Following its exit from the EU, the UK is now in a transition period until the end of 2020. The Government is still seeking to establish the basis of the UK’s future relationship with the EU. However, a stable single party majority and the resulting greater certainty over the political path to Brexit, is restoring confidence in the UK as an investment destination.

Initial market commentary from investment agents following the result of the General Election suggest that investment activity is already picking up. Consequently, a much more active first half of the year is expected as investors who had been adopting a “wait and see” approach are now ready to commit. The UK remains a highly attractive investment destination, and investors remain assured by the UK’s liquidity and position as a safe haven with occupational markets that have remained robust, plus the relatively high yield, and yield spread, when compared to other European markets. This is in addition to other factors such as the country’s reputation as an innovation and talent hub which implies strong longer-term prospects. However, later in the year, if negotiations regarding the UK’s future relationship with the EU go to the cliff-edge as the Government’s self-imposed 31 December deadline approaches, nervousness in the market may return with a resulting slow-down in investment activity.

Much of the law relating to pure real estate, planning and construction is domestic in its nature, so Brexit should have little impact on the fundamentals of UK land law legislation and remaining concerns for the sector are commercial and market related.

Key considerations for UK real estate projects, particularly those involving construction, include:

- **Tariffs on imports of equipment, plant and materials:** Imports originating from non-EU Member States, as well as EU Member States, may be affected by the negotiation of a new trading relationship in the transition period. Where it is not practicable to avoid tariffs by buying goods/services before the transition period (noting that payment for off-site materials or advance payments may in turn be sought), attention will shift to identifying and assessing the risk of exposure to new tariffs. In the absence of any deal, where the UK trades with a third country now on the EU’s WTO (World Trade Organisation) terms, commentators have previously suggested that the UK may use tariff rates notified by the EU initially. Over time, the UK may depart from those tariffs for some goods, particularly those which cannot be produced commercially in the UK.
• **Labour shortages and access to suitable workers**: As the UK construction industry regularly employs EU nationals working temporarily in the UK, immigration restriction measures (e.g., visa restrictions on EU workers) could impact on availability or productivity of labour, particularly for specialist trades. Where it is not practicable to avoid impact through mitigation measures (e.g., through timely applications for visas or utilising appropriate UK alternatives), some projects may consider fluctuations provisions or additional programme relief. For further analysis, see accompanying section: **Migration**

• **Consents licences and permits**: The imposition of new rules, restrictions and border controls could lead to delays in importing plant or materials. Whilst managing out this risk entirely might not always be possible (e.g., due to uncertainties or unforeseen delays while transitioning to new border control regimes), projects are expected to look at measures through which delays could be minimised due to goods becoming stuck in a customs clearance process such as via early ordering, management of supply chain importers or substituting goods with UK alternatives, if available.

• **Exchange rate risk**: The cost of imports from anywhere in the world could be affected by currency fluctuation between sterling and other currencies resulting from economic uncertainty. Alongside conventional hedging arrangements, some projects may consider denomination of prices in multiple currencies or, where practicable, the purchase of goods/services ahead of time.

See also our Corporate Law section for issues relating to corporate governance and structures, cross-border mergers and more general information on the impact of Brexit (good or bad) on companies and their businesses.

“There are clear signs that residual uncertainty around Brexit is being outweighed by the market’s positive reaction to the result of the General Election. For many investors, political stability has removed the reason not to invest and transactional volumes are expected to increase accordingly.”

**JEREMY WALDEN**

• **Effect:**
  - directly applicable EU legislation continues to apply in the UK until the end of 2020,
  - any attempts post-transition to remove certain regulatory burdens on business which were previously derived from EU legislation may be impacted by any such future relationship/trade deal.

**At the end of transition – will there be elements of no deal?**

• At the end of the transition period, if the new trading relationship is not in place, there could be a no-deal exit. It is more likely that this will be modified by the introduction of agreed elements of the future relationship or some other temporary set of rules, even though the UK Government has ruled out extending the transition period. Both sides have set out their respective negotiating positions. However, there will be no clarity as to what will happen until towards the end of 2020 and the adage “plan for the worst, hope for the best” continues to apply and no-deal guidance therefore remains relevant. See the accompanying section: Leaving the EU - The process and preparations.

• The body of EU law in force at the end of 2020 will be imported into UK law (with necessary amendments) under the European Union (Withdrawal) Act 2018 and the UK legislation made to implement EU law will be retained, with suitable amendments – this will be called “retained EU law”.

• A lot of the secondary legislation to make such amendments has already been made, but further adjustments may be required by the terms agreed for the future relationship.