

TISE: *The alternative listing venue for REITs*

Mark Oliphant, Head of Communications at The International Stock Exchange Group (TISEG), looks at why more than a quarter of all HMRC approved Real Estate Investment Trusts (REITs) are listed on The International Stock Exchange (TISE).

In June, Grant Thornton UK LLP published a report which explored the latest trends and developments surrounding the UK tax resident regime for Real Estate Investment Trusts (REITs) that was first established in 2007.

The paper showed that the number of REITs has risen to around 70 and it confirmed that more than a quarter of these are listed on The International Stock Exchange (TISE). TISE is now *the* alternative listing venue for REITs to the London Stock Exchange's Main Market.

The rise of REITs

From what we have seen, in the last few years, a series of factors have come together to drive up interest in UK real estate as an asset class (low interest rate environment and currency changes post-Brexit vote) and the REIT as a vehicle for that investment (changes to the REIT regime, the shift from open ended to closed ended structures for property and UK tax measures regarding property ownership).

“TISE is deemed a recognised stock exchange and listing venue by HMRC.”

This combines with the UK REIT regime requiring that a vehicle is admitted to trading on a recognised stock exchange and either: 'listed' on such an exchange; or 'traded' on such an exchange in every accounting period. TISE is deemed a recognised stock exchange and listing venue by HMRC under section 1005 of the Income Tax Act (2007). It is this same recognition which also enables investment into TISE-listed products by Self-Invested Personal Pensions (SIPPs) and Individual Savings Accounts (ISAs).

The rise of TISE

TISE has become *the* alternative listing venue because of its cost-effective and pragmatic admissions process as compared to major exchanges. Similar to the UK REIT regime itself, our rules specifically exempt REITs from the free-float rule requiring 25% of the issued share capital to be held in public hands.

This has proved particularly attractive for those REITs where there are a smaller number of increasingly international institutional investors and especially, where they are likely to hold for the long term and therefore do not require significant levels of liquidity. Having said that, there has been a recent trend towards TISE also proving attractive to more widely held REITs, such as 'club' deals of high net worth individuals, and those who want the option to trade through our bespoke trading system.

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Company incorporation

While UK REITs must be tax resident in the UK, they can be incorporated in other jurisdictions. TISE-listed REITs include England & Wales companies, those established in Luxembourg and the Channel Islands.

Using Guernsey, Jersey or Isle of Man incorporated companies to avail of the UK REIT regime has some advantages compared to a UK equivalent. These include company law enabling, for example, distributions to be made on a cash flow solvency basis and there being no stamp duty payable on the transfer of shares.

Conclusion

There were 705 new listings on TISE during 2017, which was an increase of 40% on the previous year. In the first half of 2018, there was a 2% rise year on year in new business, which took the total number of listed securities on the Exchange to 2,642 at the end of June 2018.

These listings comprise a mix of equity and debt being issued by operating companies, including a significant number of bonds and loan notes being issued by both private equity houses and also groups investing into property and infrastructure, such as renewable energy projects.

In addition, TISE listed entities include nearly 400 securities issued by investment vehicles across a variety of asset classes, including real estate. There has been a continued increase in these vehicles being admitted to TISE, which is now recognised as *the* alternative listing venue for REITs.

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