JPUTs: Still relevant?

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With light appearing at the end of the long pandemic tunnel and a return to a world where the word 'lockdown' is not used on a day to day basis both at work and at home, we will start to see (and indeed have seen) the increased deployment of capital by investors in various RE assets. Whilst certain more traditional RE assets have suffered (retail, office) others have flourished (healthcare, data centres, logistics).

Knight Frank reported that approximately £46 billion of capital is targeting the London office investment market in 2021 underlying the continued attraction of UK real estate. Whilst that target market should not be a surprise to advisers and investors operating in that space, there surely will be a change of priorities for investors and a shift in fundamentals.

More emphasis will be put on environmental, social and governance ('ESG') considerations by investors and we may see change of use applications for commercial property. Even if there is a return by businesses to office space, it is likely their requirements for that space will also have changed. Investors may look to repurpose out of town shopping centres into outperforming industrial units.

One constant to this sector should be the tax and cost efficient structuring options offered by Jersey which house UK real estate such as the Jersey Property Unit Trust ('JPUT'). Jersey with its simple (and stable) tax system coupled with business friendly policies; cooperation between government, regulator and industry provide a safe environment in which investors can house their assets and it was estimated in 2016, that Jersey's finance industry acted as a conduit for £500 billion overseas investment in the UK and supported approximately 250,000 jobs in the UK.

Over time, the JPUT has become a market standard vehicle which is familiar to all the main institutions in the real estate market. Jersey also has a proven track record with a 60 year old financial services industry, a substantial eco-system expertise in key specialisms related to real estate (tax, audit, administration and legal) and an ability to innovate – such as the incredibly popular and flexible Jersey Private Fund.

Generally speaking, this offers a combination of advantages in relation to costs of administration, quality of client service, legal and regulatory certainty, real estate expertise, risk mitigation, flexibility in relation to distributions and structuring (particularly for the constitutional provisions of collective investment and joint ventures) as well as certainty of tax treatment that isn't fully mirrored in other jurisdictions.

As a consequence, Jersey is able to aid in the recovery and development of the UK economy and the JPUT in particular remains an attractive UK real estate holding vehicle. It enables investors to house UK real estate assets in a tax efficient structure without fear of double taxation. The JPUT has a proven track record and with the ability to quickly set up a light touch but proportionately regulated product which is known and used throughout the market, the JPUT should be one constant in the rapidly evolving UK real estate market in 2021.

Please contact your usual Collas Crill contact if you require specific advice on any of the matters set out above.

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