

Response ID ANON-KZHS-ZCN4-Y

Submitted to **Housing to 2040: consultation on outline policy options**

Submitted on **2020-02-28 16:02:03**

Questions

1 Do you have any comments on the draft vision and principles?

Please be specific and identify what you would change and why.:

A WELL-FUNCTIONING HOUSING SYSTEM

PRINCIPLE 1

1. Our members have strong concerns about the suggestion that income increases will be sufficient to achieve the necessary investment from the private sector. They are firmly of the view that a lack of capital growth will stop investment. It is essential that all parties involved in the property market need to maintain capital values over time.
2. Investment capital is extremely mobile and a major policy objective to limit capital growth in the property market in Scotland is very likely to destroy confidence and have a negative impact on the economy. The associated additional investor risk premium could leave Scotland disadvantaged, and potentially un-investable in this sector.
3. The Scottish Government is unlikely to be in a position to sustain the funding for affordable homes at the same level as present. It is also important to understand that investors of all description are risk adverse. They are under no compulsion to invest in Scotland, particularly when they can continue to invest in alternative UK locations.
4. A key tenet for financial institutions to invest in the sector is both capital and rental growth. Changing legislation or the threat of changes as proposed will stop such investment and as a direct consequence even fewer new rental homes will be built. Without investment in housing, economic growth will fall.
5. These unintended consequences are very real and could mirror those of the 1970s, when institutional investors made a rapid exit from the sector as a result of stringent rent controls being introduced by the Rent Acts.
6. Our members are firmly of the view that a practical affordable housing policy is required, in particular, how to resource affordable homes and who qualifies. A clear definition of what is meant by 'affordable' is also required. There is a considerable undersupply of rental housing especially for key workers who are essential for sustainable economic growth, and it is vital that we build more homes to address this.
7. The SPF is keen to ensure that the balance between the actual market environment and perceptions of what is required in the marketplace is clear. No recognition is made in the Vision of the level of risk taken on by developers and there needs to be continued growth.
8. Developers are currently working up schemes, which are capable of delivering thousands of new PRS homes in Scotland, and due to depth of occupier demand, these can be provided in a considerably shorter timeframe than those built for owner occupation. None of these homes will be built without investment or funder backing.
9. Our members are firmly of the view that there is a delicate balance to be struck and any market intervention needs to be minimal and carefully undertaken. There is an assertion that most people still want to own their own homes and to some extent that may always be the case. There are generational issues particularly in relation to income reduction amongst the elderly. There is also a changing culture in relation to renting, set against a perception that all graduates wish to buy properties and a shift in culture towards co-living.
10. Principle 1 suggests shifting the balance away from homes as a means to store wealth. This could potentially suggest some unnecessary market intervention. It also fails to take account of the fact that building and storing wealth, through the main asset of a home, has served many people well; as housing has proved to be a stable investment. People have been able to release equity to fund retirement and reduce reliance on the state. Increasing supply of homes in the right places should take the heat away from values.
11. The key drivers of the Planning Scotland Act 2019 should influence and contribute to the improvement of housing delivery and improving the experience and influence of communities. In preparing NPF4 the Scottish Government has committed to engaging with relevant representative groups and designing the policy approach with reporting requirements in mind.
12. There also needs to be a recognition of housing delivery economics and how to attract investment. Recent housing market conditions and active encouragement by the Scottish Government has started to attract new investment into Scotland. It is therefore vital that the private sector is encouraged, via the major financial institutions, to invest in the rental sector in Scotland.
13. The SPF supports the treatment of purchases of 6 or more connected properties as being not subject to the Additional Dwelling Supplement, which would add a very considerable cost for institutional investors.

PRINCIPLE 2

1. Our members are firmly of the view that the current pressure on the housing market is driven by a lack of supply across all tenures. While this leads to perceived conflict between tenures/uses, it masks the underlying issue to which the only solution is a step change in the supply of new dwellings.

2. Government taxation policy is already focused on the primary residence. The Additional Dwelling Supplement adds a considerable surcharge for those buying a second home: indeed, many are caught by the provisions of ADS even when it is a matter of transaction circumstance rather than intention to 'own' a second home. Likewise, council tax exemptions for second homeowners have been restricted. Tax should not be used to limit access to the housing ladder. The establishment of a progressive approach to LBTT was a significant and welcome measure. However, the application of a 10% rate of LBTT at the threshold of £325,000 is a significant disincentive to households seeking to move to larger properties, or even smaller properties located in high value areas.

3. The government is expected to act soon to regulate short-let landlords in accordance with the Planning (Scotland) Act 2019. The current taxation framework can create an unfair advantage for those operating short-term lets on a small scale, as opposed to commercial operators and Private Rental Sector (PRS) landlords. The result of this is to create artificial market forces, which keep properties operating as short-term lets that would otherwise be available to long-term tenants in the PRS. Solving this by bringing parity between long-term lets and short-term lets, in terms of taxation and the regulatory framework, would allow market forces to operate effectively and balance these tenures in the face of the overall housing shortage.

4. The earlier consultation by the Scottish Government on short-term lets explains that short-term lets are taking away housing in the PRS, thus reducing number of properties available for long-term lets. Our members are of the view that the consultation did not consider the entire Scottish housing market and the differing markets from one area to another. For example, Aberdeen would benefit from property owners tapping into the short-term lets market as there is an oversupply of long-term rental accommodation. While the opposite picture is evident in Edinburgh, which has a far more buoyant market with its successful tourist industry. The overall positive or negative impacts of short-term lets are highly localised and as such need to be considered at local authority level.

PRINCIPLE 3

1. This suggests that people should be able to make "significant" changes to their home whether they own or rent it. There is no doubt that a tenant should be able to make a rented property feel like "home". To some extent security of tenure does this, however whether a change adds value or not can be highly subjective. We need to be clear about what significant changes are and who would be responsible for such changes, both financially and legally. There could also be an impact on health and safety, and the cost of rectifying these changes for landlord and investors.

2. There needs to be more support for build to rent and mix of tenure can offer choice for households as well as greater flexibility. Greater supply of housing would give more choice for renters at differing stages of their housing needs.

3. Our members have suggested that one measure that could be undertaken is for a more flexible approach to the constitution of affordable housing to enable more mid-market rental or indeed near-market rental. The SPF feels there is a good reason for this extension of the definition of affordable housing as there is a growing body of people without access to home ownership, social housing or traditional mid-market rent.

4. Our members are also of the view that Scottish Government needs to ensure it sets the right policy framework for large scale investment which appeals to landlords as well as consumers. This could be in terms of planning policy in relation to new build or incentives to revitalise unwanted residential blocks. Without improved supply then no matter what the demand the consumer is unlikely to have the choice of provision of private rented housing that the government envisage.

5. Our members are also of the view that Scottish Government needs to ensure it sets the right policy framework for large scale investment which appeals to landlords as well as consumers. This could be in terms of planning policy in relation to new build or incentives to revitalise unwanted residential blocks. Without improved supply then no matter what the demand the consumer is unlikely to have the choice of provision of private rented housing that the government envisage.

PRINCIPLE 4

As stated above build-to-rent and mix of tenure can offer choice for households as well as greater flexibility.

In order to make utility bills affordable the government needs to consider the costs associated with a drive towards an all-electric future. At present utility bills look to be increasing due to the shift from traditional fuel and heating sources, such as gas boilers, to the use of heat pump technology. Also at present, gas prices are lower than electric prices by around 5 or 6 times and as such overall government strategy is diverging when the all-electric future is considered against fuel poverty eradication. To solve this, more focus needs to be put into reducing the price of electricity or assisting with costs on low carbon heat.

HIGH QUALITY, SUSTAINABLE HOMES

PRINCIPLE 5

Tenure neutral quality standards are already in place via Building Standards. To attempt to introduce retrospective space and quality standards to existing homes would be extremely difficult to implement, and costly to administer and control at local government level. Additional local government resources would need to be employed and funded and it could create a negative impact on the housing market.

PRINCIPLE 6

1. Viability analysis and a consistent basis for calculating housing land supply is important. The low level of production within the house-building sector is not just a result of a lack of available funding but a direct result of an inadequate land supply. Land prices are reduced as a result of increased land supply and housing land needs to be where people want to live. Economic value is important for location of new houses.

2. There is a disconnect between salaries and house prices, but affordable housing should not be used to address rising costs due to lack of supply. The increase in the cost of land effectively puts the brakes on provision of affordable homes and providing infrastructure becomes unaffordable.

3. The provisions in the Planning (Scotland) Act should place greater onus on Local Authorities to carry out more detailed assessment of the full range of housing tenure that can collectively meet Housing Need and Demand, and to co-ordinate such housing tenure assessment with its wider obligations to provide council housing, schools, libraries, roads, offices and other facilities.

4. Housing Needs and Demand Assessments should generate an adequate, or effective land supply, which can respond to the marketplace. We are also concerned that there is frequently no robust analysis of employment land needs and demand. Housing land supply must take into account the annual production capacity of sites to avoid large releases meeting political requirements, but not actually delivering annual output.

5. In the past some LDPs have minimised identified housing requirement by separating out 'affordable' and 'private' housing requirements. Then using lack of funding for affordable housing to justify not allocating sufficient housing land to meet the total requirement. This approach is sometimes adopted in areas that are highly attractive to house-buyers and councils that have historically suppressed housing release, and consequently have greater affordability issues.

6. The build to rent sector (BTR) can provide the opportunity to deliver the required volume and supply of new housing quickly. The multiplier effect of new investment would bring enormous economic benefits and should continue to be actively encouraged and incentivised. As the growing BTR sector matures and investors are attracted to a stable and sustainable sector there may be benefit in considering BTR as a distinct planning use.

7. Infrastructure constraints are a major challenge for developers in an environment that remains fiscally risk averse. Better coordination of planning and infrastructure plans would address this issue. It is crucial that the key agencies are engaged positively at the regional infrastructure and local development planning stages.

8. Attracting outside investment is going to be key to sustaining the property sector going forward. We advocate the closer alignment of private capital and government to deliver infrastructure although this will require a culture change in planning authorities in order to succeed. The recent emergence of City Region Deals is welcomed by the SPF and may pave the way for a much needed greater scale of investment, but it will have to be targeted carefully throughout the regions to ensure that it is invested in areas where people want to live and work, and developers want to do business.

9. The ability of investors to access and acquire land for development is an issue. Currently, BTR developers compete with developers for market sale and may find it difficult, as build-to-sell often achieves higher values. Where BTR competes well is in the early phases of regeneration schemes (where PRS can enhance later sales values), where significant scale can be achieved (100 units or more), and/or where the long term economic prospects of an area allow BTR developers to benefit from long term value, which build-to-sell developers will not.

PRINCIPLE 7

1. There is currently too much confusion relating to fire safety requirements in domestic properties, particularly the PRS sector. This confusion tends to be around varying viewpoints between Building Control departments and the Scottish and Fire Rescue Service. A more cohesive approach would allow consistency of safety through the building stock. This could allow good design to be shared and replicated, simplifying the design, procurement and maintenance processes.

2. Larger scale, professionally managed, schemes will enhance the quality of PRS accommodation and empower tenants by providing choice. Landlords will lose out if high standards are not maintained and flexibility not offered. We feel it is important therefore that Letting Agents and Managing Agents who provide such key services to both tenants and landlords are performing equally to good practice standards.

3. It remains the view of SPF that much well-intentioned regulation has suffered through patchy enforcement, Landlord Registration being the clear example. Better communication from government and local authorities, backed up by enforcement of existing provisions by local authorities and the government would be effective in routing out rogue landlords and tenants who behave badly.

4. The ability to remove anti-social tenants must be enhanced for the benefit of landlords and their tenants if high standards are to be maintained.

PRINCIPLE 8

Our members support this principle. However, many remedies are already available but are not enforced or utilised.

PRINCIPLE 9

1. As stated above our members would like to see buildings with flexible, viable and cost-effective designs that can be adapted to suit changing aspirations and fluid markets in the current economic environment. Placemaking is vital around a good infrastructure (particularly transport) with access to a mixture of property uses including retail outlets, employment, leisure and ideally residential uses. Our members are of the view that this is important for both commercial and residential development with similar aspirations applying to both. The key will be to associate transport and development correctly. Mixed development of residential and commercial centres can also help (thus minimising private transport use).

2. In order to effectively refurbish and reuse existing buildings, some degree of relaxation is required in heritage buildings. Many of our towns and cities contain large quantities of Victorian building stock and to appropriately refurbish these to modern, low carbon and healthy homes requires flexibility on heritage restrictions.

3. In order to improve local biodiversity and reduce environmental impact, work at a national level is required on public and utility infrastructure. Many domestic and urban areas could have significantly improved air quality and green space if electric and low carbon transport is planned and implemented properly. This cannot be done at a building level, it requires a local authority or government masterplan level of implementation to successfully achieve.

SUSTAINABLE COMMUNITIES

PRINCIPLE 10

1. Achieving this requires integrated masterplans at a local authority or government level. This cannot be done at a building level, it requires a local authority or government masterplan level of implementation to successfully achieve.

2. The proposals set out in Principle 10 are to be commended. We already have extensive community engagement in planning, which was strengthened by the Planning (Scotland) Act 2019 and the introduction of Local Place Plans. However, there is a risk of these proposals being used to prevent or render unviable a large element of the housing delivery pipeline.

3. Community engagement is a key part of major development and should be meaningful, timely and efficient. We are aware that frustrations are raised by community bodies or those representing community bodies from time to time. Equally from the developer perspective, there can be contradictory and unconstructive input from community groups leading to a sense of delay and uncertainty. The potential award of wider permitted development rights when there is clear community support would encourage developers to implement robust and meaningful community engagement measures.

4. As stated above, the SPF's main interest in the Vision is to see buildings with flexible, viable and cost-effective designs that can be adapted to suit changing aspirations and fluid markets. Good infrastructure (particularly transport) with access to a mixture of property uses including retail outlets, employment, leisure and residential uses is vital to good placemaking. Our members are of the view that this is important for both commercial and residential development with similar aspirations applying to both.

PRINCIPLE 11

1. As stated above we already have extensive community engagement in planning, which was strengthened by the Planning (Scotland) Act 2019 and the introduction of Local Place Plans.

2. A re-activated and modern infrastructure is fundamental to a modern Scotland, and large scale national planning is welcomed to achieve this. Forming attractive new homes with low carbon energy, access to fibre and electric vehicle infrastructure needs to be led by utility authorities as part of an enabling process to help developers and investors provide these attractive new homes. Such infrastructure is also important in reducing the adverse impacts of poor air quality by removing reliance on fossil fuels and combustion engine vehicles. An improved network can also help public transport develop, leading to a reduction in road network scales, reduced external noise and improved air quality.

3. As already stated community engagement is a key part of major development and should be meaningful, timely and efficient. We are aware that frustrations are raised by community bodies or those representing community bodies from time to time. Equally from the developer perspective, there can be contradictory and unconstructive input from community groups leading to a sense of delay and uncertainty. The potential award of wider permitted development rights when there is clear community support would encourage developers to implement robust and meaningful community engagement measures.

PRINCIPLE 12

Attracting outside investment is going to be key to sustaining the property sector going forward. We advocate the closer alignment of private capital and government to deliver infrastructure, although this will require a culture change in planning authorities in order to succeed. The emergence of City Region Deals is welcomed by the SPF and may pave the way for a much needed greater scale of investment, but it will have to be targeted carefully throughout the regions to ensure that it is invested in areas where people want to live and work, and where developments are viable.

HOMES THAT MEET PEOPLE'S NEEDS

PRINCIPLE 13

1. As stated in relation to Principle 1 our members are firmly of the view that a practical affordable housing policy is required, in particular, how to resource affordable homes and who qualifies. A clear definition of what is meant by 'affordable' is also required. There is a considerable undersupply of rental housing, especially for key workers who are essential for sustainable economic growth, and it is vital that we build more homes to address this.

2. There is a disconnect between salaries and house prices, but affordable housing should not be used to address rising costs due to lack of supply. The increase in the cost of land effectively puts the brakes on provision of affordable homes and infrastructure provision becomes unaffordable.

PRINCIPLE 14

1. The SPF's main interest in the Vision is to see buildings with flexible, viable and cost-effective designs that can be adapted to suit changing aspirations and fluid markets in the current economic environment. Placemaking is also vital around a good infrastructure (particularly transport) with access to a mixture of property uses including retail outlets, employment, leisure and residential uses.

2. Our members agree that vulnerable and single parent families are an increasing concern for the PRS in the light of changes to various benefit regulations and the continuing pressure on the supply of housing. The identification and provision of additional support functions for such groups alongside the housing delivery sector should occur to ensure that they can meet their individual housing requirements. There are also generational issues particularly in relation to income reduction amongst the elderly.

PRINCIPLE 15

Our members agree with this overarching principle and are firmly of the view that the balance between the actual market environment and perceptions of what is required in the marketplace is clear.

2 Do you have any comments on the scenarios and resilience of the route map or constraints?

Do you have any comments on the scenarios and resilience of the route map or constraints?:

- A key challenge in delivering the Vision is the limited capacity of the Scottish construction sector, outside of companies who will build their own product to a sales programme. There are few contractors capable of taking on large scale housing development. Over 75% of affordable housing in Glasgow was built by just three contractors. Our members are concerned that this limited capacity could contribute to delays and constraints on output.
- Our members are also concerned by the delivery numbers and costs quoted by the Scottish Government. There is an assumption that £4 billion is required to deliver a further 50,000 affordable homes which at £80k per home is a vast underestimate of the actual delivery cost. Our members are of the view that a very conservative estimate of £6.25+ billion is closer to the total required based on £125k or more per home once land and other costs are included.
- Some of our members have suggested that it would also be helpful if there was an understanding across the public sector procurement process of limitations in the viability of design led affordable housing.

For questions 3 to 7 below, when making proposals, please be as specific as you can about:

3 Do you have any proposals that would increase the affordability of housing in the future?

Do you have any proposals that would increase the affordability of housing in the future?:

- As already stated, our members are firmly of the view that a practical affordable housing policy is required, in particular, how to resource affordable homes and who qualifies. A clear definition of what is meant by 'affordable' is also required. There is a considerable under-supply of rental housing especially for key workers who are essential for sustainable economic growth, and it is vital that we build more homes to address this.
- There is a disconnect between salaries and house prices, but affordable housing should not be used to address rising costs due to lack of supply. The increase in the cost of land effectively puts the brakes on provision of affordable homes and infrastructure becomes unaffordable.
- The build to rent sector (BTR) can provide the opportunity to deliver the required volume and supply of new housing quickly. The multiplier effect of new investment would bring enormous economic benefits and should, be actively encouraged and incentivised. As the growing BTR sector matures and investors are attracted to a stable and sustainable sector there may be benefit in considering BTR as a distinct planning use.

4 Do you have any proposals that would increase the accessibility and/or functionality of existing and new housing (for example, for older and disabled people)?

Do you have any proposals that would increase the affordability of housing in the future?:

No comment

5 Do you have any proposals that would help us respond to the global climate emergency by increasing the energy efficiency and warmth and lowering the carbon emissions of existing and new housing?

Do you have any proposals that would help us respond to the global climate emergency by increasing the energy efficiency and warmth and lowering the carbon emissions of existing and new housing?:

- As already stated in relation to Principle 10, increasing the energy efficiency and warmth and lowering the carbon emissions requires integrated masterplans at a local authority or government level. This cannot be done at a building level; it requires a local authority or government masterplan level of implementation to successfully achieve.
- Also stated in relation to Principle 11, a re-activated and modern infrastructure is fundamental to a modern Scotland. Large scale national planning is welcomed to achieve this. Forming attractive new homes with low carbon energy, access to fibre and electric vehicle infrastructure needs to be led by utility authorities as part of an enabling process to help developers and investors provide these attractive new homes. Such infrastructure is also important in reducing the adverse impacts of poor air quality by removing reliance on fossil fuels and combustion engine vehicles. An improved network can also help public transport develop, leading to a reduction in road network scales, reduced external noise and improved air quality.
- The automated energy improvement measures recommended by the Standard Assessment Procedure (SAP) must be improved. The measures can be misleading and direct landlords to install energy efficiency measures that will provide poor return/ investment for both the landlord and the tenant. Examples of this include installing renewable systems ahead of proposing fabric first enhancements.
- For properties that use electric heaters, SAP recommendation is to install wet central heating with gas boilers (where mains gas is available). This goes against recent policy proposals to moving away from a natural gas heating, both in terms of local air quality and national carbon emission targets (i.e. all electric buildings with a cleaner national grid).
- Our members have also repeatedly called for the enhancement of the methodologies used to produce EPC ratings and prescribe solutions. We have noted that EPC ratings for both domestic and non-domestic buildings are often inaccurate, and do not always account for changes in technology. We would like to see greater emphasis on ensuring that EPC methodology is improved. It is also vital that the Scottish Government gives local authorities additional resources to support landlords and other property owners, as local authorities have a vital role in the enforcement of regulations.

6 Do you have any proposals that would improve the quality, standards and state of repair of existing and new housing?

Do you have any proposals that would improve the quality, standards and state of repair of existing and new housing?:

No comment

7 Do you have any proposals that would improve the space around our homes and promote connected places and vibrant communities?

Do you have any proposals that would improve the space around our homes and promote connected places and vibrant communities?:

As previously stated, good infrastructure (particularly transport) with access to a mixture of property uses including retail outlets, employment, leisure and residential uses is vital to good placemaking. Our members are of the view that this is important for both commercial and residential development with similar aspirations applying to both.

8 Any other comments?

Any other comments?:

- Our members welcome a longer-term strategy, which would go beyond the life of a single parliament and enable ongoing longer-term initiatives to be implemented. This would provide investors and developers with some comfort and certainty to plan ahead. Given the long cycle of site appraisal; acquisition; planning consent; building warrant and construction, this is essential.
- Careful consideration needs to be given to how the strategy is implemented. A delicate balance needs to be struck and any market intervention needs to be carefully undertaken with a full understanding of the wider and unintended consequences on the market.
- Viability analysis and a consistent basis for calculating housing land supply is key to effective housing delivery. The low level of production within the house-building sector is not just a result of a lack of available funding but a direct result of an inadequate land supply. Land prices are reduced as a result of increased land supply and housing land needs to be where people want to live. Economic value is an important consideration for the location of new houses.

About you

What is your name?

Name:
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What is your email address?

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Are you responding as an individual or an organisation?

Organisation

What is your organisation?

Organisation:
Scottish Property Federation

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

Publish response with name

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Yes

Evaluation

Please help us improve our consultations by answering the questions below. (Responses to the evaluation will not be published.)

Matrix 1 - How satisfied were you with this consultation?:

Slightly dissatisfied

Please enter comments here.:

The Scottish Property Federation (SPF) is the voice for the real estate industry in Scotland. We include among our members: property investors, including major institutional pension and life funds; developers; landlords of commercial and residential property; and professional property consultants and advisers.

The format of the consultation makes it very challenging to gather the views of our members and offer an industry view. An editable template would make it easier to collect the views of our members.

Matrix 1 - How would you rate your satisfaction with using this platform (Citizen Space) to respond to this consultation?:

Slightly dissatisfied

Please enter comments here.:

Please see comments above.