

Private Housing (Tenancies) (Scotland) Bill

Written submission to the Infrastructure and Capital investment Committee

Gatehouse Bank Plc

Introduction

We understand that the Infrastructure and Capital Investment Committee is now seeking views on the general principles of the Private Housing (Tenancies) (Scotland) Bill (referred to in this submission as “**the Bill**”).

Gatehouse Bank Plc- Who we are

By way of introduction, Gatehouse Bank plc (“**Gatehouse**”) is a London-based investment bank specialising in Shariah-compliant products and services.

The real estate investment division of Gatehouse sources, manages and realises property investments across the entire spectrum of the commercial property market, including student accommodation and the private rented sector (“**PRS**”).

The following illustrates Gatehouse’s experience in the PRS sector, including the student accommodation sector.

PRS Venture with Sigma Capital

Gatehouse has a well publicised PRS joint venture with Sigma Capital (the residential and urban regeneration specialist), which is in the process of constructing an initial 926 new rental homes with a total development cost of approximately £100 million, creating one of the first and largest PRS platforms in the UK. The 926 new homes will comprise a mix of high quality family homes and apartments and will be constructed across 14 sites in the North West - 10 in Greater Manchester and in the Liverpool area.

Investment in the Scottish Student Accommodation Sector

In September 2011 Gatehouse acquired the 588 bed Watkin Jones student accommodation property in Glasgow. The asset was sold in July 2014.

Earlier this year, Gatehouse also acquired a student accommodation property located at Fountainbridge in Edinburgh for £20 million. The property is a modern, purpose built student accommodation asset with a total of 331 bedrooms.

It can therefore be seen that Gatehouse has a significant interest in the forthcoming Bill.

The Impact of the Bill on Purpose Built Student Accommodation

We understand that if the Bill is passed, it will no longer be possible for a private owner of purpose built student accommodation (such as Gatehouse) to grant a fixed

nine month tenancy to a student which allows the landlord to require the student to leave at the contracted expiry date (ie at the end of the academic year). Instead, if a private landlord wants to recover possession of the property from a tenant after the contracted expiry date, then we understand the landlord must identify at least one of sixteen specified eviction grounds (to justify the removal of the tenant).

If passed in its current form, the Bill will prevent private investors from properly managing purpose built student accommodation. Many private providers of student accommodation (including Gatehouse) look to secure lettings several months in advance of the start of an academic year (whether by way of advertising “direct lets” with students or entering into nomination agreements with universities). For example, Gatehouse are looking now to secure rental income for the 2016/2017 academic year (and have the opportunity to do so now on a large scale via nomination agreements with education institutions). However, the Bill, if implemented today, would mean that the existing student tenants could not be asked to leave at the end of the 2015/2016 academic year (unless the tenant in question is no longer a student). As a consequence, Gatehouse would be unable to guarantee to new incoming students and universities the availability of a set number of beds in Gatehouse’s accommodation at the start of the 2016/2017 academic year.

It is also noted that there is no eviction ground set out in the Bill which would allow a landlord to recover possession from a student tenant (at the contracted expiry date) because the landlord wishes to offer the property as a “holiday let” during the summer (e.g. during the Edinburgh Festival). This will result in the loss of important premium rental income for some landlords, including Gatehouse. The introduction of this bill would subsequently result in the loss of this income and fall in the value of our investment in the property, whilst also reducing the availability of accommodation across Edinburgh for the festival.

A seller of a Scottish student accommodation asset is in competition with sellers of other student accommodation properties elsewhere in the UK. A difference in the income profile of a student accommodation asset (in respect of the summer months) could see an investor choosing to purchase an asset elsewhere in the UK (in preference to Scotland) if it is more challenging in Scotland to lease the property during the summer.

The Position of Universities

We also note that the Bill allows universities and colleges to grant finite short term tenancies to their students (which align with their academic year). Education institutions will therefore be provided with the flexibility to properly manage their properties whereas private student accommodation investors such as Gatehouse (who work alongside such education institutions) will not be provided with the same level of control.

This lack of control may adversely affect not only private student accommodation providers, but also the education institutions with whom they work (as it will make it more difficult for the private providers to guarantee the availability of rooms to the students of those institutions). This could prove detrimental to the educational

institutions ability to provide accommodation to its first year students and also restrict future availability of accommodation to students in subsequent years

Recommendation:

In order to address the abovementioned concerns, we would request that the Bill be amended in either one of the following ways:

1. A letting of purpose built student accommodation to a student could be excluded from the types of tenancy that can be a “private residential tenancy” (and therefore such a letting would be included within the types of tenancy listed in Schedule 1 of the Bill (*Tenancies which cannot be private residential tenancies*)); or
2. An additional eviction ground could be included within Schedule 3 to the Bill (*Eviction grounds*) which allows a landlord of purpose built student accommodation to recover possession from his tenant at the expiry of the initial agreed lease term (ie at the end of the usual nine month tenancy).

Gatehouse Bank Plc
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