

CONTENT

Industry Insight	P2
Hot topics: current policy work	P3 -P4
<ul style="list-style-type: none"> • Scottish Equivalent of Passivhaus • Infrastructure Levy Scotland • PBSA • Housing Bill 	
SPF Snapshot: round up of our work	P5
SPF Annual Dinner 2024	P6

SPF VOICE

August 2024

Volume 16 Issue 7



Welcome from the Chair

Stuart Oag
 Director, Drum Property Group

Welcome to this new look August edition of SPF Voice.

A chance for the Scottish Government to restore investor confidence.

Since our last Voice at the end of June, we have seen a major change in UK politics with the landslide electoral win for the UK Labour Party at Westminster. The new Prime Minister and Chancellor have lost no time in signalling their determination to reform the planning system and to boost housing delivery in England. You will not be surprised to hear me say that we need to see a positive response to this new dynamic from the Scottish government leadership.

I am delighted therefore that the new UK Scottish Secretary, Rt hon Ian Murray MP will address the SPF's annual dinner on 10 October at EICC. On the other side of the political aisle, we have also secured an after dinner speech by Michael Gove, who was until the election the Levelling Up Secretary for the UK Government and Michael will reflect on his 20 years of front line political experience and the relationship between business, government and politics.

We will also be joined that evening by the Housing Minister Paul McLennan MSP and all eyes will now be on his evidence on the Housing Bill to Holyrood and the annual programme for government, to see if the reasoned concerns, analysis and frankly evidence of lost investment in the BtR sector will have achieved a change in direction. If we do not get a sensible change on the proposals for rent controls then I fear we will continue to see investors withdraw from Scotland. The Scottish Government can still

change this position and we have continued to push this message strongly including in meetings in the last week with Ministers.

Our industry insight this month features an article by Scottish Enterprise that is looking for bids for grants towards advanced manufacturing facilities. This initiative was launched by the Deputy First Minister, Kate Forbes MSP, in July. The SPF's Policy Committee is due to meet with the DFM soon and we will continue to make the case for policy that supports investment in Scottish real estate and infrastructure.

The SPF team are heavily engaged in a range of consultative work covering building standards, PBSA, infrastructure levy and building safety levy to mention a few. Please do continue to lend your expertise to inform and influence these proposed regulations and taxes.

On a final note, our 2024 annual dinner promises to see one of the most extensive guests lists of senior industry and political leaders from not just the two main governments in Scotland as discussed, but I am told based on early guest lists supplied that we will be joined by elected city leaders from across the country including the key cities. It is still possible to register your place at the event to be held at the EICC, 10 October 2024 (full details are inside this newsletter). I look forward to meeting as many of you there as possible!

Best wishes,

Stuart

Featured Industry Insight

by Rhona Allison

Managing Director of productivity and business growth at Scottish Enterprise

For this edition of SPF Voice we invited Rhona Allison to introduce the Manufacturing Property Challenge Programme, which invites industrial property developers to propose speculative new and refurbished mid-sized manufacturing units and bid for a share in £15m grant funding.

SCOTTISH PROPERTY FEDERATION TEAM

David Melhuish

SPF Director
 dmelhuish@bpf.org.uk

Anamika Dwivedi

Policy Officer
 adwivedi@bpf.org.uk

Josie Sclater

Policy Officer
 jsclater@bpf.org.uk

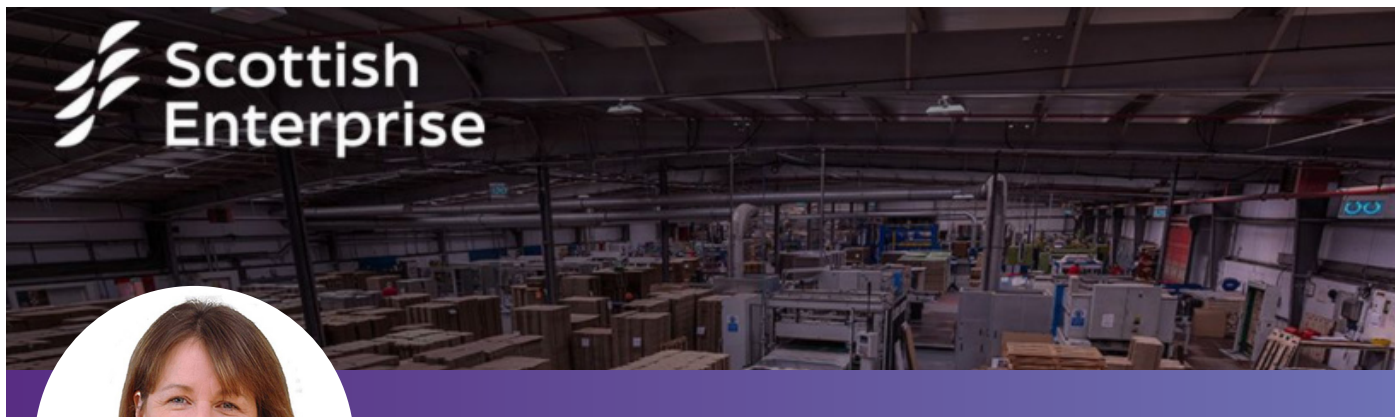
10 South St Andrews
 Street
 Edinburgh
 EH2 2AZ

spf@bpf.org.uk
 T: 0131 220 6353



Industry Insight

Property developers urged to apply for Scottish Enterprise Manufacturing Property Challenge Programme



Rhona Allison

Managing Director of productivity and business growth
Scottish Enterprise

If you are a property developer in Scotland that can work with Scottish Enterprise to create the next generation of manufacturing infrastructure, then read on for news of a brand new £35M funding and support programme with an ambition to create 1M sq. ft. of new space.

What is it?

- The first call of the Manufacturing Property Challenge Programme invites industrial property developers to propose speculative new and refurbished mid-sized manufacturing units (~15,000sq.ft.) and bid for a share in £15m grant funding
- The funding will be used to close existing viability gaps and provide flexible mid-sized space suitable for a range of manufacturing occupiers
- Successful applicants will benefit from connections to Scotland's scaling companies and inward investors who might be suitable manufacturing occupiers
- Simple two-stage application process with Stage 1 applications closing on 18 September 2024
- Please note restrictions and eligibility form part of the process and include

such matters as only marketing the accommodation for manufacturing purposes for two years and only those applications delivering the most benefit to Scotland's manufacturing sector receive an award. In addition, please provide evidence that demand exists in the locations you are promoting and that the scheme is deliverable, subject to funding being in place

The programme is part of Scottish Enterprise's new approach, *Our focus for Economic Transformation* as we change the way we work with businesses and partners to deliver economic transformation.

Scottish Enterprise's £35million Manufacturing Property Challenge Programme enables us to work in partnership with the private sector to deliver up to a total 1,000,000 sq.ft of speculative accommodation for manufacturing use by 2030. The programme will enable Scottish based manufacturers to sustain and create high value jobs, products, and services and compete effectively on an international stage.

Why are we doing this?

The Scottish Government recognises that

..... “
The consequences of not intervening in this market are a lag in manufacturing investment and the potential for inward investors and Scotland-based scaling companies to be lost to competitor locations.
.....

manufacturing is important to drive future growth in the economy, with the potential to stimulate investment, create high value jobs, deliver high levels of productivity and innovation, and increase exports.

Scotland has a proud manufacturing heritage in sectors like engineering, textiles, food and drink, and life sciences. New high value growth sectors such as green heat, low carbon transport, chemical industries, space and satellites, healthtech and food & drink innovation are emerging in Scotland, with significant manufacturing opportunities across the supply chain.

Ensuring the existence of a pipeline of modern buildings in appropriate locations is essential to facilitate the growth and productivity of companies undertaking manufacturing activity, help unlock the potential of our key industries and help the manufacturing sector deliver on Scotland's net zero ambitions.

Scottish Enterprise commissioned market analysis (High Value Manufacturing Property Needs in Scotland report Executive Summary, Ryden, 2023), which highlighted that much of the industrial accommodation in Scotland was not fit for modern industrial processes, with a particular market failure in the supply of mid-sized buildings. Many projects have stalled due to cost challenges and risk factors.

The consequences of not intervening in this market are a lag in manufacturing investment and the potential for inward investors and Scotland-based scaling companies to be lost to competitor locations.

The Manufacturing Property Challenge Programme is part of the solution, you can be too.

Application guidelines including eligibility criteria are available on the [SE website](#).

Hot Topics

Scotgov consults on determining the Scottish Equivalent of the Passivhaus Standard

At the end of July, the Scottish Government issued a Stage 1 consultation on determining how a variant of the Passivhaus Standard could be set for all new domestic and non-domestic buildings in Scotland in order to improve energy efficiency and thermal performance. This follows an earlier commitment after Labour MSP Jacob Rowle submitted a Private Members Bill to have energy standards reviewed in 2022 and for regulations on developing a standard to be laid by December 2024.

We are keen to hear from you about the proposals, particularly in terms of whether the implementation dates are realistic, as well as your views on the current skills, technology and compliance procedures that will be required to meet the proposals. Please email spf@bpf.org.uk with your feedback.

Infrastructure Levy Scotland

SPF's Policy Committee met with officials working on formulating the regulations on 13 August at Victoria Quay. The framework for Infrastructure Levy is still in early discussion. The ILS itself is subject to a sunset clause by July 2026.

Officials briefed us on the core criteria of the levy. It is intended to develop a formula to set the levy in advance of development. This could involve setting a zone and using the formula to predict an average charge per square meter for the area, that will be set according to type of development. The government's discussion paper considers a range of variables to account for variations in building types – they are keen to hear your feedback on these issues.

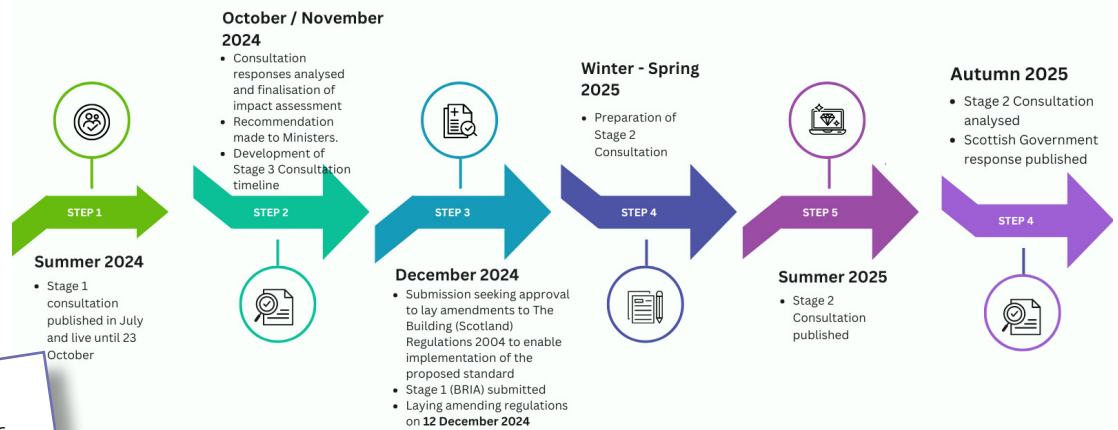
Members highlighted a number of concerns related to the discussion paper on the levy and the uncertainty that looms over the developer community. It is not clear currently what type of projects will be funded by this levy. We asked also about how the levy will align with the vision and relevant development plan process. This could be influential for developers and investors who could be encouraged to see the levy as a strategic investment which will support

The current consultation which is open until **23 October** has four main sections:

1. Proposed components of the standard - in term of its design
2. Proposed components of the standard - in term of its compliance
3. A call for information on current standards
4. Business and Regulatory Impact Assessment

The consultation also proposes two options for an implementation date:

- Option 1** is to enforce the standard in 2026 but no earlier than 1 May 2026.
- Option 2** is to make the standard mandatory in 2028, with voluntary implementation in 2026. This is the preferred option by the government to allow for skills development and technology advancements as well as additional time required for the recent update to the energy standards (only this April) 'bed-in'.



Proposed delivery programme for the development stage of determining a Scottish Variant of the Passivhaus Standard

broader returns and improvements, rather than simply a further additional tax.

There is concern on the transparency and refund processes as the current developer obligations themselves do not have a robust system in place. It can take years for an infrastructure project to come around so a transparent system would boost partnership and confidence in the private sector. It was also highlighted infrastructure projects such as heat networks and energy grids would need private sector support to be delivered.

A major concern underlying the SPF's outlook on this proposal is the cumulative impact of levies and regulations coming forward. This includes the building safety levy and introduction of Passivhaus. Coupled with rent control uncertainty, capacity in the construction sector and wider economic challenges faced in past few years, this will cause more damage to the industry and might risk reduced investor appetite in Scotland.



If you have any views on this discussion paper email us at spf@bpf.org.uk.

The consultation on ILS closes on 30 September.

PBSA Review gathers pace

This month the Housing Minister, Paul McLennan MSP, hosted a meeting of universities, NUS representatives, PBSA operators and SPF to consider recommendation 5 of the Scottish Government's PBSA review group proposals to Ministers. This calls for a strategic consideration of the PBSA sector to include the private sector, higher education representatives including NUS, and local authorities. Key issues raised included PBSA availability and affordability, and the models of accommodation. The need to consider potential investor perspectives on the sector was also highlighted. This was the first meeting of this group and we anticipate a follow up will take place in December.

SPF PBSA WORKING GROUP

We also kicked off the first meeting of SPF PBSA Working Group on 20 August, before the government review group meeting. The group comprises of a range of professionals involved in this sector ranging from operators, university representatives to developers.

ScotGov is also consulting PBSA providers and students on whether students should be entitled to terminate their PBSA tenancy on 28 days' notice, bringing them in line with private residential tenancies. Consultations close on 31 October.

Housing Bill

This Autumn provides key moments for Scottish Ministers to demonstrate purpose in driving the economy beyond the success of the renewables industry.

For us, a key interest is to see an early signal that the government intends to amend its Housing Bill, part 1, Rent Controls. The Bill as drafted has seen a growing number of projects either repurposed to other forms of development, sites sold or capital investment simply diverted away from Scotland to England where build to rent continues to grow (albeit at a slower pace recently see BPF/ Savills latest quarterly BTR report).

The Programme for Government and the Housing Minister's evidence could be moments for the government to show it has realised the negative impact on investment that the Bill has had. Meanwhile the government's PRS stakeholder group recently heard an update on the Bill's progress which noted next summer as the expected final parliamentary Stage of the Bill. Before this,

it is expected detailed amendments on the Bill will be considered in the early months of 2025. In discussion at the stakeholder group officials also suggested that as a framework

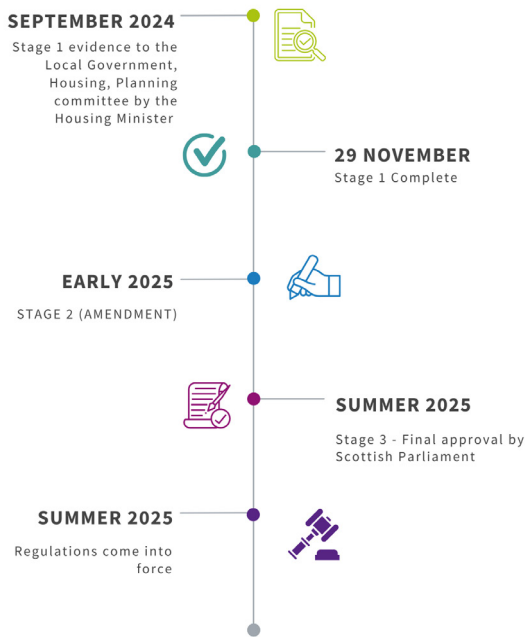
Bill, and in view of the broader parliamentary timescale (this Parliament expected to dissolve late March 2026) that engagement on the details of future PRS regulations would need to begin to take place from mid-2025 latest once the key decisions on the Bill had been taken by Parliament.

“
We remain concerned at the consequences on investment of moves to extend rent controls to new tenancies upon a letting vacancy, and we believe this remains a core concern for investors in the framework of the Bill.
 ”

We have continued our engagement with MSPs across the spectrum and with Ministers, officials and the More Homes More Quickly campaign and we supported MHMQ's rebuttal of *evidence* to the Finance and Public Administration Committee of the Scottish Parliament that questioned the veracity of evidence it had heard on the damage to investment of the Bill. Our feeling is that the government has 'got' the messages on certainty and the need to support investment into rental homes – we remain concerned at the consequences on investment of moves to extend rent controls to new tenancies upon a letting vacancy, and we believe this remains a core concern for investors in the framework of the Bill.

HOUSING (SCOTLAND) BILL

TIMELINE



Housing (Scotland) Bill

[AS INTRODUCED]

CONTENTS

Section	
	PART 1
	RENT
	CHAPTER 1
	DESIGNATION OF RENT CONTROL AREAS
	<i>Rent conditions: assessments and reports</i>
1	Periodic assessment of rent conditions
2	Report to Scottish Ministers following periodic assessment
3	Interim assessment and reports by local authorities
	<i>Consideration of rent conditions reports</i>
4	Scottish Ministers to review local authority report
5	Further assessment of rent conditions and report by local authority
	<i>Ministerial guidance on local authority assessments and reports</i>
6	Ministerial guidance on assessments of rent conditions
7	Ministerial guidance on reports following assessments of rent conditions
	<i>Ministers' decision on whether to designate rent control area</i>
8	Scottish Ministers' duty to report
9	Power to designate rent control area
10	Designation of rent control area: consultation
11	Duty to keep rent control area under review
12	Variation of rent controls in existing rent control area: consultation
	<i>Properties exempt from or subject to modified restrictions</i>
13	Properties exempt from rent control area restrictions
14	Properties subject to modified rent control area restrictions
	<i>Power to seek information from landlords and tenants</i>
15	Information that may be sought by local authority
16	Landlord's failure to provide information sought
17	Landlord's provision of false information

Contents of Part 1 - Rent of Housing (Scotland) Bill

Have your say!

Upcoming Consultations

- Edinburgh CityPlan 2030 - Developer contributions - 17 September
- Glasgow Tall Buildings guidance consultation - 30 September
- Infrastructure Levy Scotland discussion paper - 30 September
- Stage 1 consultation on Scottish Equivalent of Passivhaus - 23 October
- PBSA: Notice to Leave Tenancy: Provider Survey - 30 October

Send us your comments on spf@bpf.org.uk.

SPF Snapshot: Our work at a glance

A round-up of our key engagements, events and policy work to support our members in driving a diverse, successful and sustainable real estate industry in Scotland.

SPF on the go!



Glasgow Dinner

SPF members and guests with the Housing Minister, Paul McLennan MSP and Minister for Public Finance, Ivan McKee MSP along with the Chief Planner, Fiona Simpson, Glasgow City Region's Head of Place, Ross Nimmo and Glasgow City Council's new Divisional Director for Development and Regeneration, Ben Wilson on 21 August.

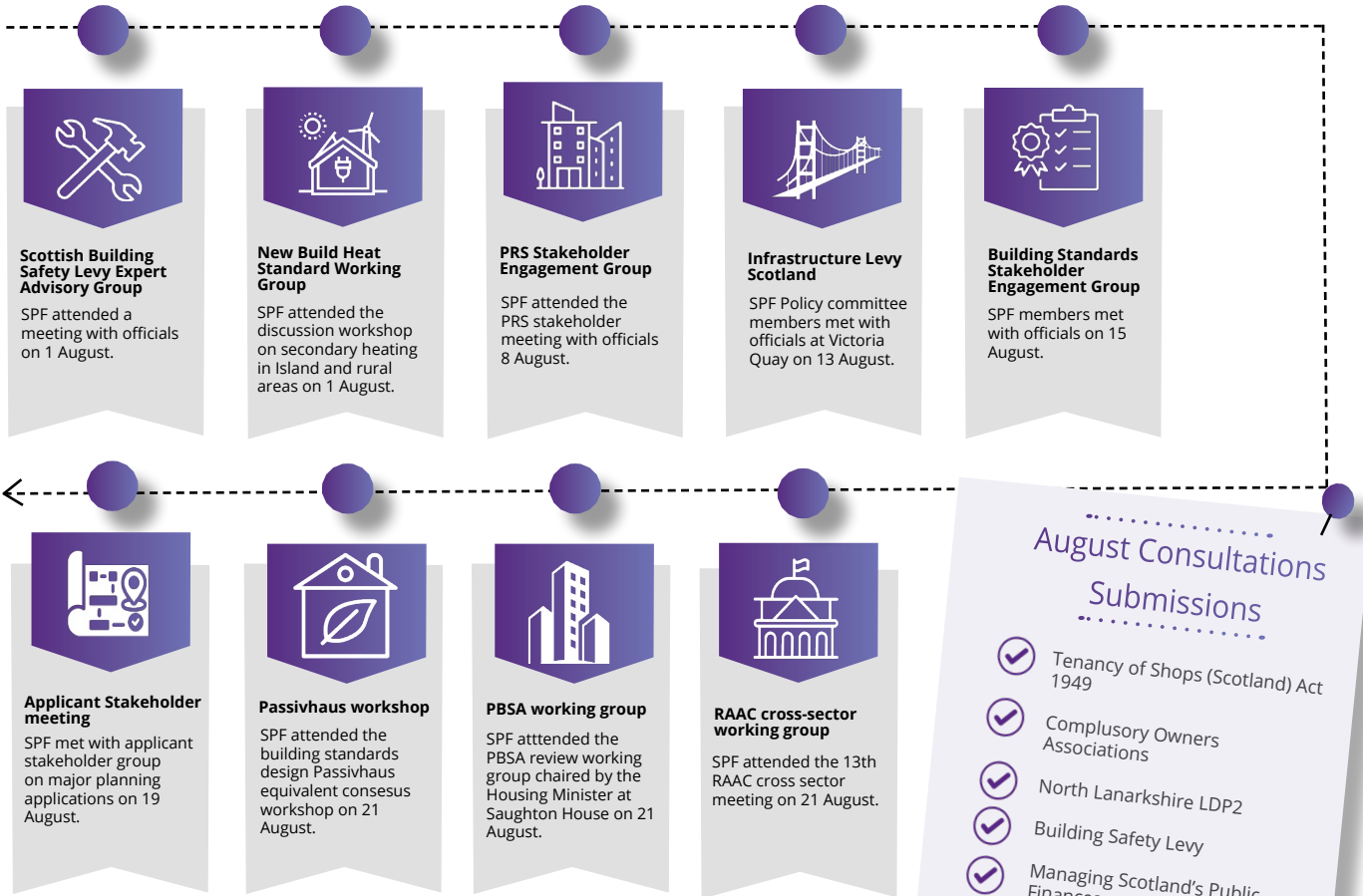
Edinburgh Lunch

SPF members met with the City of Edinburgh Council kindly hosted at JLL's office in Edinburgh on 21 August.



Key Engagements

Topics we discussed with the Scottish Government and local authority officials this month



August Consultations Submissions

- Tenancy of Shops (Scotland) Act 1949
- Compulsory Owners Associations
- North Lanarkshire LDP2
- Building Safety Levy
- Managing Scotland's Public Finances
- New Build Heat Standard discussion paper

Join us in celebrating the Eleventh

SPF Annual Dinner

**10
October
2024**

**EICC - Edinburgh
6pm-late**



Keynote Speaker

**The Rt Hon
Ian Murray MP**

The Secretary of
State for Scotland



After dinner speaker

**The Rt Hon
Michael Gove**

Former Secretary of State
for Levelling Up, Housing
and Communities



BOOK NOW

**Proud to be
sponsored by**



CBRE

