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Plan to deliver thousands of homes

Accelerating supply in the private rented sector.

Plans for a new Scotland-wide housing initiative that could help deliver thousands of purpose-built homes for private rent have been unveiled.

The Private Rented Sector (PRS) Rental Income Guarantee scheme would see the Scottish Government sharing a proportion of rental income risk associated with large-scale new developments.

The guarantee is intended to compensate owners for a financial shortfall in qualifying projects arising as a result of lower than projected rental income.

Expert panel, the PRS Working Party, estimates the guarantee could directly support construction of 2,000 additional homes in the new build-to-rent sector, and has the potential to deliver thousands more when combined with other measures.

The introduction of a guarantee was one of the key recommendations flowing from the work of the Scottish Government-supported PRS Champion Gerry More, who is advised by the Working Party experts.

Social Justice Secretary Alex Neil said: "This government is determined to boost the supply of housing across all tenures, helping create vibrant, dynamic neighbourhoods that comprise the quality, warm and sustainable homes our country needs."

"I see the private rented sector playing a major role in the expansion of our housing supply, and we are determined to continue to make Scotland an attractive place for investors to operate in the long term.

"This scheme is designed to give investors greater confidence during the early stages of letting and managing the homes, encouraging early movers in this emerging market to bring developments to fruition at a time when they are needed most.

"We continue to lead the way in the UK in developing innovative financial models, such as this PRS Rental Income guarantee to attract large-scale investment and accelerate the supply of new homes across the country.

"We want to test the rental income guarantee proposal with the market to ensure it is the right tool to deliver on the significant potential for investment that currently exists."

Private Rented Sector Champion Gerry More said: "New purpose-built PRS homes can rapidly increase the provision of much needed housing, whilst setting a new standard through innovative design and professional service quality, positively transforming the experience of rented housing in Scotland.

“The Rental Income Guarantee Scheme is a targeted and relatively short-term support mechanism to help kick-start institutional investment and to secure the rapid and volume delivery of high quality additional new housing. In doing so, it will boost flexibility, choice and affordability in the housing market.”

Dr Ed Trevillion, chair of the PRS Working Party and Professor of Real Estate Investment at Heriot Watt University said: “Institutional investment in high quality PRS housing is an important potential source of funding for new housing in Scotland and the Rental Income Guarantee Scheme offers a safety net for this type of investor considering moving into the sector.”

Nicola Barclay, Chief Executive of trade body Homes for Scotland, which initiated the research leading to today’s announcement, said: “As part of a wider market approach across all tenures, expanding the supply of purpose-built private homes for rent is crucial to ensuring Scotland has enough homes of all types to meet the diverse housing needs and aspirations of all those living here.”

Ed Crockett, Residential Fund Manager at Aberdeen Asset Management PLC, said: “This is a welcome initiative which should markedly increase high quality housing supply across Scotland. The use of this innovative mechanism to enhance rather than replace schemes which already exist is a positive step. It is imperative that those of us in the industry continue to engage fully with the Scottish Government to ensure its successful implementation.”

Eric Adair, Operations and Finance Director at The EDI Group, said: “We’re committed to delivering one of the first major private rented developments in Scotland as part of our ongoing regeneration at India Quay in Edinburgh.

“The Scottish Government’s new initiative will enhance our ability to attract further interest and investment opportunities as we bid to create a thriving canal side community and destination which will match the best in Europe.

“We believe large scale rented developments like India Quay can make more quality homes available in the city and will give a variety of people real choice by providing a professionally managed high level of service.”

Background

Investors, developers, property advisors and other stakeholders are invited to comment on the proposed scheme by April 22.

The Market Engagement document which provides further detail on the proposed scheme can be accessed at www.gov.scot/Publications/2016/02/2612.

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