



SPF VOICE

September 2021

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This month SPF hosted two events for members on future challenges for the sector. The issues addressed included the future of offices and the renewal of our town and city centres after covid. In addition, we continued to engage closely with our BPF colleagues on the new UK Residential Property Developer Tax, set to come into effect after 1 April next year.

The future of offices has been hotly debated in industry circles since the pandemic enforced work from home measures for so many. A recent SPF webinar highlighted expert research that illustrated how attitudes towards office working from both employees and employers has changed since the pandemic, with half of employee respondents seeking flexible hybrid working, and greater emphasis by investors and occupiers on staff well-being and sustainability. Yet the research also found that the office will retain a core function in the future economy particularly as places for bringing people together to share ideas, collaborate and for social interaction between work colleagues.

Closely related to the future of offices, we considered prospects for town and city centres in a webinar with industry experts. The enforced localisation for many office workers supported some local towns, but there is clearly economic damage due to continued lack of footfall in key locations. It is also clear from retail evidence that the pandemic accelerated trends towards online retailing. Our panel highlighted how

urban centres need to better cater for supported living and how mixed-use developments, which in themselves can support the new retail dynamic. How we adapt to this model will be key to the future success of our urban centres.

The Residential Property Developer Tax this month moved a significant step closer to becoming a reality later next year. The UK government has exempted PBSA from the scope of the new tax, but the position of build-to-rent remains unclear. As BTR developer-investors remain responsible for the major building safety aspects of their property we have argued they should also be excluded from the tax measure. I know several members provided considerable time and expertise over the summer as part of a BPF working group to engage constructively with the UK government on the proposed new tax and I thank you for your time and contributions thus far.

Finally, a quick reminder to key membership contacts that the BPF member survey closes soon on 30 September. My best wishes to you all for a busy and successful October.

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POLICY INSIGHTS

OCTOBER A KEY MONTH FOR POLICY CONSULTATION

The next month sees a high tempo of deadline dates for consultations of key interest to the property industry in Scotland. On 8 October, the government's cladding consultation closes, which considers new safety standards for external walls. On the same day, a separate consultation on domestic EPC reform also ends. In a further energy related policy initiative, the section 6 consultation on energy standards closes at the end of the month on 29 October. We have had held in-depth discussions with officials on the policy intent of their proposals, particularly in relation to the direction away from gas as an energy source. There is also a stark difference between the tariffs applied by regulators to gas and electricity, with the costs of energy currently an extremely high public concern.

On 15 October, the UK government draft legislation on the Residential Property Developer Tax closes. Your representations have helped to see PBSA excluded from the scope of this new corporation tax measure, but the position of build-to-rent remains unclear. This consultation closure is followed by the UK budget on 27 October. In Scotland, a wide-ranging tax and budget consultation will end on 26 October. The Scottish budget date has also been set for Thursday 9 December.

In Edinburgh, a wide-ranging City council Economic Strategy consultation will close on 22 October. This consultation considers paths to recovery post-pandemic and in the context of the winding down of various support schemes, including the ending of the furlough scheme.

Looking ahead November will be dominated by the COP26 summit to be held in Glasgow. Beyond this the government have launched consultations on amalgamating the Scottish Lands Court and the Lands Tribunal (closes 28 November) and have also issued a consultation on the new valuation proposals and appeals system which will close 15 December.

PROGRAMME FOR GOVERNMENT

The annual programme for government (PfG) presented by First Minister Nicola Sturgeon to the Scottish Parliament heralded a range of policies relevant to the Scottish real estate sector. This is also the first PfG shaped by the Agreement for Government with the Scottish Greens, and as discussed below, this clearly brought additional demand on the real estate sector for taking forward policies on residential tenure and sustainability. A brief overview of the key issues for Real estate from the PfG may be found [here](#) on the SPF website.

PRS and national rent controls

For property, the highlight was the intention to review the rented sector strategy with an intent to legislate for national rent controls, to be brought into force by 2025. These new rent controls are intended to be introduced with an effective means of local flexibility. However, the details of this flexibility remain to be worked out and as Labour MSP Mark Griffin pointed out in a recent evidence session with the Housing Cabinet Secretary, the crux is good, relevant data based on actual passing rents across the private sector.

Sustainability

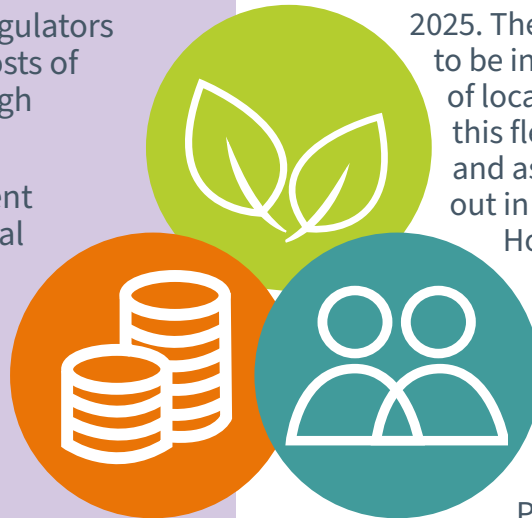
Unsurprisingly the climate change challenge featured heavily in the PfG. Several policies to improve the sustainability of the built environment highlighted by the FM's PfG address were in fact familiar, but often with new impetus. For example, the decision to require new homes requiring a building warrant from 2024 to be zero-carbon heat is now expected to apply to all new buildings, not just homes.

Planning & infrastructure

The First Minister confirmed the NPF4 would be consulted on this autumn and presented to Parliament and that the government would begin work on a National Infrastructure Company. The Planning reform agenda remains significant with the implementation of the 2019 Planning Act ongoing.

Property Taxation

Non-domestic rates remain very much in the spotlight and the PfG proposed legislation to limit the number of business rates appeals based on material changes of circumstances - there were some 50,000 MCC appeals launched at the onset of the Covid-19 lockdown. Scottish Ministers have also announced that LBTT rates and thresholds will remain fixed at their current rates for the rest of this parliament (to May 2026).



REGIONAL SPOTLIGHT

Scotland's cities go to London

On 29 and 30 September Scotland's seven cities converged on London to highlight the case for investment into Scotland. The initiative was supported by the Scottish Government and launched at the government's Scotland House Investment hub on Victoria Embankment, London. Addressing a well attended audience of businesses and public sector leaders, Scottish Cities Alliance Chair John Alexander, Leader of Dundee City Council, highlighted the ambitions and respective strengths of Scotland's investment offer, particularly in the fields of innovation and higher education.

Edinburgh

A public consultation on the City of Edinburgh Council's economic strategy is set to close on 22 October. The consultation invites views on the economic priorities for Edinburgh as the city adapts to both climate change requirements and the post-pandemic economy. The response to the consultation is expected to be debated by Councillors at a November meeting of the Council's Policy and Sustainability Committee.

Glasgow

As Scotland's largest city prepares to welcome the world to COP26 it has launched a £30bn 'greenprint' investment programme on behalf of the wider Glasgow city-region. Proposals include plans to use the Clyde to support district heat networking systems and a mass city wide homes retrofit programme.. Full details of the proposals can be found in the [Regional prospectus](#).

RESEARCH

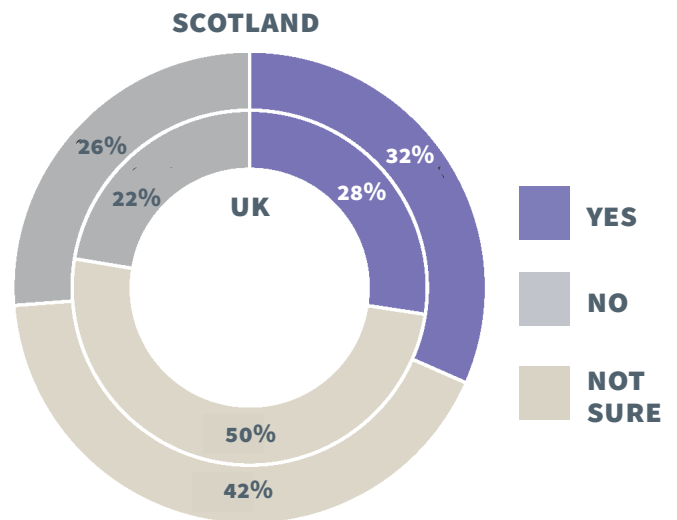
THE FUTURE OF OFFICE DEMAND



REMOTE WORK IS HERE TO STAY BUT
MIX OF OFFICE AND HOME WILL BE KEY

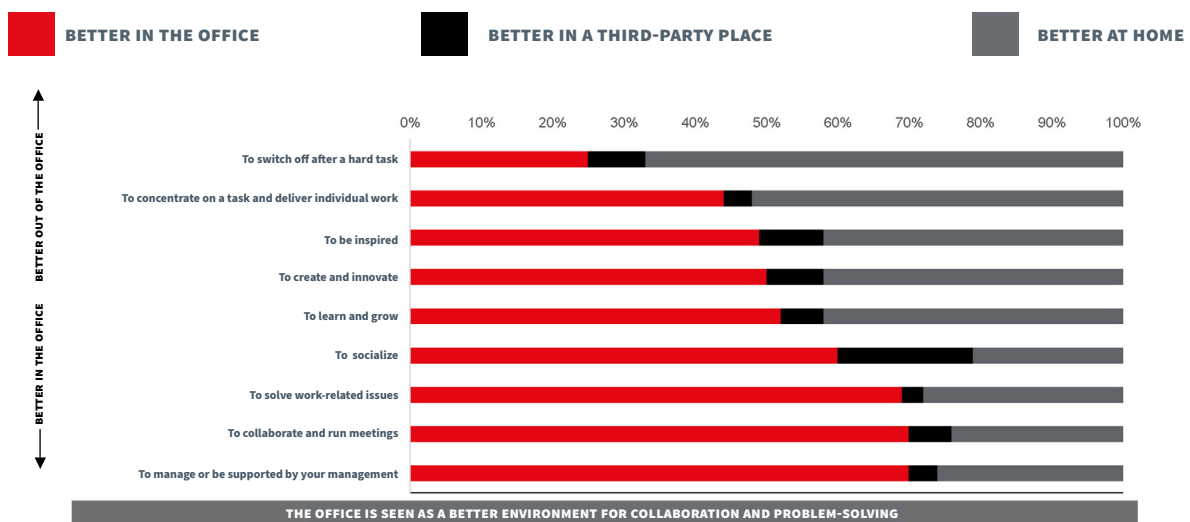


EMPLOYER PERSPECTIVE: DOES YOUR BUSINESS INTEND TO USE INCREASED HOMEWORKING AS A PERMANENT BUSINESS MODEL GOING FORWARD?



OFFICE IS A PLACE FOR COLLABORATION AND SOCIALISING

AFTER YOUR RECENT HOMEWORKING EXPERIENCE, WHERE WOULD YOU PREFER TO DO THE FOLLOWING TASKS IN THE FUTURE? AT HOME, IN THE OFFICE OR IN A THIRD PARTY PLACE?



MySPF

COULDN'T JOIN US LIVE? CATCH UP ON:

Future of offices

In partnership with:  **JLL**

This webinar focused on the post-pandemic future of offices exploring all aspects of the debate. JLL presented their Future of Offices research and the panel considered the implications both from the perspective of staff wellbeing, and from a development and investment viewpoint.

**WATCH
HERE**

Future of towns & cities

This webinar focused on the post-pandemic future of Scotland's town and city centres, and in particular explored Scottish Government's '20 minute neighbourhoods' initiative. With commentary and insight from all sides of the debate, the panel considered the implications for the retail industry and assessed the opportunities presented to the real estate sector.

**WATCH
HERE**

INDUSTRY INSIGHT



The future of offices moves centre-stage

David Melhuish

Director
Scottish Property Federation

This month SPF took on one of the most profound debates alive in the commercial property sector: the future of offices. Barely a day seems to pass without headlines covering the return to work (or lack of) and how this is affecting modern working lifestyles and affecting the wider economy. To draw together some of the latest industry research and to identify key drivers of occupier perspectives, our former chair Robin Blacklock hosted an online seminar where we were joined by JLL Head of Research Elaine Rossall, Conductor's Charlotte Constance and our own vice-chairman and MD for HFD Property, Stephen Lewis.

To set the scene Elaine highlighted the expectation of employees and employers on their preferred mode of working in the next year. Some 50% of employees sought a hybrid style of work and a full return to work, or no return to work was evenly split at 24% and 26% respectively. For employers, there was a noticeable difference between UK and Scottish based companies with a third of Scottish-based employers not expecting a full return to office as opposed to a quarter of UK-wide respondents. The JLL research also highlighted cultural mindsets, including a need for the office as a location for collaboration and insights.

Charlotte Constance focused on the holistic motivations for employees to return to work, or not as the case may be. For younger employees in particular the social aspect of work and lifestyle was important, as well as the need to learn the skills and experience of professional work for those new to the labour market. The lure of the city centre workplace was seen as a positive factor to return to work in this sense.

The developer perspective on offices was brought to the discussion by HFD Group's Stephen Lewis, who has business experience as a major office developer and serviced office operator. Stephen noted that many of the trends brought to prominence by the lockdowns had in fact been apparent before Covid-19. The pandemic had clearly accelerated the requirement for flexibility in working patterns, well-being, and more sustainable office environments.

There is no doubt that the office market is evolving as companies review previous office requirements. Although individual businesses may reduce their overall floorspace demand, perhaps reverting to more flexible serviced arrangements. We can also expect to see office space refitted to meet a greater emphasis on positive working environments and to address concerns with high density working spaces.

The success of the vaccination programme has clearly led to a determination on behalf of both government and industry to encourage a return of economic activities, and despite the recent increases in Covid-19 transmissions there appears to be a determination to maintain the moment of 'normalisation'. The markets seem to be supporting this perception, with Glasgow seeing several recent transactions for city centre offices and an active development pipeline. True, this may also represent a flight to quality and may lead to concern for the future of older stock that may be more challenging to reinvent for modern needs and demands. The new working norms may well be quite different to the previous high levels of presence within an office, but clearly both investors and corporates foresee a strong future for the office as a core part of the economy.