

IPsx

Frequently Asked Questions

April 2020

1. 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. It is the world's first stock exchange for real estate.

2. Why do we need IPSX?

Commercial Real Estate (CRE) is one of the top four mainstream asset classes defined by size of market and investment returns. As with company ownership, there is a need for both a public and a private market for CRE investment.

By creating a regulated public market, with clear rules and standards, IPSX provides access to CRE returns for all investor types. The public market will help the evolution of the market in terms of investor participation, transparency and transaction volumes.

3. What are the benefits to investors?

For all investors, IPSX provides a mechanism to participate in the capital and income story of single CRE assets in smaller tranches, without the need for CRE expertise to hold, develop, and manage an asset, which remains the responsibility of the operating company.

The availability of a public secondary market offers investors the flexibility of selling down or extending their investment in an Issuer.

Investors are investing in a traded share, the operating company, and the characteristics of the CRE asset. Comprehensive periodic asset valuations provide much greater transparency of the value of the underlying CRE asset and its income stream than is typical of other equity assets or publicly traded multi-asset REITs. The management fees are also expected to be significantly lower due to asset portfolios being much less complex.

4. What size of building might we expect to see securitised?

We anticipate that the underlying asset will all be "institutional grade" real estate that would not normally be accessible to retail investors with an asset value of between £50m to £1bn. We expect that the average value will be £150m to £350m.

5. Who manages the building?

The listed company that owns the building will have an appointed board of directors, like any other public company. It is their responsibility to manage the company for the benefit of its shareholders. In addition, they will appoint a firm to undertake the day to day asset management of the building, collecting rent, renewing leases, carrying out refurbishments etc.

6. How easy will it be to buy and sell shares?

There will be at least one dedicated market maker that will make two-way prices throughout the trading day.

7. How do I buy shares?

These shares will be like any other shares and as such you would use a stockbroker or a retail platform such as Equiniti or Interactive Investor to buy and sell shares in the same way you would with any other equity.

8. Are these regulated?

The exchange is regulated by the Financial Conduct Authority.

9. Do the shares pay a dividend?

Yes, the shares will pay a dividend. The frequency of payment will depend on the company but it is expected to be either quarterly or semi-annually.

10. What happens when the building needs to be refurbished?

This will be the responsibility of the directors and the asset management company to organise refurbishment when this is required. There are several ways this can be financed, from borrowing, issuing new shares or by saving into a sinking fund.

11. Won't these shares trade at a discount to NAV?

In our experience more homogenous pure REIT property companies tend to trade at a premium to NAV. The companies that tend to trade at a discount are companies that not only own assets but also act as developers (so not pure play REITs), companies with a heterogenous group of underlying assets and those with a strong bias towards, currently out of favour, retail assets.

12. Can I become gated?

No. You are buying shares in a public listed company and not an open-ended fund. These shares trade on an exchange with market makers making daily two-way prices. It is not like an open ended fund that can suffer from excess redemptions vs the cash position and thus become gated.

13. How are the shares valued?

The shares are valued by the market makers on a constant basis throughout the day. Live prices will be available on the IPSX website and on other data providers.

14. Will the building be valued?

The building will be valued when it initially comes to the market and that valuation will be part of the offering prospectus. Following the listing, every 6 months the building will be revalued on an RICS Redbook basis by one of IPSX's approved valuers. These valuers are some of the biggest global firms such as CBRE, JLL, Cushman & Wakefield.

15. I won't have any diversification if I invest in just one asset.

Diversification is a point to be considered viewing your portfolio as a whole. An IPSX listed company will comprise a single asset or a group of assets with commonality. It should be considered as part of your portfolio of investments and will contribute to your overall diversification.

16. What is the relationship between market value of the company and the asset valuation? Will shares trade at a discount or premium to NAV?

The company's shares will be traded at market value.

The market value of the company is determined by:

- the value of its underlying assets (the valuation of the underlying asset(s) is determined in accordance with international property valuation standards, i.e. RICS Guidelines);
- the perceived value of the management company; and
- the perceived value of having access to a wider investment pool.

These factors may or may not result in the shares being traded at a premium or discount to the NAV.

17. Who can invest?

Any EEA residents - both retail and professional - can invest in IPSX Prime issuers.

18. What am I investing in?

When investing in an Issuer, an investor is purchasing equity shares in an operating company whose primary purpose is to hold, manage and develop the underlying CRE asset(s). The operating company must be managed in the interests of all shareholders.

Investors are investing in a traded share, the operating company, and the characteristics of the CRE asset.

19. Am I investing directly in the property?

No. Investors are buying equity shares in an operating company that represents a proxy to direct ownership as the operating company is established with the purpose of owning CRE asset(s). It is not a fund. Investors are getting the direct economic benefit of the single commercial property through rental income (in the form of dividends) and any capital gains.

20. Do I need to open an account with IPSX to trade in shares on the Exchange?

No. Investors need to open an account with a broker which is an IPSX trading member and which can buy and sell shares on the IPSX market.

21. Where can I find prices?

Real-time prices for shares can be found on the IPSX website. As IPSX volumes increase, we expect online data vendors will also publish this data.

22. Can an IFA recommend an investor to invest in shares traded on the IPSX Prime?

Yes. Any IFA can recommend investors to invest in shares traded on IPSX Prime. IPSX Prime is a 'regulated market' under MIFID, so issuers must prepare a prospectus which will be approved by the FCA / UKLA (UK Listing Authority). The Disclosure Guidance and Transparency Rules apply to IPSX Prime issuers.

As real estate valuation standards also continue to evolve and be adopted and applied globally, the CRE asset class should become more transparent.

April 2020



**International Property
Securities Exchange**

15 Stratton Street
London W1J 8LQ

1 Farnham Road
Guildford GU2 4RG

T +44 (0)20 3931 8800



ipsx.com

IPSX UK Limited (No. 10519448) is a limited company registered in England and Wales.