

The background of the cover is a photograph of the Scott Monument in Edinburgh, Scotland, a tall Gothic Revival tower. The monument is silhouetted against a dramatic sky with soft, golden light from a low sun, creating a warm, hazy atmosphere. The monument is flanked by historic stone buildings. On the right, a building has a sign that says "JENNERS". People are visible walking on the street in the foreground. A semi-transparent purple banner is overlaid across the top of the image, containing the title and date.

SPF VOICE

May 2020

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Robin Blacklock
SPF Chair
MD Dowbrae Property Consultancy

In April's Voice I wrote about counting days as they turned into weeks. As we now enter Phase 1 in the phased release from lockdown, it's apparent that by the time we get back to 'normal' – whatever that might look like – we'll be counting months.

Over this last period many of the government's initiatives have provided a lifeline to businesses, but has enough been done to support the real estate industry?

From the research we've done, there is evidence that government initiatives have fallen short in supporting the sector and, even worse, had unforeseen consequences that have put our economic recovery at risk.

We issued our own survey to gauge what has been happening in this sector. We had 25 respondents representing over 1600 tenancies covering all sectors. Nearly 90% of respondents identified themselves as an SME and nearly 70% also invested in development and/or regeneration. These businesses are the cornerstone of our industry in Scotland.

In order to best address the COVID-19 crisis, our research shows that all have taken a concessionary approach to tenants, offering a range of options from rent deferral to rent free to monthly payments. Sole traders, small businesses and SMEs have been most likely to engage, while larger multinationals were identified as least likely to collaborate; in the worst cases, there are examples of tenants who are able to pay, but refusing to do so.

We have anecdotal evidence that some of the government interventions have been taken by tenants to imply that they don't need to pay their rent. This obviously hasn't been the intention, but as we move through the May quarter day, the rental returns will make for interesting reading.

Set against this, our research has shown that over half of landlords have reported significant financial implications as a result of continued loss of income whilst bearing some of the additional financial costs. An inability to service bank debts - or even bankruptcy - have been identified as a key concern.

As months turn into years, there is a deep lingering fear that the investors that we need to redevelop, regenerate and rejuvenate our towns, cities and our economy, will either be too cautious to take the risk, or may not even exist.

The SPF are using the results of this research to inform local and national government. If you want to know more, or are willing to contribute your own experiences, please get in touch.

In the meantime, stay safe.

SCOTTISH PROPERTY FEDERATION TEAM

David Melhuish

Director
dmelhuish@bpf.org.uk
Tel 0131 220 6353

Gail Hume

Business & Events Manager
ghume@bpf.org.uk
Tel 0131 357 8667

Mandy Catterall

Government Relations Manager
mcatterall@bpf.org.uk
Tel 0131 220 6304

Murray Horn

Policy & Communications Officer
mhorn@bpf.org.uk
Tel 0131 306 2222

Karlen Lambert

Policy & Communications Officer
klambert@bpf.org.uk
Tel 0131 370 0795 @scotpropfed

6th Floor
3 Cockburn Street
Edinburgh
EH1 1QB



POLICY INSIGHTS

PLANNING ISSUES CONSIDERED AS CONSTRUCTION SITES PREPARE TO REOPEN

In May, the SPF Planning and Development Committee hosted a virtual discussion with representatives from the Scottish Government Planning Directorate. We also took part in a number of telephone calls with the Chief Planner and other stakeholders.

We welcomed the publication of the route map towards re-starting our economy, but there are still considerable questions to be asked of government around the pace and processes for construction sites to reopen.

The Planning Minister Kevin Stewart and Chief Planner John McNairney recently issued a further two joint letters. The **first** provided a general update and a **further letter** included the much anticipated guidance on construction sites hours of operation and changing business practices during physical distancing restrictions.

We have been clear throughout that in the interest of consistency across UK businesses and markets, and given that health and safety practice does not fundamentally differ in any part of the UK, any Scottish guidance should be consistent with guidance issued by the UK Government.

SECOND COVID-19 EMERGENCY ACT PASSED

Scottish Ministers had always intended to introduce a second emergency Bill to address outstanding concerns with the coronavirus pandemic. The Act contains welcome provisions to extend listed building consents that would otherwise lapse during the emergency period. It also extends the period in which Additional Dwelling Supplement (ADS) taxpayers may reclaim LBTT, if eligible to do so. The Act also introduced a power to introduce retrospective non-domestic rates relief.

By far the biggest concerns raised by members revolved around the changes to tenancy law for private providers of purpose-built student accommodation. Government and student representatives were concerned that not all private providers of student accommodation had released students from

SECOND COVID-19 CONTINUED

their contracts in the face of the pandemic. This led Scottish Ministers to propose a legal minimum notice period to allow students to be released from their tenancies for coronavirus-related reasons. An amendment secured by Graham Simpson MSP clarified our concerns that the 7-day notice period might be carried into tenancies not yet occupied by a student. A further amendment we asked Graham Simpson to take forward also achieved an exemption from vacant property council tax charges in Scotland for student landlords, who have released their students due to coronavirus-related reasons, and could otherwise have faced a vacant property council tax charge.

This is intended to be the last emergency Coronavirus Bill introduced by the Scottish Government.

This does not mean further legislative interventions are impossible as regulations may still be introduced and amended at Holyrood. As with the first Coronavirus Act the emergency powers granted are in force until 30 September this year. If renewed, the Acts will be in force a further six months until 31 March 2021. There may be one further renewal of the emergency legislation, which if passed would take the effect of the Acts to 30 September 2021.

TECHNOLOGY: THE SILVER LINING?

The coronavirus pandemic and restrictions have led to a rapid change in the use of technology by the Scottish Government and its agencies. In recent weeks, both the Registers of Scotland and Building Standards Division have been required to embrace online working to enable their systems to work effectively in this new socially distanced world.

SPF members in the legal community have been amongst the first to trial a scheme aimed at allowing property to be registered online. Reports from the pilots have been positive and it's expected that the new systems implemented will remain even after the pandemic is over. Remote verification in the building standards system is also being rolled out nationally after a small number of successful trials. While 'virtual walk-arounds' may only be suitable for less-complex sites, it is hoped that on top of the health and safety benefit, remote checks will increase capacity in what can sometimes be a system with unpredictable timescales.



£498M

TOTAL VALUE OF COMMERCIAL
PROPERTY SALES IN Q1 2020

↓ 35% DOWN FROM
Q1 2019
£265M

871

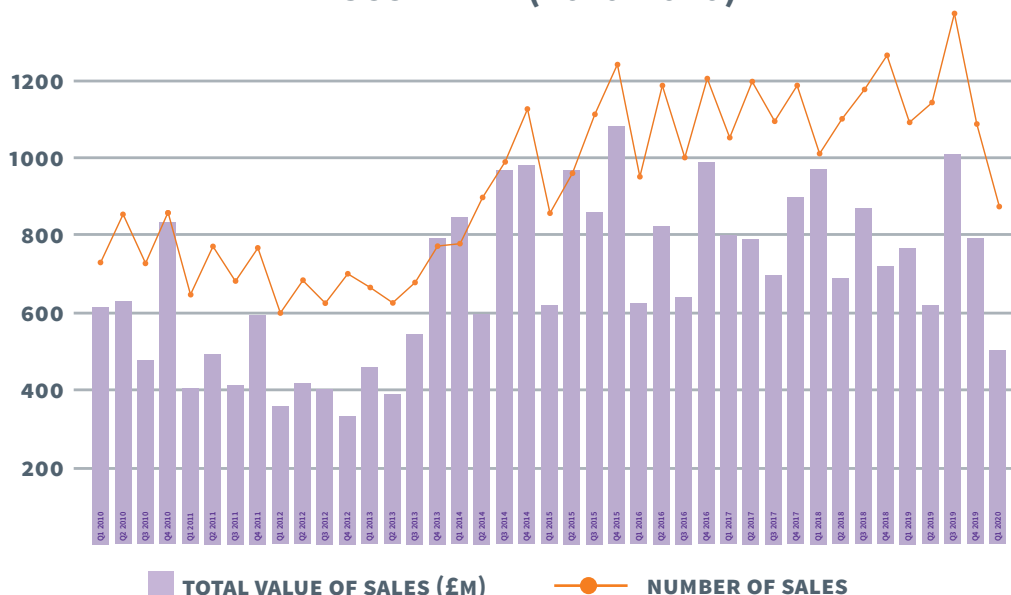
TOTAL NUMBER OF COMMERCIAL
PROPERTY SALES IN Q1 2020

↓ 20% DOWN FROM
Q1 2019
215



ABERDEEN £5,897,578 **EDINBURGH** £126,131,172
GLASGOW £101,031,844 **DUNDEE** £9,854,250
REST OF SCOTLAND £242,914,844

VALUE AND NUMBER OF COMMERCIAL PROPERTY SALES IN SCOTLAND (2010-2020)



Figures may not sum due to rounding. Figures from the Registers of Scotland includes all commercial property transactions.

OVERVIEW

The first quarter of 2020 started with news of a novel virus emerging in China and ended with Scotland facing a pandemic and unprecedented economic lockdown. The effect of the coronavirus outbreak is reflected in the latest Scottish commercial property sales figures from the Registers of Scotland, which has revealed that the first quarter of the new decade saw the lowest value of sales in any quarter since 2013.

At £498m, commercial sales in Scotland fell by 35% in Q1 2020 compared to the same quarter last year, while the number of transactions also fell by 20% to 871 over the same period. This brings the rolling one-year total for the value of commercial property sales in Scotland to £2.9bn.

CITIES

Edinburgh saw the highest total value of sales of any Scottish city in Q1 2020 after losing this position to Glasgow at the end of 2019, with 26% of the market in Scotland. However, at £126m, the total value of sales in Edinburgh during Q1 2020 was 52% down on the same quarter in 2019. The total value of sales in Glasgow was also significantly lower in Q1 2020 than the year previous, falling 30% to £101m.

£5M+ SALES

There were 22 sales at or above £5m in Scotland in Q1 2020 with a combined sales value of £220m. In terms of value, this is the lowest figure in over six years and a fall of 44% compared to the total for Q1 2019. This section of the market accounted for 44% of the value of all commercial transactions in Scotland during the period.

REGIONAL SPOTLIGHT

SPF (virtual) regional forums

with Stuart Heslop, RBS

11-15 May

ABERDEEN

We were joined by Richard Sweetnam, Director of City Growth for a discussion on the council's response to the pandemic. It was noted that the situation for Aberdeen had been exacerbated with the collapse in global oil prices. Stuart Heslop provided members with an overview of the pandemic from a real estate lending perspective while members voiced concerns and challenges from local property landlords.

DUNDEE & PERTH

Our Tayside meeting featured David Littlejohn from Perth & Kinross Council and Gregor Hamilton, Head of Planning for Dundee City Council, together with Stuart Heslop. Key issues included the support being proposed by the councils for businesses in their areas, making as much use of local discretion as possible.

EDINBURGH

Executive Place Director Paul Laurence joined SPF members for a virtual meeting on the council response to the pandemic and the implications for the future Edinburgh economy. As with our earlier forum, Stuart Heslop provided a lender's perspective on the response to the crisis.

GLASGOW

In the first of the week's meetings, we were joined by Forbes Barron, Head of Planning & Building Services for Glasgow City Council and Stuart Heslop. The discussion ranged from specific experiences of developers and property investors in the city to the reduction in building warrant fees received by the council since the lockdown.

INDUSTRY INSIGHT

Easing out of lockdown: why we must all play by the rules



David Shearer

Managing Director
HFD Construction

On the 23rd March, the First Minister issued guidance that placed Scottish construction sites into lockdown. Almost since that moment, HFD has – like many others in the sector – been planning a safe return to work. Guidelines suggested that when lockdown eased, activities which could, as far as possible, be carried out while maintaining the recommended 2m physical distances would be the first to recommence, with construction among them.

For many industries, such as hospitality, Government guidance has been unmistakeably clear, and it would have been impossible for operations to continue safely while the threat of the virus was so severe. However, advice issued to the construction industry, which mostly operates outdoors, varied between devolved nations. Just as it did when the general advice began to diverge, this created a sector-wide sense of confusion, with ‘non-essential’ sites in England continuing to operate while those in Scotland were closed.

Nevertheless, we were quick off the mark to close the construction site at Glasgow’s 177 Bothwell Street – prioritising the safety of our employees and contractors, regardless of the differences in official recommendations. Now, in a positive move, publication of the Scottish Government’s Route map for moving out of lockdown has given the construction industry a clearer picture of how to return to a sense of normality.

We have moved into the first phase of a six-part plan designed to support a gradual return to work. Initially, that means a period of site preparation which will be followed by a slow re-start, subject to social distancing measures being implemented. Updates have been eagerly anticipated and, while we are still being somewhat held back from returning to site fully, the decisions have nevertheless been welcomed across the board.

It may be some months before we reach the final stages of restrictions being lifted and, therefore, building work is unlikely to continue at the same pace as it did pre-Covid-19. Progress will inevitably be hampered as only a certain number of people will be permitted to return to site, while their movements and ability to complete some tasks will be limited.

Safety is of course the number one priority, and we’ll be introducing a number of new precautionary measures across the site. However, physical distancing seen as the best way to manage the risks - PPE isn’t considered until stage four of the Government’s plan. This will need to be managed carefully across the sector, ensuring that workers are not cutting corners when it comes to health and safety or adopting unsafe practices, in an effort to prioritise physical distancing.

In England, there is no such restriction on PPE, and while there might have been shortages of equipment in March and April, availability appears to have returned to normal levels. As part of our early planning, we purchased PPE stocks ready to distribute on site when the time comes and there were multiple suppliers offering ‘medical grade’ equipment. Of course, if this is needed by frontline workers, we’ll be quick to donate as much as we can.

It is important that we all abide by the rules carefully and adapt our activities so that they can be completed safely, without the need for PPE. Developers are all keen to resume building work, so I am confident that the industry can be flexible and responsive to the new rules and guidelines.

Coronavirus has impacted every industry in some way, and the return to normal, or at least a sense of it, will naturally take time. Everyone in Scotland has a role to play in minimising the spread of the virus and keeping the R number as low as possible, allowing us to return to work, as soon as it is safe to do so.