

# Property Investments

INVESTOR GUIDE

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January 2025

**Build your wealth**  
using a range of property investments

**Explore 6 of the UK's most popular  
routes to invest into property**

**GCV**

[www.growthcapitalventures.co.uk](http://www.growthcapitalventures.co.uk)

# Who is the guide for?

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This guide has been produced with sophisticated and high-net-worth investors in mind. Whilst a useful explorative resource for any individual seeking to expand their investment knowledge, the topics covered will appeal to the more experienced investor.

## **What constitutes a sophisticated investor?**

A sophisticated investor is an individual who has a considerable level of experience investing, working within the investment industry, or operating at an executive level. For example, if an investor has made several venture capital investments, worked for a private equity firm, or has experience as a director of a company with an annual turnover of at least £1 million, they would constitute as a sophisticated investor.

## **What constitutes a high-net-worth individual?**

A high-net-worth individual is someone who earns £100,000 or more a year, or owns at least £250,000 of assets (excluding a primary home or pension). For example, if an individual owns £250,000 in the value of shares or an additional property with equity of £250,000 or more, they would be classed as a high-net-worth individual.

## **Why is this relevant?**

Property investing can be a high risk/high return investment strategy, and so fully understanding the potential risks of the asset class is crucial. Whilst able to generate significant returns, capital is at risk, and so investors should not rely on property as their sole asset class. Ultimately, both a developed understanding of the risk/reward profile of property investments and a sufficient level of disposable income should exist prior to investment.

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01.

# Foreword

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An investor-favoured asset for decades, property has continuously proven itself to be an important addition to an investor's portfolio. It is an asset with a history of strong capital growth, consistent demand, and a variety of options suitable for a range of investor goals, preferences and circumstances.

Due to its essential nature, the residential housing market in particular has been known to withstand periods of market turbulence better than many assets – as witnessed during the Covid-19 pandemic, when the UK's housing market remained resilient and even experienced notable growth. The market's undersupplied demand provides investors with opportunities to not only experience the asset's growth potential, but also to utilise their capital for good by helping to tackle the UK's chronic housing shortage.

Whilst the well-known direct ownership options such as buy-to-let were once the prominent method of property investment for many investors, their popularity has dwindled at the same time as their profitability.

Meanwhile, other methods of property investment are emerging more popular than ever, with the likes of direct equity investing and property bonds providing different opportunities to suit the differing requirements and preferences of investors.

Experienced investors looking to invest into property opportunities now have an abundance of methods of doing so at their disposal, and I do hope you find this guide informative in offering you an insight into the options available.

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**Norm Peterson**

Chief Executive Officer,  
Growth Capital Ventures

## 02.

# Equity Investing

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## 2.1

## Joint Venture Equity Investing

### What is joint venture equity investing and how does it work?

Direct equity investments into property allow investors to invest into specific developments. These are typically residential but can be commercial. This will generally involve the creation of a Special Purpose Vehicle (SPV) which is created as a dedicated company related specifically to the development. Investors are able to purchase shares in the SPV, with all funds invested used to fund the development project. The hold period for joint venture equity investments is usually between 18 months and three years.

### What returns can you expect from direct equity investing?

The target rates of return are usually circa 1.5x money-on-money, but this will vary depending on the opportunity. Investors will typically invest with a view to sharing in the developments profits. This will vary depending on the project, but can be between 10% and 50%, with some opportunities also providing an annual interest coupon to complement the profit share.

### What risks are involved with direct equity investing?

The higher target returns generated by joint venture equity investments are reflective of their high-risk nature, as these investments typically are not secured by way of a first or second charge over the underlying asset. However, opportunities of this kind typically don't begin until full planning consent has been received by the developer and works are underway (or a start is imminent). This can help to mitigate some risks for investors.

### Who are direct equity investments suitable for?

As this is an equity-style investment and has a risk/return profile to match, and minimum investments often start at £25,000, joint venture equity investments into property are generally of interest to experienced investors. However, the availability of these opportunities has become increasingly accessible and can be a consideration for all investors with the appropriate risk profile and available capital.

## 2.2

# Property Funds

### **What are property funds and how do they work?**

A property fund provides investors with the ability to make capital investments, which are subsequently pooled together and used to invest into property.

There are a variety of options available under the term 'property funds', but there are two primary options: direct and indirect.

Direct property funds purchase commercial property such as retail parks and office blocks. Investors can earn a rental income from these properties and potentially benefit from any capital appreciation.

Indirect property funds invest in the shares of companies that operate in the property sector, therefore their performance tends to be more linked to the wider equity market.

Property funds can either be closed-ended, such as property trusts or real estate investment trusts (REITs), or open-ended, such as unit trusts or open-ended investment companies (OEICs).

### **What returns can you expect from property funds?**

The target returns generated by property funds are dependent on the type of fund. As an example, REITs average returns of between 5% and 10%. The target return expected on most property funds can range between 3% to 10% and above.

### **What risks are involved with property funds?**

As with all investments, your capital is at risk with property funds and returns cannot be guaranteed. Property funds are typically liquid as they are tradable on the stock market. But property values can fluctuate, and for indirect property funds that are more correlated with the equity market, the well-known volatility of equity markets should also be considered.

### **Who are property funds suitable for?**

Property funds are suitable for investors who are willing and able to take on the associated risks, typically individuals with a mid-high risk profile.

## 2.3

# Listed Housebuilder Shares

### **What are listed housebuilder shares and how do they work?**

Investors are able to purchase shares in housebuilders listed on a stock exchange and target both capital growth and dividend income.

Listed housebuilder shares should be held as part of a diversified portfolio of equity investments. They are an indirect method of property investment whereby investors do not play an active role in the delivery of the buildings.

### **What returns can you expect from listed housebuilder shares?**

The majority of listed housebuilders boast dividend yields ranging from circa 4% to 6%. However, as with all investments into the equity market, these can vary significantly and fluctuations should be expected.

### **What risks are involved with investing into listed housebuilder shares?**

The value of investments into the equity market can go down as well as up, and returns cannot be guaranteed, meaning investors' capital is at risk. The equity market is also infamously volatile as a whole, and investors must be aware that investing into housebuilders means taking an indirect stake in the health of the wider housing market and economy.

### **Who are listed housebuilder shares suitable for?**

Listed housebuilder shares are suitable for any investors. These shares are publicly available to purchase via stock exchanges, such as the London Stock Exchange, with virtually no minimum investment requirements. However, it should still be noted that these shares carry a notable level of risk.

03.

# Direct Lending

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## 3.1

### Property Bonds

#### **What are property bonds and how do they work?**

A property bond – also known as a “loan note” – is a method utilised by property developers to raise capital from investors in the form of a loan.

The investors' funds are held for a fixed term and used to aid in the development of residential or commercial property projects. Minimum investment amounts can start at as low as £1,000.

At the end of the fixed-term, which typically ranges from two to four years, if the project has gone to plan, investors will see the return of their original capital as well as any interest accumulated (unless they opted to receive interest payments on a monthly, quarterly or annual basis, which is often possible depending on the provider).

#### **What returns can you expect from property bonds?**

The target returns available when investing into property bonds will differ from provider-to-provider, but they are often in excess of 7% p.a. Target returns in well excess of 10% p.a. should be approached with caution – generally speaking, the higher the rate of return, the higher the risk.

These target returns could also be further maximised when using a tax-efficient vehicle

such as the Innovative Finance ISA (IFISA) to invest where eligible, which renders all returns free from income and capital and gains tax.

#### **What risks are involved with investing into property bonds?**

As with all investments, there are risks to be aware of when investing into property bonds. All returns are target returns, they can not be guaranteed and your capital is at risk. Property bonds are not covered by the Financial Services Compensation Scheme (FSCS).

The primary risk associated with property bonds is the event of a borrower defaulting on their loans. However, property bonds will typically be secured by way of a first or second charge over the assets (properties or land), offering an element of downside protection for investors.

#### **Who are property bonds suitable for?**

Due to the risks involved with property bonds, they are most suitable for experienced investors classified as either a sophisticated investor, high-net-worth individual or professional investor.

“It’s not difficult to see why property remains such a popular asset among investors. It is an asset that has often proven resilient amidst wider market turbulence and that has proven a valuable addition to an investor’s portfolio for decades. And with a wide and growing range of access points and opportunities to invest profitably and tax efficiently, an increasing number of investors could now find there exists a method of property investment that fits their portfolio.

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**Craig Peterson**  
Chief Operating Officer,  
Growth Capital Ventures

## Free Investors Guide

### An introduction to Property Bonds

Discover how asset-backed property bonds can provide easy access to the high-yielding property market, offer potentially tax-free returns when Innovative Finance ISA (IFISA)-eligible, and present the opportunity to diversify an investor’s portfolio.



[CLICK HERE TO DOWNLOAD GUIDE](#)

## 04.

# Direct Ownership

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## 4.1

## Buy-to-Let

**What is buy-to-let and how does it work?**

Buy-to-let properties can generate returns through rental income and potential capital growth.

However, the profitability depends on several factors, including the rental market's performance, the type and location of the property, and the cost of outgoings.

Changes to buy-to-let tax reliefs have impacted the profitability of this investment strategy.

**For example:**

- Stamp Duty Surcharge: Since 2016, investment property purchases have been subject to a 3% surcharge.
- Mortgage Interest Tax Relief: As of April 2020, landlords can no longer fully offset mortgage interest costs against rental income for tax purposes.
- Rising Stamp Duty and Capital Gains Tax (CGT): The Stamp Duty surcharge increasing from 3% to 5% and higher CGT rates now applied to non-residential property disposals.

These changes have increased transaction costs and the tax burden on property sales, which are expected to further reduce investor activity in the buy-to-let market.

As investors face these challenges, tax-free property-backed IFISAs (Innovative Finance ISAs) are emerging as an alternative method of gaining exposure to property investments without many of the complications associated with direct property ownership.

**Who is buy-to-let suitable for?**

Technically, as long as you are able to secure a buy-to-let mortgage (should you need one), anyone can purchase a property for the purpose of renting it out. However, the upfront and ongoing costs of doing so are substantial, and it is a time-consuming investment option whereby the investor typically must have an active role. Therefore it's important to ensure this type of property investment will be appropriate for your lifestyle.

**What risks are involved with buy-to-let?**

There are a number of risks involved with buy-to-let, including tenants defaulting on their rental payments, changes in the wider rental housing market affecting yields, and void periods whereby rental property is left unoccupied for a period of time and is therefore not bringing in any rental income for the landlord.

## 4.2

# Buy-to-Sell

### **What is buy-to-sell and how does it work?**

Buy-to-sell is the process of purchasing a property, renovating, and then selling it on for profit.

This is a cost-intensive method of property investment, with substantial upfront costs to purchase the property and further costs to make any renovations. However, there is potential for significant profit to be made. Buy-to-sell mortgages exist for investors who do not have the capital to purchase the property outright. These are essentially bridging loans, and unlike standard mortgages, can be arranged within days and used to buy properties that are unfit to live in when first purchased.

### **What returns can you expect from buy-to-sell?**

This is entirely dependent on the cost of purchasing and renovating the property and the price it can then be sold for. The goal for buy-to-sell investors is to buy low, add substantial value, and sell high.

However, a number of factors can affect this, from the location of the property through to the performance of housing market at the time of resale.

### **Who is buy-to-sell suitable for?**

Buy-to-sell can be suitable for investors with sufficient capital to cover the upfront, renovation and any ongoing costs involved (as remember, it could take some time to resell the property), but also those with the time to dedicate to the time-consuming, hands-on nature of this method of property investment.

### **What risks are involved with buy-to-sell?**

When purchasing a property, there are often unexpected costs, particularly when renovations are involved, and it may not always be possible to sell the property at a profit (at least not a substantial one).

The UK's housing market has proven its resilience time and time again, but fluctuations in house prices is common, and any profits made on a buy-to-sell property will be largely determined by the performance of the market on both a national and local level.

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## About the Author

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### Norm Peterson

Growth Capital Ventures  
Chief Executive Officer

Connect with Norm:



Norm Peterson, Growth Capital Ventures' (GCV) Chief Executive Officer, has over 30 years experience in alternative finance. Norm has held senior positions in startups, mid-sized SMEs and PLCs operating across a variety of sectors, including finance, telecoms, infrastructure and property.

Throughout his career, Norm has been involved in raising finance to support business growth and large scale infrastructure projects. His experience includes founding and leading Growth Capital Ventures (an investment firm that has co-invested over £100m into alternative investment opportunities), securing expansion capital (£60m) for an Internet Service Provider (ISP) and development capital for infrastructure projects.

Norm is an Approved Person with the Financial Conduct Authority (FCA). He holds the RICS Postgraduate Diploma in Project Management, he studied his MBA at Bradford and completed the Oxford Private Equity Programme, Saïd Business School, University of Oxford.

Norm is also an active investor, with a portfolio spanning banking, fintech, HR tech, property and housebuilding.

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### Growth Capital Ventures

GCV is an FCA authorised investment firm that operates a private investor network (GCV Invest). GCV Invest brings together an online and offline investor network of experienced private investors and institutional investors to access and co-invest in growth focussed investment opportunities.

We provide access to tax-efficient and growth focused investment opportunities that have the potential to deliver better returns than more mainstream investment products.

We facilitate investment across three asset classes; Venture Capital, Private Equity and Property, targeting an internal rate of return (IRR) of 25% for our investors.

# GCV

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