



**REPORT TO: PLANNING AND REGULATORY SERVICES COMMITTEE ON
15 AUGUST 2023**

SUBJECT: MORAY BUSINESS PROPERTY NEEDS STUDY

**BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND
FINANCE)**

1. REASON FOR REPORT

- 1.1 The report summarises the key findings of the Business Property Needs Study that was undertaken to provide up to date information and analysis of the current and projected demand for commercial land and buildings.
- 1.2 This report is submitted to Committee in terms of Section III (E) (2) of the Council's Scheme of Administration relating to the review and preparation of Local Development Plans.

2. RECOMMENDATION

2.1 It is recommended that the Committee:

- (i) **note the content of the Moray Business Property Needs Study in Appendix 1; and**
- (ii) **agree that the Moray Business Property Needs Study (Appendix 1) is used as a material consideration in the determination of planning applications and to inform the development of the new Local Development Plan**

3. BACKGROUND

- 3.1 As agreed by this Committee on 25 October 2022 (para 9 of the minute refers) external consultants were commissioned to undertake a Business Property Needs Study. Ryden LLP was commissioned to provide up to date information and analysis of the current and projected demand for commercial land and buildings to help inform the Evidence Report for the new Local Development Plan and the Regional Spatial Strategy.
- 3.2 The Study includes
- A review of the economic baseline and relevant economic policy.
 - A review of key sectors operating in Moray.

- A property market review including the stock of employment floor space and a review of supply and take up of industrial and office premises.
- A review of the Council's industrial property portfolio.
- A review of the annual employment land audit, including a review of the effectiveness of all sites against 8 scoring categories.
- A summary of the results of the business survey and consultation undertaken as part of the study. This included an online survey of business property occupiers and stakeholder workshop with members of the Moray Business Resilience Group (including representatives from Highlands and Islands Enterprise, Moray Chamber of Commerce, Moray Business Women, Elgin BID, Visit Moray, Business Gateway, Federation of Small Business, Skills Development Scotland and Scottish Council for Development and Industry) and consultation with developers.
- A review of funding opportunities.
- Consideration and recommendations in respect of market needs to help inform the new Local Development Plan (LDP) and Regional Spatial Strategy.

4. **KEY FINDINGS**

4.1 The full Business Property Needs Study is set out in **Appendix 1**. Set out below is a short summary of the key findings and conclusions of the study.

4.2 The study found that regional strategies highlight Moray's aim to create work opportunities in the region which will support well paid work and retain the workforce. Demand is anticipated from existing businesses looking to expand and relocate, and future demand within key growth sectors and from inward investors. The needs of these sectors is set out in the table below.

SECTORS	LAND AND PROPERTY REQUIREMENTS	LOCATIONS
Small to Medium Sized Enterprises SMEs (all general employment property sectors)	<p>Responsible for the majority of demand for employment land and property across Moray.</p> <p>Strategies aim to increase the number of start-ups and mid-range businesses and therefore there will be a need for small business units and also for those expanding and modernising.</p> <p>Primarily small to medium standard industrial units and serviced sites for bespoke requirements. Also small modern office premises in service centres.</p>	<p>Across Moray, with Elgin as the regional centre accounting for c.60% of the market and a tiered focus on employment centres below that.</p> <p>Due to lack of development viability. Direct provision is expected to be required outside of Elgin and this will be explored with other partners on a case by case basis.</p>
Energy and Renewables	<p>Expected to grow substantially in the coming years. Sites ranging from battery storage to operations and maintenance hubs or production facilities which may include a requirement for laydown space and port access and infrastructure.</p>	<p>Likely to be heavily concentrated around Buckie as an important location for operations and maintenance activity.</p>

		Demand for battery storage around Keith which is in close proximity to the Blackhillock sub station
Manufacture of food and beverages	Largest sector of manufacturing in the area. Moray is home to over half of all the whisky distilleries in Scotland and a number in the area have recently undergone significant expansion with others exploring options for their sites. In addition, there is a significant development pipeline for whisky storage/bonded warehouses. Hazardous Substances Consent required and particular requirements around ventilation.	Concentrated in Speyside which may require additional sites for storage or maturation in the near future however other locations may also be suitable
Manufacture of wood products	Above average and increasing job numbers and likely to be an increase in employment land. Land hungry and possibly site specific.	Most significant in Elgin, Forres and Mosstodloch.
Sustainable tourism	Numbers of businesses now exceeding pre-pandemic levels and could perhaps lead to some demand for Class 4 space, but more likely demand for Class 7 and 11.	Potentially around Elgin.
Life sciences	Has attracted recent investment but starting from a low base so may not generate significant demand in short term. Longer term growth could lead to increased demand. Growth Deal includes proposals for the Moray Rural Centre of Excellence for Digital Health and Care Innovation (now launched) as well as 5 'Living Lab' testbeds.	Demand is likely to be focused around Forres but 'Living Lab' testbeds will be across the region.
Defence activities	Employment has more than doubled in recent years with the addition of military personnel. Additional expected investment will increase direct and indirect employment and thus demand for employment land. Demand for general employment land as well as at RAF and Army bases.	RAF Lossiemouth and Kinloss Barracks
Aerospace	Strengths in the defence sector is also likely to enable development of an aerospace sector in Moray alongside projects such as the Moray Aerospace, Advanced Technology and Innovation Campus (MATTIC).	Potentially around Forres and wider supply chain.

	The Moray space cluster is currently developing. Requirements to include premises for manufacturing and engineering and testing facilities. Large sites required.	
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- 4.3 Moray's office market is following the wider post-pandemic transition to greater hybrid working. In broad terms that involves contraction into smaller but higher quality premises on a more flexible basis. The study states that supporting adaptation of premises around flexible and possibly co-working will require to be considered.
- 4.4 The study notes that the existing industrial stock will require steady upgrade and replacement as building age, environmental requirements, and occupier modernisation drive change.
- 4.5 Industrial property development has been positive in Moray recently, particularly in Elgin. The study shows the recent development cycle in Moray is circa 115,000 sq.ft. (not including refurbishments). However, across the UK property market higher interest rates have reduced property values at the same time as costs have risen, suppressing developer activity. In projecting future demand it is assumed these pressures will alleviate and new development by the private sector is once again positive and viable again in Elgin before the LDP period in 2027. However, the study considers that intervention will still be required outwith Elgin in the secondary and tertiary growth areas identified in the Local Development Plan including Forres, Buckie, Lossiemouth, Keith, Fochabers, Mosstodloch and Aberlour. Intervention is also likely to be required for specialist properties and for the servicing of land unless cross funding from large scale residential development is available. Where intervention is required, the Council will work with other partners on a case by case basis to explore opportunities.
- 4.6 Moray's employment land demand is demonstrated in enquiries, take-up and development. The study found Moray outperforms comparable regions including Perth and Kinross, East Lothian and South Ayrshire and employment land demand has increased recently, as occupier modernisation and growth take effect. The Study notes that Moray has a number of land-hungry extraction and production industries as well as growth prospects at the other end of the spectrum in technology-rich sectors which require more space per job than traditional industrial premises. These require a generous approach to employment land estimates and allocations. To accommodate these trends and based upon the research completed the study recommends the following projected land requirements over the next LDP period (2027-2037).
- 2027-2032 – 25-30 ha
 - 2033-2037 – 25-30 ha
- 4.7 This equates to approximately 5-6 ha per annum which is 20-25% higher than the 4-5ha used for the 2020 LDP. The study recommends that this requirement is split across market areas in the same way as the 2020 LDP

with 54% of the requirement directed towards the Elgin market area, 15% to the Forres and Buckie market area and 8% to the Keith and Speyside market areas. The Employment Land Audit 2023 (ELA 2023), which is also subject of a report to this Committee, identifies an overall effective supply of just over 99 ha. The ELA also identifies there are shortages in supply in Speyside and for general industrial land in the Forres market area which will require to be addressed. Therefore, whilst overall there is a generous supply of land available which will contribute to meeting the projected annual requirements additional land will require to be identified to ensure there continues to be effective supply towards the end of the new 10 year plan period and to address the shortages currently identified. The findings of the study and the data from the ELA 2023 will be explored further in a topic paper that will form the basis of a future workshop with members in respect of the new LDP.

- 4.8 It is recommended that the Business Property Needs Study is agreed as a material consideration for development management purposes. The study findings will also be incorporated into the Evidence Report for the next LDP that will be reported to Council in March 2024. The study will also be reported to the Economic Development and Infrastructure Committee and Moray Economic Partnership for their information.

5. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The study provides an up to date evidence base to base future planning decisions relating to employment land. Ensuring sufficient provision of effective employment land supports a growing and diverse economy which will provide a stable, sustainable employment base.

(b) Policy and Legal

Preparation of a LDP is a statutory requirement and the study recommendations will be used to develop policy and direct designation. A good evidence base to inform policy and designations is a statutory requirement.

(c) Financial implications

None.

(d) Risk Implications

Not using the findings of the Moray Business Property Needs Study as a material consideration would mean that planning decisions are not based on the most up to date information available and could potentially have implications for business investment and economic growth.

(e) Staffing Implications

None. The findings and recommendations will now be taken forward during the review of the LDP by existing staff resources.

(f) Property

No specific implications for property at this stage however Moray Council

owns/manages land and property within its own port-folio. The Council's Asset Manager (Commercial Buildings) engaged with the study authors and reviewed the study documents.

(g) Equalities/Socio Economic Impact

None at this stage.

(h) Climate Change and Biodiversity Impacts

Moray Local Development Plan policies seek to ensure that biodiversity is enhanced and all new buildings reduce carbon emissions.

Development proposals are required to maximise connections and routes for pedestrians/cyclists including connections to active travel routes thereby reducing carbon emissions associated with vehicles, create green and blue infrastructure and incorporate and enhance biodiversity through planting and other mechanisms.

(i) Consultations

Consultation has taken place with the Depute Chief Executive (Economy, Environment and Finance), the Head of Economic Growth and Development, the Asset Manager (Commercial Buildings), the Legal Services Manager, the Principal Climate Change Officer, the Equal Opportunities Officer, the Development Management and Building Standards Manager and Chief Financial Officer and Democratic Services Manager and their comments incorporated into the report.

6. CONCLUSION

6.1 The Moray Business Property Needs Study provides information and analysis of the current and projected demand for commercial land and building to help inform the Evidence Report for the new Local Development Plan and the Regional Spatial Strategy.

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Background Papers:

Ref: