

# Recovery

Property Week's Recovery Summit

## Administrators: landlords could learn to love new CVAs

Company voluntary arrangements need not leave landlords in limbo. **Mike Phillips** reports

The property industry is likely to benefit from a new generation of company voluntary arrangements (CVAs) being created by restructuring experts.

While there has been plenty of controversy surrounding the use of CVAs and strong opposition to retailers using the schemes to shed unwanted leases, new structures are being created that could see CVAs used to restructure or help the sale of struggling property companies, and also benefit retailers that use CVAs to improve their trading.

Speaking at *Property Week's Recovery Summit*, co-hosted by BNP Paribas Real Estate in the City of London last week, Brian Green, partner at Deloitte who worked on CVAs for retailers such as Blacks Leisure and Speciality Retail Group, said that CVAs could be used to help struggling property companies and ease their restructuring or sale.

"For property companies, putting them into some sort of formal insolvency process often isn't attractive," he said. "CVAs can be used to create a partnership between companies and creditors, and form another tool we have to help restructurings. They can be used to restructure or defer certain payments that might be due, while keeping the bank's rights in place. For creditors, it could mean we offer them 50p in the pound, rather than nothing."

CVAs can also be beneficial in the sale of a property company. "It can be useful, as you get to inherit the existing tax base of a company," Green said. "If you have a situation where the cost of the work that has been undertaken on a development is above the current market value, by using a CVA and buying shares in the company, you would receive the existing tax benefit."

Green said his team was working on a new form of CVAs for retailers that would be fairer to landlords. Landlords often view CVAs as a way for retailers to end unwanted leases in underperforming centres, leaving the property owner with no recourse.

"We are working on ways that would allow property companies to share in the upside if a retailer came out of insolvency through a CVA in a stronger position, in terms of anti-embarrassment clauses," Green said. "This would involve payments to landlords based on future success. If the value of a business rises above a certain level, then the landlord receives a payment.

"The problem is how this payment is structured. It could be through shares in the company or warrants, but sometimes these are not attractive to creditors."

Ian Fletcher, director of real estate policy at the British Property Federation said some of its members were working on such schemes, and that it welcomed any move to make the CVA process fairer for landlords. ■



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**Brian Green,  
BNP Paribas Real Estate**



## Asset managers: stick or twist?

*Property Week* asked a panel of experts at the Recovery Summit whether banks are better off sticking with the asset manager overseeing a property if the loan provided needs to be worked out. Here are their answers (from left to right)

**If you are looking at holding the asset for the medium or long term, then you need to review whether or not you change the asset manager.**

**If you think you will only be holding the asset for the short term, then there is not much point in getting rid of the existing manager.**

John Gershinson, managing partner, Allsop



**The most important thing for creditors is clean, good information. If you're OK at your job, but you've been open with them then they will normally stick with you. But if they think you're bad or information has been withheld and trust has broken down, you'll get the bullet.**

Martyn McCarthy, European chief executive, Valad

**In a situation like that with Hammerson and the Rock shopping centre in Bury, the bank took the brave move to bring in a new asset manager just before the centre opened. This was to ensure they had a "best in class" manager on the scheme. We did the same with Miller on the residential element.**

Andrew Blackshaw, director, Deloitte

**I think it's usually best to change the manager. If it has got to the point of a special servicer being brought in, then it's in distress, and that means the current manager has not been doing his job to the best of his ability. He may even have been aggressively managing the value down so he can buy it back cheaply.**

Matthew Grefsheim, director of special servicing, Hatfield Phillips ■

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