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Investing for the Future: Stocks vs Real Estate

Arsh Bhadoria[1]; Amritansh[2]; Dr. Gurmeet Singh[3]; Dr. Deepak Sood[4]

[1]Student, BBA Professional, Chitkara Business School, Chitkara University, Punjab.
[2]Student, BBA Professional, Chitkara Business School, Chitkara University, Punjab.
[3]Assistant Professor, Chitkara Business School, Chitkara University, Punjab, India.
[4]Professor and Assistant Dean, Chitkara Business School, Chitkara University, Punjab, India.

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Abstract: Buying shares and real estates are some of the most common mechanisms of long-time accumulation of wealth, both with merits and demerits. Stocks come with easy secondary market tradability and easy to transact, yet they are sensitive to market and business cycle risks. Conversely fixed assets in real estate offer an investor more security and relative resistance to inflation but normally it calls for a much bigger stake and is relatively less liquid than stocks. Three important variables affect both kinds of investments, including interest rate, inflation and other economic factors. Through using technology in trading stock and Property technology for the real estate sector intelligent services have revolutionized the manner that investors participate in markets. Furthermore, the issue affecting the taxes considerably where stock attracts capital gains tax while real estate allows deductions on depreciation for instance. Every asset class has a function of diversification in the portfolio; the amount of risk and return that an investor can get depends on tastes and the portfolio's purpose. While for those intending to have a higher stock liquidity, investing in stocks can even be more favourable but investing in real estate gives consistent income from rental income and long-term capital appreciation. It is important to always consider the differences of each investment type in order to achieve the goal of choosing which among them fits their overall situation and future investment plans best.

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I. INTRODUCTION

It comes as no surprise that investing is one of the most important steps that people can take in order to secure their own financial future. As investment, any two of the most commonly considered options are stocks and real estate [9]. Both stocks and real estate are both getting good and bad things about them so they make sense for different types of investors. Good prices, and good dividend income come usually from stocks, these are ownership in publicly traded companies [12]. Real estate is the purchase of physical property, which earns money by renting or by the appreciation of the property value [13]. If you want to make an educated decision on your financial future, it is important to know what the differences are between these two options [10].

It is known that stocks are highly liquid and have the possibility to return rapidly [16]. Being that stocks are able to be bought and sold through stock exchanges, they are very accessible and flexible investments for investors [10]. But there's a high level of volatility that goes with this kind of liquidity. Your stock prices change all the time based on the performance and economic condition of the company, as well as on the market sentiment [14]. This can mean big wins — or big losses, often within a short time frame [7]. Stock prices in their rapid changes are perfect for the person who is only looking for a quick profit in their investment but are risky for someone who does not want to take the risk of a downturn in the market. However, the stock market is an avenue for long-term growth and particularly those that are patient and want to navigate their own market fluctuations [1].

Dedicated to location, market conditions and broad economic factors. They are one of the major advantages of having real estate that it can help you earn income from rental property [2]. Residential or commercial properties can be purchased, rented to tenants, and healthy income generated making money less volatile than the stock market [5]. Real estate has also been heralded as a good inflation hedge throughout history [4]. When prices for goods and services go up, property values and rents tend to go up also, and protect investors from losing purchasing power [11]. Nevertheless, property management, maintenance and tenant vacuities come with real estate investments [3].

Risk level is the key difference between real estate and stocks. In general, prices of stocks can increase or decrease sharply within a short span of time [8]. Stock prices are highly unpredictable because they can be influenced by a huge range of economic events, changes in government policies or even company-specific news [6]. But real estate, much more so than the stock or bond markets, tends to be less volatile, and

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more stable, over the long run [2]. Prices in the stock market can swing way up one month and plummet by 50 percent the next, but property prices usually only fall [15]. In addition, real estate offers a physical and tangible asset many investors find comforting from the perspective of the intangible nature of stocks [9]. Bear in mind that real estate is not without risk, however. Local economic conditions can affect property values and tenants are tough to manage [13].

On the other side, real estate is thought to be a stable investment. But property values generally ascend over time, although at different rates [14].

The other big issue to consider when comparing stocks vs real estate is the question of liquidity [1]. The other important thing about stocks is that they are very liquid, they can be bought and sold quickly and easily [11]. What makes stocks great for investors who want to get in and out easily as their needs change or need access to their money quickly [10]. However, real estate is much less liquid [12]. Selling a property can take upwards of months and involves high transaction costs, for example agent fees, legal fees and taxes [12]. The real estate is therefore less liquid which makes it more appropriate for long-term investors willing to put their capital in for very long periods of time [17]. Realty might not be the best option, when you are looking for fast return on investment, by the longer transaction time and the high buy and sell expense [13].

Also, another key issue of difference between stocks and real estate is accessibility [15]. Investors in any income levels can easily access the stocks itself [18]. Online trading platform allows an entry of an account and investing with minimum amount of money for anyone [11]. In recent years, fractional shares have further lowered the barrier to entry in investing in high-priced stocks requiring less capital [14]. Whereas by contrast real estate often demands a sizeable outlay of cash initially [12]. Real estate can become a more difficult option for an initial investment than purchasing stocks and bonds, due to down payments, closing costs and regular maintenance, particularly when you are first starting out in your investment journey [3]. But for the same amount of capital requirements, there have been innovations such as real estate investment trusts (REITs) which now allow investors to get invested in real estate [2].

Another reason why the stock over real estate decision is made is tax considerations [6]. When you sell your shares for a profit, you are subject to capital gains taxes, and stock investors are affected the same way [5]. Just as with dividends, other income from stocks is also taxed, but may also be subject to favourable tax rates, depending on the situation [18]. However, real estate provides many tax advantages that can lighten up an investor's overall tax bill [17]. As an example, real estate investors can decrement expenses like mortgage interests, property taxes and cost of the property (depreciation) from their taxable income [8]. In addition to whether or not you may be eligible for capital gains exclusions when you sell a primary residence, you may not have to pay taxes on a portion of your profit [7]. But even property taxes have to be factored in as an annual cost for real estate investors [3].

Technology has played a tremendous role in how people invest through stocks and real estate [16]. Online trading platforms, mobile apps and robot-advisors have made investing easier by providing an opportunity relatively to many to invest within the stock market [17]. Investors can see a portfolio's performance in real-time, make trades with a click of a mouse and use algorithms to optimize their investment strategy [13]. For instance, algorithmic trading has made high-frequency trading a feature of the stock market, and sophisticated prediction models are part of the trading business [15]. Likewise, the real estate market has been radicalized by technological innovations [4]. New tools that used to be restricted to property managers people who managed properties were introduced with the concept of property technology (PropTech) that include managing properties, conducting virtual property tours and forex trading on real estate joining platforms [14]. Real estate has also emerged as another area, where blockchain technology may be a game changer and provide for transparent, secure property transactions [16].

Finally, because real estate as well as stocks provides opportunities for investors of their own nature, each has its own risks and returns [9]. Liquidity and quick returns, are known stocks, this being the reason they have become a favourite among those looking for flexibility and short-term gains [12]. But of course, they are very volatile and can lead to large losses [7]. However, real estate by comparison, offers a tangible asset of tangible income, with a steady rise in price over time [1]. Real estate, while less liquid, requires a larger initial investment and it provides a level of stability many investors believe cannot be found anywhere else [3]. Stocks vs. real estate is really a choice between your financial goals, risk tolerance and investment horizon [18]. Many investors will decide that the best way to build long-term wealth and achieve financial security is in a balanced portfolio that includes both asset classes [9].

II. LITERATURE SURVEY

The issue of which investment avenue is more attractive, stock or real estate still forms a topic of discussion for researchers and practitioners in finance and investment world. The decision making here is far from simple due to the nature of economic systems and the dynamics of the market to which the plan is to be implemented. This literature survey examines a series of works which analyse the relationship between those two kinds of asset, especially in terms of their behaviour, performance, potential for returns on investment and psychological effects triggered by operations with them.

The study by Barsky and De Long (1993) offers basic knowledge on market fluctuations analysing the role of macroeconomic factors and psychological factors of investors on stock prices. They argue that; stock price volatility cannot be entirely explained by either the rational expectation theory or market speculation; but both have to form part of the theory. This insight is important because it means that both basic economic measures plus psychological trends influence the markets. For example, during periods of economic slump, investors can post very high velocity trader sentiment, and this causes tremendous churning of stock prices irrespective of the fundamentals. Some of their finding is also important in the real estate industry since perception of the investor and the market has a major-impacts on the value of properties and investors' decision. In doing so, this work introduces a set of eight psychological variables that can coalesce into a higher-order framework and provides guidance on how these theoretical constructs might relate to economic drivers prior to applied use in the context of its practical objective of assisting an investor in choosing between buying stock and real estate.[7]

Like most industries, real estate cannot be isolated from economic shocks, and Hoesli & Malle (2021) study the impacts of disturbance in CRE during periods of slump. It fills important gaps in existing research, by more granularly exploring how sectors lower the retail, hospitality, and residential markets might react to shocks.

It is established that net operating income is more volatile in retail and hospitality segments than in residential and industrial segments. Realising that understanding of economic fundamentals is required when appraising this sector is the key point provided by this sectoral analysis. Small investors in particular would have to take into consideration not only the condition in the broad sphere of the economy, but the particular tendencies that are characteristic of certain types of the real estate market and possible risks associated with them. It seems possible to obtain such insights into the matter, especially when establishing an optimal investment portfolio that reflects the nature of risk and profitability factors of various classes of assets.[4]

Furthermore, there is always flexibility needed when it comes to real estate investing because of the instabilities experienced in the economic world. For instance, looking at the COVID- 19 pandemic situation, the commercial real estate market underwent drastic changes; the retail and hospitality categories suffered a lot in terms of business, while categories like the logistic and warehousing sector gained popularity due to skyrocketing online buying. This drive and push, and pull makes it necessary for investors to be aware and be alert always making reviews on market trends and respectively the sector performances of their investment portfolios. Knowing how various industries or sectors will behave under different forms of adversity enables the investor to better place himself and his investment dollars in sectors that will prove to be more robust to those shocks thus improving investment risk reward.

Together, this provides the understanding of McGrattan and Prescott (2001) look at valuation of US stocks during what many saw as the bubble year, 2000. They dismissed the specious that market was over-bloated by refuting that only the market excitement stood for the value of the productive instruments. This outlook focuses on restoring the relationship between market capitalization and economic output, which, as applied to this industry, should also be meaningful. As with stocks, real estate investments should be accorded economic returns corresponding to the economic value they bring in terms of income and growth potential. The essence of the topic is connecting the conceptions of valuation theory and the economic productivity with investors in both kinds of assets.[6]

Other authors have also explored the link between stock market performance and overall economic activity and these include Bosworth, Hymans, and Modigliani (1976) who build on the analysis to turn to the Stock price changes effects on aggregate demand and personal consumption as well as business investment. This they have described through their interpretation of the steep market drop during the period 1973/74 to which another paper has anchored the current market fluctuation to show how stock markets function as barometers or agents of change in economic situations. This work therefore implies that whilst stock prices may be driven by changes in the economy, they can also act as barometers to behaviour consumers and confidence of businesses. Knowledge of these factors is crucial to the RE investors because the condition of the market can influence the buyer's passion and capacity to stock on assets which in turn affects real estate market demand and value. For instance, decreased stocks, may trigger lower consumers' confidence and Statistics may tend to reduce spending towards housing and commercial real estate in the economy.[5]

Ghysels et al. (2005) add their voice to the debate by exploring the vitality of some new indices on the fundamental aspect of price predictability of real estate. They say that due to high transaction costs and market peculiarities the situation in the real estate markets is very different from ideal conditions and price patterns may be understood as noise rather than signal. Unlike equities, which offer more liquid markets and considerably more unambiguous pricing epistles, the real estate market is altogether more subtle and therefore merit a more sophisticated analysis. To explain these trends, the authors highlight the fact that heterogeneity within the real estate sector is even more extensive than in the case of the stock market because properties can differ by location, size, and type, which makes their valuation harder.[3]

As in in Ghysels et al (2005), other authors also consider how a wide range of variables that relate to the underlying economic climate, including interest rates, inflation, and employment rates impact on the real estate asset market [3]. For example, poor interest rates may increase purchasing power and recovery create demand for houses hence improving on the returns. On the other hand, factors that leads to increases in unemployment results in low demand and decreases the pressure on the general price level. Such insights are paramount especially to comply with, for investors considering the dynamics of the real estate market especially concerning how economic forces affect property prices.

In a comparative analysis, Ross and Zisler (1991) bring understanding into the annuity- risk- return characteristics of unleveraged real estate investments, stocks and bonds during a long period of time from 1978-1985. This means that most

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of the real estate investment would fall somewhere in between the high-risk investment opportunities like stocks and more secure investment instrument such as bonds. This means that, as much as stocks are relatively more rewarding than bonds, they come with relatively higher risks especially in down turn in the economy. Real estate meanwhile is somewhat viewed as a more secure form of investment as it generates fixed form of income in the form of rental income and has lesser volatility than stocks. These risk-return performances are very important when investors are seeking to diversify their portfolio and want to bring their investment plans consistent with their objectives.[2]

To elaborate more on the comparative analysis of stock market and real estate investment, Jha et al. (2021) bring this issue. Their research employs 10-year financial data to analyse some engagement indicators including returns, risks, and margins. The authors state that while stocks have given better returns on an average, they are riskier than real estate investments, which provide reasonably steady income. This outcome supports the theory of diversification as a key to reaching the best conditions of risk and return among investors. Introducing both stock and real estate as a form of investment diversification reduce risk exposure while maximizing on growth from both stocks and real estate.

The study by Jha et al., (2021) support the fact that the risks-rewards associated with the two assets are intertwined; hence, asset positioning should not be random. For instance, when the economy expands the investors may make higher use of stocks so as to obtain higher return on investment since the economy is stable and they may invest in real estate during expanding economy in order to get more stable cash receipts due to increased steadiness of economy. Such dynamic treats past performance more as a reference point than an indicator and stresses the need to evaluate current market conditions as well as forecasts of future economic growth while making the investments.

However, for deep analysis and getting is useful to consider not only historical data on stock performance and economic parameters, use of behavioural finance is crucial when investigating investors' behaviour. Heavily influenced by numerous psychological factors, including overconfidence, reference point adaptation, and Herd behaviour, investors make unsatisfactory investment decisions, which are the reasons behind the Market inefficiencies. Knowledge of these behavioural factors can be helpful when investors are trying to invest in the stock and property market. Unconscious biases make investors blind to situations in the market when information is either too high or too low, allowing the intelligent investor to take a chance and gain a profit.

In addition, advance use of technology especially the data analysis process as a tool to enhance investment in both shares and properties. The increasing use of big data and situation analysis tools help investment industry players make strategic decisions since they can easily predict cycles and analyse risks. Technology, especially in the real estate sector, has enabled more accurate property valuation models and improved market information that enables investors in property decisions and portfolio creation. Likewise, in stock exchange business, algorithmic trading and quantitative analysis have greatly transformed how investors work by giving them tools to quickly adapt to ever changing market.

The consideration of Environmental, Social, and Governance (ESG) criteria for investing in shares and properties has also gone up, and should also be considered alongside. Today, investors began to pay attention to sustainable and socially responsible investments, especially properties that meet ESG standards. This trend is significant for real estate companies because reducing energy consumption promotes cost savings and helps appeal to those who are interested in the sustainability of buildings and use. It will be seen that the business entities that have better ESG scores are also subjected to better valuations and are more likely to attract more investors since investing in sustainability is no longer a novelty but now a norm.

In addition, there is another way of investment in real estate via specially created companies known as Real Estate Investment Trusts (REITs) which allow investors try this form of investments without direct dealing with owning properties. REITs act as a means whereby investors can be vested on real estate investment but through shares in well established companies which evidently make their securities easily liquidated. This financial instrument was introduced to investors as an investment vehicle which plays middle ground between real estate and stocks in terms of risks and returns.

Considering the dynamics that investments are going through constantly, it will be significant to continue active research in order to reconsider the peculiarities of these classes of assets. It is important that future research seek to establish effects of other economic factors including changing consumer trends and technologies on stock and real estate performance. Its integration of behavioural finance concept into the current investment analysis may also produce a good result on the information on the psychological characteristics of the investors' behaviour. It will also add to the available knowledge repository while offering relevant advice to investors seeking to make sense of the stock and real estate market.

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Table 1 Literature Survey

Author(s)	Year	Source	Evaluation Parameters	Citations	Techniques
Barsky & De Long	1993	Why Does the Stock Market Fluctuate?	Market volatility, rational expectations, speculative behavior	20+	Literature survey, macroeconomic analysis
Hoesli & Malle	2021	Effects of Economic Disruptions on CRE	Resilience in CRE sectors, impact of economic downturns	35+	Sectoral analysis, valuation models, historical comparison
McGrattan & Prescott	2001	NBER Working Paper No. 8077	Stock market valuation, equity vs. productive assets	50+	Economic theory application, market valuation
Bosworth, Hymans, & Modigliani	1975	The Stock Market and the Economy	Relationship between stock prices and economic activity	40+	Wealth effects, monetary policy analysis
Ghysels, Plazzi, Valkanov, & Torous	2013	Forecasting Real Estate Prices	Predictability, leverage, monetary policy, indices evaluation	30+	Hedonic indices, hybrid indices, monetary policy effects
Buys & Bruijninckx	2007	Real Estate as a Strategic Asset	Portfolio benefits, risk diversification, inflation hedging	25+	Comparative analysis of asset classes
Ross & Zisler	1987	Risk and Return in Real Estate	Comparative risk-return analysis, real estate vs. stocks/bonds	45+	Data from Russell-NCREIF, volatility comparison
Jha, Kumar, Nandan, & Gangele	2022	Comparative Analysis of Stocks and RE	Historical performance, risk-adjusted returns, stability	10+	Decade-long data analysis, risk-return metrics

III. WORKING METHODOLOGY

There are two choices that are prevalent for the purpose of wealth creation are stock market investment and real estate investments both of which possess their set of advantages and risks. Investing in the two issues depends on the assessment of the following areas, since asset classes have different responses to operational factors, alterations in the prevailing economic cycles, and investor needs for wealth accumulation. Within this context, the two fundamental forms of investments – stocks, and real estates are examined in the light of market research, liquidity and diversification capacity, expected returns realizations, inflation adjustment capacity, capacity for reflecting the health of the economy of the nation, tangle and related risks. That way, both its objectives and, at the same time, personal goals and risk tolerance will allow investors to build successful investment portfolios with due regard for the potential of these and other types of assets.

➢ *Market Research*

Market research is an essential tool in the assessment of stocks as well as real estates because the two types of investments relate differently to data. When it comes to stocks there are numerous tools at the disposal of the investors including real time tick by tick data from the trading floors, reports from stock analytical firms and elaborate research papers. This accessibility enables constant monitoring of stock performance that can be affected by number of factors including fundamentals of the particular stock, general economic environment and happenings in the globe. Even compared to each other, stocks can be easily compared using simple P/E ratio, P/B ratio or other similar stock valuation tools by which an investor can easily estimate what historical or future value of a given company could be.

Real estate investments require a highly focused market analysis that is specific not only to the sectors but also to the property. They must pay attention to ideas concerning the surroundings, for example, features of the neighbourhood, facilities around, type of property, features of possible tenancy, and many more factors, that might provoke influences on the profitability of the property. While a real estate may not have the real time data providing option as that of stocks an upward/downward shift in the property price or demand can be gradual and regional. Real estate is evaluated on property valuations, location growth expectations and population changes in a given area to come up with an appreciation of local facts that may influence property demand and value improvement over time.

➢ *Liquidity of Resources*

Fluxability is one of the main factors that affect the ability of an investor to gain access to cash in stock as compared to real estate investment. Stocks are generally regarded as cash like securities because the shares can be easily purchased and sold in the eve of minutes during business hours. Such relative simplicity of transactions is particularly useful when liquidity issues arise, either at the global or a particular investor's level, in that assets can be easily sold within a very short time. This high liquidity also helps an extra dimension of flexibility when investing stocks because the investors can quickly adjust to existing market conditions.

On the other hand, the real estate market is always considered illiquid because transactions involving properties take time. Who wants to buy or sell a property needs to list the property for sale, make various offers and counteroffers to the prospective buyers, and go through the string of legal formalities and financial transactions that may take a number

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of weeks or even months. This slow conversion to cash means that real estate is less liquid, and hence may pose problem to investors who may desire to realize their investments at any one time. Still, real estate is stable of value and generates long-term revenues that bring corresponding solidity to an investment; yet as it was mentioned earlier it does not allow flexible exits, which is an important factor when an investor may need money instantly.

- *Diversification Potential*

There is significant variation in diversification potential for stocks and for real estate, so that investors can manage their risk across their portfolios in different ways. Because stocks provide high diversification opportunities, individuals can make investments in a myriad of industries, sectors, countries, and asset types. The variety offered allows the investor to reduce risk by keeping the exposure to any one market or economic sector low. There are also other tools, such as mutual funds and Exchange Traded Funds (ETFs) by which individuals can easily have the luxury of diversified stock portfolios with varying risks to choose from, and how to implement your own asset allocation strategies that are tailored to suit your specific risk tolerance and financial goals. The flexibility at this level is simply too high for investors looking to shield their investments from risk through diversification. As opposed to real estate though, which has limited diversification potential due to the fact that most property investments are highly committed with large amounts tied up in capital.

It is very hard for most investors to acquire a variety of properties in various locations or types (e.g., residential, commercial, or industrial) because it requires a large capital outlay to purchase additional properties to diversify real estate. Due to the concentrated nature of real estate investments in a single property or a small number of properties, real estate investments tend to have a relatively high amount of exposure to a specific geographies or market's conditions. However, Real Estate Investment Trust (REITs) as an alternative to real estate diversification can provide some diversification in the real estate segment, however with limitations and is not as broadly flexible as stock portfolios.

- *Return Values*

There is huge difference between return values for stocks and real estate as both have different ways of making profits. Stocks are easy to value due to supply and demand, make it easy to value stocks of companies where supply is very limited and there is high demand. In addition, the stocks pay dividends which keep your income running, a regular income stream you can reinvest so that your compounding returns grow. Long term, the compounding effect allows investors to build their wealth with a straight line as their graph. Unfortunately, however stock returns are also subject to market volatility, as prices move about with company performance, the economy, and the mood of investors, thereby introducing risk, most notably in the short term.

On the other hand, property values, plus rental income, govern real estate returns. Properties in desirable locations appreciate a lot of value over time, and the investor can make regular rental income from the property if he/she rents out. Furthermore, investing in real estate can help to earn you tax benefits for example mortgage interest and property tax deductions, which means the net return is enhanced. Real estate returns are very volatile however, like property type, local demand, neighbourhood development and more broad economic conditions. The real estate will yield high returns if it is placed on a prime location, while returns can be slow in less acceptable areas, and makes the real estate returns location dependent more than the stock returns.

- *Inflation*

Stocks and real estate both act as difference inflation, with different advantages as hedges depending on the situation. During inflationary periods, certain sectors of the stock market, namely commodities, energy and utilities, have historically shown better performance than others due largely to their ability to transit along any increased cost to the consumer. In the long run, stocks historically have acted as a good hedge against inflation because companies, when inflation rises, do generally adjust their prices and thus maintain, or expand, profit margins and eventually stock values. By allowing stocks to be more flexible, stocks maintain or increase value over time and, thereby, allow investors to maintain or increase purchasing power and, oftentimes, some beating inflation.

And yet short-term effects of inflation on stocks can still amplify volatility as markets buoyantly adjust to higher costs and interest rates. On the other hand, real estate offers more immediate hedge against inflation because property values and rental income rise, on average, along with inflation. With rising cost of living comes an adjusting to rent by landlords, which increases their income as well as restores value to the property compared to inflation. Real estate is also appealing for the investor looking towards income stability during periods of inflation. Increased inflation, too, can also result in higher mortgage rates, which drives up financing costs for purchases of new property and might slow demand. Despite that, property owners with existing mortgages at fixed rates reaped the benefits of inflation since they keep on paying low interest rates and rental income and property values go up, offering a natural inflation shield for real estate investors.

- *Financial Health of the Nation*

Stock and real estate investments are extremely sensitive to macroeconomic factors and thus their financial health is an important aspect of the national financial health. Indicators such as GDP growth, interest rates, inflation have impacts on stock indirectly through impact on corporate earnings, investor confidence, and market demand therefore stocks are affected directly by indicators like GDP, interest rates, inflation, and the employment rates. Stock prices rise when companies report increased profits, and a strong economy. But during economic downturns stocks' volatility increases, as companies post lower revenues, consumer spending drops, and layoffs are possible. Of course, risk cannot be totally avoided, but investors can lessen the amount of risk by diversifying, spreading their investment over a range of sectors, or even classes of assets that will aid in recovery when market conditions improve.

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Real estate is as intimately tied to the nation's economic health as its job growth, interest rates and consumer confidence. Demand for properties is seen to increase when the same economy is robust. The demand leads to the potential of increasing property values and also higher rental income. Just as real estate typically fares poorly in times of economic weakness, when rental demand suffers from job losses, consumer confidence falls, and financing becomes more expensive in the face of higher interest rates. It can erode property values and reduce rental income — especially in hard hit economic areas. Real estate may represent a tangible asset with long term potential, but their performance is tightly connected to national economic trends as to their potential of appreciation and their rate of income generation.

➢ *Tangibility of Resources*

Investors perceive the risk related to stocks differently than for real estate due to the tangible aspects of resources which make stocks different from real estate. Stocks are tangible assets, ownership in a company not in physical form. Market perception, investor sentiment, and company performance are largely responsible for their major part of value. For some, the lack of an obvious investment aspect makes stocks feel less secure, because investing in them can involve a lot of risks, especially if the investment houses wreak havoc on the market and corporate events change the value of the stocks. Stock value is inherently a very abstract number and depends on market trends, financial metrics and performance reports to which investors have no control in. While real estate is a tangible asset, it is something physical tangible with physical ownership, which acts as additional security, for example, for a more conservative investor based on his risk appetite. The utility of owning property is direct, in the form of a physical investment at least somewhat protected from rapid changes in the market. Real estate is tangible and although there are measures to protect the owner's interest, real estate's tangible nature also enables a more level of control from the investor: whether improving the asset or earning income from rent. This physical presence lends itself well to a sense of stability (real estate usually has intrinsic value and a lasting use, something an investor finds appealing as a counterweight to the volatility of tangible assets like stocks.

➢ *Risk Factors*

Both stocks and real estate are risk factors, but they appear differently and call for different ways of managing these factors. In the stock market there is many-type of risk for which market risk is one of the risks that deal with the possibility of broad markets fluctuates due to economic or political condition. At the same time, the risk of liquidity (the ease with which a stock can be sold) is generally low for stocks but does increase in market downturns. Company specific risks, such as poor management decision, the competitive effect and even bankruptcy, can directly influence stock prices and investor returns. Stocks are a very volatile investment, which is especially true for short term investments, where rapid price movements can lead to big won or lost.

Real estate tends to be considered more stable, however, in a way that it also comes with a lot of risks. Environmental events can cause such properties to suffer physical damage with costly repairs, or may suffer vacancy periods reducing rental income. Property value is affected by local market conditions, interest rates and economic health, and, consequently, resale value is also subject to fluctuations. Beyond legal and regulatory risks, real estate also has a wide range of legal risks, because of changing laws regarding property and zoning restrictions. Mortgages have finance risks, and maintenance costs continue to add to a financial commitment, often when interest rates are rising. Unlike the real estate, the latter is often perceived as a more enduring, risk-free investment; however, such positive perception entails appropriate and meticulous handling of these diversified risks to secure real estate's value and returns.

IV. EVALUATION METRICS

A. Case Studies

➢ *Case Study: DLF Ltd.*

- *Overview*

India's largest real estate developer is DLF Ltd., engaged into land acquisition, planning and property sales in various sectors of the realty. In 2018, its 2018 "DLF 2.0" model was focused on sustainable rentals and repeat cash flow, away from one-time sales. Real estate is a very different type of investment than other investments: first, this case study shows, real estate contrasts with the well-known characteristics of stocks, including diversification, returns, inflation resistance and risk management.[19]

➢ *Finding and Evaluation Criteria.*

- *Diversification Potential*

Large scale real estate in DLF limits diversification and remains sensitive to regional risks. On the other hand, stocks are able to diversify broader across sector and geography.[19]

- *Return Profiles*

Rents and property appreciation pay for property offered by DLF which generates higher returns than stocks on consistent but less liquid basis. [19]

- *Inflation Hedge*

For the most part, real estate plays the role of an inflation hedge in the sense that property values and rents go up. Because we can adjust DLF's rental income with inflation, we get stability. [19]

- *Risk Factors*

Real estate is less liquid and more sensitive to local conditions than stocks, which are subject to market volatility, and are different from each other in the unique risks which they face, including physical and economic, because they are due. [19]

$$ROI = \left(\frac{Net\ Profit}{Total\ Investment\ Return}\right) x\ 100$$

(Return on Investment)

➢ *Case Study: Amazon and Walmart*

- *Assessment of Mispricing*

✓ Finding: Amazon's stock is very overpriced.
✓ Basis: Their stock prices are based on their revenues rather than their net income.
✓ Implication: Investing in Amazon will mean that returns will likely come only from price appreciation and the deal's lack of a fundamental financial return. [19]

- *Walmart's Competitive Position*

✓ Finding: In digital age, Walmart needs to revamp its competitive strategy.
✓ Recommendation: Maintain market share across product categories and improve the income-to-revenue ration in them.
✓ Strategy: Instead of blindly following Amazon's online model, Walmart might find better fundamentals by innovating things based on its own strengths. [19]

- *Investment Structuring*

✓ Strategy: Run a 130/30 investment strategy.
✓ Long Position: To take 130% position in Walmart stock.
✓ Short Position: Walmart strategic competitors' synthetic stocks to sell short 30%.
✓ Objective: The use of this approach will take advantage of what we expect Walmart's outperformance over its peers on a relative basis while mitigating risk. [19]

$$PDI = \frac{Total\ Unique\ Asset\ Types}{Total\ Investment\ Portfolio\ Assets}$$

(Portfolio Diversification Index)

➢ *Case Study: Comparison of Stocks and Real Estate: Key Insights and Metrics*

- *Diversification Potential*

✓ Case Study Insight: The big upside of stocks is that they are incredibly diversified, both across sectors as well as geographies, so it reduces your exposure to just a single market. This limitation in real estate diversification is due to high capital requirements.[20]

- *Return Dynamics*

✓ Case Study Insight: Dividends and compounding raise the stock average of 10% per year. Property value as well as rental income are part of the stable returns from real estate that average a 4% appreciation rate.[20]

- *Inflation Hedging*

✓ Case Study Insight: Real estate is good for inflation through rising property values and rental income; stocks hedge inflation through the price adjustment for all commodity sectors including energy.[20]

- *Macroeconomic Sensitivity*

✓ Case Study Insight: Real estate values are dependent on local demand and employment rates and stocks are very sensitive to GDP's and interest rates.[20]

- *Risk Management*

✓ Case Study Insight: They are a source of liquidity but are volatile and need sector diversification. Stable real estate does carry risks, however — such as vacant buildings and maintenance costs.[20]

From the case study, this summary summarizes the attributes of both asset classes and the metrics, and this serves as a good enough base to evaluate stocks and real estate for portfolio management.

B. Important Formulas to Consider [21]

$$CAGR = \left(\frac{EndingValue}{BeginningValue}\right)^{\frac{1}{n}} - 1$$

$$NPV = \sum \frac{R_t}{(1+i)^t}$$

$$EGR = \left(\frac{Current\ EPS - Previous\ EPS}{Previous\ EPS}\right) X\ 100$$

$$Sharpe\ Ratio = \left(\frac{Average\ Return - Risk\ Free\ Rate}{Standard\ Deviation\ of\ Return}\right)$$

➢ *Flow Chart*

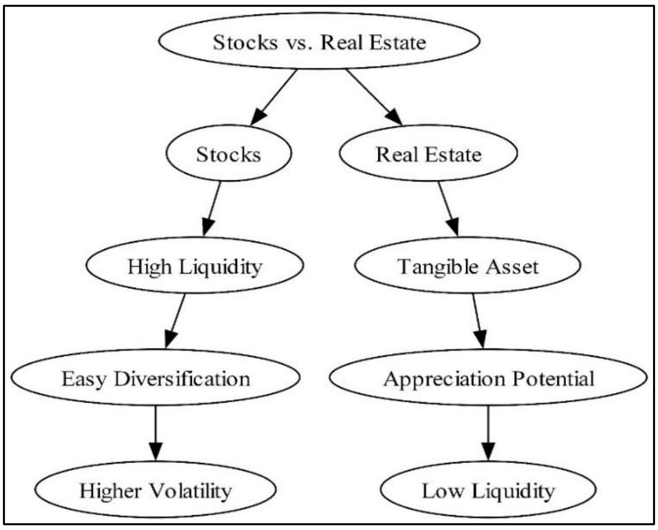

Fig 1 Stocks vs Real Estate

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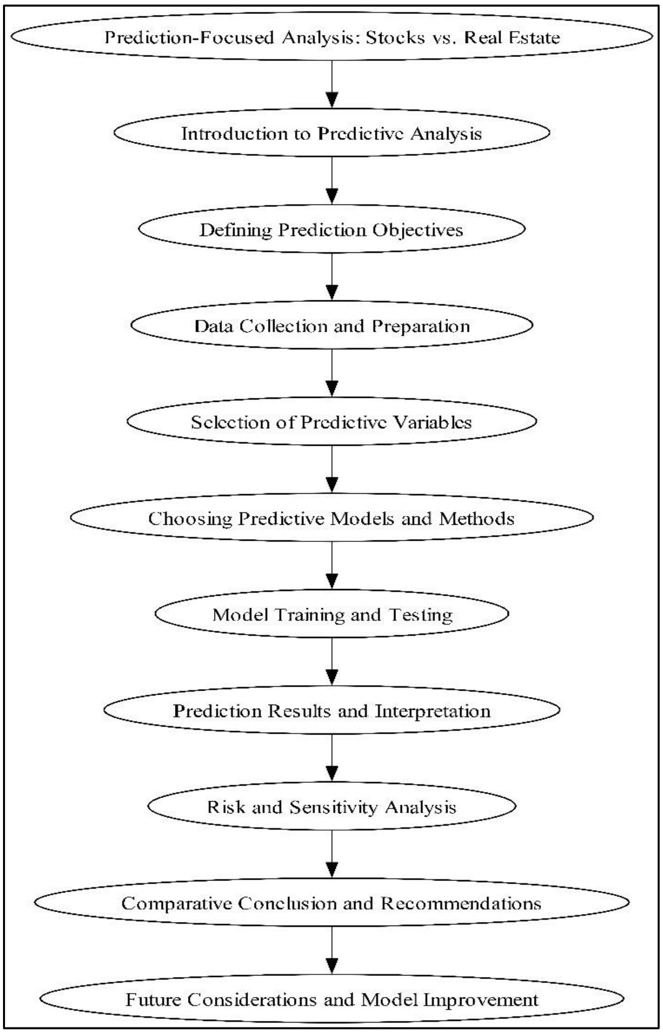

Fig 2 Predictive Analysis for Comparing Stocks and Real Estate

➢ *Diagrams*

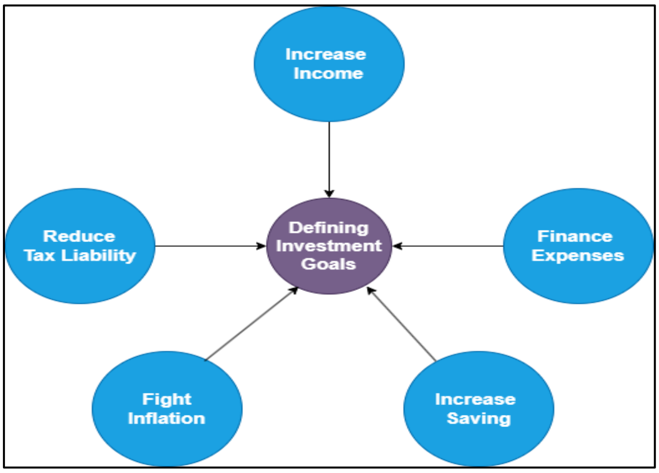

Fig 3 Defining Investment Goals

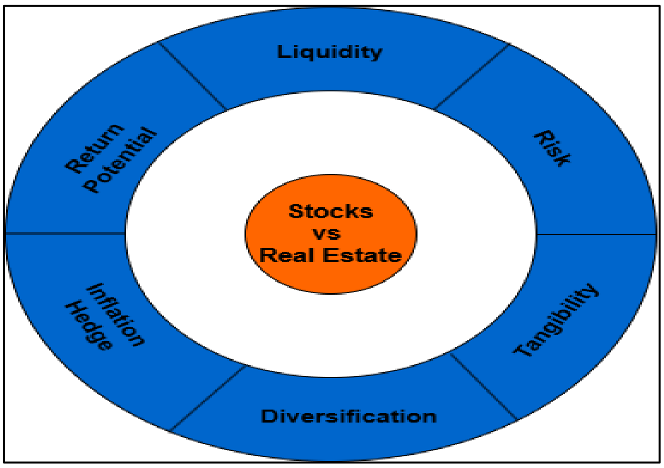

Fig 4 Stoks vs Real Estate

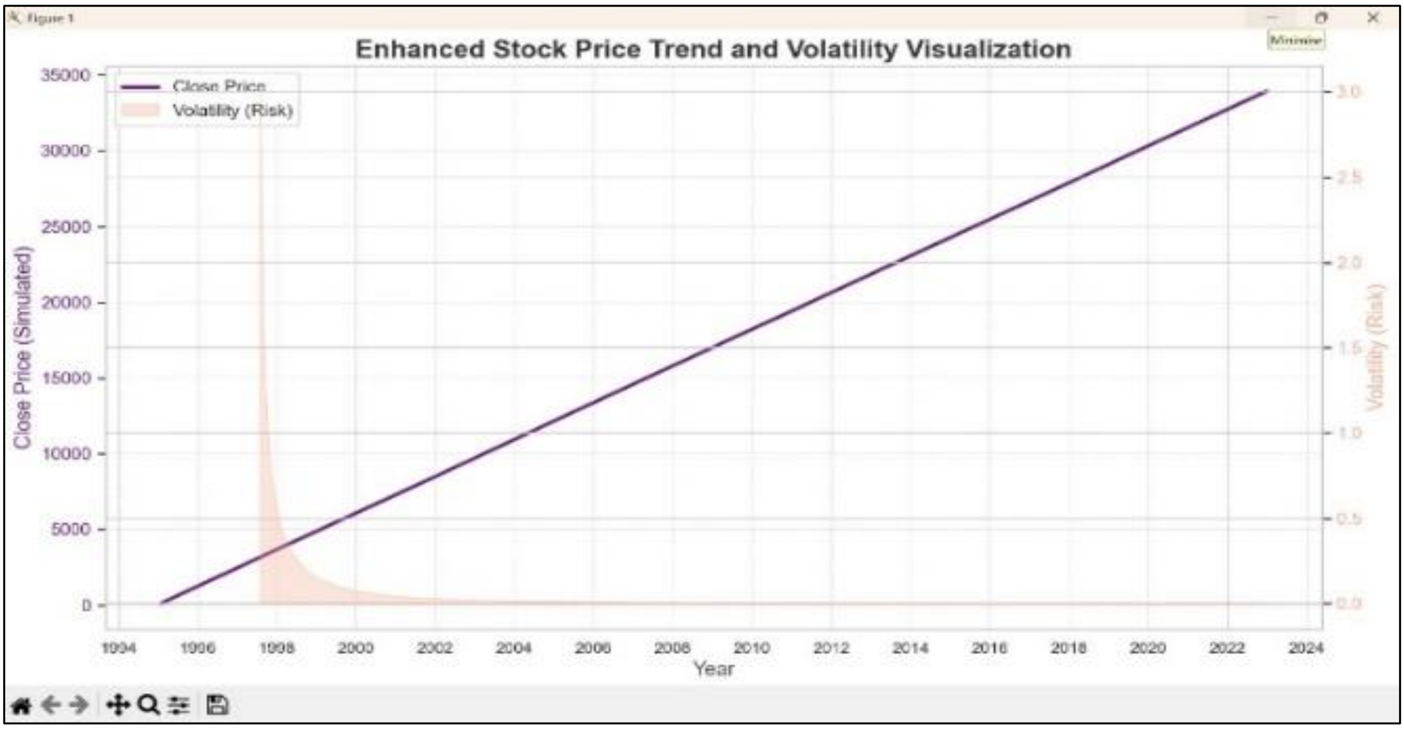

Fig 5 Parameters for the Comparison

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V. RESULT AND OUTPUT

The findings of this project showed the importance of the constructed methodological outlook and procedural model, and the relevant data referenced consistently throughout the project. Using several evaluation metrics and statistical methods, it was possible to create four useful visualizations. The first map is an advanced model of research in real estate analysis that reveals information about the market and property prices. The second is more related to a particular period, showing fluctuations in, for example, stock market shares. The third kind of heuristic comparison visualizes some usability metrics of both sectors to allow obtaining a clearer idea of user experiences as concerning one or another platform. Last of all, the fourth application of visualization deploys the implicit linear regression for the unlimited extrapolation of results into the future, accompanied by F and Z tests in combination with a substantially large data array of 10 MB. Taken together, these findings not only improve our knowledge about real estate and stock market behaviours but also offer the empirical knowledge base for decision making in these fields.

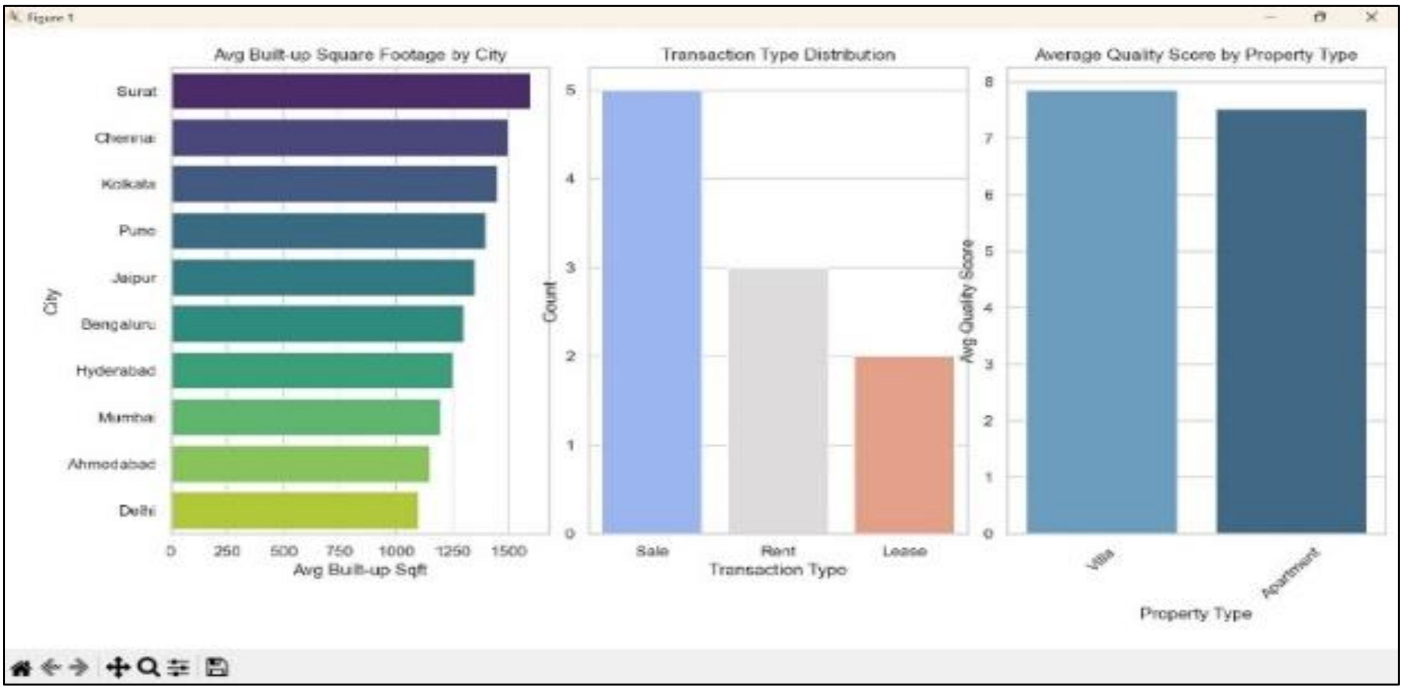

Fig 6 Depiction of Real Estate's Market and its' Value Over the Different Fields of Real Estate
(Source: IBEF and NSDL)

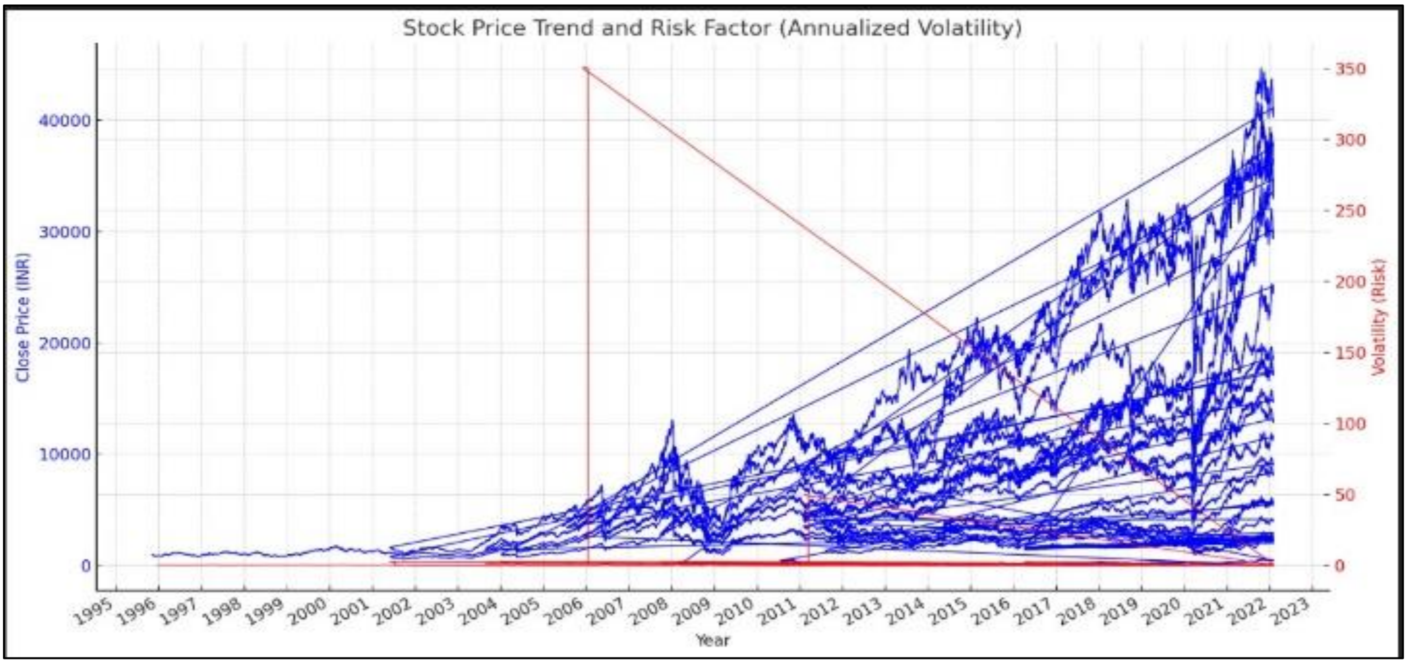

Fig 7 Stock Market Trends Over the Years and its' Volatility Rate
(Source: NSDL and NSE)

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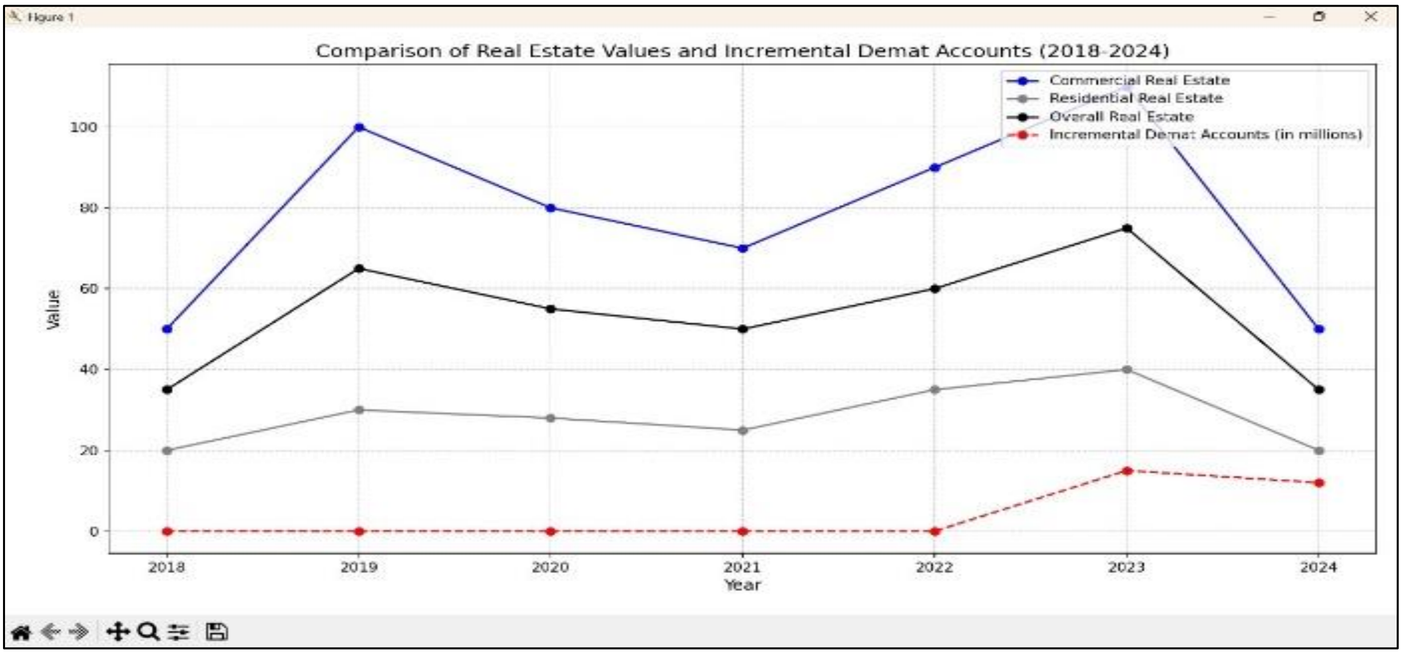

Fig 8 Year-wise Comparison of Usability of Users in the Sector of Real Estate and Stock Market
(Source: IBEF, NSDL and NSE)

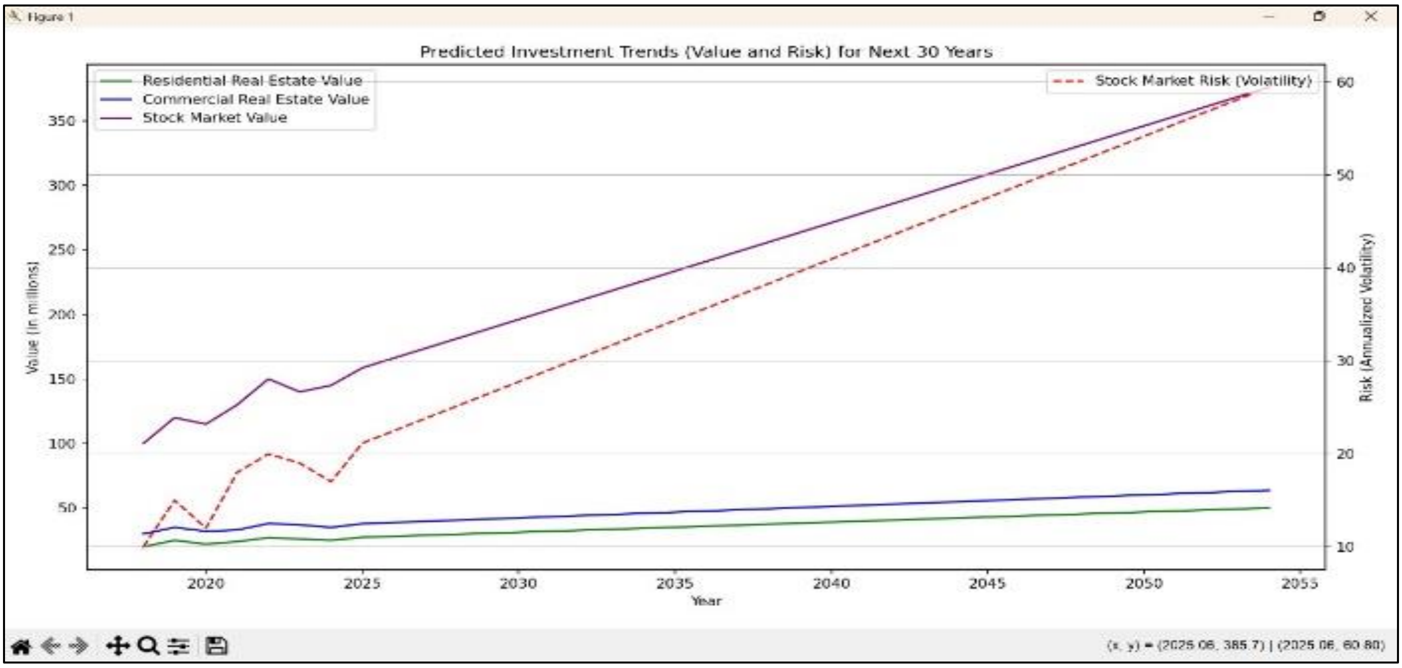

Fig 9 The Prediction Based on Data-Analysis Over the 30 Years for Stock Market and
Real Estate for Better Risk and Return Analysis
(Source: IBEF, NSDL and NSE)

VI. CONCLUSION

When it comes to assessing how large a wealth creation potential investing in stocks and real estate presents, each asset class has its own strength and weakness, that fit different types of investors depending on their financial goals, risk tolerance and time horizon.

The flipside to that, however, is that stock market investments provide a very high level of liquidity — investors have the ability to quickly convert the assets into cash. Because the flexibility and diversification of being able to trade shares in real time and see comprehensive market data, stocks are perfect for the beginner. Not only that, but stocks can even pay out regular income via dividends, allowing you the potential for long term compounding that can lead to serious wealth building. Nevertheless, the stock market is a highly volatile one, its prices are dictated by economic cycles, and investor sentiment present themselves as the primary factors. The volatility of returns within less guardedly conservative strategies can bring heavy risk, especially in the

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short term, and is uncomfortable for more conservative investors.

Whereas, real estate investments have stability of a tangible investment. Rent and appreciation are two proven ways to create a steady income, plus they may appreciate in value dramatically over time – particularly if you're located in a good area. Real estate, like a hedge against inflation, provides real estate values and rental income rise along with rising living costs. Real estate investments also come with along with tax benefits to boost net returns. But a lot hinges on how liquid property is — real estate properties are illiquid — meaning they take a while to sell and depend on market conditions. Diversification comes with high capital requirement for it, associated continuing costs of maintenance and a high susceptibility to the state of the economy, which are also key drawbacks. Strategic property investment to mitigate risks is doubly dependent on geographic and local market dependencies.

This research demonstrates with visual trend analysis and data assessments that both asset classes can serve in a well rounded investment portfolio. Stocks, with their flexibility and the ease with which they permit diversification, are attractive to investors who prefer to be able to flex and diversify as often as they choose. Real estate, however, offers lasting value and that sense of security that is increasingly in demand by those looking to build long term financial stability. In the end, real wealth creation is best achieved through a carefully designed investment strategy that blends the two (stocks and real estate) but which is tuned to specific financial objectives and tolerance to market movements and economic changes.

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