



SPF VOICE

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Yesterday, I signed off as SPF Chair at the end of our annual conference. The conference was our first major event since early March 2020 and the response from you has been tremendous. Likewise, I am particularly grateful to our sponsors, Robertson Group and Pinsent Masons, and to our local authority partners, Dundee, Edinburgh and Fife for their presence and support at the conference.

Our theme was Invest in Opportunity. This theme represents both our need to produce sustainable, investible property propositions across the country, and our intent to recover from the pandemic and return our urban centres to being dynamic, attractive places to work, live and play. I remain optimistic that we are seeing good moves forward in many places. But there are things we must see improved, including a better support planning service, a reformed rates system and a commitment to infrastructure that will support sustainable economic development.

In the last two years, the SPF has campaigned tirelessly for a fair deal for investors and landlords, seeking to provide a platform for investment. At the same time, we realise we need to encourage new thinking and engagement in our sector. I am delighted therefore that we have the BPF Futures Scottish team up and

running, with a first event at the end of June and three successful applicants on the UK wide Board. The Futures have also established a mentoring programme which I know members have engaged with and this is again a positive and welcome initiative.

The political position within our local authorities has changed since I last wrote this column. Donald Anderson, former Leader of City of Edinburgh Council, provides an experienced overview of the new political structures established this month, highlighting the complexity caused by our electoral system in Scotland. It is crucial that as an industry we know we need to work with in local government. As a final thought from me in this column, perhaps we should consider the apparent success of the Mayoral system in England?

I have thoroughly enjoyed my time as chair leading the SPF. I wish my successor Stephen Lewis, and our new Vice-Chair, Maria Francké, every success for their tenures.

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POLICY INSIGHTS

CORONAVIRUS (RECOVERY AND REFORM)(SCOTLAND) BILL

The proceedings for the controversial Coronavirus (Recovery and Reform) (Scotland) Bill have moved to Stage 2 at Holyrood. For the property sector, the key interest is around the regulations that govern the private rented sector; the duties of those who manage purpose-built student accommodation; and the registration of land. In addition to a provision for the setting up of a “pre-action protocol”, there is also a proposal in Part 4 of the Bill to remove mandatory eviction grounds for private residential tenancies. All eviction grounds for such tenancies would become discretionary on a permanent basis.

A key SPF concern is that consideration of Part 4 of the Bill should not be taken in isolation from the evidence and outcome of the New Deal for Tenants consultation or pre-empt future housing legislation. Our concerns were highlighted by MSPs in the Scottish Parliament during the Stage 1 debate.

Consideration by the COVID Recovery Committee on proposed amendments is due to take place on 9 June with proposed amendments to be lodged by Wednesday (1 June) and Stage 2 proceedings completed by 14 June. In the meantime, we continue to engage with MSPs and other stakeholders to highlight our concerns about the impact and unintended consequences of the Bill on the private rented sector.

NON-DOMESTIC RATES BILL NEARS COMPLETION

The Scottish Government Bill to restrict ratepayers’ rights to appeal their rateable values based on material change of circumstances caused by coronavirus is now at its final stage of parliamentary consideration. The Scottish Government did make changes to its earlier proposals with amendments to clarify that whether changes related to coronavirus had been made or not before 2 April 2020, they would not be factored in the valuation roll from 2 April 2020. The SPF has strongly criticised this retrospective legislation, although other UK jurisdictions have also applied the same policy.

Meanwhile, the Scottish Government has taken forward further secondary legislation for the upcoming revaluation. This includes measures to require Assessors to disclose the addresses of properties that have been used to provide comparative rental evidence to support the Assessor’s rateable valuation. The secondary legislation denotes this evidence disclosure will be applied to thirty-two separate property classes. The legislation is in effect a compromise between the Barclay Review’s desire to see more substantive disclosure of the evidence upon which rateable values are set, and concerns around commercial sensitive information being made publicly available.

NEW CHAIR COMMENTS ON TOWN CENTRES AND RETAIL

On May 11 our incoming Chair, Stephen Lewis of HFD Property Group, gave evidence to Holyrood’s Economy and Fair Work on their Inquiry into town centres and retail. The inquiry is aimed at looking at proposals for revitalising our town centres and at the impact on the retail sector of ecommerce in particular. Stephen underlined the need to make urban centres attractive locations that will fit a variety of purposes. The discussion then moved onto questions over local authority roles and the potential use of

compulsory purchase powers. The committee were interested in a potential online sales tax and how this could ‘even’ the balance between bricks and mortar retailers and ecommerce. Empty Property Rates was raised and we underlined to the committee the myth of landlords deliberately holding onto vacant premises, which ignored the wider charges and costs of holding vacant commercial properties. The Committee has sought further evidence related to the issue of vacant properties. The message we conveyed is that there is no silver bullet to the task of rejuvenating struggling high streets or other urban centres. There will need to be a mix of solutions to meet the diverse needs and demands of towns across the country.



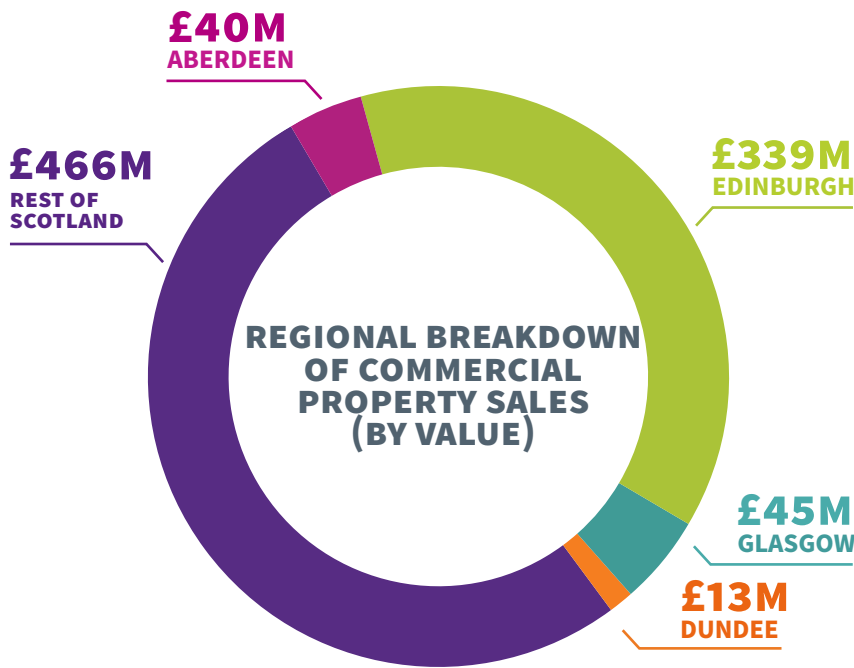
£903M **998**

TOTAL VALUE OF COMMERCIAL PROPERTY SALES IN Q1 2021

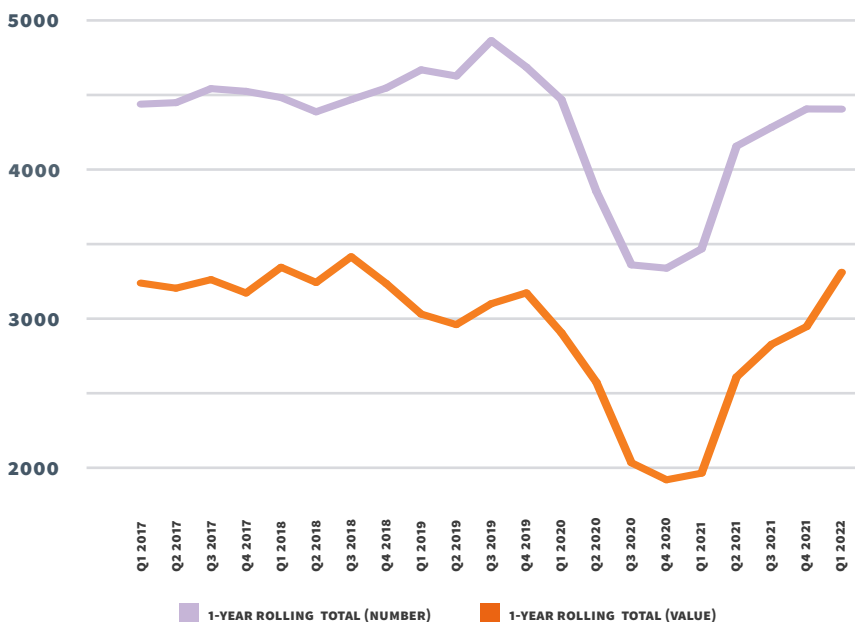
TOTAL NUMBER OF COMMERCIAL PROPERTY SALES IN Q1 2021

↑ 67% UP FROM Q1 2022
£361M

0% CHANGE FROM Q1 2022



VALUE & VOLUME OF COMMERCIAL PROPERTY SALES IN SCOTLAND 1-YEAR ROLLING TOTAL



Figures may not sum due to rounding. Figures from the Revenue Scotland.

OVERVIEW

The SPF's analysis of the latest commercial property sales data from Registers of Scotland has shown that the total value of commercial property sales in Scotland rose by £361 (67%) in Q1 (January – March) 2022 compared to the same quarter in 2021. The data points to the recovery in commercial property sales recovering from the effects of the pandemic. The number of property sales in Q1 2022 remained relatively static for the quarter, with 998 sales - just one more than in Q1 2021.

The one-year rolling total for the value of commercial property transactions increased to £3.30bn in Q1 2022, up from £2.95bn in Q4 2021 and £1.97bn in Q1 2021. While recovering, the one-year rolling total remains below its 2020 pre-pandemic level.

CITIES

Scotland's four largest cities (Aberdeen, Dundee, Edinburgh and Glasgow) accounted for just under half (48%) of the commercial property market by value in Q1 2022 at with £437m.

By far, Edinburgh saw the highest share of this total at £339m and sales in the city accounted for 38% of the commercial property market by value.

Glasgow saw the next highest total at £45m (5% of the commercial property market in Scotland), with Aberdeen not far behind Scotland largest city at £40m and a market share of 4%. Register of Scotland's data shows that Dundee had sales that transacted for a total of £13m, just over 1% of the market.

INDUSTRY INSIGHT



It's Complicated – Business Needs to Respond to Scotland's New Political Landscape

Donald Anderson

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Donald was also previously an unashamedly pro-development Leader of The City of Edinburgh Council.

There are three things businesses need to know about the elections. Firstly, the elections do not create additional impetus for another Independence referendum; Secondly, decision-making will be more complicated in councils because of Labour's resistance to formal coalitions, which has created 'Patchwork' administrations in many areas; Thirdly, investment and development proposals will need to be explained and promoted more actively to achieve success.

This first point will be well understood by the business community. Business likes stability and in the aftermath of Brexit, few investors would welcome the prospect of another referendum and all it would bring.

The aftermath of the elections is complicated. As I write this article Glasgow is being run by an SNP/Green coalition, Aberdeen has an SNP/Liberal coalition and Dundee is one of only two majority-controlled councils with the SNP in charge. And in a remarkable coup, the nation's capital is to be run by a minority Labour administration with only 13 out of 63 council seats. Also, Green Councillors are now a nationwide presence, having been elected in communities across Scotland from Galashiels to the Orkneys.

Councils are more politically fragmented and fractious than before. In response, business needs to raise its game in terms of the public and political debate on development issues. The loss of Derek Mackay means that there is no longer an obvious business champion in the Scottish Government, although Ivan McKee is clearly very able and 'gets business'. In councils business champions look even thinner on the ground.

For investors and developers, a high priority is to get more resources to improve the planning and decision-making processes. Figures earlier this year showed that the average time taken to approve major applications has risen to 55 weeks. Councils are recruiting planning staff, and some areas have put together impressive teams of officers to manage development issues – I think Edinburgh's officers are the best I've seen in that regard, but much more needs to be done across the whole country.

I hate to use a military analogy, but business needs to fight an 'air war' on the need for development and investment, as well as supporting a 'ground war' on applications at a local level. The SPF was excellent in winning the debate against a third party right of appeal in Scotland. Indeed, the proposal has now been rejected twice in Scotland, despite there being a technical majority for the measure at Holyrood. We now need more intervention like that in the political debate about investment in Scotland.

The recent session on the National Planning Framework at Holyrood exposed just how fragile political support for investment can be. I'd argue that business organisations should come together to make the case, not just for investment, but to show the benefits that investment has brought to communities across Scotland.

Back in the 1980s, West Lothian was a community that struggled with the devastation of deindustrialisation. Many people thought they'd never work again. Now West Lothian is a bustling area of vibrant and increasingly successful communities with a high quality of life. It's Bathgate is buzzing, not Bathgate 'no more'. In the same time frame Leith in Edinburgh has gone from the home of 'Trainspotting' to being described by the Sunday Times as the best place to live in Scotland. That's all down to investment in jobs, businesses, and new homes, but nobody's leading that debate. Local councillors will always hear from objectors, but without a loud voice for business they may miss the importance and significance of investment proposals.

We need a louder voice from the business community to set out the reasons for, and benefits from investment. Winning that debate will help win positive decisions in town halls across the country. By winning the debate, there is a better chance of winning support for the new offices, shops, hotels, homes, and businesses that will help make all Scotland's communities better and stronger.