

Local Government, Housing and Planning Committee

24th Meeting, 2022 (Session 6)

Tuesday 4 October 2022

Proposed legislation on a rent freeze and moratorium on evictions

Introduction

1. At its meeting on 27 September the Committee agreed to take evidence on the proposed legislation to implement a rent freeze for tenants in private rented and social housing, and a moratorium on evictions
2. This paper sets out what we expect to be the focus of the proposed legislation and the evidence the Committee will be taking to inform its consideration.

Background

3. On 6 September 2022, the Scottish Government announced in the Programme for Government (PFG) that emergency legislation would be introduced to implement a rent freeze for tenants in private rented and social housing, and a moratorium on evictions. As the PFG stated:

“We recognise the huge pressures the cost crisis is placing on households, and the particular issues that will be faced by many people who rent their home. Given the UK Government has not as yet provided sufficient support in response to the cost crisis, we are looking at all action we can take within devolved powers to support people in Scotland. As part of this we intend to introduce emergency legislation to protect tenants by freezing rents and imposing a moratorium on evictions until at least 31 March 2023. We also intend to act to prevent immediate rent increases.”

4. In addition to the emergency legislation, [the PFG](#) also announced additional support for tenants including:
 - a [£5m increase in the Discretionary Housing Payment budget](#). These payments, administered by councils, can help those eligible for housing benefit or Universal Credit with their rent payments
 - flexibility to use Discretionary Housing Payment for help with energy costs as well as rent payments
 - [extended eligibility criteria for the Tenant Grant Fund](#) so that it can help those struggling to pay rent as a result of wider cost of living increases.
 - a new tenants rights information campaign.

Committee consideration

5. The Bill is expected to be introduced shortly and Parliament has agreed that it will be considered on 4, 5 and 6 October.

6. However, the Bill is yet to be introduced and accordingly the focus of the Committee's session will be on the issues expected to be in the Bill rather than on the Bill itself.

7. The session will be an opportunity for stakeholders to share their views on the issues expected to be in the Bill and to inform the subsequent parliamentary debate on the Bill.

8. The Committee will be taking evidence from the following organisations:

- Association of Local Authority Chief Housing Officers
- Scottish Federation of Housing Associations
- Living Rent
- Propertymark
- Crisis
- Scottish Landlords Association

9. The Committee will then hear from the Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights.

10. The Committee has also received written submissions from Shelter, Citizens Advice Scotland and the Scottish Property Federation. These submissions can be found at the annex to this paper.

**Committee Clerks
September 2022**



MSP BRIEFING: SHELTER SCOTLAND RESPONSE TO THE EMERGENCY MEASURES ANNOUNCED IN THE PROGRAMME FOR GOVERNMENT ON 6TH SEPTEMBER

Structural solutions required to address the housing emergency

On the 6th September 2022 the Scottish Government announced a range of temporary emergency measures to support tenants to keep their homes over the winter period. The First Minister during her speech said:

“Two of the most important and fundamental sources of security for any of us are a job and a home. In times of economic and financial crisis, these can be the foundations that help people through.”

We wholeheartedly agree that having a home is absolutely essential, as without a suitable home families will often struggle with access to work, education, their support networks and healthcare – impacting on their health and wellbeing with a likely long-term impact on many children’s wellbeing and life chances.

The housing emergency, which has now been exacerbated by the pandemic and cost of living crisis has already thrust over **8,600 children** into temporary accommodation (a 17% rise since last year), and nearly **14,000 households** are currently having to live in temporary accommodation. These families and children are already spending on average **nearly a year** trapped in temporary accommodation.

We recognise the need to support people to keep their homes over the winter and prevent more families becoming homeless, impacting on an already overstretched and underfunded homelessness system. We therefore welcome the emergency measures outlined in the Programme for Government. However, we wait to see the detail of how the rent freeze and evictions moratorium measures will be implemented and **resourced** to ensure there are no unintended consequences.

We also urge the Scottish Government to continue to prioritise addressing the structural causes of the housing emergency and to **ensure that the 38,500 social homes are delivered by 2026 to reduce housing need**. Buying and building these homes is crucial and we are therefore calling for a National Acquisition Plan and for the Affordable Housing Supply Programme subsidy grants to be redirected to only build social homes.

The rent freeze must not detract from the ability of social landlords to fund and deliver the new social homes which are so urgently needed. Providing supplementary funding will be required to address any shortfalls resulting from the rent freeze.

Failure to deliver these homes by the end of this parliament will mean affordable housing need will increase. These are the real-life consequences if challenges are not overcome and targets are not met.

Scottish Housing Emergency Action Plan

Immediately prior to the Programme for Government, we published our [Scottish Housing Emergency Action Plan](#)¹, which outlines actions which are within the current gift of the Scottish Government to take. We stand by these actions as being critical to navigating our way out of these unprecedented times and tackling the structural causes of the housing emergency which have left homelessness services at breaking point.

The delivery of social homes is the cornerstone of Scotland's fight for social justice – rebuilding Scotland's economy, invigorating our communities, creating more jobs, helping meet climate and child poverty targets and building a brighter future.

Buy and build 38,500 social homes by 2026

- Redirect all subsidy from the Scottish Government's Affordable Housing Supply Programme exclusively to homes for social rent
- Undertake a national social housing acquisition plan to buy homes in areas of greatest need
- Force the reluctant owners of long-term empty homes to sell up or rent them out to people who are homeless or on the housing waiting list

Fully fund local authority homelessness services

- Conduct an audit of all homelessness funding – national and local – to identify the true levels of investment and identify shortfalls
- Create a new 'homelessness emergency' fund to plug the gap in funding and direct additional resource where it is most needed

Guarantee the right to a home for everyone experiencing homelessness

- Urgently prioritise action to address failures in the homelessness system ensuring appropriate redress for individuals where their rights have been breached
- Introduce tougher enforcement action against public bodies that repeatedly breach their legal duties

¹ Shelter Scotland - Scottish Housing Emergency Action Plan
https://scotland.shelter.org.uk/professional_resources/policy_library/scottish_housing_emergency_action_plan

Questions about the emergency measures

While we welcome the measures announced we are concerned about unintended consequences and the lack of detail on some of the measures, which is causing anxiety for tenants who are unaware of their rights and what support is available for them. Urgent clarification on details would enable Shelter Scotland to provide accurate and timely advice to tenants and enable tenants to exercise their rights and access support as required to remain in their homes.

The emergency measures should meet the following criteria:

- The measures will support tenants to keep their homes
- That there are no unintended consequences
- The measures will not impact on the delivery of new social homes, given this is the structural solution to the housing emergency and reducing housing need

Rent Freeze

What we understand: A freeze on rents in both the social and private sector will be in place until at least the end of March 2023. The rent freeze will effectively apply from 6th September.

Key questions:

- How will the rent freeze for social landlords be resourced to ensure the continued delivery of 38,500 social homes required to reduce housing need?
- How will the Scottish Government ensure that the rent freeze policy is applied from the day it was announced, and how can this be enforced given the time between the announcement on 6th September and the emergency legislation?
Shelter Scotland have had many inquiries from concerned tenants who are unsure about when and how the freeze will come into force, for example will rent increases communicated to the tenant prior to the announcement (but not yet in place) be allowed?
- What consideration has been given to when the rent freeze is lifted? For example, how do we prevent a surge on rents when the freeze ends?
- Will the rent freeze include service charges?
- Is there any protection for tenants who currently pay a set amount for rent which includes their bills, who have now been told by their landlord that their rent no longer includes the cost of bills and that these must be paid in addition?

Evictions Moratorium

What we understand: A moratorium on evictions will be in for both the social and private sector until at least the end of March 2023.

Key questions:

- Shelter Scotland housing advisers have reported that people have been served notice by their landlords since the ban was announced on 6th September. Urgent clarification is required on the rights of these tenants who are currently stuck in limbo.

- Does the moratorium on evictions apply only to new eviction cases or does it include cases already in the Tribunal system? The First-tier Tribunal has 17 hearing and 78 case management discussions relating to eviction scheduled for the next month. However, we understand that there have been no decisions made on eviction cases since the 9th September.
- Tenants must be supported to manage their rent arrears to ensure we don't see a surge in tenants being evicted once the eviction ban is lifted. This includes being supported to access the Tenant Grant Fund and Discretionary Housing Payments, which should both be topped up as required.
- The First-tier Tribunal will need to be properly resourced to deal with the increased caseload when the emergency legislation is lifted in April 2023.
- There may be an increase in illegal evictions, as experienced during the pandemic when the emergency Covid legislation was in place. The Scottish Government will need to work closely with Police Scotland to ensure that these cases are always treated as a criminal matter, not a civil one. Information on illegal evictions should be included in the rights awareness raising work the Scottish Government is planning.

Tenant Grant Fund

What we understand: The Scottish Government has pledged to widen eligibility for the Tenant Grant Fund, to support those struggling with increasing costs. We understand this means it can be used for more recent rent arrears and they do not need to be Covid related arrears.

Key questions:

- How much is left in the £10 million fund and how can the Scottish Government and local authorities ensure that private tenants are supported to access the fund? Previous reports show it was underused by private tenants. **A targeted awareness raising approach** is required to directly reach private tenants, such as a letter to all tenants.
- When will the new criteria apply and what the referral pathway will be for tenants to access the fund?
- What data will be collected on the fund to understand if it's reaching all communities in need or whether further awareness raising is needed?

Discretionary Housing Payments

What we understand: The Scottish Government has pledged to increase the Discretionary Housing Payments (DHP) by £5 million and ensure tenants can access it to help pay for energy costs as well as rent payments.

Key questions:

- How will the Scottish Government ensure that all tenants, including private rented sector tenants are aware of DHPs and can easily access them when required.

Briefing for the LGHP committee on the Programme for Government 2022-23 housing measures

September 2022

Key Points

- Citizens Advice Scotland (CAS) agrees with the spirit and principles of the proposed housing measures in the Programme for Government but we caution that the rent freeze and eviction moratorium especially may have negative unintended consequences. We are approaching this from the perspective of supporting our clients, by drawing on evidence from the Citizens Advice network in Scotland which shows that many are experiencing financial issues relating to the cost of living crisis.
- The CAB network is already receiving queries as to the proposed policies and urgently requires clarification on a number of areas to ensure that we can provide accurate advice to the public. We are also concerned at the lack of consultation prior to the announcements being made.
- Affordability of housing continues to be a key concern for CAB clients: we agree that rent in some areas needs to be more affordable, and there needs to be a better balance of power between landlords and tenants, however a blanket rent freeze will not achieve this on its own and will also not help to lower rents which are already too high.
- CAS has long called for better data collection in the private rented sector in order to improve understanding of the sector and improve policymaking, and this will be critical in understanding the impact of the proposed measures.
- CAS supports the pledges to launch a new awareness raising campaign for tenants, increase the amount of DHP funding and widen eligibility for the Tenant Grant funding, pending further detail.

Rent freeze

Our evidence tells us that renters are increasingly looking for advice on rents and rent rises. Our most recent statistics tell us that between June 2021 and June 2022, views of our advice webpage “the landlord wants to increase the rent” rose by 159%. Our advice webpage on “problems with renting and energy bills” also increased in views by 124%. The former webpage has grown fivefold from being a small area of digital housing advice compared to January 2021, whilst the latter has grown from an averagely viewed webpage to one of the most popular digital housing advice pages. Arrears advice also grew as a proportion of debt advice overall: between Q1 of 2021/22 and Q1 of 2022/23, private sector arrears advice increased by 31%, while social sector arrears advice increased by 22%.

While this policy is well-intended to protect tenants from rising rents and falling into arrears during the current cost of living crisis, and we generally support a measure designed to do this, it’s unclear how this will be monitored or enforced. We have previously voiced our

concern about inadequate data collection and enforcement against poor practice particularly in the private rented sector, and highlight that improved resourcing is badly needed to resolve these issues in order for the policy to be properly implemented. We understand that the rent freeze is intended to apply to all private and social rented sector tenants and that any Rent Increase Notice received on or after 6th September 2022 will not be valid, however further clarification is needed on what safeguards will be implemented to ensure this is the case for everyone.

Many landlords operate responsibly and have expressed concern over the implementation of the policy and its possible impacts and we expect this concern to continue. A possible consequence of a rent freeze could be that even landlords who comply with the freeze might rush to raise rents to a higher level than they might have done previously as soon as the freeze ends. We have seen a huge surge in demand for help with mortgages: across all advice webpages relating to mortgage problems, there has been a 277% rise in page views between August 2021 and August 2022. It would be reasonable to suggest that some of this demand for advice could well be attributed to struggling landlords.

Co-operation between relevant stakeholders, combining the policy with strengthening access to advice for both tenants and landlords, will be crucial to ensuring that this policy supports stability in the market, reduced levels of arrears and "buy in" from landlords.

Eviction moratorium

While again this policy is well-intentioned in that it attempts to protect tenants from losing their home during the ongoing cost of living crisis, it is also unclear how it will be monitored or enforced. We know from CAB advisers that there is currently a significant backlog in First Tier Tribunal cases which a moratorium on evictions could give space to clear. The situation is similar in the social rented sector, where there has been a significant attempt to reduce the journey time of eviction proceedings by the Sheriff Courts.

Concern about evictions is illustrated by the type of advice being increasingly sought by the public: between June 2021 and June 2022, views of our advice webpage "You are a private sector tenant taken to the tribunal for rent arrears" has increased by 15% and views of "You are a public sector tenant taken to court for rent arrears" has increased by 16%. Homelessness advice as a proportion of all housing advice has also been on the rise: between Q1 of 2021/22 and Q1 of 2022/23, advice on actual homelessness grew by 39% and on threatened homelessness by 16%. Advice given on possession action as a proportion of "homelessness – threatened" advice has also increased by 17% between Q1 of 2021/22 and Q1 of 2022/23.

We understand that the moratorium is intended to stop the enforcement of evictions, but not the ability of landlords to issue eviction notices. Knowing as we do that most households are unaware that they can remain in the property while an eviction order is sought from the First Tier Tribunal and will leave the property when served with an initial notice to quit, it is unclear how this will meet the aim of the policy to prevent people from losing their homes.

We are further concerned that both the rent freeze and moratorium on evictions will lead to more illegal evictions, landlords acting quickly to get possession of their homes, and some landlords leaving the market. There is a reasonable argument that landlords who solely seek to exploit the market in terms of the profit they make from their properties at such a

vulnerable time for their tenants should not be operating in the market at all. However, the current lack of affordable and available homes means that landlords leaving could have a serious impact on available accommodation.

Again, co-operation between stakeholders and strengthening advice provision will be key to ensure that landlords explore all options if they are considering exiting the market, and tenants are better able to protect themselves from illegal eviction. With these concerns in mind, the moratorium should be used as an opportunity to accelerate and help to inform ongoing work on fundamental reform of the sector.

Tenants' rights awareness campaign

CAS has long called for the promotion of housing rights awareness and so very much welcome this plan. However, this needs to happen quickly so that both tenants and landlords know their rights and responsibilities in relation to the rent freeze and eviction moratorium.

Extension of eligibility for Tenant Grant Fund

CAS was one of the main organisations who called for the introduction of the Tenant Grant Fund during the pandemic and welcomed it when it was introduced in September 2021. However, the network's experience is that the scheme has not been widely publicised and varying rules between local authorities has led to a postcode lottery of sorts. We need to see more detail on how it is being extended, how much funding is being allocated to it, and what the new eligibility criteria will be.



2 October 2022

Emergency Legislation: Cost of Living (Protection of Tenants) Bill

Briefing Note from the Scottish Property Federation for the Local Government, Housing and Planning Committee for its consideration of the Cost of Living (Protection of Tenants) Bill. The SPF represents companies active in the investment, funding, development and operation of rented housing, with particular interest in build to rent and the purpose built student accommodation sector. Our members also include professional experts who advise on the rented residential sector.

Key Points

- **The rent freeze/moratorium announcement and lack of detail has caused huge uncertainty for investors seeking to bring new homes and residential investment to Scotland.**
- **The uncertainty caused by the statement and its accompanying lack of policy detail over the past month will have a considerable negative effect on future supply of rental properties in Scotland. This will cover not just new build for rent homes, but existing PRS property investors and indeed as we explain, this is likely to increase rental pressures in the longer term. The manner of government intervention will also increase the perceived risk of investing in Scotland, and this may not be restricted to the residential sector.**
- **The current Build to Rent (BTR) Pipeline is estimated at 13,116 homes but 74% of this pipeline remains at planning or pre-planning phases: the intervention has made the delivery of much of this investment highly uncertain and debates after the First Minister's statement have made investors more uncertain of the duration of the emergency legislation.**
- **The BTR pipeline as it stands has been estimated to be worth some £3.5bn to the Scottish residential market – some of this investment is under construction and we due to come online within the next 12 months, but much of this remains in need of investors to be delivered within the next 2-3 years and the statement and continued lack of detail is severely undermining the confidence of investors to commit to Scottish projects.**
- **We are concerned with a potential loss of support for RSL investments – we are already aware of challenges for major RSLs to raise finance from investors. We are also concerned that the government has not considered the relationship between the wider house building industry and the delivery of affordable housing – the sectors are closely interlinked and we fear this has not been considered by the government.**
- **Detail on the exact mechanism for the rent freeze part of this emergency legislation is not yet available but our understanding is that this to control rental increases on existing tenants – this will not therefore impact new tenancies.**
- **Detail on the moratorium is not available yet but we are greatly concerned if those who can meet their rental obligations are encouraged not to do so by this legislation – we**

believe the government should be clear that those who can pay their rent without undue financial stress should do so.

- **Property owners and investors, large and small also have huge demands and rising costs – if we are to avoid a severe drop in the supply of housing in Scotland the government needs to support the supply side of the rented sector.**
- **In relation to the New Deal for Tenants consultation on rent control the SPF has explicitly stated its members would welcome the opportunity to consider rental growth in the longer term. This offer has not been taken up but we remain willing to discuss the issue with the government or the committee. Some members already apply an annual cap on rent increases to provide their tenants with the certainty of limits upon future increases.**
- **We require clarification on the position of the purpose built student accommodation sector and the emergency legislation. PBSA rents are in the main already set for the year and it will be important for providers to understand the scope of the new legislation.**
- **There urgently requires to be clarification on the timing, scope and detailed mechanisms for the legislation. It is now a month since the First Minister’s statement and this continued delay is undermining confidence in investment in Scotland.**

Background

1. The Rent Freeze and the Moratorium is expected to apply to private and public rented residential sector properties from the date of the First Minister’s Statement to Parliament on 6 September, through to 31 March 2023 inclusively. This is a core part of the government’s response to the Cost of Living Crisis. The announcements also pre-empted a subsequent statement by the UK Government that will cap rising energy costs for householders. We understand that one housing association may be affected by the rent freeze period, although clearly if the legislation is renewed, as other emergency legislation has been, then this will impact the RSL sector as well as PRS more widely.
2. These rental measures, being retrospective in effect, will require primary legislation in the form of what we now know to be the Cost of Living (Protection of Tenants) Bill. We understand the intention is to include the Purpose Built Student Accommodation (PBSA) within the legislation, however, we have yet to see the detailed proposals. We believe that the moratorium on evictions is intended to not include proceedings for anti-social or criminal behaviour, although these are notoriously difficult to implement and subjected to the longer Tribunal process.

SPF Views and Investor Correspondence

Protecting Tenants Against unfair rent increases (in context of cost of living crisis)

3. There are already strong protections for tenants against what are argued to be unfair rent increases. A landlord must serve a three month notice ahead of a rent increase. This notice can be referred by a tenant to a government supported body, the Rent Service Scotland, who can adjudicate on the proposed increase. If the proposed rent increase is deemed to be too high then it can be stopped at that point and set by RSS. It is also true that RSS might increase the rent beyond that proposed by the landlord. In this last scenario however, which according to the details published by the government has only occurred once in some 170 adjudications since 2018. The RSS evidence suggests the process of referring Rental increase Notices has gathered pace in the last two years (we estimate 150 adjudications across Scotland). On 60 occasions the RSS agreed with the landlord proposals but in many instances, it disagreed entirely and blocked the increase.

4. Investors have said they would be willing to look at rental growth regulation. Some major investors have even introduced such mechanisms within their own tenancy agreements. In our response to Questions 41 of the consultation A New Deal for Tenants earlier this year we made the following points:

Our members have suggested that there should be clarification of term 'rent control' which puts off a lot of investors despite what the detail may mean. For example, the current legislation for the designation of Rent Pressure Zones (RPZs) is control on rental growth and therefore fixes what rental increases are year on year, which is acceptable from an investors point of view. What is not acceptable to investors is any attempt to artificially set the starting and market rents that a tenant is willing to pay, which is a different policy and approach. (Scottish Property Federation response to A New Deal for Tenants', April 2022).

Supporting Landlords with costs and tenants who could pay, but choose not to

5. The announcement of the rent freeze will we believe only act to add pressure on new rents as landlords' price in further risk, caused as a consequence of the government's intervention. Because the intervention has already negatively impacted supply and indeed, we understand from comments and indeed surveys from the Scottish Association of Landlords and wider housing stock figures that overall, landlords are intending to leave the market in greater numbers, then with demand continuing to be so high, we fear that the government intervention is likely to have actually increased upwards pressure on rents.

The evidence and rental data

6. The data on rent increases for ongoing tenancies is also noticeable by its absence from the political discussion thus far. A report ahead of the 2016 PRT legislation identified an average annual increase of around 1%. Research undertaken for the parliament by SPICE referred to a 0.6% increase between 2019-21. This was based on ONS data and rightly, SPICE also note a lack of real data for existing tenant rental information. Debate within the Scottish Parliament has referred to increases of up to 40%. This is a major disparity and suggests a severe lack of data to base make policy. The SPF has raised this data gap frequently with the government including with Rent Service Scotland and we would be keen to see a better system of capturing rental data – this would have informed the RPZ process should it ever have been attempted.

The SPF supports improving rental data for the Scottish PRS. We will be pleased to work with the government to achieve this objective. Our key concern is that changes to the private rented residential market are made on an informed basis, and we do not believe this is presently the situation in relation to rental evidence. For this reason, we support submitting rental information as part of landlord registration procedures (that already exist), which can therefore be used to support a better understanding of changes to rent for existing and new tenancies. (Scottish Property Federation response to A New Deal for Tenants, April 2022)

7. The trouble is a lot of published up to date data is based on new, advertised rents and this reflects the current market imbalance between high levels of demand for rented property and the low level of available properties.

Views on investment in Scotland

8. Build to rent remains a very new, nascent market in Scotland. Three quarters of the know investor projects in Scotland are on pause or that there is no appetite for Scottish projects in the aftermath of the Programme for Government. This has grown since the statement and the

absence of detail on the policies. Discussions with agents towards the end of last week suggested it was now very difficult to find investors looking for new opportunities in Scotland. These discussions are focused on investors looking to deliver build to rent, including some who were at the point of marketing for future developments.

9. The main view is that until greater clarity is seen then Scottish investment propositions are on hold. This is a distinct competitive disadvantage compared to other UK destinations for capital investment with strong markets in BTR in Leeds, Manchester, Birmingham, Bristol and Liverpool. It is important for the committee to note that the industry has been prepared to be open minded about the government's concerns with affordability, but there must be a wider appreciation of the context within which our industry is seeking to attract investment to Scotland:

We have learned in recent years that investors in Scotland recognise that well considered rental management can be a benefit to investors and residents and that through a collaborative approach, we can create a system that achieves our common goals and is detrimental to neither the investor nor the resident. While the application of the RPZ system may not have worked as hoped, the mechanics behind it are of sound basis and should not be discarded. When there is a system in Scotland that could be reasonably adapted to work, it would be dangerous to consider alternative models from elsewhere applied to markets with different cultural characteristics and with questionable degrees of success.' (Scottish Property Federation, Response to a New Deal for tenants, April 2022).

10. There has also been little focus thus far on the implications for investment in social housing. We are aware of both funding and investment decisions that have negatively affected RSL financing even in the month since the statement. The government needs to act quickly to reassure RSLs and their investors about the future direction of Scottish government policy.

Known projects impacted

11. Industry experts suggest that of the BTR pipeline of 13,116 units¹ under construction, only around 8% of this number are actually in operation now and a further 18% under construction. The remainder are in planning or pre-planning, uncertain of progress or on hold. It is these schemes numbering some 9,705 units for delivery in the next three years or so, and this is where we are most concerned at the prospect of a loss of confidence among investors. This is a significant concern given the lack of supply of new homes of all tenures. Before the announcement of 6 September BTR was poised to be making a significant positive impact on housing supply in Scotland. Unfortunately, and even for those schemes at an advanced stage in the planning process, we are now seeing significant reviews due to uncertainty over government policy. In addition to the direct impact on housing supply and as the consequences of upwards pressure on rental values that this will mean, there is also a real and significant near term loss to the Scottish economy as well as future new homes.

Investor perspectives

12. The Programme for Government is already causing investors to withdraw from Build to Rent schemes in Scotland. Without investor commitment, some schemes within the pipeline suggested above, or indeed not in the pipeline, may simply not emerge. We are already aware of

¹ Rettie Summer BTR Report https://mr1.homeflow-assets.co.uk/files/site_asset/image/5265/6379/BTR_Briefing_Summer_2022.pdf

significant schemes (not listed in the BTR pipeline referred to above) now losing investor interest. This includes not just BTR, but wider residential and property investment across Scotland. Based on initial feedback from investors, we fear the negative investment impact could run into £bns given the thousands of homes and wider real estate properties poised to come to the market in the next few years. This would be a devastating economic impact in terms of both lost opportunity and the negative impact on the supply of new rented homes.

13. It should be added that the uncertainty surrounding other sectors, such as the PBSA, is also causing significant concerns. This is a specific market and already suffers from serious pressure on availability of accommodation. We are seeking detailed answers from the government on a number of points including the position of future lettings which need to be marketed soon for the next academic year.

Impact on rents

14. The announcement of the rent freeze will we believe only act to add pressure on new rents as landlords' price in further risk, caused as a consequence of the government's intervention. Because the intervention has already negatively impacted supply and indeed, we understand from SAL and wider housing stock figures that overall, landlords are leaving the market in greater numbers, then with demand continuing to be so high, we fear that the government intervention is likely to have actually increased upwards pressure on rents.
15. As discussed earlier there are already strong safeguards against 'unfair rental increases'. That said, industry experts note upwards pressure on rental values. This is not surprising because of pressure on landlords themselves from energy, staff, finance and so forth. But most importantly, the imbalance between supply and demand is driving upwards pressure and especially for new rents for the market. This latter group may not be impacted by a 'rent freeze' as by definition they are only just joining the market. But refurbished properties that may have been empty for a couple of months could be another matter – we must have clarity on the proposals.

Summary

16. The Programme for Government has been received poorly by major investors – and not just investors in market rented build to rent. There has also been a serious undermining of Scotland's proposition as a place to locate real estate investment. This concern is also underpinned by the lack of detail available not just at the time of the announcement but in the month since the statement. This has led to a belief within industry that this is a policy that is being worked up after the decision had been pronounced and that the Scottish government were simply unprepared to deliver such a major policy initiative.
17. In our response to a New Deal for Tenants, as outlined above, the SPF had noted that investors have said they were prepared to look at longer term mechanisms of rental growth regulation. This was not picked up by the government and we believe that much uncertainty and loss of confidence in Scottish investment, which is critical to seeking to address the housing address, could have been averted.

David Melhuish
Director, Scottish Property Federation