



BPF RESPONSE TO INVEST 2035 – THE
UK'S MODERN INDUSTRIAL STRATEGY
CONSULTATION RESPONSE

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How should the UK government identify the most important subsectors for delivering our objectives?

1. It is the prerogative of Government to identify subsectors. The important thing is to ensure that the UK remains ahead of the curve in subsectors that it has a comparative advantage. That means being adaptive to changes that mean see sectors become more or less important.
2. There are some subsectors, however, that will be fundamental to the growth of our economy regardless of changing circumstances. These foundational sectors include those providing productive premises and access to capital (including venture capital), those conveying goods and people across the country and those subsectors delivering a skilled workforce, such as further and higher education. Government needs to fully understand these and their contribution to making the “high growth” sectors it has chosen a success.

How should the UK government account for emerging sectors and technologies for which conventional data sources are less appropriate?

3. A part of our sector that might be helpful is the large commercial property agents, who will often get commissioned to find investment, including inward investment, 'space'. Tapping into that network of advisers may be one way of keeping ahead of the curve.

How should the UK government incorporate foundational sectors and value chains into this analysis?

4. The Government has made “fixing the foundations” of the UK a priority; an aim that we strongly support. It's therefore surprising to us that the industrial strategy seemingly pays so little attention to both foundational sectors, although from Government action elsewhere it is clearly recognised that the planning system is a significant factor in whether support of, or against, growth.
5. From the homes we live in, to the spaces where we learn, work and relax, property is an essential part of modern life. The property sector is truly foundational to the UK economy, providing the space and premises (i.e. the business infrastructure) that most if not all of the “high growth” sectors identified in the green paper depend on in order to operate.

6. Without labs there can be no life sciences, without offices our professional and financial services could not survive and without housing workers would have nowhere to live. *It is critical for the UK's ongoing success that there be enough of the right kind of buildings in the right places* and if it is to make a real difference, the industrial strategy needs to reflect the important role that commercial and residential property have in facilitating economic activity. The interdependency of these uses not only has to be recognised but also (and perhaps more importantly) planned for. This requires a strategic/joined up approach across both planning authorities and public/private sector stakeholders.
7. We would add that the property sector makes an important economic contribution in its own right, delivering £110bn GVA (more than 5% of the UK total) and supporting 2.5m jobs in fields as diverse as architecture and welding, planning and asset management.
8. In the next few paragraphs, we set out how property contributes to both general economic productivity and specifically to some of the high growth sectors identified in the Green Paper – it's important that these are thoroughly factored into any sectoral value chain analysis.

Buildings as productivity-enhancers

9. As well as allowing business activity to take place, buildings are important in maximising the value of that activity. People's effectiveness and productivity depends highly on the quality of their working environment and particularly on factors such as air quality, temperature, noise and light levels. Workplace studies have shown:
 - poor air quality (and elevated temperatures) consistently lowered performance by up to 10%, on measures such as typing speed and units' output¹;
 - short term sick leave was found to be 35% lower in offices ventilated by an outdoor air supply rate of 24 l/s compared to buildings with rates of 12 l/s²;
 - a reduction in worker performance of 4% at cooler temperatures, and a reduction of 6% at warmer ones³;
 - office workers with windows received 173 percent more white light exposure during work hours, and slept an average of 46 minutes more per night⁴;

¹ Loftness V. Hartkopf V. and Gurtekin B. (2003) "Linking Energy to Health and Productivity in the Built Environment: Evaluating the Cost-Benefits of High Performance Building and Community Design for Sustainability, Health and Productivity," USGBC Green Build Conference, 2003.

² Milton DK. Glencross PM. and Walters MD. (2000) Risk of Sick Leave Associated with Outdoor Air Supply Rate, Humidification, and Occupant Complaints. *Indoor Air* 10, pp 212-221.

³ Lan L. Wargocki P. Wyon DP. Lian Z. (2011) Effects of thermal discomfort in an office on perceived air quality, SBS symptoms, physiological responses, and human performance. *Indoor Air* 21:5, pp 376-90

⁴ Chueng I. (2013) Impact of workplace daylight exposure on sleep, physical activity, and quality of life. *American Academy of Sleep Medicine* 36

- an up to 66% drop in performance for a 'memory for prose' task when participants were exposed to different types of background noise⁵.
10. It's becoming clear that modern buildings, designed with greater awareness of these factors, allow workers to be more productive. Facilitating greater investment in developing new and improving existing buildings not only has important direct economic impact (through greater demand for construction services and supplies), but is also crucial in supporting longer term worker and business productivity throughout the life of a building.

Life sciences

11. Property is a crucial enabler of life sciences growth, providing the bespoke facilities needed for the sector to innovate and grow. Indeed, wherever life sciences clusters are located, the local commercial property market must cater for diverse real estate needs, including:
- **Start-up and scale-up spaces** that are ready to occupy and fully serviced, often close to universities and hospitals to benefit from clustering benefits.
 - **Laboratories** with bespoke structural services and connectivity requirements.
 - **Manufacturing facilities** with good transport links and skilled people to run them.
12. These types of property exist in an ecosystem, working in close proximity with other types of life sciences property. Larger companies also require office headquarters. The NHS Estate is often used in collaboration with life sciences companies. Specific R&D facilities, such as those used for prototyping MedTech products, are also needed.
13. With rental yields continuing to increase and over £1.7bn of "dry powder" investment capital actively targeting the science and innovation property market, the sector is an attractive investment opportunity⁶. However, the UK underachieves its potential when it comes to current availability of space for life sciences and its ability to add new space – particularly compared to the US.
14. For instance, Oxford (home to the 4th best ranked university for life sciences in the world) has less laboratory space than Denver (with no university in the top 100). Also, the square footage of new laboratory space delivered in Boston in 2022 alone was more than half the square footage of current laboratory space in the entire Golden Triangle (Oxford-Cambridge-London)⁷.
15. As the Green Paper notes, the UK's considerable strengths in RDI are struggling to be converted into commercial goods and services. In the life sciences sector, a lack of suitable "scale-up" facilities

⁵ Banbury SP. and Berry DC. (2005) Office noise and employee concentration: identifying causes of disruption and potential improvements. *Ergonomics* 48:1, pp 25-37

⁶ Savills (2024) Life Sciences: Trends and Outlook

⁷ British Land (2023) Accelerating innovation: a five-point plan to boost life science real estate

and infrastructure are contributing to this, meaning successful start-ups are too often lost to global competitors.

Professional and financial services

16. These potentially high growth sectors are heavily reliant on office property to attract talent, maximise productivity, support learning and development and foster organisational culture (incidentally, this is increasingly true of life sciences too). While the impact of hybrid working on overall demand for office space is still playing out, there has been a strong growth in occupier demand for energy efficient, good quality, well located office buildings. Almost 50% of London office take-up in 2024 is in buildings with a BREEAM environmental certification, up from just over 30% in 2019.
17. However, an imbalance between the demand for such space and the UK's ability to deliver it mean that rents for buildings with these features have increased strongly in recent years, making it more expensive for occupiers to take on as much space as they would like – and in turn to grow their businesses. Even in London, where development viability is generally stronger than in much of the rest of the country, the amount of new and refurbished office space expected to come on to the market from 2026-28 is around 7m sq. ft, vs. an expected demand of c. 16.5m sq. ft if long term average trends continue.
18. It should also be stressed that property-related professional services (surveying, quantity surveying, building engineering, real estate advisory, etc.) are often at the forefront of trade missions, because they are world-class, and whilst much of the focus in that subsector might be on financial services, general business consultancy, etc., these subsectors are important contributors to the UK economy.

Housing

19. Best-in-class offices, life sciences and other commercial space need to be delivered in tandem with enough affordable homes for workers to live in. It's clear that housing is essential to the UK's economic and social prosperity and the need for more homes is well-recognised across the political spectrum. Homes for private sale form the core of the housing market, but this sector has historically not built at the scale required. This will only be achieved through unlocking funding from a wide variety of sources, building homes of different tenures to meet diverse housing needs.
20. The investment property sector (including pension funds and insurance companies) is a key source of new capital for delivering homes. They are already funding genuinely affordable social homes, student housing, homes for long-term private rent and older people's housing. More than this, however, they are building the places and communities that turn houses into homes. Increased delivery of such homes would in turn release existing homes back into the for-sale and rental market and so is genuinely additional new supply that can be delivered in the places where clusters of growth-driving sectors are located.

Logistics

21. Another “foundational” sector on which high growth sectors depend heavily, logistics is essential to powering economic growth, enhancing productivity and supporting the Government to deliver its vision for a decade of the national renewal. While the logistics sector will no doubt make its own case for being treated as foundational, we would highlight the following wording from the Government’s recent National Planning Policy Framework consultation:
- *Freight and Logistics: this sector is fundamental to the UK’s economic growth and productivity, contributing £84.9 billion in Gross Value Added each year and employing nearly 1.2 million people. The freight and logistics sector depends upon a national network of storage and distribution infrastructure to enable local, regional, national and international operations”.*
22. And also the following, from paragraph 31 of the Planning Practice Guidance, which states:
- *“The logistics industry plays a critical role in enabling an efficient, sustainable and effective supply of goods for consumers and businesses, as well as contributing to local employment opportunities...”*
23. Given its cross-cutting importance, we are surprised that logistics does not feature at all in the Green Paper.
24. Logistics developers and owners provide the critical industrial warehouse space necessary for the success of advanced manufacturing, creative industries and defence as well as the data centres that increasingly underpin the financial, professional and business sectors. As noted above, all these sectors are wholly reliant on their real estate assets and, further, they depend on having a resilient and reliable supply chain for the storage and movement of goods, materials and data.

What are the most important subsectors and technologies that the UK government should focus on and why?

25. As with much of the rest of the economy, there are significant opportunities for greater and more innovative use of technology to both enhance the productivity of the property sector but also to help grow the UK’s burgeoning property technology (proptech) sector. Areas of proptech with significant potential include:

Smart Building Technology

26. Smart buildings, equipped with IoT and automated systems, optimise energy usage, maintenance, and building management. They contribute to sustainability goals by reducing energy waste, lowering carbon footprints, and enabling real-time monitoring and management of environmental conditions.
27. In addition, these technologies provide data to inform further innovation and provide valuable insight on how buildings are being utilised and the occupants within them. There are many use cases for the data, from informing planning policy and building design, to detecting illness and predicting health issues within a particular location. The impact goes beyond just the property industry to other industries.

Sustainable and Climate Tech Solutions

28. Climate Tech solutions address the UK's climate goals, especially for reducing carbon emissions in commercial and residential buildings, which are major energy consumers.
29. Solutions include carbon tracking platforms, and sustainable building materials which lower embodied carbon in new developments and supports retrofitting of existing stock. Retrofitting solutions in particular will be critical, as 80% of buildings that will exist at the Government's 2050 target date to be a net zero economy have already been built.

Construction Tech (ConTech)

30. Construction technology such as modular and prefab construction, robotics, and 3D printing, alongside AI-driven project management, can streamline building processes, reduce costs, improve safety, and address skill shortages in the sector.
31. ConTech innovations reduce waste, speed up project timelines, and support more resilient and sustainable construction practices, critical for urban regeneration and housing supply. Not only will this allow us to meet housing needs faster, but it will also allow us to reduce the carbon footprint of construction projects – which currently equate to approx. 40% of total carbon emissions in the UK.

LegalTech and Property Compliance Automation

32. Legal technologies such as smart contracts, blockchain, automated compliance monitoring, and AI-based document analysis in property reduce administrative overhead, streamline compliance with regulations, and minimise transactional inefficiencies.
33. These technologies improve transparency, reduce costs, and expedite processes such as property purchases and leasing, making the sector more accessible and efficient. Currently the property transaction process can take on average 3 months. If we are to meet housing demands, we not

only need to find new development opportunities and build faster, but we need to create a digitised transaction process.

Higher education

34. The UK's Higher Education (HE) sector is an asset both to the UK economy and wider society. It is home to 2.94 million students, both domestic and international, across 285 institutions - including a number of world-leading universities - and employs over 233,000 members of staff. The sector's total economic impact in 2021-22 was £265 billion, with £130 billion of this directly generated, and the sector platformed over 4,000 graduate start-ups in 2020-21.

What are the UK's strengths and capabilities in these subsectors?

Innovative Ecosystem

35. The UK has a strong ecosystem for IoT and smart building startups, with hubs like London, Manchester, and Cambridge fostering innovation in IoT-enabled energy management, building automation, and sensor technology.
36. With regards to ConTech, The UK was one of the first countries to mandate the use of Building Information Management (BIM) for public construction projects, setting a global standard for digital project management and collaboration in construction. The UK is home to innovative ConTech companies that focus on robotics, AI project management, and sustainable materials, creating a competitive advantage in tech-driven construction practices.

Government Regulations

37. The UK is a global leader in its commitment to reach net-zero emissions by 2050, which drives extensive innovation and funding in sustainable building practices and green technology. The UK has well-established renewable energy sectors in wind, solar, and green hydrogen, which complement sustainable tech in buildings and provide an integrated approach to energy use and management.
38. With numerous startups specializing in smart contracts, blockchain, and automated compliance solutions, the UK has a mature LegalTech sector that addresses property law challenges, streamlines processes, and enhances transparency. Whilst the intersections between LegalTech and PropTech requires buy-in from different stakeholders, the UK has shown commitment to tackle this through cross industry groups such as the Digital Property Market Steering Group (DPMSG).

Funding/Investment into Start-ups

39. A recent government report commissioned by MHCLG on PropTech indicates that the UK PropTech sector has raised between £5 billion to £14 billion in total funding. In 2023 alone, PropTech companies secured over £1 billion in funding, highlighting sustained investor interest despite broader economic challenges. However, it's important to note that a significant portion of the investment concentrated in more mature companies, while early-stage ventures struggle with scaling beyond initial funding rounds.
40. Climate technology, which impacts multiple industries has demonstrated significant growth, reaching an all-time high level of investment of \$6.2 billion, accounting for 29% of all Venture Capital (VC) investment in the UK.

What are the key enablers and barriers to growth in these subsectors and how could the UK government address them?

Smart Building Technology

41. Enablers of this sector include IoT adoption, good 4G/5G connectivity in buildings and a digital infrastructure which allows for data capture, monitoring and analysis in smart buildings. In addition, robust cyber security measures create greater trust in implementing technology into buildings.
42. Barriers to utilising this technology including high upfront costs which may deter smaller property owners or developers and may not be viable for lower value properties. In addition, data privacy and cyber security concerns and the skills to implement this technology.
43. The Government could help address these by:
 - **Providing financial incentives:** Expand grants or low-interest loans for implementing smart building technology, especially for SMEs and retrofitting existing stock.
 - **Strengthening cybersecurity standards:** Develop clear cybersecurity guidelines for IoT in buildings and offer resources for small businesses to improve cyber resilience.
 - **Upskilling the workforce:** Support bodies and programmes which help educate and provide training to professionals in the sector.

Sustainable and Climate Tech Solutions

44. Enablers of this sector include grant funding to support new/early ideas, continued investment to help companies scale, consumer and corporate demand for sustainable, net zero buildings – particularly where it directly increases the value of the property or occupancy rates, and clear government commitment and policy.
45. Barriers include high retrofitting costs for older buildings, regulatory uncertainty, and a fragmented market for green materials.
46. The Government could help address these by:
- **Enhancing Financial Support for Retrofitting:** Provide tax incentives, subsidies, or grants for retrofitting buildings with green technologies to offset costs.
 - **Establishing Stable Green Policies:** Offer long-term policy commitments that encourage sustained investment in green tech.
 - **Facilitating Sustainable Material Sourcing:** Support the development of a centralized supply chain for sustainable materials to help lower costs and improve accessibility.

Construction Technology (ConTech)

47. Enablers of this technology include BIM and digital standards, increasing material costs and supply chain challenges, and investment in R&D. UK based startups and more traditional construction companies continue to drive innovation in robotics and sustainable materials.
48. Barriers to adoption of this technology include the requirement for capital investment due to high costs of implementing robotics, AI and modular construction facilities. A conservative industry culture can also be a barrier with a preference to continue working with proven traditional methods. Finally, complex planning regulations and long approval times can delay construction projects, affecting adoption of new technologies.
49. The Government could help address these by:
- **Promoting Modern Methods of Construction (MMC):** Encourage industry-wide adoption of MMC by funding modular construction pilots in public projects.
 - **Simplifying planning processes:** Streamline planning regulations to reduce delays and make it easier for developers to use innovative construction methods.

LegalTech

50. Key enablers of this sector include the sophisticated legal infrastructure which supports innovation, increased property market activity and the need for transparent, efficient transactions and developments in blockchain and AI technology.

51. Barriers include regulatory ambiguity around blockchain technology, data security and privacy concerns as property transactions involve sensitive data, and the legal sectors resistance to automation. Traditional legal firms may resist automation and blockchain adoption due to concerns over accuracy and job displacement.

52. The Government could help address these by:

- **Clarifying Blockchain regulations:** Provide clear, supportive regulatory guidance on blockchain use in property transactions to encourage LegalTech adoption.
- **Driving collaboration to create demand:** Initiatives such as the Digital Property Market Steering Group (DPMSG) facilitate cross sector collaboration amongst stakeholders involved in the transaction process and will provide guidance on digitisation to bring all stakeholders along on the journey.

What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?

Development viability

53. The most significant barrier to new residential and commercial property development is economic viability. In many parts of the country the costs of acquiring land and constructing new buildings (or refurbishing existing ones) simply outweigh the expected economic benefits that would accrue from selling or letting that building.

54. Recent analysis suggests that annual rental growth of between 7%-9% is needed to underwrite a typical office, logistics or residential development scheme, which is more than double the rate of CPI inflation and well in excess of recent commercial property rental growth levels.⁸

55. Development viability has been heavily impacted over the past two years by strong construction cost inflation as well as rising interest rates making it more expensive to fund development through debt. While these factors have abated somewhat, structural challenges such as an ageing population and not enough entrants into the construction sector will continue to put pressure on development viability over the medium term.

⁸ Oxford Economics (2023) Big challenges remain for CRE development viability

Planning

56. Another key barrier to the UK property sector providing more and better business infrastructure to the growth-driving sectors identified by Government is the planning system.
57. The planning system does not currently function effectively when it comes to the 'larger-than-local' planning that is required for major developments or planning for both housing need and the logistics facilities that support communities.
58. It is also under-resourced for the job it has to do. By way of example, the proportion of new Build to Rent (BTR) developments taking over a year to achieve planning consent has increased from 7% in 2014 to 40% in 2023.
59. Meanwhile, the seemingly constant round of consultations and proposals for change creates a perpetual uncertainty over the direction of travel for the system. This has not only undermined its operation and effectiveness but has deterred significant investment in our built environment.
60. The end result of this is that the new development and refurbishment activity that we need in order to provide our high growth sectors with the premises necessary to thrive becomes disproportionately risky.
61. We set out recommendations to improve the planning system in our response to Question 14.

Infrastructure

62. Transport and energy infrastructure are intrinsically linked to property development. Without good transport and energy links, new development is often not possible. At the same time, it is the potential for new development that often makes investment in transport and energy infrastructure economically attractive.
63. The Government is no doubt aware of how delays in grid connections are delaying development of new homes, data centres and retail space. However, delays work in the other direction too. Large buildings such as industrial and logistics warehouses could generate an estimated 15GW of new solar power by hosting PV cells on their roofs: the equivalent of around 25% of the UK's power requirements. However, our members report lengthy delays in securing connections that could allow existing property to serve as a source of power to high growth sectors.

Proptech

64. General barriers across different segments of proptech include:
 - **Policy uncertainty:** Frequent changes and lack of clarity in regulations hinder long-term investment decisions.

- **Capital constraints:** Access to funding, especially at the scale-up stage, is limited, making it difficult for companies to grow beyond early funding rounds.
- **Fragmented data systems:** Non-standardised data and lack of interoperability among existing systems create challenges in integrating new technologies.
- **Risk aversion:** Both public and private sectors exhibit a reluctance to adopt new technologies due to perceived risks and uncertain returns on investment.
- **Business structures and skills gaps:** Whilst we have seen an increase in Innovation budgets in private sector, these are typically used for small pilot projects. Further funding to scale these technologies across the business, or multiple projects/buildings, usually requires a different budget and set up, which can be difficult to achieve. In addition, it requires change management skills and experience in implementing widespread transformation.

65. Within specific parts of the proptech ecosystem:

- **Legal Tech:** The market for legal technology is perceived as small and niche, which dissuades venture capital investment. Complex and highly regulated processes in legal services slow down the adoption of innovative tools.
- **Smart building Tech:** High costs associated with retrofitting existing buildings. Inadequate data on building performance metrics hampers the ability to demonstrate clear ROI for smart building solutions.
- **Climate Tech:** The need for large-scale, long-term investment is a barrier, particularly for projects like carbon capture and renewable energy integration. Slow procurement cycles and limited public sector support further hinder the adoption of climate-focused technologies.
- **Construction Tech:** The construction sector is highly fragmented with entrenched legacy processes, making technology adoption challenging. Resistance to change and a lack of digital skills within the workforce are also notable barriers.

Property taxes

66. The UK has the joint highest level of property taxes in the OECD, largely down to the level at which business rates are levied (currently upward of 55% for “standard” properties).⁹ This tax – payable regardless of whether a business is profit-making – contributes to making commercial property more expensive in the UK than in comparable countries. This both inhibits growth by home-grown businesses and acts as a deterrent to overseas businesses looking to begin operations here.

67.

⁹ [The Intermediary](#) (2023) UK's property tax rate among highest in OECD countries, study finds

Where you identified barriers in response to question 7 which relate to RDI and technology adoption and diffusion, what UK government policy solutions could best address these?

68. Please see our response to question 6 for more detail on government policy solutions that could help with the adoption and diffusion of key aspects of PropTech.

What are the barriers to R&D commercialisation that the UK government should be considering?

Access to test and validation environments

69. Startups and small companies often lack access to facilities or environments where they can test and validate their innovations, which is critical for proving commercial viability. Programmes such as Geovation have proven to be helpful in enabling geo-location-based data start-ups to get easier access to data, support and expertise to help shape their business propositions. However, there are very few programmes which allow start-ups to work directly with clients on pilot projects and move towards commercialisation.
70. The UK government should consider implementing consistent R&D Funding Streams to ensure sustained and scalable funding beyond the initial research phases.

Lack of collaboration across public and private sector

71. The PropTech Innovation Fund created by MHCLG has provided funding to work with PropTech organisations and this has demonstrated real impact for the local authorities and has opened doors for PropTechs in this space. We would strongly encourage the Government to build on initiatives like this one with further investment.

Skills and capabilities gap

72. There is a shortage of commercial and technical skills needed to bridge the gap between R&D and market adoption. The current workforce may lack expertise in scaling up innovations and navigating commercialisation pathways. The UK government should focus on the development of skills needed to scale R&D efforts into commercial successes.

73. In addition, the UK government should provide clearer guidance on regulations affecting emerging technologies, e.g. Artificial Intelligence.

How can the UK government best use data to support the delivery of the industrial strategy?

74. Data can play a transformative role in the property sector, which as we have noted elsewhere, is a foundational industry underpinning several high growth sectors, particularly to inform urban planning and to decarbonise buildings.
75. Property-related and geospatial data are powerful tools for urban planning, providing detailed insights that can help the UK government achieve its industrial strategy goals of sustainable growth, innovation, and regional economic development. By integrating data from land registries, property transactions, and geospatial analysis, policymakers can gain a clearer understanding of land use patterns, housing needs, and infrastructure requirements. This data-driven approach enables better zoning decisions, efficient land allocation, and targeted investments in areas with high development potential, supporting balanced urban growth and economic resilience.
76. Geospatial data also plays a key role in enhancing the efficiency of infrastructure projects. For instance, mapping tools can analyse traffic flow, population density, and environmental factors, helping planners design optimised transport networks, utilities, and green spaces. This improves connectivity, reduces congestion, and enhances the liveability of urban areas, making them more attractive for businesses and residents. By aligning urban planning with the insights derived from geospatial data, the government can support the creation of vibrant, well-connected communities that contribute to economic productivity.
77. Energy data is critical to decarbonising the UK's building stock and aligns with the government's industrial strategy by driving sustainability, innovation, and economic resilience. By leveraging real-time energy data from smart meters and IoT sensors, property managers can monitor and optimise building performance, identifying inefficiencies and implementing predictive maintenance. This reduces overall energy consumption and operational costs, supporting the strategy's aim of boosting productivity and innovation.
78. For the UK government, these data-driven insights would enable targeted retrofit programs, allowing the government to prioritise high-energy-consuming buildings for efficiency upgrades. Analysing energy usage patterns also supports the transition to electric heating systems, such as heat pumps, and facilitates the integration of renewable energy sources. This approach reduces reliance on fossil fuels, aligns with net-zero commitments, and enhances the resilience of the national grid.

What challenges or barriers to sharing or accessing data could the UK government remove to help improve business operations and decision-making?

Data Silos and Fragmentation:

79. Currently, data related to energy consumption, property characteristics, and geospatial information is fragmented across multiple sources, including utility companies, local authorities, private firms, and government agencies. These datasets often operate in silos with limited interoperability, making it difficult to integrate and analyse comprehensive insights.
80. The government could establish standardised data-sharing frameworks and promote the use of open APIs to facilitate the seamless exchange of information between stakeholders. Initiatives like a national data hub for real estate and energy data would centralise information, allowing PropTech companies, urban planners, and policymakers to access and utilise consistent, high-quality datasets.

Data Privacy and Security Risks

Businesses and organisations are often hesitant to share detailed energy and property data due to concerns over data privacy, commercial confidentiality, and cybersecurity risks. This lack of transparency can hinder collaboration and limit the effectiveness of data-driven initiatives. It is also a barrier to decarbonising buildings as it is impossible for property owners to implement energy efficiency measures if they do not have an accurate measure of the level of energy consumption within their buildings.

The Government can address these concerns by developing clear guidelines for data anonymisation and secure sharing protocols, ensuring that sensitive information is protected while still enabling valuable insights to be shared. Establishing robust data governance standards and incentivising participation through privacy-assured data-sharing agreements would help increase data availability.

Improving Data Standardisation and Quality

Data quality and inconsistency are still major barriers, especially with geospatial and property datasets that often vary in format, accuracy, and completeness across different regions. This inconsistency complicates analysis, reduces trust in the data, and hampers the development of reliable models and solutions. The Government could lead efforts to implement national data standards for geospatial and property-related data, similar to the existing standards in sectors like finance. By mandating common formats, quality checks, and data validation protocols, the government can ensure that businesses and public sector entities are working with reliable, standardised data.

Where you identified barriers in response to question 7 which relate to planning, infrastructure, and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?

Planning

With its review of the NPPF earlier in the year, the Government has made a good start to improving the planning system and we would refer to [our response](#) to this for detailed views on useful planning reform. We would also note the following challenges/reform areas within our planning system that, if resolved, would make a big positive difference to the property sector's ability to support the growth-driving sectors identified by Government.

- **On Strategic Planning:** Our planning system has failed to adequately deal with 'larger than local' employment sites – which has resulted in an employment land crisis. By re-introducing effective strategic planning, it would ensure that industrial and logistics development is more aligned with strategic infrastructure provision and housing growth.
81. For any new or revised devolution structures (requiring primary legislation) there will need to be alignment between the strategic planning structures and the relevant functional economic area. In this way, key growth sectors such as industrial and logistics can be effectively planned for at the appropriate spatial and regional scale.
- **Introduce a consistent method across authorities to plan for employment uses:** A standard method for allocating housing growth across the country has been a feature of our planning system for many years however there is no similar national requirement for calculating employment need. This has resulted in inconsistent approaches across the country emerging and in the absence of effective strategic planning has too often meant that planning for employment has 'fallen through the cracks' of the relevant local plan processes.
82. Ensuring that a consistent national method across all authorities is adopted in combination with effective strategic planning would ensure that the right amount of employment land is planned for in the right locations, satisfying both local and regional employment need.

- Impact of policy layering on speed of decision-making in our planning system:** it's important not look at resourcing in isolation when considering how our planning system can be made more effective. Government and applicants can inject more money into the planning system but if that comes up against a general trend towards increased complexity, policy layering and a broad move towards more judgements and forms of assessments being built into the system then the speed of decision-making will not improve. An effective reform agenda should therefore look at where and how resources and skills can be boosted but crucially in combination with a strive towards efficiency and proportionality in all facets of the planning system so we can deploy the skills and resources we do have in the most effective manner. It also needs to enhance the attractiveness of planning as a career.
- More stability by allowing the emerging local plan system to bed in:** The BPF supports the current reform agenda, which seeks to speed up and digitalise the local plan process. Beyond this and the introduction of an effective strategic planning mechanism, as set out above, any further fundamental reform to our plan-making system should cease. A period of stability is needed to allow the new plan-making system a chance to bed in. This is needed given the significant amount of uncertainty generated through the ever-changing national planning reform agenda over the last decade.
- Modernise Employment Land Reviews** Employment Land Reviews (ELRs) are the bedrock of planning for employment uses. However, due to the protracted nature of the plan making process (it takes an average of seven years for authorities to adopt a local plan), they are usually out of date by the time a Local Plan is adopted. We have identified a number of common failings with ELRs, and recommendations for how they could be improved:

Failing	Recommendation for improvement
They are too static – reflecting a fixed point in time	Utilise 'real time information' that captures changes in market conditions and deploy more agile/flexible policy mechanisms
They are undertaken across an inappropriate geographical area	Statutory requirement for plan-making authorities to assess economic need at the appropriate market geography identified within the NSCIF Constituent authorities within that market geography to meet the identified need in full through a Statement of Common Ground and/or Memorandum of Understanding
They use flawed and/or inconsistent methodologies to calculate need	Strengthen national planning policy to obligate those preparing ELRs to use the 'suppressed demand' methodology advocated by the BPF that accounts for historic undersupply

<p>They fail to differentiate between strategic 'larger than local' needs and more localised needs (or ignore the former altogether)</p>	<p>Local planning authorities traversed by strategic transport networks should take a two-tiered approach to employment allocations: identifying strategic 'larger-than local' employment sites alongside smaller sites to meet more localised needs</p>
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- Standardise the approach to Pre-Application Advice/ Planning Performance Agreements:** Early and continuing engagement with Local Planning Authorities and other key stakeholders is important. However, costs, resourcing, approach and the level of service vary considerably from local authority to local authority. To remedy the above, we call for better guidance and a standardised approach to preapplication advice and Planning Performance Agreements (PPAs) to ensure a greater degree of certainty and enhanced planning performance that will be to the benefit of the planning system as a whole. Proposals for accelerated planning application determination periods for commercial development are welcomed, but this will require more local authority resources in planning departments across the country

Life sciences

83. Planning is one of the key challenges facing life sciences real estate; at the end of 2023, there was 11.6m sq ft of laboratory space in the Golden Triangle alone waiting for a planning decision or in the pipeline – the delivery of this would greatly contribute to the growth and economic output of the sector.
84. An overburdened planning regime hinders the delivery of suitable real estate for the life sciences sector, and while the Government's proposed NPPF changes will go some way to support the provision of laboratory spaces, we encourage the Government to deliver on its pre-election commitment to create new National Development Management Policies in favour of laboratory spaces and strengthening the Office for Life Sciences to drive delivery across government.
85. Further support for the sector should include an extension of the Cambridge accelerator project to regional areas, and an MHCLG life sciences task force to upskill local authorities, particularly those in the regions.

Property taxes

86. We've set out three important principles below of a tax regime which encourages rather than stifles investment. Following this we draw out some specific taxes which Government should reform in order to ensure they better adhere to these principles, and therefore better encourage investment and development of our property stock.

- **Avoid transaction taxes** – taxes are less likely to create a barrier to economic activity if they are charged on profits or gains – therefore transaction taxes which impose a tax charge before any profits have been made should be avoided.
- **Be simple and predicable** – tax needs to be simple and provide certainty. It's almost impossible to conduct viability assessments for big projects otherwise.
- **Timing of incentives are important** – tax incentives in this area need to recognise that it can be years before an investor makes a profit on their investment. If tax incentives are going to be impactful – something which hits a company's bottom line before profits are made, would have a much bigger impact.

87. **Avoid transaction taxes** For newer sectors, like life sciences, data centres and to a lesser extent BTR housing, there is a systemic lack of suitable property as compared with more established sectors like retail and offices. Extensive new development is therefore needed to create new buildings (or repurpose existing ones) and it's important that that the tax system does not create any barriers to this. In this regard, transaction taxes (like stamp duty land tax) are often the most damaging taxes because they impact negatively on development viability by depressing a newly constructed building's valuation.

88. We would encourage lower or even 0% rates for both SDLT and VAT – in order to remove barriers from developing and re-purposing or property stock to respond to our economy's needs.

89. **Be predictable** It's important the tax rules to be simple and provide certainty – real estate investment involves significant upfront costs, and can be held for a very long time. In order to make it easier to conduct accurate viability assessments, the tax rules need to be predicable. To that end, the tax rules for some of the more material costs should be much simpler and more predictable – we would draw out the tax treatment of interest costs, where this is currently not the case. In addition, the tax treatment of losses (which links with pre-development costs), is also far from predictable or simple. If investors cannot get certainty over the tax treatment of these costs, it is very difficult to calculate with any accuracy whether or not an investment is viable – which could result in a number of projects that might have been viable, not going ahead.

90. **Timing of tax incentives**: While incentives like full expensing are helpful at bringing forward tax relief on capital expenditure, it doesn't affect viability on day one for a property developer or investor, who isn't making any profits for a number of years after the capital investment is made. Therefore, in order to have a meaningful impact on new development, Government should consider an above the line tax credit (like the R&D tax relief), in order to affect viability and speed up investment and development – particularly for property in crucial growth sectors.

Infrastructure

91. Government needs to maximise the opportunity presented by existing buildings to generate power to export to the grid. We would strongly support measures that help to accelerate grid connections (such as the Government is already exploring) and would also recommend:

- opening up the market for physical connection to the grid to competition.

- setting a higher feed in tariff to further incentivise export to the grid; and
 - encouraging Ofgem to expedite proposed reforms to the grid connection queue.
92. These measures would enable the export of green energy generated by solar panels on warehouse roofs back into the network to power our homes and businesses.
93. Transport connectivity too is a critical aspect of growth being spread to all parts of the UK. Major infrastructure projects such as HS2, Northern Rail, and the Lower Thames Crossing are all vital enablers of spreading growth. We would support the recent suggestion by Logistics UK that the Government identify the UK's logistics network and commit to a long term set of strategic transport objectives, delivered through a 30-year investment strategy.
94. More broadly, having a clear public sector construction pipeline helps the construction sector manage the sector's workload and allocate resource most efficiently. Start/stop decisions are therefore having wider implications. On several large projects it is important that the Government commits in order to provide certainty.

How can investment into infrastructure support the industrial strategy? What can the UK government do to better support this and facilitate co-investment? How does this differ across infrastructure classes?

95. Please see our response to questions 7 and 14. In summary, greater investment in energy infrastructure could both:
- Improve viability and speed up the delivery of new property development that provides space for growth-enhancing sectors; and
 - Accelerate the generation of new rooftop solar energy to support growth-enhancing sectors.

What are the main factors that influence businesses' investment decisions? Do these differ for the growth-driving sectors and based on the nature of the investment (for example buildings,

machinery and equipment, vehicles, software, RDI, workforce skills) and types of firms (large, small, domestic, international, across different regions)?

96. As noted in our response to question 7, the main factor influencing decisions to develop new commercial or residential property is economic viability. This is ultimately a function of anticipated returns from selling or letting the completed building and the costs incurred in developing it.

97. Factors affecting development costs include:

- Cost of construction (labour and materials)
- Finance costs and interest rates
- Uncertainty costs (e.g. risk involved in going through planning)
- Any land remediation or preparation necessary
- Site acquisition costs, which will be influenced by the supply of land, itself ultimately dependent on land use planning

What are the main barriers faced by companies who are seeking finance to scale up in the UK or by investors who are seeking to deploy capital, and do those barriers vary for the growth-driving sectors? How can addressing these barriers enable more global players in the UK?

Property

Development viability

98. As set out in our response to question 7 above, the main barrier faced by investors seeking to deploy capital into new UK residential and commercial property development is the difficulty in making it financially viable in many parts of the country. Policy drivers for this poor viability include:

- A slow and uncertain planning system.
- High levels of property tax.

- The need for better transport and energy infrastructure.
99. Tackling these factors would improve the returns from and reduce the risk of developing in the UK and would make it more attractive for international capital (e.g. overseas pension funds) to fund such projects in future.

Suppressed demand

100. As a result of challenging development viability and planning uncertainty, the UK often does not have enough of the right type of property in the right places. This hampers business growth and restricts opportunities.
101. This is particularly acute in the industrial and logistics market, where demand for space has outpaced supply over the past ten years as a result of growing online commerce and changes to supply chains, leading to strong growth in rents and making it more expensive for businesses to take on new premises. Effectively, higher rents are “suppressing” demand for space that could otherwise be used to support economic growth.
102. In our report [The Logic of logistics](#) we highlight the extent of this “suppressed demand” and estimate that if the supply of industrial and logistics were to improve in England, future demand for such space would be at least 29% higher per year than historic levels. It is critical that the planning system allow for enough land to be released to support new development that begins to “catch up” with this suppressed demand for space.

PropTech

Complex regulatory environment

103. The UK's real estate and property market regulations can be complex and vary across different Nations of the UK. Compliance with laws such as GDPR (data protection), anti-money laundering (AML) regulations, commercial/residential leasing legislation, and building standards can be challenging for international PropTechs unfamiliar with local legal requirements.
104. Regulatory uncertainty can increase perceived risk, making it harder for these companies to secure capital, as investors may hesitate to fund international.
105. PropTechs that have yet to demonstrate a strong understanding of UK compliance requirements.

Local networks

106. The UK real estate sector is highly localised and relationship driven. International PropTechs may lack local market knowledge, understanding of specific customer needs, or access to industry networks that are critical for building partnerships with property developers, landlords, and real estate agents.
107. Whilst organisations such as the UK PropTech Association aim to support this knowledge and relationship building, international start-ups require further assistance. Creating market entry programs, accelerators, or soft-landing initiatives tailored for international PropTechs can help bridge this gap, providing mentorship, industry introductions, and localised market insights.

Data access and integration challenges

108. Access to high-quality property and geospatial data can be more difficult for international PropTech firms. Local data sources, such as the Land Registry, utility data, and market-specific datasets, may have restrictions or complex access requirements, making it challenging for foreign companies to build or refine their solutions. Data access issues can consequently hinder product development and market validation, making it harder for international PropTechs to prove their value proposition to investors.
109. Promoting open data policies and easing access to key datasets for international entrants would lower barriers and support innovation. Facilitating partnerships with local data providers can also help foreign firms gain the necessary insights to adapt their solutions effectively.

The UK government currently seeks to support growth through a range of financial instruments including grants, loans, guarantees and equity. Are there additional instruments of which you have experience in other jurisdictions, which could encourage strategic investment?

Contribution of land for development

110. Acknowledging the fiscal constraints that the Government is operating under, we feel there is merit in exploring non-monetary contributions that could help unlock development viability. The public sector owns large amounts of land around the country in both urban and rural locations. We

would encourage the Government to consider how this land bank could be used to more proactively support development, for instance by acting as a public sector contribution into public-private partnerships (PPPs). This could help overcome development viability issues by reducing upfront costs, with a return instead being generated over time for the public purse.

PropTech

111. The UK government could consider a match fund and co-investment program whereby the government matches private investment into PropTech firms, leveraging public funds to de-risk private capital deployment. This has been demonstrated by Singapore with their Startup SG Equity program which matches private venture capital investments, boosting investor confidence in high-growth sectors.
112. This approach may attract more venture capital and private equity to the PropTech sector, amplifying the impact of both public and private investment. It also signals strong government support for PropTech, which can draw interest from global investors.

How can international partnerships (government-to-government or government-to-business) support the industrial strategy?

113. Bilateral agreements between the UK and other countries with strong PropTech ecosystems (e.g., the US, Israel, Germany, and Singapore) can facilitate easier market entry for PropTech companies. These partnerships can include trade missions, regulatory alignment, and the creation of soft-landing programs, which provide international startups with support in navigating the complexities of entering new markets.
114. *Collaborating with international PropTech Associations* (e.g., MetaProp NYC, PropTech Association Japan, PropTech Norway, and Singapore PropTech Association) can help UK-based firms connect with foreign markets, foster knowledge exchange, and develop cross-border pilot projects. The UK PropTech Association could play a central role in facilitating these connections, providing its members with valuable international opportunities.
115. By enabling UK PropTech firms to expand globally, the government can support the growth of innovative businesses, increase export potential, and attract foreign investment. This aligns with the strategy's goal of building a dynamic, globally competitive economy.

Which international markets do you see as the greatest opportunity for the growth-driving sectors and how does it differ by sector?

United States

116. The US is a prime market for residential PropTech solutions due to its vast and diverse property market, high level of investment activity, and rapid adoption of digital tools. The strong presence of venture capital, established PropTech hubs (e.g., New York, San Francisco), and a growing demand for digital real estate services (e.g., virtual tours, online transactions) make the US a top target for UK firms.
117. In addition, the US construction sector is embracing technology to address labour shortages, rising costs, and the need for faster project delivery. UK ConTech firms specialising in digital construction solutions, such as BIM, project management software, and modular construction, have strong growth potential in this market.

Singapore

118. Singapore has a strong global business hub with a focus on smart city initiatives, Singapore is an ideal market for PropTech solutions targeting commercial property. The city-state's commitment to digital transformation in the property sector, including digital twins and IoT-enabled building management, aligns well with UK expertise in smart building technologies.

Middle East

119. The Middle East is experiencing a construction boom driven by mega-projects like Saudi Arabia's NEOM and the UAE's smart city initiatives. Whilst the NEOM project has been criticised and scaled back, it has stimulated competition across other countries in the region who are now looking to be world leaders in technology.
120. There is strong demand for innovative ConTech solutions, particularly those focused on sustainable building practices, digital construction tools, and off-site manufacturing. In addition, The UAE's commitment to building smart, sustainable cities as part of its Vision 2030 plan makes it an attractive market for PropTech firms with expertise in IoT integration, smart infrastructure, and advanced urban analytics.

China

121. With its rapid urbanisation and strong government support for smart city initiatives, China represents a huge opportunity for UK firms offering PropTech solutions in urban planning, digital

twins, and smart infrastructure. The focus on improving urban efficiency aligns well with UK expertise in data-driven urban analytics.

What public and private sector interventions are needed to make strategic industrial sites 'investment-ready'? How should we determine which sites across the UK are most critical for unlocking this investment?

122. Our members have extensive experience of developing large, complex sites in partnership with both other property developers and with local authorities and other public bodies. Last year we distilled the key learnings from these partnerships into "[Unlocking growth through partnership](#)". This highlighted the following critical factors to making large, complex development and regeneration sites a success:

- The right combination of public and private sector players working in partnership;
- The need for bold, resilient and pragmatic individuals on both sides;
- Key decision makers who trust each other, as not every scenario can ever be documented in a public-private partnership agreement;
- Deep mutual understanding of each party's drivers and constraints and a willingness to reconcile these; and
- Rigorous financial and risk analyses of different potential scenarios.

How can the Industrial Strategy Council best support the UK government to deliver and monitor the industrial strategy?

123. We are both intrigued by and supportive of the idea of a new business academy for government. We feel it is crucial that civil servants developing economic policy are as well informed as possible about the sectors that such policy ultimately impacts upon. We would be delighted to work with Government on a property and built environment strand of learning and development.

124. Similarly, we would be happy to support Government with arranging secondments to businesses in the property sector and agree that would be an effective way for civil servants to gain additional insights into the aims and drivers of the organisations that their policy affects.

How should the Industrial Strategy Council interact with key non-government institutions and organisations?

125. We have made the point strongly in this response that the Government needs to fully integrate foundational sectors such as property as it finalises the industrial strategy and develops its sector plans.
126. Similarly, it's important for the Industrial Strategy Council (ISC) to have some form of structured dialogue with key foundational sectors. This could be done through a formal "Foundational Sector Committee" or through a looser network, but the key point is that high growth sectors will thrive best when barriers and blockers in foundational sectors are addressed.

How could the analytical framework (for example, identifying intermediate outcomes) for the industrial strategy be strengthened?

127. The framework needs to take account of how policy change affecting foundational sectors such as property delivers outcomes that support high growth sectors and the industrial strategy more generally. For instance, planning reform as outlined above is a key part of improving the viability of new development, which in turn will facilitate delivery of new commercial and residential space that high growth sectors will depend on.