

MOORE STEPHENS

Providing due diligence on your property transaction

Real estate

PRECISE. PROVEN. PERFORMANCE.

Providing due diligence on your property transaction

In today's economic climate, gaining a robust understanding of the asset being purchased and income generated from it is more important than ever before, with the due diligence process now a key part of any property transaction.

The uncertainty surrounding the UK economy has created a unique set of challenges for property investors. You face pressure from a number of sources, not least of which are your own stakeholders. We understand that you require solutions tailored to your needs, from experts capable of providing an appropriate level of expertise and independence.

Our aim is to provide investors with a clear understanding of the counterparties they engage with and the assets they hold through a strong, independent due diligence process.

Our solution

Our primary focus is on the needs of the investor, taking into account the wider context in which they operate. This tailored approach allows them, with our help, to fulfil their responsibilities and meet the high expectations of their stakeholders.

Our team is partner-led and includes individuals with diverse skill sets, including real estate, corporate advisory and tax specialists. They all work together as a cohesive team to provide the integrated service relied upon by property investors.

As part of our offering, we provide tailored due diligence services to help prospective purchasers of property investments assess

the underlying income stream and validate the key financial assertions on which the proposed acquisition is to be based.

This includes due diligence on the following areas:

Property holding company:

- assessment of tax liabilities and balance sheet debts;
- assessment of income, risks, relationships with other entities;
- forecasting;
- potential for future corporate restructurings or downgrades.

Property:

- debts accrued;
- income streams;
- service charge void costs if applicable.

Tenant appraisal:

- current and prospective tenants' ability to maintain rent payments;
- guarantor arrangements.

Our approach to due diligence provides comprehensive and timely feedback for property investors. The provision of reliable information throughout a transaction is critical to its success, therefore we ensure our clients are kept informed through the whole process. Our output is always bespoke and provides answers, to help clients reach informed decisions. Once the purchase has been completed, we have the expertise and diversity of skill within our team which allows us to assist you on an ongoing basis, in relation to updated tenant and prospective tenant appraisals.

Credentials

Our dedicated team is made up of business advisers drawn from a variety of disciplines who act for a number of UK and international property owners and investors. These advisers are used to working together and provide an integrated approach through shared knowledge and experience. Our understanding of real estate issues enables us to provide a responsive and bespoke service, as well as solutions that meet our clients' needs.

We act for a property investment fund manager, with some \$800 million under management. The investor profile includes the UN pension fund, US pension funds and Scottish Amicable. As it is international, some of the funds are UK tax exempt and are, therefore, offshore. We deal with:

- UK tax compliance matters for non-resident companies;
- VAT advice on property acquisitions and disposals;
- general tax advice, including residence, trading status, structuring of borrowings, general tax efficiency in the UK and overseas, and tax-efficient interactions between limited partnerships.

We act for a UK listed property investment and trading group concerned largely with UK commercial properties. Apart from compliance matters, our services include:

- advising on the tax-efficient structuring of proposed transactions, including property acquisitions, disposals and joint ventures;
- advising on the group funding structure, advising on inter-group loans to maximise reliefs and minimise deferred tax.



We act as external auditor for a number of UK and international investment property funds. In this capacity, we maintain a relevant and up-to-date knowledge of the market and monitor significant tenant developments. Our audit clients include and investment fund with investment property sub-funds focused on UK and European commercial and public sector properties. The funds comprise approximately seventy properties with a value of £800m.

What makes us different

Sector knowledge

We understand the specific issues challenging the real estate sector and individual players within it, and tailor our advice and services accordingly. Clients benefit from the experience of our dedicated team, which includes specialists with significant knowledge of the real estate sector.

Partner-led service

We recognise the importance to our clients of easy access to high quality, professional advice. As such, our partners not only lead the assignments and ensure the utmost quality and efficiency, but will also be highly visible to senior management.

Understanding of client needs

We know that each client is unique, both in terms of their requirements and circumstances, so we focus on tailored advice and solutions rather than adopting a 'one size fits all' approach. We take time to understand each business and the motivations of owners and operators – ensuring we meet individual needs and support the achievement of specific client goals.

Recent transactions

Central London office building, annual rent £28m

Instructed by a property fund to assess the impact on covenant strength of a proposal by a professional services group to assign its lease from legacy partnerships to the current UK operating entity.

East of England manufacturing unit, £20m sale and leaseback

Engaged by property fund to advise on the seller's ability to meet lease obligations following a proposed sale and leaseback transaction. Identified serious cash flow risks, as a result of which a substantially increased rent deposit was obtained.

Central London office building lease transfer, annual rent £16m

The tenant was part of a financial services group that was proposing a court sanctioned business transfer scheme under which the lease would be transferred to another member of the group. We were instructed jointly by the property owners and the bank lending syndicate to advise on the impact on tenant covenant strength of the proposed scheme.

Central London office building, £10m rent guarantee release

Instructed by a property fund to assess the impact of a proposal by a global consultancy group for the assignment of lease and associated guarantee obligations from legacy partnerships to the UK operating entity and its overseas

parent. The initial proposal provided for a £10m bank guarantee to be replaced by a similar guarantee from the overseas parent. We recommended a different security structure in order to maintain tenant covenant strength.

Midlands storage & distribution unit, annual rent £500k

Undertook a tenant covenant review for a property fund, for a tenant who was part of a privately owned group which was the third largest wholesaler to the UK catering industry. After meeting with tenant's management we reported on financial performance and projections. Our report highlighted that the planned acquisitions by the tenant might put working capital facilities under strain, and therefore we recommended appropriate security should be taken to cover the risk of default.

Surrey Light industrial unit, annual rent £240k

Covenant review for a property fund of a tenant seeking to take additional space in an industrial park. The tenant was part of an overseas listed group that was a leading global supplier to the oil and gas industry. We provided an analysis of financial statements prepared under French accounting principles and highlighted key risks including a recently announced merger that would have a major impact on turnover and profitability.