

Ryden

The Moray Council

Elgin Public Design Charrette:

Property Market Report

August 2015

1.0 Introduction

1.1 The Moray Council instructed a team led by Douglas Wheeler Associates Ltd/Austin-Smith: Lord to deliver a public design charrette in Elgin. Ryden is providing property market analysis and advice, focussing on Lossie Green.

1.2 The Elgin: City for the Future report published in June 2011 set out five platforms for change which provided a background to the charrette:

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

These themes are inter-dependent and overlapping and were intended to stimulate investments to create a more self-sustaining and diverse economy. A potential total of 49,000 sq.m. new development at Lossie Green was indicatively shown in 2011 as 64% residential, 16% retail, 18% offices¹. None of the scenarios examined was viable at that time. While market conditions have improved, that statement still generally holds true in 2015. Land value would build over time.

1.3 This property market report provides the context for the new development vision which has emerged from the 2015 Elgin public design charrette.

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

2.0 Market Context

Residential Property

- 2.1 House prices in Scotland increased by 3.4% over the 12 month period to Q4 2014, according Registers of Scotland, or 7.7% for Q1 2015 according to Lloyds Banking Group (Halifax). Nationwide suggest a lower annual rise of 1.3% (Q1 2015). Overall these show a broad trend of around 4% annual price growth. Meanwhile, Q3 2014 saw the highest level of loans for house purchases since 2008.²
- 2.2 Registers of Scotland reports that the average price of a residential property in Moray in Q4 2014 was £153,694, an annual rise of 5% which is above the national average of 3.4%. The average price of a detached house in Moray was £205,585 (5.1% rise); a semi-detached £127,253 (2.7%); terraced £114,721 (13.8%); and flatted £91,888 (10.3%).
- 2.3 The estate housing market is currently active in Elgin. Developer Springfield completed phase 2 of Dunkinty which comprises fourteen units in 2014, it is now sold out, and Duncansfield totalling 85 homes has six homes still available (with prices from £209,950 for a 4-bedroom semi-detached house, to £290,250 for a 4-bedroom detached house). Barratt's latest phase of 3 and 4 bedroom homes at The Grange, Thornhill Road comprises around 135 homes, with available homes available from £137,995 to £151,995. Development is underway at Hamilton Gardens by Robertson Homes. It comprises 29, 3 and 4 bedroom homes at prices from £199,995 to £290,995.
- 2.4 This re-emergence of the estate housing market is typical of the recovery so far, as developers build mainly for customers already in the housing market who are trading up, typically in proven market locations on sites without major infrastructure constraints. The housing market has been stimulated by economic growth and Government support and activity is beginning to ripple out beyond these safe markets. In Elgin development of more urban, higher density housing has not commenced and prices for estate houses are beginning to rise again.
- 2.5 The range of housing offer is emerging as a challenge for Elgin as delivery of affordable units runs below the required rate and the focus on lower density formats is unlikely to meet the needs of smaller households and an ageing population. There is a requirement to address these market gaps

² Council of Mortgage Lenders

and an opportunity to do so in Central Elgin, including a role for the public sector and Registered Social Landlords.

Retail

- 2.6 According to the Scottish Retail Consortium in March 2015, total Scottish sales fell by 0.1% compared with March 2014, like-for-like sales decreased by 1% over the same period.
- 2.7 Elgin town centre is defined by the High Street, South Street and connecting streets. A range of national and independent retailers is present including Marks & Spencer, Boots, Edinburgh Woollen Mill, Costa Coffee, Starbucks, Game, Specsavers, Thomson, Shoe Zone, Poundland, Farmfoods, Yeadon's of Elgin, The Golden Needle, Dorothy Jack Ladieswear, Bee Crafty and Room to Bloom.
- 2.8 In line with other UK town centres there have been recent store closures, including Phones 4 U, Clinton Cards, Birthdays, JBB Sports, Comet, DE Shoes, with Homebase recently announcing closure at Springfield Retail Park. However, Elgin has also attracted new investment from Brighthouse, Beggs Shoes and Bags, Goggs Sports, Cash for Clothes, Dorothy Jack Ladieswear and Santander. Out-of-centre, Sports Direct, Bensons for Beds, Dreams, Home Bargains and Topps Tiles have opened stores.
- 2.9 St Giles Shopping Centre in the town centre totals 6,225 sq.m. in 36 units and opened in the early 1990s. Occupiers here include Brighthouse, Superdrug, Argos, Ramsdens, Mountain Warehouse, Waterstones, Monsoon, Semi-Chem and WH Smith. Robertson Property and Upland Developments plans for a £7 million 4500 sq.m. extension of the centre comprising an anchor store and unit shops were approved in 2013. The lack of development at the centre to date reflects difficult market conditions in both Elgin and more widely, where there is very little new shopping centre development.
- 2.10 Elgin has two retail parks: Springfield Retail Park on Edgar Road comprises 10 retail units totalling 9,810 sq.m. occupiers include Next, Curry's, New Look, Boots, Sports Direct and Homebase (which recently announced its closure). The retail park sold during 2014 for £22.5 million, with a yield of 6.55%. B & Q lies next to this. Adjacent to this is Elgin Retail Park comprising 10 new-build retail units totalling 7,900 sq.m., occupiers include Matalan, Home Bargains, Dreams and Topps Tiles and six vacant units.

- 2.11 Supermarkets in Elgin are Tesco (Lossie Green), Asda (Edgar Road), Farmfoods (High Street), Aldi (Trinity Place), Co-operative Food (Pansport Place and Glenmoray Drive) and Lidl (Station Road).
- 2.12 Six multiple retailers have requirements to open a store in Elgin. These include a restaurant, bargain stores, clothing and homeware requirements. A requirement by Brighthouse was fulfilled during 2014.
- 2.13 There are currently 28 retail properties available in the town centre totalling 7,938 sq.m. The vacancy rate is 12.5%³, which is below the Scottish national average of 14.5% (source: The Local Data Company). Although Elgin has fared reasonably well in securing new occupiers for vacated units, the rate has still increased steadily over the past few years.
- 2.14 There have been 27 retail deals in Elgin as a whole since January 2011; Table 1 shows a selection of recent transactions. Larger transactions have tended to be at out-of-town retail parks and unit shops in the town centre. Prime town centre retail rents⁴ remained at £40 per sq.ft. Zone from 1998 to 2008, then fell to £37 per sq.ft. Zone A.

Table 1: Elgin Retail Deals (January 2011 – April 2015)

Address	Size (sq.m.)	Comments
Unit 1, St Giles Shopping Centre	509	Let in September 2014 to Brighthouse on a FRI Lease, at an asking rent of £69,000 pa
Unit 1B Springfield Retail Park	901	Let to Sports Direct in August 2014 on a 10-year lease at £98,644 pa
71 South Street	37	Let in January 2014
39 Main Street	101	Let in July 2013 to Cash for Clothes on a 33 month lease at £4,500 pa (£44.77 per sq.m.)
79-83 High Street	734	Let March 2013 to Dorothy Jack Ladieswear, on an assignment of an existing lease to expire in August 2020 at a passing rent of £75,000
Unit 7 Elgin Retail Park	433	Let in March 2013 to Topps Tiles on a new 10-year FRI lease at £55,187 pa
Unit 6 Elgin Retail Park	473	Let in December 2012 to Bensons for Beds on a new lease at £81,472 pa
19a Batchen Street	78	Let in January 2012 to Bits and PCs on a ten year lease at £15,600 pa (£200.86 per sq.m.)
207 High Street	82	Let in October 2011 to Nickel & Dime t/a Best Wishes on a three year lease at £15,000 pa (£183.48 per sq.m.)

³ Source: Costar & Ryden

⁴ Source: Ryden

Office

- 2.15 Demand for office property across Scotland is strengthening in line with the wider economy. The market balance has switched in 2015, with Edinburgh and Glasgow moving up the market cycle and Aberdeen past its peak due to recent contraction by the offshore industries.
- 2.16 Offices in Elgin are located on upper floors along the High Street and around the town centre. Park House Business Centre is a Georgian office building located on South Street comprising 17 serviced offices. Alexander Fleming House, on Southfield Drive was built in 2010; occupiers include Springfield Properties, NFU Mutual and Scottish Ministers. Phoenix House on Wards Road totals 430 sq.m. and was built in 1985; occupiers here include Scottish Children’s Reporters and Ark Housing Association.
- 2.17 In terms of new office development, The Alexander Graham Bell Centre for life sciences opened in February 2014 and has been developed at Moray College and includes commercial premises for lease.
- 2.18 There are currently 15 offices available in Elgin totalling 1,562 sq.m., they are all smaller than 200 sq.m., however some can be combined to create larger spaces. One additional office is under offer at Chanonry Business Centre (25 sq.m.)
- 2.19 Since 2011 there have been 24 office transactions totalling 2,920 sq.m. A selection of recent deals is shown in Table 2.

Table 2: Elgin Office Deals (January 2011 – April 2015)

Address	Size (sq.m.)	Comments
13-14 Harrow Inn Close	26	Let to RS Consulting & Translation on a two-year lease at £3,300 pa (£128 per sq.m.)
Phoenix House, 1 Wards Road	115	Let in July 2014 to Ark Housing Association Ltd on a five-year lease at £13,600 pa (£118 per sq.m.)
227 High Street	83	Let in March 2013 to Cancer Link Aberdeen & North on a five -year lease at £12,800 pa (£155 per sq.m.)
1 Francis Place	156	Let in March 2013. Ground and first-floor space on a lease at £11,700 pa (£75 per sq.m.)
147-149 High Street	80	Let in September 2012 to Out of the Darkness Theatre Company. Second floor office in traditional building. 1-year lease at £7,150 pa (£89 per sq.m.)
Unit 1 Brumley Brae	111	Let in June 2012. Over two floors, quoting rent (£89 per sq.m.)
Suite 1, Alexander Fleming House	262	Let in May 2012 to Scottish Ministers. Within modern purpose built two storey office. 5-year lease at £42,270 sq.m. (£161 per sq.m.)
96-102 High Street	62	Let in April 2012 to Specsavers. Office on first floor. 5-year lease at £5,250 pa (£85 per sq.m.)
58-62 High Street/ 2a Commerce Street	61	Let in March 2012 to James Wallace Business Services. Office on second floor of traditional building. 1-year lease at £3,600 pa (£59 per sq.m.)
The Park House Centre, South Street	360	Sold in October 2011 to Gairland LLP. Category B listed office building. Quoting price £350,000

Industrial

- 2.20 The modern industrial property market is driven by a diverse range of sectors, including manufacturing, distribution, ICT, and utilities and services. Trade counters, food & drink, motor vehicle and services also occupy traditional industrial estates.
- 2.21 Elgin has in recent years had a constrained supply of employment land and units. Analysis by Ryden in 2013 identified companies with relocation requirements unable to find suitable premises. A new development by Moray Council of 6 units totalling 720 sq.m. at Chanonry Road South eases some of this pressure, although these are in the process of being taken-up. At the time of writing there are no industrial units on the market in Elgin. There are three new-build (Moray Council) units, totalling 470 sq.m., at Chanonry Road North currently under offer. Elgin Business Park may accommodate more general industrial uses.
- 2.22 Since 2011 there have been 21 industrial transactions totalling 2,610 sq.m. A selection of recent transactions is shown in Table 3.

Table 3: Elgin Industrial Deals (January 2011 – April 2015)

Address	Size (sq.m.)	Comments
Chanonry Road South	680	Several individual lettings at the advance factory units
36 Moycroft Road, Chanonry Industrial Estate	207	Sold in October 2012 to Tool Up Asbestos Solutions Ltd for £107,500.
11-17 Linkwood Place, Linkwood Industrial Estate	202	Leased Sep 2012 to Harrison Trace Ltd. Unit in terraced block. 5-year lease at £12,000 pa (£59 per sq.m.)
Unit 5 Chanonry Spur	96	Leased in April 2012 to AMDetails Detailing Solutions

Leisure

- 2.23 The town is well served by hotels, Torr House lies in the town centre (however this ceased trading in July 2014, and has recently sold). With Mansfield Hotel (4 star); Sunninghill (3 star); Royal Hotel (18 bedrooms, 3 star); and Laichmoray (34 bedrooms, 3 star) all lying on the periphery of the town centre around the A941.
- 2.24 A Premier Inn, is located on Linkwood Way, situated off the A96 and beside Linkwood Industrial Estate, with a Brewers Fayre adjacent to the

hotel. The baronial 4 star 23 bedroom Mansion House Hotel and Country Club lies to the north of the town centre. The 52 bedroom, 3 star Eight Acres Hotel and Leisure Club is part of the Crerar Hotel Group and is situated to the west of the town just off the A96. The town also has a selection of B&Bs and guest houses. Budget hotel operator Travelodge currently has a requirement to invest in Elgin.

- 2.25 Restaurants, public houses and cafés in the town are generally independently run for example The Lido, Pizzeria Toscana, Qismat Tandoori, Spice Tandoori, Pattaya, Scribbles, Akash Tandoori, The Ditsy Teacup, The Drouthy Cobbler, and those located within the hotels.
- 2.26 However there are also chain operators present, including JD Wetherspoon (The Muckle Cross), Belhaven (The Granary), Costa Coffee, Starbucks, Subway, Burger King and The Pancake Place. A Brewers Fayre, KFC and McDonalds are located by the Linkwood Industrial Estate
- 2.27 The only leisure transactions of note are the letting of 166 sq.m. at Springfield Retail Park to Costa Coffee in 2013; and the recent sale of the Torr House Hotel with an asking price of £275,000.
- 2.28 There are three known requirements from a take-way/delivery pizza chain, coffee chain and family dining restaurant chain.