

Consultation Title	<b>Empty Homes in Scotland</b>
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Scottish Land & Estates is the voice of rural businesses throughout Scotland. We are a membership-based organisation representing a wide range of rural businesses, including farmers, foresters, tourism operators, housing providers, leisure companies, and renewable energy providers.

Our members provide a wide range of economic, environmental and social benefits which are vital to the success and survival of communities throughout rural Scotland. They play a critical role in ensuring sustainable, healthy and empowered rural communities, providing housing, employment and a wide range of economic, environmental and social benefits.

As SLE is a membership organisation for predominately rural organisations will be focusing our response on empty homes in rural areas.

### **1. What, in your view, are the main causes of empty homes?**

There are many causes for empty homes in rural areas, and SLE believes it is a combination of these factors which lead to empty properties.

#### Repairing Standards

The value of the rental market in rural areas is often below the cost of repairs, and therefore landlords have focused on immediate and emergency repairs rather than a regular maintenance programme. The lack of regular maintenance has resulted in some rural properties falling into a state of disrepair that is now uneconomic to fix, and properties have therefore been left empty.

#### Energy Efficiency

While SLE supports the Scottish Government's initiative to improve energy efficiency in properties we are concerned that the number of empty homes in rural areas may rise as the EPC regulations deadlines come in, and rural properties are unable to meet required bands.

#### Private Residential Tenancies

SLE supports the new Private Residential Tenancies, but we have concerns over the changes to the notice grounds. Landlords are now more cautious about choosing tenants due to the removal of the no-fault ground. In rural enterprises with relatively few houses, one unsatisfactory/disruptive tenant can have a disproportionate impact on others living on the property and the rural enterprise. The increased difficulty in removing disruptive tenants is discouraging property owners from re-letting residential accommodation under the Private Residential Tenancy regulations.

It is also more difficult to regain possession of a property for a member of staff or a family member. Some rural property owners are selling off properties they do not require immediately, converting them to other uses or refurbishing them as holiday homes.

As the number of rural properties available for long term let decreases, rural property owners anticipating changes in their staffing requirements are retaining empty residential accommodation for use as tied accommodation.

### Regulations on Letting Agents

The new regulations on letting agents that came into force on 31st January 2018 are also acting as a barrier for some landowners. Due to the way estates are often owned or managed many now fall under these new regulations. Therefore, estate owners either need to pay for a member of their staff to undergo training or hand over responsibility for their portfolio to a letting agent. These are added costs which the landlord cannot recoup through rent and as existing residential tenants leave many landlords are using these vacated residential properties as tied accommodation, refurbishing them as holiday accommodation, leaving them empty in anticipation of future staff requirements or abandoning them as residential accommodation.

### Taxation

Taxation is also a cause of empty properties. Renting out residential properties on a long term let makes the property eligible for both Inheritance and Capital Gains tax. On the death of a private sector property owner, accommodation rented out on long-term lets is taxed at 40% of the value of the property. If however the accommodation had been retained as a tied house or rented out as a holiday home it would have been eligible for agricultural or business relief.

The same situation applies if ownership of residential accommodation on long term let is transferred to another entity while the property owner is still alive. In which case the property owner will need to pay Capital Gains Tax on the transfer at 28% of the open market value of the property. If however the accommodation had been retained as tied accommodation, turned into holiday accommodation or converted into a business or a farm building before the transfer; agricultural or business relief should apply.

If a residential property is refurbished as a long term let VAT cannot be reclaimed on expenditure unless VAT is charged as part of the rent. For farms and estates with a mix of rented residential properties on holiday, tied and long term lets, the partial exemption applies which complicates the calculation of VAT. Not being able to reclaim VAT increases the cost of any renovations or refurbishment by 20%.

### Tourism

The promotion of rural Scotland as a tourism destination has ensured demand for visitor accommodation. In tourism hot spots the market for second and retirement homes to buy has made homes to buy unaffordable for many residents working in these areas. In areas such as the Cairngorms National Park or the Isle of Arran a high proportion of houses sold are being purchased as second homes, for conversion to self-catering holiday lets or people retiring both in and into the area. In some areas, up to 35% of residential accommodation is now used as second or holiday homes.

Some people buying rural landholdings for their recreation, retirement, relative seclusion and wildlife do not want others living close to their holiday or retirement home. They are content for houses in our countryside to be left empty, abandoned or converted to other uses.

### Changing Requirements

Traditionally the majority of houses in rural areas were built to house farm, forestry and estate workers, gamekeepers, maintenance and residential staff. Requirements and standards have changed. The demand for one and two-bed properties has increased while the market for three, four or five-bed properties has decreased. When and where these larger properties cannot be cost-effectively used for visitor or hostel accommodation, they are sometimes left empty.

## Location

The sensitive location of rural properties, within estate policies or farms means that landlords are often reluctant to sell the properties and therefore if they are no longer suitable for let, they have been forced to leave the properties empty. In addition, some of the empty homes in rural areas are very isolated, derelict and not connected to services (mains & broadband). If these properties were brought to the market, it would be the development value of the site that would be considered and therefore relies on a change to the planning system.

### **2. Is this a problem which affects all tenures of housing? Please provide further information to explain your answer.**

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SLE cannot comment too broadly on this question, but yes, there seem to be empty properties in all tenures. Empty properties seem to coincide with regions where there has been a downturn in the economy. Lack of employment or rising salaries and lack of tradesman mean properties are left empty across the market.

### **3. What is the impact on communities in areas where there are large numbers of empty homes?**

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Empty homes are not cited as a significant issue by most of our members as they tend to be in areas of high numbers of holiday cottages and second homes rather than empty homes. However, a high number of empty homes will have an impact on population density, and this will have a knock-on effect on local services like schools. However, our feedback from rural communities is that rural populations are asking for an increased supply of new housing rather than bringing empty homes back onto the market (rental & sale).

### **4. Is the issue of empty homes a problem in particular areas and if so, why?**

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SLE has not noticed a pattern of empty homes in particular areas but this could be due to a lack of data as to the extent of empty homes.

However, as mentioned above rural and isolated areas likely to suffer if there are a number of empty homes as this will affect population density and related services.

SLE also has noted concerns that vacant properties are an eye-sore in tourist areas and reflect poorly on the local community.

### **5. Are you aware of any areas which have made progress in addressing the issue of empty homes and if so, what other local authorities could learn?**

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SLE has noted past success with Rural Empty Property Grants and Empty Homes Initiative Grants in rural areas. We would recommend that local authorities support landlords to repair empty homes to bring them back to the rental market.

### **6. How effective are current tools open to local authorities/central government to deal with empty homes? Should they have more powers?**

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SLE considers that the current tools open to local authorities/central government are appropriate, but there seems to be a reluctance on the part of authorities to use these. SLE suggests that where appropriate local authorities could be more public with who owns empty properties and use public pressure to bring about action. However, this measure would have to be tightly controlled and assessed. Publicly revealing the landlord would only be appropriate when the empty property could

reasonably be brought back to the market. For example, if getting the property connected to services and into a reasonable state of repair would cost £100,000 then the owner is not unreasonable by refusing to do so.

**7. Should there be more enforcement powers for local authorities/central government to deal with the issue? If so, what could these be?**

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SLE does not consider there is a need for more enforcement powers. SLE recommend that Local Authorities should focus on areas where properties are vacant for illegitimate reasons and in areas of housing shortage or community population pressure.

**8. Is there enough information/data to provide an accurate picture of empty homes in Scotland? If not, how could this be improved?**

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No, there needs to be much more work done to collect information/data on the extent of empty homes in Scotland. Information should be available as to the extent of empty properties in each local authority, where these properties are located (rural/town/urban) and the condition of these properties. This information should be crucial to informing housing policy as a one-size fits approach all will not be effective.