



3 October 2022

Rt Hon Nicola Sturgeon MSP
First Minister of Scotland
The Scottish Government
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Dear First Minister,

Impact of Emergency Legislation on Rented Sector

The cost-of-living crisis is having a major impact for people and businesses the length and breadth of Scotland, and we welcome that the Scottish Government recognises the magnitude of the challenge ahead. However, we are very concerned about the unintended consequences of measures announced in the Programme for Government relating to the rented residential sector. These measures will reduce supply at a time when existing demand for rented accommodation is already unmet and choke the critical future pipeline of new purpose-built rental properties. In addition, the proposals are already affecting new private finance and investment for Registered Social Landlords.

Scotland's emerging build-to-rent (BTR) market is creating new homes that are built specifically for rent, rather than sale. These homes are usually owned and managed by institutional investors, often pension funds, and will play an increasingly important role in creating high quality, well-maintained and very energy efficient rental properties. In some local authority areas, BTR developments must also provide affordable housing provision. Additionally, many large funds actively seek to deliver affordable housing provision beyond council requirements as part of their social impact governance.

With just over 1,000 BTR properties completed in Scotland, there are in addition around 10,000 BTR homes in the pipeline (estimated to have an investment value of £3.5bn) that will be key to boosting supply in the years ahead. However, the SPF is aware of a significant number of projects that have been paused because of the proposed rent freeze and moratorium. Meanwhile, investor concern from both inside and outside of Scotland is making it nearly impossible for new projects to compete for capital with the rest of the UK and further afield.

Organisations who fund, develop, and manage Scotland's diverse residential rental property sector urgently need more detail on the proposals and the Scottish Government's intentions beyond 1 April 2023. Support must also be offered to housing providers affected by any withdrawal of rent resulting from the proposed moratorium, they too are impacted by the upwards pressure on costs and rising interest rates.

Until there are concrete proposals and the guarantee of a stable regulatory environment for the rented sector in which to invest, Scotland will lose out to other parts of the UK in attracting investment. Supply, already at record low levels, will suffer as a result in the medium to longer term and this is likely to create further upwards pressure on rents.

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Scotland's rented property sector makes a significant contribution to our communities and is a key part of our housing mix. It is important that this contribution is recognised. We urge the Scottish Government to work with the industry to refocus on delivering new housing of all tenures and to establish evidence-based measures to support affordability in the rented sector. At a time when the provision of high quality, professionally managed, and energy efficient rental homes is more important than ever, it is vital that we renew confidence and certainty for investing in housing and communities across Scotland.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Stephen', written in a cursive style.

Stephen Lewis
Chair, Scottish Property Federation

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