I am a director of BDP Barnes Daniels and Partners and have been involved in property investment in Jersey since 1995. My practice also undertakes commercial valuations for bank secured lending, balance sheet valuations and valuations of development sites (including most of the schemes on the Waterfront – Leisure Centre, Hotel, Liberation Square etc).

I have no personal interest in the value of large commercial investments in Jersey and am writing to give you my professional opinion on the likely effects of taxing pension funds and superannuation funds. This will however affect many of my firm's clients.

Jersey is very much a quiet backwater to most UK investors. It is a different jurisdiction and many of them do not understand the dynamics of the local economy. They are further confused by the myriad of press reports over the past 7 years including the Edwards Report, OECD, withholding tax and other potential threats to the long term viability of the finance industry. Traditionally the larger property investments have been purchased by either insurance companies or large pension funds. There has been a spate of private investors buying in Jersey (and Guernsey) over the past 2-3 years but this is in my view due to the lack of investments available in the UK. The UK market will return to a more normal equilibrium, possibly in the near future, and Jersey will once again become a quiet backwater.

Pension funds operate in the UK as gross funds and as such will not in my opinion consider Jersey for future investment if they are to be taxed. Those that are currently invested here are likely to sell their assets. Pension funds have significant shortfalls to make up following the stock market crash and will be seeking maximum return. The likely effect on Jersey will in my view be as follows:

1. A number of landmark retail and office investments could be sold in the near future.
2. There could be a lack of potential purchasers for these investments due to concerns over what effect this may have on the pricing of the market.
3. The demand for Jersey investments will be greatly reduced and there will have to be a downward price correction.
4. Any correction in price will be manifested in valuations of existing investments as well as in actual sale values and will therefore affect many local owner occupiers' and investors' balance sheets.
5. It will have a detrimental value on the Waterfront site values as the land values being paid by developers are based on the end investment value.
6. The States property portfolio's value would suffer the same fate.

I can't say how much the price correction will be and initially valuers will have make assumptions until market transactions prove the effect on value. It may be 50 bps on the investment yield, it could be considerably more if the market becomes dominated by one or two large insurance companies as it has in the past.

I understand that Paul Ellison who is Chairman of the local Group of the RICS is writing to you under separate cover on behalf of the RICS. I have blind copied in some of my firm's clients and they may also write to you on their own behalf.

I am surprised that the States haven't canvassed the views of those involved in the industry prior to pushing forwards with this proposal.

Richard Barnes
BDP Barnes Daniels & Partners