

Build-to-Rent Forum: Pre-event dinner

Speaking Note

Thank you for inviting me to this dinner.

There's a real opportunity - and dare I say it appetite - for Build-to-Rent in Scotland.

I'm delighted to be here with you this evening. It gives me a chance to explain that opportunity directly to you as a select group – and how Scotland is both open and ambitious for business.

The Scottish Government wants Scotland to be an inclusive, fair, prosperous, and innovative country. New investment and a strong economy are essential to achieving this.

Our Programme for Government sets an ambitious economic vision, for Scotland to be an inventor, producer, as well as a consumer, of the innovations that will shape our future. And to do all this through inclusive economic growth, that benefits everyone in our society.

I'll come to housing in a moment. But first, I want to briefly cover what we're doing to support the Scottish economy more broadly.

The world economy is changing at a dramatic pace. The successful economies of the future will be resource efficient and low carbon, and will harness the power of technology. We have a once in a lifetime opportunity to grasp Scotland's competitive advantage in these technologies.

We have established strengths in key sectors like renewable energy, creative industries, life sciences, tourism, food and drink and advanced manufacturing. We intend to build on these strengths.

We are taking action to create the best conditions and infrastructure for business. Those actions include:

- Establishing a Scottish National Investment Bank – to provide patient capital for growth; to support our overall economic strategy. As well as increasing spending on business research and development;
- On Business Rates, implementing changes informed by the Barclay Review; including a growth accelerator to support property development. From 1 April next year a new build property won't pay a penny in rates until it is occupied, and then the tenant will benefit from 1 year rates free. Additionally anyone who improves their property in Scotland will not see their rates bill rise for a year;

- Introducing a Planning Bill to streamline the planning process;
- Continuing to drive forward work to deliver access to superfast broadband to all residential and business premises by 2021; and
- Investing heavily in our health, education, housing and transport facilities, including infrastructure projects valued at more than £6.4 billion which are in construction or estimated to start in 2017.

We'll continue to support businesses to grow and expand. One recent initiative is the establishment of Scottish Innovation hubs in key cities. I opened the London hub in May this year, meeting investors about the opportunities for investment in our cities. We intend to make the most of these engagement opportunities at Scotland House in London, so look out for future events.

Now, turning to Housing. Good quality, warm and affordable housing is essential in any modern society.

Our track record of housing delivery here in Scotland is second to none. And we've driven ground-breaking innovation in housing - positioning Scotland as a leader in this field.

Since 2007 Scotland has built more homes per head than England and Wales, helping us build 48,000 more homes than would have been delivered at England's lower per capita rate: the equivalent of a new town the size of Paisley..... *[Or Chatham or Carlisle if Paisley means nothing to you!]*

And Scotland is building social housing at a faster rate than any other part of the UK.

Over the life of this Parliament, we will invest more than £3 billion in delivering 50,000 affordable homes. This is a massive investment in our housing stock which is ambitious, challenging and absolutely necessary.

And we're supporting the broader housing market in other ways. We launched our new "More Homes Scotland" approach a couple of years ago to do just that, with an overarching aim to support the increase in the supply of homes across all tenures.

That approach embraces innovative use of government guarantees, loans, grant recycling and the attraction of new sources of private funding.

Investment resulting from all our rental housing innovations approved so far is heading to exceed £1 billion – not least through our drive to help building for private rent at market and below market levels.

Leading examples of new models include the National Housing Trust initiative (the UK's first housing guarantee scheme) and LAR Housing Trust (a unique Scottish model using SG loan funding) delivering thousands of new homes for mid-rent. Their success has inspired further new vehicles and approaches for expanding private and mid-rent expected to start delivering early next year.

Build to Rent is an important element of our More Homes approach. We see it helping meet the growing demand for private rented homes - it will drive up standards, quality and choice for tenants; improving the energy efficiency of housing stock. It stimulates construction activity and brings investment, creating jobs (which as Finance Secretary is music to my ears!). It can achieve more homes faster. And it can contribute to great place-making through the creation of vibrant and well-designed neighbourhoods.

So there is a major opportunity here. And I'm delighted to see that Homes for Scotland will be publishing a Document presenting the Build to Rent opportunity to investors at tomorrow's conference.

This represents the culmination of extensive work between the SG, Homes for Scotland, Scottish Futures Trust and the Build-

to-Rent Working Party, and is a very welcome and timely initiative.

Without wanting to steal too many of the headlines, key parts of the package covers:

- New Planning Delivery Advice on Build-to-Rent;
- A Comparative Tax Advantage here in Scotland – with tax relief on multiple dwellings, with an exemption on the Additional Dwelling Supplement (not available in England); and
- A modern tenancy system set to be implemented in December 2017, which strikes a fair balance between the needs of tenants and landlords. *[compare this to what might be happening down south – we've passed the legislation so now you know with certainty what to expect here in Scotland and can plan accordingly]*

These are some of the elements developed for Build to Rent in Scotland and you will have a chance to hear more details at the conference tomorrow.

And tonight I can confirm to you (exclusively) the launch of the Rental Income Guarantee Scheme (RIGS) – which will be open for applications from tomorrow.

The Scottish Futures Trust - which has played a vital part in many of our commercial housing innovations - (and I'm now looking at Barry White) will be our delivery partner for RIGS.

RIGS is a significant Government initiative - designed with the house-building, landlord and investment sectors - offering a bespoke Scottish rental guarantee scheme.

It responds to the risk of rental voids (in a new and unknown market) which the Build to Rent Working Party identified as a significant barrier to investment and asked government to address. It's a risk sharing scheme, designed to provide greater confidence during the early stages when lettings risk is highest.

This, combined with the other initiatives I've highlighted, creates a supportive policy framework for investing in Build-to-Rent. My clear message to investors is that the Scottish Government and SFT are fully behind Build-to-Rent, and that Scotland is clearly open for business!

There has been a lot of collaborative working between public and private sectors over the past couple of years to create better conditions for investment, and I'd like to take this

opportunity to thank everyone who has been involved. In particular tonight:

- Gerry More (for his former role as PRS champion);
- Ed Trevellion (for chairing the Working Party); and
- Nicola Barclay (for the effective partnership between SG and Homes for Scotland).

I'd want to thank the other members of the Working Party too and the Government and SFT officials who have worked on this, some of them are here this evening.

Unfortunately I'm not able to attend tomorrow's event due to other diary commitments [as I'm meeting my Irish counterpart in Dublin].

But I know from speaking to those that have attended this in the past, that it will be a lively and engaging event. And importantly – look very seriously at the Build-to-Rent opportunity, and building on the momentum.

I hope you enjoy the conference, as well as tonight's dinner.

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