



SPF VOICE

March 2023

INSIDE THIS ISSUE

Chair's Column
Industry Insight

Regional Events
BPF Futures

SPF Dispatches
Research
Annual Conference



Stephen Lewis

SPF Chair

Managing Director, HFD Property Group Ltd

Will the new First Minister see the value of business?

The leadership election was perhaps closer than many thought with Humza Yousaf winning with 52% of the redistributed vote compared to Kate Forbes 48%. It is, without doubt, a watershed moment for the SNP-led government as not only Nicola Sturgeon but also John Swinney have stepped down. Mr Yousaf has appointed the experienced Shona Robison as his Deputy FM. The Ministerial shake up means we have a new Planning Minister, Joe FitzPatrick MSP, who takes on the planning brief at a crucial time as NPF4 is implemented. We welcome the appointment of Paul McLennan MSP as Housing Minister. Paul has a very good knowledge of the industry and is well known to many members. However, in a broader sense the direction of policies committed to are expected to remain as they were with the continuity of the SNP-Green Agreement for Government.

The new FM has a daunting set of tasks. Scotland's economy like the wider UK is barely treading water and this offers little room for building the wider improvements to infrastructure, delivery of new homes and rejuvenated town centres, let alone investing in retrofitting the vast majority of our built environment. We need the government to understand that no public sector alone can answer to these mix of challenges and that the private sector, if supported appropriately, can bring solutions and investment.

Recent SPF events with public sector partners in Edinburgh, Glasgow, Inverness and Dundee confirm for me two specific issues of policy are I know of key concern to many of you. The continued rent cap/eviction moratorium for the private rented sector and the commitment of the Scottish Government to

introduce a permanent form of national rent control, with some local authority flexibility. And second, the devolution of empty property rates and its implications for vacant listed buildings in particular. I am grateful to members in Aberdeen for supporting our recent question-and-answer event with the city's Co-Leaders, Ian Yuill (Liberal Democrats) and Alex Nicol (SNP). We may not have agreed but the dialogue was constructive, and we will look to repeat this format in the future as it provided members the direct opportunity to make points to local decision makers.

“the private sector, if supported appropriately, can bring solutions and investment”

We are of course very close to the SPF's annual conference on 19 April. We have had an excellent industry and indeed public sector level of support and interest with just over 200 delegates expected at the time of writing. Our mix of political, government and industry experts will cover your key issues and offer you the chance to directly get across your concerns and perspectives. I look forward to seeing as many of you as possible on the day.

Regards,



INDUSTRY INSIGHT



A Need for Evidence Based Policy Making

Industry Insight

David Fraser

Partner, Head of Agency and Development
Ryden

As we move into the second six month period of the Cost of Living (Tenant Protection) Act, evidence is beginning to emerge of the impact of the legislation on investors and tenants alike. There has been a clear drop in appetite for investment in Scotland for build-to-rent. This investment crunch has a knock-on consequence for the funding of mid-market and other affordable housing models. The initial response by the investment community to the emergency legislation to freeze rents and impose an eviction moratorium was to pause investment activity and it is not certain how quickly or indeed if this investment will return. The SPF estimated from member feedback that some £700m of investment was frozen or lost, representing just under 4000 homes. This figure may well be an underestimate considering Get Living announced their £200m scheme in the Merchant City in Glasgow is currently on hold.

There is also already a suggestion that in-between rents within the private rented sector (PRS) have seen significant rises in rents and this is likely to continue if there is further government intervention in the rental market. Estimates vary, but rental rises of between 10% and 14% are suggested to have occurred in late 2022. This is an increase on the trends that had hitherto been seen in the sector. It is feared that the continued lack of availability of properties for rent will continue to apply upwards pressure on rental values as the demand for property continues apace.

The Scottish Government's second Housing Bill of this Parliament is due to take forward the New Deal

for Tenants consultation made last year, and this period will therefore be keenly watched by investors, funders and advisers. As the SPF has reported in its Weekly Update, the Scottish Government's PRS team have begun engagement on the shape of a national form of rent control (with local flexibility). Opening discussions have focused strongly on the need for robust data and evidence, with a call for wider inter-government consideration of the impact on investment and supply.

"the lack of availability of properties for rent will continue to apply upwards pressure on rental values as the demand for property continues apace."

While much industry focus has been on the government's intervention in the PRS market, there is also a separate strain of policy development ongoing for the purpose-built student accommodation (PBSA) sector. As with many other parts of the UK, PBSA has become a major area of investment as the higher education sector has grown. There have been some controversies with communities concerned at the scale of PBSA at times, and student bodies have also voiced alarm at the lack of 'budget' student accommodation available, as opposed to high end accommodation based on studios. The Scottish Government commissioned research on the PBSA market in mid-2022 and reported its analysis of this research last December. This has fed into an analysis of the PBSA sector that focuses on supply and affordability, student rights as tenants and the required support by providers and institutions. A key demand from students is the ability to exit student lets on the same basis as the wider Scottish Private Rented Tenancy. The concern with this is that for a closed market (students), a void room could then not be openly marketed because it could only be let to another student. Government officials are considering feedback from a range of stakeholders on these issues and expect to draw up advice to Ministers soon. This could well form part of the second housing Bill alongside the wider reforms to the rented sector.



The Scottish Government is expected to publish its second housing Bill in early Autumn.

SPF REGIONAL EVENTS

Highlands

We held a working lunch with members in March. It was a good opportunity for members to discuss matters facing the industry in the Highland area. Notable points included wider infrastructure challenges for the area such as the need for new road extensions, planning constraints for the town centre and the opportunities as a result of the Green Freeport announcement.

Aberdeen

At the end of March, we held a panel Q&A event with the co-leaders of Aberdeen City Council. This format of event was a first for us and was a great approach to facilitating dialogue between the public and private sectors. The Council were challenged on their decision to reduce empty property rates relief for vacant properties including listed buildings. Other topics included the future of the high street, inner city living and the difficulties in converting listed buildings.

Glasgow

In early March, SPF hosted a working lunch with Glasgow City Council and SPF members. The discussion focused on affordable housing requirements, pressure within the student housing market as well as the Council's aspirations for city centre regeneration. We were reminded of the ongoing housing strategy consultation which will help to inform the Council's plan and priorities for its housing strategy over the next five years.

Edinburgh

Earlier this month, SPF held a regional working lunch in Edinburgh with members and the City of Edinburgh Council. Key topics included the supply of student accommodation and the overall impact of the rent cap on residential development as well as the ambitious plans for the regeneration of the city centre including both George and Princes Streets.

BPF FUTURES

Mentorship Scheme 2023 -2024 Opens for BPF Futures

Two-way mentoring

Applications to join the BPF Futures Mentoring Programme will open on Monday 3 April which pairs young-in-career property professionals with senior peers and leaders across the sector. It is an opportunity for both mentors and mentees to reap the rewards of sharing knowledge and learning from one another – a process known as two-way mentoring. As a mentee, Futures members can benefit from support and contact with senior professionals to help accelerate their development within the industry.

We also encourage any senior SPF and BPF members to join as a mentor with the view to unlocking the potential of a mentee and to provide the mentee with inspiration and guidance. If you would like more information or a mentoring programme information pack please contact futures@bpf.org.uk



Applications open Monday 3 April and close
Wednesday 31 May 2023

New positions announced for BPF Futures Advisory Board 2023-2023

We are delighted to welcome Madeleine Rogers, Grace Pinault, Olivia O'Sullivan and Kirsten Hald onto our BPF Futures Advisory Board for 2023-2024. Two new positions have been created to represent BPF Futures in the regions and public sector.



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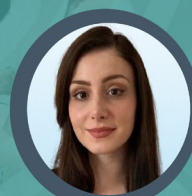
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BRODIES

REGIONS



KIRSTEN HALD
COLLIERS

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SPF DISPATCHES

Consultation opens on Green Free Port LBTT

A new **consultation** on changes to Land and Buildings Transaction Tax (LBTT) has begun which would propose full or partial relief from tax on non-residential buildings within designated Green Freeport sites for up to a period of three to five years. The level of relief qualified would depend on the percentage of how much land or buildings sits within a Green Freeport boundary. Any land or buildings which covers over 90% of the designated site would be exempt from LBTT and those with 10-90% of land or buildings in the area would qualify for partial relief. Councils will also be helped by the Scottish government to provide business rates relief for those operating in a Green Freeport zone. The proposal comes after the recent announcement that Scotland will host two Green Freeport sites in Inverness and the Cromarty Firth, and the Forth region as part of the UK government's levelling up agenda agreed with Scottish Ministers. Alongside LBTT changes, the zones will also benefit from lower rates of national insurance and import tariffs in an attempt to incentivise investment in underdeveloped regions.

Empty property rates relief cut in Aberdeen as devolution implemented

From 1 April the policy of empty property rates relief, including vacant listed property rates relief, is devolved to local government in Scotland. This devolution has already led to sudden and controversial changes in policy in Aberdeen City Council where arguably the biggest effect of the devolution is to remove the full relief that had previously been available for vacant listed buildings by these authorities. This has led to sudden and significant rating liabilities for many owners with less than a month's notice in some cases. It is not the answer to the question of returning often complex and challenging buildings back into effective use. Other authorities, such as Edinburgh, have chosen to consult before proposing reforms which is welcome and we will seek member views as these proposals become available.

Engagement underway on future rent cap policy

As we move into the second period of emergency legislation rent controls for existing private rented sector (PRS) tenancies, the Scottish government has initiated engagement on the shape of the future form of rent control. This is due to be introduced as part of the forthcoming housing bill, expected to be introduced in September, and is a core part of the Bute House Agreement between the SNP and Scottish Greens. With the confirmation of the continuing coalition between the two parties following Humza Yousaf's election as SNP leader, we can now expect this policy to move forward at pace. It is expected that the permanent form of PRS rent controls would include 'some local flexibility' for local authorities to apply localised rent control measures. The engagement group established by the government includes SPF and other industry stakeholders and is expected to meet every six weeks until the end of August. Further information can be obtained from spf@bpf.org.uk

Glasgow's New Housing Strategy

Glasgow has published their draft local housing strategy for next five years and it is open for consultation until 2 April 2023. This comes at a crucial time when one of the pressing issues faced by Glasgow City Council is the pressure of the housing supply, especially on affordable housing. The Council claims that they never had an affordable housing strategy as most of the houses have been 'affordable' but now to comply with newly adopted National Planning Framework 4 requires the Council to reach the benchmark of 25% affordable housing. There are approximately 110,000 homes provided by Registered Social Landlords (RSLs), among which 98% are socially rented homes, 1,900 are affordable homes, and just over 1,500 are mid-market rent homes. Clearly, these numbers are not sufficient with the increasing demand in the rental market. The Council needs to assess their criteria of 'affordability' and the delivery plan to address the housing crisis. We will continue to voice industry's support in delivering the plan by suggesting a partnership with the private sector to achieve the goal of delivering 13,000 homes in next five years.



SCOTTISH PROPERTY FEDERATION TEAM

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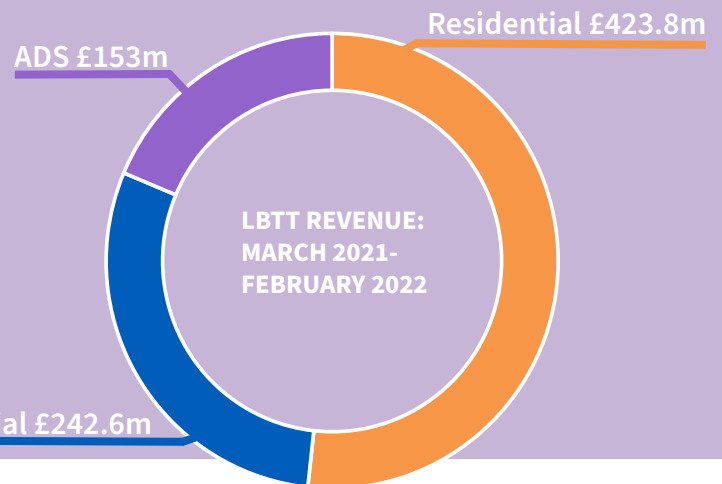
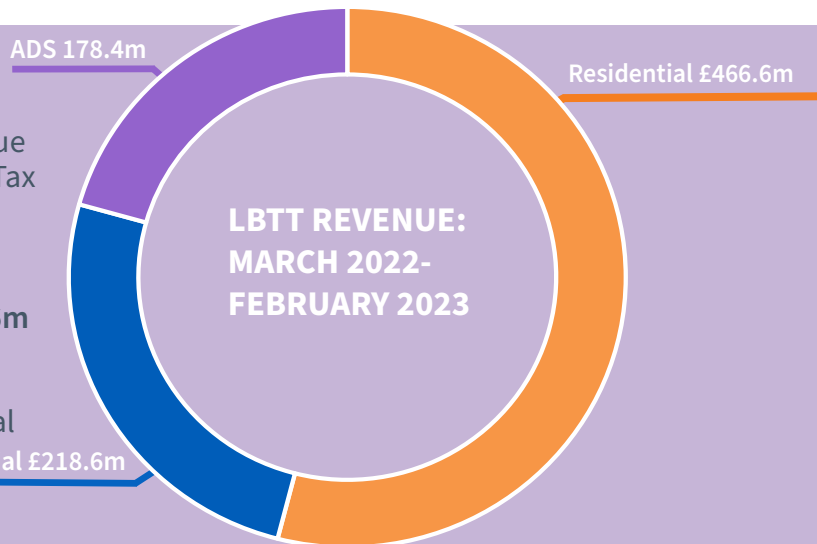


SHARE OF TOTAL LBTT REVENUE

The SPF has analysed the latest data from Revenue Scotland on the Land and Buildings Transaction Tax (LBTT).

In the last year, from the period of March 2022 to February 2023, the total LBTT income was **£863.6m** - a stronger year for revenue for the Scottish Government compared to the **£819.4m** received between March 2021 to February 2022. Residential transactions are also up by **10%** in this period, while non-residential transactions in the last year have fallen by **9.9%**.

The revenue from the Additional Dwellings Supplement (ADS) is **16.6%** higher in this period compared to the last. From the 15 December 2022, the Scottish Government increased ADS from 4% to 6%. Whilst the rate of ADS revenue is slightly higher this February compared to February 2022, it is unclear to what extent this will impact the LBTT revenue going forward. In any case, we are still seeing an increase in ADS in this 12 month period (March 2022 to February 2023) compared to the last (March 2021 to February 2023). We will revisit this data in the next six months to determine any trends.



TOTAL ADS REVENUE FOR RESIDENTIAL AND NON-RESIDENTIAL TRANSACTIONS

Total ADS revenue for all residential and non-residential transactions increased by **16.6%** between March 2021 and February 2023.

£178.4m

March 2022 - February 2023

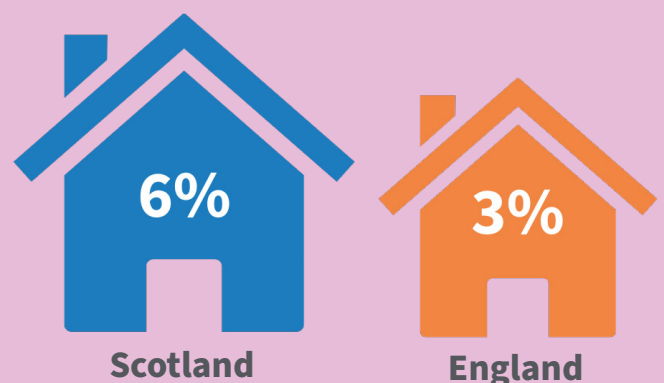
16.6%

£153m

March 2021 - February 2022

ADS / SDLT COMPARISON

ADS was introduced in Scotland in 2016-17 and has since increased from 4% to 6%. It is a surcharge which applies to the purchase of secondary dwellings that are worth more than £40,000. A fee of 3% above the normal Stamp Duty Land Tax (SDLT) is also charged in England on second dwellings over £40,000.



SPF EVENTS 2023

The SPF Annual Conference 2023

Redefining Real Estate *for Scotland*

REGISTER
TODAY

Wednesday 19 April 2023

Scottish Events Campus, Glasgow

Contact SPFEvents@bpf.org.uk for sponsorship opportunities

~ Save the Date ~

The Tenth SPF Annual Dinner

Thursday 12 October 2023

EICC, Edinburgh

