

Test your real estate knowledge



Real estate assets stand out from the crowd, especially from a lawyer's perspective, because they are in England and Wales subject to a raft of specific legislation and case law that just doesn't affect other asset classes.

Why not test your real estate knowledge and try your hand at this mini quiz? Answers are at the bottom – no cheating !

1. A handshake and payment of money from buyer to seller is enough to transfer ownership of land to a buyer?

- a) Yes of course it is if the purchase price has been paid.
- b) Well it depends if the parties really meant what they said when they agreed terms and money changed hands.
- c) Nope. Can I have money back please?

2. With mortgage rates soaring, a wealthy aunt has very kindly agreed that I can re-mortgage with her at a nominal rate of interest and for the new mortgage with her to be protected on the title in exactly the same way as with my current bank. In fact, she has some real estate experience, is thinking of moving into the re-mortgage business and I am to be her first "customer", but there'd be no need to involve any lawyers this time as she can do the paperwork. What's not to like ?

- a) You're on. Looks like a good deal and the extra money saved, including the costs, will come in handy.
- b) Perhaps not. After all, is it a good idea to be mixing family with "business"?
- c) Sounds good, but I'd just like to run the idea past a lawyer first.

3. I own a long lease of an hotel which is doing extremely well. It is situated in an historic town and the hotel itself has a long and varied past and is an attraction in itself. I am thinking of spending significant sums on the building, but I am not sure whether to invest the money or not. The lease has quite a long time to go yet before it is even close to its expiry date and as an incentive the landlord has offered to give me an option at expiry to renew the lease for a further 65 years which his lawyers will draw up. Unfortunately the freehold isn't available, but this is the best he will offer.

- a)** I won't proceed just yet. I need valuation advice first to check if the figures stack up bearing in mind I will only have the balance of the current lease term plus 65 years.
- b)** I won't be proceeding because I think I can recall reading an article that said an option to renew is not worth the paper it is written on.
- c)** That's fine. I am going to start works "at risk" without planning permission and without the option to renew in place as the paperwork just seems a formality now.

4. I have a lease of a shop in a small arcade. I wasn't sure how well the shop was going to do and so, given the rent is quite high, I took out a short initial term of 5 years to begin with, with no legal right to renew. As this is my first business venture the landlord required a guarantor for the lease and my parents kindly agreed to sign the lease as guarantors (having taken appropriate advice themselves). I am now 18 months in and trade is booming. I can see myself being here for the long term and so I have approached the landlord for an extension of the original lease term which he has agreed and says he can have a quick "deed of variation" drawn up for me to sign which will just change the lease so that it now refers to a 15 year term instead of 5 years. That sounds sensible to me. Also the fact that only I am required to sign the document (and not my parents) is useful because my parents now live abroad for most of the year. By the way I did ask them if they were happy to stand as guarantors for the extra 10 year period and they're happy with that.

- a)** Great ! When can I sign?
- b)** Having read the "deed of variation" it seemed fine to me and it only took a day or so to come through, but hang on this almost seems too easy. There must be a catch?
- c)** Being cautious, I checked with a lawyer friend (but I think she acts mainly if not exclusively on criminal cases) who had a look at the "deed of variation" just to check it does what it says. As she was satisfied the deed was clearly worded on the face of it, I am happy to sign it.

5. Same facts as in question 4. Having sorted out the longer lease, I now need some extra space, primarily for storage and as it happens a small unit right next door has become available. The landlord says I can have that unit for free, which is a bonus, and for ease we've agreed we'll just tack it onto the shop lease using a "deed of variation" which he'll have drawn up and which will just change the lease so that it now refers to the let premises as the shop plus the storage unit instead of just the shop. That sounds sensible to me.

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