Investors to sell property & turn to alternative investments

LONDON, UK, February 7, 2023 /EINPresswire.com/ -- With the UK base rate increasing to 3.5% and experts predicting a peak of 4.5% this spring, there are many investors looking to sell their properties and turn to alternative investments.

A recent survey of over 1,000 UK landlords has discovered 44.66% would look to sell their investment properties should the UK base rate reach 4.5% as predicted by mid-2023 and 45.35% of landlords would consider alternative investments.

Finbri, a property finance broker, explains, “With base rates increasing, property investors with mortgages that aren’t fixed will see their repayments increase. 52.75% of landlord investors will look to increase rents to cover additional expenses, but there are landlords that will sell their properties or consider alternative investments.

“45.35% of investors will look at diversifying their portfolios and with alternative investments. This will help to reduce the risk of exposure to any one type of asset and create a more balanced portfolio. Additionally, investors should be mindful of taxes when considering selling their property and investing in alternative investments.”

Even if investors decide not to sell their property, there are other options for reducing financial risk. Refinancing can help investors lower their monthly payments and give them more liquidity, allowing them to invest in other asset classes without selling their properties.

Why are property investors considering alternative investments?

The private rental sector has been significantly impacted by recent changes to taxation and legislation, making it difficult for landlords to make a profit. The combination of higher taxes and the introduction of new regulations has forced many landlords to sell their investment properties.

Increasing base rates. As well as the uncertain future of the UK rental market, rising base rates have added another layer of financial pressure for investors. With the UK base rate increasing to 3.5% and experts predicting a peak of 4.5% this spring, 44.66% of property investors are looking to sell their properties.

Increasing mortgage rates. The increase in base rates has also caused mortgage rates to increase, meaning landlords must now pay more for their mortgages, making it more difficult to afford their investments. Refinancing can help landlords lower their monthly payments and give them more liquidity, allowing them to invest in other asset classes without selling their properties.

Instability of the UK economy. The UK economy has been volatile in recent years, creating a sense of uncertainty for investors. With this continued instability of the economy heading into 2023, many investors are looking to diversify their portfolios and reduce their risk exposure. Alternative investments can give investors a more diverse portfolio and help protect their assets in the long term.

What forms of alternative investments are there?

Depending on the investor's goals and risk tolerance, they may choose to invest in venture capital, private debt, private equity, infrastructure, commodities, collectables, and hedge funds. Each asset class offers different levels of potential returns and associated risks.

Stocks and shares. 31.97% of UK landlords said they'd consider investing in stocks and shares as an alternative to property investment.

Venture capital. This entails investing in start-up companies that typically have a strong potential for growth. Since many emerging companies have the potential to influence markets and communities for the better, startups can represent opportunistic alternative investment options to support. 22.58% of landlords would consider investing in venture capital.

Particularly in the UK, where venture capital is frequently able to benefit from the Seed Enterprise Investment Scheme (SEIS) and Enterprise Investment Scheme (EIS), this might be considered one of the most opportunistic alternative investments to consider.

Private debt. Any debt that private businesses or people hold is referred to as private debt. Private debt includes things like business loans obtained by private companies and family loans obtained by business owners.

Alternative financial institutions lending to private businesses is one of the most well-known types of private debt. Institutional investors typically issue these private loans.

Private equity. Entails making investments in established businesses that are not listed on a stock exchange and serving as a long-term source of financing for private corporations.

Private equity investments frequently aim to revitalise the business or accelerate growth for the recipient company. Private equity also allows for investors to diversify their portfolios and spread risk.

Infrastructure. Investments in infrastructure fall under the category of "real assets," which include things like energy, sewage systems, bridges, and other tangibles we use every day. Such a resource is vital to the development of a nation. Infrastructure is a popular investment because it generates stable and predictable free cash flows and is non-cyclical.

Commodities. Energy resources like oil and natural gas as well as agricultural items like maize and wheat, can be used in this type of venture. Similar to how equities are traded, commodities are purchased and sold in large quantities on exchanges.

But, there are still those that are looking to invest in property in 2023

Whilst there is growing uncertainty in the UK property market, there are those that are looking to capitalise and still believe now is a good time to invest in the market.

45.15% of UK landlords are not put off by rising rates and will indeed look to take advantage of the predicted house market crash by investing in property in 2023.

Final thoughts

Property investment still provides a significant opportunity, but given the increased pressures on landlords and the property market itself, selling property and switching to alternative investments may be an option for some investors to explore. Whether those asset classes will be as safe as houses though, remains to be seen.

Georgia Galloway
Finbri
email us here
