for the development of the first 'lifetime neighbourhood' with the provision of 6,800 family housing units. This is separate from the future private development of the Olympic athletes' village, ownership of which has been secured for the delivery of more than 2,800 new homes, the Westfield retail and business development close to the main olympic stadium and the transport hub at Stratford.

The aspirations are high, including a number of specific targets to be achieved within a very short timescale. The first new neighbourhood will be developed and operational within a year of the end of the Games 2012. What will then be known as the Queen Elizabeth Olympic Park will be open to the public from 2013, with temporary stadia removed and works carried out to preserve the long -future of the main stadium, the aquatic centre and the velodrome. By 2015, the four London boroughs affected by the Guidance are expected to have ensured that 120,000 more residents have jobs, that 185,000 more residents have degree-level qualifications, and that 25,000 more adults will do weekly physical activity. The Guidance also stipulates that the planning foundations will have been laid for public and private investment to lead to the creation of over 200,000 new jobs. All of this is driven from a real estate and planning perspective. The legal framework has been laid for the creation of five new areas, with new communities and neighbourhoods. The political impetus exists and can be strengthened because the planning process, effectively, will be under the control of the Mayor of London, rather than central government.

This is a legal experiment, conceived and promoted by political desire to bring about fundamental change and, as a result, normal checks and balances have been removed; by and large, the Mayor of London and the local boroughs can set their own agendas. Whether there will be the funds available for the required public and private investment remains to be seen.

French sale and leaseback transactions: update

FRANCE

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Sale and leaseback transactions have increased under the tax and legal framework of Article 210E of the General Tax Code (the 'Code'). This article offered an advantageous tax regime to legal entities for capital gains from the disposal of assets or shares of companies predominantly investing in real estate. Under this tax regime, companies that had written off their real estate portfolio could transfer it and become the tenant, through a real estate investment trust or a real estate collective investment vehicle. However, on 1 January 2012 the reduced tax rate of 19 per cent (instead of 33.3 per cent) applicable to disposal gains, set out in Article 210E, was removed. The consequences of the abrogation of Article 210E should be put into perspective.

The abrogation of Article 210E gives companies the opportunity to sell and lease back the whole or a part of a property portfolio without major tax consequences. The financial climate may encourage companies to unlock stockholders' equity by extracting the market value from their property. As an alternative, the new tax regime was set out in Article 210F of the Code, which provides a reduced tax rate applicable to disposal gains on the commercial assets or office assets of property investment companies and any company subject to corporate income tax. This update sets out some examples of objectives for sale and leaseback transactions in 2012.

Financing development

Given the falling stock markets in recent years and the scarcity of bank financing and refinancing, the transfer of property assets may offer companies an alternative source of liquidity to mortgage, as well as allowing them to raise capital in order to finance development without the participation of banks. Increasing regulatory and

environmental constraints have accelerated the obsolescence of existing real estate portfolios, for example buildings located in Paris or in La Defense, which require or will require important investments. Rather than assuming the costs and responsibility of a major renovation alone and taking a risk, a company in this situation may wish to sell all or a part of its real estate. Thus, the company limits its taxable capital gains while obtaining a renovated building at the end of the work.

Deconsolidation

Through deconsolidation a company can reinforce its stockholders' equity and accelerate the pace of debt reduction, transferring all or part of its real estate portfolio to a third party. This kind of operation may be necessary in the current climate, in which real estate portfolios are depreciating, leading shareholders to consider opportunities to extract market value from real estate portfolios.

Improving profitability of stockholders' equity

If the main business of a company proves to be more profitable than its assets, it should prioritise its core business and improve its competitiveness by reallocating the equivalent value of the real estate portfolio to the financing of its activities, or by redistributing value to the shareholders (eg, through share repurchases or extraordinary dividend payments).

Rationalisation of portfolio management

Some companies which own property also manage that property as part of their business, but unless that is their core business, real estate assets are not always used correctly. By establishing a client/supplier relationship, the sale and leaseback of assets can make employees and supervisors aware of the need to change their behaviour. The company can therefore rationalise its workspace and reduce its operating costs.

Strong investor demand for long-term secure investments

For regulatory (eg, the EU Solvency II Directive (2009/138/EC)), allocation (eg, asset and liability management) and financial reasons (eg, lack of visibility in the financial markets and volatility), investors are looking for assets that offer predictability and regular income, rather than risky investments. The sale of all or some of its real estate assets can be a good opportunity for a company to offer on the market real estate products that are transferred to regulated vehicles and which can deliver consistent long-term performance. However, there is one exception: a plant cannot be subject to sale and leaseback in the same way as offices, as it requires more complex financing to implement.

Capturing value

In a best-case scenario, tenant credit-worthiness and fixed-term leases provide investors with secure returns. In the context of very long-term leases, the location and other characteristics of the building matter less than the landlord's reputation and the financial package. Therefore, a property's value can be maximised by having a high-quality, long-term tenant. This provides a guarantee of future income and a value that the company can hope to capture, in the selling price of its portfolio. For example, a logistics company is seeking a new warehouse and the company buys a piece of land without prior economic allocation and builds the warehouse as a traditional property development. Thus, the company creates economic value, which may be monetised through a sale and leaseback operation negotiated to its advantage.

Sale and leaseback process

After deciding to implement a sale and leaseback, what are the next steps? Sale and leaseback operations cover a wide range of legal and financial issues, which do not share common goals. They derive from financial opportunities, balance sheet imperatives and even management rationalisation. Everything depends on the objective. Does the company want to deconsolidate? Does it want to maintain control of the asset? Is it seeking to extract cash or to improve its investment? Does it want to get the asset back at the end of the lease? The answers to these questions will shape the final arrangement. In the context of a leaseback, the property is purchased by the landlord, which immediately leases it back to the seller with an option to repurchase it for a nominal

value. The property can also be invested in a special purpose entity, whose income is the rent paid by the seller and whose securities are sold to investors in tranches. Leaseback provides that a property and the attached lease rights are acquired by an investor, which enters into a simple lease with the seller. The final question to be answered is: which is the most appropriate vehicle for each case (eg, a real estate investment trust, a real estate collective investment vehicle or an unregulated vehicle).

New Condominium Law in Indonesia: a developer's perspective

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Recently, the House of Representatives has approved the draft of new condominium law. This law takes into consideration Article 20, Article 21, and Article 28H (paragraphs 1, 2 and 4) of the Indonesian Constitution Law 1945, as well as Law No 1 of 2011 on Housing and Tenancy. With this new approved draft, the previous Law Number 16 of 1985 on condominium is revoked, since it is no longer in accordance with the development of law, the people's needs and the participation of the community, as well as the responsibility and the state's obligation with regards to the condominium matters. This article is written from the perspective of the developers of property in Indonesia.

General definition

There are some defined terms used in the new law. The following are some of the principle defined terms:

A 'condominium' is a multi-level building, which is divided into functionally structured sections (whether horizontally or vertically), each section constituting a unit which can be owned and used separately – mainly for housing, complemented with common equipment, common facilities and common land.

A 'certificate of condominium unit' (*sertifikat hak milik atas satuan rumah susun*) is an evidence of ownership on the condominium unit over right of ownership, right to build or right of use over state land and right to build or right of use over right of management.

A 'certificate of condominium building ownership' is an ownership evidence of condominium unit built over state government or regional government's land or *waqf*[1] land through lease.

'Common land' means a plot of land or leased land for building that is used as the basis of inseparable common rights where a condominium is built over that land and its boundaries are determined in the requirements of licences to build. Common equipment means a part of condominium that is inseparably owned for joint use in one integrated function with condominium units. The examples of this are foundation, column, wall, floor, block, roof, stair, lift, pipes, electricity system, gas and telecommunication. Common facilities mean a property that is not part of condominium but inseparably and jointly owned for joint use. The examples of this are meeting room, park, landscaping, social building, religious building, parking space, playground and separate or integrated parking space within condominium building structure.

'Condominium owner and tenant association' (*perhimpunan pemilik dan penghuni satuan rumah susun*) (PPPSRS) is a legal entity, having owners or tenants of condominium units as its members.

Parties who can develop a condominium

The development of the commercial condominium can be implemented by any parties and may also be conducted through foreign investment, in accordance with the law and regulations. 'Any parties' means an individual or legal entity. Currently, there is