Property Investing – mitigating risk

A professional discussion on a variety of issues, featuring Simon Calton, CEO, Carlton James and Rycal Group

Eliminating risk

LONDON, UK, UNITED KINGDOM, September 27, 2016 /EINPresswire.com/ -- Since the crash of 2008, property has been the asset of choice for investors looking to make returns. Regardless of stock market turbulence and currency crises, the value of property, and the returns available for investors, have been on an upward trajectory. For everybody from international real estate investors, to retirees investing in buy-to-let as a pension alternative, property has been the goose that lays the golden egg.

A recent report issued by MSCI highlights the potential rewards investors can reap from property investment. Their data shows that US commercial property funds in 2015 grew a staggering 15.6% according to the PREA/IPD US Quarterly Property Fund Index1. Even more remarkably, investments in US commercial property have seen a cumulative return of 129% over the past six years.

Despite the good news however, there are downsides that need to be considered before investing in property. Property for example requires regular maintenance – and while on the whole tenants can be relied upon to look after your property, and pay the rent on time, bad tenants can be a real headache, turning your investment into a full time job. Recent data from the UK for example, shows that a total of nearly 43,000 tenants had to be evicted from privately rented properties in 2015. And with geopolitical uncertainty such as Brexit and elections in the US, France and Germany on the horizon putting downward pressure on economic performance, these figures have the potential to grow.

Property investors also need to consider legislative interventions. Housing across the western world is a key political issue, the reason being, there isn't enough of it. As such landlords can often find themselves in the political cross-hairs. Landlords in the UK for example, have seen stamp duty increased on buy-to-let purchases, as well as new limitations on the amount of tax relief which can be claimed against rental income and the upkeep of rented property. Likewise, rent caps are becoming increasingly popular in cities across the world including Dublin, New York and Berlin. The new mayor of London has also recently floated the idea of limiting the rent which can be charged on privately rented property.

At the other end of the scale are larger investments, such as Real Estate Investment Trusts (REITs), which, while generating decent returns, are not as high yielding as direct investment in the private rented sector can be. The fact that these investments are managed by large corporations and investment houses also means that there is often a potential disconnect between returns and the allocation of those returns to investors. Indeed, a recent report from a research team in Toronto found that, while REITs had the highest net returns amongst a sample of asset classes, investors in REITs saw the lowest allocations – just 0.6% of total asset value2.

Is property worth still it?

There is no doubt that property investments continue to outperform other investments. When we look at US commercial property for example, we see it has outperformed US bonds (up 4.39% over the period 2011 to 2015), stocks (up 13.45%), corporate bonds (up 4.72%) and commodities (down 10.93%)3. Market fundamentals would indicate that this situation is unlikely to change any time soon.

Given the concerns outlined above however, is property still worth it? Set against bad tenants and political scapegoating, the returns available on property may begin to look rather less impressive. The question is, is there a way to 'have your cake and eat it' and enjoy the returns available on property investments but with less of the potential risks?

A novel approach

One opportunity to do so are the investments from the Rycal Group, offering entry to the Carlton James fund which has an investment portfolio focused on the hospitality sector in the US. Carlton James has been investing in this market for a while now, delivering returns averaging 17% for the last five years. With a strategy based upon wide-ranging geographical and market intelligence, Carlton James look also for additional Revenue Generators – for example taking into account a development's proximity to highways, malls and economic infrastructure – as well as local economics.
Simon Calton, CEO of the Carlton James Group and Rycal Group, says: "Property remains an investment of choice for investors around the world, delivering yields which are difficult to achieve elsewhere in the low interest rate era we find ourselves in. Traditional property investments however can be quite demanding and are subject to risks and influences which are completely beyond the control of investors.

"Property investments are typically slower to move than other investments, such as stocks and shares, so exiting a property investment can also be difficult, leaving investors exposed. There are alternatives however, to small scale personal investment – the landlord route, and larger scale, institutionally led investment.

"At Rycal we work to capture the yields which make property investment so appealing, while also mitigating the downside risks. We achieve this by employing wide ranging and detailed intelligence, about everything from the performance of comparable assets, to the proximity of our developments to infrastructure such as roads and railways. We also ensure that detailed exit strategies are in place and ready to be deployed so that, should the worst happen, our clients are protected."

"With a diverse portfolio of properties and deep investment intelligence, Carlton James offer a genuinely novel approach to property investment, and one we expect to grow in popularity over coming years."

For more information on the Rycal Group and Carlton James investments please visit http://www.rycalgroup.com/newinvestors. To arrange an interview or comment from Simon Calton, please contact Liam Thompson at lthompson@sks-london.co.uk , on +44 (0) 7890 315 537 or via http://sks-of-london.com.

1.https://www.msci.com/documents/10199/e667cc74-b4e2-4f72-8d8a-8b88e283b211

2.http://www.pionline.com/article/20160627/PRINT/160629891/reit-returns-strong-allocations-remain-low-study-finds
3.https://www.bullionvault.com/guide/gold/Annual-asset-performance-comparison

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