What types of alternative property investments are there?

Education

29.06.21

Property has long been the nation's sweetheart when it comes to investing and it is no surprise that many of the UK's wealthiest individuals have property portfolios. While investing in bricks and mortar, from buy-to-let to property flipping remains popular, it is not as accessible for those investors who have a lower initial investment. Furthermore, with many investors wanting to diversify their portfolios, greater emphasis has been placed on alternative ways to generate returns on property.

Direct property investment has undoubtedly worked for many investors and will for many years to come. However, it does have its shortcomings, such as:

- High acquisition costs

- High level of capital required
- Potential lengthy or uncertain timescales
- Greater management input required
- Tied up capital

Below, we highlight some of the different ways to invest in property. These options are for investors looking for a hands off approach and to generate passive income via property or want to diversify their portfolios by investing in property-backed solutions. Fractional property investment and bridging loan investments are ways to invest in property without the requirement of a huge cash sum.

Affordable property investment opportunities

Fractional property presents a hands off approach compared to becoming a landlord or renovating properties for profit upon sale. Whereas bridging loan investments create an opportunity to build a portfolio of investments with terms that suit your parameters and goals.

Fractional property investment

An alternative way to own property for investment purposes without having to put down huge amounts of capital is by fractional investment. You've seen it in art, whisky, vintage cars and even in jets but now you can purchase a percentage share in residential or commercial property from as little as £1,000. Own your percentage share of a property alongside other investors and receive that portion of the properties rental income.

Sharing a property with others may sound complicated. However, through platforms like TAB, you don't need to worry about the management or maintenance. TAB deals with all of that for you. Investments are for a minimum of three years after which you will be able to sell your share on a secondary market or you can keep your investment and keep earning a return.

Bridging loan investment

If you are a property investor interested in the traditional bricks and mortar approach it can sometimes be challenging to secure finance for your project. From a borrowing perspective, bridging loans can be a good short term solution while you establish a longer term financial solution. The property is used as security or if you think of it like an insurance for the lender should things go wrong. Unregulated lenders do not lend on properties that are being used as your primary residences so if you're looking for a bridging loan note that in mind.

TAB doesn't just facilitate borrowing but also investing too. TAB Lending potential returns of up to 9% pa from property-backed unregulated bridging loans with only £1,000 minimum investment. Instead of buying a property and using a bridging loan to fund the project, you could offer up your capital by investing into loans as an alternative property-backed investment.

Investing in fractional property or bridging loans is easy via the TAB Market. Our investor portal allows you to build and manage your own property portfolio online. Furthermore, with a minimum investment of just £1,000 our investments are accessible to investors who do not want to part ways with tens of thousands of pounds.

This information does not constitute advice or a personal recommendation. As with any investment your capital is at risk and you should seek advice concerning suitability from your investment adviser.

Other alternative property investments and what is indirect property investment?

If you're interested in other long-term property investments and buying a property or becoming a landlord is not on your agenda, but you also understand that the property market fluctuates then indirect property investment opportunities could be for you.

In simple terms, indirect investment means placing your capital into property without buying a property itself. Benefits of indirect property investment can include:

- Lower up-front capital investment
- Improved asset liquidity
- Reduced management costs

Indirect property investment can take several forms and we will touch on some of the most common below.

Real Estate Investment Trusts (REITs)

REITs allow investors to put their capital into residential and commercial property, or both if required. If you invest in a REIT, you will be buying shares in a property investment company listed on the stock exchange that owns and manages property on the behalf of shareholders.

REIT investment means your capital will be put into a pool of funds with the cash from other private investors. This investment will be used by the company to build a portfolio of properties and you will receive income on a predetermined basis depending on the success of the portfolio and the profit generated. Similar as with most investments property values can go down as well as up therefore your investment can go down as well as up.

Peer-to-peer lending

Also referred to as P2P, this alternative investment is often associated with crowdfunding, but they are different. In simple terms, peer-to-peer is lending capital to another person or business, cutting out the need for a bank to act as a middleman.

P2P has become popular with investors and many split their money across multiple P2P investments and platforms to lessen associated risk.

Peer-to-peer lending can be hands-off if you would like, but there are some platforms that enable you to pick individual loans to invest in. Others automatically invest on your behalf.

Investors interested solely in property should be aware that there are three main P2P lending avenues:

- Lending to consumers
- Lending to businesses (sometimes referred to as P2B)
- Lending against property

Like any property investment there are risks associated with peer-to-peer lending: borrowers may default, inability to access funds early or platform failures.

It is important for investors to research and select the right peer-to-peer lending platforms that offer property-backed lending opportunities.

This information does not constitute advice or a personal recommendation. As with any investment your capital is at risk and you should seek advice concerning suitability from your investment adviser.

Capital is at risk. Property values can go down as well as up. Borrowers may default and investments may not perform as expected. Interest and income are not guaranteed. Returns may vary. You should not invest more than you can afford to lose. TAB is not authorised by the Financial Conduct Authority. Investments are not regulated and you will have no access to the Financial Services Compensation Scheme (FSCS) or the Financial Ombudsman Service (FOS). Past performance and forecasts are not reliable indicators of future results and should not be relied on. Forecasts are based on TAB's own internal calculations and opinions and may change. Investments are illiquid. Once invested, you are committed for the full term. Tax treatment depends on individual circumstances and may change.

You are advised to obtain appropriate tax or investment advice where necessary. Understand more about the key risks here.