



## Scottish Property

# VOICE

### IN THIS ISSUE

PAGE 1-2  
**Chairman's Column**  
*Andrew Sutherland - Miller Developments*

PAGE 2  
**Save the Date - SPF Annual Dinner**

PAGE 3  
**Miller Developments**

PAGE 4  
**SPF Annual Conference 2018**

PAGE 5  
**Womble Bond Dickinson**

PAGE 6-7  
**Policy Round-Up**  
*Mandy Catterall - SPF*

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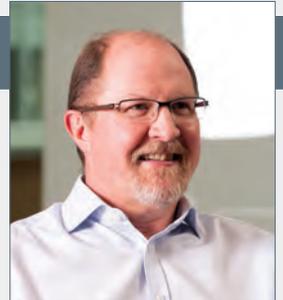
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*The views expressed in this newsletter are solely those of the authors and are not necessarily those of the Scottish Property Federation.*

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## Chairman's Column



At our recent Annual Conference - **Investing in Places** - we unveiled exciting new research by the Fraser of Allander Institute, which explored the economic contribution of the commercial property industry to Scotland.

At £4.8bn, or some 4% of total Scottish economic output, we can now quantify the significant contribution our industry makes to the economy - but the FAI report did more than just give us a headline figure. It also revealed that given the right platform on which more development and investment can be delivered, our sector can increase its economic contribution considerably. The research demonstrated that for every extra £100m invested in commercial real estate, a further £73m is returned to the economy.

SPF influence over the last few years has already done much to build that vital platform for investment. A notable example is the recent introduction of a business rates incentive for new build occupiers and developers, which we hope will also be applied to refurbished buildings. In addition, the continued exemption from the 3% ADS charge for PRS investors helps to support the nascent Scottish build to rent sector.

Further improvements in the tax and business rates system are still needed, for example on LBTT rates and

thresholds that apply to higher value residential transactions and the possible reduction of listed building rates relief to just two years. However, currently the most important area where the platform for growth needs to be strengthened is the planning system.

The government has stated that the intention of the current Planning Bill is to improve delivery of housing and development, while also building on existing up-front requirements for community engagement and the status of Local Place Plans. Building on the recommendations of the 2016 Independent Review of Planning, which included our current SPF Planning Committee Chairman John Hamilton amongst its members, the government's proposals include legislating for Simplified Development Zones and a strengthening of Local Development Plans. Much of the detail of the Planning Bill has not ignited much cause for concern from members, aside from three significant areas.

*... continued on page 2*

## Chairman's Column

*continued from page 1*

First, while not in the Bill, the parliamentary committee charged as lead scrutiniser of the legislation has made clear it has significant interest in the introduction of either a third party or an equal right of appeal. Scottish Ministers do not agree with these Committee members, who are cross-party, but neither do they have the parliamentary arithmetic to be sure of avoiding it. That is unless the Scottish Conservatives either abstain or vote with the government should such an amendment to the Planning Bill be proposed by a Committee member (or another like-minded MSP). Stage 2 will, therefore, be a crucial test for this legislation from our perspective.

Second, we have seen planning fees increase significantly for major developments recently, which we accepted based on the need for planning resource improvements to make decision-making quicker and better. While there are some early signs than some authorities are seeking to enhance their planning service resources, this follows many years of reductions and it is still too early to confidently point to any substantial improvements. If the planning service and related services do not

get the additional resources they require then we risk failing to support investment, which we can now point to as having tangible economic consequences.

Finally, the Planning Bill introduces an enabling power for an infrastructure levy. At this stage the government has not made any wider proposals for the shape or size of any such levy - this is still subject to further consideration. But the signs are that any proposals could be quite similar to CIL which has had serious concerns for several developer members south of the border.

The introduction of any levy must be thought through fully and cannot be a duplicate development tax. There is also a question of scale. Quite simply a number of public infrastructure projects are too big for developers to pay for. This is where the support of bodies such as the SFT and initiatives such as the Scottish National Investment Bank will have a key role to play in supporting infrastructure investment vital to unlocking new development of housing, business and leisure premises.

# SAVE THE DATE

for the

# SPF ANNUAL DINNER

SPF are delighted to announce that this year's SPF Annual Dinner will be held on **8 NOVEMBER 2018** in the Edinburgh International Conference Centre (EICC). Our annual black-tie dinner is our most popular members event and tables always sell out fast, so save the date in your diary to avoid disappointment. Further details will be released in due course. @gail\_spf

# MILLER DEVELOPMENTS

Established over 50 years ago, Miller Developments is one of the UK's leading land and property development companies with expertise in every sector of development and strong financial resources.

Our depth and diversity of experience allows us to create value from our development activities even during the most difficult of markets, differentiating us from many other developers. Our established joint venture culture has enabled us to create long-term profitable partnerships from small development companies to large PLCs and public sector organisations.

We are currently focused on the UK regional development markets for offices, industrial and residential and are always looking for new development opportunities.

## CURRENT MAJOR PROJECTS INCLUDE . . .

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[www.omegaopportunity.com](http://www.omegaopportunity.com)

### **Arena Central, Birmingham**

[www.arena-central.com](http://www.arena-central.com)

### **D2 Business Park, Aberdeen**

[www.d2businesspark.com](http://www.d2businesspark.com)

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Over 225 delegates from more than 100 organisations gathered at the Edinburgh International Conference Centre for the 11th SPF Annual Conference, themed Investing in Places.

The event was facilitated by television and radio broadcaster Gavin Esler, who engaged panellists and delegates in lively discussions covering place-making and investing in Scotland.

The conference began with the opening keynote speech given by Derek Mackay MSP Cabinet Secretary for Finance and the Constitution. The Minister spoke about the strong and collaborative working relationship between the Scottish Government and the SPF. He noted concerns about development viability and uncertainty raised by the SPF and remarked that these concerns had influenced the Government's approach to the Budget, the Planning Bill and its response to the Barclay Review of Business Rates.

Professor Graeme Roy from the University of Strathclyde's Fraser of Allander Institute presented a new study commissioned by SPF, and prepared by the Institute, on the economic contribution of the commercial property sector in Scotland. The report quantified the economic value of commercial real estate in Scotland and found that the sector contributes almost £4.8 billion to the Scottish economy and supports around 92,000 jobs.

The first of two panels considered place-making, and included panellists Mike Galloway OBE, Director of City Development, Dundee, Maria Francké, Partner & Head of Planning Scotland, Cushman & Wakefield, Michaela Sullivan, Group Land Manager, CALA Homes, and Andrew Sutherland, Chairman SPF & Joint MD, Miller Developments. Panellists had an animated discussion on the importance of a Masterplan, working collaboratively, and how place-making forms the fabric of a community.

The second panel of the day examined financing and investing in places. The panel included Miller Mathieson, MD, CBRE Scotland, David Paine, co-Head of Global Real Estate, Aberdeen Standard Investments, Peter Reekie, CEO, Scottish Futures Trust, and Lesley Watt, CFO, Miller Developments, and focused on how we can make places investible, location, and how we can support infrastructure. The potential role of the new Scottish National Investment Bank was also considered.

This year's event was kindly sponsored by **Miller Developments** and **Womble Bond Dickinson**.



Over 225 industry stakeholders were in attendance



The SPF Chair and Vice Chair with Derek Mackay MSP and Compare Gavin Esler



Prof. Graeme Roy introduced new research



The first panel session looked at placemaking in Scotland



Peter Reekie, SFT, took part in the finance and investment panel



The post conference reception

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# Policy Round-Up March 2018

## Some key policy developments for the industry

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### Lobbying Act

The Scottish Parliament Lobbying Register came into force earlier this month. From Monday 12 March, anyone who undertakes regulated lobbying, as defined in the Lobbying (Scotland) Act 2016, will need to register this activity at [www.lobbying.scot](http://www.lobbying.scot).

Passed in 2016, the Act states that certain face-to-face meetings with MSPs or the Scottish Government's Ministers, Special Advisers or the Permanent Secretary need to be registered.

### Planning and Development

#### SCOTTISH PLANNING BILL

A busy month on the planning front as March saw John Hamilton, CEO of Winchburgh Developments, brave the elements to give evidence to the Scottish Parliament's Finance and Constitution Committee as part of the scrutiny of the Financial Memorandum accompanying the Planning (Scotland) Bill. Much of the focus was on SPF's continuing concerns about the potential introduction of an infrastructure levy, to be collected and distributed locally. However, it was also made it clear that there would not be significant savings from the proposed planning preparation reforms, as is suggested in the Financial Memorandum, and that it was critical any savings must be redirected to planning delivery. Support was also given to front-loading the system, which is a key aspect of the new Bill.

#### INFRASTRUCTURE LEVY

Meanwhile, the Scottish Parliament produced a report on the proposed Infrastructure Levy. The short briefing outlines the operation of the current system of planning obligations in Scotland, the reasoning behind the infrastructure levy proposals, summarises the relevant provisions in the Bill and briefly looks at the operation of the Community Infrastructure Levy, introduced in England and Wales in 2010.

#### CEC CONSULTATION

Elsewhere, in our response to the City of Edinburgh Council consultation on its Guidance on Developer Contributions and Infrastructure Delivery, we questioned the premature nature of this guidance in relation to the Bill. The Bill has enabling powers and much consideration is still to take place on the question of delivery and funding of development infrastructure on a national and regional basis, which may have major implications

on the viability and/or effectiveness of the Council's proposals in a national context.

The SPF was clear that there cannot be any notion of a duplicate development tax and Section 75 must, only account basic community amenities fairly and reasonably related to the development.

#### RAIL IMPROVEMENTS

Transport Scotland in the meantime published its strategy for investment in rail improvements over the next decade. The Rail Enhancements & Capital Investment Strategy, which signals a move to 'pipeline-based approach', sets out how funding will be targeted across the Scottish rail network.

### Building Standards and Sustainability

#### CLIMATE CHANGE REPORT

Eight years on since the Scottish Climate Change Act was passed by the Scottish Parliament, the Scottish Government published its Third Report on Proposals and Policies, the Climate Change Plan which will set policy framework and targets to 2032.

### Residential Investment & Management Committee

#### SMOKE ALARMS

On a positive note, following a consultation launched by the Scottish Government on fire and smoke alarms, and an analysis of responses, the existing high standard required in private rented housing will be extended to all homes. This includes at least one smoke alarm installed in the room most frequently used, at least one smoke alarm in spaces such as hallways and landings and at least one heat alarm in every kitchen. Additional requirements will include specifying a maximum age of ten years for alarms and a carbon monoxide detector will be required in all homes.

#### SCOTTISH LABOUR POLICY PROPOSALS

However, there was potentially less positive news on the residential investment front as it was reported that Scottish Labour leader Richard Leonard pledged to bring forward legislation at Holyrood to reform the private rented sector further and build more new council homes.

*continued on page 7*

In his keynote speech to the Scottish Labour conference in Dundee at the weekend, Mr Leonard said a new Rent Restrictions Act would "protect tenants and control rents".

## REGISTERS OF SCOTLAND DIGITAL REGULATIONS 2018

New regulations came into force on Monday 12 March that signal a further step forward towards Registers of Scotland (RoS) becoming a fully digital business by 2020. The Registers of Scotland (Digital Registration etc.) (Scotland) Regulations 2018 have been approved by Parliament and made by the Cabinet Secretary for Economy, Jobs and Fair Work, Keith Brown MSP. The regulations will facilitate the introduction of new digital services by RoS, and also provides for a presumption in favour of the use of these digital channels.

## Supporting Investment

### LONDON INVESTMENT EVENT

We have this last month been involved in two key initiatives with both UK and Scottish Ministers to promote Scottish projects for investment purposes. At the end of February members led by Chairman Andrew Sutherland joined Finance Secretary Derek Mackay and government officials alongside major investors in London for a dinner to discuss Scottish investment prospects. This successful event was followed up by a further successful breakfast event on 28 February held at the Scottish Government's Scotland House location.

### MIPIM

Two weeks later SPF supported the UK and Scottish Government to launch a Scottish portfolio for investment at MIPIM, this time led by UK International Trade Minister Graham Stuart MP. On an admittedly damp MIPIM day, the portfolio launched comprised nine projects totalling some £1.7bn promoted by members including HFD Group, Clyde Gateway, Chris Stewart group and Murray Estates as well as a number of wider projects led by local authorities.

## Property Taxation

### BUSINESS RATES REVALUATION

In answer to a PQ from Conservative MSP Bill Bowman, Scottish Finance Minister Derek Mackay has confirmed that the next Scottish business rates revaluation should take place in 2022. Thereafter, revaluation frequency is intended to be every three years.

### LBTT POLICY CHANGES

March also saw the Scottish Parliament agree the general principles of the Land and Buildings Transaction Tax (Relief from Additional Amount) (Scotland) Bill as it passed stage 1 of the legislative process. The Bill seeks to give retrospective effect to the amendments made by the Land and Buildings Transaction Tax (Additional Amount-Second Homes Main Residence Relief) (Scotland) Order 2017.

Additionally, following pressure from SPF and the Law Society of Scotland, the Scottish Government has issued a consultation on amending Group Relief where banks require share pledges. This consultation closes on 13 April and is intended to support secondary legislation to make clear that Group Relief should still apply in business arrangements, where share pledges are required by a lender. The SPF and LSS continue to press the government for wider legislation to ensure this policy is retrospective.

### LBTT REVENUE DATA

The Scottish Government has hit its LBTT revenue target for the year one month early. Figures recently released for February 2018 show that the government has generated £525.4m from LBTT so far in 2017/18, significantly ahead of its forecast of £507m for the whole year. The forecast was reached after strong residential sales, and an increase in the amount raised through the Additional Dwellings Supplement, more than compensated for the likely shortfall in commercial LBTT revenue - which has been affected by the current market cycle.

	Residential LBTT	Commercial LBTT	ADS	Total LBTT
Revenue in Feb	£15.6m	£12.4m	£6.9m	£35m
Feb 2018 vs Jan 2018	↓ £0.5m	↓ £7.4m	↓ £0.3m	↓ £8.1m
Feb 2018 vs Feb 2017	↑ £2.2m	↑ £1.3m	↑ £1m	↑ £4.6m
Revenue 2017/18 (YtD)	£242m	£183.9m	£99.2m	£525.4m