

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 29 August 2019

Strategic Approach to Private Rented Sector

Executive/routine Wards Council Commitments	Routine All
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1. Recommendations

- 1.1 It is recommended that Housing, Homelessness and Fair Work Committee:
 - 1.1.1 notes the strategic approach to the private rented sector set out in this report;
 - 1.1.2 agrees to discharge the motion from 1 November 2018 to receive a further report on the strategic approach to tackling key issues facing the private rented sector; and
 - 1.1.3 agrees to receive a report within two committee cycles on development of a broad policy framework to support Build to Rent (BTR).

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Strategic Approach to Private Rented Sector

2. Executive Summary

- 2.1 On [1 November 2018](#), Housing and Economy Committee considered an update report on Rent Pressure Zones (RPZ) and agreed to a further report in six months as part of wider strategic approach to tackling key issues facing the private rented sector.
- 2.2 This report sets out a strategic approach to the private rented sector (PRS). The high demand for housing of all tenures means that the PRS must play its part in meeting housing need and supporting the growth of the city. A combination of increasing supply, improving access to and quality of the private rented housing stock is essential to meet the housing needs of a growing city. This report sets out the Council's approach on tackling these challenges.

3. Background

- 3.1 On [1 November 2018](#), Housing and Economy Committee agreed a motion to receive a report in six months' time as part of a wider strategic approach to tackling key issues facing the private rented sector.
- 3.2 On [3 October 2018](#), the Council published specific Planning Guidance for BTR developments. It set out that BTR should be place specific, high quality and energy efficient, whilst benefiting from on-site shared facilities. It also recognised that BTR can offer opportunities for rapid place making, whilst still delivering 25% on-site affordable housing.
- 3.3 On 24 January 2019, Committee considered reports on [Empty Homes Update](#), [Mixed Tenure Improvement Strategy Update](#) and [Approach to Build to Rent](#). These workstreams all contribute to the strategic aims set out in this report.
- 3.4 On [21 March 2019](#), Committee approved the Rapid Rehousing Transition Plan (RRTP) submitted, as a draft, to the Scottish Government at the end of 2018. A key priority within the RRTP is the focus on work required to prevent homelessness from the PRS.
- 3.5 On [14 May 2019](#), a Short Term Letting in Edinburgh Update was reported to Corporate Policy and Strategy Committee. It set out the enforcement actions taken

by the Council and the decision of the Scottish Government Reporter. As well as, the on-going engagement with Scottish Government on the introduction of a licensing system and the required policy changes to tackle the issues arising from the short term let sector.

4. Main report

Context

- 4.1 Since 2000 the proportion of households in the PRS in Edinburgh has doubled. The PRS now accounts for over a quarter (60,000) of Edinburgh's households; significantly higher than the national average (15%). Over the same period, owner occupation rates have fallen by 9% to 60%, demonstrating a shift within the private sector from home ownership to private renting.
- 4.2 The time tenants spent in an Edinburgh PRS home is nearly half the national figure, at just 1.5 years in the city compared with nearly three years in the country as a whole. The average advertised monthly private rent in Edinburgh was over £1,100 in the first quarter of 2019, compared to a national average of £790 (Citylets Datahub). The next highest Scottish city is Glasgow with an average of £770. In Edinburgh, private rents have seen exceptional growth since 2014, which increased by over 30% between 2014 and 2019. Last year alone Edinburgh experienced average rental growth of 5.0% compared to national average annual growth of 1.7%.
- 4.3 It is estimated that there is a loss of around 10% of PRS homes to short term lets in recent years. The loss is more prevalent in the city centre and north Edinburgh. The rapid growth in short term lets is having an impact on both supply and rent levels. Between 2014 and 2017 the city saw 2,700 more properties per year listed as available on Airbnb, while PRS stock fell 560 per annum. Research also indicates a displacement of demand, with rents rising significantly above average (between 20-27% over the period 2014-17) in areas bordering a high concentration of short term lets.
- 4.4 Private rented households are more likely to live in flats than houses, 92% of the private rented households in Edinburgh live in flats, compared to 56% of homeowners and 83% of social rented households. Private rented homes are also more likely to be 'older' than homes in the other sectors, with 60% of private rented homes being built before 1945; compared to the 49% in owner-occupation and 16% of the social rented homes.
- 4.5 This older, flatted profile has increased the challenges in installing energy efficiency measures in the private rented homes. This partly explains why the PRS has the lowest percentage of homes installed with full central heating; highest percentage of homes with less than 100mm loft insulation; and highest percentage of homes with urgent disrepair.

- 4.6 The PRS in Edinburgh is made up of a high percentage of individual landlords. A snapshot of [Landlord Registration](#) (September 2018) showed that over 80% of the approved landlords in Edinburgh owned only one property; compared to an average of 65% found in a 2011 research by Scottish Government.
- 4.7 The age profile of the residents in the PRS tends to be younger, with 67% of PRS tenants in Edinburgh aged under 35 years old; compared to 23% in social rented sector and 14% in owner occupied sector. However, there is an increasing trend of families with children and households headed by someone aged 35 or over living in private rented homes.
- 4.8 Despite the overall number of homeless applications going down year on year, the percentage of households coming from the PRS has been increasing in recent years. Around 20% of homeless households came from the PRS; almost double the Scottish average.

The challenge

- 4.9 There are many sub-sectors within the private sector: owner occupation; traditional PRS lets and PRS lets regulated as Houses in Multiple Occupation (HMOs); short term lets (STL); purpose-built student accommodation (PBSA); and BTR properties. Homes can move from one sub-sector to another sub-sector as a result of changes in the wider housing market and economy, as well as changes to legislation.
- 4.10 The relationships amongst the sub-sectors and those between private sector and public/social sector are complex and present different challenges in relation to supply, management and standards of the sector. The diverse and dispersed landlord makeup in the PRS can make consultation and engagement on changes challenging.
- 4.11 The lack of adequate supply of homes of all tenures, and the loss of traditional PRS lets to short term lets, means that rent levels in the PRS have been increasing faster than inflation, reducing the affordability and accessibility of the sector to people in housing need.
- 4.12 The older and tenemental nature of homes in the sector can make it more difficult to install new technology/products to help increase the liveability, accessibility and energy efficiency of homes. Edinburgh does not have a history of factoring arrangements for managing and maintaining communal areas, coupled with a complex ownership profile can make essential repairs and maintenance challenging.
- 4.13 The high demand for housing of all tenures means that the PRS must play its part in meeting need and demand. A combination of increasing supply, increasing access to the sector for people in housing need and improving quality of homes is essential to meet the housing needs of a growing city. This report sets out the Council's approach on tackling these challenges.

Strategic Approach

- 4.14 Scottish Government published [‘A Place to Stay, A Place to Call Home – A Strategy for the Private Rented Sector in Scotland’](#) in 2013. It set out a vision that *‘A private rented sector that provides good quality homes and high management standards, inspires consumer confidence, and encourages growth through attracting increased investment’*.
- 4.15 A number of Council services and workstreams are already contributing to this strategic aim. Our approach to tackling key issues in the private rented sector echoes the Scottish Government’s strategy and aims to:
- 4.15.1 increase supply of homes to help meet need and demand;
 - 4.15.2 improve access to and management of homes in the sector;
 - 4.15.3 improve affordability within the sector; and
 - 4.15.4 improve quality and conditions of homes in the sector.
- 4.16 Since the report on PRS was requested at Committee in November last year, there has been significant activity in the sector. There have been Scottish Government and Parliament consultations on short term lets, a proposed Fair Rents (Scotland) Bill, which is also known as the Mary Barbour Bill and energy efficiency regulations for private rented property. Locally there has been the publication of Living Rent Campaign’s ‘Rent Control’ report and consultation on whether the Council should make an application to the First Tier Tribunal on behalf of the tenant regarding repairing standards, as well as engagement with the BTR sector on development of a broad policy framework to support the development of purpose-built rented housing. The detail of which is set out under each aim below.

Increase supply to help meet needs and demand

- 4.17 The high housing costs in the PRS is due to lack of supply to meet demand. The most effective way to address this in Edinburgh is to increase supply of good quality and well managed housing for rent.
- 4.18 The Council and housing association partners are committed to delivering 20,000 new affordable and low-cost homes over a ten-year period to help meet housing need and demand in the city; around half of the homes will be delivered by the Council’s housebuilding programme.
- 4.19 The Council’s housebuilding programme is growing annually, with around 1,300 homes completed or under construction this year. A further 3,000 homes are in design development stage across mixed tenure sites. Homes are being delivered primarily for social rent, with a mix of housing for sale, MMR and market rent across many sites with a view to creating vibrant, sustainable communities for the future.
- 4.20 In February 2018, the City of Edinburgh Council agreed to enter into agreements with Scottish Futures Trust (SFT) to establish two Limited Liability Partnerships (LLPs) to deliver 1,500 high quality, well managed homes for market and MMR for households on low to moderate incomes. Edinburgh Living LLPs are now operational. A separate report to this Committee provides an update on Edinburgh

Living and the intention to develop a framework to enable the Council to invite proposals from private sector developers to deliver homes for Edinburgh Living.

Scottish Government Mid-Market Rent Invitation

- 4.21 Council officers have been working in partnership with landowners, developers and Scottish Government to support the delivery of mid-rent homes on private sector sites through the Scottish Government Mid-Market Rent (MMR) invitation.
- 4.22 Places for People (PfP) have been successful in securing £47.5m in loan funding through the scheme and will utilise the loan to attract additional equity investment, likely to come from pension funds. The project will provide 1,000 affordable MMR homes, across Scotland. There are a number of projects being pursued in Edinburgh with around 500 homes currently identified as potential projects for the city.
- 4.23 Council officers are also working with Forth Ports and Rettie & Co. on a proposal to secure pension fund investment on privately owned land at Western Harbour. The proposal has been submitted to Scottish Government Ministers for approval and supports delivery of 1,600 affordable homes without grant. Homes will be targeted at people on moderate incomes, with the loan repayable to Scottish Government over 25 years.

Market Led BTR

- 4.24 BTR can deliver rented accommodation at pace and scale and is not dependent on the rate of house sales. BTR has traditionally been associated with the high end, upper quartile of the rental market, offering enhanced onsite amenities. However, in Edinburgh, affordable housing led BTR has been delivering professionally managed, quality rented homes at below market rents for nearly ten years. The Council is currently a partner in eight National Housing Trust LLPs with around 598 homes in management and 288 under development.
- 4.25 On [24 January 2019](#), Housing and Economy Committee considered a report on Approach to Build to Rent. The report highlighted the opportunity that BTR provides to accelerate housing development; supported by institutional investment; whilst delivering 25% affordable housing. BTR can also offer a living arrangement that is similar to purpose built student accommodation for graduates migrating from student to working lives or provide a housing option for older people seeking accessible, easy to maintain housing in the city.
- 4.26 The BTR sector has become more diverse over recent years with some developers targeting the lower and middle rather than upper end of the market with a focus on placemaking within a community setting rather than provision of on-site amenities. Officers are in discussions with a number of BTR developers with a potential to deliver over 3,000 homes across the city over the next few years. On 31 July 2019, the application for 234 BTR homes at [159 Fountainbridge](#) was approved by Development Management Sub Committee, with 58 tenure blind affordable homes being delivered, managed and maintained by the applicant (Vastint) and secured under Section 75 Agreement. The homes will be let at affordable rents for 25 years.

- 4.27 A workshop was held with BTR developers and investors (informed by an online questionnaire) in June 2019 to explore challenges and potential solutions to accelerate development of BTR. This engagement will inform the development of a broad policy framework to support the growth of BTR aligned to the delivery of Council objectives. Further consultation will take place with stakeholders prior to bringing a report to committee on the proposed framework. Committee is asked to agree to receive a report on the BTR framework within two committee cycles.

Improve access to and management of homes in the sector

- 4.28 The up-front costs of private renting can be a significant barrier to low income households, as tenants are asked to pay a deposit and rent in advance. Landlords can also be reluctant to rent properties to households claiming benefits.
- 4.29 The Council has commissioned Crisis to deliver 'Help to Rent Edinburgh', a service to help people who are currently homeless in Edinburgh to find and keep a home in the PRS. For example, where appropriate, the service will provide help to find a flatmate or a flat-share, to get a deposit and pay rent in advance, to find furniture, and to sort out any tenancy problems.
- 4.30 In addition to improving access to the PRS amongst homeless households, there is a need to prevent private rented households from becoming homeless. In 2019/20, the Council agreed to put in place a dedicated officer in each of the localities to work with private rented tenants at risk of becoming homeless. These officers will provide intensive support from the point of contact when a Notice to Quit is received, with the priority being to support tenants to find alternative housing in the private rented or mid rent sector.

4.31 Private Sector Leasing Scheme (PSL)

The Council introduced PSL in 2005, to provide medium-term accommodation for homeless households while they were looking for settled permanent accommodation. The scheme now manages around 1,700 properties. The Council agreed to increase the investment in this scheme at Finance and Resources Committee on [23 January 2018](#). By increasing the amount of rent that can be offered to landlords, it is hoped to increase the retention rates of existing landlords, and new landlords will be encouraged to join the scheme.

New Private Residential Tenancy (PRT)

- 4.32 Through the PRTs Scotland Act 2016, a new PRT was introduced on 1 December 2017. The PRT agreement has introduced important changes to tenants' rights and responsibilities and offers more security. PRTs are open-ended, with no fixed-term period and no end date and can only be ended if the tenant chooses to leave and gives notice, or if one or more of the 18 grounds for eviction apply. The First Tier Tribunal Scotland is responsible for resolving disputes between tenants and landlords over eviction and civil proceedings.
- 4.33 Rent can only go up once a year under the PRT agreement, with landlords given at least three months' notice. Tenants can appeal to a rent officer if they feel their

rents have risen too much. Tenants can also apply to the First Tier Tribunal for Scotland to resolve legal disputes with their landlords on rents and repairs.

- 4.34 A communications strategy was developed in December 2018 (one year after the PRT came into force) to raise awareness of private rented sector tenants' rights. A new web page was created and promoted on social media; including information on tenants right to challenge a rent rise by requesting an appeal by a Rent Officer.
- 4.35 The Council has existing powers to help improve the management of private rented housing and has recently consulted on exercising a specific statutory power to support private tenants by referring landlords to a tribunal, if the property does not meet the required standard. The consultation asks if the Council should make an application on behalf of the tenant where the tenant is considered vulnerable and the Council thinks that it is appropriate to do so. An update will be provided to Regulatory Committee in October.

Houses in Multiple Occupation (HMO) Licensing

- 4.36 The Council introduced a revised licensing fee structure in June 2017. Existing licence holders can apply for a three-year licence for the same fee as a one-year licence, providing that the Council has no previous or current concerns with the property/landlord. The revised fee structure therefore provides an incentive to landlords to look after their properties and promptly attend to issues.
- 4.37 The Council will continue to exercise existing powers to regulate the sector, ensuring tenants' rights are protected, as well as actively engaging in national debate and discussion to introduce new regulations and powers to help manage the sector.

Improve affordability within the sector

- 4.38 As highlighted in paragraph 4.2, private sector rents in Edinburgh are the highest in Scotland and increasing faster than other cities. The only mechanism currently available to the Council to cap rent increases is to apply to Scottish Ministers to have an area designated as a Rent Pressure Zone.

Rent Pressure Zones (RPZ)

- 4.39 Councils can apply to Scottish Ministers to have an area designated as a RPZ if they can prove that rents are rising by too much; The rent rises are causing undue hardship to tenants; and there is increasing pressure to provide housing or subsidise the cost of housing as a consequence of the rent rises within the proposed zone.
- 4.40 RPZs are designed to address the problem of rents rising by too much in hot-spot areas and they are not intended to be applied to a whole local authority area. Where a RPZ is applied, the cap can last for up to five years. It will only affect rent rises once tenancies have started. Initial rents for new tenancies are not affected by the cap and will continue to be market-led.
- 4.41 An update on RPZ was provided to Housing and Economy committee in November 2018. Committee was asked to note that the timescales to collect robust actual rent

data, required for any RPZ application, is likely to be three to five years. In August 2018, Citylets launched a new PRS database to capture rents as they are set and any subsequent rent rises. To date around half of the letting agents in the city have signed up. Officers will continue to work in partnership with local authorities interested in exploring RPZs, Scottish Government and other partners to develop a compliant methodology for gathering robust evidence required for an RPZ application.

- 4.42 On 14 May 2019 Pauline McNeill (MSP) lodged a proposal for a Bill in the Scottish Parliament to protect private sector tenants by introducing measures to limit rent increases and increase the availability of information about rent levels. The consultation closed on the 8 August 2019.
- 4.43 Living Rent [published a paper in February 2019](#) that sets out their proposals for rent controls in Scotland. Proposals include introducing a points-based system of rent control linked to quality and amenities; such as size of rooms, energy performance and kitchen facilities.
- 4.44 It is likely that new legislation by the Scottish Parliament would be required to introduce any rent controls or other measures to limit recent increases in the private rented sector.

Short-Term Lets (STLs)

- 4.45 As set out in paragraph 4.3, the rapid rise of short term lets is having a significant impact not only on the supply and affordability, but also on community cohesion due to a significant transient population and community safety due to increases in antisocial behaviour.
- 4.46 A STLs virtual team across several services (Trading Standards, Environmental Health, Private Rented Services, Planning and Community Safety) was created in 2018 to review all complaints received about STLs and, where possible, address poor practice through existing powers.
- 4.47 The team prioritises enforcement activity in relation to those STLs believed to be operating on a commercial basis. When investigating the cases, it must be established whether the use of a residential premises for short term holiday lets is a material change of use. Since July 2018, 216 new cases have been opened and while 120 are ongoing, 23 have been subject to enforcement action. In-house training has been carried out to ensure that officers take a consistent and robust approach to all investigations.
- 4.48 In addition, the team is piloting the use of impact warning letters to tackle a large concentration of STLs at Western Harbour. A checklist of Best Practice has also been produced to educate owners of their obligations in terms of permissions, safety at the property and managing visitors. The Planning service has also piloted taking enforcement action against key safes on listed buildings.
- 4.49 The Council is seeking additional regulatory powers to tackle the issues arising from the STL. Scottish Government carried out a consultation on the regulation of short term lets between April and July 2019. The Council actively promoted the

consultation through social media, locality drop in events to encourage the general public, community councils and other bodies to respond. The Council will continue having dialogue with government officials and help to shape any new regulatory powers to tackle issues from the STL sector.

Improve quality and conditions of homes

- 4.50 The Housing Beyond 2021 discussion paper has indicated the Scottish Government's intention to place more emphasis on improving the quality of homes, in relation to accessibility, energy efficiency, quality and safety. While the regulations like Scottish Housing Quality Standards (SHQS) and Energy Efficiency Standard for Social Housing (ESSH) have improved the quality and standards of social rented housing significantly in the last 20 years, more improvement is needed in the private sector, especially the PRS.

Edinburgh Shared Repairs Service (ESRS)

- 4.51 In addition to the implementation of existing government legislation, the Council has developed various services to support owners and landlords to improve property conditions, energy efficiency, and health and safety, of homes in recent years. This includes using statutory notices and 'Missing Share' powers to help owners and landlords to repair and maintain the common areas of tenement blocks through the Council's ESRS.
- 4.52 The Council has been involved in the Parliamentary working group on Maintenance of Tenement Scheme Property, which seeks to improve legislation on maintenance to flats. The group published its final report in June 2019, with recommendations covering three areas: building inspections, owners' associations and Building Reserve Funds, and how these aspects interlink. This was debated in Parliament on 26 June 2019. The Minister for Local Government, Housing and Planning made a commitment to provide a substantive response to the recommendations in autumn 2019. The Council will continue to contribute to the debate and discussion on improving the legislation and any subsequent implementation details.

Mixed Tenure Improvement Strategy

- 4.53 For mixed tenure blocks where the Council is one of the owners, where appropriate, the Council will continue to take the lead on repairs, maintenance and improvement in the common areas of the blocks as part of the Mixed Tenure Improvement Strategy. This will include establishing a mixed tenure delivery team, revising the Scheme of Assistance to provide more practical and financial support options to owners and landlords, as well as using the Housing Revenue Account (HRA) capital investment programme as a catalyst for improvement. An update on the Mixed Tenure Improvement Strategy will be provided to Committee in January 2020.

Home Energy Efficiency Programmes for Scotland (HEEPS)

- 4.54 The Council has secured more than £20m government funding since 2013/14 through the area-based schemes (ABS) of the Home Energy Efficiency Programmes for Scotland (HEEPS), which later changed name to Scotland's

Energy Efficiency Programme (SEEP) to cover both domestic and non-domestic properties; and more recently to Energy Efficient Scotland (EES).

- 4.55 The funding has been used to install loft, loft top-up and cavity wall insulation for homes in areas with high level of fuel poverty, hard to treat cavity wall insulation, flat roof insulation, and solid wall insulation for houses and mixed tenure blocks. The Council will continue to make the best use of funding available to levering investment to improve energy efficiency of private sector homes.
- 4.56 The Council will continue to work with partners and communities to maximise the funding available, as well as, actively engaging in the national debate on improving energy efficiency, including Scottish Government's consultation on introducing regulations for energy efficiency for private rented property; which is open (from 17 June 2019) until 13 September 2019. The proposal includes a minimum energy efficiency standard and would require landlords of privately rented homes to ensure their properties achieve EPC E from 1 April 2020 at a change of tenancy and then EPC Band D from 1 April 2022 at a change of tenancy.
- 4.57 Although the announcement on EESSH2 in June 2019 only applies to social rented housing, this will again have an impact on private sector homes where energy efficiency measures are required in common areas of a mixed tenure blocks. The Council will continue to review the situation and reflect any changes in Mixed Tenure Improvement Strategy and Scheme of Assistance to ensure owners and landlords are supported throughout the process.
- 4.58 Committee is asked to note the strategic approach to the private rented sector set out in this report Real and lasting changes to the sector will be dependent upon joint working with a wide range of stakeholders including tenants, individual landlords, landlord forums, housing developers and Scottish Government.

5. Next Steps

- 5.1 Continue to work with PRS landlords, developers, Scottish Government and other stakeholders to progress the following workstreams:
- 5.1.1 increase supply through BTR. A report on the BTR framework will be provided within two committee cycles;
 - 5.1.2 provide an update on the Mixed Tenure Improvement Strategy to Committee in January 2020;
 - 5.1.3 continue to exercise existing powers to regulate the STL sector, ensuring tenants' rights are protected, as well as actively engaging in national debate and discussion to introduce new powers to help manage the sector;
 - 5.1.4 continue to work with partners and communities to maximise the funding available for improving energy efficiency of homes, as well as, actively engaging in the national debate on minimum standards;

- 5.1.5 continue to work with other local authorities, Scottish Government and other partners to improve the availability and robustness of PRS data and develop a compliant methodology for gathering robust evidence required for an RPZ application; and
- 5.1.6 continue to contribute to the debate on improving the Maintenance of Tenement Scheme Property and any subsequent implementation proposals.

6. Financial impact

- 6.1 There are no direct costs arising from this report. Costs related to individual workstreams are contained within existing budgets.

7. Stakeholder/Community Impact

- 7.1 The Council has been undertaking engagement and consultation with the stakeholders on various PRS issues highlighted in this report. This has included:
 - 7.1.1 working in partnership with Association of Local Authority Chief Housing Officers (ALACHO) and its local authority members, Scottish Government, third sector and other interested stakeholders to develop a methodology for acquiring new datasets and gathering the robust evidence base required for an RPZ application;
 - 7.1.2 a workshop with BTR developers and investors (informed by an online questionnaire) in June 2019 to explore challenges and potential solutions to accelerate development of BTR, covering issues on land, planning and affordable housing. Further consultation will take place with stakeholders prior to bringing a report to committee on the proposed framework within two committee cycles;
 - 7.1.3 in response to Scottish Government's consultation on Short Term Letting, the Council actively promoted the consultation through social media, locality drop in events to encourage the general public, community councils and other bodies to respond; and
 - 7.1.4 The Council has been actively involved in the Scottish Parliamentary Working Group on Maintenance of Tenement Scheme Property and will continue to contribute to the debate and discussion on improving the legislation and any subsequent implementation details.

8. Background reading/external references

- 8.1 City Housing Strategy Update – Housing and Economy Committee [2 November 2017](#).

- 8.2 Strategic Housing Investment Plan (SHIP) 2018-23 – Housing and Economy Committee [2 November 2017](#).
- 8.3 [ESES City Region Deal Heads of Terms Agreement](#) – July 2017.
- 8.4 Edinburgh Economy Strategy – Housing and Economy Committee, [18 January 2018](#).

9. Appendices

- 9.1 None.