

A Brief Legal Guide to Investing in Real Estate in the UK





Introduction

Despite the difficulties in the current global real estate market, UK real estate continues to present attractive opportunities for investors.

The UK real estate market is mature which means your ability to effectively invest is maximised. There are various types of investment property and ways to structure investment in the UK. We are experts in this area and can provide bespoke advice in order to help increase the opportunities available to you.

We hope that you will find this Guide useful in explaining the key legal issues affecting your planned or existing investment in UK real estate. It is very much an introduction to the subject and like all legal systems, is subject to regular change, therefore please be careful to check with us that the law as stated here is still in force.

We would welcome the opportunity to discuss any issues with you that may arise from this Guide. Please feel free to get in touch with your usual Mayer Brown contact or one of the partners listed.

Please note that Scotland, England and Wales, and Northern Ireland are largely separate jurisdictions for legal purposes. This Guide relates only to the laws of England and Wales. If you are considering purchasing real estate in Scotland or Northern Ireland please consult us first.

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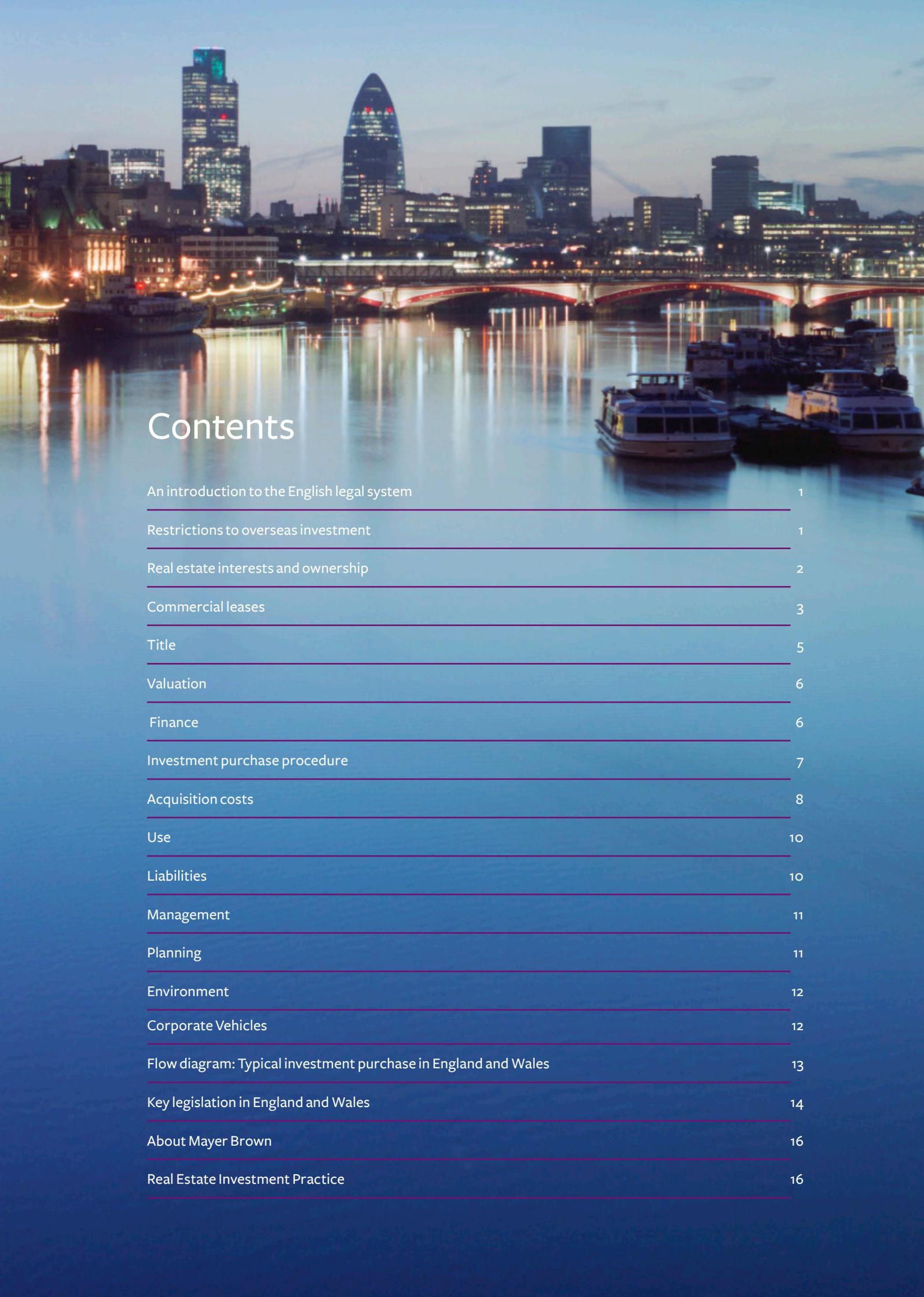
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“They’re very responsive and commercial; as a group they deal with issues quickly and professionally. You have to be very focused and go through the details to make sure the property works and they’re extraordinarily good at doing that.”

Client Quote



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1. An Introduction to the UK legal system

WHAT IS THE UK LEGAL SYSTEM?

The UK legal system has developed from a combination of statute and case law in which publicly decided cases (whether interpreting statute or building on previous case law) form part of a body of law, known as the common law.

The structure of the UK legal system offers many benefits to overseas real estate investors including a clear and established legal framework; certainty of law and title; a clean income (running costs payable by tenants); and a very competitive tax regime.

WHAT ARE THE SOURCES OF UK LAW?

The rules governing UK law have evolved from three sources:

- Domestic legislation – which includes statutes or Acts of Parliament. The interpretation of such legislation is for the judiciary when they hear cases in the courts.
- Common law – made by the judiciary (as explained above).
- European Community law – which is binding on the English legal system. If EC law conflicts with national law, the courts are required to apply EC law or interpret national law to fit in with EC law.

2. Restrictions to overseas investment

ARE THERE ANY LEGAL RESTRICTIONS ON THE ACQUISITION OF UK REAL ESTATE BY OVERSEAS INVESTORS?

There are no restrictions on overseas investors acquiring real estate in the UK. Real estate can be purchased, rented or leased by individuals or companies for their own use or as an investment.

The only information that will be required is:

- evidence of the purchaser's identity in accordance with statutory requirements;
- credit and other checks on the purchaser's ability to fund and complete the transaction; and
- a legal opinion from an independent lawyer in the relevant jurisdiction of the purchaser, to ensure the enforceability of documentation and the validity of the transaction generally.

WHAT DIFFERENT TYPES OF INVESTMENT STRUCTURES CAN INVESTORS USE IN THE UK?

There are a number of different investment structures which can be used to acquire and hold real estate investments in the UK including:

- **Partnership**, when two or more persons carry on business together. A partnership is not a separate legal entity and partners generally have unlimited liability.
- **Limited liability partnership (LLP)**, a hybrid form of business entity: it is neither a partnership nor a company. Like a company, an LLP is a body corporate and therefore a separate legal entity and an LLP member's liability is limited. However, like a partnership the relationship between LLP member's is governed by private agreement. An LLP does not have shareholders or directors and is taxed like a partnership.
- **Joint ventures**, describes a commercial arrangement between two or more economically independent entities that can take a number of forms for the purpose of executing a particular business undertaking.
- **Property unit trusts**, a unit trust scheme is constituted by a trust deed generally entered into between a trustee (typically a bank or insurance company) and the manager of the scheme who will be responsible for investing the assets of the unit trust in accordance with the terms of the trust deed. The investors are the beneficial owners of the trust property and their interests are represented by units in the unit trust scheme.

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- **REITs**, an indirect investment vehicle in which you can buy shares or units in to invest in property.

The choice of structure will depend on a number of factors, including tax, management, funding and exit routes. We can help you with this.

ARE THERE ANY EXCHANGE CONTROL OR CURRENCY REGULATIONS WHEN INVESTING IN THE UK?

The UK does not impose any exchange controls or currency regulations relating to inward or outward investment, the repatriation of income and capital or the holding of currency accounts.

3. Real estate interests and ownership

WHAT TYPES OF REAL ESTATE INTERESTS AND OWNERSHIP ARE THERE IN THE UK?

Since 1925, two main legal estates in land have existed, namely a **freehold** estate and a **leasehold** estate.

A freehold interest provides the holder of the estate with absolute ownership, unlimited in time, of both the property and the land on which it stands.



A leasehold interest provides the holder of the estate with rights of possession and use of land but not ownership. The interest is created by a document called a lease, which is granted by a freeholder for a fixed term, in exchange for a specified payment of rent. At the end of the term, the lease comes to an end and the property reverts to the freeholder.

There are benefits to holding a leasehold interest however overall given the fact the investment market in the UK is built around rental income, we find real estate investors prefer to own a freehold interest for complete control over the property.

WHAT IS AN 'EASEMENT'?

An easement is a right that the owner of one piece of land has over another piece of land. A common example of easements are rights of way over shared access ways and rights to run service pipes and cables.

To establish if you have an easement over your land you should check the title register and title deeds as it will usually be explicitly recorded within them (see further below).

Easements are an important factor to consider when investing in UK real estate as they can sometimes affect the value of your land. We can help you with this.

WHAT IS A 'RESTRICTIVE COVENANT'?

A restrictive covenant is a promise by one person to another (such as a purchaser of land and a seller or an owner of neighbouring land) not to do certain things with land or property. It binds the land and not an individual person. This means that the covenant continues even when the purchaser sells the land on to another person. The covenant will usually continue to have effect even though it may have been made many years ago and appears to be obsolete.

It is possible to negotiate the release or variation of a restrictive covenant. We can help you with this.

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4. Commercial leases

WHAT DIFFERENT TYPES OF COMMERCIAL LEASES ARE THERE IN THE UK?

There are commonly four types of commercial leases:

- “occupational leases” – granted for a 25 year term or less. These should be full and repairing leases (i.e. “FRI leases”). An FRI lease is a lease where the landlord receives a market rent and the tenant pays all costs associated with repairs, the provision of any services and insurance. The majority of commercial leases will be of this type.
- “long leases” – for a 99 year term or more. These leases are granted in return for a significant capital sum payment, with a nominal rent payable throughout the rest of the term. They are therefore inherently valuable.
- “geared leases” – for a 99 year term or more. These are usually granted to a developer or investor (in return for a capital sum payment), who goes on to construct buildings on the demised land and then grants “occupational leases”. In return for enhancing the value of the freeholder’s interest in the demised land, the developer or investor does not pay a full market rent but instead a percentage of that rent. These are common in parts of London.

WHAT ARE THE KEY TERMS OF A COMMERCIAL LEASE IN THE UK?

The terms of commercial leases are freely negotiable. The key terms to consider are:

- **Rent levels and reviews.** It is standard practice to review rent levels every five years and adjust rent to the higher of the rent payable immediately before the review and the open market rent at the date of the review (commonly known as ‘upwards-only review’).
- **Length of term.** The term of the lease is a matter for negotiation and depends on a number of factors, including the size, type and age of the premises.

Commercial occupational leases used to be commonly granted for a term of twenty five years but because of the current economic climate, leases are now commonly granted for between five and ten years, although leases of larger office space may be longer.

- **Restrictions on disposal.** Typically a tenant can assign the lease with the consent of the landlord (whose consent cannot be withheld unreasonably). Landlords may be able to require a guarantee as a condition of assignment.
- **Use of premises within a corporate group.** Tenants can usually share premises with other group companies. The lease often provides that there is no need to obtain the landlord’s consent but it is good practice for the landlord to be notified when sharing begins and terminates.
- **Repair.** Responsibility for repair depends on whether the lease is of the whole or of part of a building. Where the lease is of the whole of the building, it is normal for the tenant to be responsible for the repair of the whole (internal and external). For a lease of part only of a building, it is normal for the tenant to be responsible for internal repairs and the landlord to be responsible for external repairs, common areas and services (though the landlord usually recovers all repair costs from the tenants through service charges).
- **Insurance.** Responsibility for insuring the premises usually follows the responsibility for repair (see above).

WHAT SECURITY DOES A TENANT HAVE UNDER A COMMERCIAL LEASE IN THE UK?

A tenant usually has an automatic statutory right to renew its lease at the end of the term on substantially the same terms as the original lease. The landlord can object on certain limited grounds, such as if it requires occupation of the property for its own use or wants to redevelop the property.



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However, in some circumstances parties before they become contractually bound, agree to “contract out”, which means that the tenant will not have its automatic statutory right to remain in the property at the end of the term unless the landlord decides to offer a new lease.

WHEN CAN A LANDLORD TERMINATE A LEASE IN THE UK?

A landlord can terminate a lease where there has been either non-payment of rent or breach of an obligation by the tenant, the latter is regulated by statute. Before termination, the landlord must serve notice of the breach on the tenant and allow reasonable time for remedy. There is no statutory protection for tenants in the case of non-payment of rent.

A tenant can only terminate the lease if there is an express right to do so in the lease (commonly called a tenant’s break clause).

5. Title

DO YOU HAVE TO REGISTER YOUR REAL ESTATE INTEREST IN THE UK?

Yes. The Land Registry, a Government agency which runs the land registration system in England and Wales, maintains a public register of title to land (strictly, it is the *title* to land rather than the land itself that a seller sells to a purchaser).

Each piece of land has a separate title number and so when an intending purchaser wants to check the title which he/she is purchasing, a quick search of the public register at the Land Registry will confirm the following information which he/she needs:

- the extent of the land concerned by reference to a plan;
- the owner’s identity;
- the title (e.g. freehold / leasehold);
- benefits enjoyed by the land (e.g. rights of way over neighbouring land);
- burdens attached to the land (e.g. restrictive covenants);
- financial charges affecting the property; and

- leases to which the property is subject (e.g. duration, tenant and rent).

We would expect most investment properties in the UK to be registered at the Land Registry with what is known as “absolute title”. This means that the title to the land is completely safe and cannot be challenged.

To the extent that there are any defects with the title, any risks can be mitigated by obtaining appropriate insurance (albeit at a cost). If not, please consult with us. There is also a state guarantee of title. This means that if a registration error is made or a forged disposition is registered, the register may be rectified and there is a statutory compensation scheme to protect any party who suffers loss as a result of the rectification.

WHAT IS A REPORT ON TITLE?

A Report on Title is carried out by the purchaser’s solicitor and is a written analysis of the status of the title of the property to be acquired and identifies any matters of material concern. We can help you with this. It can be relied upon by you and any third party lender or co-investor of the purchase. It will broadly include the following matters:

- a description of the property to be acquired (e.g. the type of property interest, the address and the quality of title);
- the names of the title holders;
- rights to which the property has the benefit (e.g. rights of way) and burdens to which the property is subject (e.g. restrictions on use or obligations to make payments);
- enquiries and information received from the seller;
- enquiries and information available from public and other agencies as to matters affecting the property (e.g. local authority);
- the current use of the property which is permitted for planning purposes;
- any third party occupational interests to which the property is subject; and
- the tax rate of the transaction (e.g. the purchaser price may be subject to Value Added Tax of 20% or Stamp Duty Land Tax may be payable to the UK tax authorities) (see below).

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CAN CONFIDENTIAL INFORMATION BE PROTECTED FROM DISCLOSURE IN THE TITLE REGISTER?

The register of title is a public document and anyone can inspect or make copies of it or any documents referred to on it. However, the Land Registry has a discretion to allow documents that contain prejudicial information to be exempt from this general right of inspection, for example, certain commercial information can be excluded if appropriate.

6. Valuation

HOW IS REAL ESTATE VALUED IN THE UK?

A valuer (also known as a property surveyor) who is regulated by the Royal Institution of Chartered Surveyors, will value the property. Valuers follow a number of rules to regulate how their valuations are calculated. These include referring to sales of similar property in the local or comparable areas.

We can help by liaising with the valuer to ensure he / she is aware of any material matters arising from the legal due diligence (see below) that directly affects the property and in turn might affect the property's valuation.

7. Finance

HOW IS THE ACQUISITION OF REAL ESTATE FINANCED IN THE UK?

The most common way of raising finance in the UK is to borrow from a bank or other funder. It will lend a proportion of the purchase price, which in the current economic climate, will be between 50% to 60% for premier properties (previously much higher deals were often seen of up to 90% or more). There have been club deals where a number of banks underwrite a deal, but the limited number of banks currently lending means

that these deals are becoming increasingly difficult to put together. There are exceptions, but they are generally driven by a very strong corporate relationship with a particular bank.

The junior or mezzanine market has generally collapsed as banks have moved out of this area. There are signs, however, that equity funds are filling the gap, attracted by the relatively low risk and the potential for substantial returns.

To facilitate the disposal of property and the restructuring of distressed debt, there has been a significant increase in the amount of stapled debt being made available (that is, the property is sold with the benefit of the existing funding, but restructured to re-set financial covenants and reduce gearing).

WHAT ARE THE MOST COMMON FORMS OF SECURITY GRANTED OVER REAL ESTATE IN THE UK?

Prior to the release of funds, the lender will generally want security from the purchaser by way of one or more of the following:

- a charge by way of a legal mortgage;
- an assignment of any rental income generated by the property;
- a fixed charge over any plant and machinery which is not affixed to the property;
- a charge over shares;
- a charge over all relevant contracts including leases, insurance policies and construction documentation; or
- a "floating" charge over all the assets to cover anything not specifically charged by the security above.

The lender will require first ranking security over the property, which must be registered at the Land Registry to ensure the lender has priority over any subsequent dealings relating to the title. It is also common for the lender to require a restriction to be registered against the title at the Land Registry to ensure the borrower does not make a disposition without its consent.

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Notices of charges over banks accounts must be given to the relevant bank and notice of security over other contracts must be given to the counterparty to the contract.

In addition, if the borrower is a company registered in England and Wales, the lender's security must also be registered at Companies House. If the security is not registered at Companies House it will be invalid against any liquidator, administrator and third party creditors of the borrower. This would be a serious fault.

WHAT DOCUMENTATION IS COMMONLY USED IN A REAL ESTATE FINANCE TRANSACTION?

If investment finance is raised by borrowing from a bank or other funder, a number of key documents will be used in the real estate transaction including:

- **Facility agreement** (also known as a loan or credit facility agreement or facility letter or funding agreement). This is an agreement in which the lender sets out the terms and conditions on which it is prepared to make a loan facility available to a borrower.
- **Borrower debenture.** If the borrower is a 'special purpose vehicle' (SPV) (see section 15 below), the lender will usually take a debenture. This is a document that is executed in favour of the lender with a covenant to pay the lender and which grants security by way of fixed or floating charges over all the borrower's assets and undertaking.
- **Parent guarantee.** If the borrower is an SPV (and so has no trading history), the lender may require the parent (or a holding company in the group of sufficient financial standing) to guarantee the borrower's obligations under the facility agreement.
- **Charge over borrower's shares.** Under this document, the parent will grant the lender a charge over the borrower's entire issued share capital. This enables the lender to realise its security over the property by selling the shares in the borrower (which may have tax advantages over selling the property itself).

- **Subordination agreement.** If the parent (or other sponsor behind the investment) makes a loan to the borrower, this agreement should be entered into between the lender, the parent and the borrower regulating payments of interest and principal to the parent.
- **Management agreement and duty of care agreement.** If the property is let to multiple tenants, the borrower will usually appoint a management agent under a management agreement to collect and administer the rent and service charges in relation to the property. The lender will want to review the management agreement to ensure that the management agent's obligations are adequate and the managing agent has suitable professional indemnity insurance. It will usually also require the managing agent to enter into a duty of care agreement, whereby the managing agent agrees to owe a duty of care to the lender in relation to its obligations.

We can help advise and negotiate in regard to all of these and other related documentation.

8. Investment purchase procedure

WHAT IS THE PROCEDURE FOR PURCHASING REAL ESTATE IN THE UK?

The procedure for purchasing property in England and Wales is broadly:

- to submit a **bid or offer** for the property which is accepted by the seller. This is not legally binding;
- to agree '**heads of terms**', setting out the key commercial terms of the purchase with the seller, such as price, timing and finance arrangements. This is not legally binding;
- to undertake **full legal due diligence** on the property (the general rule is that the buyer needs to satisfy itself as to matters affecting land to be acquired). We will do this for you;

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- to carry out a full **inspection** and **survey** of the property;
- to **negotiate the terms of the sale contract** (in line with the 'heads of terms' agreed at the outset) and **transfer document** (by which title is transferred to a purchaser). These may need further thought depending on what the full legal due diligence process reveals (the outcome of the due diligence process will be set out in a report on title, which will be issued before exchange of contracts). We can help you with this. The purchaser shall also need to negotiate the banking documents with the lending bank (see above);
- to **sign and exchange the agreed form of sale contract** with the seller (paying a deposit of usually 10%). This is the point at which the parties become contractually bound to sell and purchase the property;
- to undertake **pre-completion checks/searches**, satisfy the conditions precedent for the bank loan to be paid by the lending bank on completion, satisfy any pre-conditions required prior to concluding the sale;
- to obtain **insurance** for the purchase. At completion the seller will cancel its insurance policy and so the purchaser will need to put insurance in place;
- to **complete the purchase**, by paying over the balance of the price (usually 90%), receiving evidence of the discharge of any existing security affecting the property, and dating the transfer deed (to be signed in advance of completion by the seller/purchaser). There is no standard period between exchanging contracts and completing a purchase; the two events can follow each other on the same day (i.e. a simultaneous exchange and completion, or a period of days/weeks can intervene (14-28 days is common));
- **post-completion requirements** include perfecting the purchaser's title at the Land Registry and paying Stamp Duty Land Tax (see below). An overseas investor will also need to register as a non-resident landlord to ensure that rental income payable in relation to the property is paid gross rather than net. We can deal with this for you.

9. Acquisition costs

WHAT TAXES ARE PAYABLE WHEN YOU PURCHASE REAL ESTATE IN THE UK?

There are two taxes which are relevant to acquiring property in England and Wales, namely **Stamp Duty Land Tax** ("SDLT") and **Value Added Tax** ("VAT").

SDLT is charged on land and property transactions in the UK. The tax is charged at different rates and has different thresholds for different types of property and different values of transaction. Almost all land transactions will be subject to SDLT, which is payable within 30 days of the date of purchase.

SDLT AND COMMERCIAL REAL ESTATE

The current SDLT commercial property rates and thresholds are:

- 0%, where the amount payable is £150,000 or less;
- 1%, where the amount payable is between £150,001 -£250,000;
- 3% , where the amount payable is between £250,001 -£500,000;
- 4%, where the amount payable is £500,001 or more.

Where the property is owned by a company (or other vehicle), the purchaser may be able to acquire the company, rather than take a direct transfer of the land. As a result, a corporate acquisition could avoid the high rates of SDLT that would be paid on a transfer of the land itself. However, the UK tax authorities seem to view corporate acquisitions negatively where the company owns real estate and where SDLT avoidance is a material motive. For this reason, careful consideration should be given as to how to structure deals to ensure no adverse tax consequences. We can help you with this.

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VAT is a tax that is charged on most goods and services that VAT registered businesses supply in the UK. Generally the supply of land is exempt for VAT purposes. However, an owner of commercial property can opt to tax the property so as to treat any supplies it makes in relation to the property subject to VAT at the standard rate (currently 20%). If the option is made, any sale is normally subject to VAT. Most owners of commercial property opt to tax.

The acquisition of an income generating investment property should ordinarily be treated as a “going concern” and therefore no VAT should be payable. All the purchaser needs to do is ensure it complies with certain administrative requirements to ensure the property transaction is treated as a “going concern”. We can help you with this.

CAPITAL GAINS TAX

There is no tax payable on gains of a non-UK purchasing entity.

ARE THERE ANY OTHER ACQUISITION COSTS PAYABLE ON A PURCHASE OF REAL ESTATE IN THE UK?

Yes. Other acquisition costs payable on a purchase include:

- **Search fees**, carried out as part of the legal due diligence process;
- **Land Register fees**, for the registration of a transfer to the purchaser (the maximum for properties worth over £1m is £910.00);
- **Building surveyor’s fees**, if the purchaser and/or the bank commission a building survey to establish the precise condition and state of the property;
- **Legal fees**, each party usually bears its own legal costs. You should however expect to pay the bank’s legal fees if you purchase with the benefit of bank finance;
- **Valuation fees**, payable in relation to the valuation obtained by the purchaser and/or the bank, as to the value of the property to be purchased;
- **Investment surveyor’s fees**, These are often subject to negotiation by reference to the purchase price;

- **Bank fees**, if the property is acquired with the benefit of finance; and
- **Companies House fees**, if the property is acquired with the assistance of a loan.

ARE THERE ANY TAXES PAYABLE ON RENTAL INCOME FOR AN OVERSEAS INVESTOR IN THE UK?

Yes. If rental income is received by an overseas investor, this income is subject to income tax at the rate of 20%. The amount of income tax payable on rental income will reduce if deductible expenses exist. The main deductions which may be made on the rental income include, capital allowances and interest on a loan taken out to acquire the property. The application of these deductions can be complex. We can help you with this.

10. Use

ARE THERE ANY RESTRICTIONS ON LAND USE IN THE UK?

If there are any restrictions on the use of the land, these will be identified in the Report on Title (see above). For example, in some cases the land may be subject to restrictions on the type of building which is permitted to be constructed or there may be rights identified in favour of adjoining land such as an access to light or third party rights. These rights usually bind not only the original parties who create them but also those who purchase the land subsequently. Please see (13) below.

11. Liabilities

WHAT TYPES OF LIABILITY DOES AN OWNER OF REAL ESTATE IN THE UK FACE?

If the owner of the property is also the occupier, then he/she will be under a statutory duty to keep the property in a good state of repair. This will require compliance with various health and safety and environmental matters as well as owing a duty of care to all visitors to the property.

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If, however, the property is acquired for investment purposes only, the cost of complying with these obligations should ordinarily be passed to the tenant(s) (see “FRI lease” above).

ARE TAXES PAYABLE ON THE OCCUPATION OF COMMERCIAL PREMISES?

Yes. Business rates are payable by occupiers of commercial buildings, broadly based on their notional rental value. There are exemptions but these are limited to between three to six months after becoming vacant, after which empty rates are payable at the same level as occupied rates.

12. Management

HOW IS REAL ESTATE MANAGED IN THE UK?

Property owners tend to retain professional management agents to manage their property/properties. For a fee, the managing agent will carry out such activities as rent collection, the provision of services, arranging insurance and so.

13. Planning

WHEN IS PLANNING PERMISSION REQUIRED IN THE UK?

Planning permission is required for the carrying out of any development of land (that is carrying out of building, engineering, mining or other operations in, on, over or under the land) or a material change of use of land.

HOW DO YOU OBTAIN PLANNING PERMISSION IN THE UK?

The relevant local planning authority (LPA) – usually the district or borough council – is responsible for deciding whether a proposed development should be allowed to go ahead.

The LPA determines applications by reference to its development plan, unless material considerations indicate otherwise. The LPA will be able to tell you how you can view its development plan.

Once an application has been registered, the LPA will then publicise and consult on it. This gives the public an opportunity to comment on the application. The LPA will then assess the relevance of any comments and, in light of them, may suggest minor changes to the application to overcome any difficulties.

Most planning applications are decided within eight weeks unless they are unusually large and complex, in which case the time limit is extended to thirteen weeks.

If permission is granted, you have three years from the date it is granted to begin the development.

If the LPA refuses permission or allows it, but only subject to unacceptable conditions, you can appeal and have the matter resolved by the Planning Inspector. Very occasionally, the Secretary of State will take the decision.



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14. Environment

ARE THERE TARGETS TO REDUCE GREENHOUSE GAS EMISSIONS (GHG) FROM BUILDINGS IN THE UK?

The Climate Change Act 2008 made the UK the first country in the world to have a legally binding, long term framework to cut GHG emissions. The target is at least an 80% reduction of GHG emissions by 2050.

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is the UK's mandatory scheme to monitor and reduce energy usage by large organisations. The Scheme features an annual performance table that ranks participants on energy efficiency performance. Together, with reputational considerations, the aim of the scheme is to encourage organisations to develop energy management strategies that promote better energy usage. The Scheme is complex and has been contentious in the UK real estate sector. To help simplify matters, the Government introduced legislation in 2013 which implemented changes to streamline the CRC Scheme.



WHAT IS AN ENERGY PERFORMANCE CERTIFICATE (EPC)?

An EPC provides information about the energy efficiency of a building. It is prepared by an accredited assessor and the building is given an asset rating from A to G, measuring its construction and services (by examining its insulation, radiators, glazing etc). It also includes a recommendation report for energy efficiency improvement.

An EPC must be supplied at the construction, sale or rental of any property. From April 2018, it will be unlawful to let residential or commercial properties which have an EPC rating of F or G (the lowest two energy efficiency ratings).

15. Corporate Vehicles

WHAT IS AN 'SPV'?

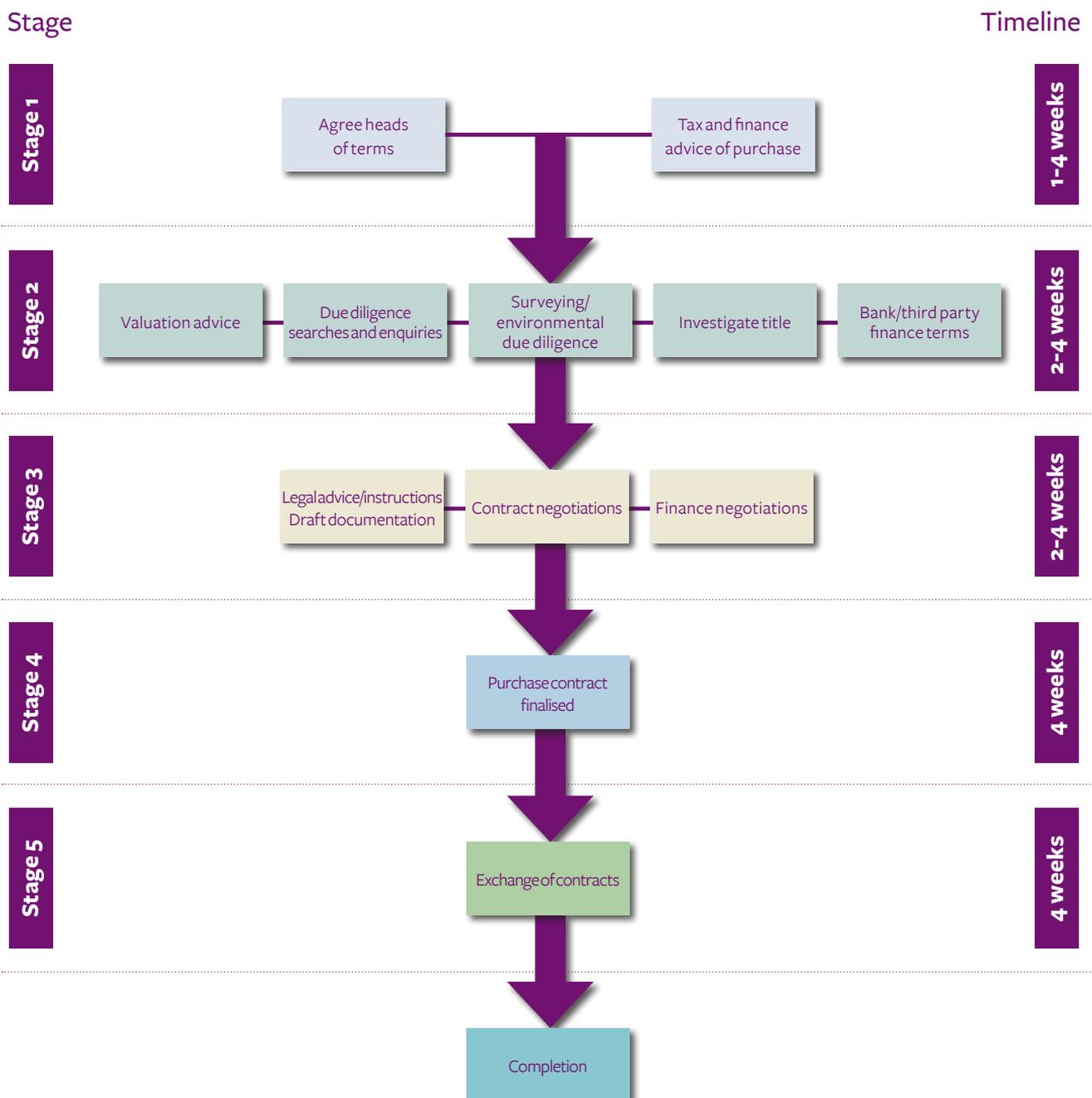
A 'special purpose vehicle' (SPV) is an entity (whether a company, unit trust, limited partnership or other legal entity) established for a specific purpose, in this case, to hold real estate. Efficient structures can be created to maximise tax efficiency and minimise cost and risk. It is therefore common for investors to incorporate or acquire an SPV to hold real estate in the UK. An SPV enables investors to deal, in one entity, with all aspects of real estate. This approach has the advantage of eliminating any SDLT. However, the purchase of an SPV does require much more due diligence. We can help you with this and help you negotiate the form of your SPV sale and purchase agreement together with other related documentation.

The comments in this Guide are not matter specific and should not be relied upon without taking further detailed legal advice.

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Flow Diagram: Typical investment purchase in England and Wales



This timeline relates to the legal system in England and Wales. The legal system in Scotland is different. Timescales may differ significantly depending on the particular circumstances of each purchase.

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Key legislation in England and Wales

General property legislation

- The Law of Property Act 1925. This Act created the current estate system of two legal estates in land (freehold and leasehold).
- The Law of Property (Miscellaneous Provisions) Act 1989. This Act provides for certain formalities for the creation of land contracts.
- Land Registration Act 2002. This Act modernised land registration law and practice.

Leasehold

- Landlord and Tenant Act 1954. This Act established a security of tenure regime for tenants of business premises.
- Landlord and Tenant (Covenants) Act 1995. This Act applies to all leases granted on or after 1 January 1996.

Planning

- Town and Country Planning Act 1990. This Act sets out the main framework for planning control.
- Planning (Listed Buildings and Conservation Areas Act) 1990. This Act imposes a regime for the alteration or demolition of buildings of historic or architectural interest.

Environmental

- Environmental Protection Act 1990. This Act sets up the regime for the clean-up of land contamination which poses a risk to the environment or human health.
- Control of Asbestos Regulations 2012. These regulations impose a duty on those with responsibility for the maintenance or repair of non-domestic premises to identify whether asbestos is present and to manage it if it is identified.

Tax

- Finance Act 2003 (as amended). This Act introduced stamp duty land tax.

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About Mayer Brown

Mayer Brown is a leading global law firm with offices in major cities across the Americas, Asia and Europe.

Our presence in the world's leading markets enables us to offer clients access to local market knowledge combined with a global reach.

There are 20 Mayer Brown offices worldwide and two in association with Tauli & Chequer Advogados.



Americas: Charlotte, Chicago, Houston, Los Angeles, Mexico City, New York, Palo Alto, Washington, Sao Paulo (T&C)* and Rio de Janeiro (T&C)*.

Asia: Bangkok, Beijing, Hanoi, Ho Chi Minh City, Hong Kong, Shanghai and Singapore

Europe: Brussels, Dusseldorf, Frankfurt, London and Paris

*In Brazil, Tauli and Chequer Advogados in association with Mayer Brown LLP offers clients access to a full service Brazilian domestic law practice.

Real Estate Investment Practice

Acting for both domestic and overseas investors, Mayer Brown's real estate investment team has a deep and substantial understanding and experience in all forms of direct and indirect investment into real estate assets.

Our transactional experience includes:

- Single and portfolio asset transactions;
- Using and/or acquiring corporate and other structured investment vehicles, such as property unit trusts and other schemes designed to mitigate tax liabilities;
- The formation and implementation of joint ventures and other investment platforms;
- Forward purchase and forward funding of assets being developed;
- Project managing cross border and multi-jurisdictional investment transactions; and
- Debt acquisitions.

Rarely are investment transactions purely about the real estate; there are many more facets, all of which need to be managed without compromise, for instance, the transfer of employees and appointing agents to deal with rent collection, rent reviews and agreeing terms of new lettings. Our commitment, not only to the detail but also the bigger picture allows us to highlight issues as they arise. We work with our clients to develop commercial and creative solutions so that the potential of the investment may be maximised. We believe this adds real value to the transaction and gives our clients the knowledge and tools to effectively run their investments from day one.

Acting regularly for landowners as well as occupiers gives us a significant platform from which to add value to the ongoing day to day management of our clients' assets. That management role may take many forms but often includes strategic advice on lease restructuring and redevelopment projects, handling flagship lettings to prestigious occupiers, as well as efficiently dealing with high volume lettings and other day to day management tasks. Being creative and solution led in the way in which we handle any dispute between parties, without automatically resorting to the court, provides our clients with commercially focused choices designed to complement their commercial objectives and needs.

About Mayer Brown

Mayer Brown is a global legal services provider advising clients across the Americas, Asia and Europe. Our geographic strength means we can offer local market knowledge combined with global reach. We are noted for our commitment to client service and our ability to assist clients with their most complex and demanding legal and business challenges worldwide. We serve many of the world's largest companies, including a significant proportion of the Fortune 100, FTSE 100, DAX and Hang Seng Index companies and more than half of the world's largest banks. We provide legal services in areas such as banking and finance; corporate and securities; litigation and dispute resolution; antitrust and competition; US Supreme Court and appellate matters; employment and benefits; environmental; financial services regulatory and enforcement; government and global trade; intellectual property; real estate; tax; restructuring, bankruptcy and insolvency; and wealth management.

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