Property Investment: What are the Risks?

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Kent, UK (rushPRnews) 08/12/13 — In today's precarious financial environment of failing banks and volatile stock markets, property investment is widely viewed as an attractive alternative which grants the individual far more freedom and much greater potential returns. While this is true to an extent, it is important to fully understand the subtleties of the endeavour and, perhaps more importantly, the risks involved.

Property development is big business these days. TV programmes such as *Homes Under the Hammer* and *Grand Designs* have garnered a lot of interest for the enterprise through the last few years and encouraged a lot of new investors to try their hand. It is certainly an attractive prospect - stories abound of incredibly cheap houses being sold for gargantuan profit, so with such massive success on the cards, how hard can a bit of renovating possibly be?

This, unfortunately, is precisely the thought process that lands many eager beavers in a heap of trouble. The sheer volume of work and responsibilities involved in overhauling a worn-out property is far greater than it may appear, and when factoring in the numerous inherent risks and no guarantee that the property will even sell at a profit (if at all), property development can quickly become a minefield for the unprepared.

Buy-to-let has long proven a fairly safe bet - it is estimated that there are 1.5 million landlords currently renting out properties in the UK, with the private rented sector valued at £480billion - an increase of 42% over the last five years. With house prices inexorably on the increase, more and more would-be buyers are opting to remain in rented accommodation, meaning a bountiful income for private landlords. Rent incomes are also supplemented in the long-term by capital growth, which can provide a welcome lump sum when owners decide to call it a day.

It's not all sunshine and unicorns, though - letting does not guarantee profit, or even income, if the property fails to find a tenant. In some cases, maintenance costs can even exceed any rent that may be coming in. Mortgage rates are also notoriously inconsistent, and with buy-to-let mortgage rates rising in particular, it is predicted that landlords are set to take a blow to the wallet in the coming months.

Another possibility is presented by companies who carry out the building process itself. After purchasing plots of land which already have planning permission, these businesses seek investors to help fund their projects, and through wise use of economies of scale, are able to generate a return for participants with relatively little risk.

One such company is Kent-based Regal Green, who have the added benefit of operating in the affluent South-East of England. Director Charlie Gallen explains the process further: "Essentially, what we do can let our clients put their money to work without having to put themselves through the trauma of renovating, which is very labour-intensive, or the drudgery of letting, which can take decades to pay for itself. Our process only takes two years but still brings in fixed returns of 20 to 25%.

"I think that with so much uncertainty in the markets, a lot of people are just looking for something a bit less complicated whilst also being lucrative."

While the fact remains that no investment is without its risk, the kind of opportunity put forward by Regal Green is a great alternative investment for those who choose to put their faith in property without getting involved in development or letting. Find out more by visiting the Regal Green website at www.regal-green.co.uk.

Further information is available from:

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