How alternative property investment can build your wealth

Blog

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Alternative property investments can provide a new way to grow wealth. TAB offers fractional property and bridging loan investments, these options allow investors to diversify their portfolios while balancing potential rewards with associated risks.

What are alternative property investments?

Alternative property investments offer flexible ways for investors to engage with the property market, including:

Fractional property investment:

- This is a method of property ownership where multiple investors come together to collectively own a portion of premium property assets, ranging from residential homes to commercial properties.
- In fractional ownership, each investor holds a portion in the property, entitling them to a proportionate share of the rental income and any capital appreciation.
- This model allows individuals to invest in high-value properties that they may not otherwise be able to afford on their own. It democratises access to premium real estate, offering a more affordable and diversified way to build a property portfolio.
- Fractional ownership typically involves a platform or a fund manager (in this case, TAB) who oversees the investment, handling everything from property management to the distribution of income.

Bridging loan investments:

- A bridging loan debt investment refers to an investment in a bridging loan.
- When investors invest in a bridging loan, they are essentially lending money to a borrower with the expectation of being repaid within a short period up to 24 months. The borrower usually repays the loan through the sale of a property or by refinancing it with a longer-term loan.
- The investment is typically secured against the property or asset, meaning that in the event of borrower default, the collateral can be seized to recover the loan amount.
- It is a fixed-income investment, where investors earn interest over the short term.

These options allow investors select investments that align with their risk tolerance and financial goals.

How alternative property investments could contribute to wealth-building

Lower barriers to entry

Traditional property investment often requires a large initial outlay. Alternative property investments could provide access to premium assets with lower capital requirements.

Fractional property investment, for example, allows investors to buy a portion of a property rather than funding the entire purchase. This makes high-value properties more accessible while still providing exposure to the property market.

Diversification for risk management

Relying on a single property for returns carries risks, as market conditions fluctuate. Alternative property investments could enable diversification across multiple asset types, locations, and sectors.

For example, combining fractional ownership in residential properties with commercial investments as well as investing in bridging loans, helps balance short-term income and returns with potential long-term capital appreciation.

Potential for passive income

Some alternative property investments generate rental income or interest, offering a way to earn returns without active management. Investors could benefit from:

- Income distributions from tenanted properties both residential and commercial
- The potential for capital gains upon the sale of assets
- Interest from a borrower is paid to investors, while the lender manages the entire loan process

Adapting to market trends

The property market shifts over time, and alternative investments could provide flexibility to align with changing trends. Commercial assets such as data centres and logistics hubs are seeing increased demand due to shifts in technology and consumer behaviour.

By investing in different property types, investors could position themselves in sectors with potential for long-term growth.

Balancing the risks

While alternative property investments offer opportunities, they also carry risks that should be carefully considered:

- **Market fluctuations –** Economic conditions could impact property values and rental yields.
- **Illiquidity –** Some investments may have limited exit options
- **Borrower risk –** With loan-based investments, the risk of borrower default is present, which could lead to delays or losses

A well-researched approach and diversification could help mitigate some of these risks, but investors always weigh potential returns against risks and seek professional advice when needed to ensure your investment strategy aligns with your financial goals.

Why choose TAB for alternative property investments

Alternative property investments offer an excellent opportunity to build wealth and diversify your financial portfolio. From fractional property investments to bridging loan investments, understanding your goals, conducting thorough research, and using the right tools are key to success. With TAB, you can explore innovative ways to find investment properties or achieve short-term financial gains—all while staying informed and prepared for every stage of your investment journey.

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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