

Opinion: Why real estate is still a good investment

By Ana Bourne

The stock market has always attracted those who want to make large profits, but many prudent investors are wary of its instability— the recent 1,300-point drop of the Dow Jones Industrial Average for the week of Feb. 5 is a classic case in point.

Fortunately, the market bounced back recouping some of its losses, serving as a stark reminder of Wall Street's volatility. Luckily for us, the stock market is not the only place we can invest. In fact, a strong argument can be made for another time-honored, wiser and safer method to make money: real estate.

There are a few key reasons why real estate is currently and always will be a more stable investment than the stock market.

First, as a long-term, tangible investment, real estate values increase over time, naturally keeping pace with inflation. Those who are patient and hold onto their investments during a real estate downturn are ultimately rewarded. This isn't necessarily true for the stock market, where the risk never changes and stocks can suffer unpredictable hits in value or even decrease to zero value over time.

Secondly, for those who are in a position to rent property, real estate is a certain source of stable, cash-based income. This allows a property owner to generate higher rental income during times of higher inflation, often proving to be a more lucrative investment than bonds when hedging against inflation.

When you purchase property, the mortgage rate, which remains

the most expensive cost of maintaining a property, is typically locked in at a fixed-rate over a long period of time. This enables a property owner to borrow against their property's equity to make additional investments while recovering some of the cost of ownership through multiple tax benefits. While a property owner can rely on the stability of fixed-rate loans, as the landlord, they also can increase the rent to keep pace with the market.

Thirdly, the use of leverage in real estate is double that of investing in stock portfolios. What is leverage? It's simply using borrowed money in order to buy or finance something. For example, with a standard mortgage, a typical 20 percent down payment gets you 100 percent of the house in which you want to live (or rent). Some financing programs allow you to put even less money down, still granting you the same house.

Even if your real estate properties appreciate more slowly than stocks do, after a five-year period, often times you come out ahead, because of the combination of tax breaks and leverage. In the long-term, it has the capacity to generate years of consistent revenue, as the property itself will likely appreciate with value.

Real estate investments can be a good alternative to investing in stocks. If you prefer lower risk, hands-on investments, multiple tax benefits, and tangible assets...then real estate is where you want to keep your money.

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