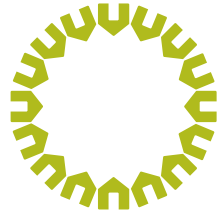


The Build to Rent PRS Opportunity in Scotland

Scotland offers all the core elements required to support a growing market for Build to Rent.



**Building the Private
Rented Sector**
in Scotland

October 2016
www.brs-scotland.co.uk

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Scottish Government Backing:

The Scottish Government is determined to boost the supply of housing across all tenures. A key aim of its strategy is to grow and improve the private rented sector through the rapid delivery of high quality, professionally managed, purpose-built rental accommodation at scale, improving customer experience and choice.

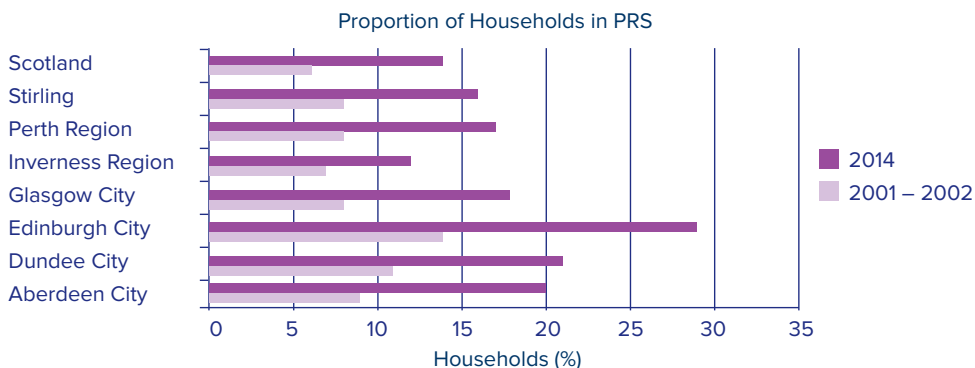
Potential investors can draw confidence from the Scottish Government's backing which is reflected in a co-ordinated policy framework, the appointment of a dedicated PRS Champion and in the planning and financial interventions listed below.

A Strong and Growing PRS Market:

There is clear evidence of momentum building in demand, suggesting that this is not simply a result of short-term effects such as mortgage affordability. The sector offers a great deal of potential for investors in the Scottish market. The underlying fundamentals are strong and the market is growing, underpinned by pronounced imbalances between supply and demand. Data suggests that the average length of a lease in Scotland is around 15 months, with an average length of stay in PRS accommodation some 2.7 years.

PRS in Edinburgh is now the second tenure of choice and close to being the second tenure of choice in both Aberdeen and Stirling. In certain city locations it is the first tenure of choice.

Households in PRS in Urban Areas:



Source: Scottish Government: Scottish Household Survey (2014) LA data. Published October 2015.



Above Project Vox, Dundee and Stonewood, Aberdeen

A Modern Tenancy Regime:

A new tenancy will be introduced in Scotland from December 2017, implementing the Private Housing (Tenancies) (Scotland Act) 2016. This will be a modern tenancy, clearer and simpler to use and striking a balance between the needs of landlords and tenants.

The tenancy will be open ended, with landlords able to bring a tenancy to an end using 18 Grounds for Repossession, and tenants by providing their notice to leave, with no initial term. Enforcement will be through a specialist housing tribunal.

All initial rents will be market-led and can be increased once a year.

An Enabling Planning Framework:

The Scottish Government Chief Planner wrote to all Local Authorities in October 2015 encouraging them to consider the potential of Build to Rent in meeting housing need and demand and to take a flexible approach in dealing with planning applications. Draft planning guidance from the Scottish Government will be finalised to formalise this support.

The PRS Champion endorsed the standard setting approach in edition two of 'Build to Rent: a ULI UK Best Practice Guide' issued by the Urban Land Institute's UK Residential Council in March 2016.

Below Project India Quay Development, Edinburgh



A Supportive Investment Framework:

The Scottish Government has also concluded extensive market engagement on a Rental Income Guarantee Scheme which would see them underwrite 50% of rental income risk between 95% and 75%. More on this to follow shortly.

Within its Land and Buildings Transaction Tax structure (LBTT) (Scotland's equivalent to Stamp Duty Land Tax), a Multiple Dwellings Relief is available where six or more residential properties are purchased in a single transaction. Such transactions are also exempt from the 3% LBTT Additional Dwelling Supplement.

RICS Scotland is currently developing guidance offering advice on valuing residential property purpose built for renting.

Upcoming Developments:

A number of good quality developments are beginning to come through. Examples shown in images include: India Quay, a canalside development in the heart of Edinburgh City Centre; Stonewood, a development of around 300 homes for private rent delivered by Dandara for La Salle Investment Management; and Vox Dundee, the redevelopment of the city's former Commercial College.

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