

## **Summary**

This style is for use in a purchase of an investment commercial property – a property subject to full repairing and insuring (FRI) leases. No deposit is envisaged in this style. A significant focus of the style is on securing for the Purchaser at the Date of Settlement all relevant rights enjoyed by the Seller as outgoing landlord in relation to the Occupational Leases to which the Property is subject. For instance, if the Property is multi-let the Seller may hold monies in a sinking fund for future capital expenditure on the Property. The style makes provision for the transfer of those monies to the Purchaser. Similarly if any Occupational Tenant has entered into a rent deposit agreement with the Seller, or a group company of an Occupational Tenant has guaranteed its obligations under any of the Occupational Leases, provision is made for the assignation to the Purchaser of the rights under the rent deposit agreement or guarantee. Rent reviews which are outstanding in respect of Occupational Leases at the time of the transaction are also dealt with in this style. Generally, the style is drafted from the standpoint of the Purchaser. The Purchaser's due diligence exercise is underpinned by Seller's warranties and suspensive – in preference to resolute – conditions. The suspensive conditions ensure that in order for the transaction to progress to settlement the Purchaser must be satisfied with, among other things, documentation exhibited (particularly the terms of the Lease Documentation), and other information disclosed, to the Purchaser by the Seller or arising from the Purchaser's own investigations. The Purchaser must also be satisfied as to the validity of the title and with the terms of the property enquiry certificate and other reports and audits etc. ordinarily obtained in the context of a purchase of a commercial property. The extensiveness of the Seller's warranties in the style will normally ensure that the Purchaser is well informed on a range of matters affecting the Property – for instance the impact of legislation, the physical condition of the Property, and the adoption status of roads and sewers. But even if many, or indeed the majority, of the warranties are ultimately deleted by the Seller, their presence in the style will serve to place the relevant matters on the agenda for the Purchaser's due diligence exercise. Another significant feature of the style is the inclusion of a mechanism for the carrying out of works to be undertaken by the Seller in advance of settlement of the transaction (the assumption being that the cost of the works is either reflected in the purchase price or recoverable from occupational tenants as a part of ongoing service expenditure). (A further assumption is that the works are to be carried out to an unlet part of the Property such as common parts of a multi-let property where the landlord has reserved a right to carry out the works without obtaining the prior consent of the occupational tenants.) The style also assumes that the works are extensive enough to warrant the involvement of a professional team (e.g. as designers of the works), the members of which may be required to grant collateral warranties in favour of the Purchaser. The Seller's Works may also be extensive enough to justify the use of a building contract such as one of the standard forms of building contract published by JCT (Joint Contracts Tribunal). The mechanism relating to the Seller's Works ensures the involvement of the Purchaser in the inspection and approval of the works and the issuing of a practical completion certificate (which is a trigger for settlement of the transaction). To facilitate negotiations various documents, such as assignations of significant interests (e.g. rights arising under construction documentation or tenant guarantees) and letters of obligation are annexed in the Schedule. In general, the style will need to be modified or adapted in a way that practitioners using the style find to be appropriate to the transaction in hand.