

REFLECTIONS ON REAL ESTATE

OCTOBER EDITION

1 ARE THESE **REAL ESTATE RISKS** ON YOUR RADAR?

THIS MONTH, OUR UPDATED RISK RADAR WENT LIVE, AIMING TO PROVIDE YOU WITH A SNAPSHOT OF YOUR REAL ESTATE RISK IN FOUR CORE AREAS: STRATEGIC, ASSET MANAGEMENT, COMPLIANCE AND FINANCIAL.

Our Risk Radar helps you by responding to key questions, including:

- What are the current and emerging legal-related risks that Real Estate businesses may face?
- What are the risks on the horizon facing businesses tomorrow?
- How can you plan, prepare, monitor and action to mitigate or avoid these risks?

[DOWNLOAD THE
RISK RADAR](#)

3 INTRODUCING THE **SUSTAINABILITY SCOOP**

ESG is a hot topic for the Real Estate sector right now, and it's only going to get hotter. In line with COP26 coming up in the next few weeks, this month's edition of Reflections sees the debut of a new sustainability section, where we will be highlighting the relevance of ESG for your business and the Real Estate sector more broadly. Keep an eye on this monthly section as we showcase what our clients are doing in the ESG space. Expect insights from clients, ESG-centred deals, and a growing emphasis on how getting with the sustainability agenda will benefit your business.

This month, we explore ESG insights from the private funds market, including key stakeholders' thoughts on challenges and opportunities brought by the heightened ESG focus in the private funds investment space, and how this impacts the Real Estate sector.

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2 **FOUR TOP TAKEAWAYS** FROM THE BUDGET

AG Partner Dan Woolston observes:

- 1 **Housing** – £11.5bn for affordable homes. The private sector will no doubt be looked on to help deliver this. Plus, brownfield land targeted for new homes could mean we see a relaxation in planning laws – watch this space.
- 2 **Cladding** – 4% levy on property developers with profits over £25m to fund removal of unsafe cladding. This seems particularly harsh. A review of the detail and structuring around this could be key. Promote structures need to be kept separate.
- 3 **Hospitality** – 50% rates discount for 1 year. This will apply to retail, hospitality, and leisure. There has been eyes on this sector as a potential area for investment and this could be a boost for the P&L in the next year which could make investment more attractive.
- 4 **Infrastructure spending** – £21bn on roads, £46bn on railways and £5.7bn for “London style” transport systems plus cycling infrastructure. This will help improve RE in the regions and will lead to some big government contracts being dished out.

AG Partner Peter Hardy spoke to a variety of news sources about cladding. Read more by clicking below.

[CLADDING IN THE BUDGET:
WHAT THIS MEANS FOR YOU](#)

4

DEAL OF THE MONTH: MCLAREN PROPERTY

McLaren Property secured a funding deal from Ares and Generation Partners for a large-scale student scheme in the centre of Leeds, signifying a prime student development scheme which we advised on. Having purchased the listed Thoresby and Leonardo buildings from Leeds City Council, the project includes 473 student beds, with construction due to complete in 2023. Whilst Tom Gilman, regional managing director of McLaren Property, highlighted the seamless collaboration between parties to get this deal over the line in a short period, lead AG Partner and Real Estate Sector co-head Andy McVeigh outlined the deal's significance, noting:

- This was McLaren's first student deal in Leeds, making it of strategic importance to them in the context of their wider investment in Leeds. As part of this, McLaren is continuing to work with Leeds City Council on planned commercial and Build to Rent projects.
- The scheme includes the repurposing of Grade II listed buildings, formerly owned by Leeds City Council, as well as the provision of a new building. In addition to the conservation and wider regeneration benefits provided by the new development, the reuse of the existing structures will substantially reduce its carbon impact.
- This shows the continuing appetite of overseas investment funds for student accommodation schemes within the UK.

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5

THE CANARY IN THE COAL MINE

AG Restructuring Partner Karl Clowry takes a look at Chinese property developer Evergrande's possible default. Is it a systemic financial risk to global markets? Karl says no; rather, it is an early symptom of a much deeper problem in China's housing market, indicating a possible Chinese housing recession.

But how will this affect a global audience?

Not only could this accelerate a slowdown in national GDP and employment, it will affect China's cross-border capital flows. This heightens the possibility of an accelerated Evergrande restructuring.

[FIND OUT MORE](#)

6

A FAILED RESIDENTIAL DEVELOPMENT

Chris Perrin appeared on BBC North West last week, talking about a case he was involved with called Pinnacle Angelgate involving a failed residential development in Manchester and the attempted recovery of £30m which had "disappeared" without a brick being laid, for which we recovered c£7m for the investors.

What does this mean for you?

After the story broke in 2019, the Serious Fraud Office (SFO) has recently announced that it is closing its fraud investigation due to a lack of evidence, bringing the story back into the public eye. Warnings of fraudulent activity should be on everyone's radar, from investors in property development schemes, to property developers themselves.

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