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Can you keep your Poker Face when dealing with GAGAs?

14TH JULY 2023 [BLOG](#)
BY [RYAN BEMBRIDGE](#)



Chris Gaunt, senior associate in Rosling King's Real Estate Group, offers his expert advice in the case of a landlord and tenant lease assignment and the guarantee of assignee where AGAs and GAGAs come into play.

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Question:

My tenant has a lease over a property granted after 1 January 1996 and their parent company acts as guarantor. Following a company reorganisation, they want to assign the lease to a company within the same group but need our consent as landlord. Can the current guarantor directly guarantee the proposed assignee?

Answer:

We are seeing an increasing number of companies looking to internally restructure and this often has an impact on how they want to hold their property assets.

If there is not already a clause in the lease permitting intra-group transfers without consent then whilst it may seem like a simple solution to use the same guarantor, with assignments of leases things are, however, a little more complex.

The landlord cannot ask the existing guarantor to directly guarantee the assignee as this would fall foul of the anti-avoidance provisions in the Landlord and Tenant (Covenants) Act 1995 and will be invalid, meaning you risk being left with no guarantor at all.

This issue is a relatively unknown area and there is a trap for the unwary here which often isn't spotted at the time of the assignment.

So, where does that leave us, as the landlord will want to control the assignment by a tenant of its lease?

One option is for the landlord to seek an Authorised Guarantee Agreement ('AGA') from the outgoing tenant and have that AGA guaranteed (a situation known as a GAGA).

What is an AGA/GAGA?

As tenants and their guarantors are automatically released from liability to the landlord when a lease is lawfully assigned to a third party, an AGA is a method of requiring outgoing tenants to guarantee the liabilities of the new tenant under a lease.

However, if the outgoing tenant was not a secure enough covenant and required a guarantee in the first place, it is likely the landlord will not accept this.

That leaves us with either looking for a separate guarantor (which is probably unlikely in this scenario) or else with a GAGA (the guarantee of an authorised guarantee agreement).

Here, if the assignee fails to comply with its lease liabilities, the landlord can call on the outgoing tenant to do so and, if in turn the outgoing tenant is unable to comply, can ultimately require the parent company to comply under the GAGA.

These type of issues are not always spotted at the time of the assignment. If not handled correctly, a landlord may find any attempt to undertake such an assignment will be struck down as void.

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Homes plan for landmark Reading building

14TH JULY 2023 [ADVISER NEWS, UK](#)

BY [RYAN BEMBRIDGE](#)



A Reading riverside building is to be transformed into more than 200 buy to rent (BtR) homes after being sold to a residential development specialist.

Norman Place, the former home of Covéa Insurance, has been acquired by Packaged Living and Bridges Fund Management.

Guy Parkes, partner at Vail Williams Agency, said: "This is a well-known property in a prime spot along the Thames path and one of the first sites to be seen when exiting the rail station."

"Now it is to get a new lease of life as Packaged Living and Bridges transform the site into up to 234 BtR residential apartments.

"We were particularly impressed with the way the purchaser's credentials aligned with our client's values and our own – particularly around environmental and social responsibilities.

"The town centre retail and leisure amenities are a five-minute walk from the site and there are fast links via both overground rail and the Elizabeth Line tube to London Paddington (27 mins), London Bond Street (35 mins) and Heathrow Airport (48 mins)."

Reading town centre and the wider conurbation have experienced a significant growth in population and as a business destination, over the past decade.

The town is ranked in the UK's top five towns and cities for economic growth and has a significant retention of students and young professionals with high levels of skilled employment, making it an attractive BtR investment both in terms of investor and rental demand.

Ed Ellerington, founder and CEO of Packaged Living, said: "We are delighted to have partnered with Bridges to redevelop this obsolete office building into an institutional-grade BtR scheme, which in turn will encourage more young professionals into the town supporting its economic growth.

"Reading has seen unparalleled growth over the past few years, with surging demand for new good quality homes and a limited supply within the town centre.

"Norman Place, located on the waterfront with vistas over Christchurch Meadows, is a fantastic canvas to create a standout place for people to live close to local employment and the wider amenities of the town."

Vail Williams' full-service property advice includes commercial agency, investment and development advice, building consultancy, property valuation, planning, lease advisory, property asset management, business rates and occupier consultancy.

Covéa Insurance is donating the surplus furniture and equipment from the building to a charity to help furnish schools, in Africa, while Packaged Living and Bridges are championing environmental and social values within the design of their schemes.

This includes the incorporation of sustainable materials to reduce embodied carbon and focus on residents' wellbeing through social amenity spaces.

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