

Frequently Asked Questions

July 2019

What is IPSX?

IPsx is the world's first regulated securities exchange dedicated to the initial public offering and secondary market trading of companies owning single institutional grade real estate assets and multiple assets with commonality.

What is the difference between IPSX Prime and IPSX Wholesale?

IPsx Prime is the principal market and will host the single asset issuers with shares traded freely on the market. This is a MiFID regulated market, so shares can be traded by both Retail investors and institutional investors.

IPsx Wholesale is a specialist market designed to accommodate an onshore option for JV REITs and other structures that are currently listed offshore. Shares on the Wholesale market are not anticipated to trade with the same frequency as those on the Prime market.

Why would the owner of a commercial real estate asset consider an IPO on IPSX?

An IPO on IPSX should be the default exit route for CRE asset owners because it provides the highest level of flexibility and the potential for better valuation, certainty of execution and higher speed to market. Alternatively, an IPSX IPO process can also be run in parallel with a private market sale exit option.

How much of my asset can I sell?

IPsx requires that any company admitted to the market must have a free float of at least 25%. The original asset owner may therefore retain a stake of 0%-75%. The proportion sold by the original asset owner may have an implication for value. The shares retained by the original asset owner are admitted to the market and may be traded at any time.

How hard is it to IPO and how long does it take?

The IPO process follows a similar path to a private market sale with diligence and sale documentation. The issuer's advisers will draft the relevant documentation, seek the relevant market approvals, and manage the placing of the shares admitted to trading. The IPO can be completed in 8-12 weeks.

Why is IPSX better than an existing stock exchange for an IPO of a real estate asset?

IPsx is a destination venue for commercial real estate so it will be more likely to attract real estate investors who are serious about wanting to invest in real estate as a sector. As it is a dedicated exchange for real estate issuers, any market volatility should reflect the fundamental of CRE rather than unrelated equity market noise.

Will an asset owner get a better valuation on IPSX?

Issuers on IPSX will likely gain the best value available in the market. This reflects the change in the investment offer (a share in a public company with market liquidity vs. ownership of the entire asset in a private market context) together with access to a materially larger universe of investors who may not have direct access to single institutional grade real estate assets. The valuation achieved will be a true reflection of what a wide investor universe is willing to pay for a specific asset's yield and potential.

What disclosures will an asset owner need to make?

The contents of an IPO prospectus are subject to regulatory requirements which ensure that potential investors have the necessary information to make informed decisions. Information disclosures should therefore be similar to those for a private sale.

Will share prices be available on Bloomberg, Reuters, Morningstar etc and/or through IPSX's own website/feed?

Prices will be available on IPSX's website and progressively via traditional market information providers. Once the market is more established IPSX will adopt a model similar to that of other exchanges whereby prices are available free with a 15- or 20-minute time lag or available "live" via a subscription service.

Will the shares of the IPO have liquidity in the secondary market?

Yes. Investors will be able to buy or sell shares through market makers quoting two-way prices during the trading day. Furthermore, investors seeking to buy or sell larger volumes will be able to engage with traditional stockbroking firms to undertake direct transactions.

How easy will it be for foreign investors and particularly retail investors to trade on IPSX?

Initially IPSX shares are likely to be traded by calling a broker who will deal either directly onto the exchange or with a market maker. This will be built out to facilitate electronic trading via brokers' online share trading platforms.

The eco-system and trading process has been designed to operate in the way that existing equity investors are familiar with. Anyone wishing to buy shares will be able place orders through their existing stockbroker or financial adviser. Settlement will be via Crest. Investors will not therefore see a difference with shares traded on other stock exchanges with which they may be more familiar.

A number of online retail platforms for equity trading have indicated their intention to participate in the IPSX market – both as a source for primary placings and for trading in the secondary market.

How do admissions to IPSEX differ from traditional REITs?

Subject to satisfying HMRC's REIT requirements, it is anticipated that many issuers on IPSEX will be single asset REITs.

Given the size of the portfolios and the range of activities of traditional REITs, such as investment management and property development, acquisitions and disposables, in most cases there is no transparent linkage between the value of the "fund" REITs and the underlying assets and the cost leakage between rental income and dividends to investors is material.

IPSEX REITs will initially only be "stabilised assets" (i.e. focused on delivery of a defined yield) and will offer investors a public market proxy for direct investment in real estate as opposed to a fund or capital growth product. There will be a clear and direct link between the value of the asset and the value of the REIT and the costs of operating the REIT will be materially reduced.

Can international assets be admitted to trade?

Yes – a company owning commercial real estate assets outside the UK can be admitted to IPSEX. The main precondition will be that the issuer must produce a prospectus to be approved by the Financial Conduct Authority or an EEA National Competent Authority. The same disclosure rules will apply, ensuring the appropriate quality and content of information is available to potential investors. The pricing of such international assets will of course depend upon the security and risks associated with the relevant jurisdiction. In time, it is IPSEX's intention to open further exchanges outside of the UK.

Why should I take the risk of using IPSEX – it's unproven?

IPSEX is new – but the unique benefits it provides to both Issuers and Investors are clear – transparency, liquidity, flexibility, regulation and value - on an exchange dedicated purely to real estate underpinned by the highest level of regulatory approval. Each company admitted to trading on IPSEX will own identified commercial real estate assets. All relevant details necessary for the evaluation of an investment decision will be made public and updated on a regular basis – this will include a property valuation from an IPSEX Approved Valuer, details on leases, tenants, environmental and structural surveys, planning issues, rental yields etc. The Directors of each Company admitted to IPSEX will be responsible for ensuring appropriate corporate governance and that each individual company complies fully with all statutory and regulatory obligations. IPSEX will in turn oversee the market, monitoring trading and compliance by each admitted entity with the rules of the exchange. The risks of investing in shares admitted to IPSEX are no higher than those associated with investing on other exchanges. Indeed, the simplicity of structures and the clear visibility of the relationship between the companies and the underlying commercial real estate assets arguably reduces risk.

Won't an IPO add a lot of cost and bureaucracy to the process?

The overall costs of IPOs are often higher than private market transactions but the flexibility of exit and the valuation achieved typically more than compensate for this. In a private transaction all the costs are borne by the vendor (including the purchaser's costs included in the purchase price) whereas in a public transaction the vendor will pay the bookrunner's fees relative to the shares sold on IPO but the Issuer will absorb all the other transaction costs.

How liquid will the market be?

Investors will be able to buy or sell shares through market makers quoting two-way prices during the trading day. Investors seeking to buy or sell larger volumes will be able to engage with traditional stockbroking firms to undertake direct transactions.

Trading volumes, just like market prices, will be determined by the forces of supply and demand. Each company admitted to IPSX will come to market with a clearly communicated anticipated yield at the issue price. If that yield, and the security of the underlying asset, is attractive to investors purchase orders will be placed that may drive an increase in the share price. This in turn may entice existing shareholders to sell. IPSX will provide clarity and liquidity in the purest sense of a free market.

To discuss next steps, contact:

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