

**MINISTERIAL ENGAGEMENT BRIEFING: DEREK MACKAY**

<b>Engagement title</b>	Build to Rent Forum, pre-conference dinner	
<b>Engagement timings</b>	6.30pm (for 7pm) – 9.30pm	
<b>Organisation</b>	Movers and Shakers	
<b>Venue and full address</b>	The National Museum of Scotland, Bute and Board rooms (Tower Entrance)	Chambers St, Edinburgh, EH1 1JF
<b>MACCS reference</b>	2017/0029980	
<b>Background/Purpose</b> (including invitation history)	<p>To liaise and maintain positive relations with potential investors in residential development (specifically the Scottish BtR sector).</p> <p>You were initially invited to both the dinner and the Conference the following day (12<sup>th</sup> October: but due to diary commitments, are not able to attend).</p>	
<b>Relevance to core script</b>	Attracting new private investment in to Scotland, to stimulate the emerging Build-to-Rent housing market – building new private rented homes; boosting construction and creating jobs.	
<b>Meeting attendees</b>	Annex A: List of attendees (and agenda)	
<b>Supplementary information</b>	<p><b>Annex B: Key biographies</b>  <b>Annex C: Build-to-Rent background</b>  <b>Annex D: Rental Income Guarantee Scheme (RIGS)</b>  <b>Annex F: Key issues/lines</b></p> <p>Provided separately (to be included in your pack)</p> <ul style="list-style-type: none"> <li>• Speaking note</li> <li>• BtR Opportunity Document</li> <li>• BtR Planning Advice</li> <li>• Conference agenda (for the following day)</li> </ul>	
<b>Official support:</b>	[REDACTED]	

## Annex A: List of attendees (and agenda)

### Evening's agenda

- 7.00pm – Welcome and introduction – David Jennings, Chair, Movers and Shakers
- 7.05pm – Introduction – Brodies LLP (dinner sponsors)
- 7.10pm – Key note address – Derek Mackay MSP, Cabinet Secretary for Finance and the Constitution [10 minute speech; 5 minutes for questions]
- 7.25pm – dinner served
- 9.30pm – carriages

Organisation	Name	Surname	Job Title
Assael [Architects]	Russell	Pedley	Director, Shareholder & Co-Founder
Brodies LLP	Tracey	Menzies	Real Estate Partner
Brodies LLP	Richard	Whyte	Partner
Brodies LLP	Helen	Abrams	Partner
Brodies LLP	Chris	Dun	Partner
City of Edinburgh Council	Andrew	Kerr	Chief Executive
City of Edinburgh Council	Michael	Thain	Head of Place Development
Citylets	Thomas	Ashdown	Managing Director
Dowbrae Property Consultancy	Robin	Blacklock	Managing Director
Ediston Real Estate [Real estate investment and developers]	Danny	O'Neill	Chief Executive
Faithful+Gould	Paul	Sherry	Director
Get Living Group [BtR investor and developer, in Glasgow]	Rick	de Blaby	Executive Deputy Chairman
Glasgow Chamber of Commerce	Stuart	Patrick	Chief Executive
GVA	Alastair	Carmichael	Head of Real Estate Finance & PRS Lead
GVA	Joshua	Rose-Nokes	Senior Researcher
GVA	Richard	Slipper	Senior Director Planning, Development & Regeneration
Heriot Watt University	Edward	Trevillion	Visiting Professor
Homes for Scotland	Nicola	Barclay	Chief Executive
Liv Consult [property managers]	Iain	Murray	Managing Director
Liv Group	Matt	Smith	Head of Mobilisation
Moda Living [BtR investor – Edinburgh and Glasgow]	Lee	Savage	Director of Development
PfP Capital [Places for People, Social and Affordable Housing provider]	Rebecca	Lewis	Investment Director
QMPF [corporate finance advice]	Graham	Aithie	Partner
Quatermile [Edinburgh]	Paul	Curran	Chairman
Rettie & Co	Matthew	Benson	Director
Revcap [real estate investor]	Jack	Martin	Associate Partner
Scottish Futures Trust	Andrew	Bruce	Head of Project Finance
Scottish Futures Trust	Barry	White	Chief Executive
Scottish Government	Derek	Mackay MSP	Cabinet Secretary for Finance & Constitution
Scottish Government	Brad	Gilbert	Head of Financial Innovation Unit, More Homes Division
Scottish Government	[REDACTED]		Head of Innovative Investments Team, More Homes Division
Stewart Milne	Gerry	More	Chief Executive
Venn Partners LLP	George	Cotterrell	Vice President
Whiteburn Projects Ltd	John	Shepherd	Managing Director
Whiteburn Projects Ltd [property developers; including Leith Lofts]	Eve	McCurrich	Director
Winckworth Sherwood	Karen	Cooksley	Partner

Winckworth Sherwood	James	Duncan	Partner
Movers and Shakers	David	Jennings	Chair

## **Annex B: Key Biographies**

### **RICK DE BLABY**

#### **Executive Deputy Chairman**

##### **Get Living**

Rick de Blaby is Executive Deputy Chairman of Get Living, the UK's leading owner operator of private rental homes, with 6,000 homes under management or in the pipeline across the UK, including sites in London, Glasgow and Leeds.

Managing 1,439 homes at East Village E20, the former London 2012 Athlete's Village, the company has developed a revolutionary model for rental housing. Get Living is the only landlord that doesn't charge fees, does not require a security deposit and offers longer three year tenancies, with a resident-only break clause, to give security combined with flexibility. Within tenancies, annual rent increases are set at CPI. From first viewing and throughout a resident's stay, Get Living is responsive, flexible and attentive.

Rick has over 37 years' experience in development and investment in both the residential and commercial sectors and has a particular interest in regeneration and design. Rick is also Non-Executive Chairman of Miller Developments, Non-Executive Director of Altitude Real Estate, Non-Executive Director of Curo Housing Association and Chairman of the Kinetic Foundation Charity. Prior to Get Living, Rick was CEO of United House Group and prior to that, CEO of MEPC.

### **DR EDWARD TREVILLION**

#### **Visiting Professor**

##### **Heriot Watt University**

I have had experience of both academic and market based research, and have held posts as Head of Real Estate Research and Strategy for Scottish Widows Investment Partnership (SWIP, now part of Aberdeen Asset Management) and Head of Property Research for GVA in Scotland.

I am currently teaching and undertaking research at Heriot Watt University with Honorary Professorial status. My research interests include the impact that behaviour has on market trends and developing adaptive models that take account of changing property market structures.

I have published in a variety of journals and magazines and am in the process of joint authoring a book on the global financial crisis and its impact on UK property markets.

I am a member of the Investment Property Forum's research steering group and Chair of a Scottish Government Working Party aimed at encouraging institutional investment in the private rented residential sector in Scotland.

### **LEE SAVAGE**

#### **UK Development Director**

##### **Moda Living**

With over 28 years' experience in property development, Lee has previously held the role of Development Director at both Scarborough Group International and Urban Splash, before joining Moda Living in July 2016 as UK Director of Developments.

Moda Living is the UK's leading build-to-rent developer and operator with a development pipeline of 6,000 apartments and a GDV of £1.3billion. Taken on board to help with national expansion, Moda now has sites in Manchester, Liverpool, Leeds, Edinburgh, Birmingham Glasgow and London.

## **NICOLA BARCLAY MRTPI**

### **Chief Executive**

#### **Homes for Scotland**

Becoming Homes for Scotland (HFS) Chief Executive in February 2016, Nicola Barclay has direct responsibility for managing the Executive Team, delivering business strategy and meeting the wide-ranging needs of member companies.

With a career spanning over 20 years in the home building industry and stretching over sales, land acquisition and planning, Nicola is ideally placed to take the organisation forward at what is a pivotal time, not only for the organisation, but also for housing in Scotland in general.

Previously HFS Principal Planning Advisor and Director of Planning before becoming Chief Executive, Nicola's experience also includes working with Scottish Futures Trust as well as with a number of house builders.

A graduate of Heriot-Watt University, Nicola became a Chartered Member of the Royal Town Planning Institute in 1998 and is an active member of Women in Property.

Nicola currently sits on the Scottish Government's Joint Housing Policy and Delivery Group, and chairs their Home and Place sub-group. She also sits on the Government's Financial Innovation Advisory Group, as well as sitting on the CITB Scotland Committee, the NHBC Scottish Committee, and the Consumer Code Advisory Forum.

## **EVE MCCURRICH**

### **Director**

#### **Whiteburn Projects Ltd**

An MRICS qualified Quantity Surveyor, Eve has a wealth of experience managing the delivery of a variety of projects in the UK and Dubai. Eve has spent over 15 years working in residential development for both PLC's and Strategic Land Developers.

Eve is the Director responsible for the expansion and delivery of our residential businesses, from inception to handover to owners/tenants.

Eve sits on the Scottish Property Federation's consultation panel on PRS/Build to Rent investment and delivery, and is also a Board member of Hillcrest Housing Association, which specialises in social rent and large-scale housing management in Scotland.

## **MATTHEW BENSON**

### **Director**

#### **Rettie & Co**

Matthew graduated from Oxford University and began his career with Morgan Stanley, working in international finance in London. Matthew then established his own consultancy business focused on the structuring and planning of high quality residential and leisure projects before joining Rettie & Co in 1998 where he has overseen the expansion in Land and Development, New Homes and Research teams.

More recently, he has been working closely with the Scottish Government and regeneration agencies south of the border to look at new ways of stimulating house building and delivering mixed tenure affordable housing in this low grant environment. Matthew developed much of the thinking behind the National Housing Trust initiative and has been developing parallel private sector led initiatives. Matthew is also Chair of Ectopharma Ltd; and on the board of Springfield

Homes, the Edinburgh Arts Festival and Project Scotland, the volunteering charity, as well as being a member of the Advisory Board of Kleinwort Benson Private Bank.

## **DAVID JENNINGS**

### **Chairman**

### **Movers & Shakers**

David started his career in Construction and Property. In 1990 he jointly founded and was a Joint Managing Director of the Salisbury Consulting Group; he sold his interest in 1995. In 1996 he formed Business Vantage, a business and research consultancy which specialises in property and construction and advises major UK plc's.

David is the Founder Director and Chairman of Movers & Shakers formed in 1996 the UK's most successful and popular networking forum.

He is also a Founder Director and shareholder of Stonemartin plc, an AIM listed serviced office business; founded in 1999.

David is Founder Director and shareholder of ResourceFull Ltd formerly Nice4Work Ltd

## **DANIEL O'NEIL**

### **Chief Executive**

### **Ediston**

Danny is founder and current Chief Executive of Ediston, with 25 years of experience in real estate markets. At Ediston he has been responsible for transacting investment and development opportunities and for growing the business to its current level, including strategically disinvesting from the UK market in 2006/2007 before reinvesting from 2009 onwards.

Before setting up Ediston in 2004 he was Investment Director at Standard Life Investments, where he was responsible for the UK's largest Pooled Pension Property Fund as well as the Company's segregated property pension funds and approximately £2bn of Funds. His experience covered all sectors of the property markets with significant weighting to investment transactions UK-wide.

Danny is a Chartered Surveyor, graduating with a Degree in Land Economics. He was awarded the Estates Gazette prize and the Michael McIndoe prize for the most distinguished graduate of his year. He also has an Investment Diploma from Reading University.

## **GERRY MORE**

### **Managing Director**

### **Stewart Milne Homes**

Former CALA Group director Gerry More has been appointed as managing director of Stewart Milne Homes to drive growth in the central belt.

A well-known, respected expert in housebuilding, Mr More will take up his new position with one of the housebuilder at the beginning of April with responsibility for growing Stewart Milne Homes' presence in and around Edinburgh and Glasgow.

A qualified chartered accountant, Mr More has extensive sector and UK-wide experience gained over the course of a career spanning more than 25 years. He has been involved as consultant and

director with a number of housebuilding and property related companies in recent years across the UK.

A board member and former chairman of Homes for Scotland, Mr More has most recently, as Private Rented Sector Champion and through this industry body, advised the Scottish Government on policies and regulatory matters designed to encourage institutional investment in new purpose-built for rent homes for the private rented sector.

Previous roles included chief executive officer of stock market-listed, residential mezzanine funding provider Wolsey Residential Finance plc and a main board director of CALA Group.

## Annex C: Build to Rent

This is the third annual event of the Build-to-Rent (BtR) Forum in Scotland; the theme for this year is 'building the momentum' with the view that the BtR market is set to take-off. The Housing Minister (Margaret Burgess 2015; Kevin Stewart 2016) have provided the key note address at the previous conferences. This is the first time a Minister has attended the pre-event dinner, and is an opportunity to show the Scottish Government's continued support of this emerging market.

The Build-to-Rent (BtR) market offers an opportunity to increase the availability of high quality, professionally managed private rented homes, at scale – backed by institutional investment. This forms part of the SG's More Homes Scotland approach, which was launched in February 2016 as an overarching approach to support the increase in the supply of homes across all tenures. This expanded on a commitment of over £3 billion over the next five financial years to fund the delivery of at least 50,000 affordable homes.

The Scottish Government has worked with Homes for Scotland (HfS) and an industry-led working party (since 2013) to create the conditions to expand this market by attracting increased investment. Nicola Sturgeon (as DFM) provided the key note speech to the 'Building the Rented Sector' conference at Murrayfield in October 2013, which was the first (but separate) major event on Build-to-Rent in Scotland, and launched the work of the working party. This included SG funding for a HfS to appoint a "PRS Champion" (Gerry More) with the role of engaging with investors and the sector, and to inform government policy to support attracting more investment in BtR. Mr More moved to a new position earlier this Spring (with Stewart Mile Group) and resigned his role. Funding for this post was due to conclude in October, and Nicola Barclay (HfS Chief Executive) covered this role for the remaining duration (both will attend the dinner).

A key output from the group is a Homes for Scotland 'Opportunity Document' (commissioned and funded by SG funding) marketing BtR opportunity to investors; this will be launched at the conference and form a significant part of the agenda [a pre-release copy is provided]. The Minister for Housing and Local Government provided a forward quote setting out the Government's position:

- "Build to Rent is an important part of the Scottish Government's approach to growing and improving the private rented sector. It offers significant opportunities to provide high-quality professionally-managed homes, in well-designed, sustainable places, quickly and at scale. Following our More Homes Scotland approach, I want to see an increase in supply across all tenures, building homes and supporting jobs and our economy. Scotland is open for business, and the fundamentals of the housing market remain strong for this investment."

Key features in the Opportunity Document are:

- The fundamentals of the Scottish market – a strong and growing demand in the prs;
- the Rental Income Guarantee Scheme (RIGS) (annex C);
- an enabling planning framework: published on-line planning advice, raising awareness of BtR with strategic planning authorities (28<sup>th</sup> September). You had asked that SFT's advice on including wording on the potential for this contributing to affordable housing be taken into account. [a separate published copy is provided];
- comparative tax advantage in Scotland with LBTT on multiple dwellings (of 6 or more) which are exempt from the additional dwellings supplement (no equivalent in England);
- a modern tenancy system, with the commencement of the new private residential tenancy this December.

You will also be announcing the launch of the Rental Income Guarantee Scheme (RIGS) at the dinner (see annex D) – for the following day. This was originally planned for the conference, but is a good opportunity for you to do this as part of your address, encouraging investment to the

housing market. Myself or Brad Gilbert (Financial Innovation Unit) will be at the dinner and able to field any technical questions on this.

You recently met with Moda Living/Apache Capital who have developments in Edinburgh (Fountainbridge) and Glasgow (Pitt St: still subject to planning consent). A subsequent meeting with Officials covered further potential support for their developments. Following on from this, SFT are currently examining the potential for using public sector pension fund money as part of a co-investment approach with Government for housing, such as BtR.

Rick de Blaby (Chief Executive, Get Living) also met with Officials (including myself, planning and SFT) to discuss their development in Glasgow Merchant City. A key ask was for reassurance regarding a bridge on High Street, which forms part of the Glasgow City Deal, that is strategically important to the development. Project selection, management and delivery in the Glasgow city region deal is the responsibility of the regional partners.

Both Matthew Benson (Retties) and Danny O'neil (Ediston) have separate project bids in for the Mid-Market rent invitation. The mid-market rent invitation, launched in February 2016, seeks proposals that can deliver affordable mid-market rented homes at scale by 2021 – backed by SG financial support and attracting significant private investment. We have recently selected one proposal for in-principle support to deliver just under 1,000 MMR homes. We are now working with the proposer to finalise loan terms which will be presented for Ministerial approval.

## Annex D: Rental Income Guarantee Scheme (RIGS)

RIGS was announced as part of the Programme for Government (PfG):

- “Our Rental Income Guarantee Scheme, launching this year, seeks to attract new institutional investment to Scotland by sharing a limited proportion of the letting risk with participating members. Potential investment in the emerging Build-to-Rent market in Scotland is estimated to be in the region of £500 million over the next five years, supporting 2,500 new homes.”

### Background

- As part of our More Homes Scotland approach (increasing housing supply across all tenures) we have designed a high leverage economic stimulus through the Rental Income Guarantee Scheme (RIGS).
- RIGS is designed to stimulate economic development, helping to attract new institutional investment to the emerging build to rent market in Scotland.
- It will help to deliver new, high quality private rented homes delivered at scale that are modern, energy efficient and professionally managed.
- Developed to target applicants such as large-scale institutional investors with an interest in BTR or developers, probably partnering with investors.
- It is a medium-term intervention with the potential to attract around £500m of new investment in Scotland, realise up to 2,500 new homes and help establish investor confidence in this new market.
- The UK Government has provided debt guarantee support for the BTR sector across the UK - but feedback from industry clearly indicated something different is needed to support sector growth in Scotland.
- RIGS is therefore designed to give greater certainty of rental income to investors and landlords in the initial years of letting, rather than directly supporting repayment of debt or investment over the long-term.
- RIGS will apply across Scotland but the expectation that most projects will be in the major cities such as Edinburgh, Glasgow and Dundee where the primary markets for BTR exist.
- Growing the Build to rent sector is in line with the aims of the Scottish Government’s strategy for the private rented sector. It is also one part of the delivery of our overall *More Homes Scotland* approach to increase housing supply across all tenures. And it will make an important contribution to our broader economic strategy by boosting investment and house building.
- RIGS will be launched and open for applications on 12<sup>th</sup> October, with SFT as our delivery partner.

## **Annex E: Key issues/Lines to take**

You have been invited to provide the key note address at the dinner (timing is for 15 minutes, with approximately 5 minutes for questions). I have also been invited (as policy lead) and will attend the dinner, as has Brad Gilbert (Head of Financial Innovation), and we will be available for you should you require support.

The mood of the attendee's is likely to be fairly upbeat; the conference theme is 'building the momentum' and recent commentators (e.g. Rettie's) have suggested that BtR in Scotland is set to boom; there is significant activity with opportunity document will be published and RIGS launched at the conference, off the back of the recent online Planning Advice Note on BtR. The main message to convey is – *that Scotland is open for business, and you fully support investment like this in Build-to-Rent (building much needed new homes; supporting the economy through increased investment).*

Key questions that are likely to arise are:

### **Constitution/Brexit**

- Investors say they don't like uncertainty, so will look for some reassurance around this.
- The recent decision on Fracking decision may also be raised as part of a broader question on the investment environment in Scotland – suggest you refer to Mr Stewart's quote in the Opportunity Document (annex C above) – “Scotland is open for business...fundamentals are strong for this investment in BtR...”

### **More Government support for Build-to-Rent**

- You may be asked what further support the SG can provide on BtR?
- We are already providing significant support in this area: 1) working collaboratively with the sector (e.g. Homes for Scotland (HfS) PRS Champion Working Party) since 2013 to provide a supportive policy framework, as set out in the HfS Opportunity Document; 2) RIGS – to be launched tomorrow – is a specific ask from the Working Party, tailored to what would support this new investment in Scotland; 3) a comparative tax advantage on LBTT Additional Dwelling Supplement exemption (compared to England).
- But as ever we are open to (ideally good, fully worked) ideas, so if there is anything specific please feed this back to my officials and SFT ([REDACTED], in attendance) .

### **RIGS**

- When you make the announcement the details of RIGS will not be available until its launch the following day. Suggest you set RIGS in context its policy context (e.g. Annex D), say that the full details will be available tomorrow; and defer technical questions to SFT as delivery partners.

### **Planning**

- The BtR Planning Delivery Advice was published online on 28<sup>th</sup> September, as the planning contribution to a broader drive to support the sector (note: Opportunity Document; RIGS; LBTT Additional Dwelling Supplement comparative tax advantage). The advice builds on Scottish Planning Policy in setting out the role of planning in delivering good quality places. It sets out the opportunities the BtR sector provides in complementing existing housing delivery models; highlights the contribution BtR can make to the creation of well-designed places, quickly and at scale; highlights that BtR can provide high quality accommodation to support labour market mobility; and that the sector has potential to attract new and long-term investors to Scotland.
- The Advice was developed with input from the BtR sector and industry representatives, to raise awareness of BtR with planning authorities as part of the increased delivery of homes across all tenures. Initial feedback from industry is mixed, with some investors seeking a more directive tone – the role of the Advice is to provide a clearer definition of the characteristics and opportunities which the sector may provide.

- There may be questions on the planning review and policy progress on this, including the planning bill. Suggest that you defer this towards Cabinet colleagues, but that you support improving the planning system (and how this interacts with providing a strong economy), noting that this work is underway.

### **Private Rented Sector – new regulations**

- Some of the attendees are likely to say that the new tenancy for the private rented sector (due to commence December 2017) will lead to uncertainty and act as a barrier to investment. In particular that 'Rent Control' is a barrier to investment (in particular form London based funds); and that the tenancy being open-ended (with no initial lease term) will put off investors.
- The new tenancy will still allow landlords to effectively manage their properties, with 18 grounds for repossession (including to sell, and non-payment of rent). It is more akin to tenancies on continental Europe, which have thriving private rented sectors including institutionally backed investment. The new tenancy is necessary due to changes in the private rented sector, which has become a mainstream housing tenure – the position is now settled in Scotland so investors will know what to expect (unlike the position in England).
- The new tenancy will include rent regulation, and also the power for local authorities to apply to Scottish Ministers for a rent pressure zone, which would cap rents for existing tenants in a zone for a period of up to 5 years. The maximum limit is specified in legislation as CPI + 1%. This is not rent control, but perceptions matter to investors, who quickly see the headline and are (apparently) put off by rent control.
- [REDACTED] (in attendance) was the Bill team leader for the Private Housing (Tenancies) Act 2016, and will be available to answer questions on its detail.