Hicks Baker
Commercial Property Consultants

BUSINESS SPACE

10 Reasons Why You Should Consider **Commercial Property as an Investment**

Low returns on traditional investments and savings are leading many investors to explore different asset classes in the search for strong and reliable returns. Residential property was, until recently, a popular investment. But this has become much less attractive following changes to Stamp Duty and income tax regulations on buy to let properties.

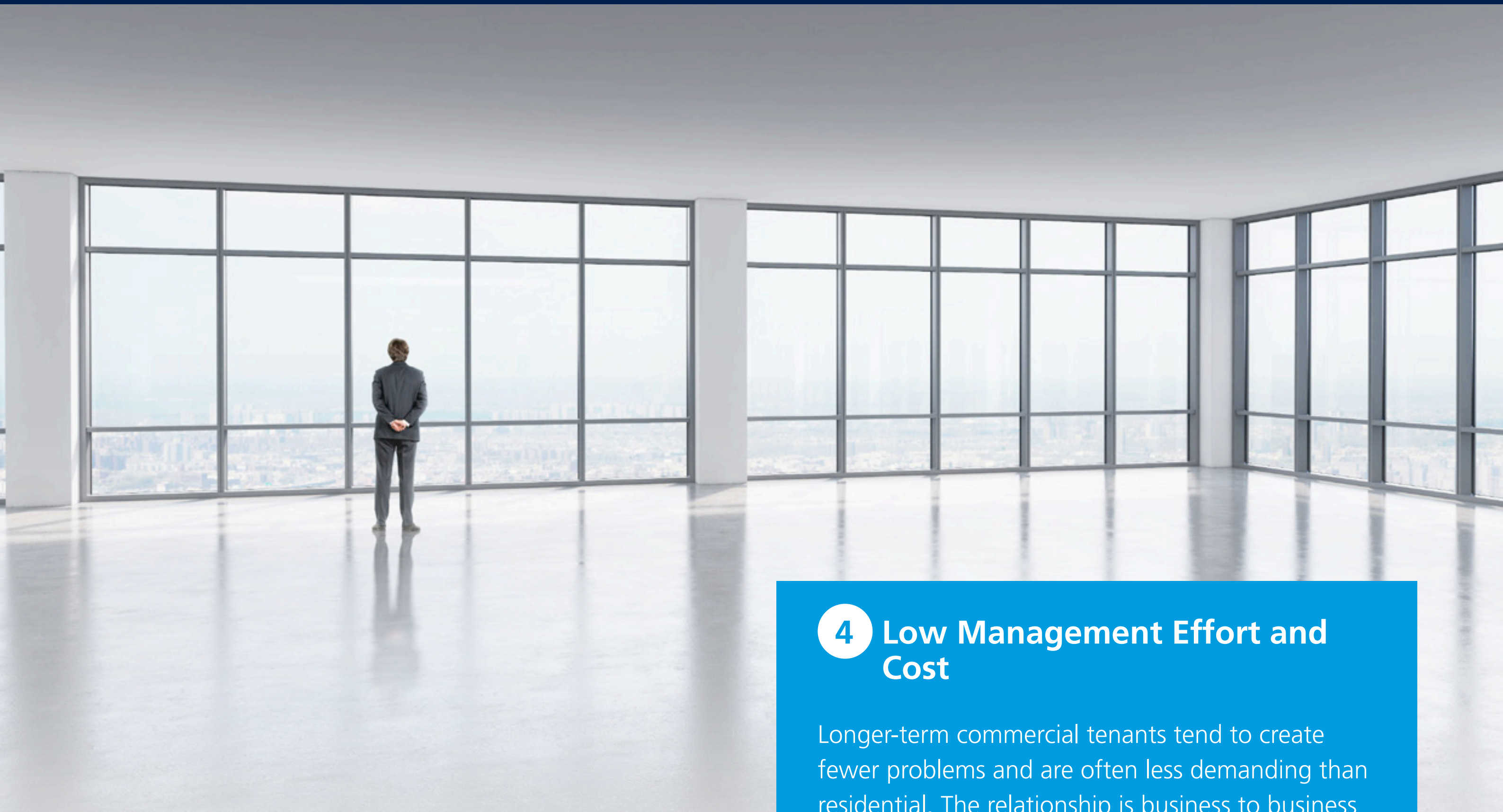
By contrast, there are many reasons why commercial property is a good choice for investors looking for long-term growth and security and we are seeing many investors considering and entering the market.

Commercial property has historically offered an excellent balance of risk and reward.As other investment options continue to offer lower and lower returns, a return of 9-10% is now considerably outperforming other options.

Commercial property has, perhaps, been less likely to be considered because it seems less familiar than residential property, and because people turn to IFAs for investment advice who, by and large, have limited or no experience in this market and so are less likely to include it as an option.

If you have money to invest, here are ten reasons why commercial property should be something you actively consider.

For more information please contact **Stephen Head –** Director – Business Space
☎ 0118 955 7089 ✉ s.head@hicksbaker.co.uk www.hicksbaker.co.uk



1 Strong Rates of Return

Yields from commercial property are typically 9-10%. This return is income-based and derives from rental payments.

2 Steady Capital Growth

Capital growth for good quality commercial property tends to be less volatile than residential property. While peak growth during boom periods may be less marked than residential there has historically been good long-term growth.

3 Relatively Low Risk

Commercial tenants usually change premises much less frequently than residential. This reduces the cost of frequent tenant acquisition and risk of having an empty property for an extended period. The fact that there is less churn means less expense and effort on marketing, fees, reference checks and other costs. However, this depends on choosing the right property for your investment and carrying out due diligence, including on existing tenants. This is certainly an area where you will need professional advice from a commercial property specialist.

4 Low Management Effort and Cost

Longer-term commercial tenants tend to create fewer problems and are often less demanding than residential. The relationship is business to business and buildings tend to be occupied only during normal business hours.

5 Longer Contracts

Security of income flows is usually an important consideration. Commercial lease agreements tend to tie-in tenants for at least seven and sometimes up to 25 years, providing excellent income security.

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6 Good Way to Balance Risk

Stocks, bonds and other financial assets can experience greater variable rates of return and potentially negative growth. Commercial property can be an effective way to balance the risk across your portfolio as well as offering the prospect of more reliable returns in the medium term.

The experience of star 'stock pickers' and the lackluster performance of managed funds point to the fact that markets are hard to predict, even for experts.

7 Better Than the Bank

Base rates don't look like increasing significantly in the foreseeable future, which means that returns from savings accounts and even fixed-term investment bonds are unlikely to match the yield from a well-chosen commercial property investment and will struggle to keep pace with inflation.

8 Your Tenant Looks After the Building

Unlike residential property, with commercial investments routine maintenance, repairs and insurance are the responsibility of the tenant. As well as their contractual obligation, the building is a projection of their business, they generally have an incentive to keep it looking presentable.

9 Range of Investment options

Depending on your personal situation and tax exposure you can invest in commercial property directly, as a limited company, or as part of a SIPP.

10 A Good Time to Buy

Within the Thames Valley there is currently strong demand from potential tenants for several types of commercial property. There are also good quality properties on the market at reasonable prices.

If you think that investing in commercial property could be a good fit with your financial aspirations and overall approach to risk now is a good time to start the conversation. Hicks Baker has an in-depth understanding of the commercial property market in the Thames Valley and can advise you on your options as well as helping you through the process of acquiring and managing commercial property.

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