

Seven Reasons Why Real Estate Investing Is the Safest Investment Option...

25/01/2021

Spanish Real Estate News



The debate about which is the best type of investment is as old as anyone can remember. However, even for the firm stocks aficionados, it is hard to refute the fact that real estate investing is the safest investment option around, which consequently makes it also the best one. Here are 7 reasons why real estate is the best investment, being the safest one.

1. Investing in land

Investing in real estate automatically means investing in land as well. Actually land can be quite a big chunk of your real estate investment, sometimes reaching well beyond 50% of the total amount. The best quality of land from a real estate investor's point of view is that it is a limited resource. There is no way to make more land than what is already available (except for the very expensive method of land reclamation from ocean, sea, or river beds). This means that the price of land is set to keep going up indefinitely into the future, regardless of the general economic conditions. As a result, the total value of your real estate investment will also continue increasing in the long term. In addition, you can always use the land on which your income property is built to build a new, bigger property, which will generate more rental income for you; for example, you can replace a single-family property with a multi-family home. Last but not least, you can always leave land as inheritance for your children and grandchildren. So, the first reason why real estate is the best

investment is because a large portion of it is investing in land, which is extremely safe.

2. Investing in tangible assets

The next reason why real estate is the best investment strategy is the fact that when you invest in real estate, you actually buy a tangible asset – an income property. While no market is insured against a collapse, including the real estate one, you will always have something physical in case you choose to invest in real estate. Let's say that in the worst case scenario you can't find tenants to rent your rental property to or rents are so low it does not make sense to rent out, you can still turn your income property into your primary home or you can sell it to make profit. On the other hand, if you lose money when investing in stocks, you will be left with nothing. That's why real estate is the best investment option.

3. Real estate markets are relatively stable

In comparison with stock markets, real estate markets are quite stable. Stock markets are highly volatile, which means that you can make lots of money or alternatively lose lots of money within a few days or even hours. While the real estate market is also subject to some volatility, it is significantly less than in the case of stocks. This means that there is less risk associated with investing in real estate, which makes this type of investment safer. And safer investments are better investments. So, that's reason #3 why real estate is the best investment possible.

4. Long term appreciation

As we said above, real estate markets are generally considered to be stable. Nonetheless, the overall long-term trend is that prices will always go up. Even if income property prices don't increase significantly every single year in a particular city or neighborhood, long-run appreciation is a fact in real estate investing. If you buy an investment property today, you will definitely be able to sell it for more in 10- or 15-year time. One of the main drivers of rental property prices, as highlighted in point 1, is the fact that every single income property is built on some land, and land is a very limited resource. So, real estate appreciation is the 4th reason why real estate is the best investment, as it is the safest investment strategy in the long term.

5. Regular income

However, investing in real estate does not have to bring you profit in the long term only. Indeed, most investors purchase investment properties to make money in the short term, through positive cash flow. Regardless of how big or small your income property is, it will generate some monthly rental income for you, provided that you are able to rent it out to tenants, of course. Any smart real estate investor will only go for a rental property which provides more rental income than recurrent costs, meaning that it creates positive cash flow. In this sense, investing in real estate is quite different from investing in stocks, which do not guarantee to make money every month or not even every year. The fact that income properties provide regular income is another reason why real estate is the best investment strategy, both in the short and in the long run.

6. Hedge against inflation

Inflation is a fact – i.e., the general price level goes up over time even if some prices drop down from one month to another. Real estate investing, thus, is an excellent protection against inflation. Even though all prices go up with time, the prices of investment properties go up more rapidly. That is to say that real estate appreciation tends to overcome inflation, which means that real estate investing provides hedge against inflation. And that's why real estate is the best investment option, as it is the safest option for investing your money to avoid losing its value to inflation.

7. Accessible to everyone

In order to invest in stocks, you have to be an expert in financial markets, which is no easy task. At the same time, anyone can become a real estate investor as it requires nearly no preliminary knowledge. All you have to have in order to start a real estate investment business is some common sense. Real estate investing is very much learning by doing, so you need to buy an income property and become a landlord in order to gain knowledge and experience. While investing in stocks can be very risky if you are not an expert, investing in real estate is generally safe even for beginners. And that is why real estate is the best investment strategy, even if you have no prior knowledge and expertise.

The two most important features of any sort of investment are profitability and riskiness. Investing in real estate is an excellent choice for capitalizing on your money because it promises great return and because it is the safest investment strategy. That's why real estate is the best investment option. Once you are ready to buy your next income property, make sure to sign up to our newsletters to receive current listings and access to the latest developments in Spain

REF: Daniela Andreevska

REF: Patrick Baum