

## **SIPP PROPERTY SYNDICATES:**

### **Clubbing Together to Buy Larger Properties**

*This information is for use of independent/financial advisers and should not be relied upon by the general public*

Buying commercial property as a joint asset by a number of SIPP members has been happening since 1990. Typically these have been partners in firms of accountants, lawyers, vets, etc.

In recent years, individual SIPP members increasingly want to invest in the commercial property market but their individual fund may be insufficient to purchase a property, even allowing mortgage that is permitted under HM Revenue and Customs (HMRC) rules.

**Property Syndication** is where a number of unconnected individuals all buy a part of a property. Some of these individuals may not even have a SIPP and may be making a personal investment. The SIPP investors can also buy a piece of the property within this structure.

#### **Types of Syndication**

There are three different types of structure that are used:-

#### **Trust based structure**

This is used by a number of commercial property agents who buy the property and appoint independent trustees who hold the freehold title of the property as bare trustees. The syndicate members become beneficial owners on completion of each individual purchase. They are tenants in common and can fully identify their ownership by way of a Trust Deed. This allows each syndicate member to control the management of the property and for rental income to be divided between them in accordance with their level of participation. Provisions must be made within the Deed to cater for the death of a member or a member's need to sell their proportion of the property.

#### **Limited partnership structure**

Registered under the Limited Partnerships Act 1907, they are generally established for the sole purpose of the purchase of one property per structure. They are managed and offered by the limited company operating the partnership and investors can acquire equity partnerships either directly or through their SIPP trustee.

#### **Formal Syndicate Agreement Structure**

This is used when a number of individual SIPPS are purchasing part of an individual property. The formal agreement sets out terms of the syndicates and clearly defines the role of all parties.

**NB:** None of these structures are authorised or approved by the FSA and are only suitable for informed investors or those who have been advised by an IFA.

The SIPP structure enables individuals and their advisers to take a more diverse approach to investment. Individual SIPPS can buy parts of properties across a number of different syndicates.

What the SIPP framework offers is an open structure in which the philosophy of asset allocation can be applied and changed with relative ease as appropriate. Property can be one of those assets to ensure diverse asset allocation.

#### **Mortgages**

Each SIPP has the ability to raise a mortgage of up to 50% of the net SIPP assets. Thus a SIPP fund of £100,000 could borrow up to £50,000 and therefore invest up to £150,000 into the property syndicate.

The mortgage must be on a commercial basis and it is important that all members of the syndicate are aware of and agree to the mortgage.

**What's Happening Now?**

Some advisers are creating syndicates with a number of clients and sourcing a suitable property through a local agent known to them. A SIPP is established and monies transferred into it to be used as a deposit. Mortgages will be arranged through a commercial lender.

For syndicates, the SIPP must have in place the documentation, system and process to:-

- Service the scheme at an individual and syndicate level.
- Allocate and audit trail all incoming and outgoing monies.
- Record all detail at an individual and syndicate level.
- Understand fully all the complexities of these transactions.
- Support the clients and advisers throughout the transaction.
- Ensure sufficient insurance in place for building / environmental matters.

For more details of permitted investments in a SIPP or Property Notes, please contact us.

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