

## Response ID ANON-7A11-X8KB-Q

Submitted to **COVID-19: Impact on businesses and workers**

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### About you

**1 Please read the privacy notice below and tick the box below to show that you understand how the data you provide will be used as set out in the policy.**

I have read and understood how the personal data I provide will be used.

**2 How would you like your response to be published?**

I would like my response to be published in its entirety

**3 What is your name?**

**Name:**

David Melhuish

**4 What is your email address?**

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**5 Are you responding as an individual or on behalf of an organisation?**

Business or sector organisation

**Organisation :**

Scottish Property Federation

### Impact on businesses and workers as lockdown eases (1/3)

**6 The Scottish Government's economic response is based on 4 Rs – Response, Reset, Restart and Recovery.**

**Please enter your response in the box provided.:**

We acknowledge and welcome the unprecedented level of government support provided to businesses generally. The scale of support provided to businesses via the grants based on non-domestic rates eligibility and the speed with which this support was provided was hugely significant.

Some parts of the business community were not directly supported or were frustrated in their attempts to secure support. Property businesses based on rental income were frustrated from UK supported loans due to not being deemed 'trading businesses' and with a reference date of 17 March some of our members reported that because the valuation roll was not up to date, some businesses were denied grant funding that might otherwise have enjoyed because the valuation roll was not up to date at that point in time.

**Please enter your response in the box provided. :**

The impact on the economy is simply only just beginning. We fear as the Coronavirus Job Retention Scheme now begins to unwind with more costs being met by businesses, then we may see an increase in job redundancies. The government has a strong recent record in providing support for major business closures and if these task forces can be established more widely then this could help employees, businesses and local communities affected by coronavirus related redundancies to recover.

**Please enter your response in the box provided. :**

We believe that the government should also prepare to make ongoing support and rates relief available to industry sectors whose businesses have been fundamentally undermined by the economic consequences of the pandemic. Sectors so affected would appear to include aviation, tourism, retail and hospitality.

**Please enter your response in the box provided. :**

Similar to the wider UK the economic consequences of Covid-19 have accelerated certain previous trends, such as online retail as opposed to bricks and mortar retail. The response has also seen a huge drop in the use of public transport and this will have consequences for the economic performance of major employment centres, often found in our major cities and conurbations.

There is a growing need and urgency for reopening 'non-essential' offices with appropriate safety measures in order to provide an impetus to urban economic activity. There is a danger that if city centres are starved of the business that these workers bring then many retail and leisure outlets may simply fold before the economy has chance to recover. The feedback we have had from member companies with sizeable office workforces is that they envisage a phased and blended home/work return to offices.

We believe therefore that the government should both require and trust larger businesses to allow their employees to return to offices safely, and at as early an opportunity as is feasible.

## Impact on businesses and workers as lockdown eases (2/3)

### 7 What insight can you provide on how businesses are operating once re-opened in terms of:

**Please enter your response in the box provided.:**

We anticipate a much reduced density of occupation of major employment centres such as multi-let offices. We expect to see a greater use of blended employment patterns between working from home and office based work too.

**Please submit your response in the box provided.:**

There are a growing number of redundancies becoming apparent in the real estate sector. We anticipate this trend will grow in the next twelve months as a result of projects being delayed or dropped together with lower levels of transaction activity, as expansion plans in the wider economy are put on hold.

**Please submit your response in the box provided.:**

Commercial property companies have seen their rental revenue denied and in most cases, have sought to endure this drop in income without any level of support. Indeed, commercial landlords have offered significant support to their tenant customers. At the same time they have faced the penalty of empty property rates despite financially supporting businesses during widespread market failure in the commercial property sector. The feedback we received from a survey over April-May suggested many smaller commercial landlords were contemplating bankruptcy. This financial hardship is not only felt by these smaller property companies. Since our survey, the owner of the Braehead shopping centre has gone into administration and another major shopping centre in Edinburgh has seen its owners relinquish the asset.

### 8 What levels of debt have been taken on by businesses during the crisis? How sustainable is this debt for businesses? What measures should be taken to help businesses deal with higher levels of debt?

**Please enter your response in the box provided.:**

Thus far the experience of our members with their lenders has been more collaborative than was the experience of the 2009 financial crash. The UK Government loan schemes have been welcomed by the wider business community but have not necessarily been available to commercial real estate companies.

Property companies must also be cognizant of their liabilities to covenants where property valuations fall. Both Lloyds and NatWest have reported expectations of significant falls in commercial property values and this could yet have a severe impact on the real estate sector and its ability to produce and supply business premises for the wider economy, or for institutional investors such as life and pension and pension funds.

Ultimately valuations depend upon market transactions and the markets are inevitably highly subdued currently.

### 9 Do employers need support in adopting fair work practices at this time?

**Please enter your response in the box provided.:**

## Impact on businesses and workers as lockdown eases (3/3)

### 10 Are the different arms of government and wider public sector (e.g. transport, education, economy, connectivity) working together to help businesses and workers to re-open the economy?

Not Answered

**Please enter your response in the box provided.:**

It is not possible to provide a fair 'Yes' or 'No' answer to this question. There is significant evidence of working together between the different arms and levels of government, but inevitably there will be times when this coordination is not achieved.

### 11 Is the Scottish Government's Economic Strategy (based on 4 Is) and Economic Action Plan, which both guide enterprise agency activities, still applicable in the current economic crisis? If changes are needed, what should they be?

**Please enter your response in the box provided. :**

The government's focus had become more focused on supporting a carbon neutral and inclusive economy. These issues remain to be addressed and will be exacerbated by some of the consequences of the Covid-19 experience. For example, those without effective home working opportunities or green space access.

There are opportunities in the light of Covid-19 to revisit previous expectations of business and public sector expectations. This may include the need for a greater range of amenities to be provided in smaller urban centres, rather than consolidated in major conurbations. More flexibility and phased activities can also be expected and this may extend to not just traditional working patterns but also potentially health, educational and public administration.

As we focus more on economic recovery it will be important for the government to be clear, realistic and consistent in its economic aspirations and priorities. This will set the tone and direction for agencies and indeed, local authority development partners.

### 12 What is the impact of the economic crisis on international trade and exports? What is needed to boost this activity? What assistance is needed by businesses and workers to deal with Brexit in the context of the economic crisis?

**Please enter your response in the box provided. :**

Our industry is more focused on attracting investment into Scotland from overseas investors rather than direct export. This inward investment has been an area of considerable success for Scotland over recent years. The key challenge faced by our industry is in securing the right industry product, in terms of investible property, to market to overseas investors.

## **Any further comments**

### **13 Please share any further comments that you have on the impact of COVID-19 on businesses and workers.**

#### **Please enter your response in the box provided. :**

Although the media are currently (July) suggesting an increase in residential property transactions, perhaps reflecting pent-up demand after the lockdown on house moves, there should be no doubting the impact of Covid-19 on the whole of the property sector. The drop in LBTT revenues as a result of the economic impacts of Covid-19 also illustrates the reduced revenues now being returned by the sector. In figures published by Revenue Scotland and analysed by SPF, the total LBTT revenue has fallen by around two-thirds in the 2020/21 tax year to-date compared to the same period in 2019/20, with £61.1m less collected thus far. The fall in revenue is consistent across all of the elements of the tax, with non-residential LBTT and ADS revenues both down by 63% while residential LBTT revenue is down by 68%. This fall in activity will have direct consequences for employment in the property industry.

## **Evaluation**

### **14 Was this views submission tool easy to use?**

Difficult to use

#### **Why did you feel it was, or was not, easy to use?:**

It is difficult for membership organisations to circulate the specific questions without the ability to download a copy of those questions.

### **15 Do you think this Call for Views submission tool provides a good way for you to get involved in the work of Parliament?**

Yes

#### **Please explain the reasons for your answer?:**

Notwithstanding our reply to Question 15, we feel this is a useful way to undertake consultations.