

## **MEETING BETWEEN KEVIN STEWART, MINISTER FOR LOCAL GOVERNMENT AND HOUSING AND GRAHAM BARNET , CHIEF EXECUTIVE, SIGMA CAPITAL**

20 September 2018  
15:00-15:45  
Parliament Room T4.44

### Attendees

Kevin Stewart, Minister for Local Government and Housing  
Graham Barnett, Chief Executive, Sigma  
Andrew Bruce, Scottish Futures Trust  
[REDACTED], Scottish Government

### Purpose

- The purpose of the meeting is to discuss the potential for Suburban Build to Rent developments within Scotland.

### Key Discussion Areas

- **Sigma current position:**
  - It has raised £1bn of capital and debt for the delivery of 6,000 family homes across England.
  - The average household income for families in Sigma's homes is £35,000.
  - 12% of people living in Sigma's homes are retired, but the main demand is coming from families.
  - 25% of the Sigma tenant base choose to rent rather than buy because they want the flexibility and other benefits that come with renting.
  - Sigma are raising further capital over the next 6 months to assist in the development of 140 sites and a further 5,000 homes.
- **Sigma and Scotland:**
  - Graham confirmed that he has an agreement from the Board of the PRS REIT plc that they would invest in Scotland. What needs to be done is show that the product can be built at scale and make it real in Scotland.
  - Sigma are currently speaking to some housebuilding partners in Scotland and looking at sites. These initial sites would demonstrate that this works in Scotland and the institutional fund will be much more willing to put the money in.
  - Graham emphasised that speed of delivery was critical for this model to work so needed to have a pipeline that could deliver quickly and at scale.
  - Graham advised that they would hope to be building on sites in Scotland during 2019 after the end of the current financial year. A loan from the Building Scotland Fund would be an important part of being able to operate in Scotland. Such a loan would provide the working

capital to build the house and would be repaid by a sale of the completed units to the PRS REIT plc.

- **Other relevant areas of discussion:**

- Graham advised that Sigma has a small charitable part of the business that provides family intervention homes within its developments. These are intended to support families at the point they are made homeless for a period of 3 months to provide time for a longer term solution to be found. In addition it provides funding to local primary schools which usually involves providing educational materials to the schools. Any Scottish developments would benefit from these charitable activities.
- Graham discussed that PRS models like this actually take a burden away from the councils as the tenants of these homes phone Sigma with queries whereas other private landlords tenants would phone the council if they had an issue.
- Mr Stewart asked about off-site construction and Graham advised they have £14m worth of panels being built in factories to deliver new homes to the same standard as standard construction methods. This again can improve efficiency and the speed at which developments can be completed.
- £500m pipeline of developments are currently in construction.

### **Action**

- Mr Stewart asked that SG officials and SFT, as delivery partner, work with key stakeholders including local authorities to support the emergence of the suburban build to rent market. Mr Stewart was keen that we understand any issues and challenges with this and offer solutions where possible.

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constituent Interest	General Awareness
Cabinet Secretary for Communities and Local Government Cabinet Secretary for Finance, Economy and Fair Work					<ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>
Director for Housing and Social Justice Deborah Smith Katherine Peskett [REDACTED] [REDACTED] [REDACTED] [REDACTED] Callum McCaig Jeanette Campbell DG Education, Communities & Justice Communications CSSE [REDACTED] John McNairney [REDACTED] [REDACTED]					