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Corporate Real Estate Insights

Trends, Strategies, and Shifts in Corporate Real Estate

2026

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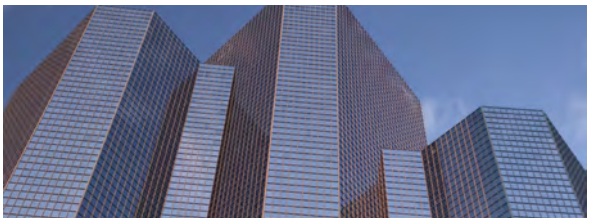
28 Global Reach

Acting on headline deals in the Corporate Real Estate sector

In the last 12 months, CMS advised on the following key deals:



Blue Coast Real Estate Limited
Advised on the joint venture between our client and Argo Real Estate Limited in respect of the acquisition and onboarding of 2 SPVs, and the subsequent purchase of two urban multi-let industrial estates in Chelmsford and Oxford.



Aviva Investors Global Services Limited
CMS advised Aviva on its £100 million partnership with the National Housing Bank, supported by Homes England, to establish a new UK living sector investment platform focused on the delivery of high quality family homes for rent across regional towns and cities in the UK.



Legal and General Assurance Society Limited
CMS advised Legal & General Assurance Society Limited on the establishment of a UK affordable housing joint venture platform with Hyde Group, one of the UK's largest housing associations. The platform, managed by L&G and operated by LGIM, was seeded with an initial portfolio valued at approximately £150 million and targets further acquisitions across the affordable housing sector. CMS advised on all aspects of the platform's establishment, including joint venture structuring, manager appointments and LGAS' tax position.



London Square Developments Limited
on its indirect acquisition of Lillie Square, a landmark residential development in West London, from Shaftesbury Capital and KFI backed investment vehicles. CMS advised on corporate, real estate, construction, tax and building safety matters. The transaction was highly complex and involved significant engagement with the Building Safety Regulator.



LondonMetric Property PLC
All share offer by LondonMetric Property plc and Shroder Real Estate Investment Trust (acting as a consortium) for the entire issued share capital of Picton Property Income Limited



Savills America Limited
Savills plc (through its subsidiary, Savills America Limited, as buyer) acquired Eastdil Secured Holdings LLC from Eldorado Peak Investments LLC, Elbert Investments Pte. Ltd., GIES LLC, Wells Fargo Central Pacific Holdings, Inc., and various management sellers for a base purchase price of USD 1,112,500,000, payable in a combination of Savills plc share consideration and cash consideration, subject to customary closing adjustments for cash, indebtedness, net working capital, and transaction expenses.



Introduction

Welcome to the third edition of our Corporate Real Estate Insights series, a publication designed to showcase the breadth and depth of our Corporate Real Estate (CRE) expertise across the UK, Europe, the Middle East, APAC and beyond. Our specialist real estate offering is the largest in Europe, with excellent coverage internationally. CMS is uniquely positioned to advise clients on the full spectrum of corporate real estate matters, drawing on the collective experience of more than 800 lawyers in more than 45 countries. That global footprint is complemented by deep cross-disciplinary capability, bringing together specialists in M&A, equity capital markets, joint ventures, structured transactions, real estate finance, tax and regulatory matters to deliver seamless, commercially driven advice for clients operating in a complex market.

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The corporate real estate landscape continues to evolve at pace, shaped by shifting occupier demands, technological transformation, regulatory change and the ongoing reallocation of capital toward resilient, operationally intensive asset classes. We have continued to be at the forefront of the most significant transactions in the market, advising on cross-border M&A, large-scale joint ventures, platform formations, and the structuring of real estate investment vehicles across multiple jurisdictions. We act for a diverse client base, including institutional investors, sovereign wealth funds, private equity, REITs, developers, and corporates, supporting them through every stage of the real estate lifecycle – from acquisition and development to exit and restructuring.

This publication brings together six articles addressing some of the key themes shaping the corporate real estate landscape.

We open with an examination of recapitalisations, which are emerging as one of the key themes in today's real estate investment market, providing investors with a flexible route to recycle capital, share risk and attract new investment without fully exiting an asset. No longer limited to stabilised assets, recaps are increasingly being undertaken throughout the development lifecycle and across all real estate sectors, bringing with them a range of structuring, regulatory and joint venture considerations that require careful management and early preparation.

Our second article turns to natural capital and the growing importance of environmental stewardship in boardroom decision-making. For real estate companies whose assets are embedded in the natural environment, natural capital is becoming a strategic governance issue and, increasingly, a matter of legal duty. We consider how directors' statutory obligations engage with natural capital, the practical tools available to boards, and how the regulatory trajectory – from Biodiversity Net Gain to the Taskforce on Nature-related Financial Disclosures – is driving ever-greater accountability.

We then look at living and logistics sectors in Asia Pacific – the "beds and sheds" that continue to attract significant cross-border institutional capital. This article draws on our experience advising on platform formations, portfolio acquisitions and joint ventures across the region, examining how institutional investors are deploying platform and portfolio strategies to access these sectors, and how demographic tailwinds, supply dynamics, and regulatory frameworks are shaping investment in student accommodation, co-living, senior housing, cold storage, self-storage and dedicated logistics assets.

Our fourth article explores the digital infrastructure sector, now entering a defining phase of transformation. Rapid AI deployment, structural grid constraints, evolving planning policy and energy regulatory reforms are reshaping the data centre landscape. We examine the key themes shaping the sector, including power availability as the critical barrier to development, government-designated AI Growth Zones, new capital structures, the influence of hyperscalers, and the workforce challenges that accompany rapid technological advancement.

We then consider the web of regulatory requirements spanning merger control, foreign direct investment screening and the EU Foreign Subsidies Regulation that CRE transactions are increasingly caught. Even ostensibly straightforward property acquisitions and joint ventures can trigger filing obligations across multiple jurisdictions. This article examines the convergence of these regimes and offers practical guidance for deal teams on early issue-spotting, jurisdictional triage and regulatory timeline management in cross-border CRE transactions.

Finally, we include a summary of our latest Hospitality Matters publication, our dedicated series examining the legal and commercial landscape for the hospitality sector. The latest edition is a concise round-up of current hospitality industry topics - from M&A trends to regulatory change and real estate structuring.

We hope this edition provides useful and thought-provoking reading. As always, we welcome your feedback, including suggestions for topics you would like us to cover in future editions.



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FI-RE-capped

We have seen a significant increase in the number of recapitalisations ("recaps") taking place in the current market. By a recap, we mean a sell-down by one or more investors of their interests in a single real estate asset or portfolio of assets, either to create a new joint venture to hold that asset or portfolio or to bring an additional investor into an existing JV arrangement. Notably, this trend is not limited to any particular real estate sub-sector or asset class. We are seeing recaps across a wide variety of clients and a diverse range of assets, both mid-build and on stabilisation.

This article sets out some of the key trends and themes we are seeing, together with the key issues that can arise as part of a recap and ways to mitigate them and avoid potentially lengthy and costly delays to closing.

Typical Structure

There is not a 'typical' recap structure. This is because the structure of a recap will often be driven by the existing corporate vehicle(s) holding the relevant asset(s), which will typically have been established as part of the original acquisition and associated structuring. Therefore, where a recap is contemplated at any stage during ownership, this should be factored into the structure from the outset. Doing so can help ensure that the structure is suitable for a future recap and avoid the need for restructuring as part of that process. The CMS Tax team is market leading in advising on corporate wrapped transactions generally, including the structuring of these types of deals.

The regulatory position of the structure following the recap also needs to be considered, regardless of whether the recap is of a wholly owned asset or an asset held in an existing joint venture. For example, if the parties want to ensure that the recap vehicle does not become an Alternative Investment Fund for the purposes of the Alternative Investment Fund Managers Directive, care needs to be taken to ensure that each investor has a meaningful level of control such that the recap vehicle can rely on. Conversely, it may be that the parties want an existing JV to become a fund, so as to enable them to have a vehicle of typically 4+ investors. In that scenario, the appointment of an Alternative Investment Fund Manager will need to be factored into the structuring considerations and timelines. It should also be noted that arranging a recap also runs the risk of being a regulated activity itself. The CMS Regulatory team is able to advise on these considerations.

Key Trends and Themes

There has been and we continue to see strong demand for prime London office from international investors, particularly from certain markets, including Japan. Clear trends include a desire for offices that have been, or have recently been, built or refurbished to a high standard, with a particular focus on 'best in class' ESG credentials.

This is not necessarily surprising, but where we have historically seen strongest demand for recaps is post development and often upon a stabilisation type trigger. Whereas currently we are seeing recaps taking place at all times during the development life cycle: (i) post-planning; (ii) mid-build; and (iii) stabilisation. We explore below some of the different challenges that each stage can bring in relation to completing a recap. Key Issues and Mitigants:

Prep for Sale A recap is effectively a tax and regulatory structuring exercise, a corporate wrapped real estate disposal/acquisition and a joint venture all wrapped into one. Accordingly, a recap can take time to execute and, as with any sale, taking the time to properly prep for the recap will pay dividends at the back end of the transaction, both in timeline for execution and also by helping to identify any potential issues with sufficient time for remediation.

Given that a recap will be a corporate transaction in some form, an incoming investor(s) will want (and if using W&I, will be required) to undertake due diligence on all the usual aspects such as real estate, technical, corporate legal, tax and financial. Therefore, having advisers lined-up as well as other service providers such as corporate administrators and a well populated VDR which includes pre-prepared responses to standard "buy-side" Q&A will be key. It should also be considered whether any form of vendor due diligence may be appropriate, including a Certificate of Title. Some of these things may be capable of being refreshed from the original acquisition without too much cost or time involvement. Other things to consider include whether or not the recap will trigger any form of overage / anti-embarrassment payments under the original acquisition agreements, change of control and/or require any third-party consents more generally.

We would also advise that the terms of the JV being created (or expanded) by the recap are agreed in detail at Heads of Terms stage. In our experience, spending the time on the detail upfront, especially for a multi-party or development JV, enables a much smoother and more efficient document negotiation process.

W&I Nearly all sizeable recap transactions will have an SPA with standard form warranties and tax indemnities included and it is common for those to be backed off by a W&I policy. How the recap is structured will determine who the "seller" is as it may well be done by way of share issuance (or similar) rather than a transfer and may also involve several corporate layers (in particular if a new JV structure needs to be set up, which the asset(s) are then transferred into).

Either way, in our experience it will be possible to procure a W&I policy but there will be some additional considerations to be factored in which would not be relevant for a typical corporate wrapped sale of a whole asset or portfolio. Firstly, if the entity being recapped is an existing joint venture and if there is a development, asset and/or property manager appointed, it will need to be considered who the appropriate party(ies) to be giving the warranties are. Clearly, if that party is not receiving any direct financial benefit from the recap then securing their assistance may be challenging but we consider that in more detail below.

Other complications can arise depending on who is the "insured" under a W&I policy and where the selling party(ies) are then subsequently indirect beneficiaries of that W&I policy. It is advisable to clarify this upfront with the W&I broker and to also then think about how knowledge and disclosure of the selling party(ies) and directors etc may impact upon the W&I policy and its scope for the insured party by virtue of their involvement post-completion.

Existing JV Terms

As noted above, a recap may take place in relation to an asset or portfolio of assets that are already held in an existing joint venture. This introduces an additional layer of complexity as there is an additional party to bring along on the recap journey and how this goes will in part be determined by the position in the existing JV documents as well as, of course, the commercial relationship between the parties.

Simplistically, there are two main ways an existing JV vehicle can be recapped: (1) the incoming investor is admitted to the JV vehicle, either by acquiring a share of the interests of one or all of the existing investors (a "Direct Recap"), or (2) the incoming investor acquires an interest in one of the investors in the JV vehicle (an "Indirect Recap").

A Direct Recap is likely to be more appropriate where more than one of the Investors in the existing JV wish to participate in the recap. The obvious complexity of a Direct Recap is that an additional investor is being introduced into the JV vehicle, which will impact, among other things, governance, funding/distributions and future liquidity. However, we would generally advise that even where a Direct Recap is anticipated at the outset, it is not worth 'future proofing' the JV documents so that they cater for the position both pre and post recap. This will be a lengthy and costly exercise with little to no certainty over what the requirements of an incoming investor(s) will be (which will inevitably be different from what was drafted in any event). Instead, our view is that the JV documents should permit a recap (perhaps without consent in certain circumstances) and oblige the parties to act in good faith in any necessary re-negotiation of the JV documents (subject to certain agreed parameters, e.g. the promote not being changed).

Where only one investor in the JV vehicle anticipates wanting to recap, an Indirect Recap will likely be more appropriate. In general, an Indirect Recap is more straightforward for the following reasons:

— provided they had been drafted appropriately at the outset, the existing JV documents can remain untouched, which avoids the added complexity of a tripartite negotiation with the existing JV partner and may involve less process opposite third parties such as lenders, contractors etc;

— whilst a joint venture agreement will be needed for the investor entity being recapped, this should in theory be more straightforward than renegotiating a multi-party JV agreement for the main JV vehicle; and

— the investor entity that is not recapping may have the view that they only wish to have their existing joint venture 'across the table from them' and therefore, depending on what the incoming investor's expectations are vis-à-vis director positions at joint venture vehicle level, this structure could preserve that day-to-day relationship.

However, as for a Direct Recap, if an investor wants the ability to undertake an Indirect Recap, the JV documents should likewise be set up to permit this. For example, carve outs to change of control provisions may be required and the investor that does not wish to recap may request a pre-emption right in respect of an Indirect Recap. The final thing to consider is that where one of the investors is being appointed as asset or development manager, whether assisting with any recap (e.g. providing assistance with the due diligence process) needs to be included within the scope of their services.

Conclusion

Recaps are an increasingly prominent feature of the UK real estate investment landscape, offering investors a flexible mechanism to manage their exposure to particular assets or portfolios whilst retaining an ongoing interest.

However, the complexity inherent in a recap should not be underestimated. A successful transaction requires careful navigation of corporate structuring, tax considerations, regulatory requirements and joint venture dynamics, often simultaneously. Early and thorough preparation — from establishing a recap-ready structure at the outset, to populating a comprehensive data room and agreeing detailed heads of terms — is critical to avoiding delays and ensuring a smooth execution.

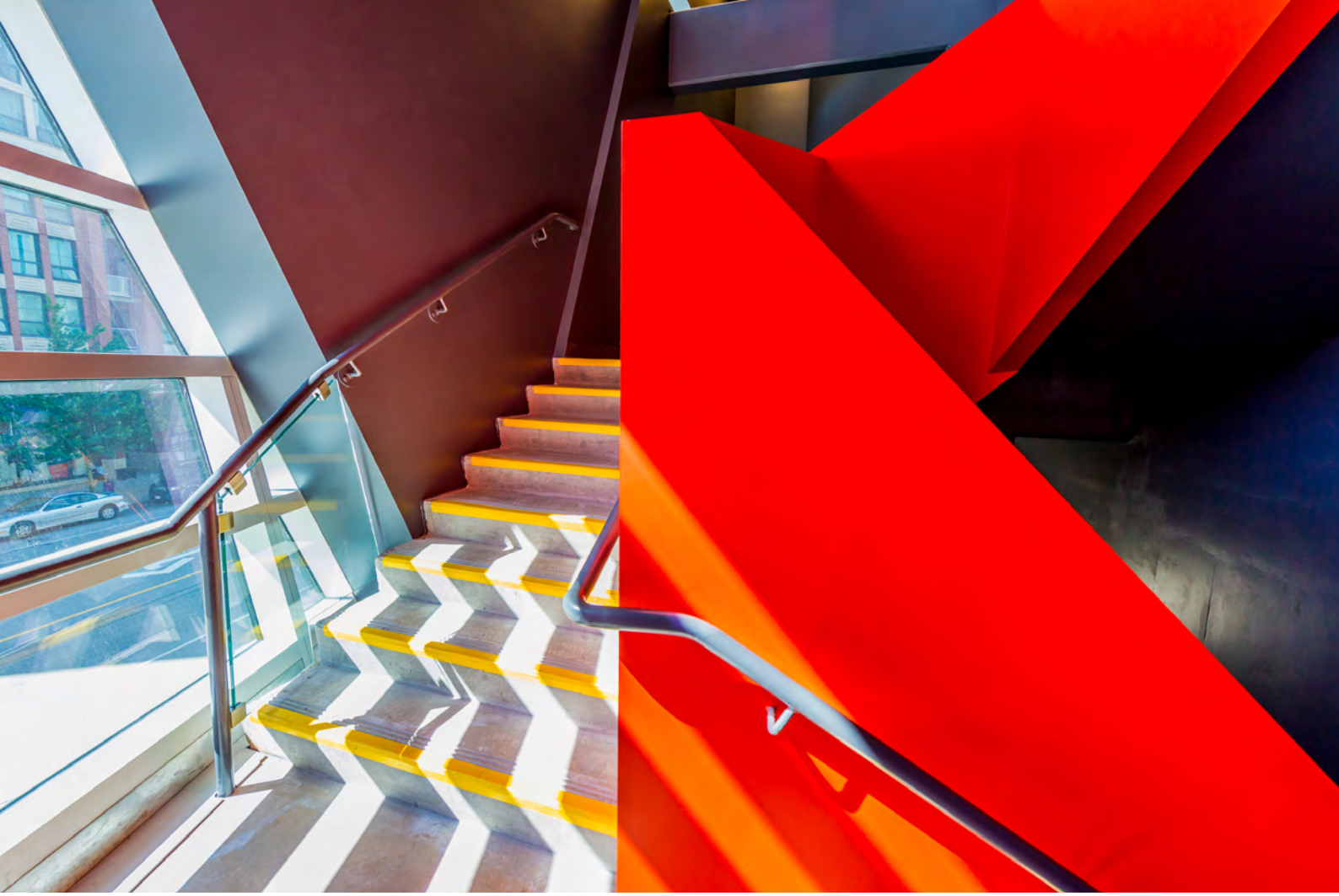
With the right advice and preparation, recaps can be executed efficiently and to the benefit of all parties.



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Beyond Compliance, Natural Capital in Boardroom Decision-Making

Climate change and the interaction between economic activity and the natural environment are no longer concerns confined to sustainability teams. They are strategic governance issues and, increasingly, matters of legal duty. For directors of UK real estate companies whose assets are, by their very nature, embedded in the natural environment, natural capital must move from the margins to the centre of decision-making.

Climate change and the interaction between economic activity and the natural environment are no longer concerns confined to sustainability teams. They are strategic governance issues and, increasingly, matters of legal duty. For directors of UK real estate companies whose assets are, by their very nature, embedded in the natural environment, natural capital must move from the margins to the centre of decision-making.

What is natural capital?

Natural capital refers to the stock of natural assets — soils, water, air, biodiversity, and ecosystems — from which people derive services such as flood regulation, carbon sequestration, pollination, and climate regulation.

> *We are part of Nature, not separate from it... Our economies, livelihoods and well-being all depend on our most precious asset: Nature.*
>
> The Dasgupta Review, 2021

For real estate companies, natural capital is not an abstract concept. Every development site sits within a watershed; every landholding either enhances or depletes the natural assets upon which communities depend. The question for directors is whether these interactions are being measured and managed or rather treated as spill-overs until regulatory or market forces compel closer attention.

Directors' Statutory Duties

Section 172(1) of the Companies Act 2006 requires a director to act in good faith to promote the success of the company for the benefit of its members as a whole, having regard to non-exhaustive statutory factors including:

- the likely consequences of any decision in the long term (s 172(1)(a));
- the impact of the company's operations on the community and the environment (s 172(1)(d)); and
- the desirability of maintaining a reputation for high standards of business conduct (s 172(1)(e)).

Section 172(1)(a) requires directors to look beyond short-term prospects. For a commercial company, success usually means long-term value and there is growing evidence that degrading natural capital undermines long-term asset values. Section 172(1)(d) expressly requires regard to environmental impact. This is not a box-ticking exercise; directors must give real and actual consideration to these factors.



Natural Capital in Practice

For real estate boards, natural capital touches virtually every aspect of the property lifecycle:

— **Site selection**: Biodiversity Net Gain obligations now require a minimum 10% net gain. Long-term land values are increasingly linked to surrounding ecosystem health.

— **Green infrastructure**: Sustainable drainage systems (SuDS), green roofs, and habitat corridors reduce maintenance costs and increase asset values.

— **Estate management**: Rewilding marginal land, forestry management, regenerative landscaping, wetland creation for flood attenuation and soil health programmes can all generate measurable ecosystem services while improving land values.

— **Reporting and valuation**: Properties with strong natural capital credentials command premium valuations and attract ESG-sensitive capital.

A Change in Mindset

Traditional thinking treats natural systems as constraints to be managed at minimum cost. Natural capital thinking inverts this: natural systems are assets to be invested in, because doing so generates financial, ecological, and reputational returns.

> *Natural capital thinking is not an alternative to economic growth — it is the foundation upon which durable prosperity is built.*
>
> Tony Juniper, Chair, Natural England

Measurement challenges remain — biodiversity, water quality, and carbon sequestration each require different, complex metrics. Measuring and monitoring frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and Natural Capital Protocol are still maturing. These challenges do not justify inaction. Directors who wait for perfect data will find themselves perpetually behind.

Tools for Directors

Boards can give practical effect to this approach through:

— commissioning natural capital assessments and baseline surveys across portfolios

— adopting the TNFD framework for nature-related risk identification and disclosure

— integrating natural capital metrics into board reporting and KPIs

— including natural capital considerations in board briefing packs for significant decisions

— appointing board members or advisers with ecology and sustainability expertise

— providing director training on natural capital concepts

Conclusion

The regulatory trajectory, from Biodiversity Net Gain to the TNFD, points towards ever-greater accountability for natural capital stewardship. Directors who embed natural capital into their decision-making will be more faithful to their statutory duties, more likely to take advantage of financial opportunities and more likely to create enduring value.

> *We don't need an army of actuaries to tell us that the catastrophic impacts of climate change will be felt beyond the traditional horizons of most actors — imposing a cost on future generations that the current generation has no direct incentive to fix.*
>
> Mark Carney, 2015

CMS and Natural Capital

CMS has extensive experience advising on natural capital, biodiversity and nature-based investment projects. Our work spans fund formation and investment structures, carbon and biodiversity credit frameworks, habitat restoration, and the acquisition and management of forestry and agricultural assets. Selected experience includes:

— **Finance Earth**: advising on the establishment of the first UK government-sponsored natural capital investment product and the UK's largest nature restoration fund, the Big Nature Impact Fund, which blends public and private capital and includes a first-loss cornerstone commitment from the Department for Environment, Food and Rural Affairs (Defra).

— **Federated Hermes**: advising on the launch of a nature-based solutions and carbon offsetting fund investing in forestry, peatland and coastal and marine conservation projects.

— **Dutch Pension Fund**: advising on its €150 million investment into a forestry and timberland fund focused on regenerative forestry and agriculture in Ireland.

— **University of St Andrews**: advising on its sustainability partnership with a large West Highland estate, including a 100-year pending issuance unit purchase agreement relating to woodland and peatland carbon credits.

— **Legal & General**: advising on proposed long-term, nature-based carbon offsetting partnerships with National Parks UK, the National Trust and the RSPB.

— **Government of Indonesia**: advising, through the Green Capital Institute, on Article 6 policies under the Paris Agreement and the development of intra-state carbon trading frameworks.

— **Plantlife**: advising on funding arrangements and structuring to secure biodiversity and nature-based improvements across the National Highways road network through long-term habitat schemes.

— **Blue Catalyst Fund**: advising on a funding and technical assistance programme established by Finance Earth and Fair Carbon to help early-stage coastal climate projects become investment-ready.

— **Oyster restoration project**: advising on a west coast of Scotland restoration project exploring the generation of carbon, nutrient and biodiversity credits.

— **Statutory Undertaker**: advising on strategy and framework documentation relating to biodiversity net gain, marine net gain and carbon credits.

— **Stellar Asset Management**: advising on the acquisition and disposal of forestry portfolios across Scotland, England and Wales.



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Bed and Sheds: The Evolution of Living and Logistics Sectors in Asia Pacific

As activity in traditional office and retail markets has moderated, living and logistics have emerged as alternative real estate sectors where we continue to see cross-border deal flow across Asia Pacific. Both are defensive in nature, generating stable income connected to essential services such as housing and supply chain infrastructure, and both have proven resilient through periods of economic uncertainty and interest rate volatility. Our work advising institutional investors on platform formations, portfolio acquisitions and joint ventures in these sectors offers a perspective on the trends shaping these asset classes and the structuring considerations that accompany them.

Building Platforms for Scale

Across both living and logistics sectors, institutional investors are typically seeking scale that individual assets cannot deliver. Single-facility acquisitions may not always justify the operational infrastructure and regulatory groundwork required for cross-border deployment. As a result, the market has moved toward platform and portfolio strategies, where investors partner with local operators to aggregate assets, build management capability and achieve the critical mass needed to generate meaningful returns. This approach allows investors to spread structuring and set-up costs across a larger asset base while building a repeatable model for further deployment in the same market or across the region.

Beds: How Living Became an Institutional Asset Class

Residential real estate in Asia Pacific is no longer solely a local build-to-sell market. Across the region, it is evolving into a professionally managed, operationally driven asset class catering to different life stages and housing needs, with several purpose-built asset classes attracting particular attention from cross-border investors.

Demographic Demand from Students to Seniors

Governments are expanding international student intake targets, creating a structural gap between enrolment ambitions and available beds. Affordability pressures are driving demand for co-living among young professionals. Ageing populations are generating long-term demand for managed senior housing. What connects these segments is occupier demand supported by strong demographic tailwinds, a requirement for active management, and regulatory frameworks that in practice favour experienced platforms over opportunistic entrants.

In the student accommodation space, Hong Kong's "Hostels in the City Scheme", which facilitates conversion of hotel and commercial buildings into student residences, illustrates both the opportunity and the difficulty. Adaptive reuse transactions of this kind require change-of-use applications under planning legislation, compliance with building codes designed for residential occupation, and lease modification premiums payable to the government. In Hong Kong, the cumulative cost of these regulatory requirements is material, and investors must factor them into acquisition pricing from the outset rather than treating them as a post-completion exercise.

Co-living is gaining momentum in markets such as Hong Kong, Singapore and South Korea, where it often overlaps with student accommodation in terms of target occupiers and regulatory classification. Investors are exploring it as a scalable complement to their broader living platforms, particularly where affordability constraints limit demand for traditional rental products. From a structuring perspective, the key consideration is often the applicable use classification under local planning rules, which determines lease tenure, density allowances and the operational parameters within which the asset must be managed.

Senior living, though still at an earlier stage of institutional development, presents a similar convergence of demographic opportunity and regulatory complexity. Investors must navigate healthcare licensing requirements, aged care operational standards, and in some markets, mandatory buy-back obligations that create balance sheet liabilities for operators. These regulatory layers favour experienced, vertically integrated platforms and are likely to shape the competitive landscape as this sub-sector matures.



Sheds: The Enduring Appeal of Logistics

Where Does Supply Go from Here?

E-commerce fulfilment and third-party logistics providers continue to drive absorption across Asia Pacific's major logistics markets. At the same time, diversification of manufacturing supply chains is generating new warehousing demand along emerging trade corridors, particularly in Vietnam and India, as companies diversify production beyond China.

The supply side tells a more interesting story. After several years of elevated development activity, new logistics completions are expected to decline from 2027. Developers are responding to elevated construction and land costs, tighter financing conditions, and constrained availability of well-connected industrial sites. In several markets, logistics now competes directly with data centres and other infrastructure uses for the same serviced land. For investors holding modern, well-located stock, this supply discipline should support occupancy and rental resilience. For those seeking to develop or acquire, it raises hard questions about feasibility, planning timelines and site competition.

The notable exception is mainland China, where significant new supply has coincided with softer occupier demand, pushing vacancy sharply higher and creating tenant-favourable conditions that contrast with the tightening supply outlook seen elsewhere in the region.

Cold Storage, Self-Storage and the Rise of Niche Sectors

Within logistics, cold storage and self-storage are among the niche sectors attracting focused institutional capital. As in the living sector, the platform model is the preferred route to scale. Cold storage remains undersupplied in a number of key markets across Asia, driven by consumer demand for fresh food delivery, pharmaceutical cold chain requirements, and the broader formalisation of food supply chains. CMS recently advised on the establishment of a joint venture platform between Brookfield Asset Management and Maori Capital, an affiliate of Uni-China Group, for the development and management of cold storage assets across Asia, including the seed acquisition, financing, and redevelopment of an industrial property in Hong Kong into a cold storage facility. The transaction is illustrative of how institutional capital now enters the sector: through committed platforms with identified pipeline and capability from inception. Self-storage follows a similar pattern. Though historically fragmented, the sector offers strong recurring revenue characteristics and consolidation potential for well-capitalised platforms. CMS advised a leading global private equity real estate investment firm on its acquisition of a portfolio of 17 industrial units across nine Hong Kong properties, totalling approximately 95,811 sq. ft. gross floor area, from another global real estate investment management firm through the acquisition of the holding companies. The assets comprised self-storage and general industrial units, with tenancies and management arrangements transitioning to the acquirer's self-storage platform in Asia. Multi-entity corporate acquisitions of this kind require careful attention to the allocation of operational liabilities and the seamless integration of the acquired portfolio into the buyer's platform.

Managing Complexity in Dedicated Logistics

The operational intensity of dedicated logistics assets sets them apart from conventional warehouse investments. Cold storage, automated fulfilment centres and self-storage platforms all require management arrangements that go well beyond the standard landlord-tenant lease. Key structuring issues include the allocation of fit-out and capital expenditure responsibilities for bespoke facilities, the classification of tenant improvements (particularly automation and racking systems) as fixtures or chattels on lease expiry, performance benchmarks and termination triggers in management agreements, and the maintenance of brand standards across portfolio assets. Where investors acquire businesses alongside the real estate, the separation of property-owning and operating entities, and the terms of inter-company service arrangements between them, require particular care.

Where Structuring Meets Strategy

Capital is expected to continue flowing toward living and logistics across Asia Pacific, and the structural drivers behind that allocation are unlikely to fade. A key factor distinguishing successful investors in both sectors is the capacity to build legal and governance architectures that accommodate operational complexity, cross-border tax efficiency and regulatory requirements, while allowing execution at speed. For those who structure their platforms well, it remains a powerful competitive advantage.



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Digital Infrastructure - Power, Planning and Market Transformation in the New Data Economy

The digital infrastructure sector is entering a defining phase of transformation. Rapid AI deployment, structural grid constraints, evolving planning policy and energy regulatory reforms are reshaping the data centre landscape. As a result, data centres are emerging as one of the most strategically significant - and complex - asset classes within the broader corporate real estate market. This article explores the key themes shaping the sector, including regulatory change, new capital structures, cross-sector convergence and the increasingly operational character of data centre real estate platforms.

Structural Constraints: Power as the Defining Barrier

Grid Reform: Eliminating Speculation, Introducing Uncertainty

Power availability emerged as one of the greatest barriers to UK data centre development. Reforms to grid connection processes designed to prevent speculative queue blocking require developers to demonstrate objective readiness criteria before obtaining a firm connection offer. While well intentioned, these requirements have pushed many connection dates into the 2030s, creating uncertainty across the development cycle.

Repurposing land, particularly battery storage sites, no longer guarantees retention of grid connection rights. Instead, developers are forced to requalify, with engineering, planning and power procurement now needing to run in parallel to avoid losing valuable and costly connection positions.

Data centres' connection readiness is under particular scrutiny given the data centre project backlog. A consultation is, at the time of writing, now underway which proposes the introduction of significantly increased credit support requirements for medium and large scale connections offers in respect of data centres and enhanced 'anti speculation' project progression milestones and deadlines in order to avoid connection offer termination. For further information on this consultation, please see our further publication here.

Strategic Demand and AI Growth Zones

Government-designated AI Growth Zones are a relatively new development. Questions remain as to whether the initiative will genuinely unlock new power capacity or simply formalise advantages already held by certain regions, particularly in the north of England. In some cases, proposed zones are already capable of meeting the required 500MW delivery threshold prior to designation, raising broader questions around regional equity and the extent to which the policy materially shifts the investment landscape.

More fundamentally, while the proposed power pricing discounts are meaningful, they are unlikely to be transformational in isolation. The competitiveness of the UK market continues to be assessed against other European jurisdictions. In particular, the Nordic markets remain structurally advantaged due to abundant hydro and wind generation, while France benefits from a large nuclear fleet that provides relatively stable and lower-cost electricity compared with many European markets.

Planning, Community Perception and the Public Narrative

Local Authority Capacity and Planning Risk

Although AI Growth Zones promise accelerated planning, inconsistent policy interpretation and limited resourcing at the local authority level mean that timelines rarely shorten in practice. Hyperscale facilities, with their scale, visual impact, water usage and energy demands, test traditional planning frameworks.

Accordingly, clear communication of the local value proposition is becoming increasingly important. Developers and operators are often required to demonstrate not only the strategic importance of data centre infrastructure, but also the tangible economic, social and environmental benefits that projects can deliver to surrounding communities. Initiatives such as waste heat recovery, whereby excess heat generated by servers is captured and reused by nearby buildings, can form an important part of that narrative.

Repurposing Existing Assets: Reality vs. Proposition

The potential to repurpose commercial assets, particularly offices and retail, remains more theoretical than practical. Physical constraints (load bearing capacity, cooling requirements, fibre routing, power import limits) mean most conversions require near total reconstruction.

By contrast, former power stations are gaining momentum: they offer remote locations, existing grid infrastructure, water access and embedded utility systems, making them ideal for redevelopment into data centre campuses. Logistics assets may also present opportunities in this regard.

Environmental Scrutiny and Reframing the Narrative

Activist groups increasingly shape public perception, raising concerns around water usage, energy consumption and environmental impact. Consequently, there is a need for a proactive narrative centred on societal benefits: digital public services (e.g. NHS efficiency), heat reuse initiatives, skills development, and the broader economic value chain that data infrastructure enables.

Market Evolution: Hyperscalers, Operators and Capital Models

Hyperscaler Influence: Business Models Redefining Real Estate Norms

Hyperscalers continue to reshape market expectations. Their ability to forward commit capital, influence planning and demand power delivery certainty places unique pressure on developers and lenders. Unlike speculative developers, hyperscalers typically refuse to land bank and will only acquire sites subject to firm commitments on planning and power.

Their service agreement style contracts impose strict performance KPIs and often challenge conventional funding models, with banks struggling to balance lender protections against hyperscaler operating requirements.

Financing Trends: New Structures for a Maturing Sector

Echoing trends seen across broader CRE transactions, the financing landscape for digital infrastructure is diversifying:

- **Fund level financings** for multi asset platforms
- **Securitisation structures** emerging in Europe after gaining traction in the US
- **GPU backed financing**, viewed cautiously due to obsolescence risk
- **ESG linked financing models**, emphasising energy efficiency and sustainability

Construction risk and cost escalation are also reshaping delivery. Fixed price contracts are increasingly rare, with developers required to inject additional equity and negotiate risk sharing arrangements to address hyperscaler penalty regimes.

Workforce, Skills and Long Term Sustainability

Skills shortages represent a growing structural challenge. A significant proportion of the existing workforce is nearing retirement, and rapid technological advancement requires new capabilities across engineering, digital systems, and sustainability. The importance of education-integrated technology campuses is therefore increasing, with planning authorities increasingly encouraging their inclusion as part of holistic masterplans.

Sustainability remains a key consideration, with increasing attention being given to long term energy alternatives including green energy integration and small modular reactors (SMRs). While the UK remains in early stages of SMR deployment, these technologies are increasingly viewed as potential components of a long-term digital infrastructure strategy.

Conclusion: A Sector at an Inflection Point

The digital infrastructure market is undergoing rapid, structural change. Power availability, planning complexity, and hyperscaler expectations are redefining development models and investment strategies. As AI demand accelerates and the global economy becomes ever more digitally dependent, the importance of data centre infrastructure — and the sophistication required to deliver it — will only continue to grow.



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Merger Control, Foreign Direct Investment & Foreign Subsidies: Navigating an Expanding Regulatory Landscape in Real Estate Transactions

Real estate transactions increasingly sit at the crossroads of multiple regulatory regimes. What may appear at first glance to be a straightforward acquisition of land or a property-owning SPV can rapidly trigger complex questions under merger control, foreign direct investment (FDI) and, increasingly, the EU Foreign Subsidies Regulation (FSR).

Across the UK, Europe and global markets, a growing number of real estate transactions are coming within the scope of regulatory review, with authorities scrutinising even single asset entities and vehicles with limited substantive activities. As a result, deal teams – particularly those operating in a cross border context – must navigate a landscape that is more intricate, multi layered and time critical than ever before. This article explores key themes resulting from the convergence of these regulatory regimes and the practical implications for investors, joint venture partners and developers engaging in corporate real estate transactions.

When Real Estate Transactions Constitute a 'Merger'

Property acquisitions typically fall within the scope of merger control where they involve the acquisition of a "business". For real estate transactions, SPVs generating rental income or sitting within an operational platform will frequently be in scope of merger control review. Notably, the UK Competition and Markets Authority (CMA) has categorised even unused ferries as a business capable of being acquired because they *could* be operated commercially, demonstrating the expansive reach of this concept.

The other key trigger is control. This goes beyond consideration of who is directly operating the business, with control arising in several forms:

— **Sole control** – buying out a JV partner or acquiring 100% of an SPV.

— **Joint control** – common in JVs (e.g. 50:50 JVs) and structured platforms.

— **Negative control** – veto rights over budgets, business plans or key appointments, even with a minority shareholding.

— **Low shareholdings** – material influence is an especially low bar in the UK, but shareholdings as low as 25% can also trigger notifications in e.g. Germany.

Why this matters: acquiring a stake in a portfolio or asset within a corporate structure, or selling down from a wholly owned asset into a JV, can unexpectedly create a merger potentially requiring filings in multiple jurisdictions.

Understanding Global Filing Thresholds

Turnover based thresholds remain the primary gateway for merger control filings, but each jurisdiction takes a different approach:

EU

— High turnover tests (e.g. the primary threshold requires €5bn worldwide and €250m EU turnover for at least two parties).

— Filing may be required even where the JV itself has no EU activity if the parent companies exceed thresholds.

UK

— Thresholds include:

- Target UK turnover > £100m.
- "Share of supply" test (25%+), which provides broad discretion to the CMA.
- A new "hybrid test" where the acquirer has an existing high share of supply.

It is important to keep in mind that several key jurisdictions do not apply a reliable local effects test, i.e. a filing obligation can be triggered by the parent's local turnover alone, even if the JV has no nexus to the country (China, South Korea and Turkey would be relevant examples for such jurisdictions).

This can give rise to consistency challenges between transactions, as when a company files in a certain country (e.g. China), the authority may expect that approach to have been followed historically.

A Practical Checklist for Deal Teams

Because the threshold for merger control review is intentionally low, real estate teams need to follow a pragmatic triage system:

Step 1 — Gating questions

With the assistance of a specialist, deal teams can identify whether the target is a "full function JV" and/or whether the acquisition gives rise to "control". If not, major jurisdictions such as the EU and China may fall away immediately, eliminating a large number of theoretical filings.

Step 2 — Screen core jurisdictions

Many deals ultimately come down to a handful of recurring regimes, in particular those where the creation of a non full-function JV also has to be notified (e.g. Austria, Germany, or Poland).

Step 3 — Manage risk averse JV partners

Some institutional investors prefer conservative filing strategies. It is essential to have clear communication and alignment on filing logic with JV partners to avoid unnecessary filings.

Step 4 — Manage internal documentation

Many organisations adopt internal protocols on how external counsel advice is recorded. Caution also needs to be taken in the creation of internal documents by the parties and their commercial advisers.

Substantive Competition Issues: When Do They Arise?

Although less common in the real estate sector, competition concerns can arise in respect of assets where tenants/customers have more limited alternatives, such as:

— Shopping centres (destination retail with few alternatives).

— Outlet centres (large catchment areas).

— Unique asset classes (e.g. specialised logistics hubs, student accommodation).

Teams should undertake a substantive assessment, for example, as to whether the asset acquisition could lead to higher rents, limited tenant choice or localised market concentration.

The Expanding Role of FDI Regimes

FDI screening has become a central feature of real estate investment, with regimes proliferating across Europe and beyond.

Common triggers for mandatory filings include:

— Assets linked to critical national infrastructure, such as data centres, ports, energy, telecommunications or logistics infrastructure.

— Proximity to sensitive government sites, such as military facilities, even if they are situated outside of the property's boundaries.

— Contracts with government bodies (even of limited substance).

— Acquirers with a perceived national security concern.

FDI analysis is often unpredictable because many regimes are new and evolving, with regulators and local counsel still refining their approach to assessing and advising on transactions. Processes vary significantly across jurisdictions, making early triaging essential to manage timescales and cost.

The Foreign Subsidies Regulation (FSR): A Third Layer of Complexity

The FSR adds a further dimension to deal execution by requiring notification where both of the following apply:

— The full-function JV or target has €500m+ EU turnover, and

— The parties have received €50m+ foreign financial contributions (FFCs) over three years.

The FFC threshold is extremely easy to meet due to the fact that the definition is exceptionally broad (not being limited to subsidies) and consequently it captures many significant global businesses. Practical implications:

— Unlike for merger control, no short form process exists – reviews take the full 25 working days.

— The European Commission is already overwhelmed, receiving ~300 notifications in the first two and a half years vs. the anticipated 30 annually. Given stakeholder criticism to date, reforms may be on the horizon.

— Whilst few real estate transactions are caught at present (circa 4 out of 300), analysis is still required to exclude notification.

Interplay Between Merger Control, FDI & FSR

Real estate deals, particularly those within a corporate wrapper, often trigger multiple regulatory regimes simultaneously, creating risks of:

— Duplicated review processes

— Divergent outcomes

— Extended deal timelines

Even SPVs that are seemingly "low substance" can be subject to scrutiny, especially where global parent companies are involved. As a result, deal teams should proactively consider the regulatory landscape at the outset of the deal.

Preparing for Regulatory Scrutiny

Buy side teams are recommended to:

— Begin red flag screening early across merger control, FDI and FSR.

— Engage proactively with regulators where appropriate.

— Build regulatory timelines into financing and transaction planning.

Sell side teams are recommended to:

— Ensure turnover data is readily available - antitrust counsel are likely to request global turnover breakdowns at the very start of the deal process.

— Carry out market share assessments.

— Flag FDI relevant aspects early (e.g. asset type, sensitive locations, any government relationships / contracts).

Conclusion

The regulatory landscape shaping corporate real estate is undergoing rapid expansion and transformation. While many transactions will remain filing free, the often low thresholds for merger control review, widening scope of FDI frameworks, and sweeping reach of the FSR mean that deal teams must stay alert.

The central message for market participants is clear:

— spot issues early;

— create consistent global filing strategies; and

— avoid surprises in competitive bid processes.

For organisations engaging in cross border real estate M&A or JV structuring, regulatory analysis is no longer a peripheral consideration—it is a critical path item and a core component of successful deal execution.

While the widening scope of FDI frameworks and the overarching reach of the FSR is becoming increasingly relevant in all corporate real estate transactions, given the current challenging fundraising environment, this has been a key issue in a fund formation context and, in particular, in relation to 'Super Investors'. For an in-depth discussion on the growing trend of Super Investors and how these investors are reshaping real estate capital formation, please see the previous edition of CRE Insights here.



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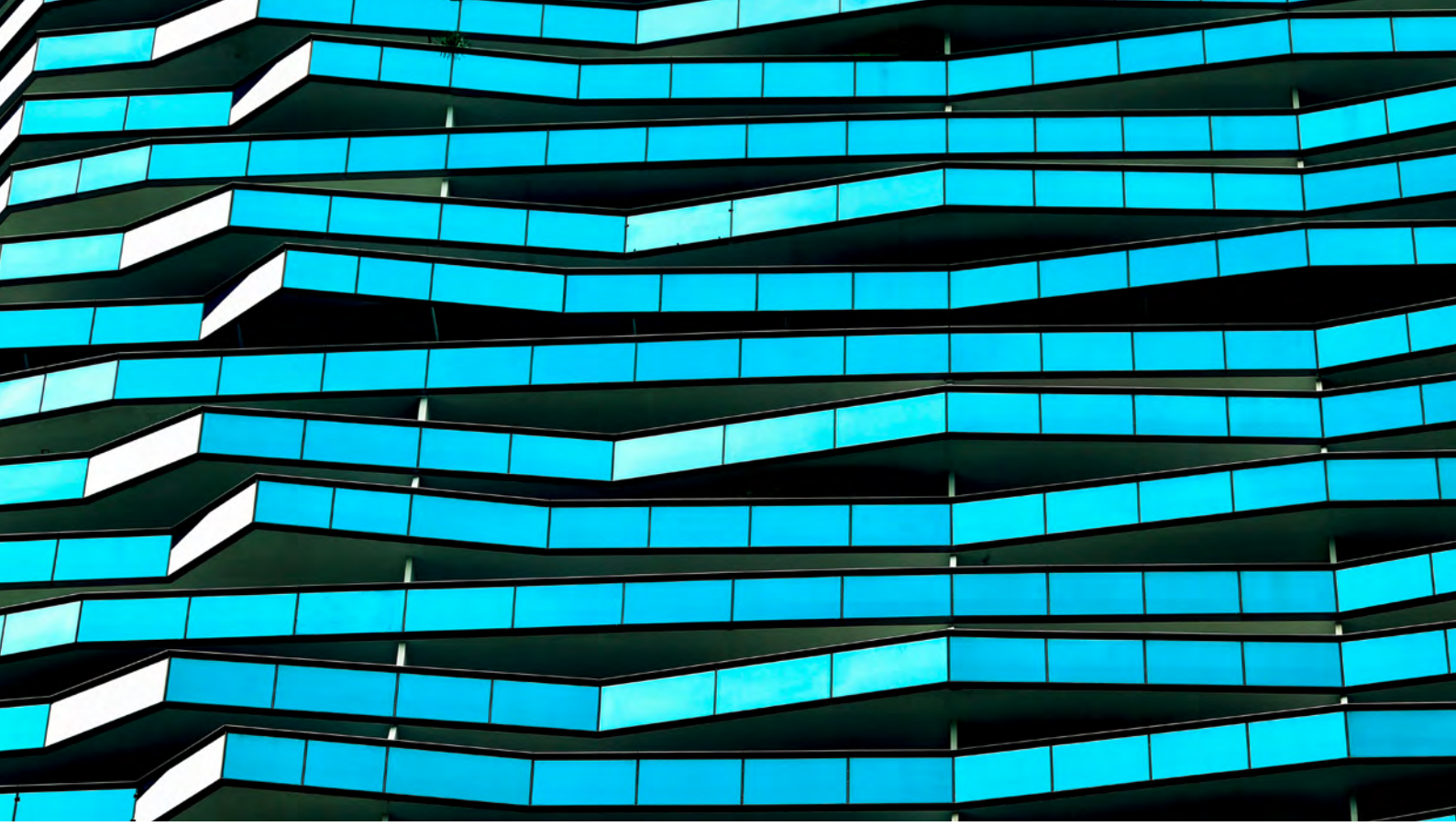


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Hospitality Matters: Lessons from a Sector That Continues to Reinvent Real Estate

Few sectors have evolved as dramatically over the past quarter century as hospitality. During that time, CMS has advised clients through successive waves of transformation, from the rise of sale-and-leaseback structures and asset-light operating models to today's focus on platform-building, operational excellence and the growing recognition that operations can be a powerful driver of real estate value. Those shifts have not only reshaped hospitality but have also influenced thinking across the wider real estate market. The latest edition of our long-running publication "Hospitality Matters" explores many of the trends that are now becoming increasingly relevant for investors across all asset classes.

Having accompanied investors, owners, operators and lenders throughout that journey, we have seen first-hand how ideas that emerge in hospitality can become mainstream across real estate. The breadth of topics covered in this edition demonstrates why hospitality remains such a useful barometer for the wider market. In "Hotels and Mixed Use Schemes: Managing Complexity in Multi Use Developments", our team examines how operational assets can act as anchors within larger developments, helping create destinations, driving footfall and supporting long-term value creation across mixed-use schemes.

Meanwhile, "Hospitality, Travel & Leisure: Key M&A Trends from the CMS European M&A Study 2026" highlights the investment and consolidation themes shaping transactions across Europe.

The edition also explores the wider economic and regulatory forces influencing investment decisions. CMS Dubai partner John O'Connor's article "Volatility, Resilience and Realignment: Hospitality in a Shifting Middle East" considers how investors are responding to geopolitical uncertainty, while our regional focus on Poland's Hospitality Sector examines one of Europe's fastest-growing economies and the trends attracting increased cross-border capital. Alongside these market-focused pieces, readers will also find analysis of the Building Safety Act 2022, the Employment Rights Act 2025, and an update on competition law developments regarding data sharing in the sector.

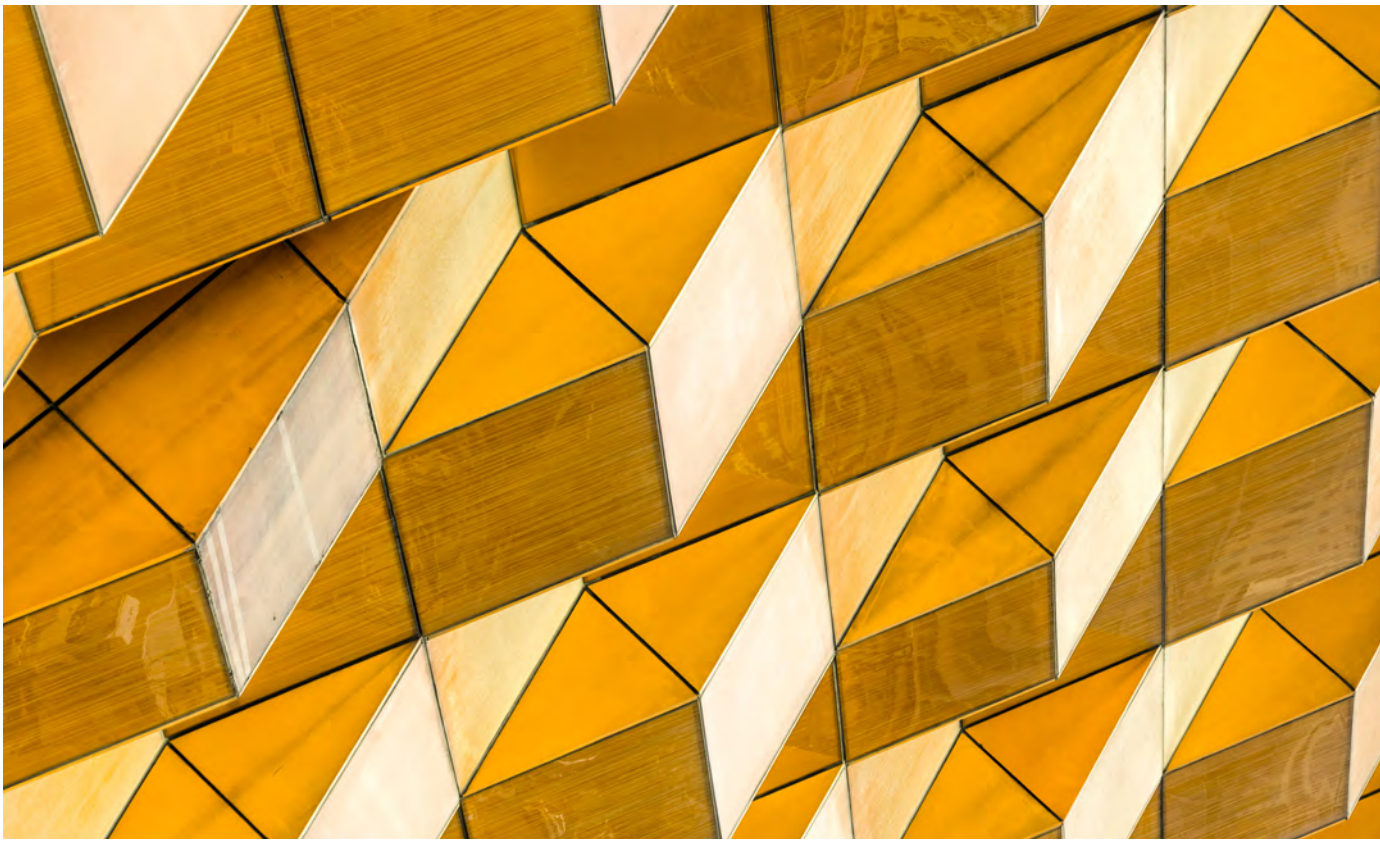
At CMS, we believe some of the most interesting developments in real estate are increasingly happening at the intersection of assets, operations and customer experience. Hospitality Matters brings together the insights we have gained from more than 25 years at the heart of that evolution.

Hospitality has often been the proving ground for ideas that later shape the wider real estate market. Having advised clients through more than 25 years of change in the sector, from sale-and-leasebacks and asset-light models to today's focus on platforms and operational value creation, CMS is uniquely placed to identify the trends that matter next. Read the latest edition of Hospitality Matters and subscribe to future editions for insights from the forefront of operational real estate.

The full article is available here.



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Training options

Introduction to Real Estate Joint Ventures

Advanced JV Topics
Liquidity, Exit Strategies, Default Scenarios, Governance and Management Agreements (DMA, PMA and AMA)

Joint Venture Hot Topics
EU Merger Control, Listing Rules, Regulatory Developments, and Tax Structuring

Corporate Wrapped M&A
Property Companies (Propcos) and Operating Companies (OpCos) (Including W&I)

Building Safety Act
Secondary Liability in the context of Corporate Real Estate Transactions – an M&A Toolkit

Private REITs
Key Features, Benefits, and Challenges

Public M&A
Takeover Dynamics from an External Investment Manager's Perspective

Corporate Real Estate Structures – Tax Overview
UK and non-UK companies, REITs, offshore unit trusts, and partnerships

Tax Considerations Across the Investment Lifecycle
Key issues at acquisition, development, holding, and disposal stages

Hotel Operating Structures
Examination of PropCo/OpCo splits, operating models (management, lease, franchise), and lender relationships in multi-party structures

Management Agreements in Operational Real Estate
Lessons from hotel management agreements, their application to other sectors, comparison to leases, and key commercial negotiation points



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