OFFICIAL SENSITIVE: COMMERCIAL

BUILD TO RENT FORUM – THE RADISSON BLU HOTEL, 301 ARGYLE STREET, GLASGOW, G2 8DL – 9th OCTOBER 2019

Date and Time of Engagement	9th October 2019 11:00 – 11:25
Where	The Radisson Blu Hotel 301 Argyle Street Glasgow G2 8DL
Key Message	The Scottish Government, working closely with industry, is supporting the growth of Build to Rent (BtR) in Scotland to encourage economic growth and increase quality and choice for private tenants. Scotland is open for business and investment in this part of the market remains strong.
Who	Movers and Shakers, the property networking forum, have invited Mr Stewart to deliver the key note address at the 2019 Scottish Build to Rent Forum.
Why	This is the 5th BtR Forum in Scotland organized by Movers and Shakers. It supports our policy to grow the emerging Build to Rent market in Scotland. Mr Stewart provided the key note speech in 2018 and Ms Forbes attended the pre-conference dinner in 2018 and will be attending again the night before the forum. The theme for this year is "Build to Rent in Scotland – Still Game?"
Official Support Required	[Redacted] National Initiatives Unit, More Homes Division
Media Handling	N/A
Dress code	Business attire
Greeting Party and specific meeting point on arrival (if event is at a non SE Building)	On arrival Mr Stewart will be directed to David Jennings, Chairman of Movers & Shakers. Mr Jennings will welcome the Minster and make introductions.
Specific entrance for Ministerial car/parking arrangements	Car parking is available across the road at the **NCP Oswald Street**, G1 4PA. Parking is also available in Robertson Street which runs down the right hand side of the hotel.
Briefing Contents	Annex A – Conference Schedule Annex B – Key Issues Annex C – Additional Briefing on Key Issues Annex D – Delegate List Annex E – Map/Directions

Annex A - Event Schedule

8.15: Registration, Coffee and Networking

9.00: Conference Welcome: David Jennings - Chairman, Movers & Shakers

9.10: Keynote Address: Housing, Where it Fits in Economic Prosperity: Annemarie O'Donnell - Chief Executive, Glasgow City Council

9.25: What about the market? Dr John Boyle - Director, Research & Strategy, Rettie & Co

9.40: BTR in Scotland a journey of discovery. Chair: Tracey Menzies - Real Estate Partner, Brodies

10.30: Coffee and Networking Break

11.00: Keynote Address: Kevin Stewart MSP - Minister for Local Government, Housing & Planning, Scottish Government

11.25: BTR belongs to Glasgow Presentation - Patrick Flynn, Head of Housing & Regeneration Services, Glasgow City Council

11.35: Delivering Affordable Homes, Public, Private Partnerships Chair: TBA

12.20 - 13.20: Lunch Break and Networking

13.25: Latest Thinking? … Design,Technology, Operating

14.00: Policy in Action - is it working? Chair: Robin Blacklock - Managing Director, Dowbrae Property Consultancy.

14.45: Coffee and Networking Break

15.20: Making BTR Stack Up. Chair: Matthew Benson - Director, Rettie & Co

16.05: The Diversification of Build to Rent. Chair: Iain Murray - Director - BTR Consultancy (Europe), Liv Consult

16.50: Conference Summary - David Jennings - Chairman, Movers & Shakers

17:00 – 18:00: Drinks Reception

Annex B – Key Issues

- **Build to Rent – Top Lines**
- **City Centre Build to Rent**
- **Suburban Build to Rent**
- **Rental Income Guarantee Scheme (RIGS)**

Build to Rent – Top Lines

- Expanding the Build to Rent (BtR) sector is part of the More Homes Scotland approach and a key element for delivering Scottish Government's strategy for the private rented sector ("A Place to Stay, a Place to Call Home").

- BtR is an emerging market rent product that delivers high quality, professionally managed private rental sector homes and has the potential to enhance the stability for tenants provided for in the new private residential tenancy, which builds on the Private Housing (Tenancies) (Scotland) Act 2016 in December 2017 for all new tenancies

- In October 2017, we launched a well-received package of enabling measures to stimulate growth and private institutional investment in BtR market rent housing. This package covered planning advice, taxation, tenancy reform, a Rental Income Guarantee Scheme (RIGS) and a promotional prospectus to investors.

- The Rental Income Guarantee Scheme (RIGS) was developed in consultation with the industry, addressing the uncertainty around rental income streams in this new market

- The launch of RIGS has sent a strong signal about Scottish Government support for the sector.

- Build to Rent schemes are eligible to apply to the Building Scotland Fund for loans or equity.

City Centre Build to Rent

- In Scotland, the main areas of interest for City Centre BtR are in Edinburgh and Glasgow, with most activity in Glasgow due to the greater availability of land.

- We know that there are now a number of Build to Rent developments within the planning systems in Glasgow, Edinburgh and Dundee. If all completed, these would deliver approximately 6,000 city centre Build to Rent homes.

Glasgow

- Moda Apache at Pitt Street:
  - Planning permission granted for 255 BTR units (with an option to develop a further 199) subject to final agreement on commuted sums. Demolition work has commenced on the site, which should be completed by the end of 2019.

- Get Living, near the High Street:
  - 7.5 acre site to the east of the Merchant City – planning approval granted early 2019 for 727 private rental units and 99 student units.

- Candleriggs:
  - Plan for 600 residential apartments and 600 student beds. Site may be sold to another developer.

- Platform at Finnieston:
  - 2.0 acre site in Central Quay regeneration project to build 498 BTR units – planning permission granted earlier in 2019. Sensitive Information: We are currently considering a Building Scotland Fund application for this development.

- Drum at Buchanan Wharf:
  - Mixed use development. Recent announcement that the new Barclays Scottish HQ to be based at Buchanan Wharf. A forward-funding agreement is in place with L&G for this development. Planning permission was granted for this development and construction has already started.

- PfP Capital at Tradeston:
  - Approximately 361-unit development proposed at Tradeston, with planning permission well advanced. Sensitive Information: The Building Scotland Fund is currently considering an application for this project.

- Chris Stewart Group:
  - 134-unit BTR scheme as part of a wider development near to George Square. Planning permission is in place for student accommodation, so an application is required for change of use. This is expected to be straightforward. Sensitive Information:

The Building Scotland Fund is currently considering an application for this project.

Edinburgh

- Moda Apache, Springside at Fountainbridge:
  - Planning permission being sought for 541 units on a 3.5 acre site.
  -
- Vastint at 159 Fountainbridge:
  - Planning permission granted for 230+ BTR units.

- Western Harbour, Leith:

  Planning application submitted for 1,600 MMR units. Sensitive information: BSF & More Homes Division currently discussing a deal with Forth Ports/Retties
- Platform, Bonnington Road Lane
  - Platform has purchased the old John Lewis depot site, which currently has residential planning permission for 220 units. Platform will apply for new planning permission for a higher density scheme.

- PfP Capital MMR Fund – various sites:
  - Sites at Oxgangs, Niddrie, Craigmillar and Salamander Place, totalling 500 units, first with planning permission, others in the system or to be confirmed.

Dundee

- Our Enterprise:
  - Planning permission has been granted for 117 units and a Heads of Terms is in place with Hillcrest Housing Association to forward fund them. This is part of a wider scheme with some commercial interests.

Suburban Build to Rent

- The suburban BtR market has emerged during the past 5 years as a distinct segment of the wider BtR sector, targeting tenants who are economically active (many of whom have children), who cannot afford, or do not wish, to buy a house and who want to establish a permanent base.

- This type of tenure has proven to be in high demand in England and could play an important role in addressing the shortage of housing in Scotland.

- Suburban BtR has a lower density of build (generally houses rather than flats) and would therefore tend to target sites that are within 10 miles of major centres of employment with good transport links and local schools.

- In Scotland the suburban BtR market could potentially have applicability on large housing sites in areas such as the Lothians, Greater Glasgow and Aberdeenshire.

- The £30m Building Scotland Fund with Sigma Capital will enable the development of up to 1,800 family homes across Scotland.

- Sigma has recently announced an official partnership with Springfield Properties to undertake the development of a large proportion of these homes. Other housebuilders will be used by Sigma across sites outwith this formal arrangement.

- Sigma has not utilised this facility yet and has not provided any detailed site proposals to date. We continue to liaise with Sigma to ensure the development milestones of this facility are delivered.

Rental Income Guarantee Scheme (RIGS)

Q What is guaranteed by the Rental Income Guarantee Scheme (RIGS)?

A Through RIGS, the Scottish Government will underwrite 50% of any gap between 95% and 75% of agreed rental income, within a defined band. For example, if actual revenue in any year is 65% of projected revenue, the eligible shortfall will be 20% (95% less 75%), with SG covering 10% of the projected revenue.

Q When will RIGS end?

A RIGS will be open for applications for five years, taking build time and guarantee durations into account, the scheme could be live until 2030. We expect most guarantees will expire well before this time.

Q How many RIGS applications has there been to date?

A At this point there have not been any formal applications for a RIGS guarantee but we have received positive feedback that the scheme has created increased confidence in growing this sector. Applications are only likely to be received as the developments are closer to the point of construction.

Q What will be the impact of RIGS?

A The Rental Income Guarantee Scheme (RIGS), launched last year, is part of a wider package of Scottish Government measures to support growth and attract investment in the emerging Build to Rent sector in Scotland. The RIGS has sent a strong signal to investors and landlords about the Scottish Government's commitment to growing the sector. By improving investor sentiment towards Build to Rent in Scotland, it is helping to create the conditions for an expansion in the supply of good quality, purpose-built, professionally managed homes for private rent, in order to increase the quality, choice and services in housing for private renting tenants in Scotland.

It has the potential to deliver 2,500 new homes and up to £500m of new investment over the next 5 years.

Q How do you know RIGS is the right intervention?

A Feedback from industry told us greater certainty of rental income in the initial years of letting was needed rather than directly supporting repayment of debt.

Line to take - if pressed

- Confidence in the sector continues to grow following the legislative changes and other measures that have been put in place as a result of listening to the sector. This is shown by the number of planning approvals and start on site in a city centre scheme and likely completed family homes in 2020.
- At this point there have not been any formal applications for a RIGS guarantee.

In addition to the RIGS guarantee Scottish Government has also launched the Building Scotland Fund which can provide debt or equity funding for homes of all tenures. We are actively considering a number of Build to Rent applications. The Building Scotland Fund would look at each application on its merits to ensure it meets the eligibility criteria and has a supportable commercial funding structure.

Annex C – Additional Briefing on Key Issues

- **Planning Reform/Delivery Advice**
- **LBTT**
- **Private Rented Sector**
- **Building Scotland Fund**
- **Places for People Capital – Mid-market Rent Invitation**
- **Affordable Housing**
- **Brexit: Housing Supply**
- **MIPIM**
- **Capital Investment**

Planning Reform/Delivery Advice

Planning

- We held a BTR seminar in April 2018 following the format of the Planning Delivery Advice on Build to Rent (published September 2017), bringing together local authorities, developers and investors.

- In autumn 2018 we published online case studies of the projects presented at the seminar, to outline their opportunities and challenges and the planning issues which were addressed. We are currently reviewing these and will commence work on further topic-based case studies covering issues such as developer contributions and design and layout.

- SG Planning officials arranged, with Scottish Futures Trust, a visit for a number of local authorities (East Lothian, Falkirk, Fife, Midlothian, North Ayrshire, North Lanarkshire, Perth & Kinross, South Lanarkshire, West Dunbartonshire and West Lothian) in Scotland to a range of BTR schemes in Manchester and Liverpool in February 2019. We have maintained contact with those attending to support discussions between authorities and industry to explore opportunities for both flatted and family BTR.

- The Planning (Scotland) Act 2019 received Royal Assent on July 25th, 2019 and forms an important part of our wider planning reforms, based on the independent review of the planning system which reported in May 2016. The key drivers of the review were:
    - Deliver more good quality homes;
    - Improve the experience and influence of communities;
    - Effective development planning leading positive change;
    - More proactive management of development; and
    - Strong leadership coupled with management of skills, resources and performance.

- The Planning Act includes a range of changes to the system which will support stronger planning for housing. Improved local development plans and the gatecheck aim to streamline the way in which we identify how many homes are required and will a greater focus on delivery.

- Following Royal Assent we are moving into implementation of the new Act and wider planning reform programme. A work programme setting out how we intend to take forward a suite of regulations and guidance to implement the changes was published on Friday 27th September.

LBTT Additional Dwelling Supplement: Exemption Where 6 or More Properties are Purchased

Key Issue

- Availability of an exemption from the LBTT Additional Dwelling Supplement (ADS) where six or more properties are purchased – no equivalent provision in SDLT.

Key Lines

- ADS Exemption introduced as a consequence of engagement with stakeholders – a key part of Scotland's overall efforts to support the emergence of a large scale PRS market.

- No such exemption is in place for the SDLT Higher Rate for Additional Dwellings, creating a positive differential for Scotland and increasing the country's attractiveness to Build to Rent investors.

- Large scale purchases of property in Scotland can also benefit from LBTT multiple dwellings relief.

Background

The LBTT Additional Dwelling Supplement was introduced with effect from 1 April 2016. It is an LBTT supplement, charged at 4% of purchase price, on purchases of additional residential properties in Scotland (including buy-to-let properties and second homes) of £40,000 or more.

During the development of legislative proposals for the Supplement, two working group meetings were held with property sector stakeholders. In discussions, there were calls for an exemption or relief to be introduced in relation to bulk purchases, on the basis that the supplement would otherwise disincentivise investment in Scotland in the emerging Build to Rent sector. There was widespread opinion that if large scale relief was to be introduced, it made sense to set the limit at 6 properties, taking account of other aspects of the LBTT regime.
Subsequently, the LBTT (Amendment) Bill, which provides for the supplement, was introduced to Parliament on 27 January 2016. An exemption for six or more purchases (called for in the Finance Committee Stage One Report) was then introduced and agreed at Stage 2).

Subsequently the UK Government decided at Budget 2016 **not** to introduce an exemption for bulk purchases from the SDLT Higher Rate for Additional Dwellings. This was met with surprise and disappointment by industry.

Since introduction of the exemption, stakeholder feedback has suggested that it is seen as a key part of the overall offer to investors looking at the Build to Rent opportunity in Scotland.

Private Rented Sector

Key lines to take:

- We recognise there is a wide range of people who call the private rented sector home, that's why we have introduced a range of legislation to help improve the quality, affordability and stability of those living in private rented homes.

- The Private Housing (Tenancies) (Scotland) Act 2016 is the most significant change in private renting in Scotland for almost 30 years. It commenced on 1 December 2017 and introduced the new Private Residential Tenancy (PRT) , which replaces Short Assured and Assured Tenancies.

- Section 35 of the Private Housing (Tenancies) (Scotland) Act 2016 introduces discretionary powers on 1 December 2017 that will enable local authorities to make a Rent Pressure Zone application to Ministers. Any tenancy agreements entered into on or after the 1 December 2017 will be a Private Residential Tenancy.

- Investors can feel confident in planning their investment as we have clearly set out the criteria that must be met in order to designate an area as a rent pressure zone. Investors will be able to increase rents at least in line with the Consumer Prices Index + 1% and be able to recoup their legitimate costs for property improvements.

If pressed in relation to Labour's Fair Rents (Scotland) Bill:

- We await with interest the findings from Labour's consultation on their Proposed Fair Rents (Scotland) Bill.

Background

A Place to Stay, A Place to Call Home:

- In 2013, the Scottish Government launched a strategy for the private rented sector in Scotland. The strategy aimed to improve and grow the sector by enabling a more effective regulatory system, targeting tougher enforcement action and attracting new investment.
- Since then, we have introduced a range of measures aimed at achieving this ambitious vision.

Private Residential Tenancy:

- The Private Housing (Tenancies) (Scotland) Act 2016 is the most significant change to private renting in Scotland for almost 30 years. It commenced on 1 December 2017 and introduced the new Private Residential Tenancy (PRT).

- It replaces the Short Assured and Assured Tenancies and must be used for all tenancies created on or after 1 December 2017.

- The underlying principle of the new PRT is that when a landlord rents out their property to a tenant, it becomes the tenant's home – over which they must have security. Its purpose is to improve security, stability and predictability for tenants, balanced with safeguards for landlords, lenders and investors.

- The Act provides a range of measures to help tackle high rents, including:
    - limiting rent increases to once in 12 months (with three months' notice required);
    - enabling tenants to challenge unfair rent increases for adjudication by a Rent Officer; and
    - providing local authorities with new discretionary powers to designate an area as being a Rent Pressure Zone (RPZ).

- No local authority has applied to Scottish Ministers to designate an area an RPZ.

Proposed Fair Rents (Scotland) Bill ('Mary Barbour law')

- Pauline McNeill MSP launched a consultation on proposals for a Bill to limit rent increases and increase the availability of information about rent levels. Key features include:

    - Capping annual rent increases at CPI+1% (not including initial rents for first time rental properties) and including the power for ministers to change inflation index;
    - This would also apply to new tenancies, so when a property is let to a new tenant, the landlord could only charge the previous rent, increased by CPI+1%;
    - Retaining the current rent appeal mechanisms but potentially removing the ability for a Rent Officer or Tribunal to increase the rent; and
    - Expanding the current Landlord Registration system so that landlords must input the rent they charge and update the system when they change the rent.

The consultation closed on 8 August. No further announcements have been made.

<u>Landlord Registration</u>

- Following public consultation in 2018, the Scottish Government introduced changes to strengthen the landlord registration regime. From 16th September The Private Landlord Registration (Information) (Scotland) Regulations 2019 require landlords to provide more information about compliance with specific legal obligations relating to [property condition and tenancy management.

- The landlord registration application fees will revised in December 2018 and 11 June 2019 to support local authorities in carrying out additional compliance checks on applications and to offer advice and support where needed.

- Asking for more information about compliance at the point of application will:
    - raise awareness about landlord responsibilities;
    - identify where further advice or support for landlords is needed;

- ensure that local authorities are better informed to carry out the fit and proper person test; and
- improve confidence that anyone who is approved and entered onto the register is a suitable person to let houses.

Letting Agent Regulation

- Letting agent regulation commenced on 31 January 2018. This robust regulatory framework includes compulsory registration; a statutory Code of Practice with a means of redress to the new First Tier Tribunal for Scotland; and powers for monitoring compliance and effective enforcement.

- The deadline for existing agents to submit an application to join the Scottish Letting Agent Register was 1 October 2018.

- As of 20 October 2019, 968 applications have been submitted with 818 of these applications having been approved. The Letting Agent Registration Team (the LAR Team) continues to process the remaining applications.

- In addition to the processing of these applications the LAR Team is investigating suspected letting agents who have not submitted an application and taking compliance action where an unregistered agent is identified.

- These measures will give landlords and tenants confidence in the standard of service they should expect and the means to challenge poor practice.

Building Scotland Fund (BSF)

Top Lines:

- BSF is a precursor to the Scottish National Investment Bank and reflects the principles behind the Bank.
- BSF is actively seeking eligible opportunities for investment with further information on the Scottish Government website.
- BSF has a portfolio of agreed investments and an active pipeline, delivering housing, industrial, commercial and regeneration investments, and in the process creating new markets.
- It has unlocked major developments, delivering innovative tailored interventions to fill financing gaps and these reflect SNIB's emerging values, principles and ambitions including place-making, supporting the transition to a zero-carbon society and the promotion of ethical and inclusive business practices.

Q: What is the Building Scotland Fund?

A: Launched in 2018, as a response to evidence that insufficient finance was inhibiting developments, the £150 million Fund across three years to 2021 provides loans or equity, supporting housing across all tenures, modern industrial and commercial space, and industry-led research and development.

Q: What are the main objectives of the Building Scotland Fund?

A: Investment by the Building Scotland Fund will support:
- unlocking housing development across all tenures
- the development of modern industrial and commercial property
- business-led research and development projects with a reasonably realistic prospect of commercialisation

In addition, the Building Scotland Fund seeks to:
- encourage innovation and collaboration
- provide a catalyst for skills development and innovation across the construction sector
- increase jobs and employment in construction

Q: Who are our Delivery Partners?

A: The Fund takes a cross-departmental, cross-sector, cross-agency approach. We are working with Scottish Enterprise, Highlands and Islands Enterprise, Scottish Funding Council, Scottish Government More Homes and the Scottish Futures Trust to advance a strong pipeline of significant investment projects.

Q:Who is the Fund available to?

A: The Fund is available to non-public sector organisations including businesses, housing associations and universities.

Q: How much can be invested in an individual project?

A: The amount of funding available to individual projects varies and is being decided on a case by case basis. Investments are likely to be over £1 million although we retain discretion to consider applications under this amount (for example we have published a threshold of £350k for SME housing applications.) Scottish Government investments are through making loans and/or acquiring equity. These will be at commercial rates or made in compliance with EU State Aid regulations.

Q: What is the current position?

A: BSF has agreed investments of £94 million of loans to support delivery of over 5,500 homes across all tenure, together with other regeneration, industrial and commercial property investments.

To date BSF has agreed investments of £94 million to the following projects:

SPRUCE, £25m	• Regeneration, industrial and commercial property investments. • Deals concluded for Cerium Building and Livingston trade park to date. • Deal(s) still to be concluded for the remaining £10 million during 2019/20.
Winchburgh, £26.8m	• Unlock housing development, by supporting the infrastructure to deliver 3450 new homes. • This is part of a wider package of support from Scottish Government, including a guarantee.
Stewart Milne, £12m	• Development of three sites across Central Scotland (East Calder, East Linton and Bishopton). • Deliver 309 new homes for sale.
VKRR, £0.63m	• Conversion of an office to form 5 residential dwellings for sale in Falkirk town centre. • Our first SME investment.
SIGMA, £30m (revolving credit facility over 10 years)	• The development and construction of between 1500 to 1800 new build houses for rent. • These homes will be in suburban settings across the central belt of Scotland, suitable for couples and families. • This is a Build to Rent (BTR) project, meaning that the homes will be professionally managed.

Taken together, **the four housing projects** (Winchburgh, Stewart Milne, VKRR and Sigma) **are supporting the development of 5,500 new homes and around 600 full time jobs**. Investment of £30 million with Sigma Capital is expected to deliver the first family homes for Build to Rent in Scotland.

The Fund has established its eligibility criteria, governance and delivery arrangements. So far there has been a total drawdown of £25.24 million. These contracts will be drawn down over the coming financial years.

Q: How does the Building Scotland Fund link with the Scottish National Investment Bank?

A: The Bank has the potential to transform Scotland's economy and will be a cornerstone institution in Scotland's financial landscape providing capital for business at all stages in the investment life cycle. The Bank will address the challenges facing the Scottish economy with a focus on long-term patient capital, its focus will be shaped by missions set by Government and it will create and influence new markets. BSF will provide £150 million of the Bank's anticipated initial total capitalisation of £2 billion.

Places for People Capital – Mid-Market Rent Invitation

Top Lines:

- The Scottish Government is committed to the expansion of mid-market rent (MMR) housing, where required, to ensure that those on low to moderate incomes have access to high quality homes at affordable rent levels.

- We will continue to work with local authorities to deliver such housing through innovative funding models that can attract significant levels of private investment, and support grant funded mid-market rent housing delivered through housing associations and their subsidiaries.

Background

- **Grant funded MMR delivery –** Housing associations and their subsidiaries continue to access grant to support MMR delivery through the AHSP to contribute to the non-social element of the 50,000 affordable homes target. Any housing association which is in receipt of grant must apply for consent from the Scottish Housing Regulator to dispose of the homes by way of a lease to its subsidiary, and the subsidiary will provide households entering into a tenancy with a Private Residential Tenancy.

- **MMR Invitation –** Places for People (PfP) Capital MMR Invitation proposal to deliver 1,000 MMR homes was given in-principle support in August 2017 and after completing final due-diligence, the loan signing was concluded in June 2018 confirming SG funding of £47.5m to support PfP in its delivery of 1,000 MMR homes [Redacted] PfP are aiming to attract around £100 million of institutional investment, and when added to £10m from Castle Rock Edinvar, will create a total investment package of around £160 million for affordable housing. To date, PfP Capital has acquired 4 sites and has delivered 28 homes.

MMR - lines to take

- We launched the More Homes Approach in 2016 which included the 50,000 homes target and a commitment to continue to support the expansion of MMR across Scotland to ensure that those on low to moderate incomes have the opportunity to access high quality homes at affordable rent levels.

- We will continue to innovate and optimise public resources to harness increased investment in housing to deliver our ambitious targets and boost the housing construction sector.

- The innovative use of government guarantees, loans, grant recycling and new sources of private funding is supporting the delivery of approaching 8,500 homes across all tenures and generating over £1 Billion of housing investment in addition to our conventional funding routes.

- We are investing over £3 billion to deliver at least 50,000 affordable homes over the lifetime of this Parliament - a 76% increase on our previous 5-year investment.

Expansion of MMR

- Officials are currently considering the next steps for MMR and how to offer further investment opportunities to all potential affordable housing providers so that we can continue to support the expansion of mid-market rent (including further application of Financial Transactions) that will help narrow the gap between housing need and supply.

- We want to see an acceleration in delivery of new homes across all tenures, but particularly affordable rented housing including in the private rented sector.

Sensitivities

MMR tenancies (eligibility) – While mid-market rent is aimed at assisting people on low and modest incomes to access affordable rented accommodation, prospective tenants are assessed on their ability to afford and sustain an MMR tenancy, not just on specific income levels, and should not be discriminated against as a result of the source of that income, for example, through a work or state pension or social security contributions. This point is reiterated in guidance on the Affordable Housing Supply Programme

MMR Rent levels

- **Grant funded MMR delivery -** Mid-market rents must be in line with the applicant's rental policy and be affordable to households from the proposed target tenant group(s). It is expected that the starting rent level for each mid-market rent home (including any service charge) will be no more than the relevant Local Housing Allowance rate for the property size in question. The grant provider may however give agreement on an exceptional basis to starting rent levels for each mid-market rent home (including any service charge) being more than the relevant Local Housing Allowance rate in certain circumstances.

- **Loan funded MMR delivery -** Providers will ensure that starting rent levels for each new Unit purchased by the Provider are no more than the most recent 30th percentile of market rent levels (as assessed by Rent Service Scotland (or a successor organisation nominated by the Scottish Ministers) for the property size in question in the Broad Rental Market Area. Providers may, in exceptional circumstances only, set a starting rent level which is more than the most recent 30th percentile in certain circumstances.

In order to ensure Mid-market rent levels remain affordable to households on low to modest incomes, landlords who have received Scottish Government support in recent years – whether in the form of grant funding or loan finance - are not permitted to set rents above the mid-point of local private sector rent levels, which are generally based on Broad Rental Market Area data collected and published by the Scottish Government. These landlords will therefore be obliged to take account of any recent fluctuations in private rental prices when setting rents for the next year.

In addition, the Private Housing (Tenancies) (Scotland) Act 2016 introduces measures on rent setting. In particular:

- Rents can only be increased once in a 12 month period (with 12 weeks' advance notice) to ensure rent predictability. Tenants will also be able to refer a perceived unreasonable rent increase, which takes their rent beyond the market rate, for adjudication by Rent Service Scotland, to protect them from rent hikes.

- Local authorities will have a discretionary power to apply to Scottish Ministers to set a cap on rent increases for sitting tenants, in areas where there are significant increases in rents and these are having a significant detrimental effect. Before designating any zone as a rent pressure zone, Ministers must consult landlords and tenants in the authority's area. Any cap set would be at least CPI +1%.

Service charge – In the event that a service charge is to be included within the monthly rent, the tenancy agreement should make clear what services are included and a breakdown of the prices of each. This should be made clear in all correspondence (including advertising). A breakdown of the services included within the rent should also be shown to prospective tenants.

Affordable Housing

Q. We welcome the huge commitment to the 50k, but what happened next? Post-2021 housing plans and investment levels are needed as a matter of urgency to allow councils to continue to deliver more desperately needed affordable homes.

A.

- Our record investment of £3.3 billion over this Parliament is keeping us on track to deliver our ambitious target of 50,000 affordable homes.

- We are proud of our delivery of affordable housing, working with councils and housing associations, more than 87,000 homes have now been delivered since 2007.

- As part of our current engagement on our Housing to 2040 plans, we want to ensure supply across all tenures and build on our More Homes Scotland approach. We want to move away from parliamentary cycles and have a long term vision that everyone can support.

- Housing is a key component of Scotland's infrastructure. We plan to publish a new Infrastructure Investment Plan and the Capital Spending Review by June 2020.

Local Affordable Rented (LAR) Housing Trust

Top Lines

- LAR is a pioneering affordable housing model that will deliver up to 1,000 homes for mid-market rent offering tenants high quality, affordable homes across Scotland, supporting local communities to thrive, tackling inequality and addressing housing need.

- SG is considering options for the next steps of MMR.

- LAR is a charity registered with OSCR. It is independent from the Scottish Government and arms-length from the Scottish Futures Trust. It is governed by a board of independent trustees.

Lines to take

- LAR is a Scottish charity set up to provide long term mid-market rented housing across Scotland.

- LAR was set up to work in partnership with Local Authorities, Housebuilders and developers to deliver a pipeline of 1,000 affordable mid-market rent homes across Scotland, providing a long term, high quality, affordable housing service to tenants.

- LAR builds on the National Housing Trust initiative, providing mid-market rented homes in perpetuity, rather than for 5-10 years and is supported by a £55 million loan from SG. LAR has secured a further £65m private investment from Scottish Widows to support its 1,000 affordable homes target, bringing the total public/private investment to £120m

- LAR has been operational since September 2015 and built up a portfolio of around 300 tenanted properties across 8 local authority areas with plans in place to deliver 700 homes. As of January 2019, LAR has drawn down the full £55 million loan from SG.

- LAR has recently submitted a proposal to set up a Development Company in the form of a subsidiary, this would enable LAR to consider a broader range of developments while realising tax efficiencies. SG is currently undertaking detailed due-diligence on this proposal.

Background

- Local Affordable Rented Housing Trust (LAR) is a pioneering affordable housing model which aims to deliver up to 1,000 homes for MMR, offering tenants high quality, affordable homes across Scotland.

- LAR is supported by a 25 year, £55 million FT loan from SG, this has enabled LAR to secure Institutional Investment of £65 million. The combined public/private investment of £120 million represents a significant economic stimulus that will support the provision of affordable housing in Scotland.

- Working innovatively with partners like LAR is another example of how the SG, through the More Homes Scotland approach is delivering towards its target of 50,000 affordable homes across all tenures.

- LAR is one of a number of innovative approaches to MMR delivery supported by SG funding which will provide tenants with high quality, affordable rented homes that meets their needs. The increased supply of new MMR homes adds to the mix and availability of affordable housing options in Scotland.

<u>Western Harbour – 1,600 MMR homes proposal at Heads of Terms stage</u>

Forth Ports / Retties are in negotiation with SG on a large-scale MMR development for part of the remaining capacity on the Western Harbour site. The current status of the proposal is noted below

- [Redacted]

- Two planning applications have been lodged concerning the Western Harbour proposal. One application relating to Phase 1 (delivery of 938 MMR homes) received approval from City of Edinburgh Council on 24 September; the other application relates to Phase 2 (662 MMR homes) and a new park area that will be delivered as part of the wider masterplan is still awaiting approval. These applications **do not** reference the source of funding which will support delivery or the housing tenure mix.

- SG Officials met with Forth Ports on 29 August to discuss the current status of the MMR proposal. [Redacted]

[Redacted] The Minister is advised to provide a general response if the proposal is raised as follows:

Lines to take

- You are aware a Heads of Terms has been agreed and while the proposal is being progressed through due-diligence, it would be inappropriate to discuss specifics
- SG Officials are keeping Ministers updated on progress and any queries should be directed through SG Officials in the first instance.

Brexit: Housing Supply

TOP LINES

- **The Scottish Government is committed to providing stability and certainty in the housing sector, so that everyone can have a safe, warm, affordable place to call home. We remain committed to delivering 50,000 affordable homes by 2021.**
- We are aware of Brexit risks to the housing sector – including the impact of inflation and economic uncertainty on interest rates, rents, the financial health of RSLs and the availability and cost of materials and finance for new build, renovation and energy efficiency;
- **We have engaged, and continue to engage, with the construction, housebuilding and mortgage lending industries in Scotland, directly, as well as through the Joint Housing Policy and Delivery Group and as part of Ernst and Young's sectoral analysis**.
    - Ministers and senior government officials have also been engaging directly and regularly with banks operating in Scotland to discuss the implications of Brexit and wider economic issues to ensure that customers are supported.
    - Banks messaging is that they are better prepared for Brexit than they were with the Financial Crisis in 2008/09. Discussions are ongoing and will continue as the economic and political situation becomes clearer.
- **We are looking at what sector specific support could be useful. We have a strong track record of responding to changed economic conditions with new, tailored Government financial support e.g. guarantees, equity and loans to support housing. This gives us a strong basis to build on**.
- **Regarding the impact on the availability non-UK EU national workforce in the construction sector in Scotland, we remain highly attuned to *two factors***:
    - The UK Government's White Paper immigration plan could be disastrous for Scotland - imposing these rules means 85% of EU workers who would have come to Scotland will now fall below the bar the UK's proposals have set. Workers we can ill afford to lose in the construction sector.
    - The higher construction pay rates in London and other parts of the UK than in Scotland could increase if labour shortages emerge after EU-Exit, leading to the Scottish construction sector losing not only EU workers but also domestic workers who may relocate to London.
- We are considering labour force issues in our Housing Construction Skills Working Group recommendations to ensure the long term supply of a skilled housing construction workforce in Scotland.

Background

1. The UK's exit from the EU has the potential to impact the housing sector in Scotland, and therefore our housing ambitions. Largely through change to the UK's membership of the EU Single Market and its freedoms: the movement of goods, people, services and capital.

- A disorderly exit could trigger an economic shock, potentially causing significant changes in demand and investment in the housing market from change to real incomes; population, exchange rates, labour and materials.
- Depending on the terms of the UK's exit, On the supply-side: a reduction in the EU national workforce in construction or supported housing services; availability of goods/materials used in house building, or capital for investment could increase the costs and timescales associated with our affordable housing and energy efficiency programmes.
- On the demand-side: changes to real incomes or population - as a result of economic shock from EU-Exit - could both reduce private housing demand and increase need for affordable homes, while also making it more challenging for government to meet its wider poverty and inequality ambitions if Brexit affects the economy and incomes.

2. Intensive planning and preparation for a "no deal" exit is being underpinned by detailed work to identify the risks and potential impacts of EU exit and the mitigating actions that government and others could take across a range of issues. In 2018 we commissioned internal analysis on the construction and housebuilding industry in Scotland to understand specific Scottish risks on housing demand, materials and workforce. The analysis broadly indicated that:

- 60% of the UK's imports of building materials are from the EU, with the potential for Scottish specific risks in relation to imported timber (at UK level, imports of sawnwood from the EU account for around 90% of all sawnwood imports, while in 2016 82% of new build dwellings in Scotland registered with the National Housebuilding Council had a timber frame compared with just 9% in England);
- Other building materials in which EU imports play a significant role include central heating boilers, structural units (steel) and prefabricated concrete products;
- Although 7,000 non-UK EU Nationals are employed in the industry (4%), this is below their share in overall Scottish workforce (5.7%);
- However, across the UK, the share of EU workers employed in the construction workforce (9.3% in 2017) is higher than their share in the overall UK workforce (7.5%), and there is a particular concentration in London. The higher construction pay rates in London than in Scotland could increase if labour shortages emerge after EU-Exit, leading to the Scottish construction sector losing not only EU workers but also domestic workers who may relocate to London.

3. <u>Our current assessment can be summarised as follows</u>:

- Housebuilding stakeholders indicate that larger developers have capacity to and are undertaking stockpiling of materials (prior to a potential no deal exit in March).
- This means larger developers anticipate some resilience (if at higher cost), smaller developers are more reliant on supply chain preparations and are potentially more exposed to risk.
- Although in a no deal scenario we remain concerned about severe delays to freight traffic, particularly through Dover and the Channel Tunnel, engagement with Transport and Forestry officials suggests that on timber imports for housebuilding the predominate supply from Scandinavia and the Baltics is concentrated on east coast Scottish ports. The combination of smaller port facilities, using smaller dedicated vessels, means that, in combination with activity to build stocks, fixing currency for contracts and putting in place resources to deal with additional

procedures, Timber Trade Federation members feel as prepared as they can be for a disorderly exit.

- WTO tariffs on construction materials are around or below average for all goods. Recently released tariff information from UKG (March) suggests the majority of UK's top 20 imported building materials by value would be zero-rated in a no deal scenario, for up to a year.
- Although the construction industry employs a proportion of non-UK EU nationals, who we want to retain, we do not expect this to put firms or overall delivery at immediate risk following a disorderly Brexit.
- Longer term this could be more of an issue with the UK Government's Immigration proposals. Under the proposals in the White Paper over 80% of EU citizens currently here wouldn't qualify.
- Although there are some issues around certain products, the housebuilding sector is less *directly* exposed than some other sectors. The main impact is likely to come if a loss in confidence from investors and/or consumers leads to reduced demand.

MIPIM

Top Lines

- MIPIM is the largest real estate event in the world and brings together the investment and development community and public sector partners. The size and focused nature of the attendees means that attending MIPIM offers the opportunity to engage quickly and efficiently with a range of key partners and stakeholders. Over 26,000 participants from 100 countries have registered to attend.
- A successful MIPIM can help generate growth and prosperity for Scotland .
- Attracting capital investment into Scottish property development schemes is the key goal of Scotland's presence at MIPIM.
- We are raising Scotland's profile and improving the image of Scotland in the longer-term, helping to win investment in future years
- Attendance at MIPIM coalesces the Scottish property sector across the private and public sectors and helps Scottish companies win contracts
- 2019 was the first time that there was a Team Scotland pavilion at MIPIM aligning Scottish Government, Scottish Enterprise, Glasgow City Council, the City of Edinburgh Council, Aberdeen City Council, the Scottish Property Federation and the Scottish Cities Alliance together under one roof.
- MIPIM 2020 preparations are well under way with representations being made by Team Scotland including Ministerial attendance at the MIPIM UK event in London on 14 and 15 October. This also includes complimentary wrap-around events targeting London based investors and developers at Scotland House.

Q and A

Q Why is Scotland at MIPIM?
A Scotland has taken a modest pavilion at MIPIM in order to promote to the widest possible audience investment opportunities that can drive jobs and growth for local communities.

Q Why are Scottish public servants at MIPIM?
A The Scottish public sector is working in collaboration with Scottish businesses to attract investment into Scottish property development in pursuit of jobs and growth. The number and range of sponsors for the Scottish Pavilion evidences the wholehearted support of the private sector for out public/private Team Scotland partnership.

Q Won't foreign investment into property just push prices up?
A We are at MIPIM to encourage companies to build more new buildings in Scotland, thereby driving jobs and growth for local communities. This should not be confused with foreign investors buying existing buildings.

Q Are all areas of Scotland represented?

A All the city regions in Scotland have representation at MIPIM and the Scottish Government has been open to representation from all places across Scotland that want to join the pavilion.

Capital Investment

Top Lines

- With Brexit looming it is more important than ever that we position Scotland as open for business. Global competition is fierce - it is crucial that we showcase our investment friendly economic environment to investors.
- With our highly-qualified workforce and pro-business, pro-development and pro-growth environment, Scotland is a fantastic location for investment.
- We are co-ordinating initiatives across the public sector via the Capital Investment Scotland Group to ensure Scotland remains an attractive location to invest.

Scotland is a fantastic location for investment

- We offer four top 200 universities, a highly skilled workforce, and over half the population achieving degree level qualification.
- Scotland has a flexible and business-friendly environment with a competitive tax regime and low business set up cost – up to 40% less than London.
- Scotland had the UK's fastest rate of growth in capital investment at 86% in 2018. In 2019 analysis by the Scottish Property Federation found that the total value of sales in the commercial property sector fell by 21% on the same period last year. Overall sales in Scotland in the first quarter totalled £763m a year on year fall of £203m

Our policies and activities promote Scotland as an attractive location to invest capital

- Scottish Government has developed a highly-competitive package of support to encourage and de-risk investment. These measures include rental income guarantees, business rate exemptions and innovative funding schemes that all catalyse development.
- Large occupiers, including Barclays, Morgan Stanley and Clydesdale bank, are expanding in Glasgow, bringing confidence into the market. Major office lettings in 2018 contributed to a stellar year in terms of take-up, and this looks set to continue.
- As part of the Glasgow City Region City Deal funding, approximately £115 million is being invested in the city centre a proportion of which is in the city centre in The Avenues Concept making Glasgow a great place to live and work.
- Scotland's commercial real estate sector attracted around £575 million of international capital in the first half of 2019, Also highlighted is the strong growth in Scotland's technology sector, particularly in Edinburgh, and the importance of embracing 5G in this context.[i]
- A £100 million increase in final demand for commercial new work is estimated to raise an additional £73 million from wider effects across the Scottish economy.

Brexit uncertainty is impacting on capital investment flows

- Brexit uncertainty in the UK has boosted foreign investment into the EU's other 27 countries in the three years since the referendum.
- The total amount of capital invested in the EU27 surged 43 per cent in the three years to the first quarter of 2019, compared with the preceding three years, according to fDi Markets. This is in sharp contrast to the UK, which has experienced a 30 per cent drop in investment. (fDi Markets 2019).

Occupier fundamentals in Scotland remain generally healthy

- Scottish offices are in demand and industrial volumes boosted by record spending on multi-lets. Overseas buyers remain active as UK institutions ramp up spending. Foreign capital is behind one-third of investment volumes with Middle Eastern investors the biggest spenders.

- Scotland continues to take a growing share of UK investment, £2.6 billion or 4.7% (11.9% without London) in 2018. Average yields are at around 8%, city centre prime 5%, and prime rents in major cities topping £32 per square feet.

Annex D - Delegate List

Please note a full delegate list has been provided as a separate attachment.

Key Biography

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 of□ce business; founded in 1999.

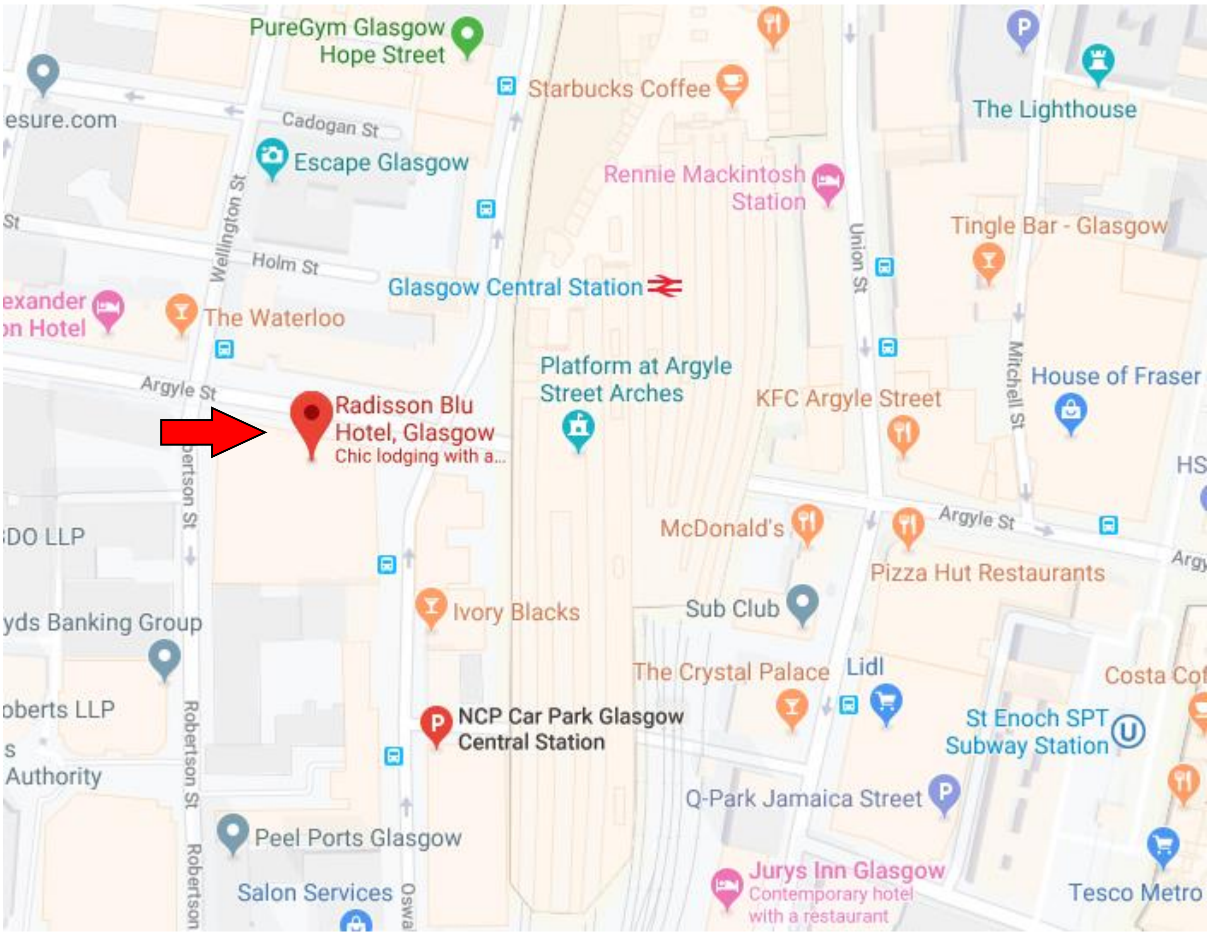
David is Founder Director and shareholder of ResourceFull Ltd formerly Nice4Work Ltd.

Annex E - Map and Directions

Address
301 Argyle St,
Glasgow
G2 8DL

Venue Contact Number: 0141 204 3333

Map



Parking

There is a ‘drop-off zone’ outside the front door of the venue. In case of congestion in this area, the venue has advised that guests may prefer to be dropped off on Robertson Street, which runs down the right hand side of the hotel. Car parking is available across the road at the NCP Oswald Street, G1 4PA. Parking is also available on Robertson Street.