

Rural Business Premises and Economic Development

Final Report

for

Scottish Enterprise Rural Group

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Executive Summary

Introduction

EKOS was appointed by the Scottish Enterprise Rural Group (SERG) to undertake property market research to examine how the availability, form and quality of business premises impacts upon the pursuit of economic development in rural areas.

In conducting our analysis it was agreed that it would be helpful to consider rural property markets in relation to four comparator areas:

- Braemar and Upper Deeside – a very remote rural area located a considerable distance from any major settlement;
- Galashiels and surrounding area – an accessible and remote rural area with an urban town, but significantly influenced by the Edinburgh business/property markets;
- Highland Perthshire – a combination of accessible, remote and very remote rural areas with no major settlements; and
- Stranraer and the Rhins to Newton Stewart – an accessible rural area with an urban town, but located a considerable distance from any major settlement.

Business property plays an important role in an area's ability to generate, attract and retain economic activity. The type of property available in an area plays a key role in determining the extent, and also the type, of businesses that will locate there.

The key economic challenge for rural areas is to focus on business and employment start-up, retention and growth that is able to contribute to higher economic growth, retain/attract residents (particularly those of working age) and create sustainable communities.

Rural Economy Issues and Context

There are a number of contextual issues that influence the operation of property markets and development in rural areas. It is important to consider these up-front in order to provide background understanding of these key headline factors. Issues include:

- the developing policy environment – there is a focus on economic growth within the city region context. While rural areas have the potential to contribute to this, they will have a supporting role;
- the landscape for delivery – it is unclear who has responsibility for rural project delivery at the national level. While SE has the overarching focus on economic development, it has had a steadily declining role in property development in recent years. The Scottish Government has national responsibility across planning,

rural policy and regeneration, but no one department where rural business property issues come together;

- property and rural development – land and property should be viewed as ‘factors of production’ essential to ensure business attraction and growth. Rural property markets tend to be thin and weak and there is greater focus on a ‘make do’ approach to the reuse of existing (and often unsuitable) property;
- property market failure – property market economics are different (and often worse) in rural areas with perceptions of high(er) risks, low(er) demand and low(er) financial returns;
- estimating future demand – there is no reliable data source to quantify the type or scale of demand in rural property markets, but this does not equate to no, or little, demand. Recent business growth will have taken up existing available space (modern and otherwise) and with little new development, future growth will be difficult to accommodate;
- planning as a constraint – planning guidance in rural areas often focuses on the protection and therefore re-use of existing buildings – this often incurs greater cost and, where development does happen, often creates space that does not fully meet modern business needs;
- business growth and diversification – the sustainability of rural areas, particularly remote rural, is largely determined by levels of local employment but there are significant property related factors, as outlined in this report, that constrain business growth and diversification;
- diversification of the rural economy – despite recent and ongoing changes, traditional rural industries continue to dominate the business base. Growing service based sectors require a different type of property than is often available – the existing property stock puts considerable constraint on future activity;
- economic sustainability – in order to provide a sustainable future, other economic activities must be secured to retain and attract a younger and working age population. These activities cannot be accommodated in the current property stock;
- competitive and sustainable businesses – it is recognised that a key source of future growth must be the current business base but rural economies are generally typified by small-scale businesses. There is therefore a need to support these businesses to expand and achieve sustainable growth;
- infrastructure constraints – one of the key issues affecting development relates to infrastructure constraints (transport, ICT and services). Whilst this is an issue affecting all development, it is more severe in rural areas due to market size/scale and competition for investment from urban areas;

- effective land supply – in many rural areas there remains a particular issue in terms of the shortage of effective development land. This is caused by three specific factors coming together: infrastructure constraints, ownership/land values and competition from higher value retail/residential uses. The impact is that land is often held for higher value uses rather than being released for business space development;
- attractiveness of rural areas – to succeed and grow, rural areas need to be attractive to both businesses and residents. While land/property is part of this mix, other issues are also important: housing choice, access to public services, availability of skilled labour and quality infrastructure; and
- accessible and remote rural – the economic analysis suggests that while performance may be improving for accessible areas (partly built on quality of life factors) remote rural areas are often less healthy.

Background Research

The report presents our analysis of background and supporting research including:

- baseline economic review: there has been an overall increase in both the employment and business base in rural areas. There are, however, variations within industry sectors with a slight decrease in traditional and manufacturing sectors and an increase in service and office based sectors. This impacts on the property requirements of rural area businesses, with less demand for industrial and increased demand for office property. It is not clear where past business/employment growth has been accommodated but when considered against the property review it suggests that businesses are located in existing and possibly inappropriate premises;
- priority industry review: the priority industries offer the greatest potential for economic growth, impact and GVA. Priority industries in rural areas represent a substantial proportion of the Scottish total (41% of employees and 45% of businesses), but there has been a moderate decline in employment since 1998 of 6%, set against a national decline of 5%. This is in contrast to an increase in the number of businesses and shows a change in the size of businesses with a drop in the number of employees per business. The key sectors are construction, tourism and creative industries. Tourism, while a major employer offers less higher level and value added than other priority industry sectors and also has a high proportion of seasonal/part-time employment;

- property market review – outwith city centres there has been limited speculative private development, with activity generally restricted to bespoke developments for specific companies or small-scale speculative development by the public sector. Based on standard employment densities, our review identifies 33.8m Sqm of “occupied” business property stock in rural Scotland. Analysis of employment change shows a trend away from traditional manufacturing/industrial sectors towards service and office based employment – this identifies growing demand for office accommodation;
- strategic fit and academic/industry review – the development of new business accommodation in rural areas has a good level of strategic fit with key strategy documents and policy guidance as it is essential to support the sustainability, growth and diversification of rural economies. The academic/industry review identifies key issues and challenges facing rural communities, in which business property is included; and
- current practice review – based on a review of current practice across England’s RDAs, HIE in Scotland, Welsh Assembly Government and Invest in Northern Ireland, we identified a number of key findings including the focus on diversification and sustainability, the strong focus on re-use of existing property, limited advanced/speculative development and a decline in specific property grant programmes.

Comparator Area Review

A review of the economic baseline, priority industry sectors and property market was conducted for each of the four comparator areas:

- economic review – the four areas broadly follow the trends at the wider rural Scotland level with declines in heavier manufacturing industries and growth in service based sectors;
- priority industry review – all areas show general trends – reliance on construction and tourism sectors, and to a lesser extent creative industries, for employment; and
- property market review – analysis shows considerable shift in the employment base in the four comparator areas but limited new property development activity.

The case studies were selected to represent different types of rural area to allow comparison in performance. The review identified a number of similarities but also a number of key differences. This suggests that there are as many differences between rural areas as there are similarities – highlighting the need for a flexible approach to future activity that reflects local circumstances.



Stakeholder/Business Survey

The study consultation process adopted three key approaches:

- stakeholders – workshops in each of the four comparator areas were supported by specific telephone interviews with key organisations and individuals. These interviews confirmed the study findings and guided the assumptions for the final study conclusions/recommendations;
- business surveys – postal and telephone interviews with rural businesses generated a 13% response rate, giving a reasonable level of confidence. Over one-quarter of businesses reported that their current premises do not fully, or in part, meet their business needs. Over one-half reported that their premises constrain some aspects of their business performance. One-third would consider moving premises to alleviate these constraints – largely to larger and owner-occupied premises; and
- property market consultations – telephone interviews were conducted with seven active rural property market professionals to identify recent activity, demand/supply issues and future priorities. It was recognised by all consultees that without action or intervention, rural areas will continue to be dominated by residential developments, with a consequent lack of business property affecting employment opportunities.

Key Study Findings

Final study conclusions are presented against the original study objectives:

- develop an understanding of the nature of demand for business premises/land in rural areas:

There is demand for additional business premises and land but it is not possible to identify one specific type of business or premises that has greater constraint than others. There is, however, a clear need for intervention in two main property market areas – provision of serviced development plots for self-build owner occupation and the development of small multi-occupancy offices.

- determine the extent to which place issues have constrained/enabled rural economic development:

In combination with other factors, property plays a role in constraining rural economic development. For a small number of businesses it is identified as a key constraint, but for the majority it is part of the greater problem they face with growth and diversification.

- determine the main barriers and identify the main market failures:

There are a large number of barriers constraining rural businesses in property/land terms including: availability of economically viable development land, property market economics/risk aversion, planning constraints and the difficulty in obtaining supply/demand information.

- identify approaches that historically have had the greatest impact:

There has been a move in recent years away from the provision of grant funding for speculative property development toward a bespoke approach of addressing issues where they arise with rural businesses.

- identify barriers associated with the application and delivery of effective interventions:

There are a number of barriers including delivery resources (staff and funding), lack of specific outcome targets in policy/strategy documents, the level of priority attached to rural business property development and the conservative view of planners.

- identify future rural place requirements:

While strategy and policy is clear and effective, there is a lack of clarity about where responsibility lies for the delivery of this policy and the achievement of objectives. The overarching place requirements are based on a speculative approach to the provision of serviced development land, creation of multi-occupancy office units and a bespoke approach on a company-by-company basis.

A learning workshop was held with the SERG in March 2008 to present study findings and consider future actions. This workshop considered three main issues:

- a strategic response: there is a lack of business premises to support rural area economic growth and diversification that constrains economic activity, but it should be considered as part of a mix of factors that constrain rural businesses, but appears to be a greater constraint in rural than urban areas. It is unclear who has overall responsibility to deliver projects and achieve targets;
- designing solutions: it is clear that there is an opportunity to achieve economic growth and diversification in rural areas through property market interventions. A range of solutions are required to address local market issues, with a mix of responses; and



- delivery options: while SE and the SERG will have a role to play within any future delivery mechanism, it is clear that a range of other partners will also play a key role. SERG should open up discussion with Scottish Government over the need for 'affordable business premises' in rural areas as well as the issue of proactive planning approach to ensure appropriate development.

The report concludes with an outline approach that could be adopted by SERG (working with stakeholder partners) to support the growth and diversification of rural businesses through property support. Specific actions include:

- identification of the public sector organisation with prime responsibility to deal with rural area business growth where property is a constraining factor, to ensure an adequate supply of affordable business premises and support sustainable economic growth/diversification;
- working with Scottish Government Planning Department to promote the concept of sustainable economic development in rural areas and encourage appropriate new build development;
- launch a national level programme of support for rural business property development to include a number of specific measures:
 - provision of serviced development land for owner-occupation
 - provision of bespoke business support, combining property with other support measures
 - creation of speculative, primarily office, accommodation to encourage expansion of small and establishment of new businesses;
- work with rural estate owners to maximise their business growth potential and identify opportunities to create new business accommodation; and
- continue to promote other rural development issues including access, housing, farm diversification and skills, recognising that property is one of a number of constraints facing rural businesses in achieving growth and diversification.

1. Introduction

This report presents the findings of analysis conducted by EKOS Economic Development and Regeneration into property market analysis for the Scottish Enterprise Rural Group (SERG).

The purpose of the study was to carry out research to examine how the availability, form and quality of business premises impacts upon the pursuit of economic development in rural areas.

This study has adopted the Scottish Government's eight fold urban rural classification:

- large urban areas – settlements of over 125,000 people;
- other urban areas – settlements of 10,000 to 125,000 people;
- accessible small towns – settlements of between 3,000 and 10,000 people and within 30 minutes drive of a settlement of 10,000 or more;
- remote small towns – settlements of between 3,000 and 10,000 people and with a drive time of between 30 and 60 minutes to a settlement of 10,000 or more;
- very remote small towns – settlements of between 3,000 and 10,000 people and with a drive time of over 60 minutes to a settlement of 10,000 or more;
- accessible rural – settlements of less than 3,000 people and within 30 minutes drive of a settlement of 10,000 or more;
- remote rural – settlements of less than 3,000 people and with a drive time of between 30 and 60 minutes to a settlement of 10,000 or more; and
- very remote rural – settlements of less than 3,000 people and with a drive time of over 60 minutes to a settlement of 10,000 or more.

Our analysis of the rural areas is based on all of the six latter categories i.e. excluding large urban and other urban areas. There are, however, some instances where it is informative to make a distinction between accessible and remote rural.

In conducting our analysis it was agreed with the SERG that it would be helpful to consider rural property markets in relation to four comparator areas:

- Braemar and Upper Deeside – a very remote rural located a considerable distance from any major settlement;
- Galashiels and surrounding area – an accessible and remote rural with an urban town, but significantly influenced by the Edinburgh business/property markets;
- Highland Perthshire – a combination of accessible, remote and very remote rural areas with no major settlements; and
- Stranraer and the Rhins to Newton Stewart – an accessible rural area with an urban town, but located a considerable distance from any major settlement;

We considered economic and property issues in relation to these areas and also conducted consultation workshops with local property industry specialists to identify specific opportunities, issues and constraints. The results of the 'case studies' are presented in Chapter 4.

The final section of the report also considers our overall study conclusions and recommendations for future action against these comparator areas. It considers the extent to which they can be considered as 'typical' of rural areas and could therefore be used as a typology for other rural areas of Scotland.

1.1 Study Context

It is estimated that around one-fifth of Scotland's population lives in rural areas but for the Scottish Enterprise (SE) area that proportion is slightly lower (17%). There is, however, an important distinction to be made in rural areas between 'accessible' and 'remote'. A review of the population base of the SE area shows that the majority live within accessible rural areas, with a small proportion in remote areas.

Over the past decade or so rural population growth has outstripped trends at the national level but increases have generally been in more accessible areas (often as part of the metropolitan region) where people have good access to business and personal services i.e. quality of life factors. Rural population growth in the SE area is assumed to be greater than that for the Highlands and Islands of Scotland, primarily due to the prevalence of accessible rural areas.

This growth supports the development of city region economies. Rural areas offer a different, and often better, quality of life to that available in urban areas and therefore add an extra 'attractor' to the region for new residents and potentially, businesses.

In volume terms, rural areas generally contribute a lower proportion (per capita) towards higher value employment and importantly economic output (GVA). Interestingly, however, our review of priority industries (see Section 3.2) shows that they accommodate a significant proportion of businesses and employment operating in 'priority industry' sectors.

Another key factor of the rural economy is that people who live in rural areas but commute to work in urban areas, generally have higher incomes than the national/local average, often operating in key knowledge industries. As a general rule, however, it tends to be lower value jobs and lower output sectors that dominate rural economies.

Rural economies face a number of specific issues that stakeholder partners across Scotland are seeking to address. These are summarised in the SERG Strategy which identifies three ambitions for rural economic development and the creation of a rural economy that:

- makes a significant contribution to Scotland's overall economic success;
- has a recognised and valued role within successful metro regions and thriving key Scottish industries; and
- operates successfully in the context of sustainable development.

These ambitions will be achieved through the development of seven objectives (as outlined in SE Rural Economic Development Plan), three of which relate directly to business growth, attraction and diversification.

Business property plays an important role in an area's ability to generate, attract and retain economic activity. The type of property available in an area plays a key role in determining the extent, and also the type, of business that will locate there. A recent study by EKOS¹ of over 150 rural businesses identified that over one-third cited property factors as a key constraint in the diversification and growth of their business.

The key economic challenge for rural areas is to focus on business and employment start-up, retention and growth that is able to contribute to higher economic growth, retain/attract residents (particularly those of working age) and create sustainable communities.

SE therefore wished to consider the extent of, and response to, property market failure in rural areas to support economic growth and diversification.

¹ Review of Demand for a Rural Finance Product, Phase A Report, EKOS, December 2006

1.2 Study Objectives

The overarching study objective is to identify and quantify the level of market failure in rural property markets and consider its impact on constraining rural business growth (and diversification). The output from the study is required to produce recommendations on the development of a new SE network intervention to address this failure.

The study brief identified six specific project objectives to be tested through the research method:

- based on past research patterns, develop an understanding of the **nature of demand** for business premises/land in rural areas, in relation to premises and business type;
- review past evidence to determine the extent by which **'place' issues** have constrained/enabled rural economic development;
- review past evidence to determine the main barriers to matching rural place availability/development with business demand – identifying the main **market failures**;
- **identify approaches** that historically have had the greatest impact in overcoming place development barriers – covering both SE and other economic development agencies;
- drawing on past evidence and current contexts, **identify barriers** associated with the application and delivery of effective interventions; and
- identify future rural **'place' requirements** for exploiting rural economic growth opportunities in the light of metro regional development approaches and policy imperatives.

The final section of this report (Chapter 6) presents our study conclusions against these objectives.

1.3 Report Structure

This report presents our detailed analysis, study findings, conclusions and recommendations. It is structured as follows:

- Chapter 2 explores the context to the study and considers issues in relation to property markets and rural development, and the wider context within which rural property markets operate;
- Chapter 3 presents the background review that underpins our findings i.e. economic review, property market analysis, strategic/academic literature review and current practice in other areas across the UK and Ireland;

- Chapter 4 presents our 'case study' review of the comparator areas and considers the economic profile and corresponding property stock within these areas;
- Chapter 5 presents the findings from our consultation programme – stakeholders, businesses and property market professionals; and
- Chapter 6 outlines our key study findings and considers each of the six study objectives outlined above. It considers an outline approach for future SE and partner intervention to resolve issues identified through our study and to support future rural area economic growth and diversification.

2. Rural Economy Issues and Context

This section considers issues in relation to property development in rural areas and provides a review of the wider context for the design and delivery of any future intervention mechanism.

In considering the issues facing rural business property markets it is important to understand how this market operates. Property is a derived demand i.e. it stems from demand for goods and services which themselves require property to be made in, or operate from.

It is this demand for goods and services, and the fluctuations and changes in business operations that drives demand for property. It is therefore important to understand wider economic changes and specific issues as they affect rural areas.

Rural economies are in a state of fluctuation and change. After many decades of decline there is now some resurgence with people (and businesses) moving back to the countryside. Most of this growth, however, has occurred in accessible rural areas within a city-region, often driven by commuters seeking a better quality lifestyle.

Our economic review (see Section 3.1 and Appendix 1) outlines business and employment trends in the rural area, outlining key differences between accessible and remote areas. The population of rural areas has increased significantly above the national average in recent years (although at a lower rate in remote areas) but there are key issues in relation to reliance on traditional business sectors, type of employment opportunities available and lower wages. While these factors affect all rural areas, they are more pronounced in remote rural areas.

Growth and diversification of the business base, together with housing choice (including provision of affordable housing) and infrastructure/ access become key factors in the future sustainability of rural areas.

This rural setting affects the operation of property markets. We have outlined below a number of contextual issues – it is important to review these up-front in order to provide a background understanding of headline factors.

Consideration of these issues is essential in understanding how property markets operate in rural areas, together with the environment in which any future intervention would occur. The issues have guided our approach to the study overall and have influenced our key study findings and specific recommendations, as outlined in Chapter 6.

We have split our context review into three sub-sections – high level, general and specific property market issues.

2.1 High Level Issues

2.1.1 The Developing Policy Environment

The developing policy environment in terms of the focus of economic growth within a city-region context poses an interesting challenge and opportunity for some rural areas. It is important to consider the role of rural areas as business locations, in their own right. This relates to rural business locations on the basis of quality of life factors, sustainable growth and niche development opportunities.

While the Government has established its overarching policy priorities for Scotland in the new GES (see Section 3.4) the implications of this, in terms of impact on SE and partner activity, has not yet been established. It is unclear at this time what role SE will have in the future for rural development and the corresponding role of other stakeholder partners.

Our final study outcomes (see Chapter 6) take into account the content of the strategy review and policy landscape, together with issues and opportunities for rural business growth. It is, however, difficult at this stage to account for the full impact of ongoing changes – we have therefore outlined specific actions that can be taken by ‘the public sector’ in response to the issues and opportunities identified through this research.

2.1.2 The Landscape for Delivery

The current landscape for delivery of property development in rural areas in support of economic development objectives is unclear.

While the strategy review identifies a good level of fit and contribution, in terms of rural growth and diversification, there is no identifiable priority in terms of future actions at the national level.

Our review of the strategy/policy landscape confirms the findings of our stakeholder consultation process. While SE has overarching responsibility for economic development, it primarily focuses on urban development activity, and has a steadily declining role in supporting property development and no future responsibility for local regeneration.

Consultation with the Scottish Government identifies four areas of strategic/operational fit: rural development, planning, economic development and regeneration. There is, however, no one department or organisation where these issues come together to address the future development and sustainability of rural economies in relation to business growth and diversification. This is identified as an issue in the recent OECD review of rural policy in Scotland.

2.2 Property Market Issues

2.2.1 Property and Rural Development

Land and property are one of the classical “factors of production” and remain a key aspect of any economy and focus for economic development intervention. However, the issues relating to land and property are different in rural locations from urban areas, and while the scale may be smaller, the consequences of market failures can be just as severe.

Rural markets tend to be thin, and in many cases, weak, and there is much greater flexible use of property and a more “make do” approach. This affects the ability of existing and new businesses to grow and diversify as they do not have access to modern business premises.

It is recognised that all rural related economic development has a land and property dimension whether that relates to the primary sectors (agriculture or forestry), priority industries (food and drink and tourism), public services or the attraction and development of new industries. Activity requires to take place somewhere – and this implies a land or property issue.

2.2.2 Property Market Failure

There are high levels of property market failure in rural areas, primarily due to property market economics and the risk averse nature of the property development industry. The industry perceives high(er) level risk, low(er) demand and therefore low(er) financial returns in rural areas compared with urban areas. In addition to this, there is also a lack of timely and appropriate information from both the demand but in particular the supply side.

The property development industry in rural areas cannot be compared with that in urban areas, which operates in a large competitive environment with good levels of understanding and information. This issue was specifically covered through our consultation programme which found that there are specific pressures and property market failures in rural areas including infrastructure, information and risk.

A research note prepared by GVA Grimley² suggests that (based on analysis prepared by IPF) the value of the commercial property stock in Scotland in 2005 was £51 billion. Across the three commercial sectors of retail, offices and industrial, there is a fairly even split between invested stock (51.3%) and owner-occupied stock (48.7%), but within each of the sectors there are big differences.

² The role of Commercial Property in the Scottish Economy, GVA Grimley, Autumn 2007
Rural Business Premises and Economic Development: SE Rural Group

The proportion of owner-occupied and invested stock in Scotland across the three sectors in 2005 was:

- retail property – 70% invested and 30% owner occupied;
- office property – 40% invested and 60% owner occupied; and
- industrial stock – 20% invested and 80% owner occupied.

While the cause of the disparity across the sectors was outwith the scope of our study, anecdotal evidence suggests that it is largely due to risks and returns i.e. property market failures, being substantially higher for non-retail developments. We would contend that these factors are likely to be higher again in rural areas.

The study therefore considered the need for both bespoke and speculative development and the resultant issues and implications for investors. Mechanisms to address rural property market failure and secure development activity are considered in Chapter 6.

2.2.3 Estimating Future Demand

It is difficult to review and estimate future demand in relation to rural property markets, which are often thin and weak and as such, difficult to analyse.

The study method acknowledged that there is no reliable source to quantify the type or scale of demand for business property in rural areas, but that this does not equate to no, or little, demand.

There is a specific recognition that there may be demand from both indigenous businesses (for replacement but also for new, expansion space) and also from new businesses moving into rural areas – business start-ups and relocations.

We tested our assumption of market failure i.e. demand but no, limited or inappropriate supply, through both the business surveys and the stakeholder/property market consultations. The outcome of this is reported in detail at Chapter 5, which together with the economic analysis at Chapter 3 shows that there has been significant growth in both business and employment numbers across rural areas but limited new property development.

This is important since demand for property is a derived demand, dependent on wider economic conditions. We have therefore assumed that this economic growth has been accommodated in vacant property stock, in existing business premises (spare capacity), in people working from home or businesses operating from traditional rural, and possibly inappropriate, premises.

We are unable to identify the amount of vacant property stock in rural areas, but it seems reasonable to assume that given the use increase in employment and businesses in recent years, there is now a limited stock of modern business premises to accommodate any future growth.

2.2.4 Planning as a Constraint

Planning can act as a constraint to property development in rural areas. The role of planning in rural areas is often seen as controlling and restricting property development to protect the countryside from the built environment.

Following an evaluation of NPPG 15, the new SPP 15³ 'Planning for Rural Development' (see Appendix 3 and 4) identified that planning authorities and agencies should adopt a proactive approach to providing land for development to ensure rural economic growth and diversification. While there are some instances of planning authorities recognising the importance of this issue the message has not been embraced everywhere.

There has been no update to this document over the past three years and whilst it is likely that there has been some change since 2005, it will not be universal. We have therefore considered the extent to which any specific rural property intervention focus needs to include consideration of planning issues.

The interpretation and approach of planning authorities was considered at the four comparator area consultation workshops and through our stakeholder interviews (see Chapter 5).

Planning guidance and development policies in rural areas often focus on the protection and therefore re-use of existing buildings to accommodate new business demand. This is identified in the evaluation of NPPG 15 as limiting the potential for economic and affordable development proposals as redevelopment often incurs greater cost (than new build) and can create business space that does not fully meet business needs.

2.2.5 Information Barriers

The requirement to provide information as well as the general lack of information can often act as property market barriers to both businesses and developers.

Two specific information barriers are apparent:

- there is a general lack of knowledge amongst companies about the type and extent of, together with the requirements for obtaining, property assistance from SE and other public sector organisations; and

³ Evaluation of National Planning Policy Guidelines, NPPG15, Rural Development, LUC, 2003.
Scottish Planning Policy SPP15, Planning for Rural Development, Scottish Executive, February 2005.

- the level of information that has to be provided by companies applying for all types of grant, including property assistance, can often be off-putting.

2.3 General Issues

2.3.1 Business Growth and Diversification

There is recognition that more remote rural areas do not have access to the same opportunities for growth and diversification as accessible rural areas. The sustainability of some remote rural locations is in many cases determined by the opportunities for local employment.

Lack of (meaningful) employment opportunities is recognised as one of the key issues affecting rural economic growth. While in some cases the population is rising this often reflects increasing out-commuters and retired residents.

The strategy review, particularly the planning section, has considered the extent to which land and property supports (or restricts) growth and diversification of rural businesses. One of the key findings is that the planning system considers rural areas in terms of 'protection' and 'enhancement' rather than considering the economic needs and sustainability of rural communities. This constrains activity as businesses find it more difficult in rural locations to obtain premises to accommodate growth and diversification.

2.3.2 Diversification of the Rural Economy

Rural economies have traditionally been reliant on a few key sectors such as primary industries (agriculture, forestry, fishing, etc) and their related support services, tourism related industries (hotels, restaurants, visitor facilities etc) and public sector industries. These industries have particular requirements for both land and property and have dominated the employment portfolios of rural areas over many years.

There is a general recognition that in order to achieve longer term sustainability, rural areas should seek to diversify into other forms of economic activity and thereby reduce their vulnerability to external events such as F&M or 9/11.

While there will be opportunities to develop the traditional rural sectors through for example, higher value tourism, adding value through the food chain etc, it is also important that rural areas look to other non traditional activities, particularly those in growing and knowledge intensive sectors where the quality of rural locations may act as a pull factor to these new industries. However, while at one level, individuals are able to operate from a domestic location, if higher growth/value is to be achieved, a new form of land and property infrastructure will be required as a key factor to attract and help grow future businesses.



Land and property plays a key role in supporting this diversification priority, but the existing property stock puts a considerable constraint on future activity.

2.3.3 Economic Sustainability

Economic sustainability is a key aspect of the overall approach to rural economic development. Recent events (as highlighted earlier) have shown the vulnerability of rural areas to global and external events. These external factors will remain a fact of life (witness the recent scare over F&M) and in order to provide a sustainable future, other opportunities must be identified and addressed.

One of the key factors impacting on sustainability is demographics – many areas, particularly remote rural are experiencing declining and ageing populations, with all the implication this has for sustainability (not to mention pressure on public services). There are also knock-on effects, with many areas losing local shops and services partly due to competition from larger settlements and a loss in younger working age people.

A key challenge is to widen the employment base and maintain/increase the percentage of the younger age working age groups. In order to achieve this, new forms of economic activity need to be attracted – these have particular land and property requirements that cannot be maximised through the existing property stock in rural areas.

2.3.4 Competitive and Sustainable Businesses

Rural economies are generally typified by a small scale business base with the majority of businesses being micro businesses. It is recognised that a key source of future growth must be the current business base and this implies a need to support these businesses to achieve sustainable growth.

Previous research, including the Rural Key Facts report (see Strategic review) has shown that rural business face particular market failures compared to their urban counterparts. Weak and thin markets have largely excluded private sector developers and high costs/low values have tended to result in non sustainable investment opportunities.

This is apparent through other research looking at the need for a bespoke rural finance product. A major issue was the ability of small local businesses to trade up and expand – either by accessing larger property or by extending their current facilities. This has also been confirmed through our study findings.

It is therefore not only the ability to attract new development which characterises rural areas, but also the ability for existing business to grow and expand.

2.3.5 Infrastructure Constraints

One of the key issues affecting development across rural areas relates to infrastructure constraints, both transport, ICT and services.

Whilst infrastructure is acknowledged as an issue across the whole of Scotland it particularly affects development in rural areas because of market size and scale together with pressure for investment to support, mainly higher value, urban developments.

Where investment occurs it is generally, and understandably, made in areas that produce the greatest return and have the largest impact/benefit. This often means that in times of limited investment resource, rural areas fail to keep up with their urban neighbourhoods e.g. Broadband.

2.3.6 Effective Land Supply

While Local Plans have a statutory requirement to allocate sufficient land to accommodate future demand, in many rural areas there remains a particular issue in terms of the shortage of developable land i.e. an effective land supply.

Analysis of planning documents and consultation with property market professionals or other stakeholders has identified that there is a particular issue in relation to the shortage of readily developable land in rural areas. This is caused by three specific factors that often come together:

- infrastructure constraints – transport, services and ICT, as described earlier;
- ownership and land values; and
- competition from other uses – primarily residential.

These three factors constrain the supply of readily available land for all types of development, but particularly affect economic and affordable development uses. The impact is that land is often held, partly due to financial constraints, for higher value retail and housing developments.

2.3.7 Attractiveness of Rural Places

In order to succeed and grow, rural areas need to be “attractive” – not simply in the traditional sense of “looking nice”, but in a much wider sense. This includes:

- availability of housing and different types of housing;
- availability of, and access to, public services;
- availability of labour both in terms of skills and numbers; and
- appropriate infrastructure such as broadband (and property).

Previous research shows that rural Scotland has a key role to play as part of the wider economic mix. Rural areas should not seek to compete with urban, but instead should focus on complementary and gap filling opportunities that are able to add value at the national level.

While land and property is a key factor, it is recognised as being part of the wider infrastructure required for a successful future.

2.3.8 Accessible and Remote Rural

While the study focused on issues at the rural level, there are key differences between performance, issues and opportunities between accessible and remote rural areas.

The economic analysis suggests that while performance (population, business and employment) may be growing for accessible rural areas, partly based on quality of life factors, the performance of remote, and particularly very remote, rural areas is less healthy.

Whilst the content of this report recognises that there are particular issues for remote rural, it also recognises that the analysis is conducted for lowland and upland Scotland, and that remote rural is a greater issue for the Highlands and Islands. We have, however, considered issues affecting remote rural where appropriate.

3. Background Research

This section presents a summary of the background research undertaken for the study – economic review, property market analysis, strategy/industry document review and consideration of existing activity across the UK and Ireland.

3.1 Baseline Economic Review

After many years of decline, there has been some resurgence in rural economies in recent years. This has been driven mainly by growth and demand in accessible, as opposed to remote, rural areas.

Between 2001 and 2006 the Scottish population grew by 1% to 5.12m people. Population growth in urban areas was considerably lower at only 0.1%, outstripped by growth in remote rural areas at 4% and by accessible rural areas of 6.3%. Rural Scotland now accounts for 18% of the total population (12% in accessible and 6% in remote) but 95% of the total landholding.

While there has been growth in population levels in rural areas, this has largely been driven by the 40-69 age group. There appears to be a general trend (more prominent in remote areas) for younger people (in the 15-34 age group) to leave rural for urban areas.

There is, however, a high reliance on private transport and people in rural areas are more likely to drive to work/school than those in urban areas. This is borne out by the higher proportion of households in rural areas that have access to at least one car.

Travel to work data shows that almost three-quarters of residents in remote areas work in rural areas, with almost two-thirds working in a remote area. But for those living in accessible rural there is a far greater incidence of travelling to urban areas (52%) with only 46% working in an accessible rural and only 2% in a remote rural area. Of those living in urban areas, only 9% work in a rural location.

In terms of the skills of the workforce, while residents in rural areas have equivalent or higher qualifications with less having no qualifications, a greater proportion of school-leavers enter employment, with a lower proportion becoming unemployed. This perhaps indicates the influx of highly skilled commuters and affluent retired people.

Residents of rural areas have a greater life expectancy with more likely to own their own house (and for more to have detached houses). There are more households in rural areas where the highest income householder earns over £20,000 – 51% in accessible and 46% in remote, compared with 39% in urban.

People are more likely to be economically active, and of these more are likely to be in work and self employed. There is, however, a greater prevalence of employment in primary industry sectors e.g. agriculture, forestry and fishing.

There are greater number of small businesses in rural areas, particularly in remote rural, and also more business start-ups – 72/75 per ten thousand population compared with 18 in urban areas. In absolute terms, rural areas accounted for 48% of the total business starts in 2004. In terms of growth, however, rural businesses, particularly those in remote areas, are less likely to experience growth.

This section presents a summary of the key economic indicators of rural Scotland and remote rural Scotland as a sub-set of all rural areas. The detailed review is presented at Appendix 1.

We have used the Annual Business Inquiry to report the number of businesses and employees and draw comparisons with 1998. The industrial/economic breakdown of an area largely determines the type/supply of commercial property. When considered alongside the property market review, it has helped to identify supply issues i.e. stock not matching the sectoral breakdown of businesses.

The analysis for this report is undertaken at the SE operational area level, therefore the use of 'Scotland' relates to lowland and upland Scotland. This is done to promote ease of understanding, however, we recognise that issues are likely to be similar (if not more pronounced) in the Highlands and Islands areas.

3.1.1 Rural Scotland

In 2006 there were over 780,000 employees in rural Scotland. Rural Scotland has experienced a total increase of approximately 54,000 employees representing a 7.4% increase over the period 1998 - 2006. Within the industrial breakdown there have been some substantial changes at individual industry levels. These include:

- manufacturing experienced a decrease of 50,198 employees representing a loss of one-third of the sector's total workforce;
- real estate, renting and business activities experienced an increase of 34,875 employees, representing a 50% uplift on the 1998 workforce;
- health and social work experienced an increase of 28,550 employees, an increase of one-third on the 1998 workforce; and
- the total number of people employed in education sectors increased by almost 60%, or 22,676 people.

The decline of manufacturing industries will have had an impact on the industrial stock throughout rural Scotland as a decrease of 32% in the workforce may have led to plant/factory closures and vacant industrial stock. This is, however, likely to be largely inappropriate for modern and growing business sectors.

The increase in real estate and professional business services will have impacted on the office stock representing an increase of approximately 35,000 employees. However it should be noted that this increase in employment does not require an equivalent increase in floorspace as a large number of the employees could be accommodated in existing premises or work from home.

In 2006 there were over 68,000 businesses in rural Scotland, representing an increase of 5,045 (8%) since 1998. Analysis of the business base between 1998 and 2006 shows that change broadly reflects the wider changes in the employment base.

The major industry changes that have taken place are:

- real estate, renting and business activities: an increase of 4,342 (37.2%) businesses;
- construction: an increase of 1,196 (17.7%) businesses; and
- other community, social and personal service activities: a decrease of 1,097 (16%) businesses.

The large increase in office-based industry sectors will have impacted upon the local property market. New property may have been built to accommodate the growth of businesses within the sector and also the refurbishment of existing stock that was no longer fit for purpose.

Both the employment and business base show that changes within industrial sectors will have impacted upon the rural property market. As the growth in office and work from home based industries continues i.e. professional business services, real estate and finance related sectors there is a decline in heavier traditional and manufacturing industries.

This is likely to have created a mismatch in the supply of and demand for property within rural areas and presents considerable issues with regards to the future growth of the rural economy. The outcome of this is that there are unlikely to be enough appropriate or suitable premises available for growing industry sectors, primarily office based activities.

While there has been no overall change in the average number of employees per business, there have been some major shifts within industry sectors. As well as the total decline in the manufacturing sector there has also been a significant reduction in the average size of manufacturing businesses, from 32 employees per business in 1998 to 23 in 2006.

On the positive side, there has been an increase in the scale of businesses in the public admin sectors from 19 to 25 employees per business. It is interesting to note that whilst there has been a significant decline in the total number of community/social/personal service businesses, total employment has increased, resulting in an increase from 5 to 8 employees per business from 1998 to 2006.

3.1.2 Remote Rural Scotland

Remote rural Scotland is a component area within rural Scotland. We reviewed remote rural areas separately to identify specific issues or trends that exist in comparison with all rural areas in general. We conducted analysis of the employment and business base to identify changes between 1998 and 2006.

In 2006, there were over 163,000 employees in remote rural areas, with a 4.6% increase of 7,222 since 1998. This represents 13.4% of the total increase in rural Scotland. The main difference in the employment base changes with the wider rural area is in the Financial Intermediation sector where employment increased by 16.2% in all rural, but declined by 20% in remote rural.

Other differences include a lower decline in manufacturing employment; an increase in transport/storage/communications overall, but a decline in remote rural; a greater decline in public admin; a slower increase in health and social work; and a slower increase in community/social/personal services.

Overall, this suggests a far more traditional employment base in remote rural areas with a slower uplift in service based activities.

The implications on the property market are substantial, with an overall reduction in the number of employees that would require use of industrial property and an increase in the number of office based jobs.

Remote rural areas account for over 20,000 businesses and increased by 7% or 1,341 businesses over the period 1998 – 2006. This represents 26.6% of the wider rural Scotland's increase in businesses and is set against a 13% increase in employment. This suggests a growth in small businesses in remote rural areas.

Within the remote rural area the largest significant change has been in the real estate, renting and business activities sector, which has grown by 1,277 (40.4%). We assume that the majority of these new businesses will require office accommodation and this will impact upon the supply of property within the local property market.

The key differences between all rural and remote rural are broadly similar to the differences in the employment base and further confirm the more traditional business patterns in remote rural areas.

3.1.3 Summary of Economic Review

The economic review shows an overall increase in both the employment and business base in rural areas. There are however, variations within industry sectors with a slight decrease in traditional and manufacturing sectors and an increase in service and office based sectors.

This impacts on the property requirements of rural area businesses, with less demand on industrial and increased demand for office property. It is not clear where this demand has been accommodated but when considered against the property review it suggests businesses are being accommodated in existing and possibly inappropriate business premises.

3.2 Priority Industries

The priority industries within Scotland (defined by SE) offer the greatest potential for economic growth, impact and Gross Value Added (GVA).

Below is a summary review (1998 to 2006) of the priority industries within all and remote rural Scotland. We have reviewed the key changes that occurred between 1998 and 2006.

3.2.1 Rural Scotland

There were almost 330,000 employees in priority industries across rural Scotland in 2006, representing a total decrease of over 20,000 (-6%) since 1998, representing 41% of all employees (45% of businesses).

There have, however, been significant variations within industry sectors. In terms of number of employees, construction and tourism are the largest priority industry employers in rural Scotland accounting for 91,605 (28%) and 70,306 (21%) respectively. Both sectors experienced significant employment growth between 1998 and 2006 of 18% and 17% respectively. However, although tourism is an important sector to rural areas, generally speaking it offers lower value added employment.

Beyond the two largest sectors, as outlined above, the other six sectors that employ in excess of 10,000 people, all but one (financial services) declined over the period. In particular, the electronics market and creative industries declined by 25,106 (42%) and 7,188 (19%) respectively.

Within each of the priority industries there a number of sub sectors that offer higher level and value added employment. By higher level and value added we mean salaries and local/national GVA they generate. Although the creative industries sector has experienced a substantial decrease over the period, there has been an increase in the sub-sector value added industries of software publishing (90 employees), software consultancy and supply (6,563 employees) and architectural engineering and consultancy (6,144 employees). The financial services and construction industries as a whole offer higher level value added employment and both have increased within rural Scotland.

The energy sector in general has a very high level of GVA per employee. This sector has, however, seen a decrease of 5,000 employees in rural Scotland. In contrast, there has been a significant increase in the priority industries business base of 3,600 or 15%. When compared to the decline in employment of 15% this shows a rise in the number of smaller businesses. Average employees per business dropped from 14.7 in 1998 to 12.0 in 2006.

Creative industries and construction have experienced the largest absolute growth with an additional 1,732 (83%) and 1,535 (15%) businesses respectively. The construction and tourism industries are the largest in terms of number of businesses within rural Scotland.

At the rural Scotland level, of the 13 sectors, seven declined, one has not changed and only five increased employment between 1998 and 2006. Within five of the sectors, rural areas account for over 50% of employment – of these, four have declined with only one, textiles, showing a proportionate increase in the rural area – from 57% in 1998 to 76% in 2006.

Shipbuilding also increased its proportionate share by approximately 10 percentage points. Industries to decrease their share of Scotland priority industries within rural Scotland include life sciences and energy, decreasing by 10 and six percentage points respectively.

At the remote rural level, three sectors have not changed, 6 have increased and 4 have declined. Of the four sectors where remote rural areas account for over 10% of employment, tourism decreased its proportionate share marginally; but food and drink, and forest industries increased marginally, while textiles increased its proportionate share significantly from 19% to 30%.

Table 3.1: % of Total Scottish Employment Within Priority Industries (SE Area)				
	1998		2006	
	Scottish rural	Remote rural	Scottish rural	Remote rural
Tourism	34%	11%	32%	10%
Financial Services	20%	2%	22%	2%
Shipbuilding/ Marine	28%	7%	39%	6%
Food & Drink	42%	15%	42%	16%
Forest Industries	57%	16%	54%	18%
Chemicals	46%	5%	44%	6%
Construction	40%	8%	44%	8%
Creative Industries	37%	7%	36%	6%
Energy	70%	6%	64%	8%
Life Sciences	61%	5%	51%	3%
Electronic Markets	55%	6%	52%	6%
Aerospace	31%	2%	44%	5%
Textiles	57%	19%	76%	30%

Source: ABI

Table 3.1 shows the proportion of priority industry employment in rural and remote rural Scotland and the changes within each sector 1998 – 2006. The table suggests some issues with regards the future growth and diversification of rural areas based on employment growth in the priority industries.

3.2.2 Remote Rural Scotland

We have reviewed remote rural Scotland and compared the industry breakdown with all rural areas.

In remote rural areas there was employment of approximately 70,000 people in 2006, representing a decrease of approximately 3,000 (4%); the greatest decrease has occurred within the creative industries sector of over 2,500 (33%). As would be expected, tourism and construction are by far the biggest priority industry employment sectors in remote rural Scotland, accounting for 32% and 25% of total employment respectively. Both of these increased total employment between 98-06 of 16% and 9% respectively.

Some of the higher level/value added sectors like construction and energy have increased their absolute level of employment but others including the financial services and in particular the electronics markets have decreased over the period. Similar to the wider rural areas, manufacturing of motor vehicles has decreased considerably (1,000 employees) and now comprises a very small percentage of the total employment base.

Similar to the all rural area, the total business base has increased, again showing an increase in small businesses with average employees per business dropping from 9.2 to 7.9 from 1998 to 2006.

In 2006 there were almost 6,000 business in remote rural areas, representing a total increase of 923 (12%) businesses since 1998 with the food and drink industry the only sector experiencing any substantial decrease in businesses, 261 (85%). The key industries in terms of number of businesses are construction, tourism and creative industries representing 41%, 28% and 14% of total businesses respectively.

3.2.3 Summary of Priority Industries

The priority industries within rural Scotland represent a substantial proportion of the Scottish total however there has been a moderate decrease since 1998 of 22,000 employees (6%), although this is representative of Scotland as a whole which experienced a decrease of 5% in priority industry employment. This is in contrast to an increase in the number of business and shows a change in the size of businesses employees with a decrease in the number of employees per business.

The key sectors in terms of number of employees are construction, tourism and creative industries. The tourism sector, although a major employer, offers less higher level and value added employment than other priority industry sectors and also has a high proportion of seasonal and part-time employment

It is encouraging that within the creative industries sector the higher level industry sub-sectors have experienced growth over the period. However, within the industries that have decreased, the electronics market and energy sector, both value added sectors have shown significant decline, in particular within the manufacturing of motor vehicles and electronic goods.

Remote rural Scotland follows a similar trend as the wider rural although as would be expected accounts for a relatively small percent of the total employment and businesses within the priority industries sectors.

3.3 Property Market Review

The property market review looks at rural Scotland as a whole, and the remote rural areas.

Over recent years there has been a major boom in business property development in Scotland and across the UK. This has been driven by private sector development primarily in office stock in city centres, major towns and business parks.

Outwith city centres, there has been limited speculative private development, with activity generally restricted to bespoke developments for specific companies or small-scale speculative development by the public sector.

Over recent years, however, there has been less financial resources available for public sector property development activity, particularly from SE. This has affected the provision of new and modern business property outwith the successful and established property market locations, particularly in rural areas.

As outlined at the introduction, property is a derived demand. Following the economic review of rural Scotland we now present analysis of the property market. The analysis is based on employment and therefore provides an estimate of 'occupied' business property rather than the total stock of property.

Our analysis of total occupied stock is based on employment density rates and assumptions about types of property required within each sector. It should be note that these figures are a rough estimate and are designed to be indicative of the total occupied stock. A detailed property market review is presented at Appendix 2.

3.3.1 Rural Scotland

The total rural occupied commercial property stock is approximately 27.7m Sqm (298m Sq ft). This is based on total workplace employment of approximately 782,000 people. The industry requiring the greatest amount of floorspace is wholesale and retail trade which represent 6.1m Sqm (66.4m Sq ft) representing 22.3% of total floorspace. The industry is assumed to be a mix of retail, supermarket retail and warehousing property.

Other industries that comprise a significant amount of occupied property floorspace include:

- health and social work (14.3% of total occupied floorspace);
- manufacturing (13.1% of total occupied floorspace); and
- education (11.1% of total occupied floorspace).

The number of businesses in the rural area is 68,289 and the average business premises equates to 405 Sqm (4,365 Sq ft). The range and size of premises varies from an average of 10 Sqm (107 Sq ft) for mining and quarrying businesses to 1,122 Sqm (12,000 Sq ft) for businesses related/aligned with the education sector.

Based on analysis of employees that would occupy office and industrial premises, we have estimated the amount of occupied office and industrial floorspace as 11m Sqm (118.2m Sq ft) representing 21.9% and 17.8% respectively of the total assumed occupied business stock in rural Scotland.

Further to this, we conducted time-series research and our analysis showed there have been large changes in the business/employment base over the period 1998 to 2006 with a vast reduction in heavy 'traditional' industry e.g. manufacturing and an increase in finance/business related and service sector employment. This in turn will have had an impact on the type of occupied stock with office property increasing its proportion of total occupied stock, 4.9m Sqm (53m Sq ft). Whilst the total occupied industrial floorspace has decreased, it still remains greater than the office stock, 6.1m Sqm (65m Sq ft).

The economic analysis section reports a 7.4% increase in employment in rural areas between 1998 and 2006. Based on the method outlined above this equates to demand for a further 2.1m sq ft of property in rural areas to accommodate this employment growth.

The analysis outlined above relies on employment data from the ABI, but this does not record self employment. Traditionally, rural areas have, in comparison with more urban settings higher level of self employment.

Self employment is obtained from the Census 2001 but there are some issues with the data. The data is resident based (in comparison with the ABI which is a survey of workplaces) and we have had to make assumptions on the proportion of self employed people that work within the area that they reside. Secondly, from the residents that live and work in the area, what percentage require commercial premises and which work from home.

We were unable to obtain data on self employment within rural Scotland, however we calculated the percentage by industry that self employment accounts for in Scotland as a whole and then applied this multiplier to estimate the self employment for rural Scotland. We realise, however, this may be a slight under representation as traditionally rural areas have higher levels of self employment than more urban areas.

The greatest levels of self employment are in the agriculture, hunting and forestry, fishing sectors – accounting for 12% of total self employment and 390,000 Sqm of floorspace (25% of total occupied floorspace). Wholesale and Retail trade and manufacturing are the other sectors with a noticeable amount of occupied floorspace, 238,000 Sqm and 134,000 Sqm of floorspace respectively.

We have estimated the total self-employed occupied business floorspace in rural Scotland is 270,300 Sqm (2.9m Sq ft), 41% of office accommodation and 59% industrial floorspace.

From the total occupied stock within the rural Scotland area based on data from the ABI (2006) and the Census (2001).

Table 3.2 reports the split between office and industrial property.

Table 3.2: Rural Scotland Total Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	5,036,358	54,264,018
Industrial	6,213,247	66,834,434
Total	11,249,606	121,098,452

Source: ABI/ English Partnerships Employment Density Guidelines

Table 3.2 above brings together employment and self-employment data and suggests that there is a office and industrial business floorspace requirement of 5m Sqm (54m Sq ft) and 6m Sqm (67m Sq ft) respectively. This equates to 18% and 22% of the total occupied business stock floorspace respectively.

3.3.2 Remote Rural Scotland

In remote rural Scotland, based on the employment/floorspace density criteria reported above, the total rural occupied commercial stock is approximately 6.1m Sqm (65.2m Sq ft). This is based on total workplace employment of 163,351. The industry requiring the greatest amount of floorspace is wholesale and retail trade which account for 1.4m Sqm (14.8m Sq ft) representing 22.8% of total floorspace. This industry is assumed to be a mix of retail, supermarket retail and warehousing property.

Other industries that comprise a significant amount of property floorspace include:

- manufacturing: 13.1% of total occupied floorspace (790,000 sq m);
- education: 12.4% of total occupied floorspace (750,000 sq m);
- health and social work: 12.3% of total occupied floorspace (740,000 sq m);
- hotels and restaurants: 9.5% of total occupied floorspace (575,000 sq m); and
- other community, social and personal service activities: 8.3% of total occupied floorspace (500,000 sq m).

Remote rural Scotland represents 21.9% of the total occupied floorspace in rural Scotland.

3.3.3 Summary of Property Review

Our review of business property stock in rural areas identifies 34m sq m (362m Sq ft) of occupied business property stock. Based on our employee review, which showed a trend away from traditional manufacturing and industrial sectors towards service and office based employment, we would assume a growing demand for office property.

Based on anecdotal evidence, which suggests limited new property development activity in rural areas, we would estimate that a significant proportion of this employment is accommodated in traditional business property that may not fully meet business requirements. This is confirmed through our business survey as outlined in Chapter 5.

3.4 Strategic Fit

This section provides a review of current strategy and policy documents that relate to business property development in a rural context with economic development objectives. Overall, the development of business property has a good level of strategic fit with relevant rural economic development and policy guidance.

Development of business premises is essential in supporting the sustainability, growth and diversification of rural economies. It is, however, unclear where this strategic focus is translated into development activity – this is considered in our final conclusions at Chapter 6.

It is presented under three themes: rural, economic development and planning.

This report presents a summary of our detailed analysis, which is presented at Appendix 2.

3.4.1 Rural

Four documents are reviewed under the rural theme:

- Scotland Rural Development Programme - £1.6b programme of economic, environmental and social measures designed to develop rural Scotland over the 2007-2013 period;
- Scotland’s Urban Rural Classification – which presents the criteria for classifying urban, rural and remote rural areas. We have adopted the classifications from this report in our study;
- Rural Scotland: Better Still, Naturally – which outlines the context for rural policy and development, recognising the roles played by public, private and community sectors in taking forward action; and
- Rural Spice Briefing 2007-2013 – which sets the context and rationale for the SRDP and confirms 10% of SRDP funds for Axis 3 – quality of life and economic diversification.

3.4.2 Economic Development

Four documents are reviewed under this theme:

- the Government Economic Strategy 2007 – which sets out the overarching strategy for Government activity in relation to economic development;
- the SE Rural Group Economic Development Plan 2007-10 – which outlines the purpose of the Rural Group and the economic challenges for rural areas in the future;
- SE Rural Group Futures Paper 2004 – which sets the context for the Rural Group plan and the rationale for SE intervention; and
- the Lowlands and Uplands Scotland 2007-2013 Structure Funds Programmes – which outlines the focus and objectives of EU fund investment across Scotland, including rural.



3.4.3 Planning

Two documents are reviewed under this theme:

- the National Planning Framework for Scotland – which sets the spatial development to 2025 and identifies key issues and drivers of change; and
- SPP15 Planning for Rural Development – which is the Scottish Government’s policy statement, focusing on achieving sustainable rural development.

3.5 Industry/Academic Research

This section provides a summary review of background industrial and academic literature. The detailed review is attached at Appendix 3. The review is conducted at three spatial levels: Scotland, England and the UK.

3.5.1 Scotland

Five documents are reviewed at the Scottish level:

- Rural Scotland Key Facts 2007 – which outlines headline facts and figures against three themes: people and communities; services and lifestyles; and economy and enterprise;
- OECD Rural Policy Review of Scotland – which presents a review of rural Scotland and identifies future actions and priorities to maximise sustainable development;
- UHI Review of the OECD Report – which considers the content of the OECD report and suggests that it does not go far enough in its recommendations. This paper outlines priorities for the future development of rural areas;
- evaluation of NPPG15 – which finds that there is greater emphasis placed on the environment of rural areas at the expense of their social and economic needs; and
- PAN73 Rural Diversification – which is designed to assist those involved in rural diversification projects. It acknowledges that diversification is necessary to broaden the economic activity of rural areas.

3.5.2 England

Seven documents are considered at the English spatial level:

- The Rural Development Programme for England 2007 – 2013 which outlines the key issues and future priorities to promote sustainable rural development across England;
- Sustainable Rural Economies: Lessons from the English Experience – which examines the character and treatment of rural economies over the past decade and sets out challenges for the future;
- Key Drivers of Economic Development and Inclusion in Rural Areas – this DEFRA paper accepts that agriculture is no longer the main economic driver and identifies the process of change for the future;
- The Knowledge Economy in Rural England – this DEFRA paper identifies the need for Government action to 'rural proof' the knowledge economy agenda and presents specific recommendations;
- Economic Performance of Rural Areas– this DEFRA paper examines the performance of rural areas inside and outside of City-Regions;
- Rural Challenges for RDAs – this paper discusses challenges under seven key headings and considers how RDAs should respond; and
- NWDA Audit of Rural Workspace 2003 – this report considers evidence of demand from rural businesses for extra workspace and identifies scope for additional space along main arterial routes.

3.5.3 UK

Two documents are considered at the UK spatial level:

- Rural Service Networks, Sustaining Rural Communities – reports on a consultation exercise identifying the issues and challenges facing rural communities and finds that many do not deliver the 'quality of life' expected; and
- Will the Rural Building Conversion Boom Continue – this paper considers the boom in the re-use of rural buildings for business use and finds that there is a high level of satisfaction amongst occupiers.

3.6 Current Practice Review

This section presents a summary of our review of current practice within the UK and Ireland in relation to rural business property development. To provide a comparison with SE, the review was undertaken at the level of the regional economic development agency for each area. The detailed analysis is presented at Appendix 4.

The analysis covers 10 geographic areas:

- Highlands and Islands Enterprise – HIE offers a number of ‘area-wide’ support schemes, but these focus on business and skills development. Individual LECs have flexibility to develop local response to property market failure. Western Isles has developed the ‘Work Global’ programme that has created a network of 9 high specification offices for single or multi-occupancy;
- North West Development Agency – NWDA had a large rural property grant programme for a number of years but have now largely withdrawn from the market. Development support is now provided on a company-by-company basis;
- Advantage West Midlands – we have been unable to identify any specific rural programmes that could assist with property development on a speculative or bespoke basis. All activity is managed through the RDP;
- South West Regional Development Agency – the SWRDA funds two rural development initiatives – Rural Renaissance (to help communities in the South West respond to and influence economic change through sustainable project development) and the Rural Enterprise Gateway (provides information, training and business development support to rural businesses and in particular agricultural and land-based organisations. It is designed to help rural businesses respond to change);
- South East England Development Agency – SEEDA has two main rural funds that provide assistance for property development – the Rural Redundant Building Fund (financial support for the refurbishment of redundant buildings to bring them back into productive use) and the Farm Diversification Grant Scheme (financial support for the development of redundant farm buildings for farms to convert buildings to uses outside of primary agricultural production);
- One North East – there are no specific programmes in place for rural business property through ONE with project development activity undertaken by sub-regional partners. There are two regional rural networks that ONE work with to identify policy priorities and future strategy – Rural Board and the Rural Executive, and North East Rural Affairs Forum. ONE also works with rural estate owners through the North East Rural Estates Framework to drive economic growth in rural communities;

- Yorkshire Forward – there are a number of rural business support programmes available through YF but none provide specialist property support. Grant funding is available to farmers and rural entrepreneurs to support the start-up of new businesses and the growth of existing enterprises;
- East Midlands Development Agency – EMDA has a specific JV property development vehicle (Blueprint) that creates speculative business property in areas of market failure, but this is mainly active in larger urban areas. The RDP for the East Midlands targets land based businesses including farmers, foresters, horticulturalists and equine businesses;
- Welsh Assembly Government – the former Welsh Development Agency had a big focus on sites and building provision across Wales, but have now largely withdrawn from this market. Support is now provided primarily on a bespoke company-by-company basis with some activity at Local Authority level; and
- Invest in Northern Ireland – the Department for Agriculture and Rural Development offers support to the agriculture, food, forestry and broader rural economic sectors under RDP funding. One specific RDP fund (Agricultural and Forestry Processing and Marketing Grant Scheme) provides support for capital investment to erect new buildings, refurbish old premises or buy new equipment.

Each area has an agreed Rural Development Plan (RDP) partly funded and approved by the EU. Each follows the same broad theme with three strategic priorities:

- Axis 1 – underpinning performance and quality in the agriculture, food processing and forestry sectors;
- Axis 2 – enhancing rural landscapes and the natural heritage; and
- Axis 3 – promoting a more diverse rural economy and thriving rural communities.

The review identified a number of key findings:

- in line with SE, rural diversification and sustainability are the key drivers for strategic policy;
- all areas take strategic guidance from the RDP with local interpretation to identify priorities and actions;
- many areas recognise the need for business property within the RDP to support economic growth and diversification, but we did not identify any areas where speculative or bespoke property development activity itself will be supported under the RDP;

- regional economic development agencies provide funding for rural development (primarily from the RDP) but rely on sub-regional partners for project delivery;
- most agencies have dedicated staffed and a funded rural development team that have overall responsibility for setting policy and strategy and working with local partners to oversee project delivery;
- there is a strong focus on the re-use and refurbishment of existing property to provide business space, particularly the conversion of existing agricultural buildings;
- there is very limited advance provision of speculative property with most provided on a bespoke company-by-company basis; and
- while there are some specific property grant programmes most areas are withdrawing from this area integrating assistance within wider business support packages.

4. Comparator Area Review

This section presents a review of the four comparator areas at three levels:

- baseline economic review;
- priority industry review; and
- property market review.

4.1 Braemar and Upper Deeside

The Braemar and Upper Deeside area is identified as a very remote rural area located a considerable distance from any major settlement.

4.1.1 Baseline Economic Review

In 2006 there were over 2,700 employees in the Braemar and Upper Deeside area, representing an increase of 748 (38%) since 1998, significantly greater than the increase in all rural (7%) and remote rural (5%). This represents 1.4% of the total employment increase at the rural Scotland level.

In terms of absolute changes to employment, the greatest changes have occurred in the:

- hotels and restaurants sector increased by 399 employees, representing 242% compared with 4.5% at all rural and 7% at remote rural levels;
- transport, storage and communication decreased by 374 employees, representing -81% compared with an 11% increase at all rural and a 4.5% decline at remote rural levels; and
- wholesale and retail trade increased by 300 employees, representing 455% compared with 2% for all rural and no change at the remote rural levels.

The greatest changes have affected the largest employment sectors where the property requirements, generally speaking, would be industrial, distribution and retail based.

There has been a considerably greater shift within the industry sectors than both all rural and remote rural. The largest increases have primarily been in growing and service based sectors, representing good prospects for future growth but potential issues in relation to the property stock.

In 2006 there were almost 450 businesses in Braemar and Upper Deeside, with a considerable increase of 137 (44%), representing 2.7% of the total rural Scotland increase. This compares with 8% and 7% increases in all rural and remote rural respectively.

Professional business services and wholesale and retail have shown the greatest absolute growth. Given the relatively small changes to the business and employment bases, it is difficult to predict to what extent this change in the employment and business base has affected the supply of and demand for commercial property in the area.

4.1.2 Priority Industry Review

The number of employees in priority industries in Braemar and Upper Deeside has increased considerably since 1998 by 507 (66%), significant when considered against the decrease of -6% and -4% for all and remote rural areas.

As with the wider rural Scotland area, tourism and construction have experienced the greatest absolute growth, 239 (47%) and 101 (89%) additional employees respectively and remain the largest priority industry employment sectors within the area.

Although only experiencing relatively small changes to the creative industries sector, these have primarily been within value added sub-sectors – software consultancy and architecture and technical consultancy.

Generally speaking, the priority industry employment base within the area is small, however there is a large proportion of higher level and value added employment opportunities.

The total number of priority industry businesses was just over 200, again showing increases (58%) since 1998 also significantly higher than the 15% and 12% increase in all and remote rural areas.

Again the greatest absolute changes have occurred in the construction and tourism sectors. The priority industry business base is very small and focused with only a few industry sectors represented within Braemar and Upper Deeside.

4.1.3 Property Market Review

In Braemar and Upper Deeside, based on the employment/floorspace density criteria reported above, the total rural occupied commercial stock is approximately 105,000 Sqm (1.1m Sq ft). The industry requiring the greatest amount of floorspace are wholesale and retail trades, repair of motor vehicles, motorcycles and personal and household goods which account for 20,150 Sqm (216,700 Sq ft) representing 19.3% of total floorspace.

These are assumed to be a mix of retail, supermarket retail and warehousing property.

Other industries that comprise a significant amount of property floorspace include:

- hotels and restaurants (17.2% of total occupied floorspace);
- education (17.1% of total occupied floorspace); and
- other community, social and personal service activities (12.2% of total occupied floorspace).

There are 447 businesses in Braemar and the average business premises are 234 Sqm (2,500 Sq ft). The range and size of premises varies from an average of 10 Sqm (107 Sq ft) for mining and quarrying businesses to 1,122 Sqm (12,000 Sq ft) for businesses related/aligned with the education sector.

Office and industrial floorspace occupy 15.4% and 10.1% respectively of the total assumed occupied stock, 16,000 Sqm and 10,500 Sqm respectively. Further to this, we conducted some time-series research and our analysis shows that there have been large changes in the business/employment base over the period 1998 to 2006 with a vast reduction in heavy 'traditional' industry e.g. manufacturing and an increase in finance/business related and service sector employment. Consequently, this has had a large impact on the type of occupied stock in the area with office users now requiring a larger percentage of the total occupied stock than industrial property.

Based on the self employment criteria outlined above, we have estimated the total self employment within the area. The greatest levels of self employment are in the agriculture, hunting and forestry, fishing sector – accounting for 40% of total self employment and 32,000 Sqm of floorspace (60% of total occupied floorspace). Wholesale and Retail trade occupies approximately 6,500 Sqm of floorspace and accounts for 12.4% of the total occupied stock. This translates into a total stock requirement of over 7,000 Sqm (77,000 Sq ft) of office and industrial property.

In total, we have assumed that there is approximately 157,000 Sqm (1,683,000 Sq ft) of occupied business floorspace within the Braemar and Upper Deeside area.

Table 4.1: Braemar and Upper Deeside Total Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	18,796	202,577
Industrial	14,934	160,627
Total	33,730	363,204

Source: ABI/ English Partnerships Employment Density Guidelines

Table 4.1 shows the proportion of the total floorspace requirement for office and industrial premises at almost 34,000 Sqm (363,000 Sq ft) accounting for 12% and 9.5% of the total occupied floorspace respectively.

4.2 Galashiels

The Galashiels and surrounding area is identified as having both accessible and remote rural areas with an urban town, Galashiels. It is also likely to be influenced to a large extent by the Edinburgh business and property markets.

4.2.1 Baseline Economic Review

In 2006 Galashiels had almost 21,000 employees representing an increase of 3,068 (17%) over the 98-06 period. This represents 5.7% of the total employment increase at the rural Scotland level and compares with absolute increase of 7% and 5% for all rural and remote rural areas.

In terms of absolute changes to employment, the greatest changes have occurred in the:

- health and social work sector increased by 2,864 employees, representing 84% compared with 7% and 5% for all and remote rural areas;
- manufacturing decreased by 1,677 employees, representing -54% and compared with -32% and -26% for all and remote rural; and
- construction increased by 1,105 employees, representing 193% compared with 10% and 6% for all and remote rural.

In 2006, the largest industry sectors with regards to number of employees were health and social work, wholesale and retail and real estate, renting and business activities, representing 30%, 14% and 10% of total employment respectively. The changes in the sectoral breakdown could have implications for the local property market, with less demand for industrial stock and an increase for office accommodation.

In 2006 there were almost 2,000 businesses in Galashiels with only a marginal 1% increase since 1998, compared with 8% and 7% for all and remote rural areas.

Within the industry sectors there has been no significant changes in the breakdown with real estate, renting and business activities and public administration and defence and compulsory social security the only industries reporting a respective increase and decrease of over 50 business units.

4.2.2 Priority Industry Review

In 2006 there were almost 6,000 priority industry employees in Galashiels, representing a total decrease of 1,900 employees since 1998, giving a total priority industry employment base of 5,987. This decline of 24% is significantly higher than that for all and remote rural of 6% and 4% respectively.

The construction industry is the only industry showing substantial absolute growth, 1,155 (139%) additional employees. It should be noted that the life sciences increased by 133 employees from an employment base of one and when compared to the business base it shows that this increase in employment can be attributed to one new business in the area. Construction and tourism remain the key employment sectors.

Creative industries and electronics have decreased considerably over the period, with the electronics markets losing substantial employment within the manufacturing of tubes, valves and electrical components sub-sector – possibly indicating the closure of a few key employers within this sector.

In 2006 there were almost 800 priority industry businesses in the area and this has increased by 27 (4%) since 1998, significantly lower than all and remote rural areas at 15% and 12% respectively.

Construction and creative industries have shown the greatest absolute growth accounting for 41% and 15% of total businesses respectively. The change in employment and number of businesses suggests the size of businesses in Galashiels is decreasing.

4.2.3 Property Market Review

There are approximately 21,000 employees working in rural Galashiels, generating demand for almost 740,000 Sqm (8m Sq ft). Of this we have assumed a requirement for 240,000 Sqm (2.6m Sq ft) of office and industrial floorspace.

Health and social work is the most dominant sector in terms of number of employees accounting for 30% of total employment and 28.9% of the occupied floorspace – 215,000 Sqm.

Other industries that account for a notable percentage of the occupied floorspace include:

- wholesale and retail trade: 22.3% of total occupied floorspace (165,000 Sqm); and
- education: 9.5% of total occupied floorspace (70,000 Sqm).

The average size per business is 367 Sqm (3,950 Sq ft) whilst the average size of premises ranges from 55 Sqm (590 Sq ft) for a mining and quarrying business to 1,318 Sqm (14,150 Sq ft) for a business in the education sector.

Office and industrial floorspace account for 20.4% and 12.2% of the total occupied stock respectively. Similar to anecdotal evidence reported earlier in the Braemar and Upper Deeside area, the Galashiels business base has undergone some substantial changes in terms of the dominant employment sectors between 1998 and 2006. Our analysis of self-employment suggests demand for almost 80,000 Sqm (850,000 Sq ft) of business property. Of this, office and industrial property account for 13,300 Sqm (145,000 sq ft).

The mining and quarrying, electricity, gas and water supply is the largest sector for self employment in the area and accounts for 43,800 Sqm (458,450 Sq ft) representing 55.5% of the total occupied stock. With regards to total floorspace, only the hotels and restaurants sector occupies any significant level of floorspace, 10,800 Sqm (116,700 Sq ft) representing 13.8% of the total occupied floorspace.

The occupied industrial floorspace for self employed people in Galashiels is approximately three times greater than the office floorspace, this compares with a greater proportion of office floorspace when analysing the ABI data reported above. This gives an indication on the type of industries that are more common amongst people that are self employed – a greater number of ‘traditional’ heavier industries and less professional/business services.

In total we have assumed that there is a requirement for approximately 815,000 Sqm (8.8m Sq ft) of business floorspace within Galashiels with health and social work (26.3%) and wholesale and retail (21.5%) sectors occupying the largest proportion of total floorspace.

Table 4.2 reports the total floorspace split between office and industrial.

Table 4.2: Galashiels Total Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	154,309	1,661,353
Industrial	100,641	1,082,394
Total	254,950	2,743,747

Source: ABI/ English Partnerships Employment Density Guidelines

In total, office and industrial floorspace account for approximately 19% and 12% of the total occupied floorspace.

4.3 Highland Perthshire

The Highland Perthshire area is a combination of accessible, remote and very remote rural areas with no major settlements in close proximity.

4.3.1 Baseline Economic Review

In 2006 Highland Perthshire had over 7,000 employees, an increase of 556 (8%) since 1998. Compared with 7% and 5% increase for all and remote rural areas respectively, this represents 1% of the total employment increase at the rural Scotland level

In terms of absolute changes to employment, the greatest changes have occurred in the:

- real estate, renting and business activities sector increased by 371 employees, representing 95% compared with 52% and 55% for all and remote rural;

- construction decreased by 104 employees, representing -20%, compared with increases of 10% and 6% for all and remote rural; and
- other community, social and personal service activities decreased by 90 employees, representing -15% compared with increases of 39% and 28% for all and remote rural.

In absolute and percentage terms, there have only been small levels of change within the employment base.

In 2006, the largest industry sectors with regards to number of employees were, wholesale and retail and, hotels and restaurants representing 21.5% and 20.6% of total employment respectively.

The employment data suggests there is a large supply of retail, food/beverage related and accommodation property in Highland Perthshire.

In 2006 there were 1,000 businesses in Highland Perthshire, an increase of 70 businesses (8%) since 1998, similar to 8% and 7% for all and remote rural. This increase represents 1.4% of the increase at the rural Scottish level.

Real estate, renting and business activities in absolute and percentage terms reported the largest growth in number of businesses – 86 (83%) compared with 37% and 40% for all and remote rural areas.

Generally speaking, there has been little significant sectoral change within the Highland Perthshire business base.

4.3.2 Priority Industry Review

There were approximately 3,000 employees working within the priority industries in Highland Perthshire in 2006, this represents a decrease of 151 (-5%) since 1998. This is significantly higher than the rural and remote rural areas at 6% and 4% respectively.

Tourism represents 57% of the total priority industry employment. The creative industries and tourism sectors have decreased in absolute terms by 129 (34%) and 65 (4%) respectively and within these sectors, employment within activities relating to museums and cultural attractions has decreased. Energy, a higher level and value added employment sector has increased by 72 (113%) over the period.

The priority industries employment base in the area is relatively small (at almost 450 in 2006) and narrow with tourism and construction the main employers at 57% and 17% respectively. Both of these sectors have, however, declined between 1998 and 2006.

The business base has remained relatively static and only increased by 3% businesses since 1998. This is significantly lower than the rural and remote rural areas at 15% and 12% respectively.

4.3.3 Property Market Review

There are approximately 7,200 employees working in Highland Perthshire showing a total requirement for 280,000 Sqm (3m Sq ft) of business property. Of this we have assumed almost 64,000 Sqm (690,000 Sq ft) of office and industrial floorspace, representing 12% and 10% of total business floorspace respectively.

Wholesale and retail trade and hotels and restaurants are the most dominant sectors in terms of number of employees accounting for 21.5% and 20.6% of total employment respectively and 30.6% and 17% of the occupied floorspace – 85,000 Sqm and 47,000 Sqm respectively.

Other industries that account for a notable percentage of total occupied floorspace include:

- health and social work: 10.5% of total occupied floorspace (30,000 Sqm); and
- education: 7.1% of total occupied floorspace (20,000 Sqm).

The average size per business is 279 Sqm (3,000 Sq ft) whilst the average size of premises ranges from 37 Sqm (400 Sq ft) for a construction business to 1,832 Sqm (19,600 Sq ft) for a business in the electricity, gas and water supply sector.

Based on self-employment data we have identified a total requirement for 42,000 Sqm (450,000 Sq ft) of business property, of which office and industrial floorspace account for 6,600 Sqm (71,500 Sq ft).

The agriculture, hunting and forestry, fishing is the largest sector for self employment in the area and accounts for 22,600 Sqm (237,000 Sq ft) of floorspace representing 53% of the total occupied stock. With regards to total floorspace, aside from the former, only the wholesale trade and retail and hotels and restaurants sectors occupy any significant level of floorspace.

In total (employees + self-employment) we have assumed that there is a requirement for approximately 320,000 Sqm (3.5m Sq ft) of business floorspace within Highland Perthshire with the wholesale and retail (28.4%) and hotels and restaurants (16.5%) sectors requiring the largest proportion of total floorspace.

Table 4.3 reports the total floorspace split between office and industrial.

Table 4.3: Total Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	36,249	390,532
Industrial	34,130	367,426
Total	70,380	757,958

Source: ABI/ English Partnerships Employment Density Guidelines

In total, office and industrial floorspace account for approximately the same proportion of total stock, 11.3% and 10.6% of the total occupied floorspace respectively. This differs from the Braemar and Upper Deeside and Galashiels area's reported earlier which had a greater amount of occupied office floorspace.

4.4 Stranraer

The Stranraer and the Rhins is an accessible rural area with an urban town (Stranraer). It is however, located considerable distance from any major settlements.

4.4.1 Baseline Economic Review

In 2006 there were over 9,000 employees in Stranraer and surrounding area, an increase of 1,020 (13%) since 1998. This represents 1.9% of the total employment increase at the rural Scotland level and compared greater than the 7% and 5% for rural and remote rural Scotland.

In terms of absolute changes to employment, the greatest changes have occurred in the:

- health and social work sector increased by 1,039 employees, representing 115% and compares with 32% and 26% for all and remote rural;
- manufacturing decreased by 567 employees, representing -47% compared with 32% and 26% for all and remote rural; and
- education increased by 384 employees, representing 80% and compared with 59% and 55% for all and remote rural areas.

In absolute and percentage terms, there have only been small levels of change within the employment base.

In 2006, the largest industry sectors with regards to number of employees are, health and social work and wholesale and retail trade, representing 21.2% and 17.2% of total employment respectively.

There are over 1,000 businesses in Stranraer and this represents an increase of 30 (3%) from 1998, compared with 8% and 7% for all and remote rural areas.

Within this overall change, health and social work experienced an increase of 34 (59%) and compared with 25% and 23% for all and remote rural. Construction increased its business base by an additional 21 units representing 21%, compared with 18% and 12% for all and remote rural.

The business base has remained relatively static over the period with no significant changes to the number or dominant industrial sectors.

4.4.2 Priority Industry Review

In total there are almost 3,000 employees working within the priority industries in Stranraer, representing an increase of 120 since 1998. This represents a 4% increase and compares favourably when considered against the -6% and -4% decline in all and remote rural areas.

Tourism, construction and creative industries have experienced the greatest absolute growth and are now the three largest employers within the priority industries. However, the increase within the creative industries has been amongst the lower level sub-sectors i.e. retail sale of books and independent artists etc.

The food and drink sector has experienced a substantial decrease of 329 (54%) employees over the period and further analysis shows this has primarily been in the processing of fish and related activities.

The priority industry business base is almost 450 and has increased by 35 (9%) since 1998. This is slightly lower than all and remote rural at 15% and 12% respectively.

The construction and creative industries sectors show the greatest amount of absolute growth, however the priority industry business base within Stranraer is relatively small and the changes that have occurred have not altered the 'bigger picture' significantly.

4.4.3 Property Market Review

There are over 9,000 employees working in Stranraer suggesting a total requirement for 360,000 Sqm (3.9m Sq ft) of business premises, of which office and industrial make up 114,000 Sqm (1.2m Sq ft) representing 18% and 13% of the total respectively.

Wholesale and retail trade and health and social work are the most dominant sectors in terms of number of employees accounting for 23.9% and 17.2% of total employment respectively and 23.8% and 18.2% of the occupied floorspace respectively - 85,000 Sqm and 65,000 Sqm respectively.

Other industries that account for a large percentage of total occupied floorspace include:

- education: 12% of total occupied floorspace (43,000 Sqm); and
- transport, storage and communication: 11.6% of total occupied floorspace (42,000 Sqm).

The average size per business is 336 Sqm (3,600 Sq ft) whilst the average size of premises ranges from 44 Sqm (450 Sq ft) for a construction business to 1,112 Sqm (12,000 Sq ft) for a business in the education sector. The Stranraer business base has not changed significantly since 1998 and still has a large proportion of heavier 'traditional' industries.

In terms of self employment we have estimated a total requirement for 80,000 Sqm (856,000 Sq ft) of business premises, of which office and industrial account for 7,000 Sqm (75,000 Sq ft)

The agriculture, hunting and forestry, fishing is the largest sector for self employment in the area and accounts for 58,000 Sqm (608,000 Sq ft) representing 72.7% of the total occupied stock. With regards to total floorspace only the wholesale trade and retail sector occupies any significant level of floorspace, although this only accounts for 9.4%.

In total (employees and self employment) we have assumed that there is approximately 440,000 Sqm (4.7m Sq ft) of business floorspace within Stranraer with wholesale and retail (21.2%) and agriculture, hunting and forestry, fishing (17.6%) sectors occupying the largest proportion of total floorspace.

Table 4.4 reports the total floorspace split between office and industrial.

Table 4.4: Stranraer Total Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	48,858	571,860
Industrial	72,415	855,967
Total	121,273	1,427,828

Source: ABI/ English Partnerships Employment Density Guidelines

In total, industrial and office floorspace account for approximately 16.4% and 11% of the total occupied floorspace respectively. Stranraer's traditionally rural business and employment base provide an explanation of the greater proportion of industrial floorspace.

4.5 Summary of Comparator Areas

4.5.1 Baseline Economic Review

The analysis shows that broadly speaking the four areas follow the trends at the wider rural Scotland level with heavier manufacturing industries experiencing a decrease in employment and number of businesses whilst real estate, renting and business activities has experienced a large absolute and percentage growth rate (Stranraer being the exception).

These changes will impact upon the demand for commercial property as there is a shift away from industrial stock to office and work from home based premises.

The continued growth of professional business services and activities and a slower growth rate of traditionally lower value added retail and food/beverage related employment is encouraging for rural Scotland in general.

4.5.2 Priority Industry Review

When reviewing the four comparator areas they all show general trends in that they rely heavily on the construction and tourism sectors for employment and to a lesser extent the creative industries. Construction employment in particular contributes a higher level of GVA to the local economy, however the creative industries employment is generally concentrated at the lower level.

4.5.3 Property Market Review

Based on anecdotal evidence we have assumed that the current stock of business property in rural areas does not effectively meet demand.

Our analysis shows a considerable shift in the base within the four comparator areas, but our consultation exercise (particularly the local area workshops) did not identify property development activity to meet this changing demand.

It is likely therefore that a significant proportion of rural businesses operate from premises that are inappropriate in type, scale and quality. This is considered in more detail in Chapter 5 – stakeholder and business surveys.

4.5.4 Area Comparisons

The case studies were specifically chosen to represent different types of rural locations in order to compare and contrast performance in wider economic terms.

This section seeks to identify the main similarities and differences between these four locations.

Similarities

A number of similarities are evident between the areas, including:

- all have undergone similar changes in economic profile, with a noticeable shift to service sector related employment;
- employment profiles are roughly similar across all areas although the more heavily populated areas have more of an urban profile;
- none of the areas has experienced any major development activity over the last 10 years;
- crucially, the public sector, who had previously been the main provider of business property in rural areas, began to reduce the amount and frequency of intervention and investment around 10 years ago. The gap has, by and large, not been filled by the private sector;

- all areas experienced good growth in employment over the last five years – in many cases significantly more than the wider local authority areas; and
- there is no real property market as such within any of the areas – at least one that can be meaningfully analysed.

Differences

There are, however, key differences between the areas:

- economic changes are more noticeable in the more heavily populated rural areas;
- the 'pull' of urban areas was strong in Perthshire and Galashiels and weak in Stranraer and Deeside – this impacts on the makeup of the local economy;
- the urban 'pull' in Perthshire and Galashiels has resulted in employment density being higher in these areas and lower in the more remote Stranraer and Deeside areas;
- the more remote and less populated areas show a greater increase in tourism related activity – as other employment has decreased there is little other alternative;
- the more populated rural areas benefit from the public sector service economy much more than less populated areas, therefore the public sector themselves are drivers of economic growth; and
- it is likely that a more bespoke approach to development will be required in the less populated areas with a more mainstream approach being appropriate in the other areas.

The above suggests that there are as many differences between rural areas as there are similarities within them. This in turn highlights the need for any future intervention to be flexible and able to reflect specific local circumstances.

5. Stakeholder/Business Survey

This section presents the results of our detailed stakeholder and business engagement programme. Three specific methods of engagement were adopted:

- stakeholders: local level workshops and telephone interviews with key partner organisations and local stakeholders;
- rural businesses: postal and telephone interviews with businesses in rural areas; and
- property market professionals – telephone interviews with property developers and agents with specialist knowledge of rural markets.

The results of our findings are presented below.

5.1 Stakeholder Consultation

The study adopted two specific method of stakeholder engagement. Firstly local area workshops were held in each of the four comparator rural areas, which were attended by range of public organisations and private companies. Secondly, we conducted telephone interviews with individuals with a strategic or national level interest in or understanding of the issues.

The consultations focused on four key areas, as outlined below. The issues discussed at the rural consultation workshops⁴ are presented at Appendix 5. A list of those that participated is presented at Appendix 6.

The content of this section is based on the specific responses made by consultees – our interpretation and analysis of these responses has been included in our overall study findings and recommendations.

5.1.1 Strategic issues

In response to the questions relating to strategic issues, the discussion focused around topic areas.

Perception

Consultees felt that there is a very traditional approach and conservative view of rural areas. They are generally considered to be somewhere that should be preserved or safeguarded in terms of conservation rather than as viable communities that have economic needs or growth opportunities.

⁴ A workshop briefing note with key discussion issues was provided to participants in advance.

Consultees also felt that businesses in rural areas are often sidelined, with the perception that they have little growth potential or aspirations and therefore receive little or no business support from public sector support agencies.

Economic

Consultees felt that the economic problems are largely the same as they were 20 years ago, but with some shift, particularly in accessible rural areas, toward higher value small businesses. Business growth and diversification cannot be considered in isolation, but has significant connections alongside other issues including housing, access, skills, infrastructure, etc.

Major employment sectors continue to be in primary, tourism, public sector and construction industries – in the main these require specialist rather than traditional business property.

Consultees also identified that there is often significant reliance on large business(es) that are externally owned to provide employment and therefore safeguard rural communities. This creates obvious tensions as there is no local control over the future operation of the business.

Issues/Barriers

Consultees felt that any review of business property markets has to be considered with a wide range of other issues/barriers that affect rural markets including the availability of skilled workers, transport links, affordable housing and the increase in second home ownership (therefore increase in house prices and reduced workforce). These are also major issues that affect the ability of businesses to grow and diversify.

Specific issues and barriers in relation to business space development included:

- lack of infrastructure and servicing to support development;
- the topography of land in most (but not all) rural areas, means that there is limited flat development land, with most of the existing land already developed; and
- the growth in demand for housing in rural areas reduces the land available for development even where it is zoned for business/economic use as owners often hold the land for its residential value rather than release for lower value business use.

5.1.2 Local Property Market

The discussion with consultees focused around the supply and demand issues in relation to the operation, activity and constraints of property markets in rural areas.

Property Stock and Development Activity – Supply

There was no clear consensus around the availability of stock in rural areas, with some areas having no stock at all and limited potential to safeguard existing businesses or attract new, and other areas with sufficient space to meet future demand. There was, however, greater consensus over the quality of available space – where space is available it is generally older and requires some upgrade.

There appears to be a high proportion of stock in rural areas reflecting past industrial uses e.g. former mill buildings, which are unsuitable for modern business needs and expensive/difficult to refurbish. Planners often require the protection and reuse of existing buildings in order to protect the heritage of the countryside, but this is not always the most appropriate response in economic terms. Demolition and site redevelopment would often be more affordable for businesses as well as creating a property that suits their modern business needs.

Most areas reported little past development activity in their rural area over many years, particularly speculative space, but where property has been built, it has been successful – suggesting latent demand. Development has primarily been led by small local developers and this is recognised as the key in generating future activity. There has been some major speculative development in the Borders in recent years through a private sector operator (Image Estates) which has attracted new investment to the Borders area e.g. SSPA.

Another key difference identified between public and private sector developments is that while private developments are generally lower value they often have good local links, supporting local job creation. Public sector developments on the other hand were recognised as being expensive and having generally seeking to attract external investors into the area.

Consultees recognised the gap between the cost and value of business property development, which is often greater in rural areas. This, together with the higher level of risk (due to weaker/thinner markets) is the primary cause of limited speculative development activity.

Property market economics often mean that the private sector is unwilling to take on the risk of speculative development as returns are insufficient to cover costs. There are also limited financial resources available from public sector operators to meet this financial gap. The effect is no available property as developers require anchor tenants, or head leases, to enable development to proceed. The other effect is that sites and buildings (for redevelopment) tend to go for higher value uses, primarily residential but also retail.

Business Demand

There is limited evidence to support the need to develop new speculative business property in rural areas, but anecdotally consultees felt that there was demand, largely driven by local businesses looking to expand (or upgrade property) or from local residents working from home. Most felt that a significant proportion of businesses would have resources to invest in property but are hampered due to lack of supply.

One of the key issues is the lack of information – for developers in terms of levels of demand, but also for businesses in terms of finding available property. The urban areas of Scotland are well served through the SPN database⁵, but there are particular issues in relation to rural markets due to their size, geographic spread and (generally) local property ownership. Some consultees could identify specific local level survey work which has identified demand amongst the indigenous businesses for property that would allow their business to expand.

Consultees identified specific issues in relation to major rural industry sectors e.g. forestry, tourism, energy, food and drink, etc. These sectors are often more prevalent in rural areas, but they have specific property requirements with limited use for traditional property stock. This creates further pressure as it is difficult for new operators to move into the area and existing operators require some time before expansion can be accommodated.

There is a growing demand from businesses to purchase land and buildings rather than lease – this is also the case in rural areas. It helps to cement businesses into the rural economy and supports future growth and expansion, but it can be difficult to find suitable land.

A common response from consultees is that there is now less developable land in their rural area than there was 5 or 10 years ago. There are a number of factors behind this, business growth/expansion in rural areas taking up land/buildings, but also and most importantly the increased demand for housing (and increased land price) and the pressure that this puts on land for other uses.

5.1.3 Roles and Responsibilities

The third area of discussion at the workshop focused around the roles and responsibilities of both public and private sector in relation to past and future business property developments in rural areas.

⁵ www.scottishproperty.co.uk

While there are some instances of specific public sector support for property development in rural areas, these are limited. The major players are small local developers, who have limited ability to undertake speculative or large scale developments.

In the future consultees felt that the role of the public sector in the future should be two-fold:

- supporting private sector development through the provision of grant assistance; and
- undertaking demonstration projects in rural areas which, if successful, could encourage private sector activity – it would identify a level of demand, remove some of the risk and support the process of private bank borrowing.

Consultees questioned the specific role of SE in future in relation to property market support for private development. It is unclear whether SE will have the ability or resources to support this sector, or whether the key responsibility will fall to local authorities. There was some concern that local authorities have limited expertise in working with the private development industry and, when together with resource pressures, make it unlikely that they will play a significant role in the future.

One potential future opportunity could be to work with local communities, through a social enterprise medium, to create new business space. If grant and/or private funding can be secured, this could generate resource revenue for future investment in community projects – a good strategic fit with key government objectives.

Four issues were raised under the discussion around roles and responsibilities:

- developers need to actively engage with the planning system to ensure an effective and joined-up approach that supports communication between relevant parties and ensures a good level of understanding of issues and sharing of relevant information;
- there is a need for infrastructure provides to be included in planning discussions to identify and allocate future development land. As infrastructure is essential for development, but often limited in rural areas, it is important to work with operators to overcome constraints. There may be instances where some pump-priming is required to create serviceable development land, but it was recognised that this would need to be provided in central areas to maximise the ability to attract businesses; and
- there is recognition that planners often take a conservationist or protectionist view of rural areas. In order to sustain the economy of rural areas it is important that economic development aspirations and opportunities are also taken into account. Planners need to take a positive view of where development can be accommodated to support economic growth and diversification.

5.1.4 Future Priorities and Interventions

Consultees were asked to consider and identify future priorities and specific interventions to support growth. The main industry sectors identified were: tourism, leisure, food and drink, renewable energies and forestry/timber. Other opportunities were identified around the ability to attract public sector operators and government relocations.

Consultees felt that future development should be focused on the larger towns within rural areas as this would maximise opportunities. Planning gain, particularly where it is related to major residential development, could be used to secure business property development – either as a developer contribution to new build development, or in providing serviced development plots for owner occupation.

Consultees also felt that there was an opportunity to create a property development fund where the public sector set the strategy, objectives and targets, acquired/serviced land and issued development opportunity briefs to private sector developers or operators, with gap funding if required.

Consultees were asked to consider the consequence of no change in the current status quo with regard to business property development in rural areas. Most questioned the long-term viability of rural areas, particularly where there are limited business and employment opportunities.

It was recognised that local authorities have to consider the political perspective and that there was therefore a need for them to protect and safeguard services. This will be more difficult where the economic viability of rural, and particularly remote rural areas, declines.

5.2 Business Surveys

Whilst it is important to gather primary research data from businesses in rural areas regarding property issues, there was a recognition amongst the study team relating to survey fatigue amongst businesses (particularly where no financial support has been provided) and therefore an expectation of low levels of response to the research questionnaire.

Two specific measures were designed to address this issue: the survey scale (1,000 distributed) and inclusion of targeted telephone interviews with respondents of the previous rural business survey that identified property as a constraint on their business growth/ diversification.

The outcome of the business survey process was completed interviews with 136 businesses, representing 13% of our total sample. The range of business sectors and size of business suggest that respondents were broadly representative of the rural business base⁶.

Based on standard parameters for research sampling, i.e. 95% confidence interval⁷, the response rate gives a plus/minus 8.6% confidence level i.e. 95% of the sample will have given the same answers plus/minus 8.6% of respondents.

The responses provided to our sample are therefore likely to be broadly representative of the issues, needs and opportunities for businesses in rural areas.

5.2.1 Survey Method

In total, 1,000 letters and questionnaires were sent to businesses within rural areas, as defined by the Scottish Enterprise Rural Group. The survey sample represented a range of industries and rural areas across Scotland.

In addition to this, 30 letters were sent to rural businesses looking to engage them in a telephone survey. In total there were 136 responses (120 postal and 16 telephone) generating a response rate of 13%.

The business surveys looked to ascertain the following:

- business location;
- background details on premises;
- employment and turnover details;
- constraints upon business performance/activity; and
- potential impacts of relocating, expanding or upgrading property.

A copy of the rural business questionnaire is available in Appendix 7.

The survey adopted a targeted approach to maximise response rates.

⁶ In comparison with ABI 2006 whilst broadly representative: lower response received from businesses with 1-10 employees, higher from 11-49; significantly higher response from Agricultural/Manufacturing sectors, lower from Banking/Public Admin; lower from Other Services.

⁷ Confidence interval is the plus-or-minus figure; Confidence level tells you how sure you can be.

5.2.2 Introduction

Questionnaires were distributed to rural businesses across the SE area to both accessible and remote rural businesses. **Table 5.1** provides details on the location of respondent businesses.

Table 5.1: Business Location Description		
	No	%
Accessible small town	47	35%
Remote small town	1	1%
Accessible rural	79	59%
Remote rural	7	5%
Total	134	100%

The majority of businesses considered themselves to be operating from either an accessible small town or an accessible rural area. Only 6% of respondents reported they operate from a more remote location.

There was a broad mix of industries represented in the sample, but as would be expected the greatest number of responses came from traditional rural industries i.e. agriculture, tourism related and manufacturing.

5.2.3 Employment and Turnover

In total, 129 businesses responded to questions on employment. From this, there were a total of 1,910 employees, giving an average of 15 employees per business. This is slightly greater than the average business operating from rural areas as outlined in our economic review of 11.4 in 2006, and perhaps reflects the type of respondents.

Within this, there a wide range of employment levels from 0 (i.e. self employed) to 330 for larger agriculture and manufacturing businesses.

Table 5.2 reports on how the level of employment has changed over the past three years and how respondents expect it to change over the coming three years.

Table 5.2: Employment Levels				
	2005		2011	
	No	%	No	%
Increase	38	32%	62	48%
Decrease	14	12%	11	9%
No change	65	55%	54	42%
Total	117	100%	128	100%

The table shows that 32% of respondents have experienced increases in their employment from 2005, set against 12% of businesses that reported a decrease. Looking forward over the next three years, almost half the respondents (48%) expected to increase their levels of employment by 2011 with under 10% experiencing any decline.

Further to this, respondents were asked on their current levels of turnover and similar to questions on employment, were asked to detail the changes that have occurred since 2005 and the expected changes up to 2011.

Table 5.3 reports the current level of turnover.

Table 5.3: Turnover Levels		
	No	%
Under £49k	17	13%
£50k - £99,999	20	16%
£100k - £249,999	18	14%
£250k - £499,999	21	17%
£500k - £999,999	19	15%
£1m - £5m	23	18%
£5m - £49m	7	6%
£50m+	2	2%
Total	127	100%

There was a broad range of turnover size bands reported by respondent businesses with turnover largely dependent on the type and size of the business. Generally speaking, the majority of businesses (74%) reported their turnover at under £1m.

Table 5.4 details the past and forecast changes in turnover.

Table 5.4: Changes In Turnover Levels				
	2005		2011	
	No	%	No	%
Increase	64	57%	83	67%
Decrease	17	15%	14	11%
No change	32	28%	27	22%
Total	113	100%	124	100%

The results show that 57% of respondents have experienced an increase in their turnover since 2005, with only 15% experiencing a decrease. With regards the period 2008 to 2011, there was a relatively high level of optimism shown by respondents, 67% reporting that their turnover will increase. Only 14 businesses (11%) are forecasting a decrease in turnover.

Further to this, **Table 5.5** reports on the state of the market the businesses operate from in more general terms and reports that 58% believe that their market segment will continue to grow in the future, with only 8% forecasting market contraction.

Table 5.5: Market Situation		
	No	%
Growing	75	58%
Declining	10	8%
Static	45	35%
Total	130	100%

5.2.4 Business Premises

Respondents were asked to provide background details on their property (size, age, type etc) and also the suitability for their business needs.

Table 5.6 details the size of respondent's business premises.

Table 5.6: Business Premises Size		
	No	%
Under 2,000 Sq ft	44	38%
2,000 - 5,000 Sq ft	24	21%
5,000 - 10,000 Sq ft	14	12%
10,000 - 25,000 Sq ft	14	12%
25,000 - 50,000 Sq ft	7	6%
50,000 Sq ft+	13	11%
Total	116	100%

There was a variation in the size of property bands reported, however, the majority (69%) operate from property of less than 5,000 Sq ft floorspace.

Table 5.7 over, reports the types of property respondent businesses occupy and shows that there is a relatively even split between agricultural, office and industrial property. The results also show that some businesses operate from more than one type of property to accommodate their business needs.

Table 5.7: Business Premises Type		
	No	%
Industrial	32	17%
Office	34	19%
Warehouse/distribution	12	7%
Retail	14	8%
Agricultural	40	22%
Visitor accommodation	13	7%
Food/drink outlet	12	7%
Other	26	14%
Total	183	100%

Note: no of respondents = 119

Other background details collected by the survey relate to the age and ownership status of business premises. **Tables 5.8** and **5.9** report these. It should be noted that the total response is greater than the number of businesses as some gave more than one answer.

Table 5.8 reports that 47% of businesses have premises that pre date the 1950's and only 12% of businesses have new premises that were constructed since 2001.

Table 5.8: Business Premises Age		
	No	%
Pre 1950's	74	47%
1950 - 1980	29	19%
1981 - 1990	19	12%
1991 - 2000	15	10%
2001 - 2008	19	12%
Total	156	100%

Note: No of respondents = 129

Table 5.9 shows that almost two-thirds of rural businesses own their business premises. There is very little public/local authority owned stock being rented by respondents, at only 6% of the total.

Table 5.9: Business Premises Ownership Status		
	No	%
Owned by business	85	63%
Rented form private landlord	33	25%
Rented form public landlord	8	6%
Other	8	6%
Total	134	100%

Note: No of respondents = 118

After establishing the background details to business premises, the survey established the extent to which current premises meets business needs and what, if any, constraints they face. **Table 5.10** reports the results.

Table 5.10: Suitability Of Business Premises		
	No	%
In full	40	30%
Adequately	60	45%
In part	24	18%
Not well	9	7%
Not at all	1	1%
Total	134	100%

Note: No of respondents = 118

The table shows that forty businesses replied their premises meet their business needs. However, there were 34 (26%) business that reported their premises do not fully or adequately meet their needs.

From this, these businesses were asked to comment on the extent to which their premises constrain or limit the success of their business. The responses are reported in **Table 5.11**.

Table 5.11: Premises Constraint On Success Of Business		
	No	%
Significantly	14	11%
In part	56	42%
Not at all	63	47%
Total	133	100%

Note: No of respondents = 117

70 respondents (53%) reported that their premises was a key factor in constraining the success of their business. Further to this, 43% reported it constrained their business performance e.g. expanding employment level, efficiency, reduced margins etc.

Respondents were asked if they would consider moving premises in order to alleviate these property constraints, 47 businesses (36% of respondents) reported that the constraints placed on the business by their premises were such that they would consider moving premises. Further to this, from the 47 identified businesses, 35 (75%) would consider relocating their business, although most would prefer to be within a 20 mile radius of their current location.

From the sample that would consider moving premises, **Table 5.12** over, provides details on the size, type and tenure of property they would require.

Table 5.12: Premises Required						
Size	Smaller			Larger		
	No	%	No	%	No	%
	3	8%	36	92%		
Tenure	Owned			Rented		
	No	%	No	%	No	%
	30	75%	10	25%		
Type	Office		Industrial		Other	
	No	%	No	%	No	%
	9	27%	12	36%	12	36%

The table shows that the type of property required was varied; however there was a clear pattern of demand for larger premises, owned either outright or with a mortgage.

As already reported, a large percentage of respondents currently own their premises and if moving premises would wish to continue to be an owner occupier. **Table 5.13** provides details on businesses long term preference for their premises and shows that again the demand in the rural business base is for owner occupied property.

Table 5.13: Long Term Ownership Preference		
	No	%
Rent	11	9%
Own	75	64%
No preference	31	26%
Total	117	100%

There are a number of reasons why there is a majority preference for businesses to own premises, however the most common responses related to it being a better investment and asset to the business.

Table 5.14: Preference Of Owned Premises		
	No	%
Purchase existing premises	11	21%
Build own property	22	42%
No preference	19	37%
Total	52	100%

There was a slight majority of respondents that would prefer to build their own premises, however, a large number reported they had no preference.

Table 5.15 over, reports the other constraints, aside from property that constrain/affect business performance.

Table 5.15: Business Constraints		
	No	% of Respondents
Business planning	11	12%
Financial resources for investment	49	54%
Working capital	31	34%
Marketing info and advice	11	12%
Availability of labour and skills	50	55%
Accessing new markets	24	26%
Regulatory frameworks	30	33%
Developing international/export markets	9	10%
Transport/logistics difficulties	20	22%
Other	13	14%
Total	248	-

Note: No of respondents = 91

There were two key constraints for rural businesses that the survey identified; availability of labour/skills and access to finance and investment, reported by 55% and 54% of respondents respectively. However, it should be noted that these problems are generic and not specific to rural businesses. This was recognised by half the respondents who reported that these constraints were not made worse by their rural location.

5.2.5 [Impact on Performance](#)

This section reviews the potential impact that relocation/alteration/expansion of their property could have for the businesses future performance. **Table 5.16** reports the business support respondents have accessed in the past.

Table 5.16: Business Support		
	No	% of Respondents
Scottish Enterprise	51	45%
Local Authority	26	23%
Business Gateway	36	32%
Other	12	11%
None	54	48%
Total	179	-

Note: No of respondents = 113

Almost half the respondents have had no contact or support with any business support organisations. From the businesses that have, the LECs are the most common point of contact, for 45% of respondents.

Forty nine businesses (40%) reported there is some change they would like to make to their premises but are unable to at present. The majority of these responses related to expanding or upgrading their existing premises in order to diversify or increase business activity.

When asked to quantify what impact these changes to their premises could have upon turnover/profit and employment the respondents reported that turnover/profit could increase by between 5% and 100%, however the average increase was forecast between 10% and 30%.

With regards the impacts upon employment, businesses were unable to accurately estimate impacts on employment, however, most businesses reported that the new activities (taking place as a result of the increase to premises) would require them to increase their employment.

Although there were few respondents that could report any other business impacts that a change in premises would have, a small number believe that improved efficiency would be the other key impact from a change in premises/activity.

5.2.6 Summary

The survey generated a response rate of 13% through a mixture of postal and telephone questionnaires. The majority of the respondents reported their business location as accessible rural or accessible small town.

With regards past and future business performance (employment and turnover) a number of businesses reported they have experienced an increase in turnover and employment and that this trend is set to continue over the next three years (2008-2011). This optimism about increasing performance was supported by the fact that approximately 60% reported they operate within a growing market.

There was no 'average' or 'common' type of business premises reported, depending on the type of industry there was a wide range of business premises with regards to type, size and age. However, 90% of premises were less than 50,000 Sq ft whilst 88% were built before 2001. The most common types of property reported were agricultural, industrial and office. Almost three quarters of respondents owned their business premises – a comparatively high figure⁸.

With regards the suitability of premises to meet the needs of the business, 26% reported that their current premises only meet their needs in part or not at all. Further to this, over half of the respondents reported that their premises constrain some aspects of their business performance. From this, approximately one third indicated they would consider moving premises in order to alleviate these constraints.

⁸ EKOS study on M74 Completion reported that less than 50% within an urban area owned their premises.

There was a clear pattern of demand from the respondents – they would prefer larger premises and would also want to own them. Approximately 40% of businesses would prefer to build their own bespoke premises – in order to specifically match business needs, however, a large number also reported that they had no preference if the property matched their general business needs.

Alongside the property constraints that have been outlined in this section, access to skilled labour and financial investment were the other key constraints on respondent businesses, although only half indicated that their rural location intensified these constraints.

5.3 Property Market Consultation

5.3.1 Background

The final aspect of our consultation programme involved telephone interviews with private sector developers, surveyors and estate owners that operate primarily or exclusively in rural areas.

The consultations were broken down into the following sections:

- recently undertaken development activity;
- issues, demand and supply in the local property market; and
- future priorities.

The consultations looked to address some of the specific property market failures and issues that were identified in section 3.4.

Despite considerable efforts on the part of the study team and multiple contact attempts by telephone it was not possible to achieve the target response rate of 10. In total, seven interviews were completed with property businesses.

Table 5.17 reports those that participated in the consultations.

Table 5.17: Private Sector Consultees		
Simon Blckett	Invercauld Estate	Braemar & Upper Deeside
Andy Robertson	Bell Ingram	Braemar & Upper Deeside
Michael Bruce	Glen Tanar Estate	Braemar & Upper Deeside
David Strang	Strutt & Parker	Braemar & Upper Deeside
Sandy Wilson	Croc An Ro-Aire Properties	Highland Perthshire
Michael Leybourne	Smiths Gore	Stranraer
Mike Burrell	Murray & Burrell	Galashiels

The interviews were conducted in confidence and whilst the views and opinions of participants are outlined below, it is not reported in a format that identifies individual respondents.



This chapter presents the outcome of the consultation process. Unless specifically identified, the content of this chapter reflects the specific views and opinions of those that participated with no analysis or justification on the part of the consultants.

We would like to record our thanks to those that participated in this process.

5.3.2 Recently Undertaken Development Activity

The first section sought to ascertain what, if any commercial property development the consultees had undertaken over the last few years and the type, scale and reasons for these developments. It is important to note that not all the questions were appropriate/answered given the mix of surveyors, developers and estate owners.

Five of the consultees have undertaken some development of commercial property over the past few years. All of this activity has been relatively small scale one-off developments with the largest unit reported as 11,500 Sq ft. Only one consultee had undertaken a new build development and this was a mix of small industrial and workshop units. The other consultees were involved in converting existing stock that was no longer fit for purpose. All the commercial developments were of an industrial/workshop specification.

The reasons the consultees undertook these developments was because they had identified a small demand from local business or had been approached by local businesses. In one instance, the Local Enterprise Company had approached them to convert an existing building and offered rate subsidies and also provided anchor tenants. None of the consultees reported undertaking any speculative development as the demand in the local area is low and too risky/expensive to have unoccupied premises.

From the consultees that have not undertaken any commercial development activity, one respondent reported that long established businesses were moving out the local area as they could no longer afford the rents/rates that developers need to charge to make a reasonable (if any) return on their development. The commercial property market is reported to be uneconomic in providing premises for local businesses.

Given this small scale of development activity over recent years, three consultees indicated that if more land was made available and rezoned for commercial use together with greater/easier access to land availability information, this could encourage them to undertake more non residential developments in the future. One consultee identified the local planning system as a major constraint upon commercial development activity and that the local plan supports residential developments to a far greater extent than commercial developments.

5.3.3 Issues, Demand and Supply in the Local Property Market

In more general terms, consultees were asked to describe their local property market, including:

- development activity in general in the area;
- demand for commercial property;
- supply of commercial property;
- demand/supply issues;
- key constraints on development; and
- availability of sites/development opportunities.

Consultees reported that the local commercial property markets, in general have been fairly static with any developments being on a small scale and more reactive to bespoke demand rather than speculative in nature. Whilst there have been small levels of demand, this is generally for industrial/workshop and retail focused and of a low to medium spec. They identified that the trend is to convert existing premises rather than new build developments because of the lower capital costs and the restrictions within the planning system.

With regards to the level of demand for commercial property within the local area, five consultees reported that given the low/poor supply of premises and lack of new build activity being undertaken demand is definitely greater than the supply. However, it should be noted that although there is local level demand, it tends to be small scale 'one man band' activities that are looking for a low spec, cheap multi-purpose property. All of the consultees reported that these types of development are not cost effective and the demand would have to be greater to encourage them to invest.

It is clear from the consultations that constraints and issues exist within both the demand and supply side, with development not being cost effective to engage the private sector whilst the existing supply of property is inadequate to meet current demand and support future growth.

Two consultees identified that there is practically no demand in their local rural area due to the poor connectivity/physical infrastructure. They also felt that the area is marketed as a commuter rather than a viable business location.

As would be expected given the 'traditional' business base of many rural areas, the local property market is dominated by industrial/workshop units with some office and mixed premises. Consultees did not identify over-supply of any one type of property within the comparator areas as generally the business base matches the supply of premises, or businesses were 'making do' with their premises.

As reported above, the supply of commercial property within rural areas is decreasing as existing stock is cleared or refurbished for residential use; this alongside the lack of private sector involvement/interest in rural areas and the constraints the planning system and local plans place on private sector developers further limits the supply of suitable commercial property for indigenous, new businesses to the area and new-start companies.

The consultees were asked to report the main issues within their local area that constrain commercial developments. As already reported above, and reaffirmed by all the consultees, the main issue that exists for private sector developers within rural areas is that financial returns on business property investments are too low to be sustainable or cost effective.

In comparison with more urban areas, rural areas do not produce a sufficiently high return on the investment as rural businesses are simply unwilling/unable to afford the rents. This issue is exacerbated by demand side factors i.e. that businesses want small, low spec cheap properties which would further reduce the investment returns for private developers.

It was also identified that within the four comparator areas there has been substantial growth within the residential sector, where developers generate greater returns on investment and more development opportunities exist, this is also constraining the development of commercial activity as developer's focus on residential where there are greater returns and less risk of unoccupied units.

The main constraint on speculative development is the risk aversion of private developers. All the consultees (that were involved in developing) reported that unless there is a known and definite demand for commercial premises they do not undertake any speculative development and these trends are common across the wider rural areas. One consultee identified the recent changes to planning legislation that local authorities will charge full rates to unoccupied premises – further increasing the risk developer's face in developing commercial property in rural areas.

Further to this, consultees were asked to identify any specific issues or challenges/obstacles that exist within the planning system. Four identified specific issues within the planning system that act as a significant barrier to development of commercial property. The problems are three fold:

- the planning department is more concerned with sustaining and enhancing the rural environment as opposed to growing the business base i.e. very difficult to get planning permission for new build property unless residential;
- the time, expense and bureaucracy involved with submitting a planning application; and
- a large number of development sites are zoned for residential use and the only opportunities that exist are within converting and refurbishing existing stock.

As reported within section 3.4 the planning system/local plan within rural areas focuses on enhancing the rural environment, which generally restricts new build developments and encourages the refurbishment of existing stock, although as already reported, the amount of existing stock is decreasing and the returns are comparatively low. Rural areas with good connectivity and physical infrastructure in particular were identified as having tight planning constraints – although they offer the most attractive and feasible location for businesses.

The bureaucracy and time involved in receiving a decision from the planning department is not a problem that is specific to rural areas although was reported as a further constraint on private developers. The planning system is viewed by four of the consultees as enabling and supporting residential developments and acting as a controlling and constraining actor for the development of commercial property within rural areas.

With regards the availability of sites, land and opportunities for commercial property development, there was a mix of responses. Some consultees indicated that there is a lack of developable land, whilst others identified potential sites but they are often not zoned for commercial use and others reported there are suitable zoned sites, but the price of the land would only facilitate residential developments if developers were looking to receive a reasonable return on their investment.

It should be noted that two consultees highlighted there was a shortage of skilled workers in their local rural area, particularly related to commercial development and that the decline in population and out-migration of young people is exacerbating the problem.

The future development opportunities that exist within rural areas are specific to individual areas. The current slow rate of growth within the commercial sector means that the potential shortage of development opportunities is considered more of a long term problem, although if the growth in residential development continues it may become one of the key constraints on commercial development.

5.3.4 Future Priorities

The final section of the consultation process focused on future priorities for rural areas in terms of growing their business base and commercial property market. Consultees provided feedback on specific roles for the private and public sector in facilitating future development activity and provided their thoughts on the counterfactual i.e. what happens if there is no change in rural area property market development activity.

Consultees were asked where the greatest potential/opportunity exists for growing the indigenous business base, start-up businesses or attracting new businesses into the area. Four of the consultees reported that a mixture of all three would be required for a sustainable economy although indicated the lack of attractive locations for new and start-up businesses, also the rents required by developers could deter start-up businesses.

Two consultees indicated that although growing the business base was an important future priority there must be a balance between business growth and protecting and sustaining the natural environment – a key asset to most rural areas. One of the consultees reported that with the increase of residential developments, there is an opportunity for these new residents to start a business or relocate their existing business thus growing the business base 'bottom - up'.

The consultees identified a number of actions that could be undertaken by the public sector to enable and leverage more investment from private sector developers. These include:

- rezone land for commercial use – to provide more development opportunities for business space development;
- more clarity/information with regards the planning process – make changes to the local plan and inform the private sector at the key stages and also a clear criteria on what the planning department require;
- grant support to compensate for the low returns (in comparison with residential developments) – the main constraint on commercial development is the low returns developers secure for their investment. A grant scheme that offsets low returns and minimises risks could be an effective tool/incentive to encourage private sector development activity;
- support for speculative developments i.e. help source tenants and offer subsidies for unoccupied units – risk aversion amongst private developers in rural areas is a key constraint on developers undertaking speculative developments, if the public sector help reduce the risk then speculative developments could potentially stimulate the market;
- improvements to physical infrastructure i.e. connectivity, broadband etc to encourage in-migration of businesses – the most attractive locations for businesses and the greatest demands are for locations with a good physical infrastructure to make the supply of property more attractive ; and
- a THI⁹ type strategic grant scheme that encourages the right type of commercial development, the more isolated rural areas need to become more self contained and self sufficient.

A number of actions were identified that would encourage the private sector to develop commercial properties, however, the most important of these is making the development cost-effective and securing a reasonable rate of return, if this is not achieved then commercial property development activity will remain relatively static and reactive to small and bespoke demand rather than proactive and speculative.

Consultees were asked to consider what would happen to their local commercial property market if there is no intervention and the market is left 'to its own device'. A number of consultees reported that the local area would be dominated by residential developments and thus leading to a greater amount of out-commuting from the area. The knock-on effect of this would be a continued decline in young people to urban areas to find employment and/or education and further reduce the local employment base.

With regards to the property market, consultees felt that there will be a decline in developable existing stock. The long term impact of this is that the stock will become dilapidated and unfit for purpose. With increasing prices and static returns it will not be cost-effective for private developers to invest.

5.3.5 Summary

Rural areas and commercial developers within rural areas face a number of issues and challenges. Historically rural areas offer lower returns on non residential developments as well as the demand/supply imbalance that exists in a number of rural areas. The growth of the business base in some rural areas and their property demands/requirements promotes a mismatch between what developers want in terms of financial returns and what businesses are willing/able to afford.

Feedback provided by consultees indicates that currently there is a limited supply of fit for purpose stock and new build property is not an option due to planning constraints. There are a number of key constraints that act as barriers for the private sector including the financial returns, risk averse nature of the private sector and issues with the planning system. Currently there is a perceived shortage of development opportunities with regards to available land and also with existing stock, which is only likely to continue and increase in the future.

There are number of public sector actions and interventions identified that could leverage the private sector developers, with the most important factor identified as subsidising activity to compensate for the comparatively low financial returns.

It was recognised by all consultees that without action or intervention of some kind then rural areas will continue to be dominated by residential developments and the lack of employment opportunities will further diminish the number of young working age people.

6. Key Study Findings

6.1 Review against Study Objectives

As outlined in Section 1.2, the study brief identified six specific study objectives that were to be tested through the research method. We have reiterated these objectives below together with our overall conclusion and study findings against each:

- based on past research patterns, develop an understanding of the **nature of demand** for business premises/land in rural areas, in relation to premises and business type:

The study has identified demand for additional business premises and land in rural areas – this is clear in the response to our business survey and confirmed through consultation feedback. It is, however, not possible to identify one specific type of business or premises that has greater constraint than others. We have, however, recommended that there is a need for intervention primarily in two property market areas – provision of serviced development plots for self-built owner occupation and the development of small multi-occupancy office units.

- review past evidence to determine the extent by which **'place' issues** have constrained/enabled rural economic development:

In combination with a range of other factors, property plays a role in constraining rural economic development. For a small number of businesses it is identified as the key constraint, but for a greater number is part of the problem they face in growth and/or diversification.

- review past evidence to determine the main barriers to matching rural place availability/development with business demand – identifying the main **market failures**:

The report identifies a large number of barriers constraining the development of rural business premises. Key barriers are: availability of economically viable land for development (competition from higher value uses and servicing/infrastructure), property market economics and risk aversion amongst developers (financial returns are insufficient to offset costs), planning constraints (the protectionist view of planners, promoting re-use of old buildings, conservative view of safeguarding rural areas rather than sustaining rural economies) and the difficulty in obtaining information on both supply of and demand for business premises in rural areas.

- **identify approaches** that historically have had the greatest impact in overcoming place development barriers – covering both SE and other economic development agencies:

Our review of practice in other areas shows that there has been a move in recent years away from the provision of grant funding for speculative rural business property programmes toward a bespoke approach of addressing property issues where they arise for rural businesses. Regional economic development agencies (e.g. RDAs) provide high level funding to deliver their Rural Development Strategy, but they take a high level approach with sub-regional partners responsible for project delivery.

- drawing on past evidence and current contexts, **identify barriers** associated with the application and delivery of effective interventions:

There are a number of barriers to the application and delivery of effective interventions to address rural property market issues. These include: delivery resources (staff and funding), lack of specific outcome targets set within policy/strategy documents, the level of priority attached to rural area property development and the conservative view of planners towards business property development in rural areas.

- identify future rural **'place' requirements** for exploiting rural economic growth opportunities in the light of metro regional development approaches and policy imperatives:

The strategy and policy toward rural area economic growth and diversification is clear and effective – this includes European, National, Economic Development and Rural strategies. What is less clear however, is where responsibility lies for the delivery of policy and achievement of objectives. The overarching place requirements identified through our report are based on a speculative approach to the provision of serviced development land and creation of multi-occupancy office units, together with a bespoke approach on a company-by-company basis.

6.2 Learning Workshop

Based on the study review and analysis a workshop was held with the SE Rural Group in March 2008. This workshop presented the main findings of the study, followed by an open discussion around three key issues, as outlined below:

- strategic response;
- designing solutions; and
- delivery options

6.2.1 A Strategic Response

The focus of the workshop discussion, together with additional study findings, is presented below. Based on the study analysis and practical experience, three key questions were set:

- is there a lack of business premises in rural areas?

The broad findings of the study are that there is a lack of business premises in rural areas to support economic growth and diversification, but that it is difficult to quantify the scale. There has been a patchwork of development over recent years with some rural areas considerably better served than others.

A number of issues are identified throughout this report including capacity of local developers, competition for land for housing, planning/infrastructure constraints and property market economics i.e. the cost of building new space does not provide sufficient returns to cover the risk.

- if so, is it constraining economic activity?

The lack of property options constrains business activity, but it is not the only factor. Businesses also rely on: staff, who need (affordable) housing options; good transport access for staff and materials; reliable ICT (broadband) connections. Therefore while property can be identified as a constraint, it is not the only factor.

Our consultation process identified that the primary focus should be on indigenous businesses growth and start-ups, but that the opportunity to attract new businesses to the area should also be considered.

There appears to be a specific issue in relation to 'non traditional' property requirements i.e. businesses in specific sectors (tourism, forestry and energy) that require very specialised property options. It is difficult to build for this sector on a speculative, or advance, basis; growth will therefore rely on pre-planning.

- how important a factor is property in constraining businesses, compared to other factors?

As outlined above and throughout this report, there are a number of key factors that constrain businesses. The recent Rural Scotland Key Facts (RSKF) 2007 report identifies a broad range of factors that are identified as the greatest obstacle to the success of their business. The wording of this question is slightly different from that adopted in our study method which is not trying to identify the 'greatest' obstacle, but the 'range' of obstacles.

Key amongst the key constraints identified in RSKF are regulation, taxation, cash flows, the economy, competition and recruiting staff. With the exception of staff recruitment, these issues require central Government action and are difficult to address through local public sector intervention.

Availability/cost of premises is identified as the greatest constraint by 4% of urban and accessible rural businesses and 2% of remote rural. This is roughly in line with the response to transport and is rated higher by rural businesses than any of the other factors (other than those outlined above).

It is not possible to compare the findings of this report against the bespoke survey work undertaken for this study as they adopted different methods. The findings of our survey are roughly compatible with the findings of our earlier rural business survey, which found that the growth and development of one-third of rural businesses were constrained through property factors.

Level of Significance and Impact

There is broad consensus as to the level of significance property market failure has on rural area business growth/diversification. It is recognised as being one of a number of significant factors affecting businesses, but is also recognised as being a greater constraint in rural than urban areas.

Anecdotal evidence from consultations suggests that the greatest constraint is in the growth/diversification of the indigenous rural business base, but that it also constrains the ability to attract new businesses to rural locations and the growth of recent start-up businesses, possibly working from home.

While new businesses are likely to seek property in urban areas if they cannot source in a rural location, existing rural businesses are unlikely to relocate.

It is also important to consider the impact of businesses that locate/expand in urban areas because of a lack of property in rural. One of the five strategic priorities of the new Government Economic Strategy is that of 'equity' where balanced growth is sought across all areas of Scotland. An important aspect of this equity objective will be to improve the economic performance of rural areas and reduce the gap with urban. This will support the future sustainability of rural areas.

The SE Rural Group Development Plan identifies a range of measures required to support its overarching objective of rural economic development. Chapter 2 of this report identifies the types of constraint that property market failure has on the achievement of this objective. In terms of wider SE objectives, there are a number of issues that impact on the delivery of these priorities in rural areas one of which is access to effective and sustainable business premises.

Our analysis also identified that a significant proportion of SE priority industry businesses and employees are based in rural areas, particularly accessible rural. Given the issues outlined in this report, it is likely that a lack of modern business premises will constrain the future growth of these sectors; at the least it constitutes a lost opportunity to promote growth in these priority industry sectors.

The overall effect that the lack of property has on the rural economy can be described as:

- failure to retain businesses in the rural area, sometimes to the benefit of growth in urban areas, but often a lost opportunity for Scotland;
- failure to create new and sustain existing jobs in the rural area - affecting the viability of rural economies; and
- failure to 'modernise' rural economies from traditional industrial sectors to growing service based activities.

Overall Responsibility

While national Government policy clearly identifies ambitions for rural growth and diversification, it is not clear who has overall responsibility to deliver projects and achieve targets. Our business survey identifies property as one of the constraints on rural businesses, but no-one is tasked with delivering projects or programmes to alleviate this constraint.

The Scottish Government has outlined aspirations within the SRDP but there is a lack of guidance on rural property as a specific issue and no clear identification as to the organisation or department with responsibility to address the issue. Scottish Enterprise has had a declining role in business property support for a number of years, with the focus on business support services.

Scottish Enterprise is also shifting away from local area regeneration with a focus on regional and national level projects. Local regeneration will be the responsibility of Local Authorities in the future, however, the extent to which they have the skills, expertise and resources to deliver property projects is variable.

If there is no national focus on rural business property, the effect will be a mixed approach across Scotland. While some areas will undertake projects, others will make limited, if any, investments. The longer term outputs and outcomes will be missed opportunities in some areas to support rural area growth and diversification.

The onus at this stage is on the SE Rural Group to raise the profile of property market failure and the extent to which it constrains activity. In the longer term, however, there is a need for a focused, national level, approach to ensure consistency and maximise growth opportunities.

There is potential to work with Local Action Groups (LAGs), funded through the European LEADER Programme, to secure funds for project delivery. Funds can be awarded where projects support the strategic priorities in the LAG Development Strategy, therefore business space premises would need to be clearly identified as a local area issue.

6.2.2 Designing Solutions

Table 6.1 presents findings of the study; we have identified a number of issues that constrain development activity and potential solutions.

Table 6.1: Constraints and Solutions	
<u>Constraints</u>	<u>Solutions</u>
Planning	Promotion of key issues within SPP15 by Scottish Government to push for change in attitude amongst planners
	Promotion of the economic requirements of rural areas and impacts generated through new development.
Developer Capacity	Business support to encourage growth of small developers, increase in capacity and scale
	Attract major developers to rural areas – grants, marketing, information, etc
	Promotion of JV proposals with local developers to increase capacity and share risk.
Competition (Uses/Areas)	Promote opportunities for rural business property development
	Grant (gap) funding for project activity
Land Availability	Public sector to consolidate/service land for disposal as owner-occupied development plots – use of Section 7 powers.
Market Failure (Cost v Return)	National programme of grant (gap) funding for specific project schemes – related to priority industry sectors?
	Promote mixed-use schemes to developers for combined residential-business units/sites, or focus planning gain to promote development of business space or serviced land.
Services & Infrastructure	Work with service operators to identify and market areas with development capacity
	Public sector pump-priming for service infrastructure where there is an economic opportunity or return
(Lack of) Business Demand	Stimulate/understand demand – focus on front-facing business support staff to ensure they understand/recognise issues.
(Lack of) Information Sources	It is not appropriate to develop a new rural area national database; SPN provides this service but has difficulty in gathering data for rural areas. Better engagement with rural landlords and businesses at the local level is required.
(Poor Quality) Property Stock	Property grants (gap funding) for redevelopment of old units
	Grant funding for demolition/redevelopment.
	Promotion of opportunities through Rural Business Estates – provision of grant (gap) funding to secure new development.

The level of constraints and deliverability of solutions are considered in our final study recommendations. It is clear from our study review and consultations that there is an opportunity to achieve economic growth and diversification in rural areas through property interventions.

A number of specific intervention mechanisms could be adopted to secure this growth including site preparation/consolidation, direct build, infrastructure provision, joint ventures and grant funding. It is more difficult to identify the specific measures that will be most effective in any one rural area, therefore a mix of responses is required.

There is a recognition that property issues are a greater constraint in remote rural areas, but also that it is more difficult (and less effective in cost-value terms) to intervene in remote areas as there is less potential and opportunity. It is therefore appropriate to focus on rural areas where the greatest returns can be made i.e. larger settlements, likely to be accessible rural.

Any future intervention will require the support of a number of public agencies and private businesses – Scottish Enterprise on its own will be unable to resolve the range of issues identified. Future actions should encompass a range of measures including:

- action at a national level to raise the profile of the constraint that property places on rural economic growth and diversification;
- raising the profile of SPN to ensure that rural land and property are recorded and accurately maintained to ensure that businesses, investors and developers are able to access good information;
- development of pilot projects to test market demand and impact. These could also act as demonstration projects, in effect proving the case thereby supporting property market adjustment through private sector investment;
- while a range of property type/size will be required by businesses in rural areas, the key focus should be on the development of small office units within managed centres – this should not be a staffed business incubator centre but a multi-occupancy office unit;
- creation of serviced development plots for sale to accommodate self-build units – these should be available to both indigenous and new companies and not be restricted to specific business sectors; and
- work with local partners (public and private) to promote development opportunities, including local planning departments to maximise planning gain projects.

6.2.3 Delivery Options

The third key issue relates to the future delivery of any property support for rural business growth and diversification.

While SE and the SE Rural Group will have a role to play within any future delivery mechanism, it is clear that a range of other partners (local/national and public/private/community) will also play a key role.

It is unclear at this stage the extent to which rural will feature as a priority in the future operations of SE. There is an argument that property support for speculative development and non-priority industries in a rural setting will constitute local regeneration activity, and would therefore be a local authority responsibility. It is also clear that SE has largely withdrawn from property market interventions over recent years. It is unlikely that it will re-enter this area to any great extent in the near future.

On the other hand, however, our review identified a considerable proportion of priority industries in rural (particularly accessible rural) areas – the growth of these sectors is a priority for SE, therefore where property is constraining this growth it could be argued as an appropriate intervention mechanism for SE.

The other key factor to be considered in terms of future delivery relates to the new Government Economic Strategy. One of the five themes of this strategy is economic cohesion and equity i.e. for all areas to benefit from economic growth and sustainability. The extent to which SE will be required to specifically account for this in its future actions is, at this stage, unclear.

The specific future role for SE and the SE Rural Group could include:

- bespoke property interventions with priority industry companies where property is identified as a specific constraint;
- working with stakeholder partners to develop a (national?) pilot programme to provide funding for speculative rural property development;
- working with relevant departments within Scottish Government to identify and set specific targets for future activity, together with allocation of responsibility to deliver the outcomes;
- working with private and community organisations to promote the opportunity for rural business property development; and
- working with rural estates as key rural businesses to promote their growth and diversification but also to encourage property market interventions that support wider business growth and diversification.

In addition there are other public and private sector organisations that will have a role to play in future project delivery. It is important that the SE Rural Group identify and work with these organisations to maximise relevant interventions.

Rural economic growth, diversification and sustainability are identified as key issues across a number of Scottish Government policy and strategy documents. It is, however, unclear who within the Scottish Government has responsibility for this – the focus of past activity has been on farm diversification and provision of affordable housing.

There is a need for consideration of how to achieve sustainable rural economic growth, and therefore an opportunity for the SERG to open up dialogue with Scottish Government to promote the delivery of 'affordable business premises' to encourage rural economic growth and diversification.

Local Authorities have a good awareness of the issues around rural economic growth/diversification but are unlikely to have sufficient resources (money/staff) to make a large-scale impact. Following the review of SE, Local Authorities now have responsibility for delivery of local regeneration projects but it is unclear how this will translate into local action. Action will be dictated by local need and opportunity, there is therefore potential for the SE Rural Group to work with local authority partners to see where activity can be maximised, perhaps through planning gain.

There is also a need for planning departments within local authorities to adopt a more proactive approach toward planning applications in rural areas, in line with SPP15. While this study did not specifically cover a review of planning in relation to rural business property development it is clear from our consultation process and strategic review that planners adopt a conservation approach to rural areas, rather than a sustainable economic growth approach.

6.3 An Outline Approach

Based on the findings of our study review and in particular the summary analysis presented above, we have presented an outline approach for SE and stakeholder partners.

There is an opportunity for a targeted programme of intervention to generate positive impacts for rural business economic growth and diversification. It is clear that property is one of a number of factors that constrains rural business bases, but it is not clear who has responsibility to address the issue.

There are two key strategic objectives against which SE could justify intervention in this area:

- promoting the growth and diversification of the priority industries base; and

- removing barriers and constraints to achieve the equity and cohesion objectives in the new GES.

There is, however, a need for a wider approach that recognises the need for rural sustainability as well as growth and diversification. Local Authority and other local stakeholder partners could justify intervention against local economic development and regeneration objectives i.e. safeguarding, growing and diversifying the economic base by removing property market failure. It is therefore important that the SERG work with local partners.

Our overall view is that there is an opportunity to support the growth and future diversification of rural businesses through property support. A range of measures will be needed, including:

- **strategic** – work with stakeholder partners to identify who has the primary responsibility to deal with rural area business growth and diversification where property is a constraining factor and to set specific targets against which future interventions can be measured. The objective should be to ensure an adequate supply of affordable business premises and support sustainable economic growth/diversification;
- **planning** – work with Scottish Government Planning Department to promote the concept of sustainable economic development in rural areas. This could identify good practice in rural development and set positive impacts and targets i.e. number of applications received, sq m of new build property developed, hectares of readily developable land available for business use, etc;
- **operational** – there is a need for a national level programme of support for rural business property development recognising the specific property market failures that exist. A number of specific measures could be adopted:
 - provision of **serviced development land** for small bespoke developments for owner-occupiers
 - creation of **speculative**, primarily office, space across the rural area to encourage business start-up and growth of small businesses and the move for established small businesses (working from home) into first-stage professional business accommodation. This should be particularly focused around the priority industry sectors to maximise growth and return
 - provision of property support to existing businesses on a **bespoke** company-by-company basis, combining property with other business support measures;
- work with **rural estate owners** to maximise their business growth potential and identify opportunities to create new business accommodation; and

- continue to promote **other rural development** issues including access, housing, farm diversification, skills, etc. This recognises that any property intervention, on its own cannot remove the wide range of constraints facing rural businesses.

In our survey of businesses, 11% of respondents reported that their property significantly constrained their business growth and/or diversification (with a further 42% reporting some constraint).

If we assume that these businesses are representative of the wider rural business base but allowing for the survey confidence margin of error of 8.6% (as outlined in Chapter 5), this suggests that between 6,850 and 8,150 rural businesses are significantly constrained as a result of their business premises with a further 26,000 to 31,000 constrained in part due to property issues.

In total therefore between 33,000 and 39,000 rural businesses are constrained significantly or in part due to their business property accommodation.

If we assume that any property intervention programme could assist between 400 and 500 businesses over a 5 year programme (around 1% of the total sample) to remove their property constraint and thereby achieve a modest 10% uplift in employment, the impact would be:

- between 400 and 500 rural businesses able to grow and diversify their business;
- at an average of 11.4 employees per rural business, 10% growth equates to gross additional 450 – 570 employees; and
- assuming GVA at 75% of the Scottish average¹⁰ these employees would generate gross additional GVA of £16.4m - £20.5m per annum.

These gross impacts represent lost economic activity to the rural area.

Based on a 5 year programme (i.e. 20% of impacts per annum) the total GVA generated over the 5 years equates to £115m - £145m, increasing annually thereafter at the total annual rate outlined above (£16.4m - £20.5m).

As identified through our four comparator area local workshops there are specific property market issues within each area. We therefore recommend the development of a pilot programme of targeted support '**Rural Property Support for Business Growth and Diversification**' to support the development of new and modern business space.

¹⁰ Based on average GVA for Scotland (from ABI) of £44,542 in 2005, inflated to 2008 using 2.5% RPI per annum.

The operation of any pilot programme would need to be considered in detail but there are some headline recommendations:

- the pilot should run for one year in the first instance and should only proceed following independent evaluation;
- the pilot should run at the national level and be managed through a central source, preferably through SE to maximise business growth objectives;
- the focus should be on priority industry businesses or those that can demonstrate significant potential to grow, together with rationale on how their property is constraining that growth; and
- the pilot should seek to work with a minimum of 20-30 businesses and at an average cost of £25,000 support per business, would require a capital investment programme of between £500,000 and £750,000.

It is clear from our economic and property market review of the four 'case study' areas that all face similar issues, to a greater or lesser extent. These are in line with national economic trends i.e. decline in traditional manufacturing sectors and growth in service activities. This translates into a growing requirement for office property, but an existing property stock that is heavily biased toward industrial premises.

Given the extent and type of property market failure identified for rural areas, it is unlikely that the private sector, on its own, will develop sufficient business space to meet anticipated future demand. Intervention by the public sector to stimulate activity (that will generate economic growth and diversification) is required.

Appendices

Appendix 1: Economic Review

Appendix 2: Property Market Review

Appendix 3: Strategic Review

Appendix 4: Industrial/Academic Review

Appendix 5: Current Practice Review

Appendix 6: Consultation workshop issues

Appendix 7: List of stakeholder consultees

Appendix 8: Business Questionnaire

Appendix 9: Developers Questionnaire

Appendix 1: Economic Review

Baseline Economic Review

After many years of decline, there has been some resurgence in rural economies in recent years. This has been driven mainly by growth and demand in accessible, as opposed to remote, rural areas.

Between 2001 and 2006 the Scottish population grew by 1% to 5.12m people. Population growth in urban areas was considerably lower at only 0.1%, outstripped by growth in remote rural areas at 4% and by accessible rural areas of 6.3%. Rural Scotland now accounts for 18% of the total population (12% in accessible and 6% in remote) but 95% of the total landholding.

While there has been growth in population levels in rural areas, this has largely been driven by the 40-69 age group. There appears to be a general trend (more prominent in remote areas) for younger people (in the 15-34 age group) to leave the rural for urban areas.

There is, however, a high reliance on private transport and people in rural areas are more likely to drive to work/school than those in urban areas. This is borne out by the higher proportion of households in rural areas that have access to at least one car.

Travel to work data shows that almost three-quarters of residents in remote areas work in the rural areas, but for those living in accessible rural there is a far greater incidence of travelling to urban areas (52%) with only 46% working in an accessible rural and only 2% in a remote rural area. Of those living in urban areas, only 9% work in a rural location.

In terms of the skills of the workforce, while residents in rural areas have equivalent or higher qualifications with less having no qualifications, a greater proportion of school-leavers enter employment, with a lower proportion becoming unemployed. This perhaps indicates the influx of highly skilled commuters.

Residents of rural areas have a greater life expectancy with more likely to own their own house (and for more to have detached houses). There are more households in rural areas where the highest income householder earns over £20,000 – 51% in accessible and 46% in remote, compared with 39% in urban.

People are more likely to be economically active, and of these more are likely to be in work and self employed. There is, however, a greater prevalence of employment in primary industry sectors e.g. agriculture, forestry and fishing.

There are more small businesses in rural areas, particularly in remote rural, and also more business start-ups – 72/75 per ten thousand population compared with 18 in urban areas. In absolute terms, rural areas accounted for 48% of the total business starts in 2004. In terms of growth, however, rural businesses, particularly those in remote areas, are less likely to experience growth, particularly 'new' growth. They are, however, more likely to perceive their business to be in good health (particularly those in accessible rural) than those in urban areas.

This section presents an overview of the key economic indicators of rural Scotland, remote rural Scotland and the four comparator areas. The Annual Business Inquiry reports the number of businesses and employees within the areas and draws comparisons with 1998.

The industrial/economic breakdown of an area largely determines the type/supply of commercial property. When considered alongside the property market review, it has helped to identify supply issues i.e. stock not matching the sectoral breakdown of businesses.

Rural Scotland

Throughout this analysis the use of Scotland relates to the SE operational area – this is used to ensure ease of understanding.

Table A1.1 provides details of the changes that have occurred in the employment base of rural Scotland between 1998 and 2006.

Table A1.1: Rural Scotland Employment Base 1998-2006 (SE Area)				
	1998	2006	Absolute change	% change
Agriculture, hunting and forestry	5,581	5,819	238	4.3%
Fishing	1,577	795	-782	-49.6%
Mining and quarrying	22,850	18,020	-4,830	-21.1%
Manufacturing	156,692	106,494	-50,198	-32.0%
Electricity, gas and water supply	5,814	6,015	201	3.5%
Construction	53,563	58,744	5,181	9.7%
Wholesale and retail trade	109,938	112,124	2,186	2.0%
Hotels and restaurants	55,390	57,892	2,502	4.5%
Transport, storage and communication	38,594	42,789	4,195	10.9%
Financial intermediation	15,988	18,585	2,597	16.2%
Real estate, renting and business activities	66,931	101,806	34,875	52.1%
Public admin and defence; compulsory social security	36,568	30,807	-5,761	-15.8%
Education	38,607	61,283	22,676	58.7%
Health and social work	88,252	116,802	28,550	32.4%
Other community, social and personal service activities	31,499	43,755	12,256	38.9%
Private households with employed persons	0	0	0	0.0%
Extra-territorial organisation and bodies	0	0	0	0.0%
Total	727,844	781,730	53,886	7.4%

Source: ABI

Rural Scotland has experienced a total increase of approximately 54,000 employees representing a 7.4% increase over the period. Within the industrial breakdown there have been some substantial changes at individual industrial levels. These include:

- manufacturing experienced a decrease of 50,198 employees, representing a loss of one-third of the 1998 workforce;

- real estate, renting and business activities experienced an increase of 34,875 employees, representing half of the 1998 workforce;
- health and social work experienced an increase of 28,550 employees, a one third increase on the 1998 workforce; and
- the total number of people employed in education sectors increased by almost 60% or an extra 22,676 people.

ABI data is gathered for workplaces (rather than residence) therefore the decline of the manufacturing industry will have had an impact on the industrial stock throughout rural Scotland as a decrease of 32% in the workforce may have led to plant/factory closures and vacant industrial stock.

The increase in real estate and professional business services will have impacted on the office stock representing an increase of approximately 35,000 employees. However it should be noted that this increase in employment does not require an equivalent increase in floorspace as a large number of the employees could be accommodated in existing premises or work from home.

Table A1.2 provides details on the changing nature of the business base between 1998 and 2006.

Table A1.2: Rural Scotland Business Base 1998-2006 (SE Area)				
	1998	2006	Absolute change	% change
Agriculture, hunting and forestry	1,011	1,005	-6	-0.6%
Fishing	432	385	-47	-10.9%
Mining and quarrying	458	331	-127	-27.7%
Manufacturing	4,954	4,567	-387	-7.8%
Electricity, gas and water supply	64	119	55	85.9%
Construction	6,772	7,968	1,196	17.7%
Wholesale and retail trade	14,678	14,417	-261	-1.8%
Hotels and restaurants	5,483	5,415	-68	-1.2%
Transport, storage and communication	3,487	3,717	230	6.6%
Financial intermediation	793	933	140	17.7%
Real estate, renting and business activities	11,663	16,005	4,342	37.2%
Public admin and defence; compulsory social security	1,883	1,236	-647	-34.4%
Education	1,549	2,477	928	59.9%
Health and social work	3,163	3,957	794	25.1%
Other community, social and personal service activities	6,854	5,757	-1,097	-16.0%
Private households with employed persons	0	0	0	0.0%
Extra-territorial organisation and bodies	0	0	0	0.0%
Total	63,244	68,289	5,045	8.0%

Source: ABI

The changes that have occurred in the business base broadly reflect the changes within the employment base with a 5,045 (8%) total increase. The major industry changes that have taken place are:

- real estate, renting and business activities, an increase of 4,342 (37.2%) businesses;
- construction an increase of 1,196 (17.7%) businesses; and
- other community, social and personal service activities a decrease of 1,097 (16%) businesses.

The large increase in office-based industry sectors will have impacted upon the local property market. New property may have been built to accommodate the growth of businesses within the sector and also the refurbishment of existing stock that was no longer fit for purpose.

Both the employment and business base show that changes within industrial sectors will have impacted upon the rural property market. As the growth in office and work from home based industries continues i.e. professional business services, real estate and finance related sectors there is a decline in heavier traditional and manufacturing industries. This is likely to have created a mismatch in the supply of and demand for property within rural areas and presents considerable issues with regards to the future growth of the rural economy. The outcome of this is that there are unlikely to be enough appropriate or suitable premises available for growing industry sectors.

While there has been no overall change in the average number of employees per business, there have been some major shifts within industry sectors. As well as the total decline in manufacturing employment and businesses, there has also been a significant reduction in the average size of manufacturing businesses from 32 employees per business in 1998 to 23 in 2006.

On the positive side there has been an increase in the scale of businesses in the public admin sectors from 19 to 25 employees per business. It is also interesting to note that whilst there has been a significant decline in the total number of community/social/personal service businesses, total employment has increased, resulting in an increase in average business size from 5 to 8 employees.

Remote Rural Scotland

We reviewed the remote rural areas separately to identify any specific issues or trends that exist compared to rural areas in general. **Table A1.3** below provides details on the employment base and shows the changes between 1998 and 2006.

Table A1.3: Remote Rural Areas Employment Base 1998-2006 (SE Area)				
	1998	2006	Absolute change	% change
Agriculture, hunting and forestry	2,461	2,517	56	2.3%
Fishing	502	356	-146	-29.1%
Mining and quarrying	969	1,200	231	23.8%
Manufacturing	31,634	23,312	-8,322	-26.3%
Electricity, gas and water supply	2,304	2,562	258	11.2%
Construction	12,140	12,844	704	5.8%
Wholesale and retail trade	25,046	25,040	-6	0.0%
Hotels and restaurants	16,787	17,954	1,167	7.0%
Transport, storage and communication	7,444	7,108	-336	-4.5%
Financial intermediation	1,710	1,374	-336	-19.6%
Real estate, renting and business activities	10,348	16,006	5,658	54.7%
Public admin and defence; compulsory social security	9,356	7,134	-2,222	-23.7%
Education	9,663	14,958	5,295	54.8%
Health and social work	18,614	21,832	3,218	17.3%
Other community, social and personal service activities	7,160	9,154	1,994	27.8%
Private households with employed persons	0	0	0	0.0%
Extra-territorial organisation and bodies	0	0	0	0.0%
Total	156,129	163,351	7,222	4.6%

Source: ABI

The increase in employment in remote rural areas is 7,222 representing 13.4% of the total increase in rural Scotland. The main difference in employment base changes with the wider rural area is in the financial intermediation sector, where employment has increased by 16.2% in all rural, but declined by 20% in remote rural. Other differences include a lower decline in manufacturing employment; an increase in transport/storage/communications overall, but a decline in remote rural; a greater decline in public admin; a slower increase in health and social work; and a slower increase in community/social/personal services.

Overall, this suggests a far more traditional employment base in remote rural with a slower uplift in service based activities.

The implications on the property market are substantial, with an overall reduction in the number of employees that would require use of industrial property and an increase in the number of office based jobs.

Table A1.4 reports the changes in remote rural Scotland's business base.

Table A1.4: Remote Rural Scotland Business Base 1998-2006 (SE Area)				
	1998	2006	Absolute change	% change
Agriculture, hunting and forestry	561	547	-14	-2.5%
Fishing	167	182	15	9.0%
Mining and quarrying	110	105	-5	-4.5%
Manufacturing	1,434	1,364	-70	-4.9%
Electricity, gas and water supply	30	57	27	90.0%
Construction	2,198	2,470	272	12.4%
Wholesale and retail trade	4,461	4,364	-97	-2.2%
Hotels and restaurants	1,808	1,845	37	2.0%
Transport, storage and communication	1,081	1,078	-3	-0.3%
Financial intermediation	230	244	14	6.1%
Real estate, renting and business activities	3,160	4,437	1,277	40.4%
Public admin and defence; compulsory social security	569	369	-200	-35.1%
Education	524	691	167	31.9%
Health and social work	993	1,217	224	22.6%
Other community, social and personal service activities	2,004	1,701	-303	-15.1%
Private households with employed persons	0	0	0	0.0%
Extra-territorial organisation and bodies	0	0	0	0.0%
Total	19,330	20,671	1,341	6.9%

Source: ABI

The remote rural area has seen an increase of 1,341 businesses over the period, this represents 26.6% of wider rural Scotland's increase in businesses against a 13% increase in employment.

Within the remote rural area the largest significant change within the business base has been in the real estate, renting and business activities sector has grown by 1,277 (40.4%). We assume that the majority of these new businesses will require office accommodation and this will impact upon the supply of property within local property market.

The key differences between all and remote rural are broadly similar to the differences in employment base and further confirm the more traditional business pattern in remote rural areas.

Four Comparator Areas

Braemar & Upper Deeside

The changes within the employment and business base of Braemar and Upper Deeside are reported in **Table A1.5** and **A1.6**.

The number of employees in the area has increased by 748 (38%) over the period. This represents 1.4% of the total employment increase at the rural Scotland level and shows considerable increase when compared with all rural (7%) and remote rural (5%).

In terms of absolute changes to employment, the greatest changes have occurred in the:

- hotels and restaurants sector increased by 399 employees, representing 242% compared with 4.5% in all and 7% in remote rural;
- transport, storage and communication decreased by 374 employees, representing -81% compared with 11% increase in all and 4.5% decline in remote rural; and
- wholesale and retail trade increased by 300 employees, representing 455% compared with 2% for all rural and no change in remote rural.

The greatest changes have affected the largest employment sectors where the property requirements, generally speaking, would be industrial, distribution and retail based.

Table A1.5: Braemar & Upper Deeside Employment Base 1998-2006				
	1998	2006	Absolute change	% change
Agriculture, hunting and forestry	97	50	-47	-48%
Fishing	55	3	-52	-95%
Mining and quarrying	5	2	-3	-60%
Manufacturing	0	160	160	-
Electricity, gas and water supply	38	0	-38	-100%
Construction	1	137	136	13600%
Wholesale and retail trade	66	366	300	455%
Hotels and restaurants	165	564	399	242%
Transport, storage and communication	462	88	-374	-81%
Financial intermediation	72	78	6	8%
Real estate, renting and business activities	16	230	214	1338%
Public admin and defence; compulsory social security	140	119	-21	-15%
Education	327	359	32	10%
Health and social work	245	325	80	33%
Other community, social and personal service activities	229	231	2	1%
Private households with employed persons	142	0	-142	-100%
Extra-territorial organisation and bodies	0	0	0	0%
Total	1,963	2,711	748	38%

Source: ABI

It should be noted that in 1998 there were 25 construction businesses although only one reported employee, this is because the ABI only measure employees and indicates these other businesses may have no permanent employees or be self employed.

Table A1.5 shows a considerably greater shift in industrial sectors than both all rural and remote rural. The largest increases have primarily been in growing and service based sectors, representing good prospects for future growth.

Table A1.6: Braemar & Upper Deeside Business Base 1998-2006				
	1998	2006	Absolute change	% change
Agriculture, hunting and forestry	13	14	1	8%
Fishing	2	1	-1	-50%
Mining and quarrying	0	2	2	-
Manufacturing	13	22	9	69%
Electricity, gas and water supply	1	0	-1	-100%
Construction	25	48	23	92%
Wholesale and retail trade	49	84	35	71%
Hotels and restaurants	38	52	14	37%
Transport, storage and communication	14	16	2	14%
Financial intermediation	3	7	4	133%
Real estate, renting and business activities	67	114	47	70%
Public admin and defence; compulsory social security	17	12	-5	-29%
Education	13	16	3	23%
Health and social work	13	21	8	62%
Other community, social and personal service activities	42	38	-4	-10%
Private households with employed persons	0	0	0	0%
Extra-territorial organisation and bodies	0	0	0	0%
Total	310	447	137	44%

Source: ABI

Table A1.6 reports that Braemar and Upper Deeside experienced an increase in number of businesses of 137 (44%), representing 2.7% of the total rural Scotland increase. This compared with 8% and 7% increase in all and remote rural respectively.

Professional business services and wholesale and retail have shown the greatest absolute growth. Given the relatively small changes to the business and employment bases, it is difficult to predict to what extent this change in the employment and business base has affected the supply of commercial property in the area.

Galashiels

The changes within the employment and business base of Galashiels are reported in **Table A1.7** and **A1.8**.

The number of employees in the area has increased by 3,068 (17%) over the period. This represents 5.7% of the total employment increase at the rural Scotland level and compared with 7% and 5% in all and remote rural.

In terms of absolute changes to employment, the greatest changes have occurred in the:

- health and social work sector increased by 2,864 employees, representing 84% compared with 32% and 17% in all and remote rural;
- manufacturing decreased by 1,677 employees, representing -54% compared with -32% and -26% in all and remote rural; and
- construction increased by 1,105 employees, representing 193% compared with 10% and 6% for all and remote rural.

In 2006, the largest industry sectors with regards to number of employees were health and social work, wholesale and retail and real estate, renting and business activities, representing 30%, 14% and 10% of total employment respectively. The changes in the sectoral breakdown could have implications for the local property market, with less demand for industrial stock and an increase for office accommodation.

Table A1.7: Galashiels Employment Base 1998-2006				
	1998	2006	Absolute change	% change
Agriculture, hunting and forestry	146	190	44	30%
Fishing	28	14	-14	-50%
Mining and quarrying	42	11	-31	-74%
Manufacturing	3,119	1,442	-1,677	-54%
Electricity, gas and water supply	106	94	-12	-11%
Construction	574	1,679	1,105	193%
Wholesale and retail trade	3,540	2,996	-544	-15%
Hotels and restaurants	1,905	1,328	-577	-30%
Transport, storage and communication	519	660	141	27%
Financial intermediation	324	202	-122	-38%
Real estate, renting and business activities	1,425	2,146	721	51%
Public admin and defence; compulsory social security	1,339	1,432	93	7%
Education	656	1,398	742	113%
Health and social work	3,418	6,282	2,864	84%
Other community, social and personal service activities	653	991	338	52%
Private households with employed persons	0	0	0	0%
Extra-territorial organisation and bodies	0	0	0	0%
Total	17,794	20,862	3,068	17%

Source: ABI

Table A1.8, provides details on the changes within Galashiels business base and shows that overall, there has only been a 1% increase in the number of businesses compared to 8% and 7% in all and remote rural.

Within the industry sectors there has been no significant change with real estate, renting and business activities and public administration and defence; compulsory social security the only industries reporting an increase and decrease respectively of over 50 business units.

Table A1.8: Galashiels Business Base 1998-2006				
	1998	2006	Absolute change	% change
Agriculture, hunting and forestry	46	47	1	2%
Fishing	8	6	-2	-25%
Mining and quarrying	5	2	-3	-60%
Manufacturing	163	140	-23	-14%
Electricity, gas and water supply	3	5	2	67%
Construction	215	254	39	18%
Wholesale and retail trade	512	505	-7	-1%
Hotels and restaurants	158	126	-32	-20%
Transport, storage and communication	83	84	1	1%
Financial intermediation	38	31	-7	-18%
Real estate, renting and business activities	317	368	51	16%
Public admin and defence; compulsory social security	113	54	-59	-52%
Education	18	62	44	244%
Health and social work	128	162	34	27%
Other community, social and personal service activities	194	169	-25	-13%
Private households with employed persons	0	0	0	0%
Extra-territorial organisation and bodies	0	0	0	0%
Total	2,001	2,015	14	1%

Source: ABI

Highland Perthshire

The changes within the employment and business base of Highland Perthshire are reported in **Table A1.9** and **A1.10**.

The number of employees in the area has increased by 556 (8%) over the period. This represents 1% of the total employment increase at the rural Scotland level compared to 7% and 5% increase in all and remote rural.

In terms of absolute changes to employment, the greatest changes have occurred in the:

- real estate, renting and business activities sector increased by 371 employees representing 95%, compared to 52% and 55% in all and remote rural;
- construction decreased by 104 employees representing -20%, compared to 10% and 6% increases in all and remote rural; and

- other community, social and personal service activities decreased by 90 employees representing -15%, compared with 39% and 28% increases in all and remote rural.

In absolute and percentage terms, there have only been small levels of change within the employment base.

In 2006, the largest industry sectors with regards to number of employees were, wholesale and retail and, hotels and restaurants representing 21.5% and 20.6% of total employment respectively.

The employment data suggests there is a large supply of retail, food/beverage related and accommodation property in Highland Perthshire.

Table A1.9: Highland Perthshire Employment Base 1998-2006				
	1998	2006	Absolute change	% change
Agriculture, hunting and forestry	88	132	44	50%
Fishing	16	10	-6	-38%
Mining and quarrying	30	12	-18	-60%
Manufacturing	397	342	-55	-14%
Electricity, gas and water supply	52	111	59	113%
Construction	512	408	-104	-20%
Wholesale and retail trade	1,490	1,553	63	4%
Hotels and restaurants	1,492	1,486	-6	0%
Transport, storage and communication	247	312	65	26%
Financial intermediation	92	73	-19	-21%
Real estate, renting and business activities	390	761	371	95%
Public administration and defence; compulsory social security	128	226	98	77%
Education	331	398	67	20%
Health and social work	772	860	88	11%
Other community, social and personal service activities	606	516	-90	-15%
Private households with employed persons	0	0	0	0%
Extra-territorial organisation and bodies	0	0	0	0%
Total	6,643	7,199	556	8%

Source: ABI

Table A1.10 reports the number of businesses within the area and how this has changed since 1998.

Highland Perthshire experienced an increase of 70 businesses (8%) over the period, this increase represents 1.4% of the increase at the rural Scottish level compared to 8% and 7% in all and remote rural.

Real estate, renting and business activities in absolute and percentage terms reported the largest growth in number of businesses – 86 (83%) compared to 37% and 40% in all and remote rural.

Generally speaking, there has been little significant sectoral change within the Highland Perthshire business base.

Table A1.10: Highland Perthshire Business Base 1998-2006				
	1998	2006	Absolute change	% change
Agriculture, hunting and forestry	23	27	4	17%
Fishing	5	4	-1	-20%
Mining and quarrying	5	3	-2	-40%
Manufacturing	57	51	-6	-11%
Electricity, gas and water supply	2	2	0	0%
Construction	114	109	-5	-4%
Wholesale and retail trade	236	255	19	8%
Hotels and restaurants	138	133	-5	-4%
Transport, storage and communication	38	45	7	18%
Financial intermediation	13	13	0	0%
Real estate, renting and business activities	104	190	86	83%
Public administration and defence; compulsory social security	13	17	4	31%
Education	24	23	-1	-4%
Health and social work	37	56	19	51%
Other community, social and personal service activities	121	72	-49	-40%
Private households with employed persons	0	0	0	0%
Extra-territorial organisation and bodies	0	0	0	0%
Total	930	1,000	70	8%

Source: ABI

Stranraer

The changes within the employment and business base of Stranraer are reported in **Table A1.11** and **A1.12**.

The number of employees in the area has increased by 1,020 (13%) over the period. This represents 1.9% of the total employment increase at the rural Scotland level compared to 7% and 5 in all and remote rural.

In terms of absolute changes to employment, the greatest changes have occurred in the:

- health and social work sector increased by 1,039 employees representing 115%, compared to 32% and 17% in all and remote rural;
- manufacturing decreased by 567 employees representing -47%, compared to 32% and 26% in all and remote rural; and
- education increased by 384 employees representing 80%, compared to 59% and 55% for all and remote rural.

In absolute and percentage terms, there have only been small levels of change within the employment base.

In 2006, the largest industry sectors with regards to number of employees are, health and social work and wholesale and retail trade. representing 21.2% and 17.2% of total employment respectively.

Table A1.11: Stranraer Employment Base 1998-2006				
	1998	2006	Absolute change	% change
Agriculture, hunting and forestry	132	186	54	41%
Fishing	31	24	-7	-23%
Mining and quarrying	30	31	1	3%
Manufacturing	1,210	643	-567	-47%
Electricity, gas and water supply	25	17	-8	-32%
Construction	452	541	89	20%
Wholesale and retail trade	1,351	1,571	220	16%
Hotels and restaurants	1,012	1,131	119	12%
Transport, storage and communication	760	843	83	11%
Financial intermediation	120	119	-1	-1%
Real estate, renting and business activities	575	438	-137	-24%
Public administration and defence; compulsory social security	709	362	-347	-49%
Education	483	867	384	80%
Health and social work	900	1,939	1,039	115%
Other community, social and personal service activities	322	420	98	30%
Private households with employed persons	0	0	0	0%
Extra-territorial organisation and bodies	0	0	0	0%
Total	8,112	9,132	1,020	13%

Source: ABI

Table A1.12 reports on the business base and the changes that have occurred since 1998.

There are 1,078 businesses in Stranraer and this represents an increase of 30 (3%) from 1998 compared with 8% and 7% in all and remote rural.

Within this overall change, health and social work experienced an increase of 34 (59%) compared with 25% and 12% in all and remote rural; construction increased its business base by an additional 21 units, representing 21%, compared with 18% and 12% in all and remote rural.

The table shows that the business base has remained relatively static over the period with no significant changes to the number or dominant industrial sectors.

Table A1.12: Stranraer Business Base 1998-2006				
	1998	2006	Absolute change	% change
Agriculture, hunting and forestry	27	28	1	4%
Fishing	12	14	2	17%
Mining and quarrying	10	8	-2	-20%
Manufacturing	61	56	-5	-8%
Electricity, gas and water supply	2	3	1	50%
Construction	101	122	21	21%
Wholesale and retail trade	286	270	-16	-6%
Hotels and restaurants	142	138	-4	-3%
Transport, storage and communication	68	59	-9	-13%
Financial intermediation	18	15	-3	-17%
Real estate, renting and business activities	89	104	15	17%
Public administration and defence; compulsory social security	35	23	-12	-34%
Education	37	39	2	5%
Health and social work	58	92	34	59%
Other community, social and personal service activities	102	107	5	5%
Private households with employed persons	0	0	0	0%
Extra-territorial organisation and bodies	0	0	0	0%
Total	1,048	1,078	30	3%

Source: ABI

Summary of Comparator Areas

The analysis shows that broadly speaking the four areas follow the trends at the wider rural Scotland level with heavier manufacturing industries experiencing a decrease in employment and number of businesses whilst real estate, renting and business activities has experienced a large absolute and percentage growth rate (Stranraer being the exception).

These changes will impact upon the demand for commercial property as there is a shift away from industrial stock to office and work from home based premises.

The continued growth of professional business services and activities and a slower growth rate of traditionally lower value added retail and food/beverage related employment is encouraging for rural Scotland in general.

Priority Industries

The priority industries within Scotland (as defined by SE) offer the greatest potential for economic growth, impact and Gross Value Added (GVA).

Below is a time series review (98 – 06) of the priority industries within accessible and remote rural Scotland and the four comparator areas. We have reviewed the key changes that have occurred and also the proportion of these industries within the rural areas.

Rural Scotland

Table A1.13 and **A1.14** reports the number of employees and businesses within rural Scotland and the changes that have occurred.

In terms of number of employees, construction and tourism are the largest priority industry employers in rural Scotland accounting for 91,605 (27.9%) and 70,306 (21.4%) respectively. Both of these sectors experienced significant employment growth between 1998 and 2006 of 18% and 17% respectively. However, although tourism is an important sector in rural areas, generally speaking it offers lower value added activity.

Within rural Scotland the number of employees has decreased by approximately 22,000 (6%) over the period 1998 to 2006. Beyond the two largest sectors as outlined above, all other sectors that employ in excess of 10,000 people except one (financial services) have declined over the period. In particular, the electronics market and creative industries have decreased by 25,106 (42%) and 7,188 (19%) respectively.

Table A1.13: Rural Scotland Priority Industry Employees (SE Area)				
	1998	2006	Absolute change	% change
Tourism	603,27	70,306	9,979	17%
Financial Services	16,076	18,588	2,512	16%
Shipbuilding/ Marine	5,973	5,643	-330	-6%
Food & Drink	26,909	23,395	-3,514	-13%
Forest Industries	12,808	10,195	-2,613	-20%
Chemicals	8,760	6,632	-2,128	-24%
Construction	77,185	91,434	14,249	18%
Creative Industries	38,599	31,411	-7,188	-19%
Energy	24,460	19,605	-4,855	-20%
Life Sciences	4,434	5,607	1,173	26%
Electronic Markets	59,899	34,793	-25,106	-42%
Aerospace	5,109	5,194	85	2%
Textiles	9,932	5,740	-4,192	-42%
Total	350,471	328,543	-21,928	-6%

Source: ABI

Within the priority industries there a number of sub sectors that offer higher level and value added employment. By higher level and value added we mean the salaries and local/national GVA they generate. Although the creative industries has experienced a substantial decrease over the period, there has been an increase in the sub-sector value added industries of software publishing (90 employees), software consultancy and supply (6,563 employees) and architectural engineering and consultancy (6,144 employees). The financial services and construction industries as a whole offer higher level value added employment and both have increased within rural Scotland.

However, it should be noted that within the electronics market, in particular the manufacturing of motor vehicles decreased by approximately 900 employees. The energy sector in general has a very high level of GVA per employee. This sector has, however, seen a decrease of almost 5,000 employees in rural Scotland.

Table A1.14 reports the changes that have occurred in the priority industry business base.

Table A1.14: Rural Scotland Priority Industry Businesses (SE Area)				
	1998	2006	Absolute change	% change
Tourism	6,647	7,046	399	6%
Financial Services	793	933	140	18%
Shipbuilding/ Marine	195	222	27	14%
Food & Drink	826	752	-74	-9%
Forest Industries	963	896	-67	-7%
Chemicals	148	136	-12	-8%
Construction	10,346	11,881	1,535	15%
Creative Industries	2,091	3,823	1,732	83%
Energy	207	209	2	1%
Life Sciences	111	159	48	43%
Electronic Markets	1,129	1,068	-61	-5%
Aerospace	94	90	-4	-4%
Textiles	279	220	-59	-21%
Total	23,829	27,435	3,606	15%

Source: ABI

With regards rural Scotland's business base, there has been a total increase of 3,606 representing an increase of 15%. When compared to the decline in employment of 15% this shows an increase in the number of smaller businesses in rural Scotland. The average number of employees per business has dropped from 14.7 in 1998 to 12.0 in 2006.

Creative industries and construction have experienced the largest absolute growth with an additional 1,732 (83%) and 1,535 (15%) businesses respectively. The construction and tourism industries are the largest in terms of number of businesses within rural Scotland.

Table A1.15 details the percentage of total Scottish employment within the priority industries that rural and remote rural Scotland represent and how this has changed since 1998. At the all rural Scotland level, of the 13 sectors, 7 declined, one has not changed and only 5 increased employment between 1998 and 2006.

Within five of the sectors, rural areas account for over 50% of employment. Of these, 4 have declined with only one, textiles, showing a proportionate increase in the rural area – from 57% in 1998 to 76% in 2006.

Rural Scotland accounts for 76% of the total employment within the textiles industry, an increase of 19% over the period. Shipbuilding has also increase its proportionate share by approximately 10 percentage points.

Industries to decrease their share of Scotland priority industries within rural Scotland include life sciences and energy, decreasing by 10 and six percentage points respectively.

Table A1.15: % of Total Scottish Employment Within Priority Industries (SE Area)				
	1998		2006	
	Scottish rural	Remote rural	Scottish rural	Remote rural
Tourism	34%	11%	32%	10%
Financial Services	20%	2%	22%	2%
Shipbuilding/ Marine	28%	7%	39%	6%
Food & Drink	42%	15%	42%	16%
Forest Industries	57%	16%	54%	18%
Chemicals	46%	5%	44%	6%
Construction	40%	8%	44%	8%
Creative Industries	37%	7%	36%	6%
Energy	70%	6%	64%	8%
Life Sciences	61%	5%	51%	3%
Electronic Markets	55%	6%	52%	6%
Aerospace	31%	2%	44%	5%
Textiles	57%	19%	76%	30%

Source: ABI

At the remote rural level, three sectors have not changed, 6 have increased and 4 have declined. Of the four sectors where remote rural areas account for over 10% of employment, tourism decreased its proportionate share marginally; but food and drink, and forest industries increased marginally, while textiles increased its proportionate share significantly from 19% to 30%.

Remote Rural Scotland

We have reviewed remote rural Scotland and compared the industry breakdown with all rural areas.

Table A1.16 and **A1.17** report the number of employees and businesses within remote rural Scotland and the changes that have occurred over the period 1998 to 2006.

Remote rural Scotland has experienced a decrease in number of employees of approximately 3,000 (4%); the greatest absolute decrease has occurred within the creative industries sector of over 2,500 employees (33%). As would be expected, tourism and construction are by far the biggest priority industry employment sectors in remote rural Scotland, accounting for 32% and 25% of total employment respectively in 2006. Both of these sectors increased total employment between 1998 and 2006, by 16% and 9% respectively.

Higher level/value added sectors like construction and energy have increased their absolute level of employment whilst the financial services and in particular the electronics markets have decreased over the period. Similar to wider rural Scotland, higher value sub sectors like manufacturing of motor vehicles has decreased considerably (1,000 employees) and now comprises a very small percentage of the total employment base.

Table A1.16: Remote Rural Scotland Priority Industry Employees				
	1998	2006	Absolute change	% Change
Tourism	19,204	22,242	3,038	16%
Financial Services	1,712	1,374	-338	-20%
Shipbuilding/ Marine	1,437	883	-554	-39%
Food & Drink	9,525	8,729	-796	-8%
Forest Industries	3,520	3,354	-166	-5%
Chemicals	912	923	11	1%
Construction	16,179	17,559	1,380	9%
Creative Industries	7,669	5,141	-2,528	-33%
Energy	2,279	2,479	200	9%
Life Sciences	337	374	37	11%
Electronic Markets	6,366	3,976	-2,390	-38%
Aerospace	330	554	224	68%
Textiles	3,320	2,228	-1,092	-33%
Total	72,790	69,816	-2,974	-4%

Source: ABI

Table A1.17 reports the business base.

Table A1.17: Remote Rural Scotland Priority Industry Businesses				
	1998	2006	Absolute change	% Change
Tourism	2,316	2,448	132	6%
Financial Services	230	244	14	6%
Shipbuilding/ Marine	44	287	243	552%
Food & Drink	307	46	-261	-85%
Forest Industries	490	454	-36	-7%
Chemicals	31	25	-6	-19%
Construction	3,268	3,649	381	12%
Creative Industries	743	1,197	454	61%
Energy	36	49	13	36%
Life Sciences	32	47	15	47%
Electronic Markets	260	255	-5	-2%
Aerospace	24	24	0	0%
Textiles	94	73	-21	-22%
Total	7,875	8,798	923	12%

Source: ABI

Similar to the all rural area, the total business base has increased, again showing an increase in smaller businesses with average employees dropping from 9.2 in 1998 to 7.9 in 2006.

There has been a total increase of 923 (12%) businesses within remote rural Scotland, with the food and drink industry the only sector suffering any substantial decrease in businesses, 261 (85%). The key industries in terms of number of businesses are construction, tourism and creative industries representing 41%, 28% and 14% of total businesses respectively.

Four Comparator Areas

Braemar and Upper Deeside

Table A1.18 and **A1.19** provide details on the employment and business base of Braemar and Upper Deeside and the changes that have occurred since 1998.

Table A1.18: Braemar & Upper Deeside Priority Industry Employees				
	1998	2006	Absolute change	% Change
Tourism	506	745	239	47%
Financial Services	16	78	62	388%
Shipbuilding/ Marine	0	0	0	0%
Food & Drink	22	44	22	100%
Forest Industries	46	108	62	135%
Chemicals	0	0	0	0%
Construction	114	215	101	89%
Creative Industries	64	76	12	19%
Energy	1	1	0	0%
Life Sciences	2	7	5	250%
Electronic Markets	1	4	3	300%
Aerospace	0	1	1	-
Textiles	0	0	0	-
Total	772	1,279	507	66%

Source: ABI

Braemar and Upper Deeside has increased the number of employees within the priority industries by 507 (66%) over the period, significant when considered against the 6% and 4% decline in all and remote rural. As with the wider rural Scotland area, tourism and construction have experienced the greatest absolute growth, 239 (47%) and 101 (89%) additional employees respectively and remain the largest priority industry employment sectors within the area.

Although only experiencing relatively small changes to the creative industries sector, these have primarily been within value added sub-sectors – software consultancy and architecture and technical consultancy. Generally speaking, the priority industry employment base within the area is small, however there is a large proportion of higher level and value added employment opportunities. When comparing the priority industries employment base with the business base we can see that the number of businesses has increased by a similar level, 74 businesses (58%) also significantly higher than the increase in all (15%) and remote (12%) rural areas.

Again the greatest absolute changes have occurred in the construction and tourism sectors. The priority industry business base is very small and focused with only a few industry sectors represented within Braemar and Upper Deeside.

Table A1.19: Braemar & Upper Deeside Priority Industry Businesses				
	1998	2006	Absolute change	% Change
Tourism	48	70	22	46%
Financial Services	3	7	4	133%
Shipbuilding/ Marine	0	0	0	0%
Food & Drink	5	5	0	0%
Forest Industries	11	15	4	36%
Chemicals	0	0	0	0%
Construction	47	72	25	53%
Creative Industries	11	27	16	145%
Energy	1	1	0	0%
Life Sciences	1	2	1	100%
Electronic Markets	1	2	1	100%
Aerospace	0	1	1	-
Textiles	0	0	0	0%
Total	128	202	74	58%

Source: ABI

Galashiels

Table A1.20 and **A1.21** provide details on the employment and business base of Galashiels and the changes that have occurred since 1998.

Table A1.20: Galashiels Priority Industry Employees				
	1998	2006	Absolute change	% Change
Tourism	2,033	1,893	-140	-7%
Financial Services	324	203	-121	-37%
Shipbuilding/ Marine	5	3	-2	-40%
Food & Drink	263	142	-121	-46%
Forest Industries	105	155	50	48%
Chemicals	220	275	55	25%
Construction	831	1,986	1,155	139%
Creative Industries	1,784	632	-1,152	-65%
Energy	106	60	-46	-43%
Life Sciences	1	134	133	13,300%
Electronic Markets	1,506	88	-1,418	-94%
Aerospace	3	0	-3	-100%
Textiles	693	416	-277	-40%
Total	7,874	5,987	-1,887	-24%

Source: ABI¹¹

¹¹ In 1998 within the life sciences sector there was one reported employee and two businesses, we can assume that one of these businesses was a self employed person.

Galashiels has experienced a total decrease approximately 1,900 employees since 1998, giving a total priority industry employment base of 5,987. This decline, of 24%, is significantly higher than in all and remote rural areas of 6% and 4% respectively.

The construction industry is the only industry showing substantial absolute growth, 1,155 (139%) additional employees. It should be noted that life sciences increased by 133 employees (13,300%) from an employment base of one and when compared to the business base it shows that this increase in employment can be attributed to one new business in the area. Construction and tourism remain the key employment sectors.

Creative industries and electronics have decreased considerably over the period, with the electronics markets losing substantial employment within the manufacturing of tubes, valves and electrical components sub-sector – possibly indicating the closure of a few key employers within this sector.

Table A1.21 reports on the business base and shows that currently there are 771 priority industry businesses in the area and this has increased by 27 (4%) since 1998, significantly lower than all and remote rural of 15% and 12% respectively.

Table A1.21: Galashiels Priority Industry Businesses				
	1998	2006	Absolute change	% Change
Tourism	194	203	9	5%
Financial Services	38	31	-7	-18%
Shipbuilding/ Marine	1	1	0	0%
Food & Drink	23	17	-6	-26%
Forest Industries	37	40	3	8%
Chemicals	7	4	-3	-43%
Construction	282	317	35	12%
Creative Industries	93	111	18	19%
Energy	3	2	-1	-33%
Life Sciences	2	3	1	50%
Electronic Markets	32	18	-14	-44%
Aerospace	1	0	-1	-100%
Textiles	31	24	-7	-23%
Total	744	771	27	4%

Source: ABI

The construction and creative industries have shown the greatest absolute growth accounting for 41% and 14% of total businesses respectively. The change in employment and number of businesses suggests the size of businesses in Galashiels is decreasing.

Highland Perthshire

The Highland Perthshire priority industry employment and business bases are reported below in **Table A1.22** and **A1.23**.

There are approximately 3,000 employees working within the priority industries in Highland Perthshire, this represents a decrease of 151 (5%) since 1998, significantly higher than all and remote rural of 6% and 4% respectively.

Tourism represents 57% of the total priority industry employment. The creative industries and tourism sectors have decreased in absolute terms by 129 (34%) and 65 (4%) respectively and within these sectors, employment within activities relating to museums and cultural attractions has decreased. Energy, a higher level and value added employment sector has increase by 72 (113%).

The priority industries employment base in the area is relatively small and narrow with tourism and construction the main employers with 57% and 17% of all employment respectively. Both of these sectors have, however, declined since 1998.

Table A1.22: Highland Perthshire Priority Industry Employees				
	1998	2006	Absolute change	% Change
Tourism	1,737	1,672	-65	-4%
Financial Services	93	73	-20	-22%
Shipbuilding/ Marine	28	53	25	89%
Food & Drink	86	58	-28	-33%
Forest Industries	125	152	27	22%
Chemicals	0	5	5	-
Construction	572	500	-72	-13%
Creative Industries	379	250	-129	-34%
Energy	52	111	59	113%
Life Sciences	3	52	49	1633%
Electronic Markets	26	26	0	0%
Aerospace	0	0	0	-
Textiles	3	1	-2	-67%
Total	3,104	2,953	-151	-5%

Source: ABI

Table A1.23 reports the Highland Perthshire priority industry business base.

Table A1.23: Highland Perthshire Priority Industry Businesses				
	1998	2006	Absolute change	% Change
Tourism	177	168	-9	-5%
Financial Services	13	13	0	0%
Shipbuilding/ Marine	2	2	0	0%
Food & Drink	12	10	-2	-17%
Forest Industries	26	28	2	8%
Chemicals	0	1	1	-
Construction	136	146	10	7%
Creative Industries	40	45	5	13%
Energy	2	2	0	0%
Life Sciences	1	6	5	500%
Electronic Markets	6	8	2	33%
Aerospace	0	0	0	0%
Textiles	3	1	-2	-67%
Total	418	430	12	3%

Source: ABI

The business base has remained relatively static and only increased by 12 (3%) businesses since 1998. This is significantly lower than all and remote of 15% and 12% respectively. Within the industry sectors there has been very little change and the priority business base remains very marginal in terms of absolute numbers with tourism and construction reported as the most dominant sectors representing 39% and 34% of the total priority business base.

Stranraer

The Stranraer priority industry employment and business bases are reported below in **Table A1.24** and **A1.25**.

Table A1.24: Stranraer Priority Industry Employees				
	1998	2006	Absolute change	% Change
Tourism	1,150	1,316	166	14%
Financial Services	120	118	-2	-2%
Shipbuilding/ Marine	79	46	-33	-42%
Food & Drink	606	277	-329	-54%
Forest Industries	112	182	70	63%
Chemicals	0	0	0	0%
Construction	546	683	137	25%
Creative Industries	145	235	90	62%
Energy	25	15	-10	-40%
Life Sciences	0	23	23	-
Electronic Markets	29	36	7	24%
Aerospace	0	1	1	-
Textiles	0	0	0	0%
Total	2,812	2,932	120	4%

Source: ABI

Total employment change in priority industries in Stranraer represents 4% increase from 1998 to 2006. This is favourable when considered the 6% and 4% decline in all and remote rural areas.

In total there are almost 3,000 employees working within the priority industries in Stranraer, representing an increase of 120 since 1998. Tourism, construction and creative industries have experienced the greatest absolute growth and are now the three largest employers within the priority industries. However, the increase within the creative industries has been amongst the lower level sub-sectors i.e. retail sale of books and independent artists etc.

The food and drink sector has experienced a substantial decrease of 329 (54%) employees over the period and further analysis shows this has primarily been in the processing of fish and related activities.

Table A1.25 reports the priority industry business base and shows that currently there are 432 priority industry businesses and this has increased by 35 (9%) since 1998, lower than all and remote of 15% and 12% respectively.

The construction and creative industries sectors report the greatest amount of absolute growth, however the priority industry business base within Stranraer is relatively small and the changes that have occurred have not altered the 'bigger picture' significantly.

Table A1.25: Stranraer Priority Industry Businesses				
	1998	2006	Absolute change	% Change
Tourism	175	171	-4	-2%
Financial Services	18	15	-3	-17%
Shipbuilding/ Marine	2	1	-1	-50%
Food & Drink	17	15	-2	-12%
Forest Industries	15	17	2	13%
Chemicals	0	0	0	0%
Construction	124	152	28	23%
Creative Industries	33	49	16	48%
Energy	2	1	-1	-50%
Life Sciences	0	1	1	-
Electronic Markets	11	9	-2	-18%
Aerospace	0	1	1	-
Textiles	0	0	0	0%
Total	397	432	35	9%

Source: ABI

Summary of Priority Industries

The priority industries within rural Scotland represent a substantial proportion of the Scottish total however there has been a moderate decrease since 1998 of 22,000 employees (6%), although this is representative of Scotland as a whole which experienced a decrease of 5% in priority industry employment.

The key sectors in terms of number of employees are construction, tourism and creative industries. The tourism sector, although a major employer, offers less higher level and value added employment than other priority industry sectors and also has a higher proportion of seasonal and part-time employment.

It is encouraging that within the creative industries sector the higher level industry sub-sectors have experienced growth over the period. However, within the industries that have decreased, the electronics market and energy sector, both value added sectors have shown significant decline, in particular within the manufacturing of motor vehicles and electronic goods.

Remote rural Scotland follows similar trend as the wider rural although as would be expected accounts for only a relatively small percent of the total employment and businesses within the priority industries sectors.

When reviewing the four comparator areas they all show general trends in that they rely heavily on the construction and tourism sectors for employment and to a lesser extent the creative industries. Construction employment in particular contributes a higher level of GVA to the local economy, however the creative industries employment is generally concentrated at the lower level.

Appendix 2: Property Market Review

The property market review looks at rural Scotland as a whole, remote rural areas and the four comparator areas.

Over recent years there has been a major boom in business property development in Scotland and across the UK. This has been driven by private sector development primarily in office stock in city centres, major towns and business parks.

Outwith city centres, there has been limited speculative private development, with activity generally restricted to bespoke developments for specific companies or speculative development by the private sector.

There have, however, been less financial resources available for public sector property development, particularly from SE. This has affected the provision of new and modern business property outwith the successful and established property market locations, particularly in rural areas.

As outlined at the introduction, property is a derived demand. Following the economic review of rural Scotland we now present analysis of the property market. The analysis is based on employment and therefore provides an estimate of 'occupied' business property rather than the total stock of property.

Our analysis of total occupied stock is based on employment density rates and assumptions about types of property required within each sector. It should be noted that these figures are a rough estimate and are designed to be indicative of the total occupied stock.

Table A2.1 and **A2.2** provide details on the criteria adopted to assess the total occupied stock of business premises for rural Scotland. The criteria for the table are based upon the English partnerships full employment density guide and assume density ratios of number of employees per Sqm/Sq ft. From this, we have estimated the total size of the premises based on the total number of employees – obtained from the Annual Business Inquiry.

Table A2.1 over, details the employment densities and criteria used.

Table A2.1: Employment Densities by Industry		
	Employees per Sqm	Employees per Sq ft
Agriculture, hunting and forestry	100	1,070
Fishing	50	535
Mining and quarrying	10	107
Manufacturing	34	365
Electricity, gas and water supply	33	353
Construction	27	289
Wholesale and retail trade	55	592
Hotels and restaurants	32	342
Transport, storage and communication	50	540
Financial intermediation	19	205
Real estate, renting and business activities	19	205
Public admin/defence; compulsory social security	19	205
Education	50	540
Health and social work	34	365
Other community, social, personal service activities	55	600
Private households with employed persons	75	802
Extra-territorial organisation and bodies	55	600

Source: English Partnerships Employment Density Guidelines

Table A2.2 provides detailed listings of how the density rates were calculated and assumed.

Table A2.2: Density Criteria	
Agriculture, hunting and forestry	Based on 2 times the density of general warehousing
Fishing	Based on the density of general warehousing
Mining and quarrying	Based on average of half the density of office building - very little mining/quarrying related property
Manufacturing	Based on density for general industrial buildings
Electricity, gas and water supply	Based on average of industrial buildings and small business units
Construction	Based on average of half the density of office buildings - very little construction related property
Wholesale and retail trade	Based on retail (average between city centre (20 Sqm) and other superstores/retail warehousing (90 Sqm))
Hotels and restaurants	Based on average between restaurants (13 Sqm) and hotels (50 Sqm- 1 employee per 2 bedroom where 1 room =25 Sqm)
Transport, storage and communication	Based on general warehousing (50 Sqm)
Financial intermediation	Based on density for general purpose offices
Real estate, renting and business activities	Based on density for general purpose offices
Public administration and defence; compulsory social security	Based on density for general purpose offices
Education	Based on general warehousing
Health and social work	Based on general industrial building
Other community, social and personal service activities	Based on private sports clubs
Private households with employed persons	Based on the employment density of budget hotel
Extra-territorial organisation and bodies	Based on private sports clubs

Source: English Partnerships Employment Density Guidelines

Rural Scotland

Table A2.3 reports the total occupied stock in rural Scotland, based on the employment/floorspace density criteria reported above. The total rural occupied commercial stock is approximately 27.6m Sqm (298m Sq ft). This is based on total workplace employment of approximately 782,000. The industry requiring the greatest amount of floorspace is wholesale and retail trade which represent 6.1m Sqm (66.4m Sq ft) representing 22.3% of total floorspace. The industry is assumed to be a mix of retail, supermarket retail and warehousing property.

Other industries that comprise a significant amount of occupied property floorspace include:

- health and social work (14.3% of total occupied floorspace);
- manufacturing (13.1% of total occupied floorspace); and
- education (11.1% of total occupied floorspace).

Table A2.3: Rural Scotland Occupied Floorspace Based on Employment 2006			
	Number	Total floorspace Sqm	Total floorspace Sq ft
Agriculture, hunting and forestry	5,819	581,900	6,226,330
Fishing	795	39,750	397,500
Mining and quarrying	18,020	180,200	1,928,140
Manufacturing	106,494	3,620,796	38,870,310
Electricity, gas and water supply	6,015	198,495	2,123,295
Construction	58,744	587,440	6,285,608
Wholesale and retail trade	112,124	6,166,820	66,377,408
Hotels and restaurants	57,892	1,852,544	19,799,064
Transport, storage and communication	42,789	2,139,450	23,106,060
Financial intermediation	18,585	353,115	3,809,925
Real estate, renting and business activities	101,806	1,934,314	20,870,230
Public admin/defence; compulsory social security	30,807	585,333	6,315,435
Education	61,283	3,064,150	33,092,820
Health and social work	116,802	3,971,268	42,632,730
Other community, social, personal service activities	43,755	2,406,525	26,253,000
Private households with employed persons	-	-	-
Extra-territorial organisation and bodies	-	-	-
Total	781,730	27,682,100	298,087,855

Source: ABI

Table A2.4 over reports the number of businesses in the rural area as 68,289 and the average business premises as 405 Sqm (4,265 Sq ft). The range and size of premises varies from an average of 79 Sqm (840 Sq ft) for construction businesses to 1,529 Sqm (16,350 Sq ft) for businesses related/aligned with the education sector.

Table A2.4: Rural Scotland Av Floorspace Based on Businesses 2006			
	Number	Av floorspace per business Sqm	Av floorspace per business Sq ft
Agriculture, hunting and forestry	1,005	637	6,812
Fishing	385	114	1,145
Mining and quarrying	331	186	1,987
Manufacturing	4,567	796	8,549
Electricity, gas and water supply	119	1,529	16,352
Construction	7,968	79	841
Wholesale and retail trade	14,417	418	4,498
Hotels and restaurants	5,415	351	3,755
Transport, storage and communication	3,717	504	5,448
Financial intermediation	933	356	3,839
Real estate, renting and business activities	16,005	115	1,244
Public admin/defence; compulsory social security	1,236	563	6,079
Education	2,477	1,219	13,163
Health and social work	3,957	964	10,350
Other community, social, personal service activities	5,757	408	4,449
Private households with employed persons	0	0	0
Extra-territorial organisation and bodies	0	0	0
Total	68,289	405	4,365

Source: ABI

Further analysis reports the breakdown between employees that would occupy office and industrial premises, the criteria are reported in **Table A2.5**.

Table A2.5: Office/Industrial Floorspace Assumptions	
% of employees occupying office floorspace	
Financial intermediation	100%
Real estate, renting and business activities	
Public administration and defence; compulsory social security	
Construction	50%
Education	25%
Health and social work	
% of employees occupying industrial floorspace	
Manufacturing	100%
Transport, storage and communication	
Construction	50%

Source: Based on EKOS assumptions

From this, we can estimate the amount of occupied office and industrial floorspace as reported in **Table A2.6**.

Table A2.6: Rural Scotland Office/Industrial Floorspace 2006		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	4,925,337	53,069,782
Industrial	6,053,966	65,119,174
Total	10,979,303	118,188,956

Source: ABI/ English Partnerships Employment Density Guidelines

The table shows that industrial and office floorspace occupy 21.9% and 17.8% respectively of the total assumed occupied stock reported in **Table A2.6** above.

Further to this, we conducted some time-series research and our analysis showed there have been large changes in the business/employment base over the period 1998 to 2006 with a vast reduction in heavy 'traditional' industry e.g. manufacturing and an increase in finance/business related and service sector employment. This in turn will have had an impact on the type of occupied stock with office property increasing its proportion of total occupied stock whilst the total occupied industrial floorspace has decreased, although still remains greater than the office stock.

The economics analysis section reports a 7.4% increase in employment in rural areas from 1998 to 2006. Based on the method outlined above, this equates to a further 2.1m sq ft of business floorspace in rural areas to accommodate this employment growth. We have estimated that across the employment sectors, this equates to a requirement for 12.4m sq ft of offices and a decrease of 15.8m sq ft of industrial floorspace.

Self Employment

The analysis outlined above relies on employment data from the ABI, but this does not record self employment. Traditionally, rural areas have, in comparison with more urban settings, a greater level of self employment. It is therefore appropriate to consider self employment in any analysis of rural property.

Self employment is obtained from the Census 2001, but there are some issues with any analysis. The data is resident based (in comparison with the ABI which is a survey of workplaces) and we have had to make assumptions on the proportion of self employed people that work within the area that they reside. Secondly, from the residents that live and work in the area there is a need to consider the proportion that work from commercial premises and which work from home.

The criteria, broken down by sector, is reported in **Table A2.7**. Please note that the broader sector definitions are as reported in Census data¹².

¹² (Agriculture, hunting and forestry, fishing) and (Other community, social and personal service activities, Private households with employed persons and Extra-territorial organisation and bodies) are reported as one sector,

Table A2.7: Census Data Self Employment Assumptions		
	% Working in local area	% Occupying separate commercial premises
Agriculture, hunting and forestry, fishing	90%	90%
Mining/quarrying, electricity, gas, water supply	80%	90%
Manufacturing	66%	90%
Construction	40%	90%
Wholesale and Retail trade	50%	80%
Hotels and restaurants	90%	70%
Transport, storage and communications	50%	70%
Financial intermediaries	40%	50%
Real estate, renting, business activities	40%	50%
Public admin and defence, social security	30%	90%
Education	40%	90%
Health and social work	30%	70%
Other	50%	30%

Source: Census

Table A2.8 reports the total self employment in rural Scotland and presents our assumptions on the total occupied floorspace. It should be noted that we were unable to obtain data on self employment within rural Scotland. As a method of estimating, we calculated the percentage of self employment in Scotland as a whole (by industry sector) and applied the proportionate share to total employment in rural Scotland. It should be noted, however, that although we realise this may be a slight under representation as traditionally rural areas have higher levels of self employment than more urban areas. Self-employment is more common in both accessible and remote rural areas (8% and 11% respectively, compared with 5% nationally)¹³.

The table reports that the greatest levels of self employment are in the agriculture, hunting and forestry, fishing sectors – accounting for 12.1% of total self employment and 390,000 Sqm of floorspace (24.5% of total occupied floorspace). Wholesale and Retail trade and manufacturing are the other sectors with a noticeable amount of occupied floorspace, 238,000 Sqm and 134,000 Sqm of floorspace respectively.

¹³ Living In Scotland: An Urban-Rural Analysis of The Scottish Household Survey, Scottish Government.

Table A2.8: Rural Scotland Census Data - Self Employment 2001			
	Number	Total floorspace Sqm	Total floorspace Sq ft
Agriculture, hunting and forestry, fishing	3,855	289,127	3,026,192
Mining/quarrying, electricity, gas, water supply	709	15,241	163,045
Manufacturing	3,937	133,858	1,437,005
Construction	6,831	68,312	730,941
Wholesale and Retail trade	4,321	237,674	2,558,231
Hotels and restaurants	3,850	123,193	1,316,624
Transport, storage and communications	2,198	109,884	1,186,744
Financial intermediaries	149	2,834	30,574
Real estate, renting and business activities	2,676	50,845	548,592
Public admin and defence, social security	107	2,033	21,936
Education	710	35,489	383,281
Health and social work	1,445	49,125	527,373
Other	1,048	64,617	699,263
Total	31,836	1,182,231	12,629,802

Source: Census

Table A2.9 presents data on the split between office and industrial floorspace and shows that within the self employed sectors, there is an estimated 270,300 sq m of occupied office and industrial stock.

Table A2.9: Rural Scotland Total Self Employment Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	111,022	1,194,237
Industrial	159,281	1,715,260
Total	270,303	2,909,496

Source: ABI/ English Partnerships Employment Density Guidelines

Total Occupied Stock

From the analysis presented above we can make assumptions on the total occupied stock within the rural Scotland area based on data from the ABI (2006) and the Census (2001). **Table A2.10** provides the assumptions of the total occupied floorspace based on both datasets.

Table A2.10: Rural Scotland Total Occupied Floorspace			
	Number of employees	Total property floorspace Sqm	Total property floorspace Sq ft
Agriculture, hunting and forestry, fishing	10,469	910,777	9,650,022
Mining and quarrying, electricity, gas and water supply	24,744	393,936	4,214,480
Manufacturing	110,431	3,754,654	40,307,315
Construction	65,575	655,752	7,016,549
Wholesale and Retail trade	116,445	6,404,494	68,935,639
Hotels and restaurants	61,742	1,975,737	21,115,688
Transport, storage and communications	44,987	2,249,334	24,292,804
Financial intermediaries	18,734	355,949	3,840,499
Real estate, renting and business activities	104,482	1,985,159	21,418,822
Public administration and defence, social security	30,914	587,366	6,337,371
Education	61,993	3,099,639	33,476,101
Health and social work	118,247	4,020,393	43,160,103
Other	44,803	2,471,142	26,952,263
Total	813,566	28,864,331	310,717,657

Source: ABI / Census

In total, we have assumed that there is approximately 28.9m Sqm (311m Sq ft) of occupied commercial floorspace within rural Scotland. **Table A2.11** reports the split between office and industrial property.

Table A2.11: Rural Scotland Total Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	5,036,358	54,264,018
Industrial	6,213,247	66,834,434
Total	11,249,606	121,098,452

Source: ABI/ English Partnerships Employment Density Guidelines

In total, office and industrial premises account for 17.5% and 21.5% of the total occupied floorspace of rural areas respectively.

Remote Rural Scotland

Table A2.12 reports the occupied floorspace within remote rural areas broken down by industry and using the density criteria outlined above. The ABI was used to obtain details on employment.

Table A2.12: Remote Rural Areas Occupied Floorspace Based on Employment 2006			
	Number	Total floorspace Sqm	Total floorspace Sq ft
Agriculture, hunting and forestry	2,517	251,700	2,693,190
Fishing	356	17,800	178,000
Mining and quarrying	1,200	12,000	128,400
Manufacturing	23,312	792,608	8,508,880
Electricity, gas and water supply	2,562	84,546	904,386
Construction	12,844	128,440	1,374,308
Wholesale and retail trade	25,040	1,377,200	14,823,680
Hotels and restaurants	17,954	574,528	6,140,268
Transport, storage and communication	7,108	355,400	3,838,320
Financial intermediation	1,374	26,106	281,670
Real estate, renting and business activities	16,006	304,114	3,281,230
Public admin/defence; compulsory social security	7,134	135,546	1,462,470
Education	14,958	747,900	8,077,320
Health and social work	21,832	742,288	7,968,680
Other community, social/personal service activities	9,154	503,470	5,492,400
Private households with employed persons	0	0	0
Extra-territorial organisation and bodies	0	0	0
Total	163,351	6,053,646	65,153,202

Source: ABI

In remote rural Scotland, based on the employment/floorspace density criteria reported above, the total rural occupied commercial stock is approximately 6.1m Sqm (65.2m Sq ft). This is based on total workplace employment of 163,351. The industry requiring the greatest amount of floorspace is wholesale and retail trade which account for 1.4m Sqm (14.8m Sq ft) representing 22.8% of total floorspace. This industry is assumed to be a mix of retail, supermarket retail and warehousing property.

Other industries that comprise a significant amount of property floorspace include:

- manufacturing: 13.1% of total occupied floorspace (790,000 sq m);
- education: 12.4% of total occupied floorspace (750,000 sq m);
- health and social work: 12.3% of total occupied floorspace (740,000 sq m);
- hotels and restaurants: 9.5% of total occupied floorspace (575,000 sq m); and
- other community/social/personal service activities: 8.3% of total occupied floorspace (500,000 sq m).

Remote rural Scotland represents 22% of the total occupied floorspace in rural Scotland.

Four Comparator Areas

Braemar

ABI Data

Table A2.13 and **A2.14** detail the employment levels of the rural area and also the average size of premises per business.

In Braemar and Upper Deeside, based on the employment/floorspace density criteria reported above, the total rural occupied commercial stock is approximately 104,400 Sqm (1,124,000 Sq ft). This is based on total workplace employment of 2,711. The industry requiring the greatest amount of floorspace is wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods which account for 20,150 Sqm (216,700 Sq ft) representing 19.3% of total floorspace. This industry is assumed to be a mix of retail, supermarket retail and warehousing property.

Other industries that comprise a significant amount of property floorspace include:

- hotels and restaurants (17.2% of total occupied floorspace);
- education (17.1% of total occupied floorspace); and
- other community, social and personal service activities (12.2% of total occupied floorspace).

Table A2.13: Braemar and Upper Deeside Occupied Floorspace Based on Employment 2006			
	Number	Total floorspace Sqm	Total floorspace Sq ft
Agriculture, hunting and forestry	50	5,000	53,500
Fishing	3	150	1,500
Mining and quarrying	2	20	214
Manufacturing	160	5,440	58,400
Electricity, gas and water supply	0	0	0
Construction	137	1,370	14,659
Wholesale and retail trade	366	20,130	216,672
Hotels and restaurants	564	18,048	192,888
Transport, storage and communication	88	4,400	47,520
Financial intermediation	78	1,482	15,990
Real estate, renting and business activities	230	4,370	47,150
Public admin/defence; compulsory social security	119	2,261	24,395
Education	359	17,950	193,860
Health and social work	325	11,050	118,625
Other community, social/personal service activities	231	12,705	138,600
Private households with employed persons	0	0	0
Extra-territorial organisation and bodies	0	0	0
Total	2,711	104,376	1,123,973

Source: ABI

Table A2.14 reports the number of businesses in the rural area as 447 and the average business premises as 234 Sqm (2,500 Sq ft). The range and size of premises varies from an average of 10 Sqm (107 Sq ft) for mining and quarrying businesses to 1,122 Sqm (12,000 Sq ft) for businesses related/aligned with the education sector.

Table A2.14: Braemar and Upper Deeside Av Floorspace Based on Businesses 2006			
	Number	Average floorspace per business Sqm	Average floorspace per business Sq ft
Agriculture, hunting and forestry	14	357	3,821
Fishing	1	150	1,500
Mining and quarrying	2	10	107
Manufacturing	22	247	2,655
Electricity, gas and water supply	0	0	0
Construction	48	29	305
Wholesale and retail trade	84	240	2,579
Hotels and restaurants	52	347	3,709
Transport, storage and communication	16	275	2,970
Financial intermediation	7	212	2,284
Real estate, renting and business activities	114	38	414
Public admin/defence; compulsory social security	12	188	2,033
Education	16	1,122	12,116
Health and social work	21	526	5,649
Other community, social/personal service activities	38	334	3,647
Private households with employed persons	0	0	0
Extra-territorial organisation and bodies	0	0	0
Total	447	234	2,514

Source: ABI

Further analysis reports the breakdown between occupied office and industrial premises, based on the criteria outlined above.

We can estimate the amount of occupied office and industrial floorspace as reported in **Table A2.15**.

Table A2.15: Braemar and Upper Deeside Office/Industrial Floorspace 2006		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	16,048	172,986
Industrial	10,525	113,250
Total	26,573	286,235

Source: ABI/ English Partnerships Employment Density Guidelines

The table shows that office and industrial floorspace occupy 15.4% and 10.1% respectively of the total assumed occupied stock. Further to this, we conducted some time-series research and our analysis shows that there have been large changes in the business/employment base over the period 1998 to 2006 with a vast reduction in heavy 'traditional' industry e.g. manufacturing and an increase in finance/business related and service sector employment.

Consequently, this has had a large impact on the type of occupied stock in the area with office property now accounting for a larger percentage of the total occupied stock than industrial property.

Self Employment

Based on the self employment criteria outlined above, we can estimate the total self employment within the area. **Table A2.16** reports the total self employment in Braemar and upper Deeside and also assumptions on the total occupied floorspace.

The greatest levels of self employment are in the agriculture, hunting and forestry, fishing sector – accounting for 40% of total self employment and 32,000 Sqm of floorspace (60% of total occupied floorspace). Wholesale and Retail trade occupies approximately 6,500 Sqm of floorspace and accounts for 12.4% of the total occupied stock.

Table A2.16: Braemar and Upper Deeside Census Data Self Employment 2001			
	Number	Total floorspace Sqm	Total floorspace Sq ft
Agriculture, hunting and forestry, fishing	428	32,076	335,729
Mining/quarrying, electricity, gas, water supply	37	805	8,611
Manufacturing	83	2,807	30,137
Construction	117	1,174	12,558
Wholesale and Retail trade	119	6,534	70,330
Hotels and restaurants	97	3,105	33,181
Transport, storage and communications	20	1,015	10,962
Financial intermediaries	0	0	0
Real estate, renting and business activities	83	1,581	17,056
Public admin and defence, social security	3	56	609
Education	22	1,098	11,858
Health and social work	29	1,000	10,731
Other	25	1,563	16,917
Total	1,064	52,814	558,678

Source: Census

Table A2.17 presents data on the split between office and industrial floorspace and shows that within the self employed sectors, there is approximately 7,000 Sqm occupied office and industrial stock in the area.

Table A2.17: Braemar and Upper Deeside Total Self Employment Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	2,748	29,591
Industrial	4,409	47,377
Total	7,157	76,968

Source: ABI/ English Partnerships Employment Density Guidelines

Total Occupied Stock

From the analysis presented above we can make assumptions on the total occupied stock within Braemar and Upper Deeside based on data from the ABI (2006) and the Census (2001). **Table A2.18** provides the assumptions of the total occupied floorspace based on both datasets.

Table A2.18: Braemar and Upper Deeside Total Occupied Floorspace			
	Number	Total property floorspace Sqm	Total property floorspace Sq ft
Agriculture, hunting and forestry, fishing	481	37,226	390,729
Mining/quarrying, electricity, gas/water supply	39	825	8,825
Manufacturing	243	8,247	88,537
Construction	254	2,544	27,217
Wholesale and Retail trade	485	26,664	287,002
Hotels and restaurants	661	21,153	226,069
Transport, storage and communications	108	5,415	58,482
Financial intermediaries	78	1,482	15,990
Real estate, renting and business activities	313	5,951	64,206
Public admin and defence, social security	122	2,317	25,004
Education	381	19,048	205,718
Health and social work	354	12,050	129,356
Other	256	14,268	155,517
Total	3,776	157,190	1,682,651

Source: ABI / Census

In total, we have assumed that there is approximately 157,000 Sqm (1,683,000 Sq ft) of occupied commercial floorspace within the Braemar and Upper Deeside area. **Table A2.19** reports the split between office and industrial property.

Table A2.19: Braemar and Upper Deeside Total Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	18,796	202,577
Industrial	14,934	160,627
Total	33,730	363,204

Source: ABI/ English Partnerships Employment Density Guidelines

In total, we have estimated almost 34,000 sq m of occupied office and industrial premises, accounting for 12% and 9.5% of the total occupied floorspace respectively.

SPN Review

The Scottish Property Network (SPN) database is a property search engine that collates details on different types of property e.g. offices, industrial, leisure etc. It provides details on stock, availability, take-up and valuation of property.

We have used SPN to record changes in the availability and take-up of property, helping to identify supply and/or demand issues or points of interest.

SPN also reports on potential 'pipeline' developments and property transactions. However, it does not record all transactions as it only records property that has been fully registered on the Land Register.

SPN is the most effective and comprehensive secondary data source for analysing property trends, however it should be noted that due to the rural location, the data collection methods are not as robust as urban areas and as such a more indicative. Further to this, the 'stock' figure reported is a measure of the stock that has been involved in a transaction (either becoming available or being taken up) since 1996 or the property being registered with SPN.

It should not be seen as a record of the total stock that exists within the area - this information is not available - but this gives an indication of property market activity

Table A2.20 reports the details on the SPN data. The table reports that as of end 2007, there has been very little change in the commercial property market in the local area. At the end of 2007, there were four available properties, although two of these are land.

The stock is a record of all property that has been available or has been involved in a transaction in the area over the past 10 years. While it does not identify the total stock of the area it gives a rough indication of the breakdown of the total stock. From the available data, we can see that in comparison, a large proportion of the total stock is industrial property.

Table A2.20: Braemar and Upper Deeside SPN Review 2007						
	Available		Transactions		Stock	
	No	Floorspace (Sqm)	No	Floorspace (Sqm)	No	Floorspace (Sqm)
Industrial	0	0	0	0	32	6,151 (1 not reported)
Office	0	0	0	0	31	2,742
Retail	0	0	0	0	64	5,540 (3 not reported)
Leisure	1	not reported	1	not reported	53	4,324 (21 reported)
Land	2	3,509	0	0	2	3,509
Misc	1	169	0	0	5	579 (1 not reported)
Total	4	3,678	1	0	187	20,103

Source: SPN

Comparing the data in **Table A2.20** with our estimate of total business property stock in Braemar, suggests that (excluding land) SPN records almost 11% of the total stock but over 40% of industrial and 15% of office space.

Galashiels

ABI Data

The data presented below is based on the criteria and employment/floorspace density ratios outlined above. **Table A2.21** and **A2.22** report the number of employees, the total occupied floorspace and average size of business premises broken down by industrial sector.

The table shows that there are 20,862 employees working in rural Galashiels where health and social work is the most dominant sector in terms of number of employees accounting for 30% of total employment and 28.9% of the occupied floorspace – 215,000 Sqm. Other industries that account for a notable percentage of the occupied floorspace include:

- wholesale and retail trade: 22.3% of total occupied floorspace (165,000 Sqm); and
- education: 9.5% of total occupied floorspace (70,000 Sqm).

Table A2.21: Galashiels Occupied Floorspace Based on Employment 2006			
	Number	Total property floorspace Sqm	Total property floorspace Sq ft
Agriculture, hunting and forestry	190	19,000	203,300
Fishing	14	700	7,000
Mining and quarrying	11	110	1,177
Manufacturing	1,442	49,028	526,330
Electricity, gas and water supply	94	3,102	33,182
Construction	1,679	16,790	179,653
Wholesale and retail trade	2,996	164,780	1,773,632
Hotels and restaurants	1,328	42,496	454,176
Transport, storage and communication	660	33,000	356,400
Financial intermediation	202	3,838	41,410
Real estate, renting and business activities	2,146	40,774	439,930
Public admin/defence; compulsory social security	1,432	27,208	293,560
Education	1,398	69,900	754,920
Health and social work	6,282	213,588	2,292,930
Other community, social/personal service activities	991	54,505	594,600
Private households with employed persons	-	-	-
Extra-territorial organisation and bodies	-	-	-
Total	20,862	738,819	7,952,200

Source: ABI

Table A2.22 reports the number of businesses and details the average size per business is 367 Sqm (3,950 Sq ft) whilst the average size of premises ranges from 55 Sqm (590 Sq ft) for a mining and quarrying business to 1,318 Sqm (14,150 Sq ft) for a business in the education sector.

Table A2.22: Galashiels Av Floorspace Based on Businesses 2006			
	Number	Average floorspace per business Sqm	Average floorspace per business Sq ft
Agriculture, hunting and forestry	47	404	4,326
Fishing	6	117	1,167
Mining and quarrying	2	55	589
Manufacturing	140	350	3,760
Electricity, gas and water supply	5	620	6,636
Construction	254	66	707
Wholesale and retail trade	505	326	3,512
Hotels and restaurants	126	337	3,605
Transport, storage and communication	84	393	4,243
Financial intermediation	31	124	1,336
Real estate, renting and business activities	368	111	1,195
Public administration/defence; compulsory social security	54	504	5,436
Education	62	1,127	12,176
Health and social work	162	1,318	14,154
Other community/social/personal service activities	169	323	3,518
Private households with employed persons	0	0	0
Extra-territorial organisation and bodies	0	0	0
Total	2,015	367	3,947

Source: ABI

Table A2.23 reports the split between office and industrial property, the assumptions for the breakdown by sector are outlined above.

Table A2.23: Galashiels Office/Industrial Floorspace 2006		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	151,087	1,626,689
Industrial	90,423	972,557
Total	241,510	2,599,246

Source: ABI/ English Partnerships Employment Density Guidelines

Office and industrial floorspace account for 20.4% and 12.2% of the total occupied stock respectively. Similar to anecdotal evidence reported earlier in the Braemar and Upper Deeside area, the Galashiels business base has undergone some substantial changes in terms of the dominant employment sectors between 1998 and 2006.

In terms of the total occupied stock in the area, there is now approximately eight percentage points more occupied office stock than industrial whilst previously (1998) industrial businesses and stock represented the dominant sectors.

Self Employment

As previously reported, the ABI does not record those in self employment, however, through Census 2001 data we have been able to make assumptions on the likely occupancy of commercial property by self employed people. Based on the density ratios reported above, **Table A2.24** details the number of people self employed and the total occupied floorspace.

Table A2.24: Galashiels Census Data Self Employment 2001			
	Number	Total floorspace Sqm	Total floorspace Sq ft
Agriculture, hunting and forestry, fishing	584	43,801	458,448
Mining/quarrying, electricity, gas/water supply	0	0	0
Manufacturing	194	6,604	70,897
Construction	177	1,768	18,913
Wholesale and Retail trade	197	10,846	116,742
Hotels and restaurants	180	5,766	61,622
Transport, storage and communications	55	2,730	29,484
Financial intermediaries	0	0	0
Real estate, renting and business activities	86	1,634	17,630
Public admin and defence, social security	0	0	0
Education	24	1,224	13,219
Health and social work	47	1,592	17,093
Other	46	2,858	30,931
Total	1,591	78,823	834,979

Source: Census

The mining and quarrying, electricity, gas and water supply is the largest sector for self employment in the area and accounts for 43,800 Sqm (458,450 Sq ft) representing 55.5% of the total occupied stock. With regards to total floorspace, only the hotels and restaurants sector occupies any significant level of floorspace, 10,800 Sqm (116,700 Sq ft) representing 13.8% of the total occupied floorspace.

Table A2.25 over, provides details on the office/industrial split.

Table A2.25: Galashiels Total Self Employment Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	3,222	34,665
Industrial	10,218	109,838
Total	13,440	144,502

Source: ABI/ English Partnerships Employment Density Guidelines

The occupied industrial floorspace for self employed people in Galashiels is approximately three times greater than the office floorspace, this compares with a greater proportion of office floorspace when analysing the ABI data reported above. This gives an indication on the type of industries that are more common amongst people that are self employed – a greater number of ‘traditional’ heavier industries and less professional/business services.

Total Occupied Stock

From the analysis presented above we can make assumptions on the total occupied stock within Galashiels based on data from the ABI (2006) and the Census (2001). **Table A2.26** provides the assumptions of the total occupied floorspace based on both datasets.

Table A2.26: Galashiels Total Occupied Floorspace			
	Number	Total property floorspace Sqm	Total property floorspace Sq ft
Agriculture, hunting and forestry, fishing	788	63,501	668,748
Mining/quarrying, electricity, gas/water supply	105	3,212	34,359
Manufacturing	1,636	55,632	597,227
Construction	1,856	18,558	198,566
Wholesale and Retail trade	3,193	175,626	1,890,374
Hotels and restaurants	1,508	48,262	515,798
Transport, storage and communications	715	35,730	385,884
Financial intermediaries	202	3,838	41,410
Real estate, renting and business activities	2,232	42,408	457,560
Public admin and defence, social security	1,432	27,208	293,560
Education	1,422	71,124	768,139
Health and social work	6,329	215,180	2,310,023
Other	1,037	57,363	625,531
Total	22,456	817,642	8,787,179

Source: ABI

In total we have assumed that there is approximately 815,000 Sqm (8.8m Sq ft) of occupied floorspace within Galashiels with health and social work (26.3%) and wholesale and retail (21.5%) sectors occupying the largest proportion of total floorspace.

Table A2.27 reports the total floorspace split between office and industrial.

Table A2.27: Galashiels Total Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	154,309	1,661,353
Industrial	100,641	1,082,394
Total	254,950	2,743,747

Source: ABI/ English Partnerships Employment Density Guidelines

In total, office and industrial floorspace account for approximately 19% and 12% of the total occupied floorspace.

SPN Review

SPN provides details on the number of available properties, take-up and total stock within the area for 2007. **Table A2.28** provides the details on the property market.

Table A2.28: Galashiels SPN Review 2007						
	Available		Transactions		Stock	
	No	Floorspace (Sqm)	No	Floorspace (Sqm)	No	Floorspace (Sqm)
Industrial	12	7,639	5	1,016 (1 not reported)	128	60,859
Office	12	2,145 (1 not reported)	0	0	87	10,745 (2 not reported)
Retail	15	2,772 (1 not reported)	5	178 (2 not reported)	141	21,400 (5 not reported)
Leisure	5	not reported	1	366	33	2,532 (11 not reported)
Land	4	65,561 (2 not reported)	1	3,399	4	65,561 (2 not reported)
Misc	0	0	1	705	2	801
Total	48	78,117	13	2,381	378	161,097

Source: SPN

The table reports that as of end 2007, there were 48 available commercial properties, the majority of which were retail, office and industrial properties. Further to this, there were also four available plots of land with a combined area of 65,500 Sqm although two did not report their size.

There have been 13 property transactions during 2007, although none of these (save the land transaction) have been on any large scale.

The stock is a record of all property that has been available or has been involved in a transaction in the area over the past 10 years. While it does not identify the total stock of the area it gives a rough indication of the breakdown of the total stock.

The table shows that retail and industrial property are the most common property types, 141 and 128 properties respectively. In terms of floorspace, the industrial property represents the largest average floorspace and based on the available data, accounts for the largest proportion of floorspace.

Comparing the data in **Table A2.28** with our estimate of total business stock in Galashiels, suggests that (excluding land) SPN records almost 12% of total stock but 60% of industrial and 7% of office space.

Highland Perthshire

ABI Data

The data presented below is based on the criteria and employment/floorspace density ratios outlined above in **Table A2.29** and **A2.30** report the number of employees, the total occupied floorspace and average size of business premises broken down by business sector.

Table A2.29: Highland Perthshire Occupied Floorspace Based on Employment 2006			
	Number	Total property floorspace Sqm	Total property floorspace Sq ft
Agriculture, hunting and forestry	132	13,200	141,240
Fishing	10	500	5,000
Mining and quarrying	12	120	1,284
Manufacturing	342	11,628	124,830
Electricity, gas and water supply	111	3,663	39,183
Construction	408	4,080	43,656
Wholesale and retail trade	1,553	85,415	919,376
Hotels and restaurants	1,486	47,552	508,212
Transport, storage and communication	312	15,600	168,480
Financial intermediation	73	1,387	14,965
Real estate, renting and business activities	761	14,459	156,005
Public admin/defence; compulsory social security	226	4,294	46,330
Education	398	19,900	214,920
Health and social work	860	29,240	313,900
Other community/social/personal service activities	516	28,380	309,600
Private households with employed persons	0	0	0
Extra-territorial organisation and bodies	0	0	0
Total	7,199	279,418	3,006,981

Source: ABI

The table shows that there are approximately 7,200 employees working in Highland Perthshire where wholesale and retail trade and hotels and restaurants are the most dominant sectors in terms of number of employees accounting for 21.5% and 20.6% of total employment respectively and 30.6% and 17% of the occupied floorspace – 85,000 sq m and 47,000 sq m respectively.

Other industries that account for a notable percentage of total occupied floorspace include:

- health and social work: 10.5% of total occupied floorspace (30,000 Sqm); and
- education: 7.1% of total occupied floorspace (20,000 Sqm).

Table A2.30 reports the number of businesses and details the average size per business is 279 Sqm (3,000 Sq ft) whilst the average size of premises ranges from 37 Sqm (400 Sq ft) for a construction business to 1,832 Sqm (14,150 Sq ft) for a business in the electricity, gas and water supply sector.

Table A2.30: Highland Perthshire Average Floorspace Based on Businesses			
	Number	Average floorspace per business Sqm	Average floorspace per business Sq ft
Agriculture, hunting and forestry	27	489	5,231
Fishing	4	125	1,250
Mining and quarrying	3	40	428
Manufacturing	51	228	2,448
Electricity, gas and water supply	2	1,832	19,592
Construction	109	37	401
Wholesale and retail trade	255	335	3,605
Hotels and restaurants	133	358	3,821
Transport, storage and communication	45	347	3,744
Financial intermediation	13	107	1,151
Real estate, renting and business activities	190	76	821
Public admin/defence; compulsory social security	17	253	2,725
Education	23	865	9,344
Health and social work	56	522	5,605
Other community, social/personal service activities	72	394	4,300
Private households with employed persons	0	0	0
Extra-territorial organisation and bodies	0	0	0
Total	1,000	279	3,007

Source: ABI

Table A2.31 reports the split between office and industrial property, the assumptions for the breakdown are outlined above.

Table A2.31: Highland Perthshire Office/Industrial Floorspace 2006		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	34,465	371,333
Industrial	29,268	315,138
Total	63,733	686,471

Source: ABI/ English Partnerships Employment Density Guidelines

Office and industrial floorspace account for 12.3% and 10.5% of the total occupied stock. Highland Perthshire business base has undergone some substantial changes in terms of the dominant employment sectors between 1998 and 2006. In terms of a proportion of the total occupied stock in the area, there is now approximately 5,200 Sqm more occupied office stock.

Self Employment

As previously reported, the ABI does not record those in self employment, however, through Census 2001 data we have been able to make assumptions on the likely occupancy of commercial property by self employed people. Based on the density ratios reported earlier **Table A2.32** details the number of people self employed and the total occupied floorspace.

Table A2.32: Highland Perthshire Census Data Self Employment 2001			
	Number	Total floorspace Sqm	Total floorspace Sq ft
Agriculture, hunting and forestry, fishing	301	22,599	236,536
Mining/quarrying, electricity, gas/water supply	0	0	-
Manufacturing	82	2,787	29,920
Construction	104	1,037	11,094
Wholesale and Retail trade	106	5,852	62,989
Hotels and restaurants	173	5,544	59,252
Transport, storage and communications	31	1,558	16,821
Financial intermediaries	0	0	-
Real estate, renting and business activities	61	1,155	12,464
Public admin and defence, social security	0	0	-
Education	0	0	-
Health and social work	13	443	4,752
Other	24	1,471	15,916
Total	895	42,445	449,743

Source: Census

The agriculture, hunting and forestry, fishing is the largest sector for self employment in the area and accounts for 22,600 Sqm (236,500 Sq ft) of floorspace representing 53% of the total occupied stock. With regards to total floorspace, aside from the former, only the wholesale trade and retail and hotels and restaurants sectors occupy any significant level of floorspace.

Table A2.33 provides details on the office/industrial split.

Table A2.33: Highland Perthshire Total Self Employment Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	1,784	19,100
Industrial	4,863	52,000
Total	6,647	71,000

Source: ABI/ English Partnerships Employment Density Guidelines

The industrial floorspace for self employed people in Highland Perthshire is approximately three times greater than the total office floorspace, this compares with a greater proportion of office floorspace when analysing the ABI data reported above. This could provide an indication on the type of industries that are more common amongst people that are self employees – a greater number of ‘traditional’ heavier industries and less professional services.

Total Occupied Stock

From the analysis presented above we can make assumptions on the total occupied stock within Galashiels based on data from the ABI (2006) and the Census (2001). **Table A2.34** provides the assumptions of the total occupied floorspace based on both datasets.

Table A2.34: Highland Perthshire Total Occupied Floorspace			
	Number	Total property floorspace Sqm	Total property floorspace Sq ft
Agriculture, hunting and forestry, fishing	443	36,299	438,260
Mining/quarrying, electricity, gas/water supply	123	3,783	40,467
Manufacturing	424	14,415	175,200
Construction	512	5,117	74,472
Wholesale and Retail trade	1,659	91,267	1,076,848
Hotels and restaurants	1,659	53,096	602,262
Transport, storage and communications	343	17,158	216,540
Financial intermediaries	73	1,387	14,965
Real estate, renting and business activities	822	15,614	218,325
Public admin and defence, social security	226	4,294	46,330
Education	398	19,900	214,920
Health and social work	873	29,683	336,530
Other	540	29,851	415,706
Total	8,095	321,863	3,870,825

Source: ABI / Census

In total we have assumed that there is approximately 320,000 Sqm (3.8m Sq ft) of occupied floorspace within Highland Perthshire with wholesale and retail (28.4%) and hotels and restaurants (16.5%) sectors occupying the largest

proportion of total floorspace. **Table A2.35** reports the total floorspace split between office and industrial.

Table A2.35: Total Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	36,249	390,532
Industrial	34,130	367,426
Total	70,380	757,958

Source: ABI/ English Partnerships Employment Density Guidelines

In total, office and industrial floorspace account for approximately the same proportion of total stock, 11.3% and 10.6% of the total occupied floorspace respectively. This differs from the Braemar and Upper Deeside and Galashiels area's reported earlier which had a greater amount of occupied office floorspace.

SPN Data

Table A2.36 reports on the availability, take-up and stock within Highland Perthshire.

Table A2.36: Highland Perthshire SPN Review 2007						
	Available		Transactions		Stock	
	No	Floorspace (Sqm)	No	Floorspace (Sqm)	No	Floorspace (Sqm)
Industrial	1	71	2	216	27	15,237
Office	2	212	0	0	9	4,176
Retail	5	430 (2 didn't report)	4	205	50	7,570
Leisure	3	did not report	0	0	26	not available
Land	3	7,041	0	0	4	37,393
Misc	0	0	0	0	0	0
Total	14	7,754	6	421	116	64,376

Source: SPN

The table reports that as of end 2007, there were 14 available commercial properties. Further to this, there were also three available plots of land with a combined area of 7,041 Sqm.

There have been six property transactions during 2007, four retail and two industrial, although they have been relatively small in terms of floorspace.

The stock is a record of all property that has been available or has been involved in a transaction in the area over the past 10 years. While it does not identify the total stock of the area it gives a rough indication of the breakdown of the total stock.

The table shows that retail property is the most common type of property, 50 in total. In terms of floorspace, industrial property represents the largest average floorspace and based on the available data, accounts for the largest proportion of floorspace.

Comparing the data in **Table A2.36** with our earlier analysis of total business stock in Highland Perthshire suggests that (excluding land) SPN records 8% of total stock but only 1% of offices and 4% of industrial floorspace.

Stranraer

ABI Data

The data presented below is based on the criteria and employment/floorspace density ratios outlined above. **Table A2.37** and **A2.38** report the number of employees, the total occupied floorspace and average size of business premises broken down by business sector.

Table A2.37: Stranraer Occupied Floorspace Based on Employment 2006			
	Number	Total property floorspace Sqm	Total property floorspace Sq ft
Agriculture, hunting and forestry	186	18,600	199,020
Fishing	24	1,200	12,000
Mining and quarrying	31	310	3,317
Manufacturing	643	21,862	234,695
Electricity, gas and water supply	17	561	6,001
Construction	541	5,410	57,887
Wholesale and retail trade	1,571	86,405	930,032
Hotels and restaurants	1,131	36,192	386,802
Transport, storage and communication	843	42,150	455,220
Financial intermediation	119	2,261	24,395
Real estate, renting and business activities	438	8,322	89,790
Public admin/defence; compulsory social security	362	6,878	74,210
Education	867	43,350	468,180
Health and social work	1,939	65,926	707,735
Other community, social/personal service activities	420	23,100	252,000
Private households with employed persons	0	0	0
Extra-territorial organisation and bodies	0	0	0
Total	9,132	362,527	3,901,284

Source: ABI

The table shows that there are 9,132 employees working in Stranraer and wholesale and retail trade and health and social work are the most dominant sectors in terms of number of employees accounting for 23.9% and 17.2% of total employment respectively and 23.8% and 18.2% of the occupied floorspace respectively – 85,000 Sqm and 65,000 Sqm respectively.

Other industries that account for a large percentage of total occupied floorspace include:

- education: 12% of total occupied floorspace (43,000 Sqm); and
- transport, storage and communication: 11.6% of total occupied floorspace (42,000 Sqm).

Table A2.38 reports the number of businesses and details the average size per business is 336 Sqm (3,600 Sq ft) whilst the average size of premises ranges from 44 Sqm (450 Sq ft) for a construction business to 1,112 Sqm (12,000 Sq ft) for a business in the education sector.

Table A2.38: Stranraer Average Floorspace Based on Businesses			
	Number	Average floorspace per business Sqm	Average floorspace per business Sq ft
Agriculture, hunting and forestry	28	664	7,108
Fishing	14	86	857
Mining and quarrying	8	39	415
Manufacturing	56	390	4,191
Electricity, gas and water supply	3	187	2,000
Construction	122	44	474
Wholesale and retail trade	270	320	3,445
Hotels and restaurants	138	262	2,803
Transport, storage and communication	59	714	7,716
Financial intermediation	15	151	1,626
Real estate, renting and business activities	104	80	863
Public admin/defence; compulsory social security	23	299	3,227
Education	39	1,112	12,005
Health and social work	92	717	7,693
Other community, social/personal service activities	107	216	2,355
Private households with employed persons	0	0	0
Extra-territorial organisation and bodies	0	0	0
Total	1,078	336	3,619

Source: ABI

Table A2.39 reports the split between office and industrial property, the assumptions for the breakdown by sector are outlined above.

Table A2.39: Stranraer Office/Industrial Floorspace 2006		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	47,485	511,317
Industrial	66,717	718,859
Total	114,202	1,230,176

Source: ABI/ English Partnerships Employment Density Guidelines

Industrial and office floorspace account for 18.4% and 13.1% of the total occupied stock respectively. The Stranraer business base has not changed significantly since 1998 and still has a large proportion of heavier 'traditional' industries. This is a possible explanation for the larger proportion of industrial floorspace compared to occupied office floorspace.

In terms of a proportion of the total occupied stock in the area, there is now approximately five percentage points more occupied industrial stock than office.

Self Employment

As previously reported, the ABI does not record those in self employment, however, through Census 2001 data we have been able to make assumptions on the likely occupancy of commercial property by self employed people. Based on the density ratios reported above, **Table A2.40** details the number of people self employed and the total occupied floorspace.

Table A2.40: Stranraer Census Data Self Employment 2001			
	Number	Total floorspace Sqm	Total floorspace Sq ft
Agriculture, hunting and forestry, fishing	774	58,077	607,873
Mining/quarrying, electricity, gas/water supply	0	0	-
Manufacturing	88	2,989	32,088
Construction	90	904	9,669
Wholesale and Retail trade	137	7,524	80,986
Hotels and restaurants	157	5,020	53,650
Transport, storage and communications	45	2,258	24,381
Financial intermediaries	0	0	-
Real estate, renting and business activities	32	612	6,601
Public admin and defence, social security	0	0	
Education	6	324	3,499
Health and social work	27	914	9,811
Other	20	1,240	13,413
Total	1,377	79,860	841,970

Source: Census

The agriculture, hunting and forestry, fishing is the largest sector for self employment in the area and accounts for 58,000 Sqm (607,800 Sq ft) representing 72.7% of the total occupied stock. With regards to total floorspace only the wholesale trade and retail sector occupies any significant level of floorspace, although this only accounts for 9.4%.

Table A2.41 provides details on the office/industrial split.

Table A2.41: Stranraer Total Self Employment Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	1,373	14,700
Industrial	5,698	60,970
Total	7,071	75,650

Source: ABI/ English Partnerships Employment Density Guidelines

The industrial floorspace for self employed people in Stranraer is approximately four times greater than the office floorspace. This supports the data reported above, which shows that Stranraer's employment/business base is more reliant on 'traditional' heavier industries and less professional/office based services.

Total Occupied Stock

From the analysis presented above we can make assumptions on the total occupied stock within Galashiels based on data from the ABI (2006) and the Census (2001). **Table A2.42** provides the assumptions of the total occupied floorspace based on both datasets.

Table A2.42: Stranraer Total Occupied Floorspace			
	Number	Total property floorspace Sqm	Total property floorspace Sq ft
Agriculture, hunting and forestry, fishing	984	77,877	818,893
Mining/quarrying, electricity, gas/water supply	48	871	9,318
Manufacturing	731	24,851	266,783
Construction	631	6,314	67,556
Wholesale and Retail trade	1,708	93,929	1,011,018
Hotels and restaurants	1,288	41,212	440,452
Transport, storage and communications	888	44,408	479,601
Financial intermediaries	119	2,261	24,395
Real estate, renting and business activities	470	8,934	96,391
Public admin and defence, social security	362	6,878	74,210
Education	873	43,674	471,679
Health and social work	1,966	66,840	717,546
Other	440	24,340	265,413
Total	10,509	442,387	4,743,254

Source: ABI

In total we have assumed that there is approximately 440,000 Sqm (5.3m Sq ft) of occupied floorspace within Stranraer with wholesale and retail (21.2%) and agriculture, hunting and forestry, fishing (17.6%) sectors occupying the largest proportion of total floorspace. **Table A2.43** reports the total floorspace split between office and industrial.

Table A2.43: Stranraer Total Office/Industrial Occupied Floorspace		
	Floorspace (Sqm)	Floorspace (Sq ft)
Office	48,858	571,860
Industrial	72,415	855,967
Total	121,273	1,427,828

Source: ABI/ English Partnerships Employment Density Guidelines

In total, industrial and office floorspace account for approximately 16.4% and 11% of the total occupied floorspace respectively. Stranraer's traditionally rural business and employment base provide some justification for the greater proportion of industrial floorspace.

SPN Data

Table A2.44 below, reports on the property market.

The table reports that as of end 2007, there were 36 available commercial properties, the majority of which were retail or leisure properties. Further to this, there were also nine available plots of land with a combined area of 35,250 Sqm, although four did not report their size.

Table A2.44: Stranraer SPN Review 2007						
	Available		Transactions		Stock	
	No	Floorspace (Sqm)	No	Floorspace (Sqm)	No	Floorspace (Sqm)
Industrial	2	3,550	0	0	31	17,400
Office	2	326	1	658	11	1,600 (1 not reported)
Retail	11	1,050 (4 not reported)	3	706	48	6,450 (6 not reported)
Leisure	10	300 (8 not reported)	1	not reported	64	22,100 (26 not reported)
Land	9	35,250 (4 not reported)	0	0	9	35,250 (4 not reported)
Misc	2	1 (1 not reported)	0	0	5	450 (2 not reported)
Total	26	40,506	5	1,364	168	83,250

Source: SPN

There have been five property transactions during 2007, three of which were for relatively small retail premises. The stock is a record of all property that has been available or has been involved in a transaction in the area over the past 10 years. While it does not identify the total stock of the area it gives a rough indication of the breakdown of the total stock. The table shows that leisure property is the most common property (64 properties) – which includes B&B's, hotels and other tourism related industries. This accounted for approximately 22,000 Sqm of floorspace, although 26 did not report the floorspace.



Comparing the data in **Table A2.42** with our earlier analysis of total business stock suggests that (excluding land) SPN records 11% of total stock but only 3% of offices and 24% of industrial floorspace.

Appendix 3: Strategic Review

This section provides a detailed review of current strategy and policy documents that relate to business property development in a rural context with economic development objectives. It is presented under three themes: rural, economic development and planning.

Rural

Scotland Rural Development Programme

The Scottish Rural Development Programme (SRDP) is a £1.6 billion programme of economic, environmental and social measures designed to develop rural Scotland over the period 2007-2013.

The programme has been designed to help deliver outcomes in:

- improved business viability;
- environmental benefits:
 - enhanced landscape and biodiversity
 - improved water quality
 - tackling climate change; and
- thriving rural communities.

The key messages of the SRDP are as follows:

- strong emphasis on delivering outcomes which benefit the Scottish people, and to help make Scotland 'greener', 'wealthier and fairer', 'healthier' and 'smarter';
- funding will be targeted to where they will provide the greatest public benefits through adopting local solutions, with each region setting its own priorities, to delivering national outcomes;
- the SRDP will be delivered through eight mechanisms, with the majority of the budget distributed through non-competitive elements. The new competitive element is Rural Development Contracts (RDC) – Rural Priorities;
- wider range of potential applicants under RDC – Rural Priorities, though most are likely to be dependent on land, proposals can come from other sectors of the rural economy, or from community groups;
- reduced bureaucracy with applications for RDC – Rural Priorities handled through a one 'stop shop approach' e.g. Rural Priorities brings six previous schemes into a single application process, a one pass assessment (which covers necessary consents – except planning) and an integrated inspection regime;
- the majority of SRDP funding comes from the Scottish Government;



- all applicants to and contracts under Rural Priorities will have access to an individual case officer;
- contracts under Rural Priorities will be awarded on the basis of a transparent selection process based on 'contribution to regional priority', 'value for money' and 'management of risk';
- Rural Priorities offer applicants greater flexibility to support specific aspects of businesses and set the timetable for undertaking activity; and
- Rural Development Contracts (Land Managers Options and Rural Priorities) offer the opportunity for land managers to demonstrate the benefits they contribute in return for public support.

The Scottish Government will be working closely with businesses, land managers, community groups and individual entrepreneurs to build stronger rural communities.

LEADER is part of the new Scotland Rural Development Programme, aimed at promoting economic and community development within rural areas. It replaces the LEADER+ programme and is a European-funded Community Initiative to encourage new and experimental approaches to rural development.

The SRDP is the main programme in Scotland for rural development. All projects and proposals for rural development must be in conjunction with the aims and targets set in this programme. It has therefore had a significant influence on our study conclusions and recommendations.

Rural Spice Briefing 2007-2013

The Rural Spice Briefing (RSB) presents background information on the preparation of a rural development plan for Scotland 2007-2013 by the Scottish Government.

Member states draw up multiannual programmes outlining how they intend to use rural development money. A new programme period began in 2007 and runs until 2013. The Rural Development Regulation (1698/2005) governs rural development spending during this period and contains 42 different options for spending. These options are grouped under three axes. Member states must spend a minimum proportion of EU funds on each axis as follows:

- axis 1 improving the competitiveness of the agricultural and forestry sector (10%);
- axis 2 improving the environment and countryside by supporting land management (25%); and
- axis 3 improving the quality of life in rural areas and encouraging diversification and growth of economic activity (10%).

The RSB provides further information on the priorities for spending on rural development programmes. It sets the context and rationale for the SRDP and confirms that a minimum of 10% of SRDP funds must be allocated to Axis 3: Quality of Life and Economic Activity.

Urban Rural Classification 2005-2006

The Urban Rural Classification (URC) report was produced to help improve the rural evidence base. The Scottish Government's Partnership Agreement ensures that rural and remote communities have their distinct needs reflected across the range of government policy and initiatives. This classification supports the commitment and develops the understanding of the issues facing urban, rural and remote Scotland.

Two main criteria have been used to produce eight urban-rural classifications as described in the introduction to this report: settlement size as defined by the General Register for Scotland (GROS) and accessibility based on drive time analysis to differentiate between accessible and remote areas in Scotland. The Settlements and accessibility data are then combined to create a Scotland wide classification.

The URC shows that in Scotland, 39.0% of the population are in large urban areas and 29.8% other urban areas, a total of 68.8% of the population in urban areas. This compares to 18.0% of the population in areas that are classified as rural. 12.0% of the population are located in accessible rural areas, 3.3% in remote rural areas and 3.0% very remote rural areas. This shows the domination of urban areas throughout Scotland's local authorities.

The report provides a clear statistical picture of the differences between urban and rural areas. We have adopted the classifications recommended in the URC in the preparation of this report.

Rural Scotland: Better Still, Naturally

Rural Scotland: Better Still, Naturally (RS:BSN) sets out the context for the rural policy and rural development in Scotland. It was developed in consultation and discussion with a Working Group of leaders in various rural fields.

The main focus of the report is on the policies and actions of the Scottish Government and its agencies: but it recognises the critical roles played by other – across the private, public and third sectors – in taking forward action and in making progress towards our mutual aims for rural Scotland.

The strategic aims and approaches are to:

- **broaden and strengthen the rural economy, including the skills base;**
- protect, maintain and develop our natural cultural assets;
- improve the accessibility and quality of services people and businesses depend on;
- address the challenges and opportunities of population change;

- promote social and economic inclusion;
- **help to build resilient, sustainable rural communities;**
- improve stakeholder engagement; and
- improve focus, delivery and measurement of progress towards the main outcomes.

This report presents key strategic aims and approaches to rural policy and development in Scotland which will heavily influence future economic development in rural areas. Two of the strategic aims will be very important to the work of this study: strengthening rural economies and building communities.

Economic Development

[The Government Economic Strategy 2007](#)

The Government Economic Strategy 2007 (GES) sets out how the Scottish Government will support businesses and individuals. The overarching purpose is to focus the Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

The strategy identifies five Strategic Priorities that are internationally recognised to be critical to economic growth:

- learning, skills and well-being;
- supportive business environment;
- infrastructure, development and place;
- effective government; and
- equity.

One of the aims of the strategy is to achieve more balanced growth, to give all across Scotland the chance to succeed. One of the actions includes implementing the Scotland Rural Development Programme to develop the rural business base, communities and environment.

The strategy also stresses that the planning framework should project the quality of Scotland's natural and built environment as an asset for sustainable economic growth and enable the development of growth enhancing activities across Scotland, including rural areas.

Under its priority of effective government, the Scottish Government will also look to streamline direct dealings with business, including better regulation and more efficient procurement practices. An early step will be to create a single environment and rural service for businesses.

The GES is the overarching economic strategy for Scotland. It identifies the key priorities for future economic growth and introduces the concept of equity into economic growth. It is also the strategy that will oversee the SRDP and therefore influences economic development in rural areas.

Scottish Enterprise Rural Group Scottish Enterprise & Rural Economic Development – 2007- 2010 Plan

The SERG Plan summarises the approach of the Scottish Enterprise Network to Rural Economic Development within the context of Smart Successful Scotland.

While it was prepared in advance of the SRDP and GES, and the recent changes to the delivery environment, it outlines the purpose of SERG and the economic challenges for rural areas.

The core purpose of the SERG is to enable SE to understand, respond effectively to and demonstrate its contribution to the challenge of rural economic development.

The economic challenge in many rural areas lies in raising GDP, wage rates and the productivity of rural businesses to the levels seen in other parts of Scotland. There are some circumstances particular to rural areas that need to be taken into account when intervening, for example a lack of development sites.

The specific vision for the rural economy is for a rural economy that:

- makes a significant contribution to Scotland’s overall economic success, as set out in SSS;
- makes a recognised and valued contribution to successful city regions and thriving key Scottish industries; and
- operates successfully within the context of sustainable development.

The specific priority of the Network over 2007-2010 will be:

"diversifying and growing the rural economy through focusing on growth as opposed to lifestyle businesses, and adding value to the primary assets, services and goods produced in rural areas"

This will seek to:

- increase the GVA contribution of rural areas to Scotland’s city regions; and
- increase the contribution of rural areas to national and regional priority industries, particularly through capitalising on natural asset base.

The SERG priorities for 2007-2010 are as to:

- stimulate the diversification of the rural economy;
- enable the development of competitive, sustainable businesses in rural areas;



- contribute to the economic sustainability of rural communities; and
- enhance the operation of the rural labour market, raise standards of working practices and boost productivity levels.

The SERG Plan presents the approach of Scottish Enterprise to rural development. It outlines the case for rural development and how it can contribute to economic growth.

Scottish Enterprise Rural Group Rural Futures

The SE Rural Group Futures paper (2004) was produced to stimulate thinking around the future of rural areas and Scottish Enterprise's role in rural economic development. The main objectives identified were:

- to stimulate a strategic discussion on opportunities and challenges facing Rural Scotland, within SE and with partner organisations, building mutual understanding;
- to identify the types of critical issues SE and partners will have to address to make an effective contribution to future rural economic development;
- to understand how SE interventions and relationships will need to change to meet new challenges; and
- to create an agenda for ongoing strategic research and discussion.

This paper sets the context for the SERG Plan. It outlines the rationale for future SE intervention in rural economic development.

Lowlands and Uplands Scotland 2007-2013 Structural Funds Programmes

This Programme provides the framework for the spending of the European Regional Development Fund (ERDF) for the Regional Competitiveness and Employment Programme for Scotland for 2007-13. The Programme covers the 'Lowlands & Uplands Scotland' area, defined as the whole the whole of Scotland, apart from the Highlands and Islands.

The report provides an evidence base to inform the growth of the new ERDF Programme. It will achieve this by working through a set of co-ordinated priorities, working in tandem with the existing priorities of Scottish policy but also catalysing the Scottish Government's commitment to improving the main sources of competitiveness in the economy in all parts of the region.

Eight challenges have been identified:

- increasing the regional benefits of a strong higher and further education sector;
- improving Research and Technological Development (RTD), and innovation across the region;

- increasing the low numbers of people becoming entrepreneurs;
- addressing the development bottlenecks for new and growing businesses;
- improving the indigenous enterprise development of the most disadvantaged urban communities;
- improving the ability of disadvantaged urban communities to access economic growth in the areas of opportunity;
- increasing the diversification of the rural economy into new activities while supporting sustainable competitiveness of traditional industries; and
- improving key support services to underpin the sustainability of rural economic development.

The EU resources in the ERDF Programme are €375.958 million for 2007-2013, resulting in a total programme value of €909.8 million.

The Programme will make its principal contributions and added value through:

- acting as a lever to encourage domestic resources to address the key development challenges outlined in the socio-economic analysis through its role as a match-funder;
- investing in the key research and innovation sources in the regional economy and encouraging their greater use by enterprises;
- promoting a more pro-active approach to research and innovation among all businesses;
- increasing the level of new firm formation;
- improving the conditions for indigenous economic growth in the most-deprived urban areas; and
- helping rural economies to diversify by developing their competitive advantages and enabling rural businesses to make full use of these advantages.

The Programme in Scotland aims to encourage the growth of the region's economy within a sustainable development framework and thereby enable all parts of the region to contribute to achieving the Lisbon Agenda goals.¹⁴

¹⁴ In March 2000, the EU leaders agreed the Lisbon strategy, which committed the EU to become by 2010 the most dynamic and competitive knowledge-based economy in the world capable of sustained economic growth with more and better jobs and greater social cohesion, and respect for the environment.



There are three important parts to this strategic goal:

- the overall goal of the Programme is to address regional economic growth with a view to enhancing the region's ability to contribute to Lisbon goals;
- the Programme acts within a sustainable development context taking full account of the need to balance conservation of the region's environmental assets with both economic growth and the importance of distributing the benefits of that growth to all individuals and parts of the region; and
- the Programme recognises that these are goals that not only met at regional level, but for the constituent areas within the region.

The strategy for the Programme will be more effective if acting in tandem with the overarching objectives of Scottish economic policy.

The ERDF Programme operates through four sets of Objectives, addressing market failures in the following areas:

- research and innovation;
- enterprise growth and entrepreneurship;
- urban regeneration; and
- rural development.

Research and innovation is at the heart of the Lisbon strategy for improving the EU's growth and jobs performance. The main objective of improved research and innovation is to improve the competitiveness of the Lowlands & Uplands Scotland enterprise base through increased innovation and a fuller use of its RTD base.

Enterprise and innovation can be improved by enhancing the enterprise support environment, particularly with regards to access to finance, entrepreneurship, e-commerce and resource efficiency.

Urban regeneration can be improved by increasing the contributions of the most disadvantaged urban communities to Lisbon goals by supporting their regeneration.

The final area of market failure identified is rural development. Rural areas have distinctive economic issues that need specific action. The Community Strategic Guidelines recognise that there is a wide variation in the economic situation of the rural areas, and distinguishes between those with good links to urban centres and those more remote rural areas which have to contend with a highly dispersed and aging population, poor technical and social infrastructures and inadequate services.

There has been some concern within rural areas of Europe that a strong RTD or high technology focus on future competitiveness programmes will place rural areas on the periphery of the growth and jobs agenda. The objective has been set to maximise the contribution of rural areas to achieving Lisbon goals with a view to developing sustainable economic growth.



Of the eight challenges identified, the increasing competitiveness of rural industries and improving key support services for economic development are the key challenges associated with rural development.

Planning

National Planning Framework for Scotland

The National Planning Framework for Scotland (NPF) guides the spatial development of Scotland to 2025. It is complimentary to other key planning and economic development strategies and is considered by the Scottish Government and its agencies in policy and spending decisions.

The framework describes Scotland as it is now, identifies key issues and drivers of change, sets out a vision for 2025, and identifies priorities and opportunities for different parts of the country. It includes spatial perspectives for the Central Belt, East Coast, Ayrshire and the South-West and Rural Scotland.

The role of planning is to enhance the value of rural resources and help create development opportunities at sustainable locations. This means reflecting the diversity that exists in rural Scotland.

To promote rural development and sustainable resource management, the Government has developed specific national strategies for agriculture, forestry, sea fisheries and aquaculture. Community right to buy and assistance from the New Opportunities Fund Scottish Land Fund creates new opportunities for community-based development.

The NPF clarifies the need for land management regimes and planning policies to reinforce each other. In remote and economically fragile areas, including crafting areas, development that delivers economic and social benefits to communities with no significant adverse effects on the environment may be acceptable even on the best agricultural land, if no other option is available.

The NPF influences the future development of rural areas and outlines the planning policies that will help reinforce development. It sets high level planning guidance and confirms the need for planners to consider economic and social, as well as environmental sustainability.

Scottish Planning Policy 15: Planning for Rural Development

SPP15 is the Scottish Government's planning policy statement for rural areas and focuses on achieving sustainable rural development. It replaces NPPG15 and draws on an independent evaluation of NPPG15 (see Appendix 4 Academic/ Industry Review).

The vision for rural development outlined in SPP15 is a rural Scotland that is more confident and forward looking, providing for people who want to continue to live and work there and welcoming newcomers. This recognises that more people now live and work in rural areas without being part of the agricultural economy.

NPPG 15 advised planning authorities to be alert and sensitive to the likely increased demand for new types of development in rural areas. SPP15 takes this further by recommending a proactive approach to providing development land.

The overarching aim of Government is to have a prosperous rural economy. The planning system assists in this by adopting a more welcoming stance to development in rural Scotland including the further refinement of the approach to diversification.

Planning's role in advancing the vision is to enable and help create opportunities for development in sustainable locations e.g. where infrastructure capacity and good access exist, or can be provided at reasonable cost, or to meet justifiable social and economic objectives. Rural diversification should be embraced to help businesses, land managers and farmers expand or start new enterprises in appropriate circumstances and at an appropriate scale.

If the national vision is to be realised, planning policies will have to enable development in some areas that have not previously been considered suitable for development.

It is acknowledged that further diversification of the rural economy should be encouraged and there is enormous scope to exercise initiative and creativity. Planning policy has to be in tune with this fundamental economic reality.

In many cases a new enterprise will be connected to an existing business but the formation of new businesses normally requires available business premises.

SPP15 introduces economic development and diversification considerations into rural development. It recognises the changing economic landscape of rural Scotland and the need for further economic growth to sustain communities. It also recognises the important role of housing to retain the existing population and attract new workers to the rural area.

SPP 15 outlines the approach, key messages and objectives that should underpin planning policies and development decisions in rural areas. It describes the changing economic diversity of rural areas and confirms economic and social sustainability and key issues.

SPP 15 recommends planning policy regimes are established to accommodate selective, modest growth. Most development should be foreseen, agreed and programmed to reflect local circumstances. Wider economic and social objectives should also be considered as should Scotland's distinctive environment and heritage.



Appendix 4: Industrial/Academic Review

This section provides a detailed review of background industrial and academic literature at three spatial levels: Scotland, England and the UK.

Scotland

Rural Scotland Key Facts 2007

The Rural Scotland Key Facts (RSKF) paper summarises data related to rural Scotland and provides analysis for accessible and remote rural.

Rural Scotland differs from the rest of Scotland therefore providing more evidence helps in the process of understanding issues affecting rural Scotland.

It outlines headline facts and figures against three themes:

- people and accommodation;
- services and lifestyles; and
- economy and enterprise.

OECD Rural Policy Reviews Scotland, UK Assessment and Recommendations

In February 2008, OECD published a review of Scotland as part of its series of rural policy reviews. The key message of the review is that rural Scotland performs well on socio-economic indicators compared to urban and intermediate areas.

It reviews a range of indicators including household income, life expectancy, skills and qualifications, employment/unemployment, home ownership and population, and generally finds positive results and trends for rural areas. One area where rural is identified as performing at a lower rate is GDP per head, but even here it does identify positive trends in GDP across rural areas. This is acknowledged as being driven by productivity and dominance of low value added sectors.

The report acknowledges the significant divide between accessible and remote rural areas. It also acknowledges the poor level of integration between policy design and project delivery. Each individual policy area has its own objectives and priorities and considers rural from its own perspective. There is therefore an issue of coherence in project delivery and conflicting policy design between the Enterprise Networks and Scottish Government. There is no single body focusing on rural areas with over 100 separate agencies having some input. It recommends development of a comprehensive and integrated policy that helps to link Government silos into explicit policy priorities.

The report identifies four key priorities for rural Scotland, one of which relates to economic development “opportunities for economic development and diversification require looking beyond agriculture for the future of Scotland’s rural regions”.

Under this theme, there are six recommendations:

- develop niche tourism, building on growing demand whilst balancing development and preservation;
- make the most out of forestry – developing production of tradable commodities and promoting links with tourism;
- energy resources – the increased attention of new methods of energy production opens up opportunities for rural Scotland, especially wave and tide power;
- create environments that are supportive to rural SMEs to encourage second stage growth;
- improved business services, especially to encourage business expansion and develop broader financial services including equity financial services; and
- target support to avoid market distortions and dependence on subsidies, promoting diversification and growth.

[UHI Review Policy Brief: The OECD Review of Scottish Rural Policy February 2008](#)

This paper highlights the key issues with Scottish Rural Policy. Rural Scotland has performed reasonably well in terms of demographics, incomes, enterprise and quality of life. This performance has been due to sectors other than agriculture, which now accounts for a small proportion of rural employment and GDP.

The weight of commuting in rural areas close to cities and large towns, and the strong growth of population with relatively high incomes (earned in the cities) in these areas creates disparity amongst accessible and remote rural areas. It disguises continuing problems in the remoter parts of Scotland where there remain significant areas with problems of population loss, low incomes and poor access to services.

The rural policy framework in Scotland remains too centralised, too sectoral (dominated by agriculture, lacking integration and sensitivity to the very diverse situation in rural Scotland), lacking participation by local and regional actors (as opposed to consultation), and too fragmented (100 agencies).

The report identifies four key areas as especially important for Scotland to address:

- rural housing and planning (rigid planning; concentration of land ownership);
- service delivery, including the role of financial institutions;

- exploiting the potential for rural diversification (much more than farm diversification) (especially tourism and renewable energies); and
- identifying and exploiting rural urban linkages and synergies (trickle down cannot be assumed and anyhow would be most relevant for rural areas closer to cities).

The review finds that the OECD report does not go far enough and finds that Scotland is not at the 'cutting edge' of rural development. This has implications for policy in Scotland, of which the following are some headlines:

- implicit and explicit comment on the weakness of the local level of government and governance in Scotland due to successive reforms of local government since 1939;
- the continuing failure to address the challenges of 'joining up' sectoral policies into a coherent vision, strategy and set of actions which can better deliver sustainable rural development in all its dimensions; and
- Scotland must address the now very old, yet still unsolved, problem of rural housing.

Evaluation NPPG15

Land Use Consultants was appointed by the Scottish Executive in Summer 2002 to undertake an evaluation of NPPG 15 Rural Development to guide the development of the new SPP15 planning document. The evaluation finds that there is greater emphasis placed on the environment of rural areas at the expense of their social and economic needs.

Two of the chapters within this report are particularly applicable to this study.

Diversification (Chapter 6)

There was growing evidence that the role of the planning system in encouraging rural diversification had only been partially successful. The review found that in large part this has been the result of poor communications between planning authorities and applicants.

There is, however, good evidence of the positive and increasingly important role of diversification in relation to economic viability. Planning authorities should therefore be positively promoting diversification in local and structure plans.

The need for diversification has grown since NPPG15 was published as a result of the increasing pressure on rural areas which has emerged in recent years. The evaluation identifies a potential issue with regard to the understanding of different types of diversification project – beyond simply agriculture.

Many planners and potential applicants continue to focus on farm diversification, as opposed to the wider concept of rural diversification. While authorities in more remote areas tend to be more positive towards diversifying development, those in more pressured areas are more likely to see rural diversification projects simply in terms of economic development in rural location and tend to be more

restrictive as a result. There is therefore a risk that opportunities to support and diversify the rural economy are, in some cases, being missed due to a narrower concentration on farm based projects.

The findings suggest that there is a need for further guidance at the national level that brings together economic and operational issues with the land use planning system. Whilst planning may not have a role in directly encouraging entrepreneurialism, a more joined up approach could help to raise awareness that planning authorities are supportive of diversification projects. There is a particular need for best practice advice for planners, land managers and their advisers.

Land Supply in Rural Areas (Chapter 7)

NPPG15 recommends that local authorities should work in partnership with other organisations including local enterprise companies, housing associations and Scottish Homes (now Communities Scotland) to promote the supply of land for business and affordable housing development.

The evaluation identifies a number of issues affecting land supply for development, key is the level of migration which places considerable pressure in constrained housing markets i.e. those within commuting distance of major cities.

A key issue for the evaluation relates to the extent to which the policy has facilitated the process of increasing supply to meet demand. At the national level, stakeholder workshops revealed significant concern amongst development industry representatives that NPPG15 had not been successful in helping to ensure that planning authorities secure land for development. Nearly half of the respondents felt that a lack of land supply is a key constraint to rural development.

In some of the case study areas, pressure for residential development tends to overshadow the need for economic investment. There is concern that the high values associated with residential development reduces the available supply of sites for economic development – in these areas it is possible to sell land for more money than a business would generate over a number of years.

Planning Advice Note (PAN) 73 Rural Diversification

PAN 73 (February 2005) is designed to assist those involved in rural diversification projects.¹⁵ It draws on research and existing initiatives, policies and best practice across Scotland, the UK and further afield to highlight how the planning system can assist in rural diversification.

¹⁵ In its simplest term rural diversification means the establishment of new enterprises in rural locations. Rural diversification helps to broaden the economic activity of rural areas, providing opportunity and creating a more balanced and stable economy.

It identifies five methods of supporting rural diversification:

- promoting diversification through development plans – inclusion of positive policies and identification of sites to meet varying business demands;
- giving sound and helpful advice – responding positively to diversification proposals and providing advice and information on relevant support schemes;
- encouraging sustainable diversification – to attract new people and help economic growth, recognising the economic, social and environmental implications for sustainability;
- addressing issues of accessibility, infrastructure, scale and design which are often to the fore in rural areas. Development creates opportunities to promote good design, enhance environment and achieve infrastructure improvements; and
- recognising individual circumstances and taking account of needs/opportunities of individual businesses and local communities.

England

[The Rural Development Programme \(England\) 2007-2013 – A Summary](#)

Below are the key points taken from the socio-economic context of the Rural Development Programme for England.

The socio-economic context of the report identifies:

- rural areas are experiencing a net in-migration from urban areas which has resulted in a higher proportion of older people in rural compared to urban areas. This presents both challenges and opportunities;
- the majority of England's rural areas are easily accessible to urban areas and, as a result, there is a close relationship in the economic activity found in both types of area. There are, however, some rural areas which do not have easy access to urban areas and have inherent characteristics which lead to low levels of economic performance and growth; and
- the drivers of productivity are the same for all areas: skills, investment, innovation, enterprise and competition. In general, rural areas perform as well as urban areas in terms of skills, innovation and enterprise but less well in terms of competition and investment. The other key driver of economic performance, employment, is also high in England's rural areas, with even the lowest performing rural areas experiencing higher levels of employment than urban areas.

Sustainable Rural Economies: Some Lessons from the English Experience

This paper examines the character and treatment of rural economies in England over the past decade. It sets out some of the challenges for the socio-economic development of rural areas, and explains how concerns about sustainable rural economies have come to be eclipsed within central government by those of “greening farming” on one hand and urban policy on the other.

The RDAs, although strongly urban oriented, have had to pay some regard to rural areas since their establishment, and this has prompted some, at least notional, consideration of the rural dimensions of economic development in the English regions. However, RDAs’ work on rural development has been hampered by three factors. First, national co-ordination on rural affairs between the RDAs is weak, in part due to the competition between them but also reflecting the relatively low priority they accord rural development.

Second, nationally prescribed performance targets strongly influence RDA’s investment priorities and militate against large numbers of small investments, encouraging instead a ‘fewer-bigger’ approach, with an emphasis on large-scale, urban-based flagship projects.

Third, there has been an increasing emphasis on core cities and their sub-regions (so called city regions), as territorial foci of economic development, within central government departments – especially the main ones that sponsor the RDAs (Department of Trade and Industry, DTI, Office of the Deputy Prime Minister, ODPM, and the Treasury), as well as among key ministers – which has strongly directed policy attention and investment priorities towards urban renaissance and infrastructure.

Key Drivers of Economic Development and Inclusion in Rural Areas May 2002 – Initial scoping study of the socio-economic evidence base for DEFRA

This paper analyses the key drivers of economic development and inclusion in rural areas. It is now widely accepted that agriculture is no longer the main economic driver in rural economies and that the traditional analytical framework that saw rural areas through an agricultural perspective is out of date. Rural economies have undergone a process of uneven change over many years driven by different sets of internal and external drivers.

One of the key processes of change identified is a change in demographics, with a process of counter urbanisation taking place. People from urban areas have moved to the countryside attracted by the high quality environment and way of life. Technological developments have also been important as have improved transport links enabling more commuting.

The business structure in rural areas has changed over the last 50 years and farming is no longer the key rural industry. The mix of industrial sectors in rural area is now very similar to that in urban areas with the service sector being by far the largest employer. The difference between urban and rural economies has become less distinct.

The Knowledge Economy in Rural England A report for Defra June 2004

This report put forward the argument that the knowledge economy should be embedded in the rural economic development strategies at all levels. The research aims were:

- to produce evidence on the current state of the rural knowledge economy in England;
- to identify key aspects of the rural knowledge economy and their policy implications; and
- to recommend an outline agenda for the rural knowledge economy.

The report identifies the need for Government to 'rural proof' knowledge economy priorities for four reasons:

- growth has positive implications for social and environmental sustainability;
- remote and lagging areas could be left behind with implications for economic sustainability;
- promoting interdependence between rural and urban, and thereby growth, competitiveness and employment; and
- social capital is the driver of the rural knowledge economy.

The report makes five specific recommendations to improve the rural knowledge economy:

- create a knowledge economy vision for rural England;
- pursue a distributed policy approach to the knowledge economy and develop a policy-makers checklist to 'rural proof' activity;
- monitor the development of the knowledge economy in rural England – the Rural Evidence Hub;
- promote informed debate on the spatial dynamics of the knowledge economy; and
- support continuous policy innovation.

Economic Performance of Rural Areas Inside and Outside of City-Regions Final Report to DEFRA 09/2006

This document examined the economic performance of rural areas inside and outside of city-regions. The outputs of the report were:

- to set out current definitions of "city-regions", concentrating on their geographical entity, citing relevant references where appropriate and specifying the geographical definitions to be used in the analysis;
- to identify to what degree different rural areas fall within the scope of city-regions in England;
- to identify the ways in which rural areas within city-regions interact with urban areas in the city-region; and
- to assess the implications for relative economic performance for those rural areas outside the city-regions in the context of recent trends in economic geography.

The study concludes that while links with city regions change the structure of rural economies, they do not remove the key characteristics, primarily low wage and low skills, even when overlain by some high wage activity. It recommends locally generated growth as a policy priority and acknowledges the importance of planning policy frameworks.

Rural Challenges for RDAs

This paper sets out the rural challenges for RDAs under the following headings:

- rural economies, enterprise, skills and access to jobs;
- transport;
- environmental sustainability;
- inclusive and cohesive communities;
- measuring poverty and deprivation;
- administrative changes in rural regeneration; and
- city regions.

The paper discusses the challenges under each of these headings and how to respond to these challenges.



Report to NWDA Audit of Rural Workspace – Final Report 2003

Information gathered from the demand survey in this paper is used to provide evidence of demand from rural businesses for extra workspace.

The occupier demand survey provides firm evidence of demand from rural businesses for extra workspace and, to a lesser extent, for workspace of different design or location. Overall, there appears to be potential demand for an extra 10-20% of workspace.

Premises are currently constraining those businesses planning employment growth and the immediate cost of a complete constraint on extra workspace provision would be 5% employment growth in rural areas during the year ahead, this being predominantly growth in managerial and professional employment.

Any initiative should be developed having in mind that rural businesses primarily want secure premises with good road access and at a cost regarded as competitive with available workspace in urban locations.

Occupiers of office space also regard the capacity for high quality Information and Communications Technology (ICT) connections as a primary factor in choice of business premises. The significant minority (45%) of office occupiers regarding ICT as a constraint on business development indicate that investment in broadband coverage in rural areas would provide a significant boost to growth and employment.

Recent development of rural office space has led to apparently high proportions of stock being available for occupation in some districts across the region.

Provision of workspace is limited in the more remote rural areas away from the main settlements throughout the region, suggesting that there is scope for increasing provision of workspace along the main arterial transport routes, further into the more remote rural areas.

UK

Rural Services Network, Sustaining Rural Communities. A Call for Action March 2008

In May 2007, the Rural Services Network conducted a consultation exercise on the challenges facing rural communities. The responses to that consultation showed that many rural communities do not deliver quality of life.

The Rural Services Network identifies the following as being of critical importance to the future sustainability of towns, villages and settlements in the countryside:

- affordable housing – the need for affordable housing is acute across many rural communities;

- rural economic development – there is too much focus on urban areas and the need for an approach that recognises the economic contribution of rural areas;
- sustainability in the countryside is very different from urban – there is a need to maintain public services and balanced communities;
- vulnerable rural communities require policy to mitigate against threats, for example the impact of an ageing population on health/social services and migrant workers; and
- rural services framework – the cost of delivering rural services can be higher but are likely to increase in the future (ageing population). There is a need for more rigorous and consistent analysis to 'rural proof'.

The key sector within this report that relates to this study is rural economic development:

"The main policy instruments of Government – Regional Development Agencies and the new approach to economic development flagged by the Sub-National Review – tend to focus on cities and urban areas as the providers of economic growth.

"The reality however is that rural areas are core part of their sub-regional and regional economy. It is misguided to believe that economic growth in rural areas will only be achieved by a 'trickle out' in effect from economic gains in cities. An approach to economic development which recognises the economic contribution (current and potential) of rural areas is required.

"Rural areas need to be treated as part of a wider 'networked' economy. Those well connected to urban growth centres can make a substantial and complementary contribution to improved economic performance. Areas with weaker connections need support to add value to their local economic performance."

[Will the Rural Buildings Conversion Boom Continue? Town & Country Planning October 2004](#)

This article focused on the new PPS7 Sustainable Development in Rural Areas and the favourable re-use of rural buildings for business use. The process is seen by the Government as aiding sustainable development as it re-uses existing buildings, helps farmers, and fosters the rural economy.

PPS7 states that 'Local planning authorities should be supportive of well-conceived farm diversification schemes for business purposes that contribute to sustainable development objectives and help to sustain agricultural enterprise, and are consistent in their scale with their rural location.'

Since the 1980s the size of the rural workforce has increased and rural areas have become more popular as business locations. In a study by Keeble, it was found that most rural enterprises were relatively new, small businesses; often formed by newcomers to an area; and these newcomers were seeking an attractive place to live.

The 149 questionnaire replies indicated that over half of the premises were converted from redundant agricultural buildings, with a further 16 per cent converted from a stable block or stud farm, although other types of building are also being converted.

There was a high level of satisfaction with premises and location and over a third of companies said they intended to expand on their current site.

The main reason for locating in the countryside was the high quality of the environment. The desire for a non-urban site, low rent, and proximity to home came next and were almost equal in their mean score. Access to markets and suppliers was relatively unimportant to most of these businesses.

The research has revealed that businesses in rural buildings are mainly service-based and is extremely diverse in character.

Appendix 5: Current Practice Review

This section presents a review of current practice within the UK and Ireland in relation to rural business property development activity. To provide a comparison with SE, the review is conducted at the level of the overarching regional economy development agency for each area.

Highland and Islands Enterprise

Scottish Property Support Scheme

The Scottish Property Support Scheme (SPPS) permits assistance to property developers, as opposed to assisting firms with their building costs under the Initial Investment and Job Creation Scheme. Assistance would enable development of premises and buildings for commercial purposes by the sector either:

- where market failure occurs (market failure is where development cost exceeds market value); or
- where risk aversion and uncertainty in forecasting project outcomes prevents property development.

Assistance may be for bespoke or speculative development by large or small firms, except for large firms undertaking speculative projects in non-assisted areas which may not be given State Aid.

Case 1: Scottish Property Support Scheme	
Description	This scheme permits assistance to property developers, as opposed to assisting firms with their building costs under the Initial Investment and Job Creation Scheme
Geographic Area	Scottish Highlands
Lead Agency	Highlands and Islands Enterprise
Other Stakeholders	LECs / Local Businesses
Date Established	N/A
Key Aims/ Objectives	Assistance would enable development of premises and buildings for commercial purposes by the sector either: <ul style="list-style-type: none"> – where market failure occurs (market failure is where development cost exceeds market value); – or where risk aversion and uncertainty in forecasting project outcomes prevents property development.
No. of Businesses Supported in total	N/A
Type of project eligible	Capital for development of premises and buildings
Funding structure	Grant / Loan / Fund / Combination
Level of grant funding available	30% of total capital costs or the difference between the cost of development and final value if less than 30% of fixed capital costs.
Level of success	N/A
Evaluation	N/A

Initial Investment and Job Creation Scheme

Highlands and Islands Enterprise (HIE) provide the Initial Investment and Job Creation Scheme. This scheme primarily assists capital investment in new projects which create or enhance jobs in the Network area. The scheme allows for investment in both tangible assets and intangible assets (the latter in the form of intellectual property). Network assistance through the scheme can be calculated on the basis of either a percentage of the cash paid on eligible costs of capital expenditure or a percentage of the costs/wages of net additional jobs.

Initial investment is defined as tangible and/or intangible assets relating to:

- the setting up of a new establishment;
- diversification of the output of an establishment into new additional products;
- the extension of an existing establishment; and
- a fundamental change in the overall production process of an existing establishment.

The scheme cannot assist replacement investment, rescue or restructuring packages. Where this is unclear, the case should be referred to HIE's Network Operations Group.

Case 2: Initial Investment and Job Creation Scheme	
Description	Assist capital investment in new projects which will create or enhance jobs in the Network area.
Geographic Area	Scottish Highlands
Lead Agency	HIE
Other Stakeholders	LECs / Local Businesses
Date Established	
Key Aims/ Objectives	Initial investment defined as an investment in tangible and/or tangible assets relating to: <ul style="list-style-type: none"> – the setting up of a new establishment; – the extension of an existing establishment; – diversification of the output of an establishment into new, additional products; and – a fundamental change in the overall production process of an existing establishment.
No. of Businesses Supported in total	N/A
Type of project eligible	The scheme cannot assist replacement investment, rescue or restructuring packages.
Funding structure	Grant / Loan / Fund / Combination
Level of grant funding available	Network assistance through the scheme can be calculated on the basis of either a percentage of the cash paid on eligible costs of capital expenditure or a percentage of the costs/wages of net additional jobs.
Level of success	N/A
Evaluation	N/A



The HIE LECs also have flexibility to develop projects and programmes in response to local opportunity and need. For example, Western Isles Enterprise has developed a response to local property market failure 'Work Global' that has created a network of nine high tech office units across the Western Isles for individual and multi-occupancy uses.

North West Development Agency

Rural Development Programme for England

The Rural Development Programme for England (RDPE) will run from 2007-2013. This is being delivered in the North West by NWDA. RDPE is a programme jointly funded by EU and UK government. Sub-regional rural partnerships have been tasked with putting together strategies for the implementation of RDPE in their sub-region. These strategies give details of what measures from the RDPE will be delivered in each locality in line with the Northwest Regional Implementation Plan and England Programme.

There is currently a rural team within the NWDA but they are considering moving away from rural specific policy/projects and mainstreaming rural policy. NWDA has 5 people in the rural team, but the sole focus is not just on rural development. The team is mainly responsible for policy/strategy and project delivery.

NWDA set its own policy. It is not a high priority and is 1 of 40 transformational activities identified in the RES.

NWDA has contributed £100 million to the Rural Renaissance Programme over the past 5 years. A total of £390 million was contributed to this programme. NWDA deliver projects directly and through sub-regional partners. The Workspace Programme was delivered as a regional project.

£200 million has been spent on rural programmes in Cumbria of which £42 million was contributed by NWDA.

There are currently no specific programmes to support property development in rural areas. The RES is being used to move away from any specific rural properties.

Property development activities can be supported under two schemes, as outlined below.

Capital Investment Grants

Capital Investment Grants are available for businesses undertaking capital investment projects but need financial assistance to proceed. These grants are available for projects in certain qualifying areas of the region (Assisted Areas). Businesses of all sizes are eligible to apply and are assessed against specific criteria.

Assistance is provided to:

- launch a new business;
- expand/modernise/reorganise an existing business;
- upgrade a business, introducing technological or other innovative improvements;
- establish research and development facilities; and
- take the next step from development to production.

Levels of support can be significant and depend on the quality of the project and its impact on productivity and skills. Funds are usually payable in instalments on reaching fixed capital expenditure and job targets which are mutually agreed during the appraisal of the application.

The minimum grant that can be applied for is £10,000 with grants approved at 7-13.5% projects need to be spending between £70,000 and £135,000 to trigger the minimum amount of grant.

Case 3: Capital Investment Grants	
Description	Available for businesses undertaking capital investment projects but need the financial help to go ahead.
Geographic Area	North West England
Lead Agency	NWDA
Other Stakeholders	Local Businesses
Date Established	
Key Aims/ Objectives	Assistance is provided to projects that increase productivity and skills, including property development.
No. of Businesses Supported in total	N/A
Type of project eligible	Business establishment, expansion and diversification projects.
Funding structure	Grant
Level of grant funding available	The minimum grant that can be applied for is £10,000, so projects will need to be spending between £70,000 and £135,000 to trigger the minimum amount of grant.
Level of success	N/A
Evaluation	N/A

Equity Finance

Equity Finance aimed at start-ups and small businesses, particularly early stage and high growth potential businesses which do not meet banking criteria.

In September 2006, the Rural Development Service's project-based schemes – including the Rural Enterprise Scheme, the Processing and Marketing Grant and Vocational Training Scheme – were transferred to the NWDA. These projects aim to provide new opportunities to protect and improve the countryside, develop sustainable enterprises and help rural communities to thrive.

Investments from these funds can range between £10,000 up to £500,000 of total funding requirement.

Case 4: North West Equity Finance	
Description	North West Equity Fund (NWEF) provides Risk Capital to North West SMEs looking to achieve significant growth.
Geographic Area	North West England
Lead Agency	NWDA
Other Stakeholders	WM Enterprise (private sector consultancy) / Local Businesses
Date Established	2006
Key Aims/ Objectives	Consider investments across a wide variety of manufacturing and service sectors at any stage of the business cycle.
No. of Businesses Supported in total	N/A
Type of project eligible	Businesses operating anywhere in the North West.
Funding structure	Grant / Loan / Fund / Combination
Level of grant funding available	Initial tranches will usually be limited to £250k, with subsequent investments possible up to a maximum investment of £500k.
Level of success	N/A
Evaluation	N/A

Advantage West Midlands

The Rural Development Programme for England (RDPE) is a new funding scheme for land based businesses (farmers, growers, foresters, and primary processors), rural tourism organisations and other small rural businesses. It runs from 2008 to 2013 and is jointly funded by the EU and the Government.

RDPE aims to safeguard and enhance the countryside, to improve the competitiveness and sustainability of rural businesses, and to help communities to thrive.



The RDPE programme is firmly grounded in national and regional priorities and aims to deliver them by working with rural businesses. The RDPE supports the following activities:

- projects that encourage community organisations to work together, share ideas and improve training and skills;
- business support and modernisation;
- diversification into new services or products;
- active management that enhances the countryside and landscape;
- development of supply chains and reconnecting the market place; and
- innovation and new product or process development.

South West Regional Development Agency

Two rural development initiatives are funded by the SWRDA:

- Rural Renaissance; and
- Rural Enterprise Gateway.

Rural Renaissance

The aim of the Rural Renaissance Programme is to help communities in the South West respond to and influence economic change through sustainable project development and implementation that:

- creates prosperity and generates employment;
- improves delivery and access to services; and
- realises the value of the environment as an economic asset.

Rural Renaissance is the RDAs key focus on rural development and is delivered through Sub-Regional Partners for local address the three strategic priorities of the RDPE:

- Priority 1 – assist in the development of a dynamic and sustainable economy in rural areas;
- Priority 2 – improve access to work, education, training and retraining opportunities; and
- Priority 3 – encourage innovative service delivery through the development of multi-use facilities, support for social enterprises and improved use of ICT.



Rural Enterprise Gateway

The Rural Enterprise Gateway is delivered through the Business Link network for the South West and funded from investment by the South West Regional Development Agency, DEFRA, the European Agricultural Guidance and Guarantee Fund, and the Objective 2 Programme.

The Rural Enterprise Gateway offers a package of support to rural businesses, from farming, food and tourism, through to fisheries. Local REG Project Officers work with groups of agricultural and other rural businesses to help them to develop Action Plans, access funding and other support and facilitate networking, thereby encouraging businesses to work together.

All rural businesses are eligible for support through the rural gateway. This is a free information and signposting service for all rural businesses from farming, food and tourism through to fisheries. Along with support available through REG, rural businesses are referred to other organisations, projects and initiatives that could assist them.

For groups of four or more rural businesses working together, support is available for:

- knowledge transfer – interface between research organisations and rural businesses. Groups can request information to meet their specific requirements;
- group development – grant funding for technology advice, consultancy or training; and
- collaboration service – technology advice to help encourage and support collaborative activity.

The REG helps rural businesses develop and adapt to change and groups can receive up to five days free advice.

Case 5: Project/Programme Name	
Description	The Rural Enterprise Gateway provides information, training and business development support to rural businesses and in particular, agricultural and land-based business groups.
Geographic Area	South West England
Lead Agency	SWRDA
Other Stakeholders	DEFRA, the European Agricultural Guidance and Guarantee Fund and the Objective 2 Programme. The project is managed regionally by Peninsula Enterprise and delivered locally through the Business Links within the region. A regional Steering Group, comprising industry representatives, provides advice and guidance to support the project management. SWCoRE provides advice within the context of The Delivery Plan for a Sustainable Farming and Food Industry in the South West of England and supports the process of engagement with key regional stakeholders and deliverers of other rural initiatives.
Date Established	December 2004
Key Aims/ Objectives	Rural Enterprise Gateway aims to help rural businesses to develop and adapt to change. The purpose is to give people the skills and information to develop their businesses and find solutions to business problems in a rapidly changing economic and policy climate. By doing this, REG is helping land-based and other rural businesses to deliver the vision of the SW's Strategy for Sustainable Farming and Food.
No. of Businesses Supported in total	N/A
Type of project eligible	The Rural Enterprise Gateway offers a package of support to rural businesses, from farming, food and tourism, through to fisheries. Local REG Project Officers work with groups of agricultural and other rural businesses to help them to develop Action Plans, access funding and other support and facilitate networking, thereby encouraging businesses to work together.
Funding structure	Grant
Level of grant funding available	None, is in-kind professional advice.
Level of success	N/A
Evaluation	N/A

The SWRDA has a specific role in rural development and there is a rural team with the RDA consisting of 20 staff. The focus of these members of staff is on food and rural affairs.

The specific activities of the team include: project delivery; business support; property development and community development. They are not responsible for setting their own policy but follow guidance from Defra and Rural Funding Programme.

Rural issues do not have a high priority within the RDA in comparison with other priorities. The SWRDA tends fund projects and programmes through sub-regional partners but if appropriate will directly commission certain bespoke projects.



They currently have a budget of £156.8 million to be used over the period 2007-2013. The only programme/grant related to property is the Redundant Building Grant for rural property.

This is available for projects in rural areas that are in greatest need of new employment. Grants are available for the conversion and refurbishment of existing buildings to provide facilities for manufacturing, service businesses, office premises, tourism and leisure, and retail outlets.

The wider Rural Development Programme provides grants for environmental improvement scheme or community projects that have an economic benefit and encourage private sector activity or redress social and economic advantage.

South East England Development Agency

SEEDA provides two overarching rural funds that provide assistance for property development activity – the Rural Redundant Building Fund and the Farm Diversification Grant Scheme.

Rural Redundant Building Fund

SEEDA provides financial support for the refurbishment of redundant buildings to bring them back into productive business use or to enhance their current business use through the Rural Redundant Building Fund (RRBF).

The RRBF provides grant funding to owners and/or occupiers of up to 25%. It is targeted at regeneration areas where there is the greatest need for additional business and employment opportunities. Qualifying activities including manufacturing, servicing, crafts businesses, office activities, retail, tourism and leisure and tourist accommodation.

SEEDA takes a proactive stance and uses this fund to link with its other work to support rural businesses:

- to help generate new businesses;
- to develop incubator space;
- to help provide space for businesses moving on from incubation space; and
- to help local partnerships who are developing Action Plans for rural regeneration.

SEEDA also seeks to link any workspace provided under the RRBF into its Enterprise Hubs and Gateways Initiative.

In addition, businesses occupying premises supported through this SEEDA fund are expected to link with the advisory services provided through Business Link.

Prior to making an application the appropriate planning permission for the proposed project must be sought, including listed building consent if applicable. Also building regulations approval and proof of ownership or, if a tenant with an expired lease of at least five years, the landlord's written consent to the works.

Case 6: Rural Redundant Building Fund	
Description	SEEDA can provide financial support for the refurbishment of redundant buildings to bring them back into productive business use or to enhance their current business use.
Geographic Area	South East England
Lead Agency	SEEDA
Other Stakeholders	Local Businesses
Date Established	And end date if finite
Key Aims/ Objectives	SEEDA is looking to be proactive and use this fund to link with its other work to support business: to help generate new business; to develop incubator space; to help provide space for businesses moving on from incubation space; and to help local partnerships who are developing Action Plans for rural regeneration.
No. of Businesses Supported in total	N/A
Type of project eligible	Prior to making an application the appropriate planning permission for the proposed project must be sought, including listed building consent if applicable. Also building regulations approval and proof of ownership or, if a tenant with an expired lease of at least five years, the landlord's written consent to the works.
Funding structure	Grant
Level of grant funding available	The rate of grant will be up to 25% of the eligible costs of conversion or refurbishment, subject to a minimum grant level of £2,500 and a maximum of £60,000.
Level of success	N/A
Evaluation	N/A

The Farm Diversification Grant Scheme

The Farm Diversification Grant Scheme (FDGS) provides financial assistance for the development of redundant farm buildings. The FDGS was started in May 2000 as a one-year pilot. It enabled the conversion of redundant farm buildings for a variety of uses including light industrial/workshops, office accommodation, self-catering and B&B accommodation, children's nursery and stables/livery.

Grant aid will be up to 25% of the eligible costs of conversion or refurbishment, subject to a minimum grant of £2,500 and a maximum of £60,000. The buildings can be converted for a variety of uses outside of Primary Agricultural Production.

If grant aid is offered, it will be the minimum necessary to enable the scheme to go ahead. Grants are paid towards the costs directly associated with the conversion of an existing building. This includes:

- building works, including installation of services;
- access/car parking and landscaping, if required by planning permission; and
- professional fees.

Applications can only be considered from farmers with a registered holding number. Projects must demonstrate their ability to generate additional income for farm, job creation, value for money and feasibility.

Funds are not available for 'new' build, purchasing the property, internal fixtures and fittings or landscaping beyond that required by the planning authorities.

Case 7: Farm Diversification Grant Scheme	
Description	Provides financial assistance for the development of redundant farm buildings.
Geographic Area	South East England
Lead Agency	SEEDA
Other Stakeholders	Local Businesses
Date Established	May 2000
Key Aims/ Objectives	The conversion of redundant farm buildings for a variety of uses including light industrial/workshops, office accommodation, self-catering and B&B accommodation, children's nursery and stables/livery.
No. of Businesses Supported in total	N/A
Type of project eligible	Grants are paid towards the costs directly associated with the conversion of an existing building. This includes: building works, including installation of services; access/car parking and landscaping, if required by planning permission; and professional fees.
Funding structure	Grant
Level of grant funding available	Grant aid will be up to 25% of the eligible costs of conversion or refurbishment, subject to a minimum grant of £2,500 and a maximum of £60,000. The buildings can be converted for a variety of uses outside of Primary Agricultural Production.
Level of success	N/A
Evaluation	N/A

One North East

One North East has a Rural Team of 11 staff lead by a rural and environment manager, with a sole focus on rural issues. The activities of the team cover policy/strategy and project delivery for the rural north east.

The rural team does not set its own policy but takes framework from national policy and marks regional priorities against it. Rural policy is not a high priority within the RDA in comparison with other priorities. It might change due to restructuring of development agency.

The level of funding that was allocated towards rural development 3 years ago was £25 million for a 3 year programme. DEFRA cuts have resulted in a loss of £2 million from the budget. The Rural Development Programme for England has a budget of £6 million per year in the north east.

One North East fund projects/programmes directly through the Regional Food Group and Market Towns are funded through sub-regional partnerships.

There are no specific programmes in place for rural business property in the north east. Regeneration is controlled through sub-regional partnerships to which ONE provides financial support.

ONE works with two regional rural networks to identify policy priorities and strategy:

- Rural Board and the Rural Executive; and
- North East Rural Affairs Forum.

The RDA also works with rural estate owners through the North East Rural Estates Framework to drive economic growth in rural communities.

The key priorities and activities of ONE in supporting rural areas are:

- food, farming and fisheries;
- enterprise and business support;
- sustainable communities;
- biotechnology and forestry; and
- tourism and recreation.

The RDPE for which the North East Implementation Plan provides the local strategy, has the following themes:

- sustainable farming and forestry;
- micro-enterprises;
- sustainable communities;
- bio-energy; and
- tourism and recreation.

Yorkshire Forward

Through its Rural Renaissance Programme, YF seeks to promote structural change in its rural economies. Effort is focused on:

- integrating agricultural activity with wider rural development;
- delivery of business support services;
- ICT for businesses;
- the renaissance of market towns; and
- exploiting the economic potential of environmental assets.

YF adopts a business-led approach and works with the whole rural economy, of which agriculture is recognised as an integral part. One of the objectives of the YF Regional Economic Strategy is to 'secure a strong and diverse rural economy.

The RDPE has allocated £9.5m per annum for rural businesses in Yorkshire and Humber.

Grants will be available to farmers and rural entrepreneurs to support the start up of new businesses and the growth of existing enterprises.

There are a number of rural business support programmes available through YF, but none provide specialist property support. Available support includes:

- LEADER – community led approach focusing on basic services;
- Rural Enterprise Investment Programme;
- Rural Business Sustainability Programme; and
- Land Skills – for the development of technical skills for primary industries.

East Midlands Development Agency

The RDPE has allocated £60 million to support the development of EMDA's rural businesses until 2013. The RDPE will mainly target land-based businesses in the East Midlands including farmers, foresters, horticulturists and equine businesses.

The criteria for projects to be eligible for granting funding includes:

- adding value to agricultural, horticultural or forestry products – including the development of new products, processes and technologies;
- improving co-operation and collaboration between businesses to improve efficiency including infrastructure and equipment investments; and
- promoting diversification in the rural economy.

EMDA designates rural development as part of the overall responsibility of the RDA but there is no specific role or department with overall responsibility. Rural development is increasingly mainstreamed and specific development activity targeted at rural areas is limited.

There are two rural staff at EMDA, a Head of Rural Communities and Rural Policy Manager. These 2 members of staff are responsible for rural issues but also work in other parts of the RDA.

The rural team do not have specific activities to carry out but try to make sure that EMDA activity has a rural focus.

EMDA does not set their own rural policy. The Regional Economic Strategy is their main guidance. There is no specific rural section contained within this as much of the policy has been mainstreamed. They also follow guidance set by DEFRA.



Rural policy is not heavily prioritised by EMDA as there exists a rural focus throughout all policy. The RDA is not the only body with an interest in rural policy: there is an East Midlands Rural Affairs Forum.

EMDA deliver RDPE directly to businesses. Any other programmes are delivered through sub-regional partners. There is no specific budget set for rural development. There are also no specific programmes to support property development.

Welsh Development Agency

The Welsh Development Agency (WDA) operated from 1976 to 2007 and had a considerable focus on property development, primarily but not exclusively in urban areas. Property Development Grants were available to investors for the development, upgrade and extension of property for speculative and bespoke schemes.

The PDG programme of supported ended with the transfer of responsibilities to the Welsh Assembly Government's (WAG) Department of Economy and Transport.

The WAG's rural affairs objective is to support thriving rural communities where people live and work and enjoy a high quality of life. The specific objectives of the Department for Economy and Transport and:

- to create jobs across Wales;
- to stimulate enterprise and growth; and
- to enhance skills for jobs.

There is no longer any specific national (Wales) property investment programme for rural or urban development.

The RDP for Wales was formally approved in February 2008 and secures £759m over the lifetime of the plan, with £195m from the EU. The Plan sets six specific objectives under Axis 3: Quality of Life and Economic Diversification:

- providing a broader range of better paid employment opportunities;
- helping to raise economic activity rates;
- providing services for the rural economy;
- providing openings for future economic development;
- improving the physical environment of villages and conserving rural heritage; and
- addressing social exclusion.

Northern Ireland

There is a Department for Agriculture and Rural Development (DARD) within Invest in Northern Ireland. DARD offers support to the agriculture, food, forestry and broader rural economic sectors under a range of European Union funded programmes such as the Rural Development Regulation Plan, the Programme for Building Sustainable Prosperity, the LEADER+ programme, the EU Programme for Peace and Reconciliation and Interreg III programme.

The EU continues to provide support for rural development. Simplification of funding streams means that DARD will provide a new round of support through one programme, the Northern Ireland Rural Development Programme 2007-2013 (NIRDP), and one fund, the European Agricultural Fund for Rural Development (EAFRD).

There are four themes within the NIRDP:

- Axis 1 – improving competitiveness of agriculture and forestry by supporting restructuring development and innovation;
- Axis 2 – improving the environment and countryside by support land management;
- Axis 3 – improving the quality of life in rural areas and encouraging the diversification of economic activity; and
- using a LEADER type approach to deliver change.

Delivery of the Axis 3 projects will be undertaken by Local Action Groups under six measures:

- diversification into non-agricultural activities;
- support for business creation and development;
- encouragement of tourism activities;
- basic services for the economy and rural population;
- village renewal and development; and
- conservation and upgrading of rural heritage.

In terms of funding, there is a specific Agricultural and Forestry Processing and Marketing Grant Scheme. This scheme will provide support for capital investment to erect new buildings, refurbish old premises, or buy new equipment. The amount of grant available will depend on the size and turnover of the enterprise. The maximum grant payable will be 40% of eligible costs subject to a maximum of £0.5 million.

Invest in Northern Ireland offers Property Assistance Grants – financial support for commercial property requirements. The assistance will help:

- access financial assistance, where the business plan has identified a funding gap, to help fund the project;
- make use of professionals to allow managers to concentrate on the business rather than the property development project;
- complete the development in accordance with best practice and to legal requirements; and
- complete a certification of costs, which ensures that all elements of the project including hard standings, car parking, fencing and so on will portray the business in an accurate and positive manner.

Case 8: Property Assistance Grants	
Description	Support is available to growing businesses introducing new products and processes.
Geographic Area	Northern Ireland
Lead Agency	Invest in Northern Ireland
Other Stakeholders	Local Businesses
Date Established	N/A
Key Aims/ Objectives	Access financial assistance, where the business plan has identified a funding gap, to help fund the project; make use of professional team so one can concentrate on business rather than a property development project; complete the development in accordance with best practice and to legal requirements; and Complete a certification of costs, which ensures that all elements of the project including hard standings, car parking, fencing and so on will portray the business in an accurate and positive manner.
No. of Businesses Supported in total	N/A
Type of project eligible	Established businesses with a turnover of over £100,000 (or ability to reach this within 3 years).
Funding structure	Financial assistance and advisory support for new property development.
Level of grant funding available	Dependent on business plan requirements.
Level of success	N/A
Evaluation	N/A

Appendix 6 – Consultation Workshop Issues

The workshop will take the format of a facilitated 'round table' discussion around the following key issues. Not all of these issues will be appropriate for each of the workshop participants, therefore we will tailor the discussion around the relevant issues.

Strategic Issues

- How would you currently describe the local economy and how did it get this way?
- What are the main economic related issues that are currently impacting on the local area?
- How is the local economy currently performing and what are the causes of this performance?
- What are the key future challenges facing the local economy?
- Any significant implications from new Government economic strategy?

Local Property Market

- What is the current state of the local property market – describe both supply and demand?
- What are the main constraints and barriers which have blocked property development (a) new speculative and (b) bespoke?
- What development activity has taken place in recent years?
- Are there examples of frustrated development and if so what caused it and was it resolved?
- Are there available local sites/redevelopment opportunities to meet future demand?
- Are there any examples of successful local projects and why did they work?
- Are there any significant issues around the planning process?
- What are the main differences between rural and more urban property markets in your area?
- Are there any significant issues relating to availability of ICT?



Roles and Responsibilities

- Historically, who have been the main players in rural property development in your area?
- What has been the main contribution of (a) the public sector and (b) the private sector?
- How will we be able to best promote future development activities in rural areas?
- Are you aware of successful approaches in other areas?

Future Priorities

- Where do you think rural will figure in the future batting order?
- What is the role for property in the future growth of the rural economy – how crucial is it?
- Where do you see the future main areas for economic growth and what are the property issues that will result?
- What are the main future opportunities in terms of (a) indigenous growth (b) new starts (c) attracting new industries?
- Any thoughts on the balance between growing existing key industries and attracting new activities?
- What specific actions could the public sector take to encourage or facilitate future property development?
- What is the consequence if nothing happens – no future development?

The above are some of the key issues for discussion but there will also be an opportunity to build on the above as agreed by participants.

Appendix 7: List of stakeholder consultees

Gordon McLaren, ESEP
Tony Fitzpatrick, Dumfries and Galloway Council
Dr Stuart Black, Highland Council
David Liddell, Scottish Government, Planning Department
Ross McWhirter, SE Dumfries and Galloway
Neil McGregor, Katalyst
Damien Wilson, Dumfries & Galloway Council
Diane McLintock, McLintock Developers
Billy Murray, Dumfries and Galloway Council
Chris Cooke, Perth and Kinross Council
Callum Petrie, Perth and Kinross Council
Jim Low, Perth and Kinross Council
Peter Noad, SE Tayside
Gill Lochhead, SE Tayside
Jamie Troughton, Tullimet Developers
Colin Mitchell, SE Grampian
Claire Wright, SE Grampian
Elaine Booth, SE Grampian
Marion Miller, SE Grampian
Douglas Rennie
Wendy Reid, Development Trust Association Scotland
Bill Marshall, Braemar Community Ltd
Andrew Harper, Cairngorms National Park
Nigel Watson, SE Borders
Simon Longlands, SE Borders
Martin Wanless, Scottish Borders Council
Hugh Jones, Edwin Thompson
Sandra Carter, Image Estates
Brian McGrath, Scottish Borders Council
Steven Vickers, Buccleuch Estates

Appendix 8: Business Questionnaire

Q1 Company Name:

Q2 What are your main business activities?

Q3 Where is your business located? (Town and/or Postcode)

Your Business

Q4 Which of these descriptions do you think best fits your business location?

Accessible small town
 Remote small town
 Accessible rural
 Remote rural

Q5 How many staff do you employ?

Q6 How has this changed in the last 3 years and do you expect it to change in the next 3 years?

	2005	2011
Did not/will not exist		
Increase		
Decrease		
No change		

Q7 What is your level of current company turnover?

under £49,000	£500-999,999	
£50-99,999	£1-5 million	
£100-249,999	£5-49 million	
£250-499,999	over £50 million	

Q8 How has this changed in the last 3 years and do you expect it to change in the next 3 years?

	2005	2011
Did not/will not exist		
Increase		
Decrease		
No change		

Q9 Are the markets for your products:

Growing Declining Static

Your Business Premises

Q10 What size are your premises?

Under 2,000 sq ft (200 Sqm)
 2-5,000 sq ft (2-500 Sqm)
 5-10,000 sq ft (500-1,000 Sqm)
 10-25,000 sq ft (1-2,500 Sqm)
 25-50,000 sq ft (2,5-5,000 Sqm)
 Over 50,000 sq ft (5,000 Sqm)

Q11 When were your premises built?

Pre 1950s
 1950-1980
 1981-1990
 1991-2000
 2001-2008

Q12 What type of premises does your business occupy?

Industrial
 Office
 Warehouse/Distribution
 Retail
 Agricultural
 Visitor Accommodation
 Food/Drink Outlet
 Other

If other please describe:

Q13 Are your business premises:

Owned by business
 Rented from private landlord
 Rented from public landlord
 Other

If other please describe:

Suitability of Business Premises

Q14 How well do your premises meet your business needs?

In full
 Adequately
 In part
 Not well
 Not at all

If other than 'In Full', please explain:

Q15 Do your premises constrain the success of your business?

Significantly
 In part
 Not at all

Please describe in more detail:

Q16 Does this constraint impact on your business performance?

Yes No

If yes, please describe:

Q17 Would you consider moving premises if you could?

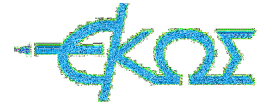
Yes No (Go to Q21)

Q18 If yes, would you require:

Size: Smaller Larger
Tenure: Owned Rented
Type: Office Industrial Other

Q19 Would you consider moving to another location?

Yes No



Q20 If yes, how far would you move?

- Within 2 miles
- Within 5 miles
- Within 20 miles
- Within 50 miles
- Over 50 miles

Q21 Please explain briefly why you have not moved business premises?

Q22 What is your long term preference for your business premises?

Rent Own No Preference

Q23 If own, please explain why:

Q24 If own, would your preference be:

- To purchase existing premises
- To build own property
- No preference

Q25 If build own, please explain why:

Q26 Are there any other constraints that affect your business?

Business planning	
Financial resources for investment	
Working capital	
Marketing information and advice	
Availability of labour and skills	
Accessing new markets	
Regulatory frameworks	
Developing international/export markets	
Transport / logistics difficulties	
Other (please explain)	

Q27 Do you think these constraints are worse because you are a rural business?

Yes No Don't know

Q28 Do you have any contact with business support organisations?

Scottish Enterprise	
Local Authority	
Business Gateway	
Other (please describe)	
None	

Relocation/Alteration/Expansion

Q29 If you could change your premises in some way, is there anything that you would like to do that you are unable to do at present?

Yes (go to Q30)	
No (go to Q35)	
Maybe (go to Q30)	

Q30 If yes, please provide a brief description of this project or activity:

Q31 What impact might this have on your turnover and profit (please estimate £ or %)?

Q32 What impact might it have on employment?

Q33 What impact might it have on any other business activity?

Q34 If you do not change your premises, what do you think will happen to this project or activity?

- Go ahead as planned
- Take place later
- Be on a smaller scale
- Be of lower quality
- Not take place at all

Q35 Are there any other comments you would like to make regarding your business premises?

Appendix 9: Developers Questionnaire

Telephone interviews conducted as part of a research study into rural property markets to gather views of property industry operating or located in rural areas – to get practical understanding of issues and constraints.

Development Activity

1. Have you undertaken any non-residential property development in rural areas in recent years:
 - Bespoke/Speculative
 - Type: office/industrial/retail
 - Size:
 - Location:

2. **If yes**, why did you do this project? Were there any specific factors:
 - Had tenant signed up to occupy
 - Saw there was demand
 - Got grant assistance
 - Other

3. **If no** development, why not? Has anything constrained you building non-resi in rural areas, or have you just had enough work elsewhere and this hasn't been a priority? Have you ever considered?

4. Is there anything that would encourage you to undertake non-resi development in rural areas in the future?
 - Available land
 - Grant funding
 - Better info on demand
 - Other

Local Property Market

5. How much development activity has taken place in recent years in your local area?
 - Private or public sector led
 - Type of property
 - Size of property
 - Location

6. Do you think there is more demand in the local area (from existing, or new businesses) for business property than is currently available?
 - Please justify answer

7. What is the supply of property like in your local area?
 - Type of property – office, industrial, retail, etc
 - Size of property – small, medium, large
 - Location – not in the right places
 - Vacancy – most full, or lots of empty – reason for this?

8. Do you think there is an imbalance between the supply of and demand for property in your area? If yes, does this relate to:
 - Type of property
 - Size of property
 - Location

9. What do you think are the main property issues in your local area that constrain development?
 - Returns are too low for the private sector
 - There is too much risk involved for the private sector – returns are not high enough?
 - Don't think there is enough demand
 - Other

10. What do you think are the main constraints and barriers that have blocked property development both (a) new speculative and (b) bespoke?

11. Do you think that there are there any significant issues around the planning process? If yes, please describe and also quantify the impact that they have.

12. Do you think that there are there enough available sites/redevelopment opportunities to meet future demand?

13. What do you think are the main differences between rural and more urban property markets?

Future Priorities

14. Where do you think the main future opportunities lie? (a) indigenous growth (b) new starts (c) attracting new industries?

15. What specific actions do you think would encourage or facilitate future property development in rural areas?
 - Private sector activity
 - Public sector supporting actions

16. What is the consequence if nothing happens – no future development?