

Overseas Investors Thinking of Investing in UK Real Estate

Can anyone invest in a UK Real Estate even without a UK passport and What types of investments can be made?

By Paul Webb, 11th July 2023

Can Anyone Invest in a UK Real Estate Even Without a UK Passport?

Yes. Foreign individuals (over the age of 18) and corporate entities (subject to being registered at Companies House) may purchase or invest in UK real estate.

What Types of Investment can be made?

There are many ways to invest in UK real estate. Some of the more conventional routes in England and Wales include:

- **Ownership of a legal “estate” in land to realise capital appreciation**

An estate is an abstract entity carried on from medieval times and used to describe nothing more than *time in the land*. The most common forms of estate ownership are freehold (owning land in perpetuity or “forever”) and leasehold (owning land for a number of years). Generally a term of years in a lease of property will be born out of a freehold estate or a leasehold estate for a term longer than the one in question. The owner of a term of years in a leasehold interest will be a tenant.

- **Buy to let investments**

A purchaser can acquire a freehold or leasehold interest (as above) specifically to rent it out to reap the rewards of a rental income. An investor will be looking closely for high net yields when deciding what to invest in and where.

- **Real Estate Investment Trust (or REIT)**

Providing an easier and lower cost way to invest in property, a UK REIT (often holding a portfolio of property) provides a way to invest in buy-to-let property without having to buy property directly. UK REITs benefit from an exemption from UK tax on both rental income and gains relating to their property investment business allowing them to redistribute up to 90% of rental income to their shareholders.

- **Property development**

This can take many forms. You might wish to buy land and sell it onto a developer having secured planning permission over it; buy an existing commercial building and apply for planning to convert it into residential property, convert adjoining houses into one large property and letting it out as a house with multiple occupation and so on.

You Have Identified a Property, What Next ?

Let the buyer beware

In the UK, a seller of land has limited duties of disclosure to a purchaser because of the principle of caveat emptor (let the buyer beware). In effect, a purchaser buys at its own risk. It is therefore important to instruct a property solicitor to carry out the usual pre-contract investigations on "title", apply for the relevant searches and raise relevant enquiries of the seller. Careful investigation should minimise risk whilst flushing out any potential burdens and obligations that decrease value.

Site inspection

It is also advisable to carry out a site inspection and note any discrepancies between the plans and what is on the ground. You will also want to check for signs of the presence of occupiers, rights of way and/or to carry out investigations such as soil samples in the event you intend to develop the land. Your professional advisor will be able to advise you further.

Who will hold "title" to the property?

This might be a corporate entity or an individual. Whenever land is held by two or more people concurrently there must be a trust. The legal title to the estate may be held by up to four persons as "joint tenants" on trust for the beneficial owners so that if any one of the legal owners dies, title to the estate passes to the survivor(s). Holding property as "tenants in common" however allows you to hold the legal interest on trust for the separate beneficiaries in equal or unequal shares as the case may be.

Finance

How will you finance the purchase and a potential deposit? Mortgages are difficult to come by in the UK for foreign investors.

Use of the property

Consider whether there are any restrictions on the use of the property.

Relocation to the UK

If you are intending on relocating to the UK, have you consulted with an immigration specialist to ensure all rules are complied with?

Tax considerations

It is advisable to speak to a professional as to the tax implications of your impending purchase or look for tax efficient structures.

Further information

If you have any questions and/or would like advice on any UK Commercial Property,
please speak to us at: advice.uk@dixcart.com