



SPF VOICE

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STEPHEN LEWIS

SPF Chair

Managing Director, HFD Property Group Ltd

The recent decision of the UK Supreme Court that Holyrood does not have the power to call a second Scottish Independence referendum was possibly of little surprise to many commentators. However, it will no doubt heighten tensions between the UK and Scottish Governments again. The Scottish Government has clearly stated it will view the next UK election (within Scotland) as a de facto referendum. The continued constitutional dispute really increases the need for us to seek the best platform possible for investment, but the Supreme Court ruling does mean the proposed referendum date of 19 October 2023 is at least postponed until after the next UK General Election, expected in 2024.

“How can it be in investors interests to retain extensive void costs and forego rental income which is the lifeblood of their business?”

The Chancellor's Autumn Statement was also unsurprising with its mixture of tax increases and spending restrictions. The decision to freeze the English non-domestic rates multiplier for the next five years will inevitably focus attention on the Scottish Government's own NDR decision to be taken on 15 December. Normally we would expect to see a downwards move in the Scottish poundage rate following a revaluation – but these are changed times and if England's experience is a guide, then we may see redistribution of Rateable Values between asset classes such as industrial and retail rather

than major overall changes upwards. The draft RVs are produced on 30 November and this will provide a key indication of Mr Swinney's likely decisions come Budget Day.

This is not the only key issue facing the business rates system in 2023. Niall Rankin explains in our industry insight about wider reforms including the move of empty property rates policy to local government from 1 April 2023. This move will include vacant listed building policy as well. One day we may see politicians recognising that buildings run by the industry do not fall vacant by choice. We need to see some more constructive thinking within government at all levels rather than the tired and discredited notion that owners are deliberately choosing to leave buildings vacant. How can it be in investors interests to retain extensive void costs and forego rental income which is the lifeblood of their business?

We will continue to press for more enlightened thinking by government and perhaps the reality of deciding policy on their own vacant premises may inspire changed thinking by local government too.

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

MURRAY HORN

Senior Communications Officer

mhorn@bpf.org.uk



REGIONAL SPOTLIGHT

GLASGOW

Glasgow focuses on NPF4: A recent event with Glasgow City Council highlighted the potential impact of NPF4's changed affordable housing policy to look for a proportion of 25%. The question is how once adopted in the new year this will relate to existing policies without an affordable housing requirement, such as Glasgow. The city has also focused on its considerable number of commercial properties that are either little used or unlikely to be reused in their previous role (typically offices and retail). A recent study identified some 400 former commercial units that are likely to be re-purposed across the city which suggests considerable opportunities for leisure or residential use. The city is also reviewing its core retail offer (the famous Golden 'Z'). With proposals for changed uses prominent at both the St Enoch and Buchanan Galleries the scope for major change to the city centre is significant.

EDINBURGH

Edinburgh approves CityPlan 2030: After a long consultative process that ran the course of the pandemic, the City of Edinburgh Council has now confirmed its City Plan 2030 proposals. The plan calls for a major expansion of the city to the West, as well as a mixed development focused on the BioQuarter and the development of the Waterfront. The next stage will be for an examination of the council's proposals. City officials appear confident that they are in many ways ahead of NPF4 and the draft NPP, including policies designed to achieve 35% affordable housing contributions. The council has also introduced major new regulations to control short-term lets and is set to establish the first visitor levy once legislation is passed at Holyrood.

ABERDEEN

Aberdeen address Union Street retail: The one and half mile stretch of Union Street in Aberdeen has suffered from significant retail vacancies over several years. The council is now actively considering its options for intervention to rejuvenate the street. The challenge for retail is not confined to Union Street of course in Aberdeen or other urban centres, with the pandemic accelerating a move away from high street retail. Neither is the position of retail alone in facing challenges in the city, with older offices also at risk of long-term vacancy or conversion.

DUNDEE

Dundee seeks to grow student accommodation offer: A significant increase in PBSA is expected within the city as the Universities of Abertay and Dundee look for growth. The city has also succeeded in securing a major office development to be occupied by BT. With the long-term plan for the waterfront now maturing with both private and public sector major occupiers committing to the city centre, the enhancement of the wider public realm in the city is a key component of the recently released Invest Dundee Plan. Indeed, the protection of employment from office occupiers is a core component of the vision for future investment in the city.



INDUSTRY INSIGHT

RATES REVALUATION 2022

Niall Rankin

Business Rates Director - Scotland

JLL

If every Rates Revaluation brings with it a flurry of excitement amongst Rating Advisors this one will bring something of a 'triple-whammy'; the release of Draft 2023 revaluation assessments on 30 November, the April 2023 Abolition of Empty Relief policy and a new front-loaded Appeal process.

Revaluation winners & losers

Statistics in Rateable Value (RV) shift in England and Wales could give us some early insight to changes in Scotland:

- Scottish retailers will hope that RV reductions are likely to be more amplified than the 10% reductions witnessed in E&W.
- The Industrial and Logistics sector has seen an increase of 27%. Prime space in Scotland is expected to show similar uplift.
- Offices in E&W have shown growth of broadly 10%. RV shift in Scotland for the same sector could vary significantly; from 40% uplifts in Edinburgh to 30% downturn in Aberdeen.

A new Appeal System has been devised which is enough to give most property professionals an aneurysm; for health reasons we are prohibited from publishing the offending flow chart. Some of the more cynical amongst you might suggest that its primary purpose is to discourage challenges to the Rating Assessments.

Abolition of Empty Rates Relief

Whilst some of us have been aware that Scottish Empty Rates Relief powers will be localised from April 2023 many in the property industry have been blissfully ignorant of the mechanics and implications. One thing we can say with certainty of is that Scottish policy on Empty Property Relief will cease to exist come 31 March 2023.

It may come as a surprise to many that from 1 April 2023 each Council must devise its own local Empty Relief Policy with all reliefs and durations up for grabs, potentially giving rise to 32 different Scottish Empty Relief policies. There is no formal deadline date by which Councils must declare their local Empty Relief policy so if, for whatever reason, a Council omits to make any decision the default position is that 100% rates will be chargeable. Spare a thought for the ratepayer who could be suddenly hit with a demand for full rates on an empty property where none may have been payable.

Ratepayers who fail to take expert advice could find themselves sleepwalking into a financial minefield.

**Search the Draft 2023
Valuation Roll here**



SPF DISPATCHES

WHAT THE AUTUMN STATEMENT MEANS FOR SCOTLAND

This year, the UK's Autumn statement followed one of the most turbulent periods in UK politics, added to a loss of confidence for the UK from the financial markets, and a cost-of-living crisis that has culminated in a soaring 40-year high inflation rate.

While many of the new measures in the Statement are not directly applicable to the devolved administration, what does the Chancellor's new budget really mean for Scottish real estate? Freezing the rates multiplier for 2023/24 and increasing the relief to 75% of rates payable for businesses up to £110,000 is a welcome gesture for many smaller businesses across England. The Scottish Government will be under pressure to find similar policies to avoid deterring investment.

Lacking from the budget was an extension of the energy bill relief scheme beyond March 2023 that's currently applicable to non-domestic customers in Scotland.

Similarly, the anticipation of an announcement for green free ports in Scotland was met with disappointment as that too was excluded from the budget. More promising was the announcement of Round 2 Levelling Up funding for the UK of £1.7bn and the repurposing of investment zones which it was feared would be lost entirely.

It remains to be seen how credible the Chancellor's pledge to make the UK into the next 'Silicon Valley' but, in any case, a commitment to regional development and investment zones are a welcome vision that will hopefully attract further private investment. Holyrood will now be closely watched as it plans to deliver a budget review on 15 December.

EMERGENCY RENT CAP LEGISLATION

In our previous edition of Voice, we expressed concerns about the impact of the Cost of Living (Tenant Protection) Act on the industry having reduced investor confidence and paused future investments particularly in the Built-to-Rent and Housing Associations sectors.

The SPF met with the Scottish Government on 1 November and made clear to officials the unintended consequences of the legislation – namely the impact it will have on the supply of rented housing. Developers are fearful that an extension of the legislation will only dissuade further investment which will have knock-on effects on supply of quality new housing. We believe this will add upward pressure on rental values as strong demand for rented housing continues to outstrip supply.

This is an important consequence also highlighted in recent research conducted by the Scottish Parliament's Cross-Party Group (CPG) on Housing. The CPG's report on rent controls found that a rent freeze was the most stringent of policies expected to generate a mass exit from the industry by landlords which would subsequently increase demand on social housing and disincentivise investment in rented sector.

As we approach the first review period of the emergency legislation that covers 28 October to 31 December, the Scottish Government has invited the SPF to express our views on the impact of measures in both written submission and direct meeting format. It is expected that this first report will be laid before Parliament in advance of 14 January 2023, so we should have a clearer idea by then, of how likely the measures are to be extended.



SPF EVENTS 2023

THE SPF ANNUAL CONFERENCE 2023 REDEFINING REAL ESTATE FOR SCOTLAND

WEDNESDAY 19 APRIL 2023
SEC, GLASGOW

Contact SPFEvents@bpf.org.uk for more details

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THURSDAY 12 OCTOBER 2023

EICC, EDINBURGH



Contact SPFEvents@bpf.org.uk for more information

SPF DISPATCHES

REVISED NPF4 PUBLISHED

On 8 November, the redrafted National Planning Framework 4 (NPF4) was laid by Tom Arthur MSP before the Scottish Parliament, supported by an explanatory report. The much-anticipated NPF4 was formulated with engagement from stakeholder consultations, not least from the Parliament's previous consideration of NPF4.

It is a considerably more focused and detailed document; it encompasses a new National Planning Policy (NPP) that will act as the policy basis for the consideration of planning applications by local authorities. The report sets out a national spatial strategy plan reflects the which brings together cross cutting priorities with three core principles of Sustainable places, liveable places and productive places. There are also eighteen national developments spread geographically across the country. These National Developments will be supported by regional spatial strategies (RSS) and LDPs.

On 15 November, the SPF met with Scottish Government officials to discuss the re-draft of NPF4 and our wider membership planning and development committee will also meet with officials. The meeting presented an opportunity

to reflect initial views of members around implications of the new planning regulations. This included clarifying the expected timeline and adoption of NPF4, which may have implications (for example on affordable housing requirements) for live planning applications.

The government is also keen to hear our views on the NPF4 Delivery Programme which focuses on the work of the high-level group in relation to planning performance and resourcing and the proposed Planning, Infrastructure and Place Advisory Group. We anticipate further consultation in the new year on Regional Spatial Strategies. It is clear that after a period when covid delayed the progress of the government's transforming planning agenda, that the impetus is now back to deliver the 2019 Planning Act reforms.

The question, as ever, must be on the resource available for local authorities to deliver the substantial range of new demands required by that act while improving the planning service more broadly. The private sector too has a considerable number of additional burdens that stem from that act, and how these new demands will work together with increased costs and regulation will be an open question.

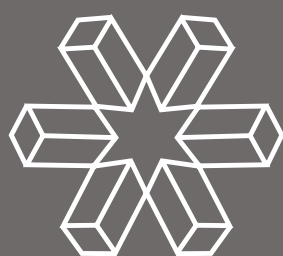
GREEN HEAT FINANCE

The Scottish Government has set up a Green Heat Finance Task-force under its Heat in Building Strategy to set out alternative sources of funding and financing for heat decarbonisation. As a part of this process, the Scottish Government is engaging with businesses and industry representative groups, including the SPF, on financial mechanisms that would help to fund the retrofit of non-domestic properties in Scotland.

The Scottish Government has limited data for commercial properties - compared to the residential sector - and officials at the meeting recognised that there were a complex range of tenures, ownership, size and use within the sector. The government also noted that it is continuing its work on reforming the Energy

Performance Certificates (EPCs) for the non-domestic sector. Industry representatives present suggested that financial mechanisms like interest free green loans, green bonds, tax incentives, and allowances for investment into green technologies and R&D, could boost improvements to energy efficiency and accelerate the adoption of zero direct emissions heat sources.

Feedback from the meeting and subsequent engagements will feed into an interim report on Green Heat Finance that is expected to be released in March 2023. The final report will come out in September 2023. Additionally, the Scottish Government is going to hold further consultation on EPC and related regulations in due course. If you have comments on any of the above topics, you can reach out to us at: spf@bpf.org.uk.



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