

ONGOING STRENGTH IN UK REAL ESTATE

JACKIE FOOT, HEAD OF CORPORATE SERVICES AT **DEUTSCHE BANK** IN THE CHANNEL ISLANDS, CONSIDERS THE ENDURING APPEAL OF JERSEY AS A CENTRE FOR STRUCTURING HIGH VALUE UK-FOCUSED REAL ESTATE INVESTMENTS.

'The best investment on Earth is earth,' said American investor and philanthropist Louis Glickman.

Of course, the appeal of investing in property stretches back years. As we emerge from the global financial crisis, however, there is a definite increase in the trend for investors to engage in cross-border investment in real estate including joint ventures in UK shopping outlets.

For the Channel Islands, this trend is good news. Despite HM Treasury having announced a number of tax and stamp duty measures in recent years which might have impacted the use of offshore structures for holding UK property, evidence suggests that overseas institutional investors, such as sovereign wealth funds, are as keen as ever to ensure their investments are made efficiently and securely. That frequently means using a flexible and trusted Jersey structure.

This trend is reinforced through recent figures collated by the Jersey Financial Services Commission, which show that the value of real estate funds being serviced through Jersey rose during the second quarter of 2014 by almost 20% to around £29bn, the highest level seen since the pre-crisis levels of 2007.

The indications support the claim that Jersey is asserting its position as a leading European centre for property investment structuring, and we are certainly seeing this at Deutsche Bank in the Channel Islands too. Our corporate services team, which offers a broad range of administrative services to real estate holding structures, is seeing real growth in the number of foreign investors acquiring UK property.

Benefits

There's no doubt that the overseas investor appetite for the UK and London as real estate investment destinations is particularly strong, given the good potential for investment returns they find in commercial and residential property in what is a stable and transparent environment.

In fact, a 2013 report undertaken by Knight Frank ('International Residential Investment in London') shows that within the London domestic property market, 42% of purchases in 2012 involved foreign investors from Europe, Asia and Russia.

The benefits of drawing on a Jersey structure for this type of investment structure are considerable, and the fact that Jersey vehicles are widely used for cross-border investments in a broad range of jurisdictions is a real comfort to investors. In fact,

a report commissioned by Jersey Finance last year ('Jersey's Value to Britain') showed that Jersey helped facilitate inward investment into the UK valued at around £0.5trn – a large percentage of which would be property.

This is also due to Jersey's close links with the UK as well as its sensible and measured approach to regulation, strong rule of law, mature professional infrastructure and political and economic stability.

Combined, this means that Jersey retains ongoing appeal as a centre for holding high value UK property – which is why some of the most iconic buildings/property developments are owned through Jersey structures.

Growth

This is certainly an area of growth for the corporate services team at Deutsche Bank in Jersey. In recent months, we have seen a rise in demand from institutional investors in UK real estate for a range of trustee, company administration/management, accounting and fund services. Deutsche Bank's corporate services team can provide these services across multiple locations; from Jersey, UK, Luxembourg, Ireland, Netherlands and Cayman.

The sort of global reach offered by an organisation like Deutsche Bank can be invaluable in meeting investor demands too. With such a significant segment of investors in UK property residing in markets in developing countries, having access to a team with an understanding of the investment arena and in-depth knowledge of their home market can be extremely useful.

It also helps that, as well as facilitating their real estate investments, Deutsche Bank is able to act as a one-stop-shop for servicing a comprehensive range of other asset classes such as, Islamic finance and special purpose vehicle structures for Capital Market and Aircraft Leasing initiatives.

With developing market investors increasingly looking to western, and particularly UK, markets for real estate investment opportunities, secure cross-border financing is going to become increasingly important. Deutsche Bank in Jersey is ready to capture that demand.



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