Five smart ways to start investing in real estate alternatives

Blog

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Real estate and property investment has evolved, offering diverse strategies for investors seeking alternative opportunities. Modern real estate investing extends beyond traditional property ownership, providing multiple pathways to build wealth and generate income. Investors can access a multitude of financing options as well as several different alternative investment opportunities. Whether interested in fractional property investment or exploring specialist finance including property bridging loans, understanding the current market is essential to making informed decisions.

Here are five tools for potential property investors not forgetting the important considerations for each.

Fractional property investment: Shared ownership, diversified risk

Fractional property investment allows individuals to buy shares in high-value properties rather than owning them outright. This approach makes investing in premium residential or commercial properties more accessible and lets investors spread their capital across multiple assets for greater diversification. It is an excellent way to find an investment property that aligns with your financial goals without requiring large amounts of capital upfront.

Risks to consider: Whilst fractional property investment offers opportunities for rental income and appreciation, it is not without risks. Market fluctuations, potential vacancies, and illiquidity can affect returns. Additionally, be sure to understand the fees involved and if there is a reserve fund to cover the upkeep of the property as this can impact overall profitability.

Bridging loans: Short-term financing with flexible options

Bridging loans are short-term funding solutions designed to “bridge the gap” between purchasing and selling property. Whether exploring residential bridging loans for personal projects or commercial bridging loans for business properties, these loans provide quick access to funds.

- **First charge bridging loans:** Secured against the property as the primary security.
- **Second charge bridging loans:** Used when another loan is already secured against the property.
- **Refurbishment bridging loans:** Ideal for properties that require improvement before being rented or sold.
- **Land bridging loans:** Provide financing for land purchases or development.

TAB offers a bridging loan calculator to help investors understand the costs and potential returns of the above options.

Risks to consider: Bridging loans are high-interest products and should be approached with caution. If you are a borrower and default, or there are market downturns, or delays in repayment, this can impact your returns.

Bridging loan investments: Alternative ways to earn returns from property

Bridging loan investments offer investors higher returns by lending money for short-term property transactions. These debt investments earn interest while being secured against property assets, providing relatively lower risk and steady income.

Risks include: potential borrower default, market downturns, or repayment delays, which can significantly impact investment returns. Careful due diligence and understanding of loan terms are crucial to mitigating these risks.

Property development finance: Funding for growth

For investors seeking higher returns, property development finance offers opportunities to fund construction or refurbishment of residential or commercial properties. These projects can generate profit, especially in growing markets, but require careful planning and risk management.

TAB's loan lifecycle management platform enables borrowers to track loan progress and monitor key repayment dates in real-time.

Risks to consider: Property development projects can face delays, budget overruns, or be affected by unforeseen market conditions. It is important to conduct thorough due diligence and work with reliable contractors.

Commercial mortgages and bridging loans: Tailored financing for businesses

Investors looking to enter the commercial real estate space can benefit from specialised loans such as commercial bridging loans or long-term financing through commercial mortgage lenders. These options provide access to funding for offices, retail spaces, industrial properties, and funding for professional residential investment landlords, helping you secure a foothold in lucrative markets.

TAB's commercial mortgage calculator simplifies the process of evaluating loan options to ensure they align with financial objectives.

Risks to consider: Like all real estate investments, commercial properties are subject to market cycles. Be prepared for potential challenges such as finding tenants or adapting to shifts in demand.

TAB tools and resources: Simplifying the investment process

TAB's platforms, such as the bridging loan calculator and TAB loan calculators, assist investors with the data and insights needed to make decisions. These tools can help investors evaluate costs, calculate returns, and manage their portfolios efficiently.

By combining these resources with expert advice, TAB ensures that investors are equipped to navigate the complexities of alternative property investments.

Final thoughts: Balancing opportunities with risks

Alternative property investments offer a range of opportunities to build wealth, generate income, and achieve financial goals. However, these alternatives are not without risks. Understanding the nuances of bridging loan investments, fractional property investment, and other financing options is essential to making informed choices.

At TAB, we can offer all of the above and we are committed to transparency, guidance, and innovation, helping investors access solutions for their unique requirements. Whether you are looking to find an investment property, explore residential investment property mortgages, or assess options for property development finance, we provide the tools and expertise to support your journey.

For more information, contact TAB today and take the first step towards diversifying your real estate portfolio.

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 an 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.

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