

land & forestry

various types of land can be held in a registered pension scheme, ranging from development land and agricultural land to forestry and other types of 'property' that do not have any commercial buildings associated with them. These assets can be held because they are deemed to fall into the 'commercial property' category, but care needs to be taken that they are a viable investment for the pension scheme and will actually produce returns.

Where to start

The purchase of land will follow a similar process to the purchase of a commercial property within a pension scheme. The starting point is therefore, again, obtaining a valuation of the land to ensure the Trustees can consider its investment potential and also to provide a fuller description of what is being bought. Often, valuations of land will need to be undertaken by a specialist valuer who has experience in providing commentary and ascertaining market values suited to the type of property in question.

Generally, the reason for acquiring the land needs to be considered. Although compatible with a pension scheme in terms of the rules, land does not necessarily offer the same sorts of returns as other commercial property or other types of investment and the Trustees will need to be satisfied as to the commerciality of the arrangement.

What types of land can be purchased

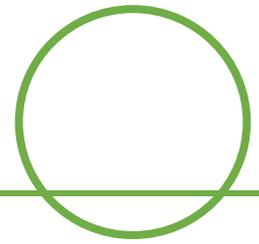
Land can be acquired in many different guises, ranging from Agricultural Land & Forestry, to Development Land, Land with Commercial Rights attached and so on.

Agricultural Land

Where agricultural land is acquired the expectation will be that there will be some form of agricultural tenancy put in place with a farmer or other type of agricultural tenancy. These agreements can be quite specialist and may require solicitors experienced in dealing with that type of arrangement to produce the required documentation.

Forestry

This type of land purchase is normally undertaken because of the potential value of the timber harvest. The land is normally let to an experienced individual or firm who will be able to manage the forest in accordance with any required regulations, and also arrange for the harvesting and sale of the timber. Again, these types of agreement tend to be very specialist and some care needs to be taken as to how the legal ownership of the timber is framed.



Development Land

Land of this type can be acquired by the pension scheme for the purpose of generating returns through increases in capital value, typically once planning has been obtained. It is possible for pension schemes to apply for planning permission for a range of different types of property (commercial or residential) and then sell on to another party. Sometimes, the pension scheme may undertake some of the preliminary work, such as foundations, or services, again with the purpose of generating capital returns. When undertaking such types of investment, it is important that the potential returns can be demonstrated in advance of undertaking the purchase or any significant works.

Land with Commercial Rights

Occasionally, a pension scheme may look to acquire land that has certain rights attached, for example hunting, fishing, shooting or even parking. In these situations, it is vital that specialist legal assistance is obtained to ensure that the pension scheme can obtain a return on its investment. In doing so, the pension scheme would not market the rights itself; it would let the land to a relevant party who would then operate a business relating to those rights. It is therefore important that the pension scheme obtains the correct legal advice to ensure that this can occur. Again, specialist valuations may also be required to determine what the potential market value of the rights might be.

Gardens

In many instances, gardens can be classed as residential property, even where the nature of the land is extensive – for example, being used as an orchard or as grazing land. The legal process here is vital as the land being acquired must not be part of an existing residential property title. As with every type of land purchase, the Trustees must be satisfied that there is a commercial enterprise and that the pension scheme will make returns on its investment.

How does the process work

The process of acquiring land is essentially the same as that for any type of commercial property. Once the land has been identified, and a valuation undertaken, on the basis that the Trustees are satisfied as to the commerciality of the arrangement, solicitors can be instructed.

Timescales and parameters are again broadly the same: a typical purchase can take 6-8 weeks depending on the complexity of the legal process. Where borrowing is involved (which is potentially available up to 50% of the net asset value of the pension scheme) or where there are additional complexities due to the nature of the land then this timescale can be extended.

Once the land has been acquired the Trustees will expect a commercial lease, or equivalent, to be put in place, or where the land is for development, regular updates as to how plans are progressing in relation to the potential returns.

This note is for general guidance purposes only and is based on Odyssey Pensions' understanding of rules relating to pension schemes. It is vital that specific advice be sought prior to any transaction being undertaken and Odyssey Pensions does not accept any responsibility for transactions based on the content of this document.

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Odyssey Pensions Limited. Registration Number 11034559. FRN 796417.

Administration Office: 15 Penybont Road, Pencoed CF35 5PY

Registered & Head Office: Celtic House, Caxton Place, Pentwyn, Cardiff CF23 8HA