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Brexit Slow Down – Alternative Strategies | 1

With the UK Government having committed to a referendum upon Britain's continued membership within the EU, the political debate in the past few months has understandably focused upon the whys and wherefores of the "stay" and the "leave" campaigns.

The indications are that the outcome of the referendum is far from certain and one of the inevitable effects of uncertainty in the marketplace is that investors (of whatever type) become a lot more cautious.

Whispers of a slowdown in the UK property market, and particularly the London property market, had arisen prior to the start of the referendum campaigns. Now that the campaign season is in full swing, it seems that many in the world of property and finance are concerned that the number of commercial transactions will reduce while investors await the result of voters hitting the polling booths.

Jersey, of course, is not a member of the EU, but we are nevertheless keenly interested in the outcome of the referendum. In particular, the funds service business of the Island administers a great variety of structures, many of which hold real estate in London and elsewhere in the United Kingdom. We have been watching closely to see whether the level of transactions involving Jersey structures has started to slow down.

It is, of course, a vastly complex marketplace but, to the extent that sale and purchase transactions have slowed, our experience (so far) is that those who administer or advise upon real estate funds remain busy. Why might this be the case?

On the one hand, even though the uncertainty flowing from Brexit might mean that investors are choosing not to sell at this time, the effect that this may have on prices could embolden potential purchasers to take advantage of more attractive pricing. On the other hand, it would seem that some investors are taking the opportunity to make money from, or enhance, the value of their property investments in different ways.

An example of this would be that some are looking at medium to longer term opportunities that focus on adding value to the asset over time, rather than seeking to make a short term gain. During this period of doubt, opportunities could be taken to address issues with properties with a view to maximising, say, the rental potential while the market holds its breath.

Of course, I am not just saying that a lick of paint will "cut it". It is simply to note that this short fallow period of uncertainty can be used to optimise structures holding investments in property while the marketplace has slowed.

These are but a few examples of how investors may seek to overcome the negative effects of Brexit uncertainty and put themselves in a better position when the votes are counted. By adopting alternative approaches in the run up to the referendum, investors can continue to enhance their portfolio and, consequently, the service providers who look after their structures will continue to be busy.

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