



SPF VOICE

MARCH 2024



TO LET

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Creative Places for a New Economy



SPF

Technology & Innovation Centre,
University of Strathclyde, Glasgow

Wednesday 24 April 2024

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Maria Francké
SPF Chair
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Look North!

It is a pleasure as SPF Chair to meet and greet industry and public professionals from across Scotland, and last week I was delighted to host a meeting of this kind in Inverness at ThreeSixtyArchitecture's fantastic Academy Street office. A huge thank you to Rory Kellett for his super hospitality and insights on the day. Many challenges related to the town centre markets, on retrofit requirements and the planning services are familiar – but what is different is the context. The Highland Region in its own right is a third of the size of Scotland and over 11% of the total area of Britain. The natural beauty and stunning scenery of the Highlands need little rehearsal here but this does bring with it particular challenges of infrastructure and services, public and private. But it also has a transformational initiative with the Inverness and Cromarty Firth Green Freeport which has clearly built significant momentum and investment in its early days and it is vital that this is supported by both governments as well as Highland (clearly happening) and private sector.

Planning, the transition to a sustainable built environment, a modern real estate industry, residential investment and revitalising our towns and cities are all core topics we address at this year's Creative Places for A New Economy themed annual conference, at the University of Strathclyde's Technology and Innovation Centre. With keynote speakers and panellists including two Scottish Ministers, Patrick Harvie MSP and

Paul McLennan MSP as well as John Alexander, Leader of Dundee City Council and Chair of the Scottish Cities Alliance on our panels, I am sure we will have an informed and influential series of debates. In addition, with Scottish Labour's Daniel Johnson MSP (business and economy spokesperson) and Mark Allan, our BPF president and Landsec CEO, I am delighted with our range of speakers contributing to this year's event.

I am also delighted to be working with our headline sponsors Robertson Group and Ocean Terminal on the day, and our local authority exhibitor partners Invest Aberdeen, Invest Dundee, Invest Edinburgh and Invest Glasgow. These events cannot happen without the support of sponsors and exhibitors and their participation ensures an excellent networking and engagement opportunity for delegates. There is more detail on our upcoming annual conference within this newsletter but I do hope to see as many of you as possible on the day.

In the meantime, best wishes for a prosperous and successful Spring season!

Warm regards

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INDUSTRY INSIGHT



Abertay University: Building a Campus for the Future

CULLEN WARNOCK
Chief Estates Officer
Abertay University



Abertay University is building a campus for the future where the physical environment will match the quality of teaching, research and innovation, and the institution's globally-renowned excellence in technology.

The competition in Higher Education for students and staff has never been greater and this demands versatility in our approach to providing a learning and research environment which matches our aspirations to attract the best and brightest students from our local and international communities.

This is done against the backdrop of an increasingly pressured funding environment which requires universities to work even harder to stand still, and also a wider need for collaboration between sectors.

So how, then, do we progress and ensure our built environment and facilities match what's expected by students from across the world?

Through our involvement in the Tay Cities Region Deal we've already been able to add innovative, design-led spaces to our campus, thanks to funding from the UK and Scottish governments, with Abertay cyberQuarter developed as a new home for R&D and innovation for the Scottish cybersecurity sector.

The centre aims to increase technical problem solving for industry and provide opportunities for industry-academia interaction and collaboration, providing a physical space for experimentation and infrastructure for specialist online activity and knowledge exchange. In addition, in recent years we've found funding routes to create new or refreshed teaching spaces, while also enhancing the external aesthetic and energy efficiency of our buildings, and bringing forward new lab spaces for specialist research, such as our Virtual Production Research Environment for the film, TV and theatre industries.

These spaces have been designed to align to the excellence of Abertay – reflecting our current ranking as a UK top 10 university for student satisfaction with teaching and our place among the top three modern universities in the UK for research intensity. Additionally, our School of Design and Informatics is a global leader in games design, currently ranked at the top International School by the prestigious Princeton Review, extending our long-standing track record as Europe's top-ranking games university.

Abertay has a prominent city centre location which gives it a unique quality, with the water to the south of

the city and hills to the north. As an anchor institution we take seriously our civic mission obligations in collaboration with Dundee City Council to renew the attractions of the centre in the wake of the pandemic, and to help the Council and local businesses 'earn the commute' back to the city. But what can we do to underpin this principle? The answer lies in connecting region wide opportunities with infrastructure.

Infrastructure is fundamental to growth at organisational and societal level and at Abertay we are leading the way with a pioneering project to deliver a low carbon heat network. The project has the potential to serve our campus and also catalyse a city-wide network, contributing to both the University and the Council's net-zero ambitions. At a time when we all continue to face increasingly complex and dynamic challenges, from tackling net-zero to the cost-of-living crisis, this ambitious project lands at a pivotal moment.

Our advanced strategic business case and a delivery plan includes engagement with the Scottish Government's Heat Network Support Unit and we have developed proposal for a campus wide heat network that will allow ready expansion into the city, in line with Dundee's Climate Action Plan.

Supporting the heat network plans, our linked estates vision for a Health and Wellbeing Hub on campus has the potential to impact on the socioeconomic issues of the city, while also supporting the needs and aspirations of our students, staff and stakeholders.

The key point here is that to deliver these plans will require multistakeholder engagement and strong partnerships with the private sector. Funding, skills, capability and cultural change are all needed in abundance to make these happen, the challenge is they are in short supply.

Crucially, it needs commitment at a local and national levels to ensure objectives are aligned on government policy such as Just Transition. Furthermore, the investment path must be made easier.

Private and institutional investors need a national and local government real estate strategy which strengthens confidence in regional investment in Scotland. Clarity on outcomes, beneficial exit routes and mutual objectives will attract investment – but we need action and more joined-up thinking to make this happen.

The opportunities exist and Abertay University's track record of delivery is a case in point - the challenge is ensuring the door is open wide to collaboration and investment.

HOUSING BILL UNVEILED

After multiple consultations and engagements, yesterday (27 March) the long-awaited Housing Bill was introduced to the Scottish Parliament. Although our primary focus will be on the rent control sections there are key wider elements of the Bill such as dealing with evictions, property modifications and keeping pets, joint tenancies, homelessness measures and the registration of letting agents. Below we have provided a short summary of what the Bill entails but keep in mind that a lot of the detail is yet to be published via secondary legislation.

Designation of rent control areas

The Bill proposes a nationally uniform approach to the consideration of rent controls but for the regulations to be locally applied. Local authorities will be required to conduct an assessment on rents in their area (every five years) with the Bill mandating the first report by November 2026. Ministers are then obliged to review the assessment, consult stakeholders and make a decision regarding whether to designate a rent control area for that local authority. There are provisions where the rent might be increased above any nominated rent cap in specified circumstances, as was the case with the Cost of Living emergency legislation.

Rent Increases

In a rent control area, there will be a limit on the amount that rents can be increased where rents will be restricted both during a tenancy and at the start of a new tenancy. Landlords can only freely set the rent at open market level if the property is new to the market (i.e., never previously been let by them) or purchased with vacant possession. Scottish Ministers are mandated to regularly review the level of the rent cap.

Frequency of rent increases

In a non-rent control area, rents cannot be increased in the first 12 months of a tenancy. In a rent control area, rents will be limited to one increase every 12 months even if the tenancy changes.

Capping of Rents

The policy objective here is to remove the risk that when tenants seek rent adjudication that rents could be raised higher than initially proposed by the landlord. The Bill includes an amendment so that the rent set either by the Rent Officer or Tribunal is lower than either the open market rent or the rent proposed by the landlord.

Evictions

The Bill sets out a limited number of circumstances in which there can be a delay to the enforcement of an eviction such as in cases of seasonal pressure, exam and religious periods.

Pets and Property Modifications

The provisions include a right for tenants to request to keep pets and make modifications to the property, and for this not to be unduly refused. Further guidance including the reasonable grounds for refusal / approval will be determined via secondary legislation.

Tenancy Deposits, Letting Agents & Joint Tenancies

In this section, the Bill proposes for unclaimed tenancy deposits to be ringfenced to support tenants. The Bill also amends existing letting agent registrations and make amendments to joint tenancies where one tenant can end the joint tenancy for all.

HOT OFF THE PRESS

What's next?

Whilst the Bill provides a framework for these policies much of the detail is yet to be determined via secondary legislation. Now that the Bill has been introduced, it will follow a 3-stage process where the Parliament will consider its provisions in principle before deciding if it should be passed onto Stage 2 which is where amendments can be proposed and details amended by MSPs.

In the meantime, this leaves the industry with continuing uncertainty around how exactly the detail of the rent control policies will be carried out. But at the same time, it provides opportunity for our industry to engage further with the Scottish Parliament to influence this detail. In particular, the proposal for rents to be tied to the property once a tenant vacates is a serious concern that we believe will deter investment in the supply of new rental accommodation. In addition, the Bill puts a huge onus on local authorities and raises significant concerns around the resourcing capacity and access to quality data to conduct an accurate assessment on rent conditions. The introduction of the Housing Bill clearly marks a significant point in the Scottish government's intentions for rental reform. However, we are disappointed that the Bill does not address the crux of the issue – increasing the supply of rental accommodation. Without a significant increase in the supply, we cannot begin to tackle affordability. One former SPF Chair sums this up concisely:

“ The Bill is as anticipated but is nevertheless disappointing.

We are in the midst of a housing crisis yet there is nothing within the bill that does anything to facilitate the provision of more homes more quickly - quite the opposite.

In particular, the introduction of rent setting between tenancies is likely to have a significant adverse effect, both pulling the plug on existing supply while turning off the taps to new investment.

”

- Robin Dowbrae, Dowbrae Real Estate Consultancy

Our regional engagements

Inverness

On 20 March, SPF members met at ThreeSixtyArchitecture's Academy Street office to discuss development and investment opportunities in the Highland region. A key part of the meeting focused on the Green Freeport for Inverness and Cromarty and the impetus the Port has already had in attracting major investment. More broadly the meeting considered the urgent need for housing and a range of essential infrastructure improvements across a range of transport, education and health.

Glasgow

Glasgow City Council formally launched their UKReiif programme at an event held at 7 Merchant House, Glasgow on 18 March this month. Glasgow has been a strong presence at UKReiif in its first two years and senior GCC officials are already earmarked to speak at several events during the conference. Meanwhile ARUP recently hosted a strongly attended conference including SPF on the Clyde Metro ambitions for the Glasgow region where the principal of placemaking connected to transport was strongly advocated.

Edinburgh

On 8 April a consultation will close on managing Edinburgh's World Heritage Site which includes questions ranging from climate change adaption to managing new developments within the WHS area. The Edinburgh Development Forum, where SPF is represented, also met in March to hear from Councillors, charities, the Housing Minister and expert analysis from Rettie's Dr John Boyle. Huge concern was expressed at the drop in the housing budget announced in the December Scottish budget, while the private sector highlighted challenges in terms of construction inflation and regulations, including the planned measures on PRS rent controls.

SPF Policy Bites

Housing statistics published



As mentioned above, the Housing Bill published on 27 March comes a day after the publication of **quarterly housing statistics**, which highlights the worrying decline of private sector led new build starts by 20% (3,258 homes), which are almost as low as Covid levels. This clearly reflects the impact on new build supply due to the emergency legislation. The stock by tenure **publication** by the Scottish government also appears to support the concerns expressed by SPF, Scottish Association of Landlords and others about a loss of PRS landlords in Scotland. From a highpoint of around 400,000 dwellings in the PRS in March 2021 the most recent figures suggest a PRS tally of some 340,000. In comparison to the wider stock, this means the PRS is now reduced from around 15% to 12.7%. There will be multiple reasons for this drop in the PRS in Scotland. This includes changes to UK tax law and the impact of the pandemic. However, Scotland does appear to be different from other parts of the UK and in this light, we have to conclude that specific Scottish regulatory actions are having a negative impact on overall PRS stock numbers. This flies in the face of the clear and present need in Scotland for more homes to rent, across all tenures.

PBSA review moves into gear



This month as reported in SPF Update (26 February) the Scottish Higher Education Minister Graeme Dey announced that the government had accepted all eleven recommendations of the PBSA review which ran between 2021 and 2023. Not all of these recommendations are to be led by the government, although recommendation two which looks at an intention to legislate on PBSA notice periods is expected to be an early priority for the government which is likely to be the subject of a consultation ahead of the summer parliamentary recess we understand.

Wider recommendations on seeking to establish model terms and conditions, improving information flows and ensuring standards in PBSA we expect to be welcomed positively by the industry which in many cases supports voluntary codes already. The recommendations also call for a longer term strategic partnership between institutions, student bodies, the private sector which supplies PBSA and local government in order to plan for the needs and demands of student accommodation. These recommendations are welcome. The exact timeline of these measures is not confirmed as yet although as said we anticipate the work on notice periods to progress relatively soon. It is also worth noting that student bodies still believe that rent controls should be applied to the PBSA and intend to use the forthcoming Housing Bill to lobby MSPs for this purpose.

Sustainability update

Earlier this month we submitted our **response to the Heat in Buildings Bill consultation**, mainly highlighting the practical challenges in achieving the ambitious targets of decarbonising the private rented sector by 2028 and all domestic buildings by 2033. We argued that there is not enough guidance to transition to net zero by 2045, with major gaps in the supply chain, technology, skills and most importantly funding.

We support the intent and ambition to transition to net zero but in the absence of the right ecosystem to carry out these changes uncertainty looms over the industry. This month two

strong reports came out that appear to question both the scale and pace of the Scottish Government's targets. The first report was the UKCCC [progress in reducing emissions in Scotland report](#) that raised eyebrows on constantly missed targets by the government and the absence of a comprehensive delivery strategy. The report states, ***"The acceleration required in emissions reduction to meet the 2030 target is now beyond what is credible"***. The rate of carbon emissions reduction required to achieve the statutory 2030 target of 75% reduction, compared to 1990 levels, is double that found in the UKCCC's updated 2022 report on the ambitions pathway for Scotland. The report also highlights that there are risks in all the areas with devolved policy powers to the Scottish Government including buildings, transport, land use, agriculture, and waste. It concludes that policies and plans fall behind on the action needed to achieve the legal targets of the Scottish Climate Change Act, and the Scottish Government is also yet to publish its draft Climate Change Plan.

UKCCC highlighted that with only six years to go to 2030, the focus has to shift to 'delivery' now! Yet in its 2022 Scottish Progress Report, the UKCCC scored only three out of 14 key recommendations as 'good progress'. The report has updated its recommendations to turn these ambitious targets into effective deliverables.

The second report is the Scottish Fiscal Commission's [Fiscal Sustainability Perspectives report](#) that lays emphasis on the risks of fiscal pressure from climate change on the Scottish Government. The report examined how public capital investment has to be stretched in devolved policy areas within Scotland, where higher public spending per capita is needed than in many other parts of the UK in order to reach net zero targets. Out of the devolved areas, the highest public spending is required in Buildings followed by Land Use, Land Use Change and Forestry (LULUCF). The report states that under the CCC's assumptions the estimated additional investment required in Scotland between 2020 and 2050 is £145bn, out of which £41bn is estimated to be needed to be invested by public sector.

In terms of the domestic property sector, the [Affordable Warmth report](#), WWF Scotland, 2023 estimates the cost to decarbonise all the households in Scotland is to be approx. £23.5bn-£26bn by 2030 but the current support from the Scottish Government has only a budget of £1.8bn for this Parliamentary term that is also for all buildings including non-domestic. This cost estimate is approximately £4bn each year until 2030. It likely that this fiscal challenge will only increase in coming years. In conclusion therefore, to meet its 2030 targets the Scottish Government will need to significantly increase the pace of investment to make up for the emission reduction targets, ***'the gap in funding required to reach the Scottish Government target would have to come from elsewhere in the Scottish Budget'***, the report states. Unfortunately, this comes at a time when we saw major cuts in the budget and public capital spending constrains.

Where do we go from here?

We look forward to the Scottish Government's third Climate Change Plan to be published in 2024 with the final version to be published by March 2025. Along with the Heat in Buildings and reformed EPCs to come into force by 2025, this needs to provide a level of certainty for developers, investors, and owners.

The Scottish Government is required to plan spending costs to 2040 in the Climate Change Plan and to outline the policies and programmes required to reduce Scottish emissions. In this way, the Climate Change Plan will be expected to provide indicative costs towards each policy and programme as well as insight into how costs will be shared by the public and private sectors. For the 'just transition to net zero', certainty is the key guiding factor with the right mechanisms to enable investment in decarbonising our towns and cities.



Transparency of ownership is key agenda item for Scottish & UK governments

A number of initiatives designed to improve the transparency of land ownership and improve the management of large landholdings has come to fruition with the recent introduction of the Land Reform (Scotland) Bill, the publication of the Country of Origin Report 2023 by Registers of Scotland and a new UK government consultation involving changes to trust funds held on the Register of Overseas Entities.

This month the long-awaited Land Reform (Scotland) Bill was introduced to the Scottish Parliament which aims to bring in new rules for large landowners to address the over-concentration of land ownership where landholdings of over 1000 hectares represent more than 50% of Scotland's land. The Bill comes amid longstanding pressure from politicians and campaigners to diversify large land holdings in Scotland's rural communities, where there is a perception that local people do not have the means to influence decisions on major land use. [An investigation published by Scottish Land Commission's \(SLC\) in 2019](#) argued that rural communities are often prevented from reaching their economic potential if large landowners can prevent land from being used to expand businesses. The report also suggested that highly concentrated land ownership can impact on community and social cohesion, and in some circumstances the restrict meeting local housing demands. However, this is strongly disputed by Scottish Land and Estates who highlight the positive management of land, which is a complex and enduring demand of Estates and their support for rural businesses its members provide. The Land Reform (Scotland) Bill has therefore been aimed at driving legislative change to facilitate better and fairer land management. One of the notable draft changes includes prohibiting the automatic sale of land over 1000 hectares until Ministers can ascertain the effect on the community. For large land holdings of this scale, the Bill also includes provisions for land to be divided into smaller holdings ("lotting"). The Bill also requires advance sale notices and requirements on owners to increase transparency through engaging with the local community on land use and the steps they are taking to improve biodiversity. A model Land Management Tenancy agreement s to be issued which provides greater detail of the reform measures. The Bill is currently in the first stage of the parliamentary process where the 'Net Zero, Energy and Transport' Committee is expected to examine the Bill, gather views and produce a report before debating its content in the Chamber.



In a similar vein, the deadline of 1 April 2024 to comply with the new Register of Persons Holding a Controlled Interest (RCI) in Scotland is fast approaching. Launched back in 2022, the RCI will publicly list all information relating to those who have a controlling interest in land use even if not the registered owners. [The Country of Origin Report 2023](#) was recently released by the Registers of Scotland providing a detailed breakdown of the location, interest, type of owner and land use classification of the 1.9 million register titles on the Land Register collected thus far. Of those titles registered, 93.3% live in Scotland, 5.1% in the UK outwith Scotland and 1.4% outside of the UK. There has also been a recent policy initiative at the UK government level to improve ownership transparency with a recent consultation having been issued in January on enhancing information involving trust funds that are held on the [Register of Overseas Entities \(ROE\)](#). The scope of the changes could be applicable to Scotland but given the Scottish government has already introduced a similar register with the RCI, it raises questions over potential implications for overlap with ROE.

SPF Annual Conference 2024

Creative Places for a New Economy



Our conference this year is themed Creative Places for a New Economy and will highlight key issues facing the real estate sector and our public sector partners in Scotland in 2024. With our new colleagues, the UK PropTech Association, we will also address how new working methods are changing the way we work and the role of real estate in the transformation of our economy.

The conference will hear from experts and key stakeholders covering a range of themes including:

- the role of planning in delivering place-making for our new economy
- the challenge of adapting our built environment to be net zero carbon emissions
- a modern real estate industry
- the need to attract investment to deliver more homes across all housing tenures
- the regeneration of our towns and cities

To hear from an array of experts in these topics book now!

Keynote Speakers



Conference Compère

Melanie Leech
CEO, BPF



Daniel Johnson MSP
Shadow Cabinet Secretary
for Economy, Business
and Fair Work



Mark Allan
BPF President &
CEO, Landsec



Patrick Harvie MSP
Minister for Zero
Carbon, Active Travel
and Tenants' Right
Scottish Government



Paul McLennan MSP
Minister for Housing,
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Cllr. John Alexander
Leader, Dundee City
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