

30 January 2014

**Scottish Parliament Infrastructure and Capital Investment
Committee Call for Evidence**



**Comments by the Scottish Property Federation on the Proposed
National Planning Framework 3**

Introduction to SPF

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 investors, developers, landlords of commercial and residential property, and professional property consultants and advisers.

General Comments

2. The property industry provides new property development and investment returns for investors, including public and private pension funds. The industry also makes wider contributions to the economy and provision of jobs. This includes new or redeveloped offices, or refurbished older properties as offices; hotels, restaurants, cafes; retail parks, shops; distribution warehouses; factories, workshops and other industrial centres; and finally public buildings themselves.
3. Commercial property is therefore a key aspect of business infrastructure and has a key role to play in the delivery of the National Planning Framework. As well as delivering direct infrastructure and support for businesses and the public sector, property also provides an on-going source of return, investment and economic value. The five year tenure of NPFs may not always be suited to seizing economic opportunities that may be regarded to have national importance. We believe that the Scottish parliament should therefore be prepared to consider adopting 'national' projects within the five year NPF period should the need and opportunity arise.
4. The SPF believes that the presentation and inter-relationship of this NPF is improved from NPF2 and supports the vision of the document. Our members see NPF3 as the 'prospectus' for investment in Scotland and in this light we feel that the NPF3 has much to commend. However, as well as identifying a need for delivery of the planning system we would add a concern that wider government policy has to be properly aligned to support the intentions of NPF3 to achieve sustainable economic growth. Thus making capital expenditure investment a priority and innovative policies such as tax increment financing and the national housing trust. The Scottish Government will also be assuming enhanced borrowing powers and while we understand that this comes with certain restrictions, it will be important for all avenues of additional investment to be explored.

5. Other government policies are also crucially important to the competitiveness of Scotland and its real estate sector. For example the three yearly increases in energy efficiency standards on new development have led to a situation where modern homes and offices are some 70% improved in terms of energy efficiency compared to their 1990 peers. There is potentially a tension between setting ever higher standards for buildings which will incur significant construction or redevelopment costs and seeking economic development. No plan is effective unless it is delivered and therefore the NPF will not materialise without a realistic plan for investment in infrastructure. Constraints upon both public and private sources of finance will mean the aspirations of NPF will be challenging for years to come, but it is still important for NPF to link to the Infrastructure Investment Plan.

National Developments

6. Our members have indicated support for the national developments identified which represent a good mix of the necessary infrastructure required to support sustainable economic growth as well as wider recreational uses such as the Green Cycling Network. In particular our members have indicated support for the transport improvements identified. In terms of priorities we believe the key connections between the major cities both within Scotland and to the airports of the major cities will be crucial to boost the economy. This will cover both road and rail based forms of transport. Beyond this we welcome the support in NPF3 for developments of appropriate transport enhancements to support the proposed port improvements at Grangemouth and throughout the wider Firth of Forth (enhanced Freight capacity). Key areas along the East coast are primed for onshore support of the offshore sector and it will be important not to miss this opportunity.
7. The SPF welcomes certain new national projects identified since NPF2, for example the Dundee Waterfront. We suggest this could be enhanced if the Tay Region be considered as an area for co-ordinated action. The potential of the Tay Region for a mixture of the targeted economic interests such as tourism, energy (offshore renewables support in particular, life sciences and the Computer Games industry as well as the Dundee City waterfront regeneration suggests a suitable mix for a designated area of co-ordinated action. Beyond this point we are supportive of the mix of national developments proposed for NPF3 covering energy infrastructure, water infrastructure and connections by air and sea. We would add that the Scottish Government should also see the strengthening of internal rail connections between the cities of Scotland as further priorities as well as the planned strengthening of road links between these points. A key priority is the EGIP (Edinburgh Glasgow Improvement Project) rail programme which will require appropriate support for transport infrastructure if we are to capitalise on demand for business and residential investment between the two major cities of Scotland.
8. We accept the analysis that economic recovery will take a long time to emerge. Aside from the notable recent investments in commercial property in Aberdeen, there is some recent evidence of increased activity in speculative commercial development in Glasgow and Edinburgh, but it should be added that this is from a very low basis of activity. The

feedback from our members is that this emphasis upon offices in the major cities will continue. The challenge may therefore be to achieve significant residential development in the city environs in order to achieve sustainable places.

9. The commercial property market is facing a polarisation between primary and secondary properties currently and this is influencing much of the investment activity. Strong public/private leadership in identified locations, such as the Clyde Gateway, has shown that it can make a difference and achieve positive results. We therefore support the identification of the Dundee Waterfront and Ravenscraig sites as national developments. However, it will be important for the Scottish Government to support significant economic development opportunities where they occur in order to sustain what is at this stage a fragile economic recovery. While we do not take issue with the Enterprise Areas and the key growth sectors identified it is important that the government supports other sectors where significant opportunity arises.

General Proposals

10. The recent report of the National Review of Town Centres supported the existing policy on a sequential approach to town planning, particularly of retail development. We support this existing policy. We believe that some of the concerns that led to the creation of the Review have in fact been in evidence for several decades and that the recession has perhaps forced an increased pace of change. In addition we believe that the future of town centres will be for a far more diversified use than was perhaps previously assumed to be the case.
11. We have long believed that it will be in the longer term interests of the economy and for householder choice, for private renting to play a greater role in the make-up of the sector: there is an opportunity to grow a new investible asset class that will raise the quality and management of the sector and at the same time diversify the residential market. This would also help to reintroduce people to living in the town/city centre which will bring additional potential benefits of reduced transportation costs and added central economic activity.
12. One result of the relative lack of demand for older town centre offices will be that a number of private investors and commercial property owners will be reconsidering their use of older buildings that may previously have been converted into offices and possibly now in need of reconversion. The Scottish Government recently supported this policy with some £2mn of funding. It is likely that further funding support may be required to deliver substantive numbers of conversions. In addition to funding there will be a requirement to review certain existing planning policies, such as restrictions upon residential parking. But in the main conversion will offer a route for the re-use of properties that will struggle in many cases to become re-usable for commercial uses.
13. We agree that new housing supply needs to be targeted at the major growth areas in the economy. There are signs that the wider residential property market is slowly recovering and this will lead to a steady improvement in the delivery of new homes. To support this embryonic recovery there should be flexibility in the wider planning system. However,

we are concerned that there can still be a discrepancy between site allocations and the market realities faced by the house building sector.

14. The property industry is keen to build on the early signs of recovery in the property market. The cautious optimism in forecasts for Scotland's economic future means that in the timescale horizons of the NPF we will hopefully be in a more buoyant development environment when the policies in the NPF materialise through to the development plan process and into planning applications. Our members therefore strongly support the transport improvements identified. The key connections between the major cities both within Scotland and to the airports of the major cities will be crucial to boost the economy and attract investment. This could also help to promote more development in areas of particular growth
15. The SPF would be pleased to explain its comments in further detail at the Committee's request.

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