

Outsourcing - real estate

The decision to outsource

Property costs (from ownership to day to day maintenance and running expenditure) often prove to be a significant element of an organisation's annual overheads.



In the real estate arena, outsourcings can range from structured sales and leasebacks or securitisations, through flexible property or serviced accommodation outsourcing, to the provision of facilities management services.

Where buildings are owned outright a large amount of capital value may be locked up in such real estate assets. Alternatively, where premises are leased, there can be financial uncertainties arising from five yearly upwards only rent reviews; or from ever increasing service charges where landlords have no real incentive to minimise maintenance and repair costs over the length of the term of any lease. Increasingly, therefore, where real estate assets are not representative of an organisation's core business, such organisations are looking to outsource their property requirements.

Types of outsourcing

In the real estate arena, outsourcings can range from structured sales and leasebacks or securitisations, through flexible property or serviced accommodation outsourcing, to the provision of facilities management services. At its most basic, such outsourcing is primarily designed to generate a cash return by way of the realisation of capital values; as the type of outsourcing structure becomes more sophisticated, however, other benefits such as operational flexibility and certainty of ongoing running costs can also be obtained. Where an organisation's property portfolio is diverse but where its location is not of primary significance (for instance, offices as against retail outlets) outsourcing may also provide a means of rationalising accommodation requirements.

Key considerations

In preparing to outsource any real estate assets, an early review of the property portfolio in question will be essential. Important points to focus on will include:

- an accurate and complete register of properties
- whether the properties are owned freehold or leasehold
- the need for any consents from a third party
- an overview of the key requirements to be met by any outsourcing provider
- a review of the potential development value vested in any of the properties and whether the outsourcing organisation is to share in its realisation.

How can CMS Cameron McKenna help?

Having been involved in a number of ground breaking outsourcing deals, we are well placed to advise on all stages of the outsourcing process. In particular, we can:

- assist with the necessary due diligence involved in reviewing the property portfolio in question
- advise upon the relevant merits of providing certificates of title or warranties
- advise upon all aspects of the contractual arrangements, including appropriate clawback or overage provisions to share in any future realisation of development value

For more information on outsourcing and to receive updates on new developments as they arise, register to Law-Now, our free email information service.

www.law-now.com

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Contact point

If you would like to find out more about real estate outsourcing, please contact the following partner from our Outsourcing group:

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This commentary is not a full review of the topic it covers and does not purport to give legal advice. If you would like to receive specific legal advice please speak to your usual contact at CMS Cameron McKenna or the persons detailed above.

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