



SPF VOICE

February 2021

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Michaela Sullivan MRTPI
SPF Chair

Welcome to this month's Voice, where I would like to express my thanks to the SPF team, who have been very busy with responding to important consultations, having gathered evidence from our members through the various committees. Notably they have responded to consultations on National Planning Framework 4, the Councillors' Code of Conduct and Purpose-Built Student Accommodation. In all this work, the SPF seeks to ensure that any new policy proposal is both workable and supportive of sustainable economic growth.

The Scottish Land Commission (SLC) recently presented findings to the SPF from its work in relation to the Land Rights and Responsibilities Statement. The SLC recognised the need for a productive economy, balancing public and private interests and safeguarding the environment. The key points were:

- seeking a more positive partnership in the delivery of land for housing and urging all landowners to actively promote good stewardship;
- encouraging early engagement in planning for land use change and the exchange of information;
- promoting increased transparency about the ownership and management of land;
- promoting a more diverse pattern of ownership including more opportunities for citizens to own and lease land and buildings; and

- testing a pilot self-assessment framework in relation to land rights and responsibilities.

A great deal of work in this area has already been undertaken by individual developers and like-minded bodies such as the Scottish Land and Estates. It will be important for us and the SLC to take cognisance of this experience as the focus turns to more on urban land ownership.

Elsewhere, we are delighted to be supporting the Scottish Government #RacetoZero conference next month as part of the build up towards COP26. I will be moderating a session on the role of destination in creating economically, socially and environmentally resilient places. Further details of the events can be found on [page 6](#).

We will be hearing more soon from the SPF team, who are currently working on an expression of our industry's key priorities as we move towards the Scottish elections. This will be used as a platform to engage with political leaders to help our industry support Scotland's recovery from the pandemic and unlock much needed development. Please do get in touch if you have any ideas you wish to contribute.

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POLICY INSIGHTS

FIRST MINISTER'S STATEMENT ON RENT CONTROLS

During **First Minister's questions on 10 February** the First Minister responded to a question from Patrick Harvie MSP, on the subject of COVID-19 protection for residential tenants. We were pleased to hear the First Minister defend the current legislation, including that on rent pressure zones (RPZs).

We welcome the response as an endorsement of the fair and transparent legislation already in place. We do, however, remain concerned that the subject of rental levels in the Private Rented Sector (PRS) continues to attract public and political attention.

Ms Sturgeon noted in her response that the onus is on local authorities, which have been given the flexibility to do so, to act where they consider it necessary and appropriate. However, she did accept that more could be done.

We suggested to Housing Minister Kevin Stewart in a previous exchange and in a meeting with officials, that we fear without action to utilise the existing legislation, there may be further moves to impose restrictive rent controls. This would clearly have a considerable negative impact on the investment needed to supply new homes into the sector.

A perpetual programme of government intervention neither creates sustainable legislation nor supports investment into the sector.

The key to supporting the implementation of the RPZs policy lies in the collation of information on actual passing (paid) rent in the sector. This would support the RPZ instrument and would provide a solid evidence base to inform any need for reformed legislation, thus creating sustainable, evidence-based legislation and certainty to the market on government intentions.

We will continue to engage with the Scottish Government to explore options for the most appropriate and manageable way to create such a database that collects the most accurate information aligned with government policy.

HEAT IN BUILDINGS STRATEGY

With COP26 fast approaching, the Scottish Government has been setting out its stall on the complex task of tackling emissions from our homes and buildings. The draft Heat in Buildings Strategy was published earlier this month and, at 185 pages, offers an in-depth look at the government's plans for the eventual decarbonisation of heat throughout the built environment.

Expanding on the proposals published before Christmas on mandating zero-emissions heat for new-build residential developments from 2024, the Heat in Buildings Strategy is most notable for its thinking on the existing building stock.

Covering everything from energy grids to changing societal attitudes, the strategy spells out the government's long-term policy trajectory for reaching net-zero.

On the actual mechanics, unsurprisingly, the government has focused on adapting existing buildings to using heat pump technology or connecting them to district heat networks as its preferred way of cutting emissions. Indeed, to meet its interim climate change targets the Scottish Government is counting on the vast majority of domestic and non-domestic properties currently off the gas grid to be zero emissions by 2030. On top of this, over a million homes that currently use gas will be required to convert to a zero-emission heat source over the same time period.

For existing buildings with a gas connection, the possibility of replacing methane with hydrogen is also explored, although the government does not think this will be a viable solution, at scale, until at least 2030. However, with the Scottish Government seeking to become a world leader in the hydrogen industry, there could be good reason to think that the gas could still have a significant role in helping Scotland meet its net-zero deadline.

The draft Heat in Buildings Strategy is currently being consulted on. If you'd like to contribute to our response please contact **Murray**.



REGIONAL SPOTLIGHT



Airdrie

An example of regenerating former public buildings in smaller towns is taking place in North Lanarkshire. After years of dereliction in a prominent location, demolition plans for the Orrs building in Airdrie are now in place with construction beginning this spring. The council has also agreed that the former burgh chamber, committee room and associated offices will be retained and converted for touchdown and office space for council employees.

Glasgow

In discussion with Glasgow's Head of Planning and Building Services earlier this month, members discussed the progress of development and investment during the pandemic. Concern with the city centre economy was expressed as well with other urban centres elsewhere in the city. Meanwhile, the city is also looking ahead to its next development planning stage where a key consideration will be the potential rise in water levels anticipated along the Clyde.

Edinburgh

The City of Edinburgh Council has proposed a renewed Mobility Plan that will see ambitious extensions to the tramline to the north (as expected) and to the south and west. We also expect to see a new consultation on CityPlan 2030 to come forward in March. In a recent discussion with the city's Executive Director of Place, Paul Lawrence, members discussed the impact of the pandemic on the city centre economy with continued public health restrictions on office occupation, restaurants and other leisure facilities.

£1.93BN

**TOTAL COMMERCIAL PROPERTY
SALES VALUES IN 2020**

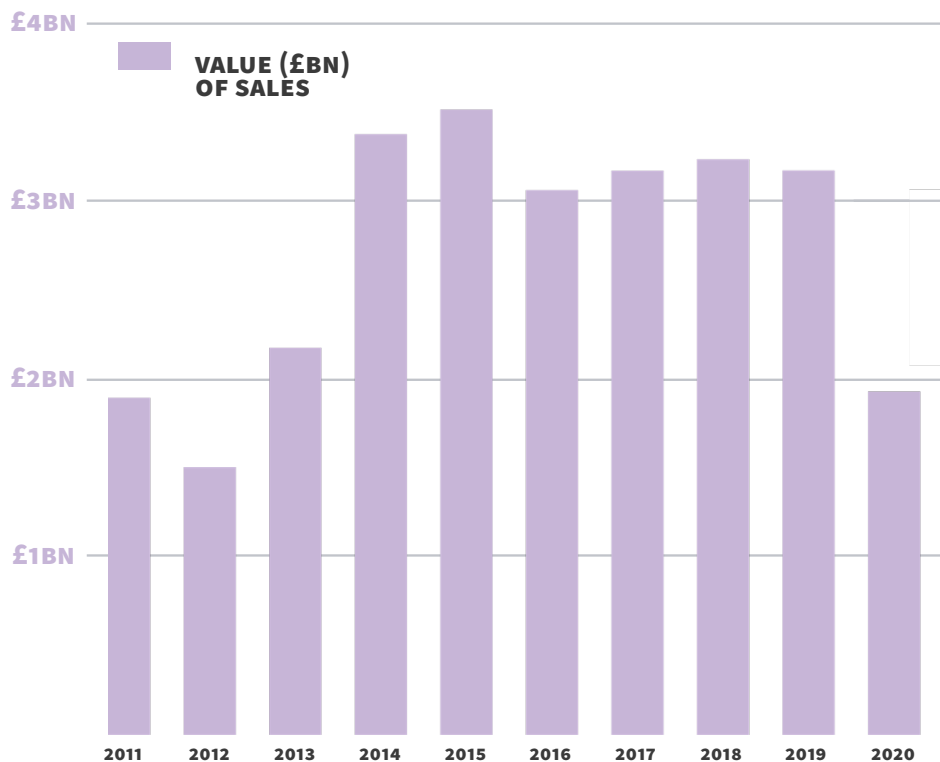
↓
£1.24BN
**39% DOWN FROM
2019**

3,331

**TOTAL NUMBER OF
TRANSACTIONS IN 2020**

↓
1,336
**29% DOWN FROM
2019**

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



£975M

**TOTAL COMMERCIAL PROPERTY SALES VALUES FOR
EDINBURGH, GLASGOW, DUNDEE AND ABERDEEN**

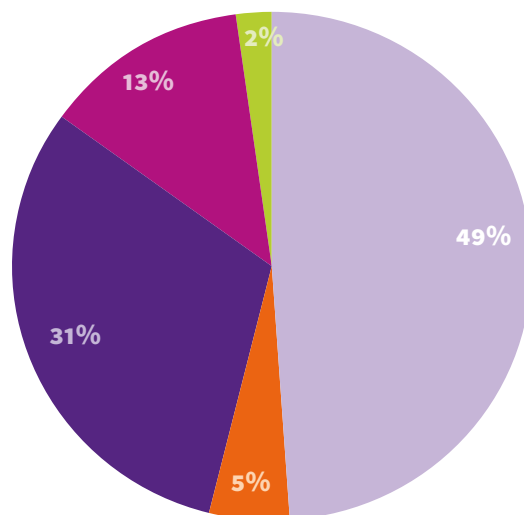
EDINBURGH
£590M

GLASGOW
£260M

DUNDEE
£33M

ABERDEEN
£92M

**REST OF
SCOTLAND**
£950M



OVERVIEW

The SPF's analysis of the latest commercial property sales data from Registers of Scotland has shown that the total value of sales in Scotland fell by nearly two-fifths (39%) in 2020 compared to the year before. This represents a second consecutive annual fall in the value of commercial property sales in Scotland.

The impact of the pandemic and coronavirus restrictions saw the value of Scottish commercial property sales fall to £1.93bn last year, the lowest value since 2012. Meanwhile, the number of commercial sales also fell by 1,336 (29%) to 3,331, the lowest annual total since 2013.

CITIES

Scotland's four largest cities (Aberdeen, Dundee, Edinburgh and Glasgow) accounted for just over half (51%) of the total value of all commercial property transactions in Scotland in 2020, at £975m.

Edinburgh continued to dominate the Scottish commercial property market recording £590m in sales, securing almost a third (31%) of the market by value. Elsewhere, Scotland's most populous city, Glasgow, saw sales of £260m and had a 13% share of all sales in Scotland by value.

£5M+ SALES

Of all the commercial property sales that occurred in Scotland during 2020, only 67 (2%) of them transacted at a value of £5m or over. These higher value sales had a combined value of £912m in 2020, which is down £746m (45%) on the total for this segment of the market in 2019.

TWO DAY VIRTUAL CONFERENCE, REGISTER NOW →

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#SCOTLANDISNOW
RACE TO ZERO
9-10 MARCH 2021

According to the UK Committee on Climate Change it is estimated that Scotland will require several billion pounds of investment per year through to the 2030s to deliver Scotland's transition to net zero. Private finance will be critical in delivering this ambition.

During our Scotland is Now: Race to Zero programme, we will discuss the opportunities of the journey towards a zero-carbon economy across Scotland and reveal what the life sciences sector, the residential sector and Scotland's key cities are delivering to ensure they reach the ambitious net zero targets set, while offering competitive green investment opportunities to the real estate and investment market.

Join our sessions to hear inspirational speeches from Scottish Government, Scottish City representatives, and household names from across the investment industry, and to understand the opportunities Scotland has to offer.



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Scotland's Largest Budget Faces Recovery Challenge

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Director

SPF

The Scottish budget announced on 28 January is in many ways a holding affair that awaits the outcome of the UK Budget on 3 March. Nonetheless, Finance Secretary Kate Forbes had decisions to make on some £54bn of public money, including UK funds. This made January's budget the largest in Scottish Government history. The public health emergency rightly remains the government's top priority, but the economic crisis it has caused now looms imminently as the government assesses the fiscal impact of the emergency measures required to gain control of the virus.

The business community's key ask

For the business community the main ask was to see an extension to the 100% business rates relief for retail, hospitality, leisure and aviation. This ask was granted with the relief now extended until the end of 2021/22. Moreover, the Scottish Government is to 'cut' the Non-Domestic Rate poundage to 49p in the pound. This is virtually unprecedented outside of revaluation years.

Commercial property

In further changes to business rates policy, there was a welcome amendment to the business growth accelerator relief to support property improvements involving a change of use, as well as an extension to fresh start relief. Yet, disappointingly, there was no relief for the growing number of empty properties that have become vacant during the pandemic and cannot be let due, in effect, to market failure enhanced by lockdown restrictions. We have resolutely told the government it is wrong to tax properties and businesses unable to trade, and this should include the real estate sector.

Housing market

The Scottish government has also ended two policies designed to support the housing market. First, the residential LBTT (Land & Buildings Transaction Tax) exemption up to £250,000 has

been returned to its previous level of £145,000. The government will no doubt point to the strength of the residential market, some £7.4bn in transactions over the last three months of 2020, as justification for ending the holiday. It is interesting to note, however, that LBTT revenues have soared while the discount has been in place.

The second policy was to end the Help to Buy programme early (although applications for smaller developers remains open). This was not announced with any great fanfare but covered in financial transactions data. There is little doubt that Help to Buy has been a major fillip to the housing market, and it will be interesting to see the impact of its removal. With growing uncertainty around employment and continued lockdown restrictions, there is a danger that the housing market may retract from its pre-Christmas levels.

Current and near-term challenges

The pandemic has had a far-reaching impact on the way we use and occupy property. These effects have disrupted the sector immensely. The recovery may well lead to a real estate sector that will operate very differently to the one that entered the pandemic, with greater flexibility and approaches to delivering new places to live, work and relax.

Long-term challenges remain including the need to reinvest in older buildings and to improve our infrastructure and urban centres to be sustainable and dynamic destinations that will attract consumers and companies alike. The budget offers some support for these objectives, including £1.16bn of investment in sustainable homes, continued support for city deals and the first tranche of capitalisation for the Scottish National Investment Bank. However, we fear these measures are simply not enough to meet the challenges ahead of us.