



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
Power to the People
Marc Giles - Ryden

PAGE 4
Is Traditional Retail in Free Fall?
David Mitchell - Shepherd and Wedderburn

PAGE 5
Opening Doors Diversity Event

PAGE 6-7
SPF Commercial Property Sales Update
Murray Horn - SPF

PAGE 8
Policy Round-Up
Mandy Catterall - SPF

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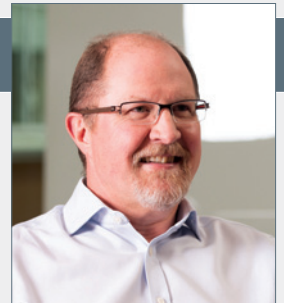
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Chairman's Column



Planning for Diversity

The focus of my column this month is the SPF's work to promote inclusivity within the property industry, and to invite you to our very first diversity event. However, with the rapid development on the Planning (Scotland) Bill, I would like to start by giving you a little update on where we are with the draft legislation and what the SPF is doing to represent your interests.

From the ongoing debate surrounding the new Planning (Scotland) Bill, it is clear just how integral planning is to our industry and, indeed, wider Scottish society. The planning system makes an important statement about our attitude to creating new commercial spaces in Scotland, and it is also a crucial tool for meeting the challenge of providing new homes for our growing housing needs.

With these key objectives in mind, we are now at a critical point in the Bill's progress through the Scottish Parliament. The Local Government and Communities Committee, which led the scrutiny of the new Planning Bill, has delivered its important Stage 1 Report and made a number of recommendations for changes. Ryden's Marc Giles has written an excellent overview of the Report on page 3.

Following the publication of the Committee's report, the Stage 1 parliamentary debate took place on Tuesday 29 May. All parties (with the exception of the Liberal Democrats) approved the principles of the Bill. However, this support was caveated, and opposition parties have pledged to amend the draft legislation significantly.

Amongst the amendments mooted during the debate was a Third Party Rights of Appeal, the introduction of a Land Value Capture and proposals to 'strengthen' Local Place Plans.

In light of these developments and possible amendments, I'm pleased to report that we have been able to meet MSPs from across the political spectrum in the past few days, and we have further sessions planned with MSPs in the near future (including a meeting with members of the lead committee). These engagements give us a fantastic opportunity to put forward our case for a Bill that supports investment and sends the message that Scotland is open for business.

The Committee will now have the opportunity to revise the Bill during Stage 2 - 'line-by-line' scrutiny. We will, of course, keep you up-to-date with any developments.

Championing our industry to policymakers is the *raison d'être* of the SPF, but recently we, along with the BPF in London, have also prioritised the promotion of inclusivity and diversity within our sector.

... continued on page 2

Chairman's Column

continued from page 1

While our industry has been changing for some time, I think there is still more we can do to be truly representative of the diverse society in which we operate, and I am keen that the SPF takes the lead in Scotland.

Ensuring that our organisations have inclusive workspaces is not only fundamentally the right thing to do, but there is also a compelling business case for action. The real estate industry in Scotland must attract and retain the best people and, in order to do that, we need to appeal to as many sections of society as possible.

The SPF is already looking at its processes and structures, seeking ways to involve as broad a range of participation in the organisation as possible. This includes participation within our 5 subject committees and Policy Board, but also our wider programme of events.

On that theme, I am delighted to be able to invite

you to our first ever diversity event on 26 June 2018. The event is free to attend and is running in partnership with the BPF, Women in Property, REVO and Freehold. 'Opening Doors' is the theme and the event will consider the case for a more diverse real estate industry.

Developments Manager of Stornoway Port Authority - and Former Chair of the Association of Women in Property - Brenda Jones will be chairing the event, which will see fantastic speakers from across the industry take part in panel style discussions. Among those speakers, is BPF President Paul Brundage (Oxford Properties' Senior Managing Director in Europe) who has been active in promoting diversity within the property industry. The panels will explore the benefits of genuinely diverse organisations as well as how we can be more inclusive when placemaking.

I hope to see you at what is shaping up to be a fantastic event.

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



Local Government and Communities Committee Stage 1 Report on the Planning (Scotland) Bill Power to the People

Marc Giles MRTPI
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email: marc.giles@ryden.co.uk

The 17th May saw the Local Government & Communities Committee propose substantive changes to the Planning (Scotland) Bill. Significantly there was an overwhelming suggestion that greater community engagement should play an integral part in the reformed planning system.

The Report is a definitive positioning by the Committee in support of local decision making and increased influence for local communities in a plan-led system. There appears to be a question mark around the future of the current system of appeal and the Committee is clearly seeking changes to that process. The proposed removal of Strategic Development Plans (SDPs) has received a mixed response against the background of concerns that there is no replacement statutory obligation on planning authorities to engage at a regional level. Indeed, the Committee is of the view that the removal of the strategic plan layer will not lead to a simplified, streamlined or more effective planning system and proposes that the current framework remain in place unless a more robust alternative is devised. But what does all of this mean for the development industry and the Planning (Scotland) Bill?

Whilst the Committee recommends that Parliament agrees the general principles of the Bill, it isn't surprising to note that the underlying thrust of the proposed amendments relates to an enhancement of a community's 'place' within a reformed planning system. This could be seen as both beneficial and challenging for the development industry.

The key questions are 'How will the Scottish Government encourage more meaningful and productive engagement?' and 'What affect will this have on the current system in place?'

A contentious issue within the Bill, certainly within the development industry, is the proposal for an infrastructure levy. The Committee is clear in raising its concerns about the Scottish Ministers' power to collect and redistribute all of the levied funds as they wish and not directly to the affected local authority. The Committee proposes that money raised locally must be spent locally.

Perhaps one of the more innovative suggestions by the Committee is that communities should be supported in the preparation of their Local Place Plans (LPPs) and proposes that Council's should initiate a 'call for assistance' at the commencement of the Local Development Plan (LDP) review process to ensure that LPPs are fit for purpose and merit their status on a par with that currently afforded to the National Planning Framework (NPF). There is a concern that they run the risk of being ineffective or

completely disregarded under current procedures, but perhaps of greatest concern to the development industry will be the continued rise of the third party/equal rights of appeal agenda.

The Committee is firmly of the view that there is an imbalance in the planning system and that the current Bill does not go far enough to address that issue. This relates particularly to an applicant's right to appeal a decision which has been made in accordance with the development plan. As such, the Committee suggests that appeals should only be allowed in certain circumstances as, under current provisions, the appeal system undermines public confidence in a plan-led system.

The Government is therefore urged to look again at the current system of appeals. This may result in restrictions over the circumstances against which an applicant might appeal, including repeat appeals (and applications) or more worryingly, a balancing of the current system under an equal rights of appeal banner.

Indeed, the Bill was debated by Scottish Parliament on 29 May which highlighted the clear cross party aspiration for a greater role and stronger voice for local communities within a reformed planning system.

The Committee is supportive of the move to a 10 year cycle of review for LDP's, however it believes that the removal of statutory supplementary guidance from an LDP will not make those plans any simpler but in fact more weighty and complex. Clarification is required as to how those matters previously subject to statutory guidance will be afforded sufficient weight to ensure development accords with LDPs.

Under current proposals the National Planning Framework (NPF) will have a substantially increased status and the Committee has expressed concern around a further centralisation of decision making and general influence over the planning system. Against this background, it recommends a significantly enhanced timescale for Parliamentary scrutiny to include time for substantive public engagement. Indeed, the NPF must in future represent the view of Parliament and not just Scottish Ministers.

Whilst the Committee raises many questions in the Report around the reformed planning system in Scotland, it also highlights key areas for improving a collaborative approach to development with local communities - how that is applied in practical terms remains to be seen. It is certainly food for thought for the Scottish Government.



Is traditional retail in free fall?

David Mitchell

Partner, Shepherd and Wedderburn
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There are many reasons why traditional retail has been struggling in recent years, and a variety of causes. A recurrent theme is the shift in shopping habits, and while most of us would consider our personal shopping habits to be just that, how we shop is of immense interest to those who operate or invest in the retail sector.

For investors, the choice is between traditional retail and the burgeoning logistics sector. Although servicing similar shopping needs in many respects, in real estate terms they appear quite different: traditional 'bricks and mortar' shops in buildings, versus large distribution centres and other logistics infrastructure that support online purchasing. In reality these sectors are co-dependent: the logistics sector also underpins the physical retail sector, from farm-to-fork distribution, to the ever-growing hybrid market of retailers who offer both a traditional retail experience, and an enhanced online service, supporting 'click-and-collect' facilities.

The retail sector as a whole contributed a whopping 11% towards the UK's economic output in 2017, and employed over 4.5 million people, making it the largest industrial sector in Britain. But daily headlines of retail woes would seem to signal that the days of the traditional retail model are numbered, and the increase in online shopping makes investing in the logistics sector an obvious choice.

Yet while it's safe to predict online sales will continue to increase their share of the market, traditional shopping remains an attractive, albeit evolving option for the consumer.

Footfall statistics show those shopping in person prefer to do so in retail/leisure parks rather than on the high street. In the first half of 2017, more retail and leisure units opened in the UK than closed, most in mixed-use retail parks. 'Experiential' shopping still matters to the consumer. Online is fine for washing powder or a pint of milk, but we want to see the prime ribeye steaks before we buy them.

Where traditional retailers face a particular challenge is in rising to the changing demands of consumers in relation to the live retail experience. Destination shopping is clearly attractive, and retail/leisure parks in particular have the advantage of supplying a mix of shopping and leisure experiences in one trip, although even those parks have been suffering from the effects of recent retailer

collapses, and this is being keenly felt in retail-only estates.

The traditional retail model needs to do more to adapt to the growing sophistication and selectiveness of the average shopper. The lesson from the recent demise of Toys R Us is clear - retailers need to adapt to the changing preferences of the shopper in imaginative ways. Sticking to the original formula - no matter how successful it was to begin with - is not good enough anymore.

Nor is it simply a matter of moving some of your business into the online environment. As the experience of retailers such as Marks & Spencer and Debenhams has shown, often all this does is move the same customers from stores to online, but with the significant additional cost of maintaining two shopping channels instead of one. To maintain shopper loyalty and confidence, online needs to be swift, slick, and effective: retailers need to make a considerable investment in this outlet and cannot simply rely on customers transferring from one format to another.

Imaginative alternative uses are starting to emerge - in legacy large supermarket space, for example, a variety of shopping options are becoming available, from Argos sections within larger Sainsbury's stores, to the integration, following the Tesco takeover of Booker, of stores combining wholesale cash and carry sections with retail offerings. In Ocean Terminal, Edinburgh, the former BHS store has been turned into a roller rink and indoor skate park; Selfridges recently trialled a boxing gym in its London store; and other retailers have announced initiatives to enhance the customer experience, ranging from the establishment of yoga studios to champagne bars.

The failure of many retailers is due in part to the inability to think differently. But stronger partnerships are also needed between landlords and their occupiers, communities and their high street occupants, and local authorities and their ratepayers, with a view to actively promoting, encouraging and facilitating the enhancement of customer experience in innovative, yet cost-effective ways.

In a rapidly changing retail environment, one constant should provide some comfort - we will always need to shop.

OPENING DOORS - EDINBURGH

Scottish Property Federation (SPF)



Diversity and Inclusivity Breakfast Forum

26 June 2018 08:00-10:15am

SPF, 1-3 Cockburn Street,
Edinburgh EH1 1QB

SPF, our BPF colleagues and Partners the Association of Women in Property, Freehold and Revo come together to discuss sharing Diversity and Inclusivity best practice in the real estate sector, focussing on the workplace, Scotland and the built environment.

Two expert panels will focus on the economic, social and business benefits of genuinely diverse organisations and places. The first panel will look at the changes in society and the employment market that our industry is experiencing now and should expect in the future. We will also share practical insights from our panellists on how our sector can address the headwinds that hamper progress towards attracting a more diverse and inclusive industry.

The second panel will focus on inclusive placemaking and the changing communities in which we live and work. We will ask how we create places and companies, that are accessible and open to attracting the best available people and investment.

 [#DiversityInProperty](https://twitter.com/DiversityInProperty)

SPEAKERS

Brenda Jones, Former Chair, Association of Women in Property and Developments Manager Stornoway Port Authority (Chair)

Paul Brundage, Executive Vice President, Senior Managing Director - Europe & Asia Pacific, Oxford Properties and President, BPF

Emma Mackenzie, Director for Scotland and Northern Ireland, NewRiver Retail

Chris Edwards, Board member, Freehold and CSR & Diversity Director, Travers Smith

Giulia Bunting, Past President, Revo & Planning Director GL Hearn

Andrew Sutherland, Chairman SPF and Joint MD, Miller Developments

Morag Hutchison, Burness Paull LLP, Partner, Employment Law

Stefano Faiella, Revo Scotland and Director, Threesixty Architecture

Emma Watson, Former Women in Property Student Award winner & Surveyor, Cushman & Wakefield

SCHEDULE

08:00 Breakfast and Networking

08:30 Introduction - Brenda Jones (Chair)

08:35 Keynote - Paul Brundage

08:45 Panels: The Business Imperative for Diversity and Inclusion in the Real Estate Industry

10:00 Closing Remarks & Networking



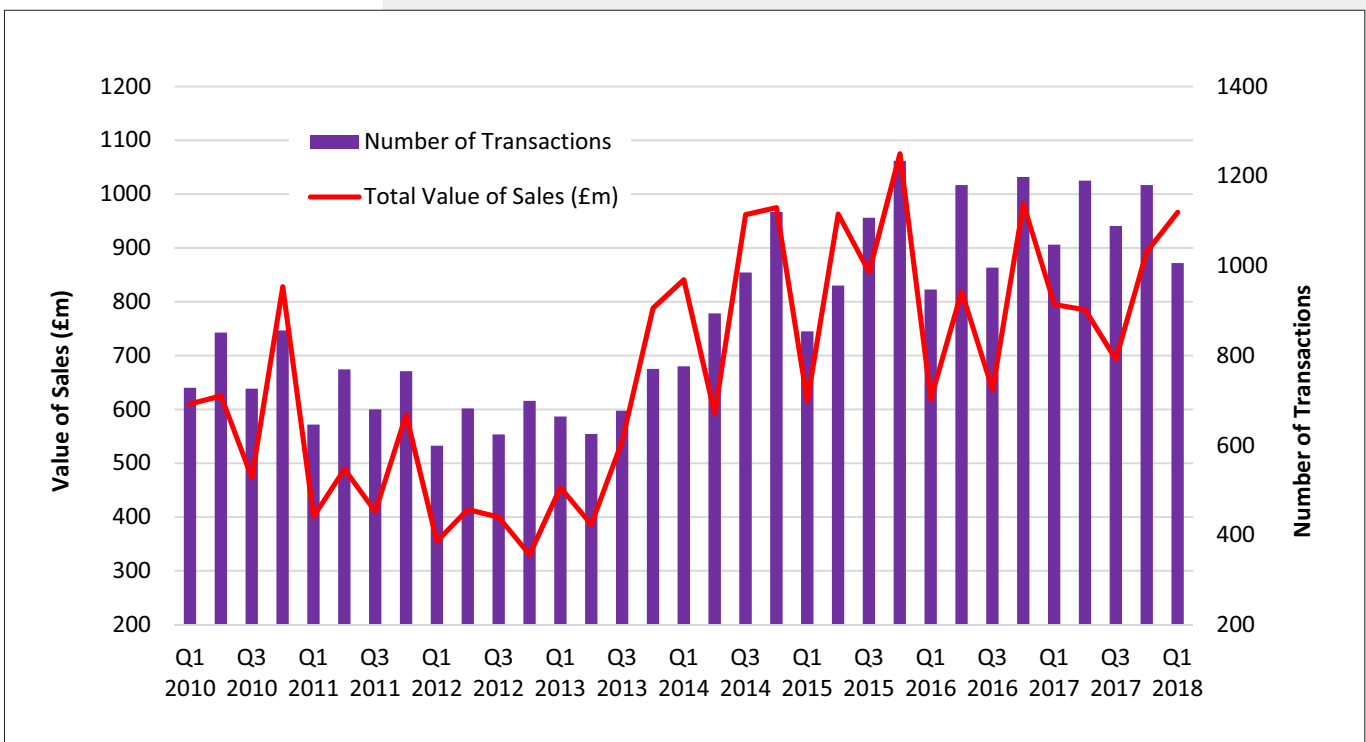
SPF Commercial Property Sales Update

Q1 (January to March) 2018

Murray Horn
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Overview

Total Value and Number of Commercial Property Sales in Scotland



	Q1 2018 Total	Difference from Q4 2017 (QoQ)	Difference from Q1 2017 (YoY)
Value of Sales	£966m	↑ £73m (8%)	↑ £171m (22%)
Number of Transactions	1006	↓ 174 (15%)	↓ 41 (4%)

Scotland

Analysis of data from Registers of Scotland, by the SPF, has found that the total value of Scottish commercial property sales rose by £73m (8%) in the first quarter of 2018, to £966m. This is the second consecutive quarterly increase in the total value of sales in Scotland and is the highest figure since Q4 2016. Year-on-year, the value of commercial sales was £171m (22%)

higher when compared to the same quarter in 2017.

Despite the increase in total sales values in Q1 2018, the number of transactions fell both quarter-on-quarter and year-on-year. There were 1,006 sales in the first quarter of the year, which is a drop of 174 (15%) on Q4 2017 and 41 (4%) on Q1 2017. A small number of high value transactions in Aberdeen and

Edinburgh meant that the total value of sales rose, despite the number of transactions falling.

The RoS data supports the findings of CoStar, which recently reported that £822m was invested in Scottish commercial real estate in Q1 2018. The data company also reported record investment in the office sector, with £517m invested in Q1 2018.

SPF Commercial Property Sales Update

Aberdeen, Edinburgh and Glasgow

Looking at the figures for Scotland's 3 largest cities, for the first time since 2014, Aberdeen had the greatest total value of commercial sales. In doing so, the Granite City knocked Edinburgh off the top spot, which it had held for 11 consecutive quarters. Aberdeen secured £166m in commercial

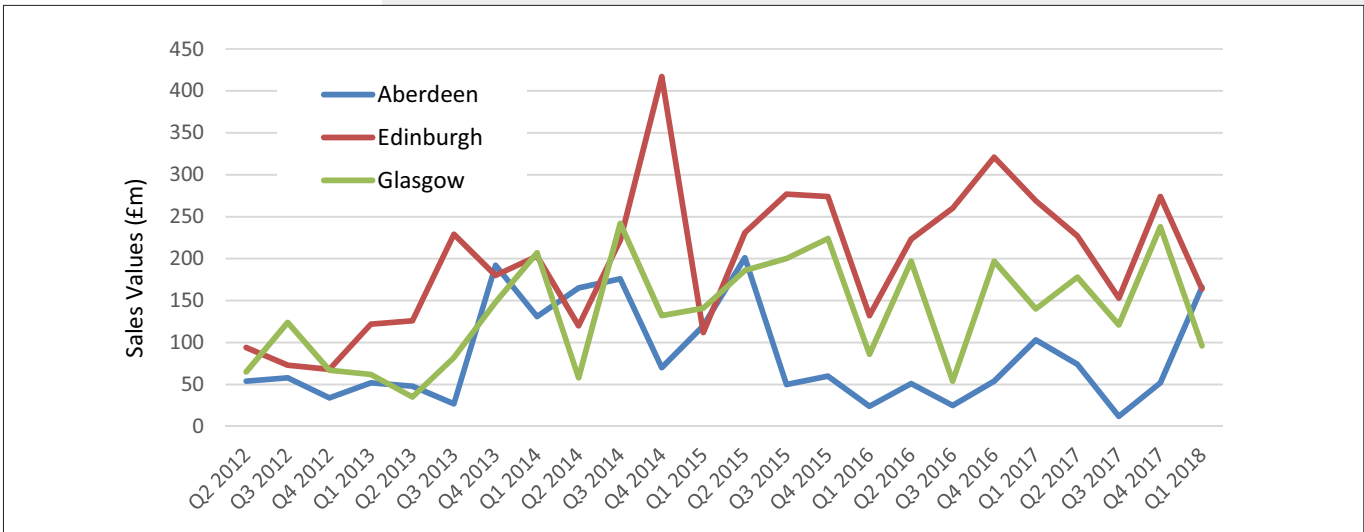
sales, against Edinburgh's £164m and Glasgow's £96m.

In Aberdeen, Q1 2018 was the second consecutive quarter of growth in the total value of sales in the city and was the highest total sales figure since Q3 2015. Rising oil prices, and a sense of returning stability within the city, could be

paving the way for a pick-up in commercial property transactions - although it is too early to say for certain.

Both Edinburgh and Glasgow saw the total value of sales fell between Q4 2017 and Q1 2018 and were also down year-on-year.

Aberdeen, Edinburgh and Glasgow Total Value of Commercial Sales



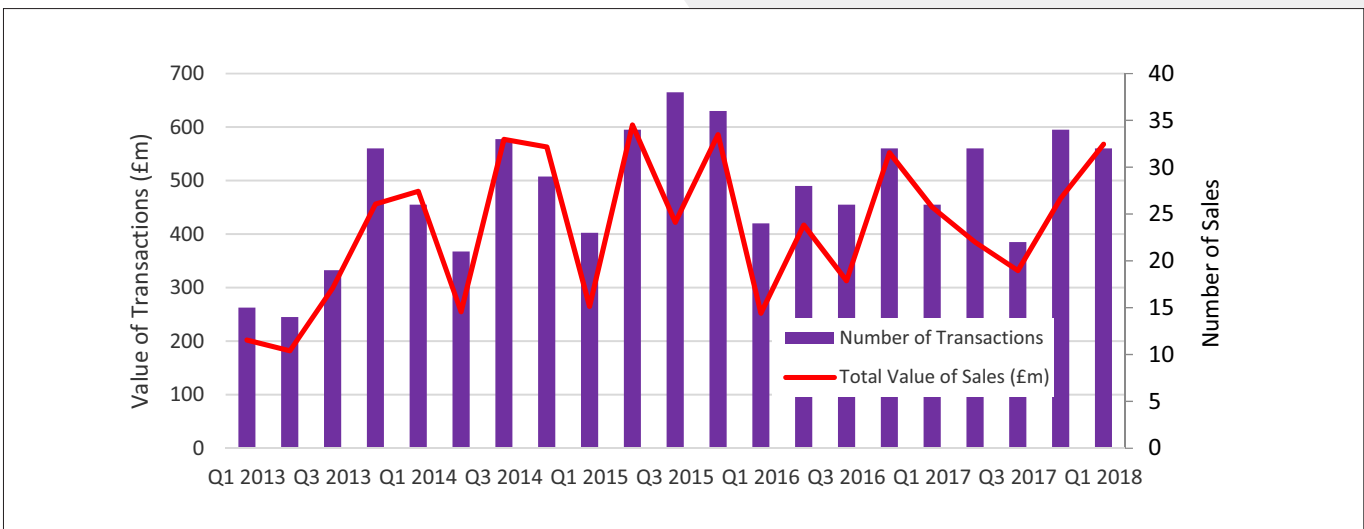
Sales over £5m

There were 32 commercial property sales in Scotland, with a transaction value at or over £5m in Q1 2018. Combined, this section of the market generated sales of £568m, which was 59% of the total value of

commercial property sales in Scotland in Q1 2018. The combined value of sales at or above £5m rose by £101m (22%) against Q4 2017 and £101m (118%)

on the same quarter in 2017. The number of £5m properties sold in Scotland during Q1 2018 was down 2 (6%) on the previous quarter, but up 6 (23%) on Q1 2017.

Number and Total Value of Commercial Property Transactions at £5m+





Policy Round-Up May 2018

Some key policy developments for the industry

Mandy Catterall
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Investor interests and opportunities

Keith Brown MSP, Economy Secretary for the Scottish Government, and former SPF Chairman, Chris Stewart, hosted the 4th Scottish Real Estate Forum meeting at the Scottish Parliament. The Forum heard up-to-date market research and evidence from CBRE and the SPF's recent Fraser of Allander Institute report on the contribution and potential of real estate for the Scottish economy.

Keith Brown MSP also updated the Scottish Parliament with the latest developments on setting up the new Scottish National Investment Bank. Mr Brown announced that the Scottish Government had agreed to accept all of Benny Higgins' 21 recommendations for the Bank, which the government hopes will support Scotland to improve its economic performance.

Elsewhere, the UK Department for International Trade launched its 'Invest in Great' website. The new site was launched by UK Investment Minister Graham Stuart in Stirling and will enable investors to access more than 60 investment opportunities across the UK, more easily through the new location tool. This will include the 9 Scottish projects, contained within the Scottish Portfolio.

The SNP's Growth Commission also published its long-awaited report to the First Minister. In the event of a vote for Scotland independence, the report proposes maintaining a currency union with the remaining UK and a ten-year transitional process with the aim of establishing an independent Scottish currency. The report also suggests that Scotland could be make annual payments to the UK, for a defined period, to contribute to its share of UK's national debt.

Property Tax

May saw the Scottish Government publish its response to the consultation on introducing a First-Time Buyer Relief. If approved by the Scottish Parliament, the relief will come into effect on 30 June 2018.

The Scottish Government's LBTT policy team also met with the SPF's Property Tax Committee. This was to consider recent proposals for reform to LBTT Group Relief and Seeding Relief - for certain investment vehicles. The Scottish Government's Additional Dwelling Supplement Relief Order also passed its final parliamentary hurdle this month.

Commercial Real Estate

The UK Government launched its consultation on proposed changes to Limited Partnerships and Scottish Limited Partnerships (SLPs). The potential changes come after the UK Government expressed concern that SLPs could potentially be misused for criminal activity.

Closer to home, the Scottish Law Commission has published its discussion paper on Section 53 of the Title Conditions (Scotland) Act 2003. The 2003 Act was one of a series of enactments that together abolished the feudal system of land ownership. Section 53 regulates the rights of neighbouring owners to enforce real burdens in most property developments which pre-date feudal abolition.

In a busy month for commercial real estate, the SPF Commercial Real Estate Committee also met with Law Commissioner Caroline Drummond earlier this month, who gave a flavour of a Discussion Paper on Aspects of Leases: Termination that has since been published. The Paper seeks to highlight some of the current problems and asks how the law could be improved to make the practice of terminating commercial leases clearer, fairer and more efficient.

Planning and Development

This month saw the Local Government and Communities Committee published its Stage 1 Report on the Planning (Scotland) Bill), while the Stage 1 debate took place in the Scottish Parliament on 29 May.

In light of the Report, the SPF has briefed a cross-party selection of MSPs and will be meeting with all of the main political parties in the coming days. We have stressed that we do not agree with the Committee's finding that community engagement is not working. We have supported this view by referring to numerous examples of positive engagement that, needless to say, did not make headlines or feature in MSP's surgeries.

Scottish Labour is also to put forward plans to introduce new rights for communities over planning decisions when the Bill reaches Stage 2, in a bid to "level the playing field" between developers and the public. Meanwhile, Andy Wightman MSP (Scottish Greens) is consulting on enabling local authorities to purchase land for 'public interest' at Existing Use Value. Mr Wightman proposes to table this as an amendment.

Building Standards and Sustainability

The SPF's Building Standards and Sustainability Committee met with officials from the Scottish Government to discuss the new Energy Efficient Scotland Route Map. The document sets out EPC targets for residential properties to achieve by 2040 and proposes significant changes to energy efficiency assessments for non-domestic properties.

May also saw SEPA propose changes to the areas covered by the Potentially Vulnerable Area (PVA) scheme. The changes being consulted on include the addition of new PVAs and removal of some existing areas.