



Listing REITs - certainty in an uncertain time

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Listing a real estate investment trust on The International Stock Exchange has long been a popular option and TISE is the second largest market for all listed UK real estate investment trusts.

Whilst the UK Finance Act 2022 (**UK FA**) has led to a relaxation to the real estate investment trust (**REIT**) conditions and begs the question as to whether a listing is still relevant, listing on The International Stock Exchange (**TISE**) remains an attractive and certain option for REITs.

The UK Corporation Tax Act 2010 (**CTA**) previously required UK REITs to be listed or traded on a recognised stock exchange and this requirement was, in practice, frequently met by a listing on TISE, which does not have a trading requirement.

The changes implemented to the CTA conditions as a result of the UK FA mean that UK REITs no longer need to satisfy the listing requirement where institutional investors hold at least 70% of the ordinary share capital of the REIT.

Institutional Investors/the GDO Test

In determining whether the 70% institutional investor ownership requirement is met, ownership can be traced through companies, partnerships and other types of entities including unit trust schemes and contractual co-ownership schemes.

If, however, the REIT is owned by a collective investment scheme limited partnership, such limited partnership must also satisfy the 'genuine diversity of ownership' condition (the **GDO Test**) (which considers whether the fund is marketed to new investors) in order to be treated as an institutional investor. The GDO Test broadly requires the relevant partnership documentation to specify that interests in the limited partnership will be widely available and the intended categories of investor, in addition to providing confirmation that the limited partnership will be marketed and made available to such target categories. It is noted that the Spring Finance Bill 2023 has extended the GDO Test to enable multiple vehicles to be taken into account in order to

satisfy the condition, rather than just one entity.

Further, in order to ensure compliance with the GDO Test, there should be no limitations to the intended categories of investor, nor should any of the terms and conditions of the limited partnership limit investment to a select group within the target or deter a reasonable investor in such category.

Despite the relaxation of the listing condition, TISE is still relevant for REITs

A listing on TISE provides certainty. It satisfies the CTA without the need to monitor and ensure ongoing compliance with the minimum 70% institutional investor ownership requirement.

TISE is designated as a recognised exchange by UK HMRC and also offers:

- a pragmatic approach to disclosure requirements which aims to provide investors with sufficient information without imposing unnecessarily onerous demands
- an efficient process which can be aligned with transaction timings. TISE guarantees a rapid turnaround (responses to initial applications will be made within three business days from submission and subsequent reviews will be carried out within one business day) and a listing can be achieved in under four weeks
- REITs are exempt from TISE's normal equity 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 institutional investors and especially, where they are likely to be long-term holders and therefore do not require significant levels of liquidity
- competitive fixed listing fees

Ogier's listing agent, Ogier Corporate Finance Limited (**OCFL**), is one of the leading listing agents in the offshore listing market and offers a cost effective, efficient and responsive service.

As part of OCFL's full service offering, we provide an ongoing post-listing service to issuers, providing advice and assistance in relation to TISEA's Listing Rules and compliance with the continuing obligations applicable to listed issuers.

About Ogier

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. We regularly win awards for the quality of our client service, our work and our people.

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