benefit of using third party marketing channels to attract occupier interest.

***Figure 14***




*Source: Angus Council*

**Portfolio Options**

4.22 The Council asked Ryden to consider options for the portfolio. While this is not a full appraisal of all properties, it was necessary to undertake some investigative work in order to construct the options. This review of the portfolio assets is included at Appendix 2. The assets can be divided into various groupings as shown in Table 9.

***Table 9: Portfolio Groupings***

| Grouping | No. of Assets | Sqft | Sqft as a % of portfolio |
|---|---|---|---|
| Dated Industrial Stock | 4 | 8,247 | 4.15% |
| Modern Industrial Stock | 8 | 44,498 | 22.40% |
| Dated Office Stock | 10 | 4,382 | 2.20% |
| Dated Hybrid Stock | 6 | 2,490 | 1.25% |
| Mid Range Office Stock | 1 | 4,060 | 2.00% |
| Modern Retail and Tourist Related Stock | 5 | 6,550 | 3.30% |
| Site with Telecoms Mast | 1 | No meaningful area | 0% |
| Reasonably Modern Industrial Stock | 18 | 66,180 | 33.30% |
| Traditional Stock | 2 | 1,324 | 0.7% |
| Hybrid Traditional Stock | 19 | 8,823 | 4.40 |
| Traditional Industrial Stock | 8 | 27,428 | 13.70% |
| Grade B listed and in need of refurbishment | 1 | No area | 0% |
| Large specialised facility | 1 | 24,999 | 12.60% |

*Source: Ryden*

4.23 Any reshaping of the portfolio will be influenced by the Council's appetite or otherwise to secure capital receipts from the disposal of properties. These could potentially release under-performing assets and allow the Council to reinvest in creating a leaner, smarter, portfolio or one that has a different weighting by property type or location.

4.24 Assets which may be ripe for sale could include:

4.24.1 **Brechin Industrial Estate**. - This is an established industrial location with the Council ownership comprising a parade of starter units within the larger Estate. Risk is diversified over the various tenants in place who guarantee the rental income and tenant obligations. The leases are typically between 3 and 6 years in duration, so this will require fairly active asset management. The ownership could be bundled together as a single "lot" so as to avoid diluting control or causing problems in terms of common repairs or complicating the Title.

4.24.2 **45-49 High Street, Brechin** - This is an attractive, traditional, building on Brechin's High Street which the Council inherited from the Lottery Townscape Heritage Initiative. It appears that the ground floor is put to retail use with flatted accommodation above. This seems to offer short term income to local covenants. These would be ripe for disposal. Consideration should be given to exploring whether the leases could be extended in order to offer longer term-certain income from the retail element in order to de-risk the cashflow and make these more attractive to private investors and to try to maximise the capital return. .

4.24.3 **Panmure Industrial Estate, Carnoustie** - The Council's ownership comprise traditional starter units which all appear to be let at lease durations of between 3 and 6 years. We would expect strong occupational demand due to the lack of competing stock. Purchaser demand would be driven by the asset management opportunities to manage the cashflow. The ownership could be bundled together as a single "lot" so as to avoid diluting control or causing problems in terms of common repairs or complicating the Title. Over and above that, there may be longer term redevelopment angles given that much of the immediate vicinity is residential in nature. Any change of use would, of course, be dependent upon the stance of the local planning department.

4.24.4 **Orchardbank, Forfar** - Attractive starter units where most of the Council's ownership appears to be fully let and income producing with lease lengths between 3 and 10 years. Occupational demand has been forthcoming from national and local covenants. The ownership could be bundled together as a single "lot" so as to avoid diluting control or causing problems in terms of common repairs or complicating the Title.

4.26.1 **Baker Hughes GE at Brent Avenue/Forties Road, Montrose** - This is a large, specialist, facility with Baker Hughes having expanded several times to create a sub-sea centre of excellence. It has a long lease in place aligned to an attractive covenant. The property might be perceived as becoming more challenging as the lease nears its natural expiry as it will be fairly specialised and occupational demand could be limited if it were to become surplus to requirements or if the capital investment had been written down over the lease term. Clarification is required on any ground lease and exactly what interest is vested in the Council's ownership.

4.25 Other assets where asset management would be required before disposal could include:

4.25.1 **Broomfield Industrial Estate, Montrose**. It may be possible to test the market for a single disposal at Broomfield comprising all of the Council's assets at the estate. Demand would probably be very thin, from purchasers seeking cheap assets, which would be at odds with the economic development role and unexpired rental income to the Council. Separate options could be considered for assets groups: Units 1a and 1b together; likewise Units 2 and 3 including considerations of remedial items and tenants' repairing obligations; and also Units 5a-e. Unit 4 is vacant and thus may be more challenging to sell unless to an owner occupier.

4.25.1 **Arbroath Business Centre.** This asset is not ripe for disposal. Demand would probably be very thin. Piecemeal disposal of units might be possible but could lead to a los of overall control, difficulties in managing common parts and potentially complications in title.

4.25.1 **Dens Road, Arboath**. Again, demand would be very thin for this asset. There may be opportunities to demolish some of the poorest buildings to release development sites or secure storage yard opportunities.

4.26 It would be difficult to identify a purchaser for the **entire portfolio**, even if that were a realistic economic development option in order to release capital for new development. The risk exposure is to a large, highly mixed group of assets located entirely within the Angus local authority area. Asset bundling of this type usually involves a small number of challenging assets alongside a number of high quality assets, rather than such a broad mix. In the absence of competitive interest to purchase the portfolio, the risk would be of a speculative purchase seeking to acquire land and property at a distressed level of pricing.

**Development Land**

4.27 Angus Council also controls key development sites in the main towns:

4.27.1 **Orchardbank, Forfar** is an established business and commercial park adjacent to the A90 trunk road. There are a number of active enquiries however the 6 available plots are affected by SEPA objections to planning applications on the basis of flood risk. Any flood risk mitigation required may affect development viability. The land is owned in joint venture with Hermiston Securities (Muir Group).

4.27.2 **Brechin Business Park** is owned by the Council. If negotiations conclude on 3 remaining plots then the Park will have no sites left. A fourth plot is reserved for a link to a Phase 2, 35 acre site owned by Dalhousie Estate. Demand for the Park is reportedly to be steady. Scottish Enterprise retains a clawback over earlier infrastructure funding for the current site.

4.27.3 **Forties Road, Montrose** is also owned by the Council. There was good early demand and take-up at this location. Only two plots remain, constrained by their small size and electricity connection costs.

## 5.0 Benchmarking

### Introduction

5.1 This section compares Angus Council's land and property with other local authorities. Examples of how other public sector bodies deliver new sites and buildings to promote economic development are included within the funding review in Section 6.

5.2 The review focuses upon detailed analysis of a select number of local authority areas. The areas and reasons for selecting them are:

- **Perth & Kinross**. An adjoining local authority of slightly larger population base than Angus, also within the Tay Cities region, with a similarly successful economy across a small city and rural/ small town hinterland.

- **Fife**. A larger local authority partly in the Tay Cities Region, having a recognised strength in delivering property market interventions to support economic development across diverse towns.

- **Stirling**. A slightly smaller population than Angus with a small city and dispersed towns hinterland.

- **East Lothian**. A similar population to Angus and comparable spread of towns and rural hinterland, although the west of the region sits within the Edinburgh catchment and is affected by that city.

### Analyses

5.3 Table 10 over the following pages sets out the comparative analysis for Angus, the 4 selected local authority areas, and Scotland as a whole. Following population as a broad indicator, the table compares employment land, industrial, office, the Council portfolio and high level economic indicators. By theme:

5.3.1 Each of the local authority areas has an apparently high supply of marketable **employment land**. This uses the standard definition of land which is immediately developable or has only minor constraints. East Lothian applies a further filter whereby land under option to housebuilders – a feature of that market particularly around towns commutable to Edinburgh – is classed as constrained.

5.3.2 Angus has a strong take-up rate for employment demand; at half of Fife's rate and comparable to Stirling, indicating healthy demand for land for development.

5.3.3 Angus has 1.3% of Scotland's **industrial stock** with 2.1% of its population, highlighting the concentrations elsewhere which are known to be around cities and strategic transport networks.

5.3.4 Angus does though have a total stock comparable to the small city areas of Perth & Kinross and Stirling.

5.3.5 Notably, Angus has the highest industrial property take-up rate of floorspace among its comparators, although not of units (indicating units sold or let in Angus are larger). Alongside the land take-up rate this reconfirms a healthy demand. It does not however prevent Angus having the highest industrial floorspace vacancy rate.

5.3.6 Average industrial rents in Angus, Perth & Kinross, Fife and Stirling are well below viable levels for new development. Only East Lothian, in the ambit of Edinburgh, has high and commercially viable industrial rents.

5.3.7 Figure 15 compares the age profiles of industrial floorspace. Scotland and Fife are removed for clarify of presentation. The mean built date across the whole stock is estimated as 1982 in Angus (i.e. 38 years old) and 1984 in Stirling. Perth & Kinross and East Lothian have notably older stock with mean build dates of 1975 and 1977 respectively.

5.3.8 In terms of land supply and take-up, and industrial stock and age, Stirling is the closest comparator to Angus, although it does have a lower vacancy rate and higher rents. This may be due to the strong city economy and proximity to Central Scotland markets. It is a good comparator for the Council's own economic development portfolio, although perhaps not the whole market as the city service sector driver is different to the industrial/ energy sectors driving Angus.

***Figure 15***


*Source: Ryden/ Costar*

5.3.9 Angus has 0.6% of Scotland's stock of **offices**. This stock is much smaller than Fife's, or the two local authority areas with small cities and service sector cluster. It is very similar to East Lothian's, which of course sits in the shadow of Scotland's capital city Edinburgh. Angus also has similar total employment to East Lothian (the final section of Table 10).

5.3.10 Angus has higher take-up of office floorspace than East Lothian with similar deal numbers, again indicating that properties sold or leased in Angus may be larger (or skewed by very large one-off deals).

5.3.11 Average office rents in Angus are by far the lowest among the local authorities. This is little higher than the industrial rents, and at best is one-third of the level required to support new-build office development.

5.3.12 Of the comparator local authority areas, East Lothian may provide the best model for Angus in terms of the scale of stock and examples of modern business space interventions.

5.3.13 The comparison of **local authority economic development property portfolios** in Table 10 is limited by the public availability of information. Some authorities publish committee or consultancy reports containing portfolio information, while others simply have total asset figures in their published accounts. This means that the most commonly missing figures are total floorspace and the related vacancy rate; it may well be that Angus Council could directly request these from the authorities' estate management teams, as well as management information such as how rental income is spread across estate costs and the costs of service provision.

5.3.14 Angus has the smallest number of local authority-owned premises. However these generate a very similar rental income to East Lothian's, again highlighting that Angus has some larger income-producing properties as well as ground leases.

***Table 10: Local Authorities Benchmarking***

| Indicator | Angus | Perth & Kinross | Fife | Stirling | East Lothian | Scotland |
|---|---|---|---|---|---|---|
| **Profile** | | | | | | |
| Population | **116,000** | 151,300 | 371,900 | 94,300 | 105,800 | 5,438,100 |
| Claimant Count | **3.0%** | 2.0% | 3.7% | 2.5% | 2.7% | 3.2% |
| Earnings by place of residence | **£550.10** | £567.70 | £564.40 | £651.20 | £658.80 | £577.70 |
| Earnings by place of work | **£490.30** | £534.50 | £546.20 | £617.80 | £576.30 | £576.70 |
| Hourly pay (by place of work) | **£12.49** | £13.38 | £13.80 | £16.35 | £15.25 | £14.80 |
| Employee jobs | **33,000** | 61,000 | 133,000 | 46,000 | 30,000 | - |
| Jobs density | **0.64** | 0.82 | 0.66 | 0.87 | 0.59 | 0.82 |
| **Employment Land** | | | | | | |
| Marketable supply (ha.) | **134.8** | 250.95 | 224.3 | 86.06 | 6.45 (constrained) | - |
| Annual development rate (ha.) | **2.24** | 1.92 (*2017/18*) | 4.5 | 2.43 | 0.37 | - |
| Years' supply | **60** | *high* | 50 | 35 | 17 | - |
| **Industrial** | | | | | | |
| Industrial stock (sq.ft.) | **3m** | 3.7m | 13.4m | 3.2m | 1.8m | 233m |
| Industrial stock (number of properties) | **174** | 328 | 687 | 190 | 144 | 11,134 |
| 5 year average take-up (sq.ft.) | **86,377** | 55,315 | 425,695 | 54,782 | 20,679 | 6.1m |
| 5 year average take-up (number) | **14** | 20 | 68 | 24 | 8 | 1,066 |
| Industrial rents | **£4.61** | £3.59 | £4.05 | £5.54 | £7.79 | £4.65 |
| Industrial vacancy rate | **5.8%** * | 3.8% | 4.5% | 2.3% | 1.7% | 4.2% |

| Indicator | Angus | Perth & Kinross | Fife | Stirling | East Lothian | Scotland |
|---|---|---|---|---|---|---|
| **Office** | | | | | | |
| Office stock (sq.ft.) | **641,000** | 1.2m | 2.9m | 1.4m | 662,000 | 99.4m |
| Office stock (number of properties) | **99** | 160 | 360 | 130 | 101 | 8,055 |
| 5 year average take-up (sq.ft.) | **10,470** | 24,410 | 77,501 | 27,101 | 4,246 | 3.33m |
| 5 year average take-up (number) | **7** | 20 | 46 | 18 | 8 | 1,065 |
| Office rents | **£5.39** | £9.79 | £9.50 | £11.65 | £11.71 | £15 |
| Office vacancy rate | **3.4%*** | 3.5% | 5.8% | 4.2% | 1.6% | 7.2% |
| **Local authority economic development property portfolio** | | | | | | |
| Property stock (sq.ft.) | **77,400** | - | 558,066 | - | - | - |
| Property stock (number of properties) | **89** | 250** | 331 | 177** | 140 | c.2,500* |
| Vacancy rate | **12%***** | - | 7% | - | 6% | - |
| Rental income | **£0.829m** | £1.717m | - | £1.417m* | £0.894m | - |

*Source: Ryden / Costar / local authorities / NOMIS*

* *industrial and office vacancy rate for Angus is different to that noted in Section 3 due to data here only reporting properties marketed by Costar*

***data is from a 2015 report by Ryden and should be updated*

****Angus Council economic development portfolio vacancy rate discounts obsolete premises*

*Number of properties: note this is number of buildings not necessarily units / suites*

## 6.0 Funding and Delivery

### Introduction

6.1 Market failure is common in Scotland outside of city centres and strategic transport corridors. Market failure, in this context, can be best understood as when commercial concerns have no interest in the investment needed to supply a service which the Council deems vital, because they do not price-in the economic development benefits. In most areas, including Angus, rents are typically too low to justify new development and market demand often infrequent (or spread across a number of separate locations). This means that desirable economic activity may be constrained by a lack of appropriate premises.

6.2 Historically, the public sector in the form of the Scottish Development Agency, regional and local authorities, and New Town Development Corporations provided land and property. More recently, Urban Regeneration Companies have been developing in their territories. Angus had little of this type of intervention beyond the Arbroath Enterprise Zone in the 1980s/90s and Councils. As a result most of the property is owned by private owners, special interests such as Montrose Port, or the Council. This ownership pattern and those discretionary funds which may be available, are therefore critically important in delivering economic development through the property market in Angus. An overview of potentially available external funding sources, including relevant examples of their use in helping to remedy market failure, is discussed below.

### Regeneration Capital Grant Fund (RCGF)

6.3 The RCGF is a Scottish Government grant fund which supports locally developed place based regeneration projects that involve local communities, helping to support and create jobs and build sustainable communities. Applications are made to the fund on an annual basis and is open to all 32 Scottish local authorities (including SPVs or URCs) which makes it extremely competitive.

6.4 Applications are not restricted in geography, size or type of project but must fit with the focus of the fund and the Government strategy document Achieving a Sustainable Future and local area regeneration plans. Projects should:

- Primarily focus on areas that suffer from high levels of deprivation and disadvantage
- Demonstrate clear community involvement
- Deliver large scale transformational change with strong regeneration outcomes
- Encourage additional investment and address market failure

6.5 The budget for 2019/20 is £20.4m and this has been awarded to 18 projects across Scotland. The decision process for 2020/21 funding is currently underway.

6.6 The RCGF has been used to pump prime a number of Council (or Council subsidiary) property developments. Some relevant examples are provided in Table 11 below.

***Table 11: RCGF – Commercial Property Grant Awards***

| Year | Lead organisation | Project title | Grant awarded |
|---|---|---|---|
| 2014/15 | City of Edinburgh Council | Castlebrae Business Centre | £1,900,000 |
| | Riverside Inverclyde URC | Port Glasgow Enterprise Initiative | £550,000 |
| | West Dunbartonshire Council | Vale of Leven Industrial Estate Renewal | £900,000 |
| 2015/16 | Fusion Assets (North Lanarkshire Council) | Coatbridge Enterprise Centre | £1,116,591 |
| | East Ayrshire Council | Kilmarnock Town Centre Business Hub | £1,300,000 |
| | Riverside Inverclyde | Custom House – Enterprise Workspace | £649,332 |
| | Scottish Borders Council | Newlands Rural Business Units | £245,277 |
| 2016/17 | City of Edinburgh Council | Castle Mill Works - Creative Industries Incubator | £1,925,764 |
| | Clyde Gateway URC | National Business District Shawfield - Red Tree Business Incubator | £2,900,000 |
| | Clyde Gateway URC | Clyde Gateway East -Manufacturing and Engineering Hub | £1,000,000 |
| | Comhairlie nan Eilean Siar | Balivanich Business Hub | £ 350,000 |
| | Fusion Assets | 4r Communities Enterprise Workspace | £ 989,800 |
| | North Ayrshire Council | Irvine Community Enterprise and Leisure Hub | £ 965,000 |
| 2017/18 | Argyll & Bute Council | Tobermory Light Industrial Park | £ 1,600,000 |
| | Clyde Gateway URC | Arena District Industrial Development - Enabling Works | £ 600,000 |
| | Raploch URC Company | Kildean Employability & Enterprise hub | £ 900,000 |
| 2018/19 | Clyde Gateway URC | Rutherglen Links Office Pavilions | £2,000,000 |
| | Glasgow City Council | Sighthill Enterprise Wharf | £650,000 |
| | Highland Council | Morvern Community Business Hub | £788,000 |
| **2019/20** | South Lanarkshire Council | Abington Campus for Enterprise ( ACE) | £600,000 |
| | Clyde Gateway | Dalmarnock Purifier Studios | £2,000,000 |

***Source: Scottish Government, adapted by Ryden***

6.7 In 2014/15, Angus Council received an award from the fund for its residential project at Baltic Mill, Dens Road, Arbroath. However, Angus does not appear to have had any RCGF award for a commercial project and could consider its commercial properties in Arbroath (e.g. Dens Road area) for future funding.

**Scottish Partnership for Regeneration in Urban Centres (SPRUCE)**

6.8 SPRUCE was originally launched in 2011 as a £50m fund that offers loans and equity investments to revenue generating infrastructure and energy efficiency projects to support regeneration in eligible local authority areas. One of SPRUCE's major benefits is that funds will be recycled and can be used for future regeneration projects. Alongside additional contributions provided by the Scottish Government, SPRUCE is now able to support eligible projects right across Scotland with more than £87m invested in 13 projects. Loan levels are generally in the region of £1m – 15m.

6.9 With regards to urban regeneration, eligible projects can include transport hubs and sustainable public transport, new build commercial development, office refurbishment, industrial sites and business centres, brownfield land decontamination and servicing, training/ learning and e-skills centres, ICT facilities and digital infrastructure. Projects should align with key Scottish Government policy objectives and funding can be provided to public, private or joint venture entities.

6.10 The 10 year investment period for SPRUCE ends on 28 November 2021. Following an interim evaluation in 2017, recommendations have been made for the future of the fund post 2021 however the exact format of this has not yet been defined. It is possible it will be subsumed into the Scottish National Investment Bank (discussed later in this Section).

6.11 Fusion Assets (North Lanarkshire Council) was the first organisation in Scotland to access SPRUCE funding (£1.8m) for its industrial scheme at Dundyvan Enterprise Park, Coatbridge. By accessing SPRUCE loan finance, Fusion Assets was able undertake this speculative development providing commercial workspace for 16 SMEs. This loan has since been repaid and Fusion Assets secured a second loan (£2.1m) offer from SPRUCE to allow the development of a further industrial scheme at Strathclyde Business Park, Bellshill. Both schemes have been developed in partnership with CBC (Glasgow) Ltd. SPRUCE also provided a senior debt facility of c. £1m to Clyde Gateway Developments Ltd to fund the creation of a 27,000 sqft manufacturing and engineering unit at the Clyde Gateway East industrial site. Fusion Assets was in the fortunate position that when it was initially established in 2006, it was provided with a dowry from Boots of £3.7m and £1m from Scottish Enterprise which has helped pay for their contribution of capital.

**Tax Incremental Financing (TIF)**

6.12 Scottish Futures Trust leads on the TIF programme as a way of securing infrastructure investment that unlocks regeneration and inclusive economic growth. TIF seeks to capture locally generated, incremental public sector revenues (e.g. business rates) that wouldn't have arisen were it not for investment in the delivery of “enabling” public sector infrastructure.

6.13 The use of TIF is normally predicated on a ‘but for’ test, i.e. that but for TIF, the anticipated outcomes from a regeneration and economic perspective would not occur or not occur in the time frames which TIF would enable. A TIF project must demonstrate that the enabling infrastructure will generate additional public sector revenues (e.g. business rates) to repay the financing requirements of the enabling infrastructure.

6.14 The delivery and shape of TIF in Scotland is being driven by a pilot process and projects should be of a primarily non-retail nature. Pilots should comply with Scottish Government priority areas and related strategies including key sectors and have a compact red-line area which primarily includes vacant and derelict land. Preference is given to pilots which have well-developed arrangements in place with private sector partners (subject to state aid compliance).

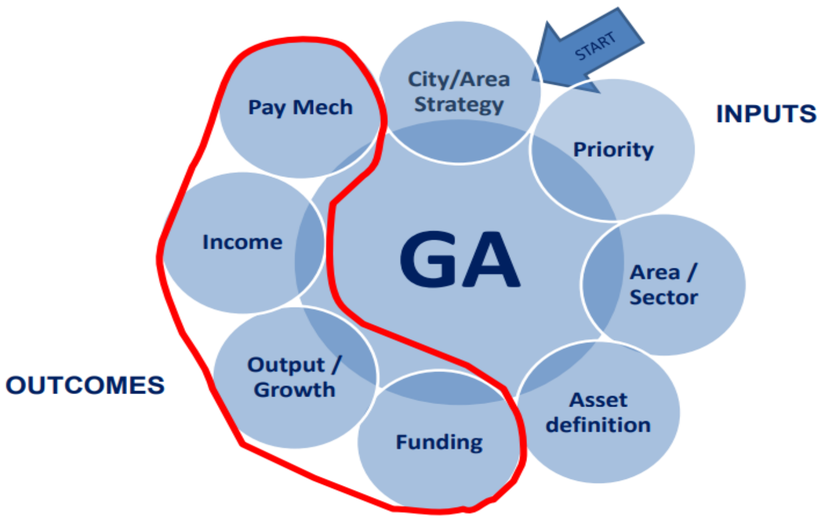
6.15 The Regulations allowed for up to 6 pilot projects. As at December 2019, all of these pilot projects have been awarded and 4 have been triggered. There is currently no provision for additional TIF projects at this time.

6.16 As an example of TIF's application, Fife Council has approval for 2 pilot TIF projects at Levenmouth and Fife Interchange. This will allow the Council to invest in essential site infrastructure through the retention of non-domestic rates income which will meet borrowing repayments. At Levenmouth, the Government has approved Fife Council's business plan and the TIF has been triggered. This will allow for £350,000 to be ring-fenced for site servicing for the Low Carbon Investment Park and Methil Docks, part of the Energy Park, Fife. Site servicing works are due to commence in 2020.

**Growth Accelerator (GA)**

6.17 The Scottish Futures Trust is involved in the Growth Accelerator, a recent initiative being adopted for the delivery of public sector enabling infrastructure. The key objective of the GA approach has been to deliver a funding mechanism for the effective identification and delivery of public sector enabling infrastructure which stimulates private sector investment and the wider economy. In making this case, the model recognises and captures the economic, financial and social impacts of these investments; and establishes a payment-by-results mechanism based upon modelled impacts. Figure 16 below seeks to explain the GA approach, by following clockwise the inputs to identify investments; to the outcomes including understanding the funding basis and any gap, along with the measures associated with releasing the grant.

***Figure 16: The GA Process*** *Source: Scottish Futures Trust*



6.18 A business case is required and authorities are strongly encouraged to engage with the Scottish Futures Trust at an early stage as support and guidance can be provided to local authorities considering using GA.

6.19 As an example, working initially with the City of Edinburgh Council and Scottish Government, Scottish Futures Trust designed and developed an approach which allowed the Council to make an investment of £60m in public infrastructure, supporting £850m of private sector investment at Edinburgh St James, a new city centre retail, leisure and residential destination. Completion is expected in 2020 and 2021.

6.20 Building on this work, GA has also been adopted by Dundee City Council for the Waterfront area of the City and a proposal is currently being considered at Stornoway Harbour. This programme, which has the potential to unlock substantial levels of additional investment in cities and regions across Scotland, is being considered more widely by the Scottish Government.

6.21 As announced in the Programme for Government, the Growth Accelerator is to be expanded under a new Green Growth Accelerator whereby local authorities will be able to borrow to invest in projects which reduce emissions and boost growth. This will provide additional resource to invest in emissions reducing infrastructure.

**City Region and Growth Deals**

6.22 City Region and Growth Deals are agreements between Scottish Government, UK Government and local government designed to bring about long-term strategic approaches to improving regional economies. Each deal is tailored to its city/area region, reflecting its individual economic strengths and weaknesses, and comprises a programme of interventions to support positive, transformative change. The Scottish Government is committed to 100% coverage of Scotland by City Region and Growth Deals. A number of the agreed City Region and Growth Deals have associated development programmes.

6.23 Angus is part of the Tay Cities Region Deal which was agreed at the end of 2018. This will see a £300m investment from the Scottish Government and UK Government, with a further £50m announced in early 2019 from the Scottish Government, to be spent over 10-15 years. Of this, an allowance of £26.5m has been set aside for infrastructure projects in Angus (The Angus Fund) and these should be developed collaboratively with the Council and other local partners. Part of the plan was for land at Condor, near Arbroath to be released for development (currently Defence Estates) however it is understood the decision to close this facility by the UK Government has since been reversed. In addition, £10m has been set aside for an Industrial Investment Programme to support manufacturing across the area.

6.24 Following on from agreement of the Tay Cities Deal Heads of Terms in November 2018, the regional partners will now lead work to move to full Deal, working with the Scottish and UK Governments to develop a Delivery Plan that details the implementation, monitoring and evaluation of all projects and programmes receiving funding through the Tay Cities Deal. The Delivery Plan will also set out the full partnership, governance and assurance arrangements as well as implementation and financial plans with relevant milestones.

6.25 Regional partners will be required to demonstrate the value for money case for each programme and/or project before funding is made available (i.e. presentation of a full business case).

**Building Scotland Fund/Scottish National Investment Bank**

6.26 The Scottish National Investment Bank will provide finance and act as a catalyst for growth in the Scottish economy by providing longer term loans (10-15 years) to support ambitious companies and infrastructure projects. The Bank's primary mission will be to secure the transition to zero carbon. The bank will break down barriers to green investment and will work with advisors on developing other areas of focus. Place-making and local regeneration is specifically mentioned as a potential theme. The Bank's missions will be finalised by the time it makes its first investments in 2020. The Government has committed £2bn over 10 years to capitalise the Bank and is aimed at the private sector.

6.27 The Building Scotland Fund, the precursor to the Bank, has agreed investments of £100m so far across a range of housing, regeneration, industrial and commercial projects as per the table below.

***Table 12: Building Scotland Fund Agreed Investments***

| Date | Project | Description | Amount |
|---|---|---|---|
| October 2019 | Athron Hill | The development of 35 new homes in Perth & Kinross. SME investment. | £4.6m loan |
| October 2019 | Axil Estates Ltd | The conversion of a former steading into 8 new homes in Perth & Kinross. SME investment. | £1.6m loan |
| May 2019 | VKRR Investments | Conversion of an office building in Falkirk into 5 new homes for sale | £634,660 loan |
| May 2019 | Stewart Milne | Helping to fund construction activity across 3 sites in Renfrewshire & the Lothians | £12m loan |
| April 2019 | Chancerygate Ltd via SPRUCE fund | Development of Livingston Trade Park, bringing industrial capacity to West Lothian which will provide local jobs and deliver inclusive growth | £2.18m loan |
| April 2019 | SIGMA | The development and construction of between 1,500 – 1,800 new Build to Rent properties across the Scottish central belt. | £30m (revolving credit facility over 10 years) |
| March 2019 | Signal Capital via SPRUCE fund | Refurbishment and extension of 55 Douglas Street (formerly Cerium House, Glasgow) | £12.38m loan |
| January 2019 | Winchburgh Developments Ltd | Assisting the development of more than 3,000 new homes in West Lothian as part of a wider package of Scottish Government support | £26.8m loan |
| December 2018 | SPRUCE Fund | Scottish Partnership for Regeneration in Urban Centres | £25m for onward investment |

*Source: Scottish Government*

6.28 To date, none of these investments have been in Angus. However, the Fund will invest a further £56m or more by March 2021. As this funding is directed at the private sector, in order to access it, Angus Council would need to form a JV with a private sector partner.

**Industrial and Commercial Space Growth Initiative**

6.29 This initiative was mentioned within the Programme for Government 2018-19 but not yet formally launched. The Fund would be used to support the remediation of public sector land and enable the development of industrial space by public/private partnership. The Scottish Futures Trust has been working closely with Fusion Assets (mentioned at 6.11) to potentially pilot this initiative and the premise is that the initiative would use Scottish Government funding towards land remediation and site preparation to drive wider private sector investment and development. It is anticipated this fund will be available across Scotland, i.e. not targeted at specific local authorities.

**Vacant and Derelict Land Funding**

6.30 Angus Council is not currently eligible for the Scottish Government's Vacant and Derelict Land fund however vacant and derelict land is currently receiving increased attention from a combination of agencies at the moment, including the Scottish Land Commission and Scottish Futures Trust. It is understood that it is likely that further funding in this area will be made available in 2020/21. It is unclear at this stage whether this will be grant or loan based, or what the eligibility criteria might be.

6.31 According to the Scottish Government's Vacant and Derelict Land Survey 2018, Angus has 309 hectares (50 sites) of vacant and derelict land on the register. Approximately 35 hectares (7 sites) are in local authority ownership. This includes areas of vacant (rather than derelict) land in the Council's 3 business parks at Brechin, Orchardbank, Forfar and Forties Road, Montrose. Depending on how new funding streams come online, these sites could potentially become eligible, albeit any funding available is likely to be part of a competitive process with other local authorities.

**European Structural and Investment Funds (ESIF) and UK Shared Prosperity Fund**

6.32 European Structural and Investment Funds (ESIF) exist to support economic development by tackling disadvantage. The UK is in receipt of two main funds, of which the European Regional Development Fund (ERDF) is of relevance here. For the period 2014 – 2020, Scotland received €460m from the ERDF however the UK's exit from the European Union will bring access to this funding to an end.

6.33 The UK government has vowed to keep in place current arrangements for the ERDF until they expire. All UK political parties committed to a 'successor fund' at the 2017 general election, with the Conservative party focused on the creation of a UK Shared Prosperity Fund (UKSPF), *"specifically designed to reduce inequalities between communities across our four nations"* and to *"help deliver sustainable, inclusive* *growth based on our modern industrial strategy"'*. The scale, allocation criteria and subsequent distribution of replacement funding to England, Scotland, Wales and Northern Ireland is yet to be agreed however it is considered to be unlikely to be in line with previous funding levels. It might be assumed that the allocation of funding will be a devolved matter.

**Public Works Loan Board (PWLB)**

6.34 Local authorities are able to borrow from the Public Works Loans Board, a national government body and arm of the Treasury, at interest rates lower than those commercially available to the private sector. The PWLB is mainly targeted towards capital projects and funding cannot be used to plug gaps in everyday funding of services. CIPFA guidelines are in place however there is no upper limit on borrowing. It is the responsibility of Councillors to ensure that funds are borrowed appropriately and responsibly.

6.35 The City of Edinburgh Council borrowed from the Public Works Loan Board for part funding of the £85m redevelopment and expansion of the Edinburgh International Conference Centre. Completed in 2013, the development includes office and retail space alongside the conference venue. Atria One and Atria Two together comprise almost 200,000 sq ft of Grade A office and retail accommodation. At the time, Atria was the largest speculative office development over 100,000 sq ft outside of central London and satisfied the need for new Grade A office space in central Edinburgh during the market crash. The buildings are now home to a variety of high quality tenants including PWC, Brewin Dolphin, Aon, IBM, the Green Investment Group, the Law Society of Scotland, Alliance Trust and Lothian Pension Fund. Retail occupiers include the Co-operative Food. In 2016, the Council sold Atria for £105m to Deka Immobilien. Proceeds from the sale were used to pay off borrowing costs, with profits going to a City Strategic Investment Fund which was used (amongst others things) for East Hermiston Business Park. This development, completed in 2017, comprises 16 light industrial units (17,200 sqft) on Council-owned land in Sighthill. The development is fully let and generates c. £140,000 pa in rental income for the Council.

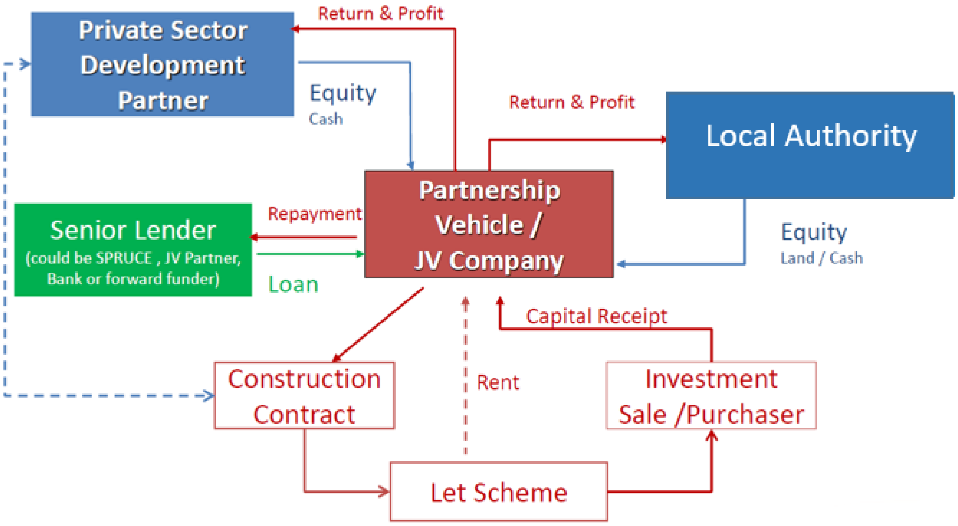
**Joint Ventures (JVs)**

6.36 A number of Councils across Scotland have entered into JVs with private sector partners in order to enable specific property development projects. JVs tend to be more contractual and formal than other partnership agreements, and often involve the setting up of company structures. In the restricted public funding context discussed in this section, the potential for the Council to work with private sector landowners and developers to release potential is of heightened importance.

6.37 Stirling Council had a long term relationship and 50/50 JV with Valad (Stirling Development Agency) which allowed them to extend Castle Business Park and progress Broadleys Business Park which is one of Stirling's largest industrial/commercial areas.

6.38 Fusion Assets has entered into several JVs in North Lanarkshire in order to progress industrial developments. Their development partners include CDC, J Smart & Co and Ogilvie Group. A separate JV company is created for each development. An example of a typical JV structure is shown at Figure 17.

***Figure 17: Typical JV Structure***




***Source: Fusion Assets, adapted by Ryden***

6.39 As noted in Section 4, Angus Council currently has a JV with Muir Group at Orchardbank Business Park, Forfar. The site, adjacent to the A90, at the main gateway to Forfar, is being marketed as a business and industrial development. Through consultation with private sector landowners and developers a number of further opportunities were mentioned:

6.39.1 **Montrose Port**. A support and service hub for the North Sea energy and shipping industries with c. 3,300 feet of quayside on both the north and south side of the Harbour and port facilities including water berths, 1.4m sq.ft. of open storage, 452,000 sq.ft. warehousing and over 22,000 sq.ft .of office space. The Port has c. 40 tenants in units ranging from 1,000 sq.ft. to 10,000 sq.ft. and is fully occupied. Rents are lower in the Port than elsewhere in the area and tenants are currently exempt from non-domestic rates. Not all tenants have a business need to be in the Port, however they may be reluctant to leave because of the potentially higher rents and rates bills in alternative accommodation. The Port has a 25-year masterplan in place and recently spent £7.7m upgrading its berths to allow for larger ships and currently has substantial demand from port businesses which the Authority is now having to turn away.

6.39.2 **Isla Developments** purchased a 123 acre site in Montrose in 2018 now referred to as **ZeroFour**. It has planning permission for all Planning Use Classes except Retail (Class 1) and Residential (Class 9) as well as for a first phase of infrastructure works. The site has frontage to the A92 which will likely include drive-through fast food/coffee outlets and a petrol filling station. With regards the remainder of the site, Isla Developments is in conversations on a host of projects including a potential hotel, start-up business units (potentially with the Council), a heli-facility perhaps to include a long-stay car park targeted those working offshore and a drone testing facility. The Council is currently in discussions with Isla Developments and there is the potential to use some of the Tay Cities Growth Deal funding to enable a commercial project on the site.

6.39.3 There are a number of **developers active in** Angus who would be interested in working more closely with the Council. Developers detect demand in Angus' larger towns for small industrial units with roller shutters (e.g. terraces of small units from c. 1,000 sqft – 2,500 sqft) for local businesses. There was no appetite from developers for office accommodation, which is reflective of Scotland's market outside of its cities. Some developers mentioned they are having difficulties finding suitable sites in Angus (e.g. Forfar) and note a gap between occupier demand and allocated sites which may be greenfield and un-serviced.

**Funding RAG**

6.40 Ryden has placed the funding sources discussed in this section into a RAG (Red, Amber, Green) Report shown at Table 13:

- Red indicates that it is unlikely that Angus could attract this funding
- Amber indicates that there is some potential although there may be constraints
- Green indicates that Angus is eligible and could pursue this funding source

The purpose of the RAG is to help summarise for the Council how it may wish to prioritise these funds when considering the delivery of future projects. This is primarily based on Angus' eligibility and whether a partnering arrangement would be required, but also some of the funds are time limited so this is also considered where relevant.

**Resourcing**

6.41 It is important to note that for those funds where an application process is required this can be a time consuming task which requires to be resourced appropriately. This is also the case for the ongoing management and implementation of resulting projects. In particular, direct investment whether by the Council alone or via a joint venture would require formal business cases to consolidate the funding sources, negotiations and consenting to permit development, and monitor of outcomes to demonstrate value for money.

***Table 13: Funding RAG***

| RAG Status | Funding source | Summary |
|---|---|---|
| | Growth Deal | The Tay Cities region has a Growth Deal in place with an allocation available for Angus |
| | Public Works Loan Board | Available to every local authority for a range of capital projects |
| | Industrial & Commercial Space Growth Initiative (future) | Anticipated to be available throughout Scotland to enable the development of industrial space by public/private partnership. Requires a private partner. |
| | Private landowners and developers | The Council already has a JV with Muirs and through consultation it is evident there are a number of other landowners/developers willing to work more closely with the Council |
| | Council capital and portfolio | The Council has access to its own Council capital and portfolio subject to internal approval/discussions |
| | UK Shared Prosperity Fund (future) | The scale, allocation criteria and distribution of replacement funding is yet to be agreed |
| | Scottish Government Regeneration Capital Grant Fund | Angus is eligible to make applications to this fund however it is competitive and primarily focuses on areas that suffer high levels of deprivation. The right project, perhaps in Arbroath, could be eligible. |
| | Scottish Partnership for Regeneration in Urban Centres | The 10 year investment period for SPRUCE ends on 28 November 2021. The future of this fund, post 2021, is not yet clear and it is possible it will be subsumed into the Scottish National Investment Bank. |
| | Building Scotland Fund/Scottish National Investment Bank | Available across Scotland with a focus on green investment and securing the transition to zero carbon. A focus on placemaking and local regeneration. The Bank will make its first investments in 2020 and in order to be eligible the Council would need to partner with private sector. |
| | Tax Incremental Funding | All pilot projects have been awarded. Focus on infrastructure investment primarily on vacant and derelict land. |
| | Growth Accelerator/ (Green Growth Accelerator – future) | Allows for the delivery of public sector enabling (emissions reducing) infrastructure in order to stimulate private sector investment and the wider economy. Live projects are currently City based. |
| | Scottish Government Vacant and Derelict Land Fund | Angus is not currently one of the eligible local authorities |
| | European Structural and Investment Funds | The UK will not be eligible for future European funding following its exit from the European Union. |

*Sources: Ryden and funding sources as listed (including some consultations with funders)*

## 7.0 Options for Angus

### Introduction

7.1 This concluding section provides indicative market projections for land and property needs in Angus over the next 10 years (to 2030) along with more specific options for next 5 years. Options for the Council's economic development land and property portfolio are nested within the wider market options.

7.2 The market rationale and options for Angus are presented as:

- Angus land and property market strengths, weaknesses, opportunities and threats
- Development market context: projected needs and funding context
- Strategic options for Angus land and property to support economic development
- A strategic business case for market intervention

### Angus S.W.O.T.

7.3 Table 14 summarises Angus' land and property market strengths, weaknesses, opportunities and threats.

***Table 14: Angus Land and Property Market S.W.O.T.***

| Strengths | Weaknesses |
|---|---|
| • Successful, diverse economy<br>• Spread of locations<br>• Transport access to main towns<br>• Less obsolete stock than Scotland<br>• A number of fully occupied quality estates<br>• Remaining plots in business parks | • Absence of corporate offices<br>• No single, prime location to invest in<br>• Lack of general mobile investment<br>• Limited external funding support<br>• No live delivery vehicle<br>• Limited Council owned development land<br>• Lack of immediately developable sites |
| **Opportunities** | **Threats** |
| • Key sectors with growth potential<br>• Strategic land opportunities<br>• Private sector market improving<br>• Port restructuring & surplus demand<br>• Increasing importance of Montrose<br>• Potential for small industrial units | • Key sectors not standard property users<br>• Council ownership is modest<br>• Future property obsolescence<br>• Shift from business parks to main cities<br>• Public sector shift to certainty of delivery (rather than speculative land supply)<br>• Market failure / lack of viability |

*Source: Ryden*

**The principal points to note from the SWOT are the market focus on the industrial sector in Angus' established larger estates, allied to the potential for more specialist property (or perhaps land) requirements from key sectors such as energy.**

**These market needs face the challenges of funding new development in a context of market failure caused by low rents and thin local markets, including smaller occupiers with weaker financial covenants, and the looming threat of obsolete buildings.**

**The challenges are compounded by a development land sector in Angus where even minor constraints such as service connections can render development uneconomic without support.**

<u>**These market conditions mean that Angus Council will need to *intervene* to continue to deliver economic development through land and property. Intervention means that capital investment will be required, without any certainty of a commercial return on that investment**</u>**.**

**Market projections**

7.4 Angus' thin markets and very limited development activity make it challenging to predict future market needs – there is no historic development pipeline to project forwards with any certainty of success. Markets are also highly adaptive and it can be hazardous to predict that new economic activity generates certain demand for new premises (rather than more efficient use of existing space, refurbishment/ alternative use[28], business collaborations or indeed remote/ home-working).

7.5 Working from the region's **industrial** stock of 3.131 m sq.ft. minus the Don & Low building, and assuming a building lifespan of 60 years, approximately 45,000 sq.ft. per annum new or fully refurbished space could be required to fully replace the entire stock.

However, a shift to the service sector and key industries, adaptation of existing buildings, and increasing employment densities, mean that this will be an over-estimate. Equally, the slow development rate in Angus in recent years creates an imperative for new investment to support productive economic growth and offer competitive premises. As a development assumption, **15,000 sq.ft. per annum** new-build or fully refurbished industrial space is proposed; equivalent to 75,000 sq.ft. over the next 5 years.

Using very broad parameters, this could equate to an annual investment programme of around £1.2 m (excluding site costs) and accommodating around 60 per annum at hybrid occupational densities (a reasonably approximation for the policy ambition estimate of 80-100 jobs set out in Section 2).

[28] The Petrofac office in Montrose is an example. This a large office investment by a major energy firm, but has adapted a former training centre rather than generated a need – at this time – for new office space.

7.6 The Angus **office** requirement is more speculative. The market is very thin and exhibits *low level equilibrium*, where occupiers under-invest and persist in older, often un-refurbished premises. These market signals can be misleading where key growth sectors may generate demand. There may be potential to provide highly-serviced business centre accommodation on flexible terms (very short leases and licences and all-in occupational costs) for smaller, high growth businesses. The growth of Angus' key sectors indicate that appraisal of this opportunity for business/innovation space is now required.

7.7 Development land to meet potential market future market needs already forms part of the employment land allocation process. An average of 2.24 hectares of land was taken-up per annum over the past 5 years. Effective employment land supply seems high at 134.8 hectares, however market failure makes it not cost-effective to bring forward land which has any constraints, even where these are minor or involve straightforward infrastructure costs such as roads, services and landscaping. The projected requirement is to create **fully-serviced development plots** at Angus' major employment locations. In order to ensure a choice of locations and plot sizes, a generosity allowance should be applied to recent take-up, to bring forward a rolling programme of **15-20 immediately-investible hectares** (5 years' supply).

**Options Review**

7.8 Potential strategic options to deliver this indicative land and property requirement are considered below. This is not a full options appraisal at this time, as detailed costs and benefits are not yet available. The options set out some high level choices for Angus Council:

7.8.1 **Option 0: Do minimum**. This would entail the Council continuing to maintain and market its own portfolio, and marketing remaining the few business park plots on its own behalf and with private sector partners - but not investing in new sites or locations.

Speculative development is not financially viable in Angus. The only additional market activity to support economic development in Angus would be ad hoc occupier-led development, maintenance of the Council's portfolio, and private development either at very specific locations such as the Port or where pre-lets might support say some small terraced units. Market demand and prices may remain insufficient to overcome even minor constraints to the provision of serviced sites. The market needs indicated above and the policy ambition in Section 2 would not be delivered. Over time, failure of obsolete assets may potentially exceed any ad hoc new-build development. The economic impact would be at best, marginal assuming that businesses could become more productive within existing properties if those are maintained.

7.8.2 **Option 1: Market support.** Maintenance and marketing as Option 1, but also assisting landowners, private developers and occupiers to invest in their sites and premises. This would entail working directly with the market and directing economic potential and funding opportunities to their assets, but not directly investing beyond existing commitments such as the Orchardbank JV. This would be an economic development and market coordination and support role.

Again, unviable development and thin demand create weak incentives for the private sector incentive to lead the creation of serviced sites and new development in Angus. Simply being supportive to the private sector where they have development appetite is likely to under-serve Angus, and indeed leave most sites un-serviced and premises un-refurbished (or unbuilt). This is a low-cost, low-risk, low-outcome option for Angus Council - to support, but not invest.

7.8.3 **Option 2. Market intervention.** This option would directly intervene to overcome market failure and, with partners, deliver the development and sites programme identified above.

Option 2 would also implement the outline portfolio management plan from Section 4 as an active programme to upgrade the estate and release[29] sites, buildings and capital for market support.

Given market failure and thin markets, there is an economic development requirement in Angus to fully appraise each site / estate and its market potential and funding options (see Section 6).

Option 2 would create an active, programmatic approach to supporting economic development across Angus through land and property. This would involve the Council seeking or supporting external funding, and entering into arrangements to subsidise or share in development through joint ventures with landowners. Figure 17 showed a potential joint venture structure, although formal appraisal and advice would be required before confirming the best structure for Angus Council and any specific project partner. In the current absence of capital programme funding though, an internal appraisal and decision around reinvestment of rental income or any sale proceeds (or the opportunity to secure debt, e.g. from PWLB or SPRUCE) would be required.

While this approach could aim to deliver the market needs set out above, it is higher cost and higher risk than the more passive Options 1 and 2, and is affected by limited replicability and scale as each site / estate is likely to require its own solution, to suit its own market potential and specific constraints. In particular, Angus' mix of key industrial sectors may require a greater proportion of specialist buildings on serviced sites, rather than standard units.

There are significant locational implications associated with investing via Option 2. Angus' policy priorities identify a large number of existing and prospective sites across a range of towns. Given thin demand though, it would be preferable in market terms to concentrate scarce investment into locations where demand can be corralled to support new development and overcome market

[29] As explained at paragraph 4.26, it would be difficult to identify a purchaser for the entire portfolio - even if that were a realistic economic development option – at anything above distressed level of pricing.

failure, including securing project partners and external funding. As an initial, indicative guide based upon the research in this report, locational priorities for investment could be considered as:

- Montrose, for key sectors, innovation potential and to capture / support Port decants.
- Forfar and / or Brechin for general industrial demand attracted to the towns and the A90.
- Arbroath as a regeneration opportunity around existing obsolete assets (e.g. Dens Road).

Other opportunities, in Carnoustie for example, would be based upon proven local demand.

7.8.4 Beyond Option 2 in terms of costs, risks and possibly market impacts there might be potential for a **local asset-backed vehicle**. This would require the Council to seed a joint venture with its land and property portfolio, using that asset base as revenue income and loan security for new development. This model is not currently seen in Scotland. It is also a poor fit with the current dispersed estates and mixed third party land ownership of potential future development sites.

7.8.5 **Hybrids and sub-options** are feasible. For example Option 1, market support, could also contain the portfolio management plan and related reinvestment from Option 2. Option 2 could be varied to either include a number of separate site-specific JVs (the current Angus model), or an overarching subsidiary development company – this would require a full options appraisal.

7.8.6 In summary, **the preferred option based upon this high level review and the market analysis in this report is Option 2: Market Intervention**. Option 1 is lower risk and more immediately deliverable. However, given market failure and thin dispersed markets, competition for complex funding, uncertain/ weak private sector appetite, the prospect of ageing stock and growing key sectors, simply supporting the market is judged unlikely to deliver Angus' requirements. Option 2 requires greater resources and brings risk, but has the potential to deliver a programme against projected market needs to support Angus' economic development.

Table 15 provides a strategic business case for Option 2.

*Table 15: Angus Council Employment Land and Property Programme*

| **Strategic Business Case** |
|---|
| • Access to affordable and reasonable quality business premises is critical to business creation and growth across Angus.<br>• Supply of modern premises and developable plots in popular locations is diminishing (masked by obsolete and secondary premises, and a large allocated employment land supply).<br>• Steady economic growth is driving high occupancy, even of ageing premises.<br>• Private developers have become activity in prime areas, but face these market failures in Angus. |
| **Barriers** |
| • Market failure in the forms of low values and thin markets (spread across towns) afflict Angus' markets<br>• In this context, access to development finance and investment capital is a significant market barrier<br>• Potential partners and funding sources are limited and dispersed, and require to be coordinated<br>• Delivering the next wave of sites and premises will require patient capital rather than early returns<br>• Angus Council is the only development agency in the area. Formerly active public developers such as Scottish Enterprise have withdrawn and Angus does not have an urban regeneration company |
| **Intervention** |
| • Angus Council controls land and property portfolio in established market areas<br>• The Council also has the opportunity for selected further partnerships with willing private landowners<br>• Intervention is required simply to make land serviced and developable for occupiers and developers<br>• Private sector developers are building multi-let premises across Scotland where this can be made viable, and interest has been expressed in Angus<br>• There may be more speculative potential for managed business/ innovation space in Angus<br>• A limited but potentially effective range of economic, land and property funding support may be available to the Council and/or its partners, if this is undertaken as a coordinated programme |

**Ryden LLP**
**April 2020**

## Appendix 1a

Supply of available industrial properties in Angus as at January 2020

| Address | Size (sq.ft.) | Details |
|---|---|---|
| Arbroath Business Centre, Dens Road, Arbroath | 4,512 (in total) | For lease. From £6.90 per sq.ft. Various units. Owned by Angus Council. Built in the 1970s |
| 32 West Newgate, Arbroath | 8,500 | For sale. Wardhaugh Property |
| 35 Dens Road, Arbroath | 3,989 | For lease. £3.38 per sq.ft Owned by Angus Council. |
| Baden Powell Road, Kirkton Industrial Estate, Arbroath | 20,004 | For lease or sale. Built in the 1970s. Graham & Sibbald |
| Matthew Kerr Place, Kirkton Industrial Estate, Arbroath | 1624 | For lease. £7.40 per sq.ft. Built in the 2010s. Graham & Sibbald |
| Sir William Smith Road, Kirkton Industrial Estate, Arbroath | 25,426 | For lease or sale. Built in the 1990s. Graham & Sibbald |
| Peasiehill Road, Elliot Industrial Estate, Arbroath | 55,343 (in total) | For lease. From 2,325 sq.ft. Renovated units. Westport Property. |
| Montrose Road, Brechin Industrial Estate, Brechin | 3,708 | For lease. Graham & Sibbald |
| Montrose Road, Brechin Industrial Estate, Brechin | 27,993 | For lease. Built in the 1990s. Graham & Sibbald |
| Scott Street, Brechin | 23,198 | For lease. Two units built in the 1980s. Graham & Sibbald |
| West Road, Brechin Business Park, Brechin | 2,240 | For lease. Owned by Angus Council (further units here under offer) |
| 6 Lochside Road, Forfar | 14,635 | For sale. Graham & Sibbald |
| Old Brechin Road, Restenneth Business Park, Forfar | 1,103 | For lease. Shepherd Group |
| Orchardbank Industrial Estate, Forfar | 23,447 | For lease. Graham & Sibbald |
| Brent Avenue, Forties Road Industrial Estate, Montrose | 22,949 | For lease. £5.20 per sq.ft. Graham & Sibbald |
| Broomfield Road, Broomfield Industrial Estate, Montrose | 13,670 | For lease. £2.26 per sq.ft. Owned by Angus Council |
| Ferry Road, Montrose | 7,700 | For lease. £1.50 per sq.ft. Housebuilders Montrose |
| Rossie Island, Harbour, Montrose | 12,918 | For lease. Graham & Sibbald |
| Waldron Road, Montrose | 1,938 | For lease. J & E Shepherd |
| 21 King Street, Inverbervie, Montrose | 2,294 | For lease. J & E Shepherd. |
| Canty Burn, Kirriemuir | 126 | For lease. J & E Shepherd |

**Appendix 1b**

Supply of available office properties in Angus as at January 2020

| Address | Size (sq.ft.) | Details |
|---|---|---|
| 231 High Street, Arbroath | 2,481 | For lease. Retail/ office unit. J & E Shepherd |
| 26 Keptie Street, Arbroath | 678 | For lease. Retail/ office unit .J & E Shepherd |
| 280 High Street, Arbroath | 2,008 | For lease or sale. Offices on upper floors. Potential redevelopment opportunity. J & E Shepherd |
| 30 Ponderlaw Street, Arbroath | 1,206 | For lease. Office space within medical centre built in 2006. Graham & Sibbald |
| Arbroath Business Centre, Dens Road, Arbroath | 6,928 (in total) | For lease. From £6.90 per sq.ft. Various suites. Owned by Angus Council. Built in the 1970s |
| 61 Marketgate, Arbroath | 4,490 (in total) | For lease. Various suites from 100 per sq.ft. Built in the 1990s. Smart & Co |
| 76 High Street, Arbroath | 1,466 | For lease or sale. Westport Property |
| Kirkgate House, Baden Powell Road, Arbroath | 1,231 | For lease. £8.10 per sq.ft. Graham & Sibbald |
| Orchard Mill, John Street, Arbroath | 1,906 | For lease. Sub-divisible. £6.30 per sq.ft. Westport Property |
| Kirkton Enterprise Centre, Sir William Smith Road, Arbroath | 645 | For lease. Sub-divisible. Built in the 1990s |
| Brechin Business Centre, Brechin Business Park, Brechin | 8,355 (total) | For lease. From 312 sq.ft. Rent from £8.80 per sq.ft. Built in the 1990s. Owned by Angus Council. |
| 1b Clerk Street, Brechin | 1068 | For lease. Emslie Commercial |
| 22a Clerk Street, Brechin | 620 | For lease. Former post office. J & E Shepherd |
| 6 & 12 Clerk Street, Brechin | - | For sale. Part vacant. J & E Shepherd |
| 1 East High Street, Forfar | 922 | For lease. Graham & Sibbald |
| 117 Castle Street, Forfar | 4216 | For lease. Graham & Sibbald |
| 1-5 West High Street, Forfar | 983 | For lease. Graham & Sibbald |
| 22 West High Street, Forfar | 3,700 | For lease. £7.50 per sq.ft. Sub-divisible. J & E Shepherd |
| 35 West High Street, Forfar | 612 | For sale. Graham & Sibbald |
| The Mart, Market Street/ John Street, Forfar | 6,471 | For sale. Offices within possible redevelopment opportunity. J & E Shepherd |
| 7 West High Street, Forfar | 1,024 | For lease. Graham & Sibbald |
| 74 Castle Street, Forfar | 655 | For lease or sale. Retail / office. J & E Shepherd |
| Carseview Road, Forfar | 2,486 | For lease. Graham & Sibbald |
| William Wallace House, Orchard Loan, Orchardbank Business Park, Forfar | 1,524 | For lease. J & E Shepherd |
| St Margarets House, Orchard Loan, Orchardbank Business Park, Forfar | 15,359 | For lease. Sub-divisible. J & E Shepherd |
| Wester Meathie, Forfar | 1,833 | For lease. Sub-divisible. Graham & Sibbald |
| Cumberland Close, Kirriemuir | 189 | For lease. £12.16 per sq.ft. Retail / office. Owned by Angus Council. |
| 45 High Street, Kirriemuir | 1,025 | For sale. Former bank. J & E Shepherd |
| 101 High Street, Montrose | 4,345 | For sale. Former bank. Avison Young |
| 23 Bridge Street, Montrose | 1,303 | For lease. £3.84 per sq.ft. |
| Montrose Business Centre, Broomfield Road, Montrose | 142 | For lease. £15.80 per sq.ft. Owned by Angus Council. |

**Appendix 1c**

Marketed supply of employment land in Angus as at January 2020

| Address | Size (acres) | Details |
|---|---|---|
| Brechin Business Park. Brechin | 2.52 | Three plots available. For sale at offers over £110,000 per acre. Owned by Angus Council |
| Orchardbank Industrial Estate, Forfar | 9 | Developed by Angus Council and the Muir Group (Hermiston Securities). Prime commercial development sites. Site serviced by roads and utility infrastructure. Plots available from approximately 1 acre. Outline consent for Classes 4, 5 & 6 as well as Hotel, Leisure and Roadside uses |
| Forties Road, Montrose | 1.97 | Land for development from 0.5 acres. Owned by Angus Council |
| Peasiehill Road, Arbroath | 2.33 | Considered suitable for uses falling within classes 4, 5 & 6 of the Use Classes (Scotland) Order 1997. For sale CBRE |
| Peasiehill Road, Arbroath | 0.2 | Gap site, bounded by an industrial building and builder's yard. For sale Graham & Sibbald |
| Cairnie Loan, Arbroath | 0.137 | Mature garage site with access off Cairnie Loan. Suitable for a variety of alternative uses (Subject to appropriate planning consent). For sale J & E Shepherd |
| ZeroFour, Montrose | 123 | Planning approval over whole site. Site infrastructure to commence 2019. Mixed-use development. Up to 123 acres available |