

An aerial photograph of a coastal town in Scotland. In the foreground, a large residential development with modern, light-colored houses and dark roofs is visible. The town extends to the coast, featuring a mix of traditional stone buildings and a prominent church with a tall spire. The sea is a deep blue, and the sky is clear with a few wispy clouds. A dark blue triangular graphic element is in the top left corner.

Economic and Social Benefits Assessment

Mid-Market Rent Properties, Scotland

July 2024

Turley
Economics

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Special Thanks to Our Partners

HHA would like to thank:

The Scottish Government
The Highland Council
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Executive summary

This Economic and Social Benefits Assessment has been prepared by Turley Economics on behalf of Highland Housing Alliance (HHA), Lar Housing Trust (Lar) and Thriving Investments who own and manage extensive portfolios of Mid-Market Rent (MMR) homes across Scotland.

The MMR model provides high quality, sustainable and secure homes that offer residents affordable alternatives to traditional private and social rented housing. These can be rented out to households on low to middle incomes, often providing homes for young adults who are in active employment and in valuable key worker roles such as blue light workers in the NHS, emergency services, social care sector and armed forces.

Whilst MMR homes are predominantly found in larger urban centres to help households on modest incomes who may have difficulty accessing social rented housing, buying their own home, or renting privately, homes are also provided in more rural areas where residents often experience similar problems in securing local accommodation.

MMR not only provides a tenure which meets the affordable housing needs of residents and households who provide an invaluable role within their local communities, but also supports the aims and objectives of Scottish Government policy and strategy at all levels. This encourages the delivery of homes to support the development of sustainable, liveable and productive places across the country.

The MMR providers utilise grant funding and loans from the Scottish Government and private investment to deliver affordable homes. Loan funding effectively means that over time as loans are repaid, multiple rounds of homes can be funded from the same amount of capital.

Turley Economics has analysed development data from the three MMR providers to model the extensive economic impacts generated by the portfolio of nearly 2,960 MMR homes across Scotland and the results are presented throughout this document.

This is supported by a tenant engagement exercise to better understand the residents who benefit from MMR housing and the economic role these households play in their local communities.

The document also assesses the economic benefits that could be generated if the MMR providers are supported with further funding over the next five years to finance their anticipated future pipeline of developments.

“
The MMR model provides high quality, sustainable and secure homes for residents across Scotland.



2,959 MMR homes across Scotland, generating approximately **£530 million** in the construction sector



£5.9 million in additional Council Tax payments annually

Construction Phase Benefits

The construction of the providers' 2,959 MMR homes across Scotland will generate approximately £530 million in the construction sector, supporting around 2,230 temporary FTE construction related jobs over the total construction period.

This is estimated to support a total of 2,900 net additional FTE jobs across Scotland during the construction period, inclusive of 1,370 locally supported jobs.

It is estimated that an additional £186.3 million in GVA will be generated across Scotland during the construction period, inclusive of £121.1 million locally.

If sufficient funding can be secured from the Scottish Government and other investors over the next five years, this would enable the development of over 4,500 new MMR homes across Scotland. This would support 2,880 direct, indirect and induced net additional FTE jobs per annum supported during construction. This could generate £181 million uplift in economic productivity throughout the construction phase.

Operational Phase Benefits

The development of nearly 2,960 MMR homes will accommodate approximately 6,230 residents (based on full occupation of homes). This includes an estimated c. 3,190 working age, economically active and employed residents.

It is estimated that the local gross income generated by residents accommodated within the MMR developments will be approximately £77.0 million per annum. This includes an annual retail expenditure of approximately £41.2 million and leisure expenditure totalling £18.7 million per annum.

This uplift in local expenditure will increase footfall, vitality and the trading performance of existing shops and leisure services locally. The expenditure will support approximately 690 retail and leisure employee jobs across the wider economy as a result of the expenditure generated by MMR residents.

The MMR homes will also generate £5.9 million in additional Council Tax payments annually.

HHA - Rosemarkie



Thriving Investments
Seacole Square

The residents of the 4,500 prospective MMR homes are anticipated to earn combined salaries of approximately £112.8 million per annum, generating household expenditure which will support and maintain up to 1,070 retail and leisure related jobs across Scotland.

Social Benefits

The results of the engagement survey of 1,527 lead tenants reveal that 89% are employed with only 4% unemployed and 4% in education. Of the employed lead residents, approximately 23% have jobs within professional services with 21% in health and social services, 12% in hospitality and 11% in retail. This demonstrates how the MMR model accommodates a considerable proportion of 'key workers' or 'frontline workers' generally on low incomes and presents a suitable housing option for residents across a wide range of employment sectors.

By far the most common age range for MMR residents is 25-34 years old. Over the past decade across the UK housing market, 25-34-year-olds have made up an increasing proportion of private rented sector residents due to the increasing unaffordability of home ownership. The MMR model provides young people with the option of living within well-priced, high-quality, sustainable and secure home that offers a credible alternative to traditional private and social rented housing.

MMR residents are largely those within lower-middle income brackets. Those earning under £26,000 per annum make up over 60% of MMR lead residents surveyed, with over 80% of lead residents in the sample earning under £32,000 per annum. By contrast, just under 6% of lead residents in the sample reported an annual salary of over £38,000. This illustrates how MMR homes are helping households on modest incomes who may have difficulty accessing social rented housing, buying their own home, or renting privately.

The tenant testimonials illustrate the high-quality service that each of the MMR providers deliver as well as how renting an MMR home can have a wide range of positive impacts on the life and wellbeing of the households residing within the developments. Some of the social benefits supported by the MMR developments include:

- Empowering residents to live in an affordable home, providing a safety net and a compassionate management across the three providers.
- Flexibility of the providers in being accommodating with requests, and in particular in relation to keeping pets and transferring homes if their needs change.
- Allowing residents to deal with changes in their personal circumstances such as family break-ups and facilitating independence.
- Providing affordable accommodation to blue light workers who make a strong positive impact on the local community.
- Freedom for residents to design and furnish their homes as they wish, creating a greater sense of ownership, pride and belonging.



The MMR homes will support 6,230 residents who contribute over £60 million in retail and leisure spending to the economy



Provision of high-quality affordable MMR homes which support a large number of employed young people

Summary

The report demonstrates the substantial economic benefits that can be generated by the construction of MMR homes and the benefits generated from residents living in the homes at both a local and national level.

The continued expansion of MMR homes through securing additional funding from the Scottish Government and other private funds, will help to increase the affordability of residential properties on offer nationally as well as deliver much needed economic growth and social wellbeing.



HHA - Drumnadrochit

Economic and Social Benefits Infographic

DEVELOPMENT PORTFOLIO: 2,959 Mid-Market Rent (MMR) homes delivered by HHA, Lar Housing Trust and Thriving Investments

SITE LOCATION: Delivery of MMR homes in 12 local authority areas across Scotland

Construction Phase



£530 million Investment

In total in the construction of the MMR homes¹



2,230 gross direct jobs

FTE (full time equivalent) jobs supported during construction

1,650 net direct jobs

FTE jobs in Scotland, including 1,100 in the local impact areas

1,250 indirect/induced jobs

FTE jobs in Scotland, including 270 in the local impact areas



£186.3 million Productivity Boost

Net GVA² in Scotland during construction, including £121.1 million concentrated in the local impact areas

Operational Phase



2,959 New homes

Comprising a mix of home sizes, with 67% comprising 2-bed homes



£5.9 million Council Tax

Uplift in Council Tax revenues to local councils to boost local public expenditure



6,230 New residents

Contributing to economic growth and local vitality



£77.0 million Annual Earnings

Of new employed residents, a large proportion of which will be spent locally



£59.9 million Retail and leisure expenditure

Generated annually by new residents, supporting local businesses



690 Retail and leisure jobs

Sustained by resident expenditure

Social Impacts



Provision of high-quality affordable MMR homes

Providing greater choice in the market beyond traditional private and social rented housing



Supporting a large number of young employed people to find housing

With 59% of lead residents aged under 35 years old



Provision of homes for blue-light workers

Boosting affordability and access to housing for residents across a range of employment sectors

¹ Provided by HHA, Lar Housing and Thriving Investments for each development.

² GVA (Gross Value Added) measure the value of output created (i.e. turnover) net of inputs used to produce a good or service (i.e. production of outputs). It provides a key measure of economic productivity. Put simply the GVA is the total of all revenue into businesses, which is used to fund wages, profits and taxes.

Introduction

This Economic and Social Benefits Assessment has been prepared by Turley Economics on behalf of Highland Housing Alliance (HHA), Lar Housing Trust (Lar) and Thriving Investments.



Homes that can be rented to households on low and middle incomes provided at an affordable mid-market rental option.



MMR homes most commonly provide affordable housing within highly pressurised urban centres to help households on modest incomes which may have difficulty accessing social rented housing, buying their own home, or renting privately.



MMR tenants are commonly young adults (between the ages of 25 and 34) who are employed and have a gross annual household income of £15,000 to £60,000.



MMR homes allow those who are economically active and often in key worker roles (such as blue light workers in the NHS, emergency services, social care sector and armed forces) to access modern, affordable and secure homes close to work and family.

The document sets out to quantify the economic and social benefits generated by the Mid-Market Rent ("MMR") homes delivered by three housing providers across Scotland. It does this firstly through assessing the economic benefits generated during the construction and operation of these developments, and then drawing on survey data and case studies to help understand the profile of MMR tenants and the tangible benefits this important rental model is capable of delivering to local communities.

These MMR providers use in part low interest rate loan finance from Scottish Government as well as traditional grant based finance to fund the construction of MMR homes. In some instances loan finance is repaid over a standard mortgage term. This provides additional benefit to the public purse.

The report also highlights the invaluable contribution MMR makes to the generation of economic and social benefits, and the importance of securing funding from the Scottish Government and financial institutions to ensure the continued positive contribution of MMR developments to local communities across Scotland.

What are Mid-Market Rent homes? How are these different?

The MMR model provides affordable homes that can be rented to households on low and middle incomes.¹ These homes are often rented at a lower price than private rented homes but higher than Council or housing association rents, thus providing an affordable mid-market rental option.

MMR homes tend to provide affordable housing within larger urban centres to help households on modest incomes which may have difficulty accessing social rented housing, buying their own home, or renting privately. MMR tenants are commonly young adults (between the ages of 25 and 34) who are employed and have a gross annual household income of £15,000 to £60,000. The provision of MMR homes can therefore provide young adults with an option to access affordable housing within urban centres which may not be accessible to them via other means. MMR homes allow those who are economically active and often in key worker roles (such as blue light workers in the NHS, emergency services, social care sector and armed forces) to access modern, affordable and secure homes.

Typically, MMR homes provide a housing option for tenants moving from the private rented sector seeking more affordable accommodation. MMR also provide tenants on the waiting list for social housing with an option to secure an alternative sized flat or location. MMR provides a housing option to a range of people from different backgrounds, thus filling the traditional gap between private and social rented housing. Overall, MMR aims to provide an enhanced renting experience and increased security of tenure in comparison to housing provided by private landlords.



Three MMR Providers



Highland Housing Alliance (HHA)

Established in 2005, HHA is a not-for-profit development company with a mission to create well-priced and high-quality homes across the Highlands. It works in partnership with a range of public and private partners including housing associations, landowners, The Highland Council and the Scottish Government, to deliver much-needed homes.

HHA primarily receives private funding at commercial lending rates, Scottish Government grants and funding from the City Region Deal, which is available up to the end of the financial year 2024/25.

Many of its developments are in remote areas, where larger housebuilders are often absent, and HHA plays a crucial role in addressing the demand for new homes in these rural communities. By the end of 2023, HHA had constructed 475 properties and supported in excess of 1,000 residents to find homes. Its properties are in very high demand, receiving approximately 100 applications for every available property in Inverness and up to 80 for every home outside of the city.

Whilst the majority of its homes are purpose-built for MMR tenure, HHA has also completed the regeneration of historic buildings that have fallen into disrepair. Through sensitive restoration efforts, HHA has reinstated such buildings to create new housing opportunities.

HHA homes are unique and enjoy best-in-class design standards, with many of its developments receiving national recognition at industry award ceremonies including the British Home Awards and Scottish Property Awards.

In Inverness and its surrounding communities, the demand for homes is expected to increase as the Inverness & Cromarty Firth Green Freeport attracts further investment and new workforces to the region.

More homes are intrinsic to economic success and HHA is primed to help continue addressing the imbalance between demand and supply of new rental homes across the Highlands, if sufficient and long-term funding is secured.



Lar Housing Trust

Lar Housing Trust is a Scottish Charitable Incorporated Organisation which was the first pathfinder to be established in 2015 to provide MMR homes across Scotland using a loan rather than grant based model to provide in perpetuity housing. The business case for Lar Housing Trust was initiated and developed by the Scottish Futures Trust which is a non-departmental public body of the Scottish Government established to improve public infrastructure investment. Since Lar Housing Trust was established, the organisation has set up two owned subsidiary companies, Lar Operations CIC (letting, management and maintenance of residential, community and commercial properties) and Lar Projects Limited (construction).

In terms of funding, Lar Housing Trust does not receive any grant funding, but has received a £55 million loan from Scottish Ministers and £65m of forward funded commercial finance from Scottish Widows arranged by the Bank of Scotland. Loan funding allows Lar Housing Trust to acquire and develop units quickly and cost effectively. This greater flexibility allows Lar to respond to local needs and provide mid-market rent supported accommodation to vulnerable adults. Loan funding also provides benefits to the Scottish Government through the provision of affordable homes without the need for grant funding, while the loan will be repaid. This allows development of further affordable homes to the tune of 1.5 houses for every house initially financed.

Lar aims to provide affordable homes to allow tenants to 'put down roots'. In Edinburgh for example, around half of recent tenants are referrals from the Council's homelessness prevention team. Lar Housing Trust uses the equity gain generated from units to contribute to the funding of further MMR development. In terms of selecting sites to build on, Lar aims to develop on brownfield land, including historic, listed and derelict sites, and develop vibrant places to live.

Currently, Lar Housing Trust owns 754 homes, mostly across Edinburgh and the Lothians, Aberdeen and Glasgow, as well as some homes in Aberdeenshire, Ayr, Falkirk, Fife and Blairgowrie.

Looking forward to the next five years, Lar is anticipated to deliver a further 832 MMR homes if it is able to secure a £100 million low cost loan from the Scottish Government to fund its development programme.



Thriving Investments

Thriving Investments (formerly PFP Capital), established the Scottish Mid-Market Rental Fund in 2018. The Fund is structured as a Scottish Limited Partnership and was set up to deliver MMR homes with the support of the Scottish Government's loans and private capital.

Thriving Investments Limited (part of the Places for People Group) manage the fund. The parent company is one of the UK's largest housing associations which is a not-for-dividend social enterprise whose profits, including those from Thriving Investments, are recycled back into affordable housing and community services. Thriving Investments targets development in locations within close proximity to major Scottish cities such as Edinburgh and Glasgow as these areas are deemed to have the greatest demand. It aims to provide new build, EPC "B" minimum, new homes by collaborating with a network of developers.

The Scottish MMR Fund is regulated by the Financial Conduct Authority (FCA). Funding for the Scottish MMR Fund comes from two sources, namely debt and equity. Between March 2019 and March 2021, Thriving Investments received a total of £47.5 million provided by the Scottish Government (Financial Transaction Money) with the loan agreement. A total of £155 million has been raised in equity from a range of investors including Places for People Group, Strathclyde Pension Fund, Nationwide Pension Fund and Scottish National Investment Bank. The loan funding allows Thriving Investments to raise funding through the equity market by providing both financial and policy support for the MMR tenure. Furthermore, the benefit of loan funding for Thriving Investments is that it is at a discounted rate to open market lending rates, providing an element of gearing to the fund which allows the fund to acquire homes, typically through a forward fund structure, which would otherwise have been earmarked for open market sale or rental, thus delivering genuinely additional affordable homes.

With around £200 million of funding secured so far, a total of 1,112 homes will be delivered by Thriving Investments, of which 1,071 are completed or currently on site. In terms of future finance, Thriving Investments has agreed with existing investors to grow the fund so that 2,700 MMR homes over the next five years could be delivered.

The Combined Financing of MMR Housing

Although each of the three entities uses a different mix of finance, low-cost funding from the Scottish Government has been a critical factor and catalyst for the combined output.

A new and innovative alternative funding route was developed by the Scottish Government and the Scottish Futures Trust to use financial transactions monies to boost affordable housing supply across Scotland, in addition to grant funding. A total of £114.1 million of low-cost loans from the Scottish Government has been provided as junior finance over which £292 million of commercial finance has been invested into Scotland. This represents an overall gearing of 72%. The base model has been carefully designed to ensure full repayment of loan finance on maturity, facilitating the retention of these units in the affordable sector in perpetuity. A large part of the commercial loans balance will be repaid through annual repayment schedules which together with normal house price inflation means that loan to value ratio on maturity will be well below the normal market target of no more than 70%. Not only will the Scottish Government be repaid, but this level of asset cover would provide headroom to borrow finance for additional development.

Lar, HHA and Thriving Investments operate across different housing market areas and focus on different development types. Thriving Investments provides large scale new build housing primarily across larger urban locations around Glasgow and Edinburgh, HHA provides small and medium size new build developments across Inverness and the Highlands, and Lar has a mixture of new build as well as conversion projects ranging from large scale developments in urban areas to small rural developments across Aberdeen, Glasgow and Edinburgh as well the wider Lothians, Falkirk, Ayrshire, Fife, Perth and Kinross and Aberdeenshire. Due to the different geographical locations and development types, each of the three entities also has a slightly different funding mix.

Table 1.1: Composition of financing across the MMR providers

	Scottish Government Loans	Commercial Debt	Commercial Equity	Grant	Other Loans
Lar Housing Trust	£55.0 m	£65.0 m	-		
HHA	£11.6 m	£52.0 m	-	£28.3 m	£2.013 m
Thriving Investments	£47.5 m	-	£175.0 m		
Total	£114.1 m	£117 m	£175.03	£28.3 m	£2.013 m

Source: HHA, Thriving Investments and Lar Housing Trust

Rental Savings for MMR Tenants

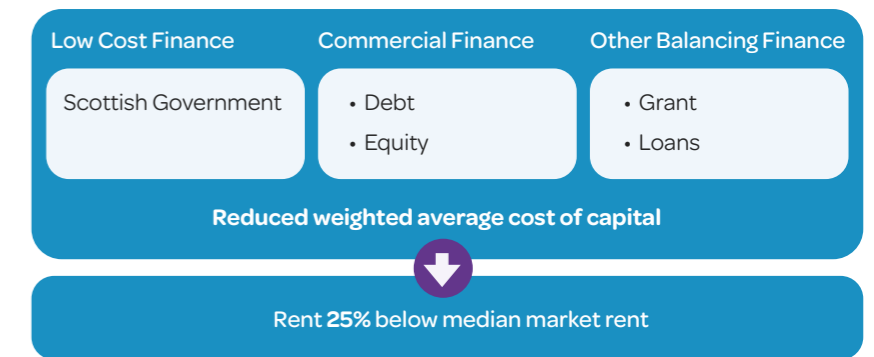
This mixture of low cost and commercially priced finance is delivering an average annual rent saving of £2,785 per household to tenants, representing a 25% lower rent when compared to median market rent across the combined portfolios (based on 2024-25 confirmed rents and 2023 median BRMA rents).

The benefits of the low-cost Scottish Government funding are not limited to low rents for low-income households and leveraging commercial finance into the Scottish affordable housing sector. Crucially, as the loan finance has been made available on a forward funded basis, the three entities have been able to provide affordable housing that is additional to Section 75 developer affordable housing contributions. They have been able to respond to market opportunities that would not have been possible to deliver within the grant funded programmes due to associated timescales and budgetary cycles.

Low-cost loan finance offers excellent value for money to the Scottish Government. As this finance model has been designed to enable the recycling of loan repayments into further affordable housing, the Scottish Government is capable of delivering multiple rounds of development from the same allocation of finance. Taking account of inflation, it is forecast that if all of the current Scottish Government loans were re-lent on same terms, this would provide a further 900 homes in addition to the current 1,800 already provided. At the same time, the opportunity cost for using financial transactions monies as low-cost finance is very low. The main alternative is currently as seed funding to the Scottish National Investment Bank which has been reported to generate an average return of around 2% annually. Under the mid-market rent model, this return is transferred to low-income households as a rent saving which currently represents a return of just over 4.4% annually. This saving directly reduces any direct financial support required by the benefitting households.



Figure 1.1: How combined finance reduces rental cost



Source: HHA, Thriving Investments and Lar Housing Trust

Track Record of the MMR Providers

Across the three MMR providers, a total of 2,959 MMR homes have been built or are in planning or under construction across 12 local authority areas in Scotland. This includes 664 homes provided by HHA, 1,071 homes by Thriving Investments and 1,224 homes provided by Lar Housing Trust. This is summarised in **Table 1.2**.

The Scottish Government provides data on the number of completions of affordable housing across the country.² Between April 2016 and March 2021, there were 3,768 completions of MMR properties. A total of 1,014 MMR homes included within this assessment were completed over this period, which equates to approximately 27% of the overall supply. This is presented within Figure 1.1. This represents a significant proportion of the total number of MMR homes delivered across Scotland by HHA, Lar and Thriving Investments.

In terms of geographical split of the MMR homes, a substantial number of sites are located within the City of Edinburgh (890), Glasgow City (827), the Highlands (664), Aberdeen City (164), East Lothian (146) and Midlothian (127). The remaining 141 MMR homes are spread across the six other local authority areas. A detailed breakdown of the number of MMR homes by location is summarised in **Table 1.3** overleaf.

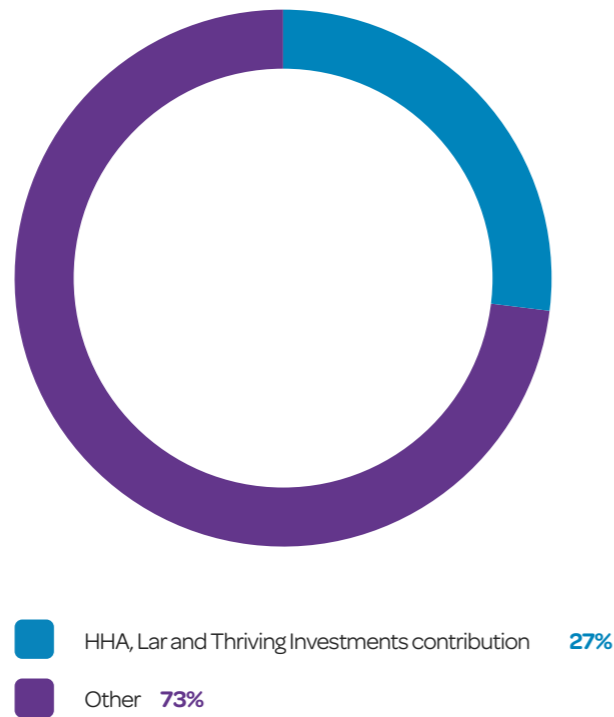
Table 1.2: Number of MMR homes delivered or in planning or construction

MMR provider	
Lar Housing Trust	1,224
Thriving Investments	1,071
HHA	664
Total	2,959

Source: HHA, Thriving Investments and Lar Housing Trust. See Appendix 1, Tables A1 3-5 for breakdown of delivered and potential homes by provider.

Note: Of the 1,224 total for Lar Housing Trust, 470 homes need to be financed to ensure their viability as MMR homes (see Appendix 1 Table A1.4).

Figure 1.2: MMR contribution of HHA, Lar and Thriving Investments



Source: Scottish Government (2022)



Thriving Investments - Newhall Street, Glasgow

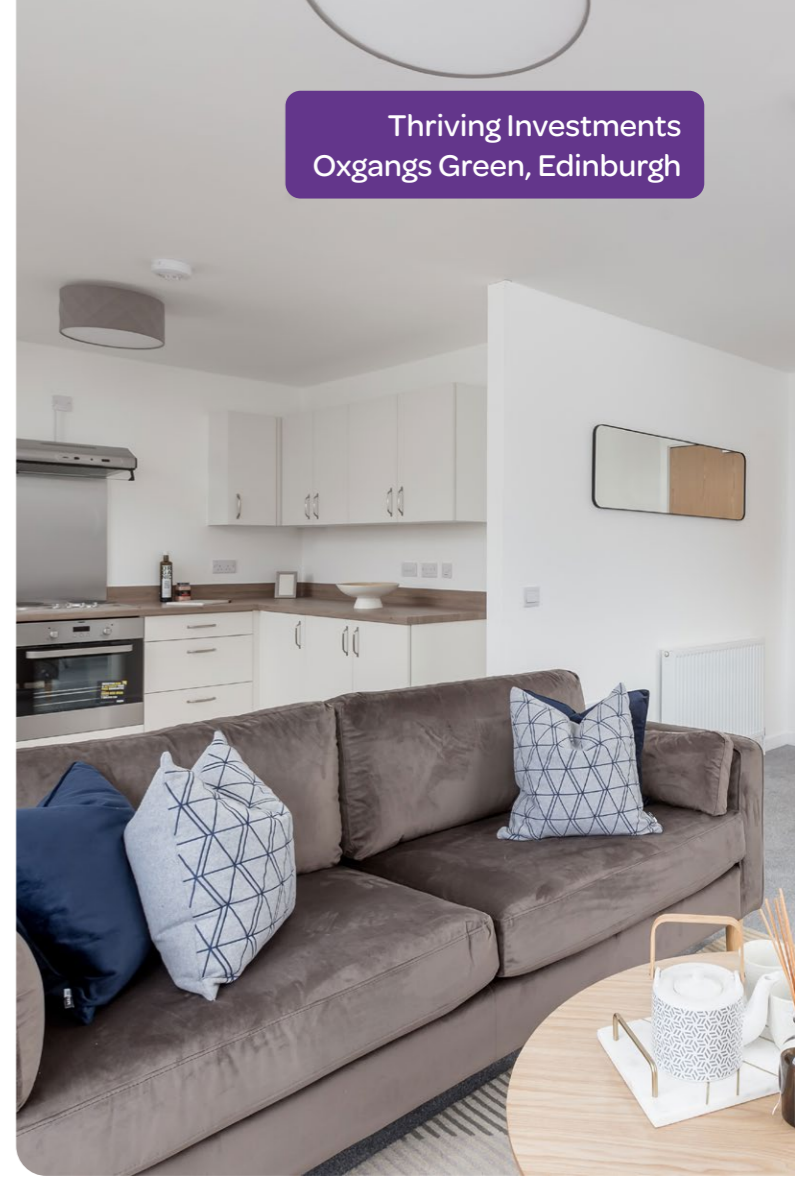


Table 1.3: Number of MMR homes by Local Authority

MMR provider	Number of MMR homes delivered, or in planning or construction
City of Edinburgh	890
Glasgow City	827
Highland	664
Aberdeen City	164
East Lothian	146
Midlothian	127
Renfrewshire	66
South Ayrshire	34
Perth & Kinross	16
Falkirk	13
Fife	7
Aberdeenshire	5
Total	2,959

Source: HHA, Thriving Investments and Lar Housing Trust

Table 1.3 highlights that the majority of MMR homes will be delivered within Edinburgh and Glasgow, which demonstrates the attraction of this rental model in the larger urban centres across Scotland.

Figure 1.3 on the following page illustrates the geographical representation of MMR properties of the three providers. This shows a concentration of MMR homes within local authorities with larger urban centres (Edinburgh, Glasgow and Inverness, Highland), as well as the authority areas which do not yet have an established MMR offer from the three providers.

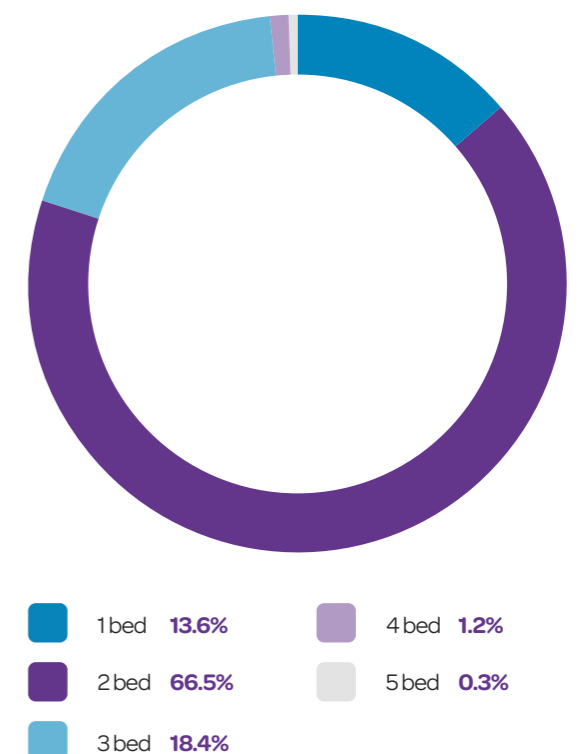
Table 1.4 and Figure 1.4 demonstrate the numbers of MMR homes by number of bedrooms across the three providers. The most common type of MMR home is a 2-bedroom flat, although there has recently been an uplift in the proportion of two and three bedroom homes delivered.³ A total of 1,968 (or 67%) 2-bed homes are estimated to have been delivered between 2009 and 2023, with 543 (or 18%) 3-bedroom homes delivered by the providers over this same period.

Table 1.4: Number of MMR homes by number of bedrooms

Unit Size	Number of MMR homes	Proportion
1 bed	404	13.6%
2 bed	1,968	66.5%
3 bed	543	18.4%
4 bed	36	1.2%
5+ bed	9	0.3%
Total	2,959	100%

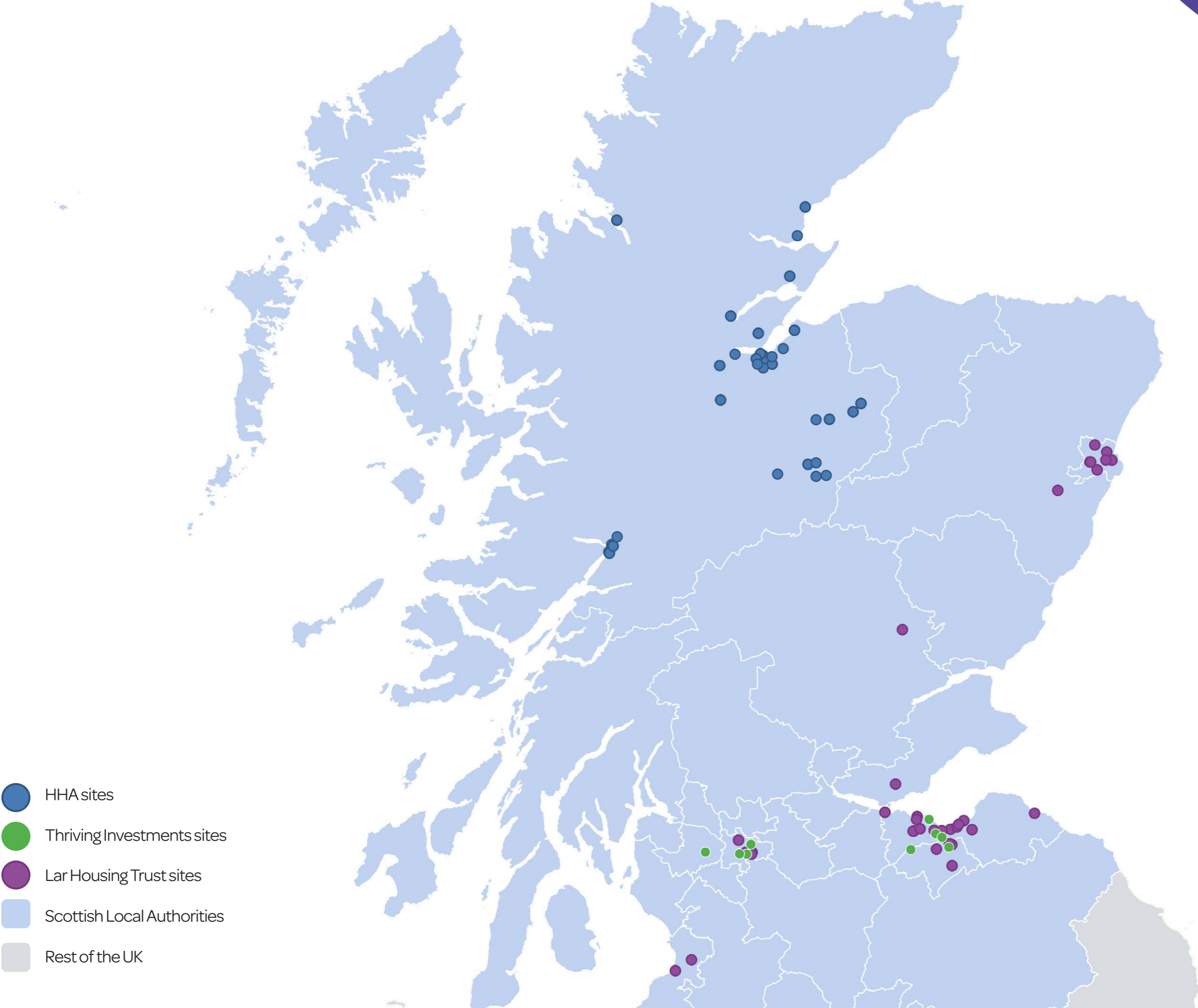
Source: HHA, Thriving Investments and Lar Housing Trust

Figure 1.4: Proportion of MMR homes by number of bedrooms



Source: HHA, Thriving Investments and Lar Housing Trust.

Figure 1.3: Geographical distribution of MMR properties of the three providers



Economic Impact Assessment Methodology

The following methodology has been utilised to quantify the impacts of the MMR developments generated during both their construction phase and operational lifetime. Economic impact estimates are presented as net figures, accounting for leakage, displacement and multipliers.

The assessment has been informed by the 2014 Homes and Communities Agency's (HCA) Additionality Guide (4th Edition)⁴, the 2008 Scottish Enterprise Additionality & Economic Impact Assessment Guidance Note⁵ and draws on published statistical data sources, including from Experian, the Scottish Census, the National Records of Scotland and the Office for National Statistics (ONS).

The methodology used within this assessment calculates the economic impact of each development and then aggregates the total at both the level of the MMR provider as well as at local authority level.

Study Area

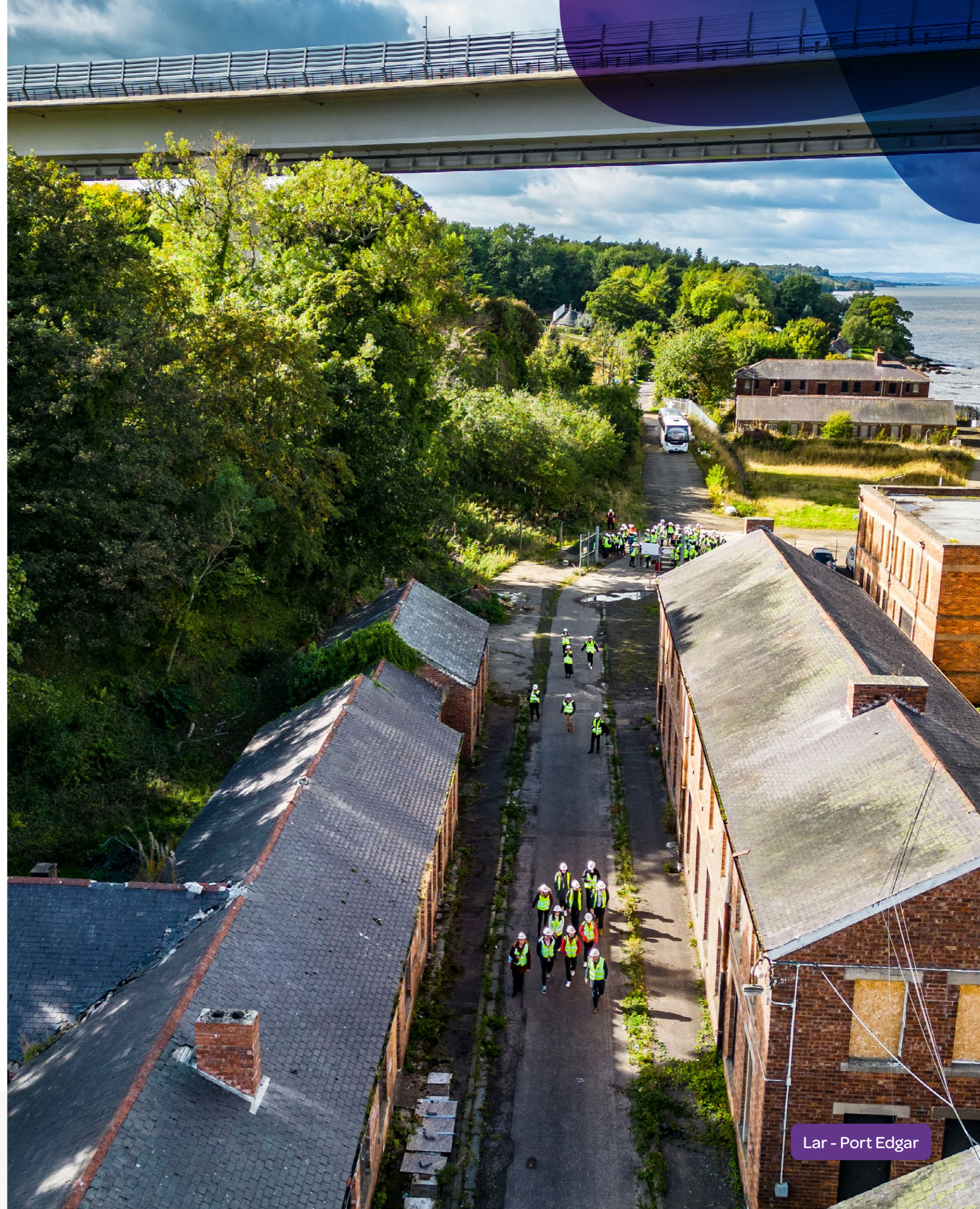
For the purposes of this assessment, a study area has been identified to allow the understanding and comparison of the economic context at various spatial scales. The following spatial scales have been identified:

- **The local impact area** covers the local authority area within which each MMR development is located. The 2011 Census measures the proportion of people who work in a local authority that also live in the local authority area. The lowest level of containment was in Glasgow City at approximately 50% representing a medium level of containment, whereas the highest level of containment was in Highland at approximately 95%, demonstrating a very high level of containment. Each local authority shown within the map at page 17 has been examined within the economic modelling.
- **The wider impact area** covers Scotland. The 2011 Census data shows that of all local authorities exhibit a very high level of containment within Scotland as whole.

Document Structure

The remainder of this report is structured as follows:

- **Section 2:** Policy and Economic Context – provides a summary of the key policy and economic considerations relevant to MMR homes.
- **Section 3:** Construction Phase Impacts – provides an assessment of the anticipated net additional economic impacts generated during the construction phase of the three providers' developments.
- **Section 4:** Operational Phase Impacts – provides an assessment of the anticipated net additional economic impacts of the operational phase of MMR homes across the portfolio of the three providers.
- **Section 5:** Who Lives in MMR Housing? – reports on the results of the resident survey to better understand the people living in MMR housing and the wide number of social benefits generated for tenants and their families.
- **Section 6:** Conclusion – summarises the findings of the research.



Lar - Port Edgar

Policy and Economic Context

02

This section provides an overview of the relevant economic policy and strategy context. It demonstrates the Scottish Government's commitment to supporting sustainable economic development and housing delivery through the planning system.

National Policy and Strategy

National Planning Framework 4

Scotland's fourth National Planning Framework 4 (NPF4)⁶ was adopted by Scottish Ministers on 13 February 2023 and sets the context for development planning in Scotland. The development plan for any area therefore includes NPF4 as well as the relevant local development plan. NPF4 forms the spatial expression of the Government Economic Strategy and provides a framework for the spatial development of Scotland as a whole.

It sets out the Government's development priorities over the next 20-30 years, and is guided by six overarching spatial principles.⁷ The Government's priorities are as follows:

- **Just transition:** We will empower people to shape their places and ensure the transition to net zero is fair and inclusive.
- **Conserving and recycling assets:** We will make productive use of existing buildings, places, infrastructure and services, locking in carbon, minimising waste, and building a circular economy.
- **Local Living:** We will support local liveability and improve community health and wellbeing by ensuring people can easily access services, greenspace, learning, work and leisure locally.
- **Compact urban growth:** We will limit urban expansion so we can optimise the use of land to provide services and resources, including carbon storage, flood risk management, blue and green infrastructure and biodiversity.

- **Rebalanced development:** We will target development to create opportunities for communities and investment in areas of past decline, and manage development sustainably in areas of high demand.
- **Rural revitalisation:** We will encourage sustainable development in rural areas, recognising the need to grow and support urban and rural communities together.

NPF4 also replaces Scottish Planning Policy (2014), with National Planning Policy which is based around three themes: Sustainable Places, Liveable Places and Productive Places. The framework aims to deliver a diverse range of homes to meet the needs for the people of Scotland throughout their life.



The framework illustrates an intention to: “encourage, promote and facilitate the delivery of more high quality, affordable and sustainable homes, in the right locations, providing choice across tenures that meet the diverse housing needs of people and communities across Scotland.”⁸

NPF4 emphasises the need to deliver affordable, quality homes in better places by supporting Housing to 2040. One of the main aspects of the national spatial strategy is to develop “homes and neighbourhoods that are healthier, affordable and vibrant places to live.” The purpose of delivering these places is to produce an inclusive, empowered and resilient community. This includes the delivery of compact urban growth to aid the delivery of the Scotland wide net zero ambition.

Policy 16 outlines the importance of delivering high quality, sustainable homes, specifically supporting proposals for new homes that improve affordability. Delivery of well planned, good quality, affordable, safe and warm homes help to support health and wellbeing. This also includes the provision of a range of tenures and house sizes that meet the diverse housing needs of communities across Scotland.

NPF4 also identifies Community Wealth Building (CWB) as a policy objective (Policy 25).⁹ The purpose of this policy is to encourage a new strategic approach to economic development which is primarily targeted at improving wellbeing and delivering community benefits by supporting employment and local supply chains. This includes improving community resilience, reducing inequalities, supporting local supply chains and supporting community-led proposals.

Housing to 2040

In March 2021, the Scottish Government published ‘Housing to 2040’,¹⁰ a long-term vision for housing in Scotland, which outlines a delivery plan for its ambition for everyone to have a safe, good quality and affordable home that meets their needs. This includes the commitment to attract private investment to help to deliver more affordable homes and ensure that these are energy-efficient, use zero emissions heating, are adapted to our future climate and meet the needs of people who live in them.

Community is also key to this strategy, with the Scottish Government aiming to implement an approach to housing that puts quality places at its core. It is highlighted that the Government will ‘take action to make housing and places work together seamlessly so people can live in communities that meet their needs and support their health and wellbeing.’¹¹



Housing to 2040 outlines the importance for MMR options to be supported by the Scottish Government and local authorities. Across Scotland, the MMR portfolio has expanded since 2007 through the delivery of more than 7,000 homes which have broadened the choice of accommodation available to people. The Scottish National Investment Bank does not currently provide low cost finance that would enable affordable rent development, however, with small adjustment to its lending policies, SNIB could play a key role in unlocking the next wave of loan funded MMR development across Scotland.

Scotland's Economic Strategy for Economic Transformation

Scotland's National Strategy for Economic Transformation was published by the Scottish Government in October 2022, and recognises housing as key to economic transformation. This document outlines the Government's ambition to create a 'wellbeing' economy over the next 10 years, which is fairer, wealthier and greener. There is a desire that Scotland will be recognised internationally as a great place to live and work with high living standards and a vibrant, diverse culture in which all sectors of the economy work to eliminate poverty.

This also emphasises the importance of aligning with existing strategies - such as Housing 2040, which sets a goal of delivering 100,000 affordable homes over the following ten years up to 2031/32¹² in order to create and sustain a resilient national infrastructure that can support a high productivity economy.¹³

Underpinning the strategy are a series of projects that comprise a number of commitments made by the Government and the public sector to achieve the project aim. One of these projects is to 'eradicate structural barriers to participating in the labour market'. This identifies that moving towards into, and progressing within, the labour market is a challenge at present and that individuals and families in housing should be supported.¹⁴

The role of MMR in Scotland

In July 2019, the Scottish Government invited prospective MMR providers to submit proposals to expand the MMR housing offer within Scotland.¹⁵ The Affordable Housing Supply Programme¹⁶ aims to deliver 110,000 affordable homes by 2032 and provides support for the expansion of the MMR housing sector. Whilst MMR is supported by the Scottish Government through grant funding, innovative initiatives such as the loan finance used by these three providers have no established route for replication within Scottish Government processes.

In order to ensure MMR rents remain affordable for those on low to modest incomes, landlords receiving Scottish Government support generally cannot increase rents above the market median level for the relevant property size.¹⁷ The majority of MMR homes are delivered by Registered Social Landlords using grant funding through the Affordable Housing Supply Programme. There has also been investment in MMR through City Regional Deals. The Scottish National Investment Bank has the capability to invest in MMR to help meet the Bank's missions.

The Scottish Government is called upon to establish a system for low interest rate loan finance to be made available on a portfolio basis.

Summary - MMR

The context for development of MMR housing across Scotland is set out within the National Planning Framework 4 which is based around the three key themes of **sustainable, liveable and productive places**. The Framework intends to deliver a diverse range of homes across the country to meet the needs of people throughout their lives. It aims to do this through **encouraging, promoting and facilitating the delivery of high quality, affordable and sustainable homes**, in the right locations, providing **a choice of tenures that meet the diverse housing needs** of people across Scotland.

The delivery of affordable, quality homes in better places supports the aims of Housing to 2040, which emphasises the commitment of the Scottish Government in attracting private investment to help deliver more homes, and ensuring these homes are energy efficient and adapted to meet the needs of people who live in them. **Housing to 2040 also outlines the importance for MMR options to be supported by both the Scottish Government and local authorities**, with the national MMR portfolio having expanded since 2007 to deliver more than 7,000 homes, significantly broadening the choice of accommodation available to people across Scotland.

The importance of the development of new homes is also recognised within the National Strategy for Economic Transformation which outlines the Scottish Government's ambition to create a 'wellbeing' economy which is fairer, wealthier and greener. This emphasises the importance of aligning with existing strategies (such as Housing to 2040) which **promote the delivery of affordable homes to create and sustain a resilient national infrastructure and a highly productive economy**. Various other projects underpin this strategy, including those which seek to **support individuals and families in finding suitable housing and overcoming barriers to moving into and progressing within the labour market**.

MMR is contributing to the supply of affordable housing across Scotland which in the past has predominately been provided by housing associations, local authorities and private developers via S.75 agreements. **The MMR model can provide high-quality, sustainable, and secure homes that offer affordable alternatives to traditional private and social rented housing**. In doing so, the MMR model is helping to meet the aims and objectives of Scottish Government policy and strategy at all levels, providing a tenure which **meets the housing needs of residents on low to modest incomes who often play an invaluable role within the local communities** in which they reside.

The loan funded MMR model piloted by these three providers has been proven to provide **an excellent value for money alternative to traditional 100% grant funded MMR**. Unlike grant, loans are repayable thus enabling the reuse of the capital indefinitely. On comparative terms, over 50 years due to the recycling of loan principle, low cost loan finance produces 50% more housing than the same amount of grant.

Lar - Cockenzie



Construction Phase Economic Impacts

03

This section presents the economic impacts generated during the construction phase of the three MMR providers' portfolios across Scotland. The construction phase impacts within the assessment include construction expenditure, full time equivalent (FTE) construction jobs generated and Gross Value Added (GVA) (productivity) impacts.

The assessment of the construction phase impacts focuses on the cumulative impact across all MMR homes from the commencement of construction to completion. Whilst there are some properties across the portfolio which are still in planning, under construction or require additional funding to become viable MMR homes, for avoidance of doubt, we have included all properties within the total number of MMR units within the reporting.

Employment

Gross Employment

The delivery of the providers' 2,959 MMR homes across Scotland will support significant investment in the construction sector. Based on an estimated total investment of c. £530 million,¹⁸ the developments will support approximately 2,230 temporary FTE construction related jobs over the total construction period.¹⁹

Net Additional Employment

The creation of temporary construction jobs during the build period will also provide new employment opportunities for the local and wider labour force within each local authority area and across Scotland as a whole. The positive economic impacts generated extend beyond construction employment. Expenditure on construction materials, goods and other services will have far-ranging benefits both locally and further afield as it filters down the supply chain.

The Homes and Communities Agency's (HCA) Additionality Guide²⁰ recommends a specific approach to calculating additionality. Its recommended approach also takes account of multiplier effects generated both through the site supply chain and induced financial benefits arising from increased local expenditure.

Net additional employment is the sum of the direct and indirect employment impacts of the development of the MMR homes after consideration of the following factors:

- Leakage** – a measure of the extent to which employment is taken up by persons residing outside of the target area. The 2011 Census measures the proportion of people who work in a local authority that also live in the area. The lowest level of containment was in Glasgow City at around 50% representing a medium level of containment, whereas the highest level of containment was in Highland at around 95%, demonstrating a very high level of containment.
- Displacement** – the extent to which investment in developments will lead to existing companies or employees within the target area relocating activities to the sites of the MMR homes, as opposed to the attraction of new investment and employment arising from businesses located outside of the target area. Displacement effects within the assessment have generally been considered to be low based on a review of available labour market data; and
- Multiplier effects** – further economic activity (jobs, expenditure or income) associated with additional local income (from employment), local supplier purchases and longer-term expenditure effects. Based on the recommendations within the HCA Additionality Guide²¹ and the 2008 Scottish Enterprise Additionality & Economic Impact Assessment Guidance Note,²² a sub-regional composite multiplier of 1.25 has been applied at the scale of the local impact area, with a multiplier of 1.8 being applied at a national scale as the construction employment multiplier.

When allowing for these additionality factors, circa 1,650 of the total direct net additional FTE jobs are likely to be held by residents across Scotland during construction of the MMR schemes, of which 1,100 will be held by residents within each respective local authority.

The positive economic impacts of the developments will extend beyond construction employment, meaning the initial investment in the sites is amplified in an economic 'multiplier' effect both locally and across the wider impact area. The construction of the developments is estimated to support a further 1,250 FTE jobs (per annum) across Scotland via indirect and induced effects, including 270 FTE jobs in the local impact areas.

Taking the above factors into account, a total of 2,900 net additional FTE are estimated to be generated across Scotland during the construction period of the MMR developments, inclusive of 1,370 locally supported jobs. This is summarised in **Table 3.1**.

Productivity

The construction phase of the MMR homes will generate a significant increase in GVA. GVA measures the value of output created (i.e. turnover) net of inputs purchased and used to produce a good or service (i.e. production of the output). GVA therefore provides a measure of economic productivity.

Applying the appropriate GVA measures to the net additional employment impacts generated by construction of the MMR homes indicates that an additional £186.3 million in GVA is estimated to be generated across Scotland during the construction period, inclusive of £121.1 million concentrated in relevant local authority areas.

This is summarised in **Table 3.2**.

Construction Phase Impact by MMR Provider / Local Planning Authority

Each MMR provider is estimated to deliver substantial economic benefits to the relevant local impact areas and more widely across Scotland. A breakdown of jobs and economic productivity generated per MMR provider is provided in **Appendix 1**.

Appendix 2 provides a breakdown of the impact of the development of MMR homes by each local authority where over 100 MMR homes have been built or are in construction, with the remaining local authorities grouped together.



Table 3.1: Construction Phase Employment Generation

	Local Impact Areas	Scotland
Person-years of Employment	3,350	
Gross direct FTE Employment	2,230	
Net Additional Direct FTE Employment	1,100	1,650
Net Additional Indirect / Induced FTE Employment	270	1,250
Net Additional FTE Employment (Total)	1,370	2,900

Source: Turley Economics, 2024. May not sum due to rounding.

Table 3.2: Construction Phase GVA Generation ²³

	Local Impact Area	Scotland
Direct GVA Impact	£102.2 million	
Indirect / Induced GVA Impact	£18.9 million	£84.1 million
Net Additional GVA Impact (Total)	£121.1 million	£186.3 million

Source: Turley Economics, 2024. May not sum due to rounding.

Summary

In summary, the construction phase of the three MMR providers' properties is estimated to deliver the following economic benefits:

- Investment in construction expenditure of approximately **£530 million**;
- **2,230** full-time equivalent (FTE) temporary (gross) jobs directly from construction per annum over the build period;
- **2,900** direct, indirect and induced net additional FTE jobs per annum across Scotland during construction, of which 1,370 could be local to the authority areas within which the developments are located; and
- **£186.3 million** uplift in productivity – measured in GVA per annum – within Scotland's economy throughout the construction phase, of which **£121.1 million** could be contributed to the economies of the local authority areas within which the developments are located.



Future Pipeline

- The MMR providers have indicated that if sufficient funding can be secured from the Scottish Government and other investors over the next five years, this would be sufficient to enable the development of **over 4,500 new MMR homes across Scotland** resulting in the following economic benefits generated during the construction phases of the developments:
- **2,200** full-time equivalent (FTE) temporary (gross) jobs directly from construction per annum over the build period;
- **2,880** direct, indirect and induced net additional FTE jobs per annum across Scotland during construction; and
- **£181 million** uplift in productivity – measured in GVA per annum – within Scotland's economy throughout the construction phase.

Construction Phase Impacts



£530 million

Investment in construction expenditure of approximately £530 million



2,230

Full-time equivalent (FTE) temporary (gross) jobs directly from construction per annum over the build period



2,900

Direct, indirect and induced net additional FTE jobs per annum across Scotland during construction, of which 1,370 could be local to the authority areas within which the developments are located; and



£186.3 million

Uplift in productivity – measured in GVA per annum – within Scotland's economy throughout the construction phase, of which £121.1 million could be contributed to the economies at local authority level.

Operational Phase Economic Impacts

04

This section presents the quantified economic and regeneration impacts generated during the operational phase, based on the delivery of a total of 2,959 MMR homes across the three providers' portfolios.²⁴

Upon completion, these homes will deliver a range of economic impacts which will persist over the long term, thereby supporting wider economic growth objectives established through national and local policy and economic strategy.

The assessment of the operational phase impacts focuses on the cumulative impact generated across all MMR homes at the national level.

Accommodating Population & Households

The development of nearly 2,960 new MMR homes is expected to accommodate approximately 6,230 residents upon full occupation, based on the average household size per bedroom within each local authority area.²⁵

The new MMR homes provided on the site are expected to attract a range of households including working-age and economically active households wishing to access employment opportunities in the locality of the homes. The developments will therefore make an important contribution towards sustaining and growing the local labour force within the local authorities and across Scotland as a whole, generating expenditure within the local economy and creating demand for important local services, shops and businesses.

Section 5 of this document outlines the employment status of the lead residents of the MMR property. This states that 89% of lead residents are employed with 4% unemployed and 4% of lead residents are students. It is estimated that the 2,959 new homes could accommodate a population of c. 6,230. This includes an estimated c.3,190 working age, economically active and employed residents once the MMR homes are complete and occupied.²⁶

The resident survey has also highlighted the economic profile of the lead resident across the MMR properties surveyed. It is revealed that the lead residents of the MMR homes surveyed are employed across a range of sectors. These include the professional services⁹ (23%), health and social services (21%), hospitality (12%) and retail (11%). This will make an important contribution to the ongoing competitiveness of the immediate areas within which the properties are located, and hence also the Scottish economy, by maintaining and potentially growing its labour force and securing a supply of skilled labour which will be available to local businesses and prospective investors.

Incomes & Enhanced Local Spending Power

MMR homes have likely made an important contribution towards sustaining and growing the local labour force within their respective local areas, subsequently generating expenditure and creating demand for local services, shops and businesses.

Section 5 outlines the income of the lead residents within MMR properties surveyed. Utilising this data by estimating midpoints within each of these identified ranges, it is estimated that the median annual gross income of the lead resident is c. £24,100. Using this figure as the median annual gross income per employed economically active resident living on each MMR site, the local gross income arising from the development sites is estimated to stand at c. £77.0 million per annum. This income will be used to meet housing and other fixed household costs. However, a considerable proportion of this income will be available for discretionary expenditure by households in the local economy.

Expenditure from new residents will contribute significantly to sustaining local shops and businesses in the respective local areas, which in turn are an important source of local employment.

Based on the average expenditure on convenience and comparison goods at each development, expenditure on convenience and comparison goods generated from residents is estimated to total c. £41.2 million per annum on convenience and comparison goods.²⁷

Based on the average expenditure on leisure goods and services at each development, expenditure on leisure goods and services generated from residents is estimated to total c. £18.7 million per annum on leisure services.²⁸

This potential uplift in local expenditure will not only increase footfall, vitality and the trading performance of existing shops and leisure services in the local area; the additional expenditure is also expected to support jobs within the retail and leisure industries. Based on the average turnover per employee in the retail and leisure sectors in Scotland, it is estimated that approximately 690 retail and leisure employee jobs will be directly supported across the wider Scotland economy as a result of the expenditure generated by residents.²⁹

Public Revenue Generation for Local Investment

In the current economic and fiscal climate, the resources available to local authorities to reinvest in local community infrastructure and services are limited. New development can make an important contribution to the resource base of local authorities through enhancement of Council Tax revenues.

Based upon the mix of new homes and their estimated Council Tax banding, the delivery of the MMR sites is expected to generate £5.9 million in additional Council Tax payments annually once fully occupied.³⁰ Over a ten-year period, this will amount to approximately £58.6 million in Council Tax payments.

This could provide an important source of revenue funding for the local councils within which each development is located, delivering public services as well as investing in maintaining and enhancing local infrastructure.

Operational Phase Impact by MMR Provider / Local Authority

During the operational phase, all three MMR providers are anticipated to deliver substantial economic benefits. The impact of each MMR provider varies given the size and location of the number of MMR units delivered. A breakdown of the operational phase benefits per MMR provider is included in Appendix 1, including a breakdown of completed MMR homes as well as those in planning or construction. For the Lar portfolio, this includes 470 homes in planning or construction which need to be financed to ensure their viability as MMR homes, thus realising the economic benefits these will generate.

The impact of the development of MMR homes varies within each local authority as a result of varying economic activity rates, Council Tax bands and local expenditure. A breakdown of the operational phase benefits is provided in Appendix 2. In particular, this highlights the substantial economic benefits generated by MMR developments within Edinburgh and Glasgow.



6,230 residents

Across the MMR portfolio, around 3,190 of whom are estimated to be of working age, economically active and in employment



£77.0 million

In combined resident salaries per annum, a significant proportion of which is likely to be spent in local businesses, helping to sustain productivity and employment



£59.9 million

Household expenditure on convenience and comparison retail goods of £41.2 million per annum and £18.7 million expenditure on leisure services per annum, in turn supporting and maintaining up to 690 retail and leisure related jobs across Scotland



£5.9 million

In additional Council Tax payments annually, equating to a total of £58.6 million over ten years



Summary

In summary, the operational phase of the MMR developments is estimated to deliver the following economic benefits:

- Increase in population as a result of 6,230 residents of the MMR portfolio, around 3,190 of whom are estimated to be of working age, economically active and in employment;
- These residents are expected to earn combined salaries of approximately £77.0 million per annum, a significant proportion of which is likely to be spent in local businesses, helping to sustain productivity and employment;
- Household expenditure on convenience and comparison retail goods of £41.2 million per annum and £18.7 million expenditure on leisure services per annum, in turn supporting and maintaining up to 690 retail and leisure related jobs across Scotland; and
- Generate £5.9 million in additional Council Tax payments annually once fully occupied.



Future Pipeline

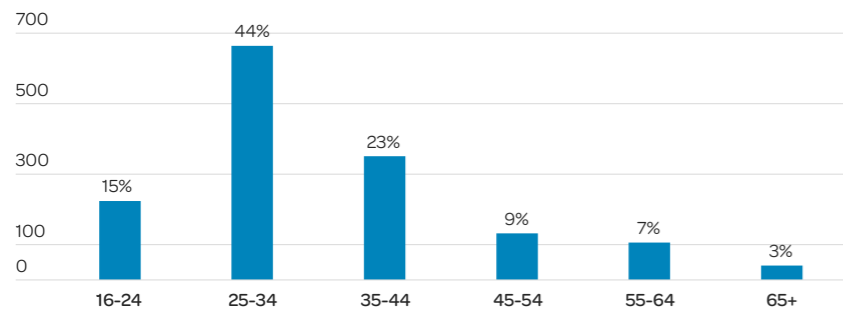
If sufficient funding can be secured from the Scottish Government and other investors over the next five years, the MMR providers have indicated that this can enable the development of 4,500 new MMR homes across Scotland. This will result in the following benefits generated during the operational lifetime of the developments:

- 9,590 new residents living in MMR homes, around 4,680 of whom are estimated to be of working age, economically active and in employment;
- Residents would be expected to earn combined salaries of approximately £112.8 million per annum, a significant proportion of which is likely to be spent in local businesses, helping to sustain productivity and employment; and
- Household expenditure on convenience and comparison retail goods of £65.7 million per annum and £28.5 million expenditure on leisure services per annum, in turn supporting and maintaining up to 1,070 retail and leisure related jobs across Scotland.

05 Who Lives in MMR Housing?

Alongside the array of economic benefits of MMR outlined in this report, a resident engagement exercise was undertaken to better understand the communities who benefit from using MMR housing. The survey gathered information regarding tenants' employment status, employment sector, age, income and household type.

Figure 5.1: Lead Tenant Age



Note: *7 of the 1527 sample did not report their age.

Figure 5.2: Lead Tenant - Reported Household Type

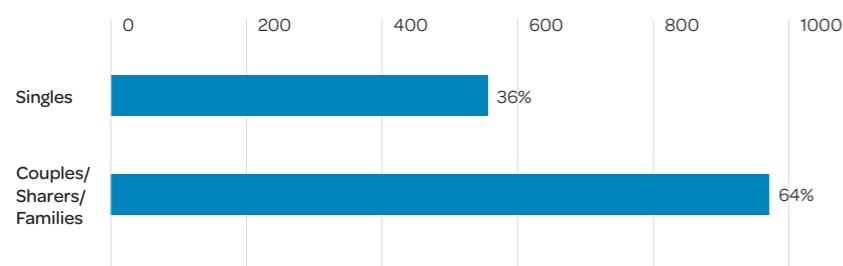
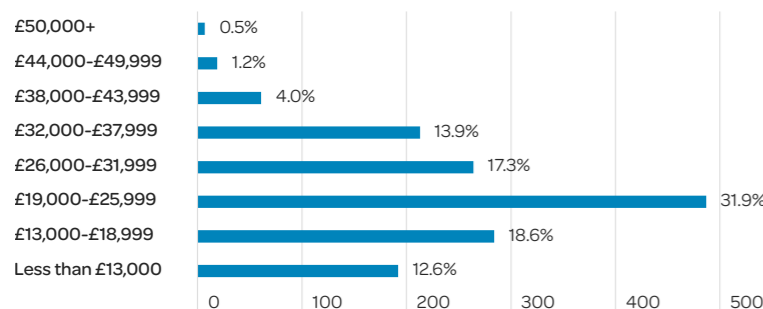


Figure 5.3: Lead Resident Income



Data was collected from a combination of resident survey work and existing data held by MMR providers participating in this project. The resident sample size was of 1,527 'lead residents', i.e. those named as lead tenant on a tenancy agreement. Data was standardised across the three providers, to create a picture of the types of people living in MMR. In addition, tenant testimonials were collected helping to bring to life the story of MMR beyond the survey data.

By far the most common age range for residents in MMR schemes is 25-34 years old. Over the past decade across the UK housing market, 25-34-year-olds have made up an increasing proportion of private rented sector residents due to the increasing unaffordability of home ownership.

Lead residents aged 35-44 year olds and 16-24 year olds are also well-represented in the MMR resident sample, making up 23% and 15% of the sample respectively. The sample data shows that MMR is and can be an option for all age ranges, but is particularly popular amongst younger people.

Single person households make up just under 40% of the MMR sample. The remainder of the sample had two or more residents. The survey was not able to differentiate between couples, sharers and families in a considerable portion of the sample.

The income of MMR lead residents is largely skewed toward lower-middle income brackets. Those earning under £26,000 per annum make up over 60% of MMR lead residents in the sample. Over 80% of the MMR lead residents in the sample earn under £32,000 per annum.

By contrast, just under 6% of lead residents in the sample reported an annual salary of over £38,000.



"I found out about MMR through a friend who was also applying for properties with HHA. Due to a relationship breakdown, I found that the private rental accommodation I was living in very expensive and I could not afford to stay there by myself. When I first saw my new home I thought it was wonderful and cried with happiness. It is just brilliant! My new home is warmer than my previous home with plenty of natural light and is affordable."

Catriona
Registered Dental Nurse
HHA, Inverness



"I was married with two children and lived locally. Due to a marriage breakdown, I lived in temporary housing accommodation for four months then private rental accommodation but due to the rent increasing, this became unaffordable. There is a shortage of housing in the area and it was very difficult to try and secure a home. My work was close by and I needed to find a home locally. When I received my allocation, I cried with relief as my rent was now affordable to house myself and my two children."

Cherie
Head of Business Operations
HHA, Aviemore

"We found out about mid-market rent and HHA through parents as they also lived in an MMR. We kept up to date with HHA's available properties on social media and the HHA website and were successful in applying for a property in the new Evanton development. At the time we were looking for a suitable property while raising a young family and have found MMR to be a much more affordable option. We are delighted with the house, and this has helped us out with long term planning for the future so overall, we are very happy."

Maree & Fraser
Community Nurse & Service Desk Team Leader
HHA, Evanton



"This place just brings me so much joy. I came to a point where I just wanted to be able to decorate how I wanted, choose furniture that I liked, and not have to consider flatmates when making decisions. I am delighted with the flat and to be honest, the experience with Lar has been wonderful from start to finish. I loved the flat when I first saw it and the team has been very supportive and helpful along the way."

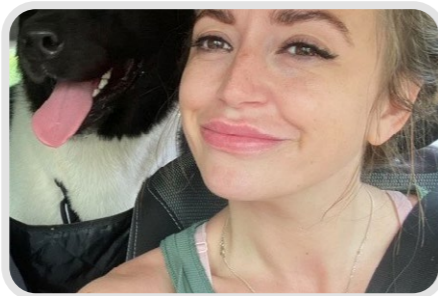
Kimberley
Client Account Manager - Recruitment
Lar Housing Trust, Edinburgh

“When we originally moved into Helenvale Square in Glasgow, we were delighted with the accommodation, the block we lived in was friendly, well maintained and handy for us both working nearby. When climbing the stairs become more challenging, we were keen to find somewhere on one level – that was when Lar suggested Mossblown in Ayr might be an option.

“A house in Mossblown soon became available and we moved in within four weeks, decorating it from top to bottom. Lar installed a new cooker and allowed us to put some decking in our back garden so we can enjoy the sunshine in the evening out there.

“We love Mossblown, we’re close to the beach and amenities and we really enjoy life here. I wouldn’t hesitate to recommend Lar as a landlord, we’ve had other landlords and have found Lar to be head and shoulders above the rest.”

David and Ulrike
Retired
Lar Housing Trust, Mossblown, Ayr



“It can be difficult as someone looking for a one bedroom flat to find something the right size, as many properties are built for larger families or are just too expensive. I like the fact that I managed to find somewhere in the area that I know well, with family close by and where I can live with my dog, Rogue.

“I moved into the property here in 2018 and Lar took over as landlord later that year. I’ve found their service to be very good and there’s a helpful team at the end of the phone if there are any repairs required. Having a secure home allows me to do the things I enjoy, I know that if I had any problems with my property, Lar would take care of them for me.”

Moray
Veterinary Care
Lar Housing Trust, Blairgowrie

“Lar is really the first rented accommodation I’ve been in where the landlord actually accommodated me as a tenant. Nothing has ever been too much trouble and I’m really impressed by how little fuss everything has been.

“I’ve made some really good friends here too and even managed a flat swap with one of them. My friend Lauren was moving into another flat in the block and suggested I might like to ask Lar if I could take her ground floor flat. Having a big dog, the idea of a ground floor flat with a garden seemed like a great solution and luckily Lar were happy to help me. I was absolutely delighted, especially when they sorted out a new gate for me to make access more convenient. I’m extremely happy here at Westwood House!”

Colleen
Quantity Surveyor
Lar Housing Trust, Edinburgh

“We loved the property instantly, it felt like home straight away and we were delighted to be offered the flat. It’s brand new and the fact that we can decorate it as we like is a huge bonus.

“As Lar tenants, we feel part of a bigger community, the staff couldn’t have done more to help us feel welcome. We recently got to meet the whole Lar team, including some of the trustees. We are so happy in our home.”

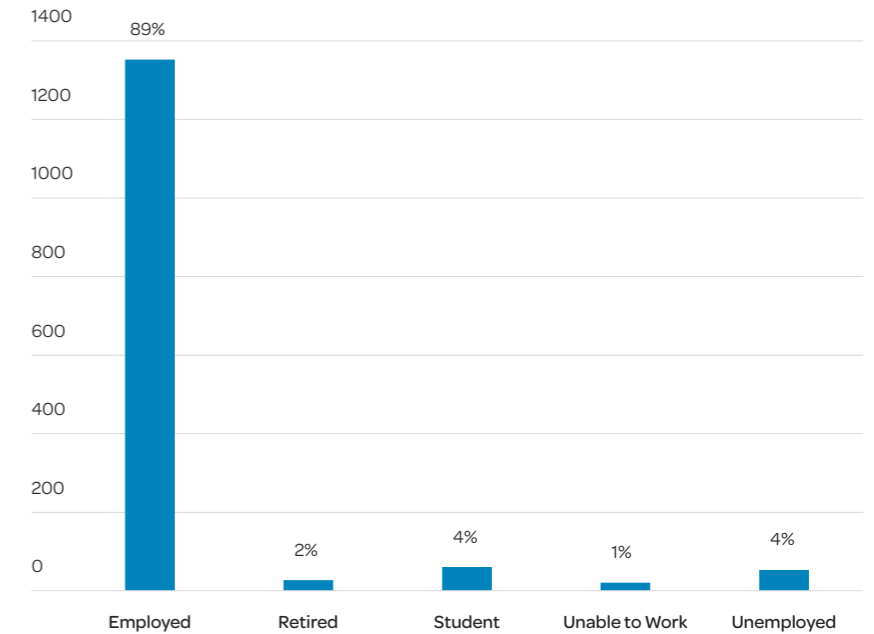
Dora, Dian and Atanas
Hospitality Workers
Lar Housing Trust, Prestonpans

The vast majority of MMR lead residents in the sample are employed, either part or full time, or self-employed. Of the remaining sample, 4% are students, 4% are unemployed, 2% are retired and 1% are unable to work.

MMR residents in Scotland have a variety of employment sectors. Most commonly represented are professional services (administration, legal, finance, consultancy etc) at 23%, closely followed by public and private sector health and social services workers at 21%. Hospitality and retail workers combined make up a similar proportion to these employment sectors.

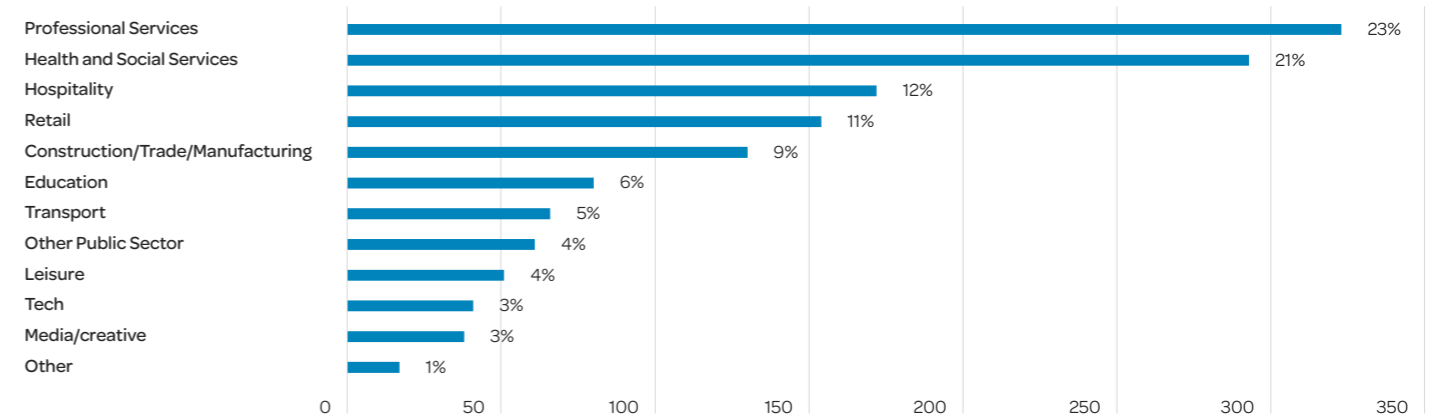
Together, along with transport, education and other public sector workers, there is a clear demonstration that MMR homes accommodate a considerable proportion of ‘key workers’ or ‘frontline workers’. More broadly, the data demonstrates that MMR is a suitable housing option for residents across a wide range of employment sectors.

Figure 5.4: Lead Resident Employment Status



*13 of the 1,527 sample did not report their employment status.

Figure 5.5: Lead Resident Employment Sector



Note: *60 MMR lead residents reported their employment as ‘Student’ and a further 41 MMR lead residents did not report an employment sector. The data shown in this table therefore reflects the employment sectors of 1,426 lead residents. Employment sectors were derived from available information including job title and employer/organisation.

Social Benefits Summary



The survey **asked 1,527 lead tenants about their experiences** of living in MMR developments.



89% of lead tenants are employed with only 4% unemployed and 4% in education.



23% of employed residents have jobs within professional services with 21% in health and social services, 12% in hospitality and 11% in retail.



Most common age range for residents in MMR is **25-34 years old**.



Those earning under **£26,000 per annum make up over 60% of MMR lead residents** surveyed with over 80% of lead residents in the sample earning under £32,000 per annum.



The tenant testimonials illustrate the **high-quality service** that each of the MMR providers deliver as well as how renting an MMR home can have a wide range of positive impacts on the life and wellbeing of residents.



Summary

06

This Economic and Social Benefits Assessment has been prepared by Turley Economics on behalf of Highland Housing Alliance (HHA), Lar Housing Trust (Lar) and Thriving Investments.

The Mid-Market Rent (MMR) model provides affordable homes that can be rented to households on low and middle incomes. MMR homes are most commonly developed within larger urban centres to help households on modest incomes who may have difficulty accessing social rented housing, buying their own home, or renting privately. These residents tend to be economically active and can often work in key worker roles such as blue light workers in the NHS, emergency services, social care sector and armed forces.

The MMR providers utilise loans and grants as a means of receiving money from the Scottish Government or associated funds to deliver affordable homes.

The MMR model can provide high-quality, sustainable, and secure homes that offer affordable alternatives to traditional private and social rented housing. In doing so, the MMR model is helping to meet the aims and objectives of Scottish Government policy and strategy at all levels, providing a tenure which meets the housing needs of residents on low to modest incomes who often play an invaluable role within the local communities in which they reside.

This Economic and Social Benefits Assessment analyses data from the three MMR providers across a total of 2,959 MMR homes that have been built, or are in planning or construction, across twelve local authority areas in Scotland. Whilst the majority of MMR homes are located within Edinburgh and Glasgow, demonstrating the attraction of this rental model in the larger urban centres across Scotland, a considerable number of homes have also been provided in more rural areas (e.g. across Highland) where residents often experience similar problems in securing local accommodation at affordable levels.

Construction Phase Benefits

The construction of the providers' 2,959 MMR homes across Scotland will support significant investment in the construction sector (around £530 million), supporting approximately 2,230 temporary FTE construction related jobs over the total construction period on site.

The construction of the MMR homes is estimated to support a total of 2,900 net additional FTE jobs across Scotland during the construction period inclusive of 1,370 jobs locally supported jobs. An additional £186.3 million in GVA is estimated to be generated across Scotland during the construction period, inclusive of £121.1 million locally.

Operational Phase Benefits

The development of the 2,959 MMR homes is expected to accommodate approximately 6,230 residents upon full occupation. This includes an estimated c.3,190 working age, economically active and employed residents.

It is estimated that the local gross income generated by residents accommodated within the MMR developments is approximately £77.0 million per annum. This is anticipated to generate an annual retail expenditure of c. 41.2 million and leisure expenditure of a total of c. £18.7 million per annum.

This potential uplift in local expenditure will not only increase footfall, vitality and the trading performance of existing shops and leisure services in the local area. The additional expenditure is also expected to support jobs within the retail and leisure industries. It is estimated that approximately 690 retail and leisure employee jobs will be directly supported across the wider Scotland economy as a result of expenditure generated by residents across all of the MMR developments.

The MMR homes are anticipated to generate £5.9 million in additional Council Tax payments annually once fully occupied.

Social Benefits

The results of the survey of 1,527 lead tenants reveal that 89% are employed with only 4% unemployed and 4% in education. Of the employed lead residents, approximately 23% have jobs within professional services with 21% in health and social services, 12% in hospitality and 11% in retail. This demonstrates how the MMR model accommodates a considerable proportion of 'key workers' or 'frontline workers', and represents a suitable housing option for residents across a wide range of employment sectors.

By far the most common age range for residents in MMR is 25-34 years old. Over the past decade across the UK housing market, 25-34-year-olds have made up an increasing proportion of private rented sector residents due to the increasing unaffordability of home ownership. The MMR model provides young people with the option of living within an affordable, high-quality, sustainable and secure home that offers a credible alternative to traditional private and social rented housing.

MMR residents are largely those within lower-middle income brackets. Those earning under £26,000 per annum make up over 60% of MMR lead residents surveyed with over 80% of lead residents in the sample earning under £32,000 per annum. By contrast, just under 6% of lead residents in the sample reported an annual salary of over £38,000. This illustrates how MMR homes are helping households on modest incomes who may have difficulty accessing social rented housing, buying their own home, or renting privately.

The tenant testimonials illustrate the high-quality service that each of the MMR providers deliver as well as how renting an MMR home can have a wide range of positive impacts on the life and wellbeing of the households residing within the developments. Some of the social benefits of MMR developments include:

- Empowering residents to live in an affordable home, providing a safety net and a compassionate management across the three providers.
- Flexibility of the providers in being accommodating with requests.
- Allowing residents to deal with changes in their personal circumstances such as family break-ups and to facilitating independence.
- Providing affordable accommodation to blue light workers who make a strong positive impact on the local community.
- Freedom for residents to design and furnish their homes as they wish, creating a greater sense of ownership and belonging.



The MMR providers have indicated that if sufficient funding can be secured from the Scottish Government and other investors over the next five years, this would be sufficient to enable the development of over 4,500 new MMR homes across Scotland resulting in the following economic benefits generated during the construction and operational phases of the developments:

- **2,200 FTE gross jobs** directly from construction per annum over the build period;
- **2,880 direct, indirect and induced net additional FTE jobs** per annum across Scotland during construction;
- **£181 million uplift in productivity** – measured in GVA per annum – within Scotland's economy throughout the construction phase;
- Increase in population as a result of **9,590 residents** of the MMR portfolio, around **4,680** of whom are estimated to be of working age, economically active and in employment;
- These residents would be expected to earn combined **salaries of approximately £112.8 million per annum**, a significant proportion of which is likely to be spent in local businesses, helping to sustain productivity and employment; and
- **Household expenditure** on convenience and comparison retail goods of **£65.7 million per annum** and **£28.5 million expenditure on leisure services** per annum, in turn supporting and maintaining up to **1,070 retail and leisure related jobs** across Scotland.

This report has demonstrated the substantial economic benefits that can be generated by the construction of MMR homes and the benefits generated from residents living in the homes at both a local and national level.

The continued expansion of MMR homes through securing additional loan funding from the Scottish Government and other private funds, will help to increase the affordability of residential properties on offer nationally as well as deliver much needed economic growth and social wellbeing.

Appendix 1: Economic Impact by MMR Provider

Table A1.1 Summary of Construction Phase Impacts by MMR Provider

	HHA	Lar	Thriving Investments	Total
Number of MMR Homes	664	1,224	1,071	2,959
Employment				
Person-years of Employment	660	1,380	1,310	3,350
Gross Direct FTE Jobs	440	910	870	2,230
Net Additional Direct FTE Employment				
Local Impact Area	310	410	370	1,100
Wider Impact Area	320	680	650	1,650
Net Additional Indirect / Induced FTE Employment				
Local Impact Area	80	100	95	270
Wider Impact Area	250	510	490	1,250
Net Additional FTE Employment (Total)				
Local Impact Area	390	520	470	1,370
Wider Impact Area	570	1,190	1,140	2,900
Productivity (£million)				
Direct GVA Impact	£19.6	£43.5	£39.1	£102.2
Indirect / Induced GVA Impact				
Local Impact Area (£million)	£4.8	£7.4	£6.7	£18.9
Wider Impact Area	£16.0	£34.8	£33.3	£84.1
Net Additional GVA Impact (Total - £million)				
Local Impact Area	£24.4	£50.9	£45.8	£121.1
Wider Impact Area	£35.6	£78.3	£72.4	£186.3

Note: Some figures appear not to sum due to rounding.
Source: Turley Economics, 2024

Table A1.2 Summary of Operational Phase Impacts by MMR Provider

	HHA	Lar	Thriving Investments	Total
Number of MMR Homes	664	1,224	1,071	2,959
Resident Impacts				
Population	1,400	2,590	2,240	6,230
Employed Residents	660	1,340	1,190	3,190
Resident Income (£m) (annual)	£16.0	£32.3	£28.7	£77.0
Retail Expenditure (£m) (annual)	£9.6	£17.2	£14.4	£41.2
Leisure Expenditure (£m) (annual)	£3.9	£8.0	£6.8	£18.7
Retail and Leisure Jobs Supported	150	290	250	690
Public Revenue (£million)				
Council Tax (annual)	£1.0	£2.5	£2.3	£5.9

Source: Turley Economics, 2024

Table A1.3 Summary of Operational Phase Impacts for HHA MMR homes delivered and in planning or construction

	HHA		
	Delivered	Potential	Total
Number of MMR Homes	499	165	664
Resident Impacts			
Population	1,050	350	1,400
Employed Residents	500	160	660
Resident Income (£m) (annual)	£12.0	£4.0	£16.0
Retail Expenditure (£m) (annual)	£7.2	£2.4	£9.6
Leisure Expenditure (£m) (annual)	£2.9	£1.0	£3.9
Retail and Leisure Jobs Supported	110	40	150

Some figures may not sum due to rounding.
Source: Turley Economics, 2024

Table A1.4 Summary of Operational Phase Impacts for Lar MMR homes delivered and in planning or construction

Lar			
	Delivered	Potential	Total
Number of MMR Homes	754	470	1,224
Resident Impacts			
Population	1,600	990	2,590
Employed Residents	820	520	1,340
Resident Income (£m) (annual)	£19.7	£12.6	£32.3
Retail Expenditure (£m) (annual)	£10.8	£6.4	£17.2
Leisure Expenditure (£m) (annual)	£5.0	£3.0	£8.0
Retail and Leisure Jobs Supported	180	110	290

Some figures may not sum due to rounding
 Source: Turley Economics, 2024

Table A1.5 Summary of Operational Phase Impacts for Thriving Investments MMR homes delivered and in planning or construction

Thriving Investments			
	Delivered	Potential	Total
Number of MMR Homes	585	486	1,071
Resident Impacts			
Population	1,240	1,010	2,240
Employed Residents	680	510	1,190
Resident Income (£m) (annual)	£16.4	£12.3	£28.7
Retail Expenditure (£m) (annual)	£8.5	£5.9	£14.4
Leisure Expenditure (£m) (annual)	£4.2	£2.7	£6.8
Retail and Leisure Jobs Supported	150	100	250

Some figures may not sum due to rounding
 Source: Turley Economics, 2024

Appendix 2: Economic Impact by Local Authority

Table A2.1 Summary of Construction Phase Impacts by Local Authority

	Aberdeen	Edinburgh	East Lothian	Glasgow	Highland	Midlothian	Remaining LAs	Total
Number of MMR Homes	164	890	146	827	664	127	141	2,959
Employment								
Person-years of Employment	180	1,090	150	1,040	660	150	90	3,350
Gross Direct FTE Jobs	120	720	100	690	440	95	60	2,230
Net Additional Direct FTE Employment								
Local Impact Area	60	350	50	260	310	35	30	1,100
Wider Impact Area	85	540	75	510	320	70	45	1,650
Net Additional Indirect / Induced FTE Employment								
Local Impact Area	15	90	15	65	80	10	5	270
Wider Impact Area	65	410	55	390	250	50	35	1,250
Net Additional FTE Employment (Total)								
Local Impact Area	70	440	65	320	390	45	35	1,370
Wider Impact Area	150	950	130	900	570	120	80	2,900
Productivity (£million)								
Direct GVA Impact	£8.5	£34.7	£4.0	£29.4	£19.6	£2.9	£3.0	£102.2
Indirect / Induced GVA Impact (£million)								
Local Impact Area	£1.0	£7.3	£0.9	£4.0	£4.8	£0.5	£0.5	£18.9
Wider Impact Area	£4.4	£28.6	£3.7	£25.7	£16.0	£3.4	£2.3	£84.1
Net Additional GVA Impact (Total - £million)								
Local Impact Area	£9.5	£42.0	£4.9	£33.4	£24.4	£3.4	£3.5	£121.1
Wider Impact Area	£12.9	£63.3	£7.7	£55.1	£35.6	£6.3	£5.3	£186.3

Note: Some figures appear not to sum due to rounding.
Source: Turley Economics, 2024

Table A2.2 Summary of Operational Phase Impacts by Local Authority

	Aberdeen	Edinburgh	East Lothian	Glasgow	Highland	Midlothian	Remaining LAs	Total
Number of MMR Homes	164	890	146	827	664	127	141	2,959
Resident Impacts								
Population	330	1,880	325	1,710	1,400	290	295	6,230
Employed Residents	170	1,060	160	870	660	140	140	3,190
Resident Income (£m) (annual)	£4.0	£25.5	£3.8	£20.9	£16.0	£3.5	£3.3	£77.0
Retail Expenditure (£m) (annual)	£2.3	£13.0	£2.3	£10.0	£9.6	£2.0	£2.0	£41.2
Leisure Expenditure (£m) (annual)	£1.1	£6.5	£1.0	£4.6	£3.9	£0.8	£0.9	£18.7
Retail and Leisure Jobs Supported	40	230	35	170	150	30	35	690
Public Revenue (£million)								
Council Tax (annual)	£0.2	£2.1	£0.3	£1.7	£1.0	£0.3	£0.2	£5.9

Note: Some figures appear not to sum due to rounding.
Source: Turley Economics, 2024

References

1. Scottish Government (2019) Rent affordability in the affordable housing sector: literature review. Available at: <https://www.gov.scot/publications/rent-affordability-affordable-housing-sector-literature-review/pages/6/#:~:text=5.1%20Mid%20Market%20rent%20tenants&text=Based%20on%20housing%20associations%20policy,may%20vary%20between%20housing%20providers.>
2. Scottish Government (2020) Affordable Housing Supply Programme: completions
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4. Homes and Communities Agency (2014) Additionality Guide (4th Edition)
5. Scottish Enterprise (November 2008) Additionality & Economic Impact Assessment Guidance Note
6. Scottish Government (February 2023) National Planning Framework 4 Revised
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8. Scottish Government (February 2023) National Planning Framework 4 Revised. Page 62
9. Professional services include office jobs and roles that require a certain level of learning, knowledge and advanced skills.
10. Scottish Government (February 2023) National Planning Framework 4 Revised. Page 80
11. Scottish Government (2021) Housing to 2040
12. Ibid, page 21.
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14. Ibid, page 35.
15. Ibid, page 48.
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17. Scottish Government (2023) Affordable Housing Supply Programme. Available at: <https://www.gov.scot/policies/more-homes/affordable-housing-supply/>
18. Estimated construction costs provided on a per project basis by Highland Housing Alliance (HHA), Thriving Investments and Local Affordable Rented (Lar) Housing Trust
19. 1FTE is equivalent to 1 employee working full time for 1 year. A person-year of employment is defined as the amount of work done by an individual during a working year.
20. Homes and Communities Agency (2014) Additionality Guide 4th Edition
21. Ibid.
22. Scottish Enterprise (November 2008) Additionality & Economic Impact Assessment Guidance Note
23. Some figures do not sum due to rounding.
24. It should be noted that for the MMR homes in construction by Lar Housing Trust, 470 homes need to be financed to ensure their viability as MMR homes, thus realising the economic benefits these will generate. This is broken down in Appendix 1 Table A1.4
25. Scottish Government (2021) Average Household Size
26. ONS via Nomis (2023) Annual Population Survey (July 2022 – June 2023)
27. Experian (2024) Experian Retail and Leisure Expenditure Area Comparison Report
28. Ibid
29. Analysis utilises BPE 2023 Scotland data for the retail, food & accommodation services and arts, entertainment and recreation sectors to determine the number of jobs supported and / or generated.
30. Based on 2023/24 Council Tax rates for each local authority



