

China Turmoil Sends Oil, Stocks Sliding Is There A Dark Cloud On The Horizon?

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Spanish Tit-Bits



Why real estate investment beats the stock market

The stock market has always played the role of a barometer to the economic mood of a nation. Real estate is one of the prime elements in the latter context. In fact, an interesting and important relationship exists between real estate investments and the stock index. While both offer a profitable investment opportunity, both also carry risks that complement each other.

A common belief has been that the profit margins associated with stock investment has been higher when compared to alternative asset investments. Stocks are liquid and flexible, whereas real estate is not. Also, stocks offer growth rates that real estate investment can rarely match. Lastly, stocks are also easier to acquire and operate than buying a property as investment. Investment property also includes several added elements like insurance, maintenance, taxes, legal fees, broker commissions, etc.

It has also been observed that dramatic movements in the global stock market will throw up salient differences between real estate and equity investment. The strength and weakness of the global economy appears to influence

both real estate and stock prices. According to the CXO Financial Advisory Group based in U.S., real estate and stocks are negatively-correlated. After the great recession, the stock market lost about 60% of its value. With loans getting cheaper, people now invested more in real estate, since it promises guaranteed returns in the future.

A crucial point to note here is that while stock prices can rise and fall, real estate investment almost always brings in more profits. In fact, the allocation towards real estate in most investors' portfolios has steadily risen since the Global Financial-Crisis. This is because investors seek to take advantage of the low correlation between the asset class and equity market.

We already know that volatility is always caused by the monetary and fiscal policies of governments, and this has effectively increased the focus on real estate investments. Rising inflation has the same kind of effect on both investments. Increased inflation lowers the currency value, and in turn drives up the price of assets – real estate very prominent among the asset classes.

The outcome of stock market volatility is more evident if one follows the changes in real estate markets. Real estate investment provides more stability and can also deliver a continuous income stream, and this is why it attracts more investors. The slow but steady correlation between the stock markets and real estate markets provides the important advantage of diversification in an investor's portfolio.

Also, investors can be more confident of constant returns, since the real estate market is relatively immune from both short and long-term price swings. Stocks, on the other hand, are subject to constantly changing prices, and investors can be placed in really tough situations when choosing whether to hold or sell their stocks.

To conclude, both assets offer long-term appreciation of value. However, if one is looking to create a strong portfolio and has the right kind of funds to invest, real estate will always be a safer and less stressful platform. After all, the demand for homes will never cease as long as we continue populating the planet – what can be a better source of assurance for an investor?

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