

SPF COMMENTS: EDINBURGH & SOUTH EAST SCOTLAND REGIONAL PROSPERITY FRAMEWORK

About the Scottish Property Federation

1. The Scottish Property Federation (SPF) is the voice of the real estate industry in Scotland. As a part of the wider British Property Federation, our diverse membership includes property investors, including major institutional pension and life funds; banks; developers; landlords of commercial and residential property; and professional property consultants and advisers.
2. The real estate sector is a key catalyst for jobs, investment and creating places to support the economic recovery in the Edinburgh and South East Scotland region and Scotland as a whole. The Fraser of Allander Institute has found that for every £100m of new demand for commercial property, the sector creates an additional £73m for the wider Scottish economy. The SPF is committed to ensuring that the positive impact that the real estate sector delivers for local communities continues.

SPF Comments

3. We welcome the opportunity to comment on the Edinburgh and South East Scotland (ESES) Regional Prosperity Framework. Over the next 20 years, regional cooperation will become increasingly important to ensure that critical infrastructure is delivered and that key challenges can be addressed, such as climate change. We believe that regional cooperation can also help to enhance the attractiveness of ESES to vital new investment that will be critical in a post-COVID and rapidly changing global economy.

Are there any aspects of the development of the Region's economy prior to UK exit from EU and Covid-19 that are important to capture that aren't outlined here? Similarly, do you think there are opportunities from the Region's economy prior to UK exit from EU and Covid-19 that could help support recovery? If so, what areas / sectors are these?

4. **Zero-carbon Heat:** The drive to achieve net-zero carbon by 2045 offers significant opportunities for the region, particularly in new technologies that will be key to our net-zero transition. One such area that the region could take advantage of is in the zero-carbon heat sector and heat pump technology. With new regulations due to come into effect in 2024 that will require all new build homes in Scotland to use zero carbon heat, there is a huge opportunity for the region to develop its manufacturing base in heat pumps. Skills required to install new technologies will also be critical to build over the next decade or so potentially allowing the region to become a hub for expertise.
5. **Attracting New Students:** The ESES region has always hosted world-class academic institutions that bring new people to the region. While the pandemic has heavily impacted the number of students able to arrive, it is vital that this sector's recovery is prioritised, and that

the region plans for increased student demand in the coming years. This includes ensuring that there is sufficient private investment in student accommodation, that not only offers students choice, but can relieve pressure on other housing tenures such as the private rented sector.

6. **Start-up Growth:** In addition to the people that the region's academic institutions attract, they have also been an incubator for new companies and organisations in cutting-edge industries. However, there is a lack of suitable space for these companies to expand within the region meaning that they often have to go elsewhere to grow. It is vital that the missing link is filled if the region is to reap the rewards of businesses growing and maturing within its boundaries. This could be achieved through collaboration between the city region, enterprise agencies and the property industry in order to identify gaps and create attractive propositions for investment.
7. **Build-to-Rent:** The region has been relatively slow at embracing new forms of housing that could help to increase the supply, standards, and energy efficiency of homes. We believe that the build-to-rent sector could help the region meet a number of prosperity objectives by offering high quality, institutionally managed rental properties. There is significant investor demand to develop the build-to-rent sector in ESES, however, the planning system can act as a barrier to new development leading to the region losing out to other cities in the UK.
8. **Offices:** There has been relatively little delivery of Grade A office space in recent years particularly of speculative developments. This is a shadow from risk aversion in the private sector borne out of the recession. However, the market fundamentals in the region for new office development are strong, with high take-up of available space before the pandemic. While it is too early to say with certainty what the impact and consequences of COVID-19 will be on offices in the region, the Framework should be mindful of current trends and continue to adapt accordingly.

Regional Impacts from UK exit from EU & Covid-19 From your experience, what are the main implications of COVID-19 and/or UK Exit from the EU, and what should the region do to 'build back better' from these 2 significant challenges?

9. **High streets:** One of the fundamental changes to have come about from COVID-19 is the accelerated decline of many of the region's high streets, and we believe that this poses a significant challenge to the prosperity of the region and its ability to achieve 20-minute neighbourhoods. We see a role for the ESES partnership in prioritising and coordinating the reimagining of high streets in the region and identifying areas for private and public sector investment. In addition to this coordination role, we believe that the region can work collaboratively to implement reforms to property taxation especially on Empty Property Rates Relief, which will be devolved to local authorities soon. COVID-19 has led to shops and other business properties being unable to be re-let after falling vacant, and empty property rates are acting as a significant barrier to investment needed to improve these buildings within the region.
10. **Planning:** The planning system will be key to driving recovery in the region and to 'building back better'. Planning will also be critical to delivering the three key themes of the framework, particularly resilience and innovation. However, we have become increasingly concerned at the lack of resources directed at planning departments and see this as a key area for cooperation within the region. COVID-19 has also seen a further drop in planning performance

across Scotland, and it is important that this is improved as we recover over the coming months and years.

11. **Infrastructure first:** We support an infrastructure-led approach to new development. Therefore, it is important to plan, adapt and innovate as necessary, in order to develop the appropriate infrastructure for new developments and indeed, to retrofit key infrastructure for existing communities. Where major new infrastructure is required, a wider view must be taken on how it is to be funded, as developer contributions may not be a suitable mechanism to achieve the development of high schools etc. Cross boundary infrastructure and transport will also be key to COVID-19 recovery.
12. **Net zero – connecting to the grid:** We welcome the Framework’s cognisance of the importance of the energy market and the identification of key energy production sites. However, at the other end of the supply chain many developers in the region are facing long waits to connect to the grid and are struggling to get adequate capacity. This is an issue that could be compounded by new standards for zero-carbon heat in housing from 2024 and proposed regulations on EV charging. With the partnership’s unique membership of national and local government organisations, we think that there is a unique opportunity to ensure these challenges are addressed timeously.

Our Emerging Strategic Themes Do you think that the three Regional Priority Themes of Flourishing, Innovative and Resilient provide an appropriate framework to focus our collaborations to maximise the potential of the region? Have you any further suggestions in terms of specific opportunities, asks and commitments?

13. **Master Plan Consent Areas:** With the current development of NPF4, we believe the identification of Masterplan Consent Areas (MCAs) in the region could support the alignment of development processes and increase delivery of both housing and commercial developments. MCAs could be particularly useful for large and complex mixed-use development sites that are established sometimes over decades. Over a timescale of this order, there could be many requirements for changes in technical standards or indeed of markets, and so long as the principle of development is established and approved, then MCAs can help to de-risk a complicated development process.

Our Big Moves What are your views on our proposals for a better-connected region? What are your views on the regional pipeline opportunities outlined? What other major regional projects or initiatives should be considered, and do these fit within the suggested Themes? In terms of prioritisation, what should be the focus of activity in the first 3 – 5 years?

14. We agree with the pipeline opportunities highlighted in the Prosperity Framework and believe that they offer a holistic look at the region’s potential. Over the next 3-5 years it is important that infrastructure provision is prioritised as this will enable new private development and investment. In addition, and as highlighted above, the capacity of the electricity grid is being tested as our economy becomes increasingly reliant on green electricity to replace gas and fuel. Ensuring that the grid is ahead of the demand curve (rather than being reactive, as is currently the case) will help the region to reap the rewards of low carbon heat. We also think that this will prevent delays to new and much needed housing and commercial developments.
15. As a key economic and employment driver in the region, it is unclear how tourism will evolve once restrictions on international travel are removed. However, there should be a flexible approach within the region to adapt to any change in hotel demand. We agree with the

principle of supporting new hotel development within the region alongside better access to Edinburgh Airport through public transport in areas outside of the City of Edinburgh.

Do you think that your own organisation could play a role in achieving the objectives of the Framework? If so, in what specific areas?

The SPF represents a wide range of property sectors and interests within the city region, and we would be happy to meet with the partnership to discuss the regional prosperity framework and other key opportunities for the area. Our recovery action plan sets out a number of key actions that can be taken at all levels of government to help increase investment, improve quality of life and aid recovery from the pandemic. This can be found on our website: <https://scottishpropertyfederation.org.uk/media/3944/spf-manifesto-march-2021-new.pdf>

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