



*An overview of alternative ways to invest in residential property*



# Introduction and Context

- Direct property investing is hugely popular in the UK, whether people buying a home to live in, or as part of a Buy-to-Let portfolio
- Recent changes to taxes, notably increased stamp duty as well as more stringent taxation on property income for Buy-To-Let properties made such investments less attractive for some
- These changes, coupled with other trends such as online investing, the emergence of crowdfunding, peer-to-peer lending and the introduction of the “Innovative Finance ISA” have led to a flurry of new players in the market offering alternative options to invest in residential property



# Alternative ways to invest in residential property:

## Description

	Direct (Buy To Let)	Crowd-funding	Funds / Collective Investment Schemes	REITs  (Real Estate Investment Trust)	Peer to Peer Lending	Property Bonds
<i>Description</i>	Direct ownership in one / several properties	Platforms connecting investors with property development projects and investments	Fund pools investors money to buy properties	Traded investment trusts pool investors money to buy properties	Platforms connect lenders ("investors") with developers ("borrowers")	Bonds issued by property developers
<i>Pick and Choose property vs. a diversified portfolio</i>	Pick and Choose	Pick and Choose	A diversified portfolio of properties	A diversified portfolio of properties	Pick and Choose	Bond has exposure to a range of property developments
<i>Exposure to Property Equity or Debt</i>	Equity	Equity	Equity	Equity	Debt	Debt

# Alternative ways to invest in residential property: Investor considerations

	Direct (Buy To Let)	Crowd-funding	Funds / Collective Investment Schemes	REITs (Real Estate Investment Trust)	Peer to Peer Lending	Property Bonds
<b>Availability of cash/ Liquidity*</b>	Relatively illiquid. Need to find a buyer, the long term average is 2-3 months	<ul style="list-style-type: none"> <li>Typically a specified term, such as 5 years</li> <li>Some platforms offer secondary trading</li> </ul>	Daily, but funds can suspend redemptions	Daily, as long as there is a buyer for shares. Risk of having to sell at a discounted share price	Typically a fixed term of 6-24 month	<ul style="list-style-type: none"> <li>Set by issuer, typically committed for 3-5 years</li> <li>Typically not traded</li> </ul>
<b>What drives returns?</b>	House price growth and rental income	House price growth and rental income	House price growth and rental income	<ul style="list-style-type: none"> <li>House price growth and rental income</li> <li>Share price fluctuations</li> </ul>	Quality of property development project defines level of interest rates and default risk	Quality of property development project defines level of interest rates and default risk
<b>Permissible in tax wrappers (ISA, SIPP)*</b>	No	No	Yes	Yes	Yes	No
<b>Covered by FSCS (Financial Services Compensation Scheme)</b>	No	Only Cash not invested in properties	Yes	Yes	No	No
<b>Min Investment*</b>	Depends on property value and borrowing, typically >£25,000	Depending on project, typically £250-£1,000	From £100	From £100	From £100	From £100

\* Variations exist between providers

This document is not in itself a prospectus, invitation to invest or advice.

Investors may get back less than the amount invested. Information on past performance is not necessarily a guide to future performance. The value of investments in the fund can go down, and there can be no assurance that any appreciation in the value of investments will occur.

Residential property values are affected by factors such as interest rates, economic growth, fluctuations in property yields and tenant default. Property investments are relatively illiquid compared to bonds and equities, and can take a significant amount of time to trade.

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