

CONTENT

SPF Annual Conference 2025	P2
Industry Insight	P3
SPF Policy Bites	P4
• Housing (Scotland) Bill	
• Building Safety Levy	
• PBSA Working Group	
SPF Snapshot: round up of our work	P5-6

Featured Industry Insight:

Is Scotland's real estate market set for growth in 2025?

Claire Monaghan
Partner, RSM



SPF VOICE

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Stuart Oag
Director, Drum Property Group

Welcome to the March edition of SPF Voice. As we look ahead to Quarter 2, I'm thrilled by the overwhelming response to bookings for the SPF Annual Conference, which is now sold out and set to be our largest yet!

We have an array of esteemed political and industry leaders attending including the Deputy First Minister Kate Forbes MSP, Professor Sir John Curtice and the Leader of Glasgow City Council Cllr Susan Aitken. I can also confirm that the Scottish Labour Spokesperson on the Economy, Business and Fair Work, Daniel Johnson MSP has been added as a speaker on our afternoon panel focusing on private-public partnerships. With the spotlight still on the Housing Bill, the Scottish Government's Housing Minister Paul McLennan MSP also returns to engage with the sector as the Bill begins detailed 'line-by-line' scrutiny at Holyrood.

The strong presence of local authority and government officials reflects our determination to improve collaboration between our industry and key political decision-makers.

This month, our notable engagements included the SPF team meeting with Highland Council in Inverness who remain positive on the strength of tourism and the development of the Green Freeport. In addition, our PBSA Working Group, comprised of key stakeholders in the sector, met with the City of Edinburgh Council to discuss the council's emerging guidance on student housing.

The SPF continue discussions with officials working on the Housing (Scotland) Bill, who assured us that striking the right balance in the Bill remains a top priority for the government. Time will tell. In the

meantime, Scotland remains in the grip of a housing crisis, and it is no surprise that the Quarterly Housing Statistics published this month reveals a 9% reduction in all sector house building starts compared to the previous year. We continue to highlight the significant challenges for development as the industry contends with a myriad of issues, including viability concerns, an increasing shortage of contractors, and uncertain policies such as the Housing (Scotland) Bill and the Scottish Building Safety Levy.

Our Industry Insight by RSM's Claire Monahan and our SPF team will delve deeper into these issues as you read on, but at least an encouraging example of the government listening—albeit the UK Government—is the recent announcement of a one-year postponement of the English Building Safety Levy, now set to be enforced from August 2026. This delay is a recognition that more time is needed to consider this complex issue and all the potential consequences arising from emerging policy. This will be a key issue for the Scottish Government to consider when developing their policy detail in the equivalent Scottish Building Safety Levy legislation, expected to be before Holyrood soon.

I look forward to seeing many of you at the conference next week and encourage you to come ready with your questions and opinions to make the most of the various Q&A sessions throughout the day.

Stuart

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Annual Conference 2025

TIC, Glasgow | 2 April

Growing Scotland's Economy

Headline Speakers

SOLD OUT



Kate Forbes MSP

Deputy First Minister
for Scotland



Sir John Curtice

Professor of Politics
University of Strathclyde



Cllr Susan Aitken

Glasgow City Council
Leader

Afternoon Keynote Speakers

Paul Mcari
Aberdeenshire Council

Stephen Booth
Aberdeen City Council

Panels & Speakers

Attracting Residential Investment

Paul McLennan MSP
Scottish Government

Robin Blacklock
More Homes More Quickly

Dr. John Boyle
Rettie & Co.

Jean-Marc Vandevivere
PLATFORM_

Sally Thomas
Scottish Federation of Housing
Associations

Commercial Investment in our Cities

Johane Murray
Brodies

Stephen Lewis
HFD Property Group

Nick Peet
Santander

Elliot Robertson
Robertson Group

Working Together: Partnerships for Growth

Jonathan Guthrie
Robertson Group

Robin Presswood
Dundee City Council

Kimberly Guthrie
Scotland's Town Partnership

Sarah Baillie
Addleshaw Goddard

Daniel Johnson MSP
Scottish Labour

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Claire Monaghan

Partner, RSM

Industry Insight

Is Scotland's real estate market set for growth in 2025?

Almost three quarters (68%) of property experts feel optimistic about the real estate market in the next 12 months, a 13% increase on last year, according to RSM UK's Real Estate 360 survey. Findings also reveal that 76% of businesses are confident in the market's prospects for growth over the next three years.

Claire Monaghan, partner and Head of Real Estate and Construction at RSM UK in Scotland, looks at the key themes arising from the survey and the opportunities and challenges for the industry.

Findings from our survey reveal that capital is said to be more readily available, which alongside an appetite for lending across the sector will stimulate activity. The housing shortage has attracted significant interest from private equity investors who are targeting build to rent and senior living rental models. Enthusiasm in Scotland continues to be dampened however by the Housing (Scotland) Bill.

The private rented and residential sectors were ranked highest by investors for most expected growth. However, there are still barriers to growth, with those surveyed identifying economic volatility as the biggest barrier (50%) for the third consecutive year, followed by additional tax restrictions (35%), business rates (33%) and political instability (31%). It's no surprise that tax restrictions are perceived as a key barrier, as real estate businesses feel that tax measures announced in the UK budget are holding the industry back from long-term growth. Interestingly, less than a fifth (19%) of

respondents cited planning obstacles as a barrier, which is significant given the government's recent update to the UK Government Planning and Infrastructure Bill.

Nearly a third of respondents (31%) think capital gains and land and buildings transaction tax (LBTT) should be reformed to increase investment. Increased tax rates in both the UK and Scottish budgets have heightened taxpayer anxiety and raised concerns about future tax rises. Increases in LBTT impact on the affordability and attractiveness of residential investment properties which can then exacerbate supply issues, with lack of capital gains tax reform stifling liquidity in the market. As a result, some landlords are looking to incorporate their property portfolios to benefit from more favourable tax on corporate profits, as well as full mortgage interest deductibility. Investors value stability and are more likely to commit to long-term investments when they have confidence in the tax environment.



UK investors and family offices have overtaken foreign investors compared to prior years which again could be indicative of perceptions regarding tax and legislative changes. The downturn in foreign investment could lead to a slowdown in developments which needs to be monitored.

“ Investors value stability and are more likely to commit to long-term investments when they have confidence in the tax environment.

31% of respondents consider the establishment of GB Energy in Aberdeen, as significant. It is anticipated that real estate businesses are likely to concentrate investment opportunities in the energy sector with projects involving data centres, renewables and a range of energy capture and storage solutions. 57% of respondents noted that the energy sector should be prioritised to support the UK's economic and net zero initiatives. Government can often lack the budget to bring its plans to fruition, meaning collaboration between the private and public sectors is essential paving the way for new funding vehicles to emerge, allowing investment in infrastructure to flourish.

SPF Policy Bites

Housing (Scotland) Bill Update

It is now a full year since the Housing Bill was introduced to the Scottish Parliament with the Bill having only completed the first of its formal Stages of parliamentary scrutiny. However, from an industry perspective this does not mean that the Bill has seen no progress and we expect to hear more of this from the Housing Minister on Wednesday 2 April at our annual conference. The government remains committed to amending its Bill to install a CPI+1% rent cap to a maximum of 6%. This will sweep away the current proposals in the Bill which could have introduced outright rental

freezes without any regard to wider factors. The Housing Minister has also committed to a consultation on the exemptions enabled by the Bill, which are not expected to be specified in the Bill itself but introduced via Regulations.

This consultation is due within the next few weeks and will run for 3 months. We believe it will include proposals for exemptions from rent control procedures not just for BtR and MMR, but also for older PRS properties under specified circumstances such as significant investment/evidence of under-

renting. If so, this will be a welcome step. While we are focused on encouraging and facilitating the development of new build homes for rent, if the older PRS sector continues to lose available homes for rent while investment is hopefully restarted in new build. The urgency of the wider housing crisis was again reinforced this week with another set of disappointing Housing statistics with new starts and completions significantly down in Scotland. It is clear that the need for clarity as well as encouragement for residential investment cannot come soon enough.



Building Safety Levy Update

The Scottish Government has been preparing the policy detail of the Scottish Building Safety Levy which is aimed at raising some £30m annually to contribute towards the government's residential cladding remediation programme. The intention is for the levy to apply to all forms of new residential development from 1 April 2026, though some exclusions will apply for affordable housing and smaller scale projects.

The Scottish Building Levy will largely mirror that of the equivalent Building Safety Levy in England. However, the approach to calculation and point of payment could differ in Scotland. For instance, the Scottish Government are yet to decide whether the tax will be calculated based on unit floor space - the approach taken in England - or the unit's market value. And, in a recent Scottish government stakeholder working group, officials mentioned they are also considering that the levy payment could be triggered as soon as the completion certification is issued.

While there is serious need to

rectify buildings with unsafe cladding, our concern is that the additional tax will place a heavy burden on house building at a crucial time when getting development out of the ground is already proving challenging.

We have raised concerns about developments, such as PBSA or BTR, that have the potential to deliver a large volume of homes at once. Developers may face a significantly higher levy upfront, despite not selling the properties, as these asset classes are often not built for immediate sale and are typically completed in a single phase. The challenge with valuations for PBSA and BTR developments lies in their reliance on long-term rental income rather than immediate sale prices, which can complicate levy calculations if based on unit value. Additionally, if a floor space approach is used, these developments often feature more communal areas, further affecting the levy's calculation.

Another key issue is whether the levy will apply to developments that have already received a building warrant or indeed are

under, or nearing construction, as this will likely impact their current appraisals and potentially the whole viability of the project.

While Scottish Government policy officials delve into the finer details of the legislation, the UK Government have just postponed the enforcement date of the equivalent Building Safety Levy in England by a year until Autumn 2026. This delay comes after mounting evidence that the levy may further disrupt housing delivery as developers need factor in levy costs before going through planning which they could not previously do so as rates details were not published until now. Also, of concern, was the lack of preparedness of the bodies responsible for administering and collecting the levy.

Given this recent change, the Scottish government will now be under pressure to also reconsider the enforcement date having also just this month declared a new £10m fund available to make cladding assessments for owners concerns of cladding in their building.

Regional Spotlight

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.



Inverness Engagements

A busy week of engagement in Inverness in the first week of March found SPF attending a Scottish Land Commission event on proposals for a Carbon Land Tax; a Harper MacLeod business breakfast for some 60+ local business representatives where we heard a positive outlook for £+100bn of potential investment in the region over the next 10 years. Also on 5 March, we organised a roundtable lunch kindly hosted at 360Architecture's Academy Street office for members and guests from highland Council where we enjoyed insights on the council's approach to infrastructure, development and investment in the region.

SPF's PBSA Working Group

In our last edition of SPF Voice, our Industry Insight by Savills' Craig Gunderson considered the changing dynamics of the PBSA market. There is arguably greater scrutiny of the PBSA market and indeed last year as well as a formal Scottish Government review. Despite wider residential market challenges in recent years, particularly for BtR, PBSA has remained strong with expectations of increased demand for student accommodation. Wider changes to international student policies as well as a growing concern with the scale and affordability of PBSA has however begun to question these expectations.

Indeed, Graham Simpson MSP has now lodged an opposition amendment seeking to include student lets within the scope of the rent control legislation proposed under the Housing Bill. Hitherto the

Scottish Government has not sought to bring student accommodation within the scope of the Housing Bill, but clearly the industry will keenly watch how the Committee will consider these proposals, as student housing becomes a more politicised subject.

However, the Housing Bill's PBSA amendments progress (or not), the City of Edinburgh Council has launched their expected consultation on the draft planning guidance for student accommodation on 27 February. This guidance will support policy development for PBSA under the City Plan 2030.

The guidance applies to new build, change of use as well as conversions. Key considerations of this consultation include a provision of at least 50% for housing including student for sites proposed for

commercial uses where the site's developable area exceeds 0.25ha. Proposals will be required to meet open space requirements separately for PBSA as set out in LDP Env 31, and housing as set out in LDP Env 32, ensuring accessibility to public transport and active travel routes, amenities for students to easily access. Critically, the guidance seeks no more than 10% studio flats and no adverse space impact on the surrounding character of the area. The guidance also classifies PBSA/student housing as separate from mainstream housing in the LDP. Edinburgh Council is also working on the early stages of the next Local Development Plan and CityPlan 2040. The current student planning guidance consultation as well as evidence from meetings with stakeholders will therefore also inform the first stage of the 2040 LDP evidence report.

Have your say!

City of Edinburgh Council PBSA Planning Guidance

Our PBSA Working Group met with the council on 12 March to outline initial industry views on the proposals in this guidance. This consultation is open until 23 May, and we will be making representation on behalf of our members so please send us your views on spf@bpf.org.uk.

SPF Snapshot: Our work at a glance

Committee Round-up

Residential and Investment Management Committee

This month, we held an ad-hoc committee meeting to engage with the Scottish Government's housing team. Our discussion directly followed the Housing Investment Taskforce (HITF) meeting that same afternoon, so it was a timely opportunity for members to hear updates directly from officials as Stage 2 of the Housing Bill has now begun in the Parliament.

We were assured that the government are treating the Bill as a top priority with the aim of striking the right balance between improving tenants' rights and enabling investment. Officials also advised that a report by the HITF alongside a consultation on exemptions will be published imminently. The discussion also focused on the PBSA review and the Building Safety Levy. A huge thank you to CMS for hosting the meeting at their Edinburgh office.

1

More Homes More Quickly Meeting

On 6 March we attended a More Homes More Quickly meeting with stakeholders from both industry and homelessness NGO backgrounds to share views and updates on the Housing Bill. The meeting heard that it was essential that the Bill's homelessness provisions were passed while; industry representatives highlighted the crucial need to boost supply and the availability of rental properties of all tenures.

3

The Scottish Government Passivhaus Workshop

The Scottish Government's building standards division has initiated a series of technical workshops to consider the fine details of the next stage of policy and regulations to improve energy standards for the built environment. This has included specific workshops to look at the level of challenge for new homes to meet Passivhaus standards. Our deep thanks to Michael McGurk of Michael Laird Architects for representing SPF in this busy series of workshops.

5

IPF Property Finance Seminar

We attended the IPF's seminar on the 2025 outlook for Commercial Property Finance. It was a great opportunity to hear a variety of perspectives including from an agent, investor and academic on the appetite for development in Scotland.

2

Building Standards Levy Working Group

This month we met again with the Scottish Government's working group on the Building Safety Levy. The group focused on the impact on businesses delivering residential development (including BTR and PBSA, expected to be within the scope of the Levy once it is introduced). A key focus was on proposals to mitigate or exempt the levy for SME developers.

4

Edinburgh Developer Forum

On 18 April, we attended the Edinburgh Development Forum and heard updates on Edinburgh Design Guidance, PBSA planning guidance, Code of Practice for Responsible Construction and insights on City Plan 2040's Economic Needs Study.

Our response:

Overall, we welcomed the direction of the Bill, expressing support for reforming the leasing system to provide greater clarity and certainty for both tenants and landlords.

We agreed with retaining tacit relocation as the default, while allowing parties the option to opt out. In terms of refinement, we proposed an amendment to Section 23(2)(b) to give parties the flexibility to negotiate terms that meet their specific needs, particularly for more specialised tenants such as pharmacies who may need longer notice periods from landlords to find alternate licenced premises.

Additionally, we called for clearer guidance on what constitutes a 'reasonable period' for landlords to remove tenants' possessions after termination, in order to prevent any unintended continuation of the lease.

You can view our response [here](#).



SPF RESPONDS TO LEASES (AUTOMATIC CONTINUATION ETC.) (SCOTLAND) BILL

This month, we responded to the government's calls for comments on the Leases (Automatic Continuation etc.) (Scotland) Bill. The Bill aims to modernise and clarify aspects of Scottish Commercial Lease Law with regards to continuation and termination.

Key Provisions of the Bill:

- The Bill seeks to standardise how leases continue beyond their initial term if neither party actively terminates them.
- The Bill outlines how notices to quit should be issued, specifying timeframes and formalities.
- The Bill addresses how commercial leases are handled upon expiry.
- It ensures tenants and landlords have clear obligations and rights concerning lease renewal or termination.
- The Bill promotes the use of straightforward language, making lease agreements more accessible to non-legal audiences.