

# Are Stocks More Volatile than Real Estate?

**That Depends.** That answer may surprise some people. After all, every day the stock market reports show the Dow Jones Industrial Average or the S&P 500 or the NASDAQ, and they move up and down every day. And some days they move a lot.

That's right, some days they move a lot. Some days they even crash, and real estate never crashes in a day.

REALLY, real estate never crashes in a day? That's not true. Maybe your real estate didn't crash in a day, but real estate most definitely can crash in a day. It happens every day somewhere. It's just not broadcast every day; but it is published and it can be found.

First let's look at the two markets: Stocks vs. Real Estate

	Stocks	Real Estate
Can the investor sell the investment and get their money in 1-3 days?	Yes	No
Can the investor read the investment performance every day?	Yes	No
If the investor wanted to sell the investment in 1 day, would the sale price be a "fire-sale" price?	Probably Not	Yes
If the investor wanted to sell the investment in 1 day and get the money in 3 days, would the sale price be significantly reduced?	Sometimes	Definitely
If the investor wanted to sell the investment "as is", without title insurance, and without inspections would the sale price be reduced?	No	Definitely
If the investor wanted to sell the investment with one phone call, would the sale price be reduced?	No	Definitely

These are not fair comparisons because securities and real estate are very different assets, and they are purchased and sold differently. By these measures, in a head-to-head comparison, securities look better. These are just some of the reasons we say that real estate is a very volatile investment. If you evaluated real estate on the same terms we evaluate securities, we would say real prices can be very volatile and real estate can crash in 1 day.

Here are three groups of real estate markets. Some cities were up, some cities were down, and some were about the same. All values are 10 year % Changes as of September 24, 2017.

## *CWM Real Estate and Management Services*

Here are some cities with real estate prices that are still negative after 10 years!

City	10 Year % Change	City	10 Year % Change
Inglewood, CA	-7.73	Yucaipa, CA	-16.52
Phoenix, AZ	-11.40	Las Vegas, NV	-32.15
Detroit, MI	-30.10	Cleveland, OH	-21.08
San Diego, CA	-3.20	Trenton, NJ	-30.80
Murrieta, CA	-22.74	Minneapolis, MN	-6.62
Chicago, IL	-12.47	Flint, MI	-39.36
Kansas City, MO	-4.64	Cincinnati, OH	-5.08

Here are some cities with real estate prices that are up around 1% per year or less after 10 years. The investor would have been better off investing in a Certificate of Deposit with FDIC Insurance!

City	10 Year % Change	City	10 Year % Change
Jersey City, NJ	9.44	Los Angeles, CA	11.09
Omaha, NE	3.25	Miami, FL	3.50
Atlanta, GA	1.52	Fort Wayne, IN	3.47

To be fair, there are also many real estate markets which have appreciated quite nicely in the last 10 years, and here are some of those locations.

City	10 Year % Change	City	10 Year % Change
Charlotte, NC	14.05	New York, NY	19.70
San Francisco, CA	33.42	Dallas, TX	31.79
Seattle, WA	29.26	Portland, OR	34.60
Buffalo, NY	41.73	Pittsburgh, PA	32.90
Oklahoma City, OK	20.10	Nashville, TN	34.96

Before we decide to run out and purchase everything we can in Nashville, TN or Buffalo, NY, let's remember that these returns are average annual returns of 3.29% and 4.17%, respectively. By comparison, over the same period, the S&P 500 "% Change" was 63.75% for an average return of 6.37% per year.

Contact us today and let's talk about how we can help you understand your real estate investment performance. We'll give you the information you need to help you decide whether you should buy, sell, or hold a particular property.

### **Contact Information**

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