

MOORE STEPHENS REAL ESTATE AND FUND ADMINISTRATION

To many investors, property has historically been viewed as an alternative asset class and made up only a small fraction of a portfolio dominated by the mainstream bonds and equities. However there seems to be a growing consensus amongst institutional investors that the allocation in a portfolio to alternative investments, including property, should increase and that this exposure will improve the balance of a portfolio.

Property has unique features that make it attractive to certain classes of investors. Its performance cycle tends to lag other forms of investment and conservative investors still see stability in property investment. Property traditionally offers both income and capital return with lower volatility that distinguishes it from other investor classes.

For the investors that are now seeking diversity or exposure to higher value real estate assets, the advent of indirect investment vehicles has been a blessing. However much thought must be given to the requirements of these investors, and therefore the structuring of the investment vehicles that will be undertaken.

Risk diversification/Flexibility

An investor has a choice as to whether he invests directly or indirectly. Obviously having to invest directly, and thus purchase whole assets, will restrict choice in terms of location and tenant risk diversification. Indirect investors can seek out a vehicle with an appropriate strategy (such as geographic location or asset type) and buy a precise shareholding. This can obviously diversify their risk through a share of ownership in a number of assets, and also increase the flexibility with regard size of investment, asset class and location.

Control of costs

The expansion into new real estate classes, unfamiliar to an investor, requires a large and risky investment. Fund promoters have become successful through the focussing on specific asset classes. In utilising this experience through an indirect investment vehicle an investor is reducing the risk whilst gaining certainty over the costs with management charges of an indirect investment vehicle being agreed at the outset.

Maximisation of returns

Direct ownership will necessitate substantial input, the costs of which would be uncertain at the outset. The structure of ownership may also be inflexible. Indirect ownership, whilst involving the possible creation of new legal entities with the effect of introducing complexity into the structure, will reduce tax and therefore improve the after tax returns. In the calculating of returns investors have to consider the costs of a transaction. Direct owners can only trade whole assets with the associated fees and taxes thus dampening any after tax return.

Liquidity

This inability of direct owners to trade nothing but whole assets will also create problems of liquidity. The indirect structures will obviously increase exit options, particularly the retail and quoted funds.

The drive towards indirect ownership of property has therefore been the catalyst to the development of property funds, particularly in Jersey. Focus has turned to alternative investment funds, away from the traditional retail funds, and to servicing the needs of institutional and other sophisticated investors.

Your Administrator

The administrator of any vehicle will play an integral role in its operation and will have almost daily contact with professional advisors acting in respect of the properties. It is therefore vital that someone is chosen who has the experience and skills to provide an effective service.

The specialist Real Estate and Fund Administrators team in Jersey has developed since 1987 providing services to investors owning property throughout Europe including the UK, Germany, Denmark, Belgium, France, The Netherlands, Portugal and more recently Hungary, Poland and Czech Republic. The services include;

1. Bespoke accounting and administration
2. The provision of directors, secretary and registered office (in the case of a company)
3. The provision of Trustee in the case of a Unit Trust
4. The preparation of management accounts, budgets and consolidated financial statements
5. Liaison with taxation specialists, property specialists, lawyers, bankers

Moore Stephens Fund Administration Limited

In addition to the ongoing property services our in house company, Moore Stephens Fund Administration Limited, will also be able to assist with the creation and administration of any fund vehicles whether they be a company, limited partnership or unit trust. The creation of the 'Expert Fund' and 'Unregulated Fund' regimes in Jersey has been the catalyst for the creation of property and other 'niche' funds.

In brief, providing investors are suitably sophisticated (ie they are considered 'expert') and there is adequate disclosure of risk, the regimes allow for a 'self certification' basis for approval of funds thus speeding up the regulatory process and setting up of such funds.

The Expert Fund must have a regulated Jersey Manager or Administrator, who has staff and a physical presence in the Island. The Fund's Board of Directors, i.e. the General Partner of a Limited Partnership or the Manager or Trustee must have at least two Jersey resident directors.

Moore Stephens, Jersey

Do you have clients who are involved in the property fund management business and perhaps looking at the typical structures discussed above?

If you do then Moore Stephens in Jersey can assist you with your fund administration requirements. Trust company business in Jersey is regulated under the Financial Services (Jersey) Law 1998 and collective investment business is regulated under the Collective Investment Funds (Jersey) Law 1988. Moore Stephens is authorised to conduct Trust company business and, through our subsidiary company, Moore Stephens Fund Administration Limited, to provide Fund Services Business.

Moore Stephens Jersey is part of Moore Stephens International, which is regarded as one of the world's major accounting and consulting networks consisting of 351 independent firms with 630 representative offices and some 21,000 people across 98 countries.

This information sheet provides a brief outline only and is not comprehensive as such and should you require further specific advice, please contact Adrian Moll

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