

Channel Islands - Supporting cross border investment into UK Real Estate

About and Snapshot

- A self-governed British Crown Dependency
- Part of the Channel Islands, located just 14 miles from the coast of France
- One of the world's leading international financial centres for more than 60 years
- Key hub in facilitating cross border capital raising and investment
- Whilst UK transaction volumes have remained subdued this year so far (year to May investment volumes across sectors down c.58% on prior year) with core inflation stickier than originally anticipated and the continued rise in interest rates, appetite from cross-border investors remains strong with reports of a pickup in deal activity pipeline as we head towards Q4.



Trend #1

Responsible Investment

One prevailing trend has been the increased focus on sustainable and socially responsible investments. Environmental considerations and ESG (Environmental, Social, and Governance) factors are playing a crucial role in investment decisions.

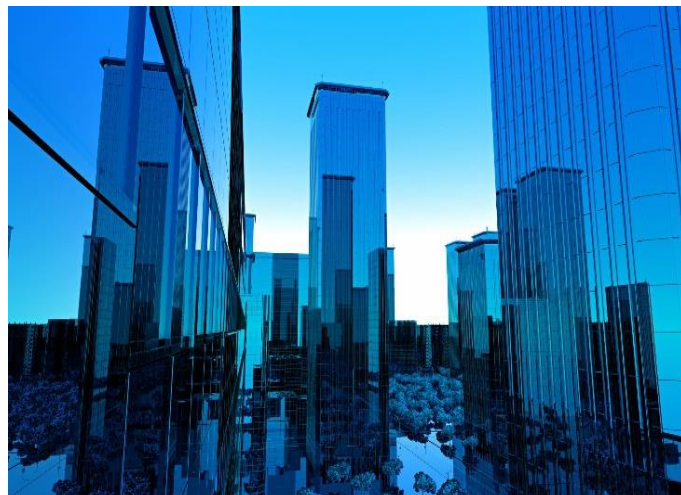
Foreign investors are seeking opportunities in properties with green certifications, energy-efficient designs, and sustainable practices. They are also considering investment in sectors aligned with technological advancements and innovation, such as smart buildings and renewable energy projects.

Trend #2

Regional Diversification

Another notable trend is the diversification beyond London. While the capital continues to be a magnet for foreign investment, investors are increasingly looking to regional cities with growth potential. Locations like Manchester, Birmingham, Edinburgh, and Bristol are attractive alternatives due to lower property prices, strong rental demand, and regeneration projects.

Foreign investors recognize the opportunities in these regional markets and are actively seeking commercial properties in sectors like logistics, industrial, and student accommodation (PBSA has seen a recent uptick with 75% of the YTD volumes traded during May, mostly on a forward funded basis).



Trend #3

Flexible Working Impact

The rise of flexible working arrangements and changing behaviours have led some investors to re-focus on the potential in sectors driven by the digital economy, such as data centres, co-working, and last-mile logistics.

Flexible working and changing behaviours have also led to a drive for quality with office occupiers. They are more often seen to consider a smaller footprint – but with greater amenities, to reflect a stronger focus on wellbeing, and in desirable locations e.g. river views, green areas, which is needed to remain attractive to top talent. The office sector continues to represent the higher proportion (29%) of overall UK deal volumes year to date.

Overall, the UK's robust legal framework, relative stability, and strong rental market continue to provide opportunities for international investors seeking long-term returns and portfolio diversification.



The Use Case for Jersey

UK and Channel Islands

When it comes to UK real estate, Jersey has a strong track record as the go-to conduit for international investors. Some of the higher profile case studies demonstrate the versatility and effectiveness of Jersey structures. Whether it is iconic landmarks, major regeneration projects, commercial properties, or residential portfolios, Jersey structures provide investors with a reliable and efficient framework to maximize their returns and manage their UK real estate effectively.

1. The Shard, London: One of the most iconic buildings in London, The Shard, is majority owned by Qatari Diar Real Estate Investment Company. The ownership structure through a Jersey company, allowing for efficient management and administration of the property.

2. Battersea Power Station, London: The redevelopment of the Battersea Power Station, a major regeneration project in London, involves an investment structure incorporating a Jersey property unit trust (JPUT). This structure allows for efficient pooling of investor funds, robust governance and streamlined management of the development.

3. King's Cross Central, London: The revitalization of the King's Cross Central area, including the development of office spaces, retail outlets, and residential properties, has seen the use of Jersey structures.

4. City of London office buildings: Many office buildings are owned and managed throughout Jersey, benefiting from local expertise and familiar yet flexible company law – particularly regarding the ease of distributions.

5. Residential Portfolios: There is a marked trend of using Jersey structures to invest in large residential portfolios. Investors often establish Jersey property unit trusts (JPUTs) to hold these portfolios, benefiting from the flexibility and ease of administration offered.



In addition to the highlighted benefits of ease of administration, long standing expertise, tax efficiency and legal flexibility, Jersey structures are also an efficient platform for capital raising:

The wide range of structures include the Jersey Private Fund (JPF) – a versatile and well-regarded product used as a steppingstone for boutique or emerging fund managers, but also well suited for private investors (including families) coming together to pool capital as a fund but without the full weight of regulatory obligations & cost (lighter touch);

EU and “rest of world” market access through National Private Placement Regime (NPPR) without incurring full AIFMD compliance costs and a more streamlined distribution; and

Access to listing on TISE – a cost effective alternative to the London Stock Exchange, the Channel Islands based stock exchange is recognised for the purposes of the UK REIT regime and home to c. 40% of all UK REITs (2022).

In summary, the use of Jersey structures presents a unique opportunity for investors to capitalize on the UK real estate market. By harnessing the advantages, they offer, savvy investors can achieve efficiency, protect their assets, and maximize their returns.

To find out more about the opportunities for your business in the Real Estate Sector in Jersey, Channel Islands, please contact one of our Moore experts below.



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