



PRS JARGON BUSTER

Arrears	The amount of money or time in which a tenant has fallen behind in paying the rent
Asset class	The type of investment an investment structure makes. It could be residential property, gold, art, commercial property, shares, gilts etc.
AST	Assured Shorthold Tenancy. An AST cannot have a corporate tenant.
Authorised	A financial adviser or investment structure which is authorised by the FCA
Branding	Designing and marketing living spaces in such a way that they evolve into a brand, a premium to be added to the rent that would be otherwise payable. Branding does not necessarily rely on the location of the development
Churn	Selling properties rather than renting them out. The investor gets a capital gain once a property is sold rather than an income gain which is reflected in the net rent received by the investor. Traditionally the capital gain has been higher than the income gain. A capital gain also tends to be taxed less. This is not necessarily the case at the moment. A REIT is severely restricted in how much it can churn
Closed ended fund	A fund in which you invest at the beginning. Once the fund is closed, no further investment is allowed and you are locked-in until the end of the term. Usually only available to HNWs
Co-investment	An investment structure where the fund and the tenant part own the property. Similar to shared ownership. It makes it easier for the fund to churn and derive a capital gain for the fund
Construction risk	The risk that a development may or may not be completed, including the liability to make good any defects during the defects liability period
Cyclical maintenance	Expensive replacement repairs such as windows and bathrooms
Defects liability	The period of time in which the developer or builder is liable to fix any defects in the buildings' construction



Development risk	See construction risk
Distribution	The return paid on equity such as a dividend (if it comes from a company) or a distribution (if it comes from a partnership)
Double tax	An investment structure where tax is paid twice, once by the investment structure itself (such as happens with an onshore company) and again when the structure makes a distribution (the investor pays tax on the amount of the distribution received)
Dumbbell design	A design which encourages multi-letting of a single property to unrelated renters (sharing) and would normally have an ensuite in each bedroom rather than a communal bathroom, similar sized bedrooms and a larger communal living area, possibly a communal area shared by more than one dwelling
Equity	The amount of money an investor contributes or invests in an investment structure
Exit	The end of the expected term of an investment structure. The point at which you get your initial equity back
FCA	Financial Conduct Authority which regulates residential property investment structures in the UK. Almost all residential property investment structures comprising more than two people are regulated by the FCA in some manner
Forward funding	Funding from a third party to finance development at the time of acquisition
Forward purchase	A pre-agreed exit to sell completed units to an institutional investor as agreed at acquisition
Fund	An investment structure which has a separate legal identity from its Manager or Promoter



Gearing	The amount an investment structure borrows to buy investments over and above the amount of equity invested by an investor. It means an investment structure needs to find less equity from investors and because of favourable taxation treatment of gearing increases the investment return an investor may receive
Gilts	In times of economic strife there is often a flow of money available for investment to government backed investments such as gilts. They are considered low risk and therefore offer a low rate of return
Gross return	The return before deducting the effect of inflation, all costs and expenses
HNW	A “high net worth” investor. Typically a person with more than £500,000 of net assets, not including their principal home
Inflation	CPI or RPI, important because its rate determines the effectiveness of an investment over the medium to longer term. Any investment needs to outperform the median inflation rate over the term of the investment otherwise you have lost money
Institutional investor	A bank, pension fund, hedge fund. It does include local authorities, some charities and housing associations, in certain circumstances
Investment	Where an investor risks money by putting equity in an investment structure which invests that equity on the investor’s behalf in a medium or long term investment with the expectation that the investment return will exceed inflation and the costs of the investment over time. It cannot amount to trading
Investment return	The rate of return an investor receives on their investment . It can be expressed as gross return or a net return
IRR	See investment return
Liquidity/liquid	A reference to how easy it is to get your principal investment sum back
LLP	Limited Liability Partnership
LP	Limited Partnership



Manager/promoter	The property expert who manages an investment structure on the terms of the mandate. The manager will normally be regulated and authorised by the FCA
Mandate	An investment management agreement between the investment structure and the Manager setting out how the Manager may invest, what they are paid and other management matters
Migration	The process by which a renter might move towards home ownership
Multi-tenure	A building which may offer different types of rental tenure (short term, medium term or long term). A fund itself may offer investments across a range of tenures as well
Net return	The return (which might be a capital gain or an income gain) after deducting all taxes (including any double tax), fees (such as those charged by the Manager) and gearing costs
New build properties	Dwellings that are less than 3 years old and usually are still within the defects liability period
Offshore	A fund which is set up in an offshore jurisdiction to the UK such as the Channel Islands, Isle of Man, Cayman Islands etc. Tax minimisation is not the only reason why an offshore fund might be used
OMV	Open Market Value
Open ended fund	A fund in which investors can come and go during the life of the fund. An open ended fund gives greater liquidity to an investor when compared to a closed ended fund. It is also highly regulated relative to a closed ended fund. Available to HNWs, Institutional Investors and Retail Investors
Partnership	A structure that is commonly used in residential real estate investment as it is normally tax transparent . The most common structures are an LLP and an LP



Place making	A housing design concept (usually within a single building) targeted to certain renters such as young professionals, young families, empty nesters, retirees etc.
Portfolio	The different types of houses/ investments within a single investment structure
Promoter	See Manager
PRS	Unsubsidised residential tenancy market
QIF/QIS	A professionally managed, large scale qualified investor fund. UK regulated offering double tax exempt structures but usually only available to HNWs
REIT	A real estate investment trust offering an onshore, liquid double tax exemption for property investments
Retail investors	Mums and Dads. Investors who are not Institutional Investors or HNWs
Street properties	Typical terrace house or stand-alone residential property – not a unit development or scheme
Target returns	The returns the Manager hopes to get and often advertises to potential investors. Advertising target returns is highly regulated
Tax transparency	Where the investment structure itself does not pay tax. Tax is only paid when a distribution is received by an investor. If a structure is not tax transparent then double tax is usually payable
Trading	The ordinary day to day activities of a business which are performed repeatedly. An investment which amounts to trading will be more heavily taxed than one which doesn't
UCIS	An unregulated collective investment scheme. An investment structure which is only lightly regulated by the FCA . It is only available to HNWs
Voids	The period of time a rental unit is not let to a tenant and is therefore not receiving any rent



Setting The Agenda In PRS

Winckworth Sherwood was the first law firm to create a specialist PRS team to work with organisations whose business is to fund, build, own and manage properties in the professional private rented sector.

To find out more about how we can help you make the most of this emerging market please contact:



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