Real Estate versus the Stock Market

Our grandparents lived in Vancouver, purchasing their home on West 36th Avenue and Dunbar Street in October 1951 for $10,500. They lived there happily for many years raising their three sons, hosting countless holiday dinners and building a legacy of memories. As our grandparents grew older and their health began to fail, they sold in 1996.

What is that property worth today? The 2021 BC Assessment was an impressive $3,617,000. We found it noteworthy that assessment values peaked in 2018 at $4,896,000. The true market value can often differ.

So what does that return on investment look like? Well from 1951 to 2021, or 70 years, we have calculated the annualized rate of return to be approximately 4.9%. This does not factor in home ownership costs such as mortgage interest, insurance, maintenance and property tax.

RBC conducted research from January 1996 to December 2020 comparing real estate returns in several Canadian cities versus the Canadian stock market. Below are their returns:

January 1996 to December 2020	Annualized Rate of Return	Hypothetical Growth of $100,000
S&P 500 Index (US Stock Market)	**9.6%**	**977,811**
S&P/TSX Composite Index	**8.0%**	**679,251**
Toronto	**6.5%**	**487,618**
National Average	**5.7%**	**398,629**
Vancouver	**5.5%**	**383,650**
Calgary	**5.0%**	**338,209**

Source: RBC Global Asset Management; officialdata.org, 2021

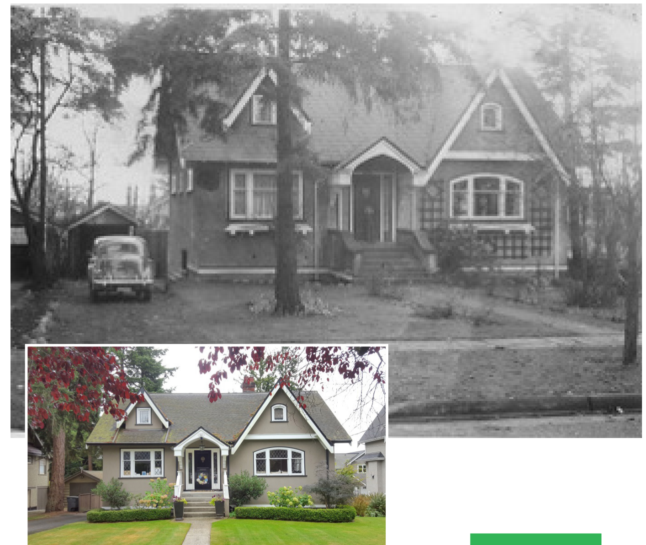
How has Kamloops fared? According to crea.ca as of March 2021, the current year-to-date average sale price in Kamloops has grown to $522,184. Going back to January 2010, it was roughly $315,000. That growth of $207,184 in just over 11 years equates to an annual return of 6.0%, again before any costs. According to blackrock.com, the total return of the TSX during the same period was 7.4%. This does not factor in investment costs.

We often hear "You can't lose with real estate." or "real estate is a better investment than the stock market." We like to remind all investors that:

1. We believe owning a home is financially prudent
2. Because a home is often ones' largest portion of their net worth, we encourage investors to diversify
3. Historically the Canadian and US stock markets have outperformed real estate
4. During certain periods, there can be over or underperformance from any of these three assets

Written by Keith

Until next time…Invest Well. Live Well.



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