

Russia and CIS: investing in commercial property — are you missing out?

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In the first three months investment volumes topped £4.3bn in Central London, according to figures from real estate services company Cushman & Wakefield – a record for the quarter. International investors in particular are attracted by the perception of London as a ‘safe haven’ coupled with higher returns in a world of low interest rates.

SDLT rates of a maximum of 4% rather than 15% for residential property are also encouraging a diversification away from residential to commercial property.

If you are interested in investing in commercial property, here are 10 key points:

- Appoint a chartered surveyor who specialises in commercial investment property to advise you. They will be familiar with the issues which have to be taken into account over and above the headline yield. They can also advise on the best strategy to acquire the building and the preparation of any bid letter. We deal regularly with key agents in the market and are well placed to provide suitable introductions.
- As a new entrant to the market you will be unable to provide evidence of a track record and it will be necessary to provide proof of funds. An offer letter from Withers gives credence to your bid.
- Arrange for your surveyor and Withers to carry out a high level due diligence review of the Property to ensure that there are no “show stoppers” which will save you abortive fees in the long run.
- Structuring and tax advice will need to have been taken in advance to avoid delay. We are well placed to provide such multi-jurisdictional advice.
- Borrowing (if required) for the acquisition or if being utilised to minimise tax on investment income will also need to be agreed in principle, as this must be in place at completion. We deal regularly with the current lenders in the market and will be able to provide suitable introductions.
- Typically, Buyer's fees are between 5.5-6.5% of the Purchase Price (Legal, Agent, Surveyor fees and SDLT). The highest SDLT rate for commercial property is 4% (on properties above £500,000) rather than 15% for residential property.
- The Annual Tax on Enveloped Dwellings (ATED) does not apply to commercial property.
- Rather than a brief Memorandum of Sale, relatively detailed but non-binding Heads of Terms will be drawn up. Input from an experienced commercial property agent and lawyer should be sought when these terms are negotiated because the seller is likely to strongly resist any later attempt to vary or depart from the agreed Heads of Terms.
- A binding contract will generally be required to be entered into within 20 working days of Heads being signed off. Due Diligence, negotiations and reporting then have to be conducted within a tight time-frame. Issues will be flagged as they arise, so regular and close liaison between the investor and their team is essential during this period.
- Withers has in-depth experience and is well placed to help you plan your bid so it is credible and deliverable.


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