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PRIVATE EQUITY ADOPTS PLATFORM APPROACH TO UK REAL ESTATE DEALS

Mark Hill | Vice President

Private Equity Adopts Platform Approach to UK Real Estate Deals

The convergence of private equity and real estate transactions in the UK and an increasing overlap between these two traditionally separate investment domains has brought the jurisdiction of Jersey into the spotlight, thanks to its efficient and highly regarded framework for cross border investment structures.

Changes in market dynamics and investor appetite, alongside structural shifts in both sectors, have again accelerated this trend, which first emerged after the 2008 financial crisis and then after Covid. As real estate has become highly attractive to private equity investors as an asset class, sophisticated private equity firms are leveraging a platform-led approach to scale powerful operating businesses in the sector.

Real Estate - More Than an Asset Class

Investors' continued search for yield after years of low interest rates, has left real estate prized for its stable cash-yielding attributes. Sectors like logistics and residential property have been attractive - particularly Build-to-Rent ("BTR") and data centre projects, with private equity firms looking beyond real estate as a pure asset class and instead as platform businesses. This has played out through investments in such areas as student housing operators, co-living brands or senior living facilities, allowing PE-style operational enhancements and exit strategies, such as an IPO, REIT listing or M&A activity.

Private equity firms are also bringing more sophisticated capital structures for real estate transactions to the table, including mezzanine debt, preferred equity and joint venture structures, where traditionally equity heavy and debt funded deals have dominated. With the ascent of technology and the rapid integration of PropTech, private equity's expertise in scaling operational efficiency is applied to enhance the performance of property through smart buildings, tenant experience platforms, and the use of data analytics for leasing or energy efficiency. Sectoral shifts are also underway, as investors move away from traditional office and retail properties into alternatives such as life sciences, real estate, data centres and renewable energy. Pressure from investors to address ESG issues has also seen retrofit projects undertaken for real assets.

Among the major trends that private equity firms are latching onto in the UK market, has been the boom in BTR developments, particularly in urban areas outside of London such as Manchester and Birmingham, with Blackstone and Greystar notable participants. Blackstone's £4.66 billion acquisition of student accommodation firm iQ in 2020 remains

the UK's biggest property deal to date. The following year, KKR, Moda Living and Apache Capital established a £1.7 billion joint venture to create a UK BTR multifamily housing investment platform, with sites in Birmingham and Brighton, as well as London. Apache Capital formed a BTR platform joint venture with development partner Moda and investors Harrison Street Real Estate Capital and NFU Mutual in 2018, which now covers over 3000 homes across six developments in England and Scotland. In 2023 the Maples Group advised Apache Capital on the Jersey aspects of its second BTR fund platform with the same cornerstone investors.

Throughout 2024, private developers continued to pile into purpose-built UK student housing, amid rising rents and surging enrolment figures, signing a record number of land deals worth £473 million that year. These included Greystone's acquisition of a hotel site in Manchester and a deal between Cheyne Capital Management and Dominus to convert a Fleet Street office block in central London to student flats. Strong growth in the UK logistics sector, driven by huge investments in e-commerce, has also seen private equity firms splash out on industrial real estate projects such as warehouses and logistics parks with active management strategies. EQT Exeter, for example, has made a number of portfolio acquisitions of industrial/logistics assets.

From a fund's perspective, these trends are being expressed through a greater number of dedicated Private Equity Real Estate ("PERE") funds, blending private equity and real estate strategies, such as opportunistic real estate funds from the likes of Brookfield, KKR Real Estate and Apollo. Distressed real estate assets also present additional opportunities for restructuring and repositioning for special situation funds, particularly in the post-Covid environment, across hotels, offices and retail. Additionally, we have seen more co-investment and club deals, as private equity firms increasingly partner with institutional investors such as pension funds or sovereign wealth funds in joint ventures for real estate deals at scale, further blurring the lines between private equity and real estate.

Jersey in Spotlight for Private Equity

For the most part, the private equity firms engaging in these deals are based in the US or Middle East, gaining exposure to UK real estate via Jersey. Typically, a Jersey Property Unit Trust ("JPUT") will be used to hold the real estate assets, as such a well-trodden path for holding UK assets. The JPUT can be established as a baker trust at the outset, which ensures any profits arising from the trust are distributable to unitholders, making for a highly efficient process.

Jersey is a particularly suitable jurisdiction, with its proximity to the UK, its stable political environment, tax neutrality and a wealth of experienced and qualified financial services professionals. With a robust and highly regarded framework, which has never fallen foul of international regulators, Jersey's proven track record is very attractive to these major international private equity firms investing in UK real estate. At the top end, these large structures will tend to be driven by tax considerations impacting the jurisdiction where investors are present. UK tax resident companies may apply to HMRC for REIT status, which offers preferential tax treatment for certain investors, while for US firms, US limited partnership vehicles are established for investment into the JPUT. With the flexibility to accommodate virtually any investor requirement, Jersey is seen as highly advantageous, giving managers the ability to customise structures, for example, by placing an intermediate corporation between the fund and the JPUT.

Structuring along the lines of the typical private closed-ended vehicles tends to be preferential to the private equity industry, although REITs do offer advantages in terms of public access and tax benefits and some convergence has emerged around structures. Among additional regulatory considerations, private equity investments in the UK must comply with Financial Conduct Authority ("FCA") rules, particularly around fundraising and leverage. The impact of any potential changes to the UK property tax regime, for example on non-resident capital gains and Stamp Duty Land Tax

("SDLT") will also need to be closely examined. Furthermore, planning and ESG regulations can be key, with investments increasingly tied to planning reform, sustainability requirements and net-zero targets.

UK Real Estate and Jersey Private Equity

PE style operational enhancements with a platform-led approach to scale powerful operating businesses in the sector



From a private equity standpoint it has become clear that acquisitions involving hundreds of properties demand a real estate perspective and different strategies to traditional infrastructure investments. Rather than simply acquiring a business that owns property, the challenge is to maximise the returns of the business by being creative with the portfolio, as private equity firms bring agility, operational focus and capital structuring expertise to real estate. For investors there are benefits in the form of diversified higher return opportunities, while at the same time, the level of risk and complexity can increase. With the Maples Group's long and successful record acting for the world's leading PE houses and our storied history in alternative funds, we have the right experts in place to help navigate this unique industry segment which continues to attract significant investor interest.

The Maples Group in Jersey provides a full range of services to international private equity companies operating at the intersection of private equity and real estate, from legal and fiduciary services, fund services, entity management and regulatory compliance. In addition to the legal expertise of Maples and Calder, our fast-expanding fiduciary teams in Jersey take care of everything from company incorporation and the establishment of structures, to accounting and the provision of Jersey-resident directors. As the blurred boundaries between these sectors reshape the UK investment landscape going forward, participants in the real estate market will need a thorough understanding of private equity's mindset for continued success.

For legal and regulatory disclosures please visit: [maples.com/legal-notices](https://www.maples.com/legal-notices).

About the Author

Mark Hill

Mark is a Vice President in the Maples Group's Jersey office. He has over 30 years of offshore fund, corporate and trust experience, specialising in governance, risk and compliance including directorships and company secretarial services. Before re-joining the Maples Group, Mark held a number of directorship roles including having country responsibility for a multi-jurisdictional fund, trust and corporate service provider whilst also serving as a non-executive director on a variety of client fund structures including alternative assets, real estate and traditional long-only strategies. He is a chartered member of the Chartered Institute for Securities and Investment.