

**20
23**

**Annual
Review**





Chair's Message

Maria Francké
Maria Francké Planning

Looking forward to 2024

We move into 2024 with a frightening pace of reforms affecting our sector but also with some renewed confidence from members for the next cycle of commercial property investment. The success of recent BtR developments in Glasgow and Edinburgh must also demonstrate to the government that we are a part of the solution to the increasing housing crisis and this remains a top priority for us as we move into the new year. We must have a policy framework that encourages and facilitates the very investment needed to provide more and better homes of all tenures.

This review reveals what an intensive year this has been across a broad range of fronts. From Planning reforms, business rates and the devolution of empty property rates relief policy to local government, to the aforementioned rent control controversy and ambitious Heat in Buildings legislation. We returned this year with a full programme of in person networking engagements across Scotland and also delivered two substantive events which were excellently supported and I thank you for your strong support for all of these initiatives. In addition, we continued the momentum of our Futures network in Scotland and delivered a range of varied events in 2023. Huge congratulations to Emily Brodie from TFT, Angus Lutton from Buccleuch property and Iain Smith at Brodies for their drive, energy and inspiration leading this initiative. And a huge thank you to Anamika Dwivedi and Josie Sclater in the SPF team for their excellent drive and support for Emily, Angus and Iain in the establishment of the Futures network in Scotland.

In the next year we should see a UK General Election with the possibility of significant electoral change. We will also see the Housing Bill in Scotland as well as further regulations taking effect or being drafted as we move towards the government's net zero ambitions for the built environment. Already I know the SPF team have reached out to many members to deliver a full range of in person events, networking and policy engagements in 2024. Two dates I will just highlight for your diaries: our first 'flagship event', our 15th Annual Conference to be held at the Technology and Innovation hub at the University of Strathclyde in Glasgow on 24 April, this year themed 'Creative Places for a New Economy'. And second, our popular annual dinner on Thursday 10 October once again at the EICC.

None of these events or representations can be achieved without your continued support. I am hugely grateful for your support for the SPF and wider BPF, and I wish you an excellent festive season and a successful New Year.



Key highlights in 2023

JANUARY / FEBRUARY

Q1 Committee Meetings

We started the new year with our first round of committee meetings including a meeting with the Scottish government's business rates team. The key political development was Patrick Harvie's announcement that the rent freeze would become a rent cap of 3% which we welcomed a step in the right direction. We gave evidence in person to the Scottish government's Local Government, Housing and Planning Committee on the changed emergency legislation PRS rent cap.

MARCH

Regional Events

We supported in person events for members with the Bank of England, the co-Leaders of Aberdeen city council on their empty property rates relief reforms and also met with Glasgow, Edinburgh, and Highland Councils. The SNP leadership campaign came to an end with the election of Humza Yousaf as First Minister. He reaffirmed the Bute House Agreement for Government with the Scottish Greens and set about establishing his new government.

APRIL

SPF Annual Conference & BPF/Rettie & Co. Report Launch

Over 200 delegates joined us at the SECC in Glasgow for our annual conference 'Re-defining Real Estate for Scotland'. We also launched our joint report with Rettie on the Assessment of Scotland's Rent Freeze and Impacts.

MAY

Q2 Committee Meetings & Regional events

We held our Q2 committee meetings and hosted a dinner in Edinburgh with the new Scottish Housing Minister, Paul McLennan MSP. SPF engaged with a strong Scottish Cities Alliance presence at UK-Reiif. Meanwhile, the First Minister's New Deal for Business initiative takes shape and SPF joins the NDB Group on business rates, hosted by Public Finance Minister Tom Arthur MSP.

JUNE

Parliamentary Reception

Over 70 members joined us at the Scottish Parliament which marked the handover of our former Chair Stephen Lewis to Maria Francké. The evening was addressed by the Housing Minister as well as a strong cross-party range of MSPs.

We ended the month with meetings with Dundee City Council and a successful membership dinner with Aberdeen City Council representatives in Aberdeen.

NOVEMBER / DECEMBER

Q4 Committee Meetings & Regional Events

We held our final committee meetings of the year. We also held lunches in Aberdeen, Dundee and Edinburgh with council officials as well as a dinner with the Housing Minister in Glasgow. The government introduce a Cladding Remediation Bill as well as the long awaited Heat in Buildings consultation. The government also published its proposals for a rent adjudication process to follow the emergency rent cap.

OCTOBER

SPF Annual Dinner

Over 420 members joined us for our 10th SPF Annual Dinner with guest speaker, Baroness Ruth Davidson. This month a government consultation outlined core proposals to implement a system of long term rent controls. Over 6,000 responses were received by the government on this proposal. Our Policy Committee meets with the Tenants' Rights Minister in the Scottish parliament and we join a Rettie-organised meeting with BtR investors in London- with the Housing Minister.

SEPTEMBER

Q3 Committee Meetings & Regionals

We held our Q3 committee meetings and hosted dinners in Inverness and in Dundee where we were joined by key council officials, the Leader of Dundee City Council, John Alexander, and the Housing Minister. Our Sustainability Chair Alan Stark provides evidence to a Scottish Parliament Committee on Building Standards and we also provide oral evidence on the LBTT relief proposals for Green freeports. We meet with the Planning Minister, Joe Fitzpatrick MSP with members to outline our key Planning system concerns.

JULY / AUGUST

Report Launch & Regional Meetings

We launched our second report on the future of Scotland's rental market and the impact of rent controls. A successful dinner was hosted in Glasgow with a range of city council attendees. Work on the proposed PRS rent controls continued as we facilitated a meeting between officials and investors.

Working for you: Key campaigns

It has been another busy year on the policy front marked by significant proposals to transform the planning system with the publication of NPF4 earlier in February. The sustainability drive has also been ramped up with a stream of new regulatory proposals including EPC reform, the Draft Energy Strategy and Just Transition Plan, and the new Heat in Buildings Bill announced this year. The ongoing rent control agenda has also remained a focal point of our engagement as well as the devolution of empty property rates relief.

Over the course of 2023, we have contributed to 25 consultations, covering a wide spectrum of property related issues and published two reports related to the impact of rent controls on investment in Build to Rent and the wider PRS sector. These initiatives reflect our commitment to shaping the regulatory environment and championing a positive property industry for Scotland.

01. PRS Reform

02. Sustainability
Regulation

03. Business
Rates

04. Planning

PRS Reform

A considerable part of our engagement this year has focused on rent control legislation. We had been expecting the Housing Bill to be published by now, but with the government having issued several consultations in the last few weeks, it is clear that work is still in progress as to how the exact rent control mechanism will be formed. The Tenant and Landlord Engagement survey that opened in September marked a considerable change in the direction of the policy where there were questions that related to whether rental restrictions should be in place for properties returning to the market. In a submission to the government, we expressed serious concern that controlling in between tenancy rental increases would lead to considerably more loss of investment into housing and therefore reduce the supply of new homes.

In terms of the transitional measure between the ending of the Emergency Legislation in March 2024 and the implementation of the Housing Bill in 2025, the government have just published their proposals on a tapered system for rent increases over 6%. A tenant can challenge rents above 6% using a rent adjudication system where a landlord can only increase up to 10% or 15% depending on the difference between the current rent and the open market rent. This is to prevent steep and quick increases in sitting tenant's rent.

In terms of our engagement, we have published a joint report on the investment impacts of rent control with Rettie & Co as well as our own in-house research report on the residential rental market in Scotland. We have facilitated numerous meetings with government, officials, investors and members including meeting the Housing Minister six times and our Policy Committee being invited by the Tenants' Rights Minister Patrick Harvie MSP to the Scottish Parliament. This was one of four engagements with Mr Harvie during the year. We will also be shortly providing a Business and Regulatory Impact Assessment which Ministers are required to collect to assess the impact of rent controls.

To build new or update homes more quickly is essential if we are to address the housing crisis and ensure that we can meet our net-zero targets. We know that excessive rent control policies could pose a significant barrier to the investment needed to supply new homes. We will therefore continue to push for a policy that can facilitate investment required to deliver more and greener homes.



Sustainability Regulation

Progressing with the target of achieving a net-zero Scotland by 2045 has been a top priority for government this year. As a result, we have seen a considerable number of new proposals consulted on. Early this year, the Draft Energy Strategy and Just Transition Plan was published which focused on harnessing renewable energy and creating the necessary infrastructure to do so. While we recognise the transition is necessary, we highlighted practical and logistical challenges such as skills shortages and lack of grid capacity which is likely to impede the targets. These are reoccurring constraints which we have also reiterated in on-going engagement on the Scottish variant of Passivhaus which is likely to be required for all new builds by 2025. Similarly, reform to EPCs whilst welcome also raises legal issues as to who is responsible for the retrofit of buildings in a tenant / landlord situation.

The Heat in Buildings Bill was recently published where Patrick Harvie MSP outlined the timeline for buildings to transition to non-polluting heating systems by 2045. The Minister also announced that residential landlords will have to meet minimum energy efficiency standards by 2028 and homeowners are required to do the same by 2033. This is likely to be a key policy for the next year and we will be looking to respond on behalf of members.



At a glance: Our year in numbers



Business Rates

Rates Pressures

The headline non-domestic rates poundage remains at an historic high in Scotland, even with the implementation of the first revaluation exercise in Scotland since 2017 which produced an overall uplift in rateable value. When you add the intermediate and higher poundage rate supplements the burden of rates becomes even more apparent. The recent decision to freeze the basic poundage rate for 2024-25 was therefore welcome but increases by the September CPI figure now takes the effective NDR tax rate well into the 50p in the pound range for properties of over £51,000 rateable value. For the retail, hospitality and leisure sector in Scotland the position is worse with the Scottish government not passing on UK rates relief for Retail, Hospitality and Leisure ratepayers.

This year has seen one of the biggest changes in non-domestic rates policy seen since the early 1990s – the devolution of empty property rates relief policy to local government. The policy has been funded by the Scottish government for three years, with councils receiving a grant to cover the pre-existing empty property rates relief costs for their areas. However, four authorities reduced or removed relief, with Aberdeen's removal of listed vacant property relief the most notable. From April 2024 a number of other authorities are set to do the same with Edinburgh the most prominent. We have highlighted the unintended consequences of applying full rates to non-income producing and complex vacant property projects, and also note the high level of public sector exposure to empty rates charges.

Business rates reform is one of the key issues addressed by the New Deal for Business Groups established by the new First Minister, Humza Yousaf MSP. We are working in two areas currently. One to consider the implications of the empty property rates devolution. The second to consider the introduction of better rates relief to incentivise investment in property improvements.



Planning

Planning for improved performance

On 13 February 2023, the National Planning Framework 4 was adopted by the Scottish government. This incorporated the former Scottish Planning Policy as well as changed the requirements of development planning. The adoption of NPF 4 has however seen a plethora of legal challenges in relation to Policy 16 (Housing) which are now 'cisted'. Added to the challenges of implementing NPF4 is the continued challenges of resources and performance that affect the planning system. We have always argued that members are prepared to pay a higher fee for an improved service, but there have been concerns that previous increases in fees have not led to a step change in resource and performance for the planning system in the round, including the statutory agencies.

The government has now appointed a National Planning Improvement Champion, Craig McLaren who was formerly the RTPI Scotland Director. This has been warmly welcomed by SPF and we have already met and submitted our view son planning improvements to Craig. This in itself followed up a meeting with the new Planning Minister Joe Fitzpatrick in September where we highlighted our concerns and call for the planning system to be a platform for investment. At the end of November an SPF delegation including representatives from Montagu Evans, Turley and Burges Salmon attended a wide ranging government workshop on solutions to resource challenges in the planning system. We await the outcome of this workshop and also a survey from Heads of Planning Scotland on how increased planning fee resources have been used in recent years.





BPF Futures

BPF Futures has had another strong year of success with a total of 239 members in Scotland and over 250 attendees across our Scottish events. We started the year off with a speed networking event at the impressive Mound building kindly supported by Bank of Scotland. In the summer, we held a fantastic site visit to the Barclays Campus with Ron Coghill who explained the vision behind the campus design. In September, we also kicked off the mentoring season with a mentor/mentee meet & great breakfast at Bonnie & Wild sponsored by TFT followed by another site visit at the New Eidyn Residence supported by Buccleuch Property. We ended the year at Brodies with an insightful career event, 'learning to lead in real-estate' where we had a Q&A session with senior real estate professionals and Futures members.

We would like to extend a huge thank you to our members for supporting our next-generation network and especially to our Scottish board members, Emily Brodie, Angus Lutton and Iain Smith. Without your support we simply couldn't put together the programme. If your organisation would like to support or host an event in 2024, please contact futures@bpf.org.uk.



SPF Annual Conference 2023

Re-defining real estate for Scotland

For our first flagship event of the year, we held our Annual Conference in Glasgow at the SEC. The theme for the conference was 're-defining real estate for Scotland' where over 200 members and industry professionals joined us to exchange ideas on how the property industry can make positive contributions to society. Councillor Susan Aikman and Leader of Glasgow City Council addressed the conference alongside a keynote speech by the Planning Minister, Joe FitzPatrick and insights from panellist Patrick Harvie MSP. We also had a range of senior industry leaders sharing their ideas on topical issues covering the cost of living, innovation and tech, sustainable towns and cities, and transforming planning. We are delighted to be returning to Glasgow again for our 2024 Annual Conference on 24 April at the Technology and Innovation Centre at the University of Strathclyde.





Parliamentary Reception

We held our Parliamentary reception on 6 June, kindly hosted by Michelle Thomson MSP with over 70 members in attendance. On the evening we were joined by the Housing Minister Paul McLennan MSP. The evening also marked the handover of our previous Chair Stephen Lewis to Maria Francké and marked Stuart Oag stepping in as Vice Chair.

SPF Annual Dinner 2023

To celebrate our tenth SPF Annual Dinner, we were joined by over 400 members and guests. Our after-dinner speaker, Ruth Davidson, provided some excellent and amusing political commentary on the Holyrood / Westminster scene and provided some insights for the next year. We were also delighted to present our inaugural life membership award to Alasdair Humphrey former Head of JLL for his commitment and dedication to the SPF over the years.

Thank you to all who joined on the evening and to the fantastic support for Spifox where we raised over £7100 to help children's charities across Scotland. A final thank you to our sponsors - TFT, Turley and Bank of Scotland for the continued support.



Save the date!

SPF Annual Conference 2024

Creative places for a new economy

Wednesday, 24 April

Technology and Innovation Centre,
University of Strathclyde, Glasgow

contact spf@bpf.org.uk for more details

SPF Annual Dinner 2024

Thursday 10 October

Edinburgh International Conference Centre

Scottish Property Federation

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<https://scottishpropertyfederation.org.uk/>

Delighted to support 2024 Scottish Property Awards - 29 February, Glasgow. Click [here](#) for details!



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