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FINANCIAL CONDUCT AUTHORITY

Technical Note

Property companies

LR 6.12

The concession for certain property companies from the revenue earning track record requirements in LR 6.3.1R is meant to allow property companies to demonstrate maturity in other ways than through three years of revenue generation.

The concession is likely to be applicable to two types of property company:

1. Companies established within the previous three years, which predominantly hold mature assets that generate rental revenue. For such companies, the track record of the current holding vehicle is arguably less important than the revenue performance of the underlying assets. An example of this type of company is the spin out and listing of a mature portfolio, or the bringing together of a number of mature assets under a new umbrella holding company.

2. Companies that have been developing long-term projects for at least three years, but which may only be revenue generating at some point in the future. For such companies, the ability of the issuer to demonstrate successful development activity representative of its long-term strategy through several years of increases in the asset value on the balance sheet, and supported by a property valuation report, will be much more informative than revenue. We would not regard the mere holding of property or a planning application without development as being sufficient, as this would give investors little insight into the track record of the company.