

# SPF VOICE

APRIL 2023

## ANNUAL CONFERENCE SPECIAL



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## Stephen Lewis

SPF Chair

Managing Director, HFD Property Group Ltd

It was great to see so many of you last week in Glasgow as we held our first annual conference on the banks of the Clyde. The theme of our conference, 'Redefining Real Estate for Scotland', captured the challenge for our sector of changing the perception of our industry while supporting its sustainable success. This voice newsletter is therefore dedicated to highlighting the key questions debated and take aways from our day at the SEC. The day could not have happened without the fantastic support of our sponsors Robertson Group and partnerships with Edinburgh Council, Dundee City Council, Fife Council and Glasgow City Council. I am immensely grateful too for the support of the wider BPF and SPF team in delivering the event so successfully.

We were also grateful to hear from a superb array of speakers and panellists from right across the industry and public sector. This included the leader of Glasgow City Council, Susan Aitken, and Will Dowson from the Bank of England. We enjoyed detailed sessions that explored the policy of PRS rent controls, transforming our planning services, our towns and cities and innovation districts.

The controversial rent control policy was expected to be a major talking point and so it proved, superbly informed by Dr John Boyle's research paper commissioned by BPF and published on the 17 April. We were grateful to the Minister for engaging with us directly and I know key concerns on investment are being taken forward as the next housing legislation looms.

Planning is a vital service within our industry and key stakeholders in local government and the Scottish Government. The recent change in Planning Minister frustrated our best attempts to get the Minister to attend in person but his message sent to the conference was very positive and welcome, and we were hugely grateful to have the participation of the Chief Planner, Dr Fiona Simpson. Again, we emphasised our view that planning needs to be a platform for investment in Scotland. I also underlined how SPF consistently said it would be prepared for increased planning fees if it achieves a better planning service. There are detailed reports on all of our panel sessions in the newsletter but for me every single session provided an informed and astute debate with excellent audience engagement.

As Maria highlighted in her closing remarks, and it's worthy of further recognition here, is the impressive facilitation of the various panels, most ably completed in 3 of the sessions by our BPF Futures Board members in Scotland. A wonderful illustration of the future of our industry.

If you were unable to catch up with our sponsors and partners on the day, we've included their contact details inside this newsletter. Once again, thank you for your tremendous support and engagement with the event.

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# ANNUAL CONFERENCE REPORT

The fifteenth SPF Annual Conference was held on 19 April for the first time in Glasgow at the iconic Scottish Event Campus (SEC). The discussions on the day were shaped by the theme 'Redefining Real Estate for Scotland'. The conference was opened by BPF CEO Melanie Leech who welcomed the delegates, keynote speakers, panellists, our sponsor Robertson Group, and our local authority partners - Dundee, Edinburgh, Fife and Glasgow. Keynote speaker Will Dowson, Agent for Scotland from Bank of England presented the audience with his valuable insight on the morning's news of inflation figures released by Office for National Statistics (ONS) followed by a general economic overview for the industry.

Our host city's leader, Councillor Susan Aitken told us that the Council is consciously planning to repopulate the city centre by providing more city centre housing, including affordable homes and projects such as 'Golden Z' and 'Avenue of the Arts' around Sauchiehall Street which already consists of Glasgow Film Theatre, Piping Centre, Royal Conservatoire and Royal Concert Hall in an effort to help attract and retain talent in the city. She laid emphasis on greater collaboration between private and public sector to support these policies.



*Keynote Speaker- Councillor Susan Aitken*

## The Cost of Living, Property and Residential Investment

The first panel of the day was facilitated by Ryden's David Fraser who is also Chair of the SPF Residential & Investment Management Committee. He was joined by a stellar cast of panellists, including Tenants' Rights Minister Patrick Harvie MSP, Stuart Oag from Drum Property Group, Gillian McLees from Rettie & Co., Fiona Morrison of Hillcrest Group and William Kyle from PFP Capital. The Minister heard the industry's united voice on the rent control and its impact on investment in private rented sector (PRS) in Scotland which risks causing a lack of supply amidst a housing crisis and rising rents for new tenancies, and this has been backed by the BPF & Rettie & Co.'s latest report. The Minister responded that the act which came out last autumn was to protect vulnerable tenants from soaring cost of living. He also encouraged the industry to supply more affordable new style developments such as BtR and PBSA, which could prove to be an

asset for communities. A new review report for PBSA is anticipated to be published next month and advised there will be solutions in it.



*Cost of Living, Property and Residential Panel- David Fraser, William Kyle, Patrick Harvie MSP, Fiona Morrison, Stuart Oag, Gillian McLees (L-R in sitting order)*

Following that, SPF Chair and Managing Director of HFD Property Group, Stephen Lewis, echoed the theme for the day 'Redefining Real Estate for Scotland' by laying emphasis on perception of the industry which can all too easily be perceived as negative at times, and can lead to challenging regulatory and tax burdens. He rightly pointed that developers, professionals and funders working in the industry will still strive to deliver the best-in-class developments and built environment. Also, as Cllr Susan Aitken stated earlier, Glasgow city centre's footfall during evenings has surged by 130% and 100% on weekends but it is the lowest during office-hours compared to pre-pandemic levels. This was strongly supported by Stephen's comment to strike a better balance between work-from-home and a return to the office to boost local economies as well as tap on the night economy of the city.

Stephen welcomed the newly appointed Planning Minister, Joe FitzPatrick MSP who addressed the conference virtually. Mr FitzPatrick acknowledged his new role comes at an interesting time of the delivery phase of NPF4 which will lead way to Scotland's plan led-planning system and help us to transition to net zero whilst recovering from the pandemic. He recognised the resourcing and framework issues with a promise to work closely with local government and industry to adapt to the new system and plan with confidence. This message paved way for discussion in the next panel session.

## Transforming Planning, Place & Infrastructure

The second panel for the day was facilitated by BPF Futures Advisory Board member, Angus Lutton who is a Senior Surveyor at Buccleuch Property. The panel had a balance of public sector and industry

# ANNUAL CONFERENCE REPORT

representatives, including Dr. Fiona Simpson, Chief Planner at the Scottish Government, Sarah Shaw Glasgow City Council's Head of Planning and Executive Committee of Heads of Planning Scotland, Kate Donald, Director at Turley and Stephen Lewis, SPF chair & Managing Director at HFD Property Group. The panel kicked off with the most pressing issue of resourcing and how several authorities including Fife and Glasgow are investing in recruiting new planners. The panellists highlighted the complex nature of the planning system and that to promote more investment the authorities should "not be putting more obstacles in the way of planning" stated Kate Donald. The planning application time and process is one the issues that can be dealt by authorities. Dr. Fiona Simpson talked about guidance for councils and a more infrastructure-based approach to be introduced in the second iteration of delivery plan of NPF4. All the panellists resonated with the idea of collaborative working between sectors.



*Conference Compere Melanie Leech*

*SPF Chair Stephen Lewis*

## Investment for Innovation

Our last panel for the day – Investment for Innovation was moderated by Iain Smith, BPF Futures Advisory Board Member and Senior Associate at Brodies. We heard interesting discussions of the ongoing public and private sector innovation ventures from the panellists - many of whom are directly involved in spearheading or financing projects in tech scaler and advanced manufacturing hubs, life sciences and higher education. This included Anna Stamp from Edinburgh's BioQuarter and Jamie Clyde from Bruntwood SciTech who announced on the day plans to redevelop the Met Tower in Glasgow into a tech and digital hub for the city. We were also joined by public sector representatives, Alasdair Morrison from Renfrewshire Council and Robin Presswood from Dundee City Council as well as private sector lender, Mark Quigley from Beaufort Capital. It is clear from the discussions that ensued that the sector has a strong role to play in advancing Scotland's knowledge economy which is central to attracting and retaining talent within the country. Continued investment in this field will allow Scotland to offer a competitive edge to research and technological development that will lead to long-term and sustainable economic growth.



*Snipet of delegates networking*

## Successful & Sustainable Towns and Cities

BPF Futures Vice Chair & Senior Surveyor at TFT, Emily Brodie facilitated the first afternoon panel session: Successful & Sustainable Towns and Cities. We were also joined by Jonathan Guthrie from Robertson Group, Steve Dunlop from Crosswind Developments, Alan Anthony from Threesixty Architecture and Maria Francké, SPF Vice-Chair & from Maria Francké Planning. Dealing with the evolution of town and city centres and our changing nature with space was a central concern in which panellists agreed the sector needs to find innovative ways to adapt existing assets. Concern was raised over the strict planning and sustainability regulations which do not necessarily incentivise the retrofitting of properties. The question of the future of our high streets was also put to the panellists. Overall, the panel's response was clear that we need to move beyond traditional retail with more residential living, mixed-use spaces and community facilities such as health centres being at the forefront of town and city centres. This seems to reflect a broader ambition towards creating liveable, safe and sustainable urban environments.



*Investment for Innovation panel in action*



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THE CITY OF EDINBURGH COUNCIL

Edinburgh, the capital of Scotland, is an international hub for business tourism and innovation. Assets such as a highly skilled workforce iconic architecture and world-leading universities make Edinburgh an economic powerhouse with an expanding population. This growth is driving large-scale property development and investment in the city. Residential development activity in Edinburgh continues apace ranging from greenfield developments on the city outskirts to historic building conversions in the city centre. The retail and leisure sector saw the opening of the new St James Quarter shopping centre in 2021 with work currently underway on a number of developments on Princes Street and more widely. The office market has seen the completion of new grade A properties in the central business district and in West Edinburgh with additional developments planned for the West End and Fountainbridge.

The City of Edinburgh Council is itself driving forward this activity with mixed-use developments such as Fountainbridge, Powderhall and Meadowbank. At Granton Waterfront the Council is delivering a new coastal town with over 3,500 homes along with a primary school medical



centre and commercial space. Underpinning this activity is ongoing investment in upgrading the city's infrastructure. The flagship project is the extension of the city tram line from the city centre to Newhaven set to open later this year. Other major projects include the City Centre West East Link a new active travel route spanning the city centre. Projects in the pipeline include improvements to the A720 Sheriffhall Roundabout a package of transport upgrades at West Edinburgh and a further extension of the tram line northwest to Granton Waterfront and southeast to Edinburgh BioQuarter. With opportunities across all major sectors, Edinburgh is an exciting proposition for the property industry.



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Fife offers a range of established and new build properties in strategic locations as well as land available for new developments. These range from brownfield and industrial sites ideal for manufacturing and industrial units to high-quality mixed-use sites for premium business and leisure developments.





# SPF DISPATCHES

## BPF publishes report on the impact of the rent cap on investment in supply of housing in Scotland

With the government now in the process of assembling the second statutory report on the impact of the cost of living legislation and with the anticipation of a new housing bill by the end of the summer, the 'Assessment of Scotland's Rent Freeze and Impacts' commissioned by the BPF and in association with Rettie and Co., is a timely publication. Alongside a detailed overview of the growth in the private rented sector (PRS) in Scotland and a more recent trend towards build to rent (BtR), the report also gathered extensive insights from a variety of institutional investors. The research shows a clear demand for more housing of all tenures in Scotland, where an increase in the provision of BtR could help to relieve pressure specifically in the PRS. But just as this new model of living has gained traction, the research overwhelmingly finds investors now unwilling to allocate capital to projects in Scotland as a result of the manner in which the Scottish Government implemented the rent cap. The report concludes that the government's aim of the rent cap which is intended to help with housing affordability throughout the cost of living crisis is achieving the exact opposite. Instead, the legislation risks reducing the supply of homes and will exacerbate increases to new tenancies. We will reference this report alongside any comments from members in our response to the government's renewed call for evidence on the rent cap.

## Impact of EPC changes

The Scottish Government has brought about changes in Section 6 of Building Regulations which included changes in EPC carbon factors and an introduction of Target Delivered Energy Rate (TDER). This replaces Target Emission Rate (TER) in new-build developments, which means it will now look at the energy demand of the building. Section 6 also comes with more stringent U-values meaning more insulation will be required, which in turn means more fabrication of the building. The social cost for decarbonising the buildings is felt more in the domestic sector as the commercial sector pays wholesale electricity cost. Also, the cost of sourcing more carbon-efficient material for buildings is higher which translates to higher embodied carbon in the buildings, whereas the policies seems to focus more on operation costs. The government needs to strike a balance between the two. Also, there is a need to equilibrate the tax paid on electricity and gas to make this transition cost efficient. These regulations apply to all new builds after February 2023 as New Build Heat Standard comes into force in Scotland in 2024.

## ScotGov issues new call for evidence on Cost of Living (Tenant Protection) Legislation

The Minister for Zero Carbon Buildings, Active Travel & Tenants' Rights, Patrick Harvie MSP has written to stakeholders asking for further evidence on the impact of the rent cap which is to feed into the next statutory report covering 1 April – 30 June and will be laid to Parliament by July 14 at the latest. In his letter, Mr Harvie is also seeking views on transitional measures to ensure that once the emergency legislation has expired that increases in rent are made sensibly. The proposed measures affect the rent adjudication process where a rent officer can no longer increase the rent above what the landlord proposes in the first instance. This means a tenant who disputes their rental increase can only have the new rental increase either approved or reduced, prompting better predictability and stability for tenants. Alongside data from the open market, Ministers are also considering using an alternative measure to help with the rent adjudication process. This may include using the Consumer Price Index (+ / - %), Retail Price Index or an income-related measure. The government argue that rent officers would base their decision on the lower of either the open market or the comparator measure which would ensure the differences in local markets are accounted for.



## PBSA Review Update

A review of the PBSA has been underway since early 2021. The review is looking at student support, affordability, rights for students as tenants and supply. The review was informed by a major research project led by CaCHE (Collaborative Centre for Housing Evidence) which based its findings on a mixture of stakeholder group interviews and a major student survey. Three key concerns are emerging which will be of interest to members. The first is the ability of students to exit their leases at 28 days' notice (i.e. as with Scottish PRT). The second is the need to supply more affordable PBSA for students unable to access high end student accommodation. Finally, some stakeholders have lobbied for rent controls in the sector. Any proposals for a rent control system in PBSA clearly risks the same impact on PBSA as for BtR – i.e. deterring investment. As attendees at our recent annual conference heard directly from the Minister, the formal advice to Ministers by officials is very imminent and we may well have more to report this time next month.



# SPF EVENTS 2023



~ Save the Date ~

## The Tenth SPF Annual Dinner

Thursday 12 October 2023

EICC, Edinburgh



# BPF FUTURES EVENTS

## BPF FUTURES LAUNCHPAD MENTORING WEBINAR 2023

11 MAY | 12:15-1PM | ONLINE

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## BPF FUTURES SCOTLAND BARCLAYS SITE VISIT

1 JUNE | 18:00 - 20:00

BPF Futures Scotland invites you to a bespoke site tour of the iconic Barclays Campus on the bank of Clyde. We will be joined by Ron Coghill, Global Head of Capital Projects at Barclays to tell us about the inspiration and innovation behind the campus design. Register now for an evening of networking and influencing.



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