Can you beat Wall Street by Funding Commercial Real Estate Loans (and earning impressive returns)?

Now that is what I call a tough question. I would rather not coincide or negate the statement directly as both the sectors carry different ROI (Return on Investment); instead I would compare them and then come to a firm conclusion. To make an effective comparison, a time period of 10 years would the ideal choice since it is the picture that we want to look at. Besides, 10 years is also considered a long term outlook in the world of finance. Real estate has an average appreciation rate of 3-4% per annum in the real world. But as compared to the stock market, stocks have an annual growth of 8-9%on average. This might suggest that investing in Wall Street will earn you a more impressive return than real estate. But this is too early to judge. Even though real estate experiences lower average growth, it enjoys benefits that stock markets can't even dream of. These are as follows:

- Real estate earns much more than Wall Street because income generated from real estate is not shrunk by tax adjustmentsas the property appreciates over that particular time while any earnings or divedends from Wall Street have to be adjusted for taxes; resulting in reduced earnings for the Wall Street investors.
- Many real estate investors would argue that investing in Wall Street would be highly risky. There argument is true as stock markets are extremely volatile as compared to the stable real estate market.
- With a recession hit economy, public limited companies will fail to achieve substantial profits hencethey cannot issue dividends to their shareholders. With this scenario in mind, investors look upon getting a return when they invest and they find that potential in real estate markets. The shift of investment from Wall Street to real estate creates a downward spiral effect since no new investment isin Wall Street; that is to say no buying of shares. This means that businesses will lack finance and will not continue its business activity to the maximum. The result is that even less dividends are paid to the current Wall Street investors than before.
- When Investing in real estate, investors initially have to pay just the down payment of around 10% to begin earning profits. On the other hand, Wall Street demands a complete payment before an investor can begin reaping benefits. Real Estate investors enjoy the extra benefit of diversification of their investment, meaning more earings.

Most people with self directed IRAs prefer to invest their retirement funds in the safer and a higher ROI offering real estate markets rather than going towards highly volatile and less profitable Wall Street.