

11 October 2017

## Rent Pressure Zone Application Requirements for Local Authorities Document

### Introduction

1. The Scottish Property Federation (SPF) is a voice for the property industry in Scotland. We include among our members: property investors including major institutional funds, developers, landlords of commercial and residential property, and professional property consultants and advisers. We are happy for our comments to be published and shared within the public sector.

### Key Concern

- **Our members have expressed strong concerns that a Local Authority could apply for a Rent Pressure Zone (RPZ) which covers its whole area. For example, the entire City of Edinburgh. It should be clear in the guidance that RPZs should not be used in a blanket fashion, instead targeted to specific rental 'hot-spots'. They are concerned that the basis for a decision would be made on information at a base level at the lower end of the market rather than the city as a whole and have questioned whether that reflects the spirit of what was intended in the legislation. The designation of an RPZ should be driven solely by a robust statistical evidence base and an understanding of the impact the use of such regulatory interventions will have on the wider market.**

### Key Issues

- It should be recognised that the designation of a RPZ should be viewed as failure on part of local authorities in meeting local housing need and demand and therefore, they should only be applied for in extreme circumstances.
- It is vital that RPZs do not deter the potential investment opportunities of Build to Rent within Scotland's cities and regions and the PRS sector in general. Much of new housing delivery will be through large regeneration sites, where BTR can provide early place-making and help to form the community that makes regeneration schemes successful.

### General Comments

2. The designation of an RPZ should be driven solely by a robust statistical evidence base and an understanding of the impact the use of such regulatory interventions will have on the wider market such as a further risk premium by potential investors to the PRS in Scotland.
3. Some of our members have noted concern about the source of relevant evidence and its accuracy. Our members note that the guidance stipulates the importance of obtaining rent data from existing tenants via tenants themselves or landlords, which is important as these can be different from advertised rents.

4. Some members have expressed concern that the requirement to include all services as rent may distort data required for evidence to support the designation of Rent Pressure Zones. For example, there are existing examples of utilities such as centralised district heating systems being metered and recharged per unit, Gas, Electricity, Broadband internet connectivity, Telephone and Council Tax.
5. Clarification is also required as to how rents can be compared when housing associations are able to charge separately for additional services over and above mid-market or near-market rent, which may not be taken into account. It is important in these circumstances that any evidence for consideration should be on a fair and equitable basis.
6. There appears to be no specific parameters set for undue hardship and members have asked if there will be a standard test. Our members also would like clarification on how the information gathered on undue hardship can be evidenced publicly particularly in small catchment areas.
7. We also note that there appears to be no baseline data for measuring whether an authority is coming under increasing pressure. For example, will there be a set of data as at 1 January 2018 that will be used to assess whether they are coming under pressure? There is a risk that the decision will be made arbitrarily by looking at existing lists at a time when we are aware that due to lack of supply, there is a housing shortage and therefore upwards pressure on rental values in areas of high demand.
8. Our members are firmly of the view that the guidance should place a requirement, on a local authority wishing to designate a RPZ, to evidence what steps they have previously undertaken to resolve local housing pressure as well as put forward an action plan to resolve pressures that would be taken forward throughout the duration of a RPZ.
9. It should be recognised that the designation of a RPZ should be viewed as failure on part of local authorities in meeting local housing need and demand and therefore, they should only be applied for in extreme circumstances.
10. The SPF would be pleased to discuss our comments at the Scottish Government's convenience.

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