



Consultation Response

Scottish Building Safety Levy - Technical Consultation

October 2026

Real Estate:Scotland Response:

About our Organisation

Real Estate:Scotland is the voice of the real estate industry in Scotland, bringing together global and domestic capital, world-leading expertise and forward-thinking policy to drive growth and quality places to work, live and play in Scotland. As an industry body with over 500 member organisations spanning investors, developers, advisers and operators, we represent the full breadth and diversity of the market.

Question 1

Do you agree that floorspace should be calculated using Gross Internal Area (GIA)?

Our main concern is ensuring that the administration of calculating the levy is simple and fair, providing as much certainty for developers. The suggested approach of using GIA and then deducting communal floorspace is likely to involve a more complex assessment.

Our members consider that Net Internal Area (NIA) could provide a simpler basis for calculating the levy, as many circulation, structural and service areas are already excluded from the measurement and therefore would help the calculation of higher density developments. However, this would still need to be accompanied by a clear list of additional exemptions covering communal and building-wide amenity areas that may otherwise be included within NIA.

We also note that RICS is currently consulting on the 7th edition of its Code of Measuring Practice, which includes updated guidance on GIA and NIA and the treatment of common and circulation areas. Given that this work is still under consultation, and the final Code has not yet been published until potentially late 2027, consideration should be given to how the levy methodology will align with the emerging RICS guidance to ensure a clear and consistent approach to measurement.

Question 2

Do you agree that communal areas of a building should be excluded from being charged?

Yes. At a minimum, the levy should apply only to private dwelling space, as including communal / non-useable areas would disproportionately affect certain housing types, particularly higher-density developments such as BTR and PBSA.

Higher-density development, typically contain more corridors, lift, stairs and service, utility, refuse, plant and cycle-store space – essentially more space which is necessary for the building to function. BTR and PBSA developments often also provide shared resident facilities such as lounges, study or co-working spaces, gyms and communal kitchens or dining areas that are outwith the cluster flat or self-contained unit. We do not think these types of developments should be penalised by the levy where this space is not part of the private dwelling space.

This is particularly important for BTR, which remains a relatively emerging part of the Scottish housing market with the potential to deliver several hundred homes within a single building. The growth of professionally managed, purpose-built rental accommodation has an important role to play not only in increasing and diversifying housing supply, but in helping to raise standards across the wider rented sector.

Equally, PBSA is an important part of Scotland's housing ecosystem, providing professionally managed, purpose-built accommodation that supports Scotland's higher education sector while adding to the range and choice of homes available to students. It provides a safe, supportive and semi-independent living environment, which can be particularly valuable for international students and those moving away from home for the first time, while also helping to reduce pressure on the wider private rented sector.

The levy should not create an inherent disadvantage for any building type and that is why we advocate for these communal areas to be excluded

Question 3

Do you agree that, for the purposes of introducing a relief for units built on brownfield land, the definition of 'brownfield' should include land that is occupied by a building?

Yes.

Question 4

Do you agree that, for the purposes of introducing a relief for units built on brownfield land, the definition of 'brownfield' should include land which is considered contaminated land?

Yes.

Question 5

Do you agree that, for the purposes of introducing a relief for units built on brownfield land, the definition of ‘brownfield’ should include land which contains large, fixed surface structures, such as roads or car parks?

Yes.

Question 6

Do you agree that, for the purposes of introducing a relief for units built on brownfield land, the definition of ‘brownfield’ should include land that was developed for agricultural or forestry purposes?

Yes, but depending on the intensity and former use of the agricultural land in question. We suggest that the definition should include land containing existing agricultural or forestry buildings and associated hardstanding, while excluding undeveloped open fields. This would provide a clearer distinction between land that has already been physically developed and genuinely undeveloped land.

Question 7

Do you agree that, for the purposes of introducing a relief for units built on brownfield land, the definition of ‘brownfield’ should include land that was developed for minerals extraction?

Yes.

Question 8

Do you agree that, for the purposes of introducing a relief for units built on brownfield land, the definition of ‘brownfield’ should include land that was developed for waste disposal by landfill?

Yes.

Question 9

Are there any other criteria not captured above that should be considered when defining brownfield land for the purposes of a relief?

We seek clarity on the proposals for how the brownfield relief will operate where a development site contains both greenfield and brownfield land. This could be particularly complex for large or phased sites, where different parcels are acquired or developed at different stages.

While the proposed brownfield definition appears robust and we welcome that it is broader than what has been outlined in the English levy, the administration and application of the relief will be important. In particular, there may be cases where brownfield land is treated differently for planning purposes and for the purposes of the

levy. Ensuring there is clear guidance on how the definition should be applied, including what evidence will be required will therefore be important in allowing developers to establish at an early stage whether relief applies.

Question 10

What percentage rate of relief do you think should be applied to units built on brownfield land?

There must be relief for brownfield development. This is particularly important for higher-density residential development, including PBSA and, increasingly, BTR, which is often delivered on constrained city-centre brownfield sites where abnormal and enabling costs can be significant. For PBSA in particular, proximity to universities means that development is frequently concentrated in these more complex urban locations.

We have seen evidence from a member comparing two residential schemes of similar floor area, one on a city centre brownfield site and one on less constrained site. Both were priced during 2026 by the same cost consultant, at the same stage and on the same basis, so the difference between them reflects the site rather than the method. We are unable to publish the underlying figures, but substructure costs on the brownfield scheme run around £113 per square metre of floor area higher, and approximately £18,600 more per home. That covers remediation, piling, dewatering and taking excavated material off site, and it understates the full picture, because demolition and site preparation sit elsewhere in the cost plan. With costs already significantly higher for brownfield development, there must be a meaningful level of relief so that the levy does not further disadvantage brownfield development. While the proposed 50% relief may seem substantial, it must be considered against a wider backdrop of additional costs for brownfield remediation. This means that even 50% relief leaves a substantial disadvantage for developers seeking to regenerate brownfield sites.

We advocate that there should be flexibility to allow greater levy relief where abnormal costs can be demonstrated to act as a meaningful and realistic incentive to bring brownfield sites forward. It is important to recognise that there is a spectrum of brownfield conditions. Some sites may require relatively limited remediation, while others can face substantial costs associated with contamination, demolition, land remediation, infrastructure or other abnormal site conditions. A flat rate of relief may therefore not adequately reflect the additional costs associated with bringing the most challenging brownfield sites back into productive use. Therefore, a tiered approach where abnormal costs can be demonstrated should receive a higher level of relief particularly as NPF4 advocates a brownfield first approach.

Furthermore, where a site is successfully remediated and brought back into use, this will generate wider and longer-term public revenues through future property transactions, council tax and potentially non-domestic rates. The relief should therefore be considered in the context of the wider fiscal and regeneration benefits that can arise from unlocking otherwise difficult-to-develop sites.

It is also worth noting that developers in England can access additional forms of support for brownfield development through Homes England. There is comparatively limited equivalent support available in Scotland (Vacant and Derelict Land Fund and Contaminated Land Relief being limited options). This should be taken into account when considering whether the proposed level of relief and associated support is sufficient to offset the significant additional costs associated with brownfield development.

Question 11

Do you agree that a further relief or exemption should be provided for conversions?

Yes. Conversions from non-residential to residential should be exempt from the levy. Vacant upper-floor and secondary office space can be particularly well suited to residential conversion, including PBSA, which can help take pressure off the wider private rented sector by reducing student demand for mainstream rental homes and HMOs, while bringing under-utilised city-centre buildings back into productive use. There are also former residential units converted to offices, but which can be reconverted back to residential, or former secondary office buildings that will no longer be viable for office occupation

Scotland has a significant stock of vacant former commercial property (including under-utilised upper-floor space in its town and city centres). These are often the most challenging buildings to adapt, not only due to the significant costs which can significantly outweigh new-build development but also the practicality in adapting these vacant properties to meet the correct building and energy efficiency standards, particularly if for residential use. Therefore, these buildings carry an inherent and additional risk to re-develop.

Unfortunately, there is a lack of consistent data to capture the scale of the issue, but on a local level, Aberdeen City Council reported that in September 2022, Union Street had 111 vacant rateable units, of which 64 were upper-floor units. So around 58% of the vacant rateable units identified were on upper floors. These are the spaces that would most likely be adapted for residential use, particularly as NPF4 and local planning

policy explicitly supports the conversion and reuse of vacant upper floor, with Glasgow's City Centre Living Strategy for example seeking to double city centre population from over 20,000 to 40,000 by 2035..

Charging a levy on conversions where these types of developments are often already unviable would act as a further major disincentive to re-development, ultimately going directly against the objectives of government and local authority strategy which seeks to bring vacant properties back into use and make our high streets more liveable and thriving.

While outwith the policy scope of this consultation, it is also worth highlighting there is already a tax disincentive on conversions, where new-build developments receive a zero VAT rating while non-residential conversions to a dwelling do not qualify for the same relief.

Question 12

If you agree that a relief or exemption should be applied for conversions, should this relief apply to the conversion of non-residential buildings, residential buildings, or both?

The priority should be relief for conversions from non-residential to residential to encourage new and additional residential stock. An exemption would support the reuse of vacant and underused buildings, contribute towards housing delivery and regeneration, and support the sustainable principle of retaining and adapting existing buildings where appropriate rather than incentivising demolition.

Relief should also extend to residential conversions where works result in a net increase in the number of homes, for example through the subdivision of larger existing properties into additional residential units.

The relief should explicitly include conversions to PBSA, given that PBSA is not always classified as residential and could otherwise fall outside the scope of the relief.

Question 13

Do you agree that BTR and PBSA developments that have been granted a building warrant before 5 June 2025 should be given the option to make payments over a period of up to three years?

Whilst we agree in principle with this approach, members have highlighted that some funding agreements require levy liabilities to be settled before a building can become

occupied. This is particularly challenging for PBSA, where delivery is typically tied to the September student intake, leaving very limited flexibility to move completion dates.

We are aware of developments due to complete shortly after 1 April 2028 where, because indicative rates have only recently been published and detail of the levy has been limited, the cost of the Levy could not be factored into the original development appraisal.

We are concerned that the staged payment provisions have, in effect, been proposed in place of any meaningful transitional relief. While payment flexibility may assist cash flow for a limited number of developments, it does not help the issue of applying a new and previously unforeseen cost to projects that were already committed or underway.

The impact also extends further back in the development process, with land acquisitions and values often agreed years in advance based on assumptions about development costs. The introduction of an additional levy can therefore affect both the viability of existing land positions and the price developers are able to pay for future sites, with potential implications for the supply of land coming forward for new housing development.

As a minimum, if the Levy proceeds from 1 April 2028, we continue to believe that appropriate transitional arrangements should be provided for developments which were under construction before introduction of the Levy.

The negative impact of the Levy must be considered against the wider conditions currently affecting housing delivery and development viability as a whole in Scotland. The Scottish Government has itself recognised that average construction material costs have increased by more than 27% compared with pre-Covid levels. At the peak of this inflationary period, underlying construction costs, including labour, materials and plant, were rising by 9.4% year-on-year according to BCIS data.

While the rate of this construction inflation has since moderated, these costs have not returned to previous levels. More recent BCIS data indicates that construction input costs in Scotland increased by around 5% in the year to Q3 2026, despite CPI inflation of 2.9%, meaning further increases are being applied to an already significantly elevated cost base.

There are also significant differences within Scotland and parts of England. Members report comparatively high development costs in Edinburgh in particular, where average housing build costs for two-storey housing developments reached approximately £156.67 per sq ft by Q3 2026, compared with £151.77 in Glasgow and £147.04 in Newcastle. However, it is worth noting that cost comparisons can vary by location and

some development types can be more expensive to deliver in certain English cities than in Scotland.

Construction costs also sit alongside increases to Section 75 planning obligations, professional fees, affordable housing requirements for example Edinburgh has a 35% affordable housing contribution as well as other policy and regulatory costs. While individual requirements may each have legitimate objectives and appear relatively modest when considered in isolation, their cumulative impact can materially affect development viability. Members also report challenges associated with the availability of Tier 1 contractors, attracting contractors from elsewhere in the UK given the lack of scale and certainty of the Scottish development pipeline, the cost of finance and wider policy and regulatory uncertainty.

It is also fundamental to consider how the operating environment has changed since the Scottish Building Safety Levy was first conceived in 2022, with the factors outlined above contributing to a significantly more challenging environment for development now in 2026 than before. Not only have we seen construction costs increase materially but this has coincided in a stark fall in the number of new build housing starts and completions this year. For example, data collated from BCIS Average Prices: Residential Housing & Mixed developments shows the average flatted median development in Glasgow has experienced build costs rise from £130.81 psf in Q3 2020 to £164.65 psf in Q3 2026 – that is a 25.87% increase in construction inflation. It is a similar picture in Edinburgh for the same development type, with average build costs at £134.99 psf in Q3 2020 and £169.97 psf in Q3 2026, a 25.92% increase.

In many cases, the predicted end value for the developments, have not always been able to keep pace with the higher build costs, making appraisals for housing sites increasingly harder to stack up. Registers of Scotland Data shows that the average house price in Edinburgh in 2020 was £240,000 and £279,995 in 2025, that is a 16.7% increase, while construction inflation has remained significantly above that. Importantly, even when a scheme technically remains viable, reduced margins may mean that the potential return is no longer sufficient to justify the level of risk involved in bringing an often majorly complex development forward. This is one of the factors that explains why the delivery of housing has fallen sharply. In the year to June 2026, there were 17,057 new-build completions and 15,543 starts across Scotland, with completions at their lowest level since 2015 and starts at their lowest since 2013. Similarly, Scotland's BTR & MMR sector continues to face significant challenges, with the number of BTR homes under construction falling by 27% year-on-year in Q2 2026 – the sharpest decline of any UK nation (Savills & Real Estate:Scotland).

Introducing an additional cost via a levy on residential development at a time when both government and industry are seeking to increase housing supply therefore risks working against those wider objectives. We therefore support consideration of a transitional mechanism which links the full introduction of the Levy to a sustained recovery in housing delivery.

Question 14

What are your views on the introduction of a full or partial relief for taxpayers responsible for completed units that are sold onto first time buyers?

N/A

Question 15

What are your views on the conditions that would have to be met in order to qualify for a first-time buyer relief?

N/A

Question 16

What evidence would a taxpayer be able to provide to evidence their sale of a property onto a first-time buyer?

N/A

Question 17

If implemented, do you think that such a relief would benefit first time buyers, for example through proportionately lower house prices or more housing stock?

N/A

Question 18

What other mechanisms should the Scottish Government explore to help support first-time buyers?

N/A