

Real Estate Returns: A Comparison with Other Investments

Roger G. Ibbotson, Laurence B. Siegel

First published: September 1984

<https://doi.org/10.1111/1540-6229.00320>

Citations: 217

Abstract

Real estate returns, measured unleveraged, have been between those of stocks and bonds over 1960–1982. Due to appraisal smoothing and imperfect marketability, one must be careful about directly comparing measured real estate returns with those on other assets. It is likely, however, that low correlations with stocks and bonds make real estate a diversification opportunity for traditional portfolio managers. In addition, the issue of how various assets are priced is addressed. While stocks are priced primarily on market or beta risk, and bonds are priced primarily on interest rate and default risk, the real estate pricing mechanism includes residual risk and non-risk factors such as taxes, marketability costs and information costs.

REFERENCES

[1] N. F. Chen, R. Roll and S. A. Ross. Economic Forces and the Stock Market: Testing the APT and Alternative Asset Pricing Theories. Seminar on the Analysis of Security Prices, University of Chicago, May 1984.

[Google Scholar](#)

[2] A. Cowles. *Common Stock Indexes, 1871–1937*. Principia Press, 1938.

[Google Scholar](#)

[3] *Engineering News Record*. McGraw-Hill.

[Google Scholar](#)

[4] L. Fisher and J. Lorie. *A Half Century of Returns On Stocks and Bonds*. University of Chicago Press, 1977.

[Google Scholar](#)

[5] I. Friend and M. Blume. Risk and the Long Run Rate of Return on the NYSE Common Stocks. Wharton School of Finance, Rodney L. White Center for Financial Research, Working Paper No. 18–72. 1972.

[Google Scholar](#)

[6] J. Hoag. Towards Indices of Real Estate Value and Return. *Journal of Finance*. May 1980.

[Web of Science®](#) | [Google Scholar](#) |

[7] S. Homer. *A History of Interest Rates*. Rutgers University Press, 1977.

[Google Scholar](#) |

[8] R. G. Ibbotson and G. P. Brinson. *World Wealth: The History and Economics of Capital Markets*. In progress.

[Google Scholar](#) |

[9] R. G. Ibbotson, J. J. Diermeier, L. B. Siegel. The Demand For Capital Market Returns: A New Equilibrium Theory. *Financial Analysts Journal*, January/February 1984.

[Google Scholar](#) |

[10] R. G. Ibbotson and C. L. Fall. The U.S. Market Wealth Portfolio. *Journal of Portfolio Management*, Fall 1979.

[Google Scholar](#) |

[11] R. G. Ibbotson and L. B. Siegel. The World Market Wealth Portfolio. *Journal of Portfolio Management*, Winter 1983.

[Google Scholar](#) |

[12] R. G. Ibbotson and R. A. Sinquefeld. *Stocks, Bonds, Bills, and Inflation: The Past and The Future*. Financial Analysts Research Foundation, 1982. (Updates published as *Stocks, Bonds, Bills and Inflation Yearbook*. R. G. Ibbotson Associates, Inc., Chicago, 1984 (Annual).

[Google Scholar](#) |

[13] Income and Balance Sheet Statistics. In *Economic Indicators of the Farm Sector*. United States Department of Agriculture, 1983 (Annual).

[Google Scholar](#) |

[14] R. W. Jastram. *The Golden Constant*. John Wiley & Sons, 1977.

[Google Scholar](#) |

[15] M. Jefferson. The Record of Inflation. In M. Jefferson, T. Mann, A. White, and W. W. Rostow, *Inflation*. Riverrun Press, 1978.

[Google Scholar](#)

[16] J. Lintner. The Valuation of Risk Assets and The Selection of Risky Investments in Stock Portfolios and Capital Budgets. *Review of Economics and Statistics*. February 1965.

[Web of Science®](#) | [Google Scholar](#)

[17] F. Macaulay. *The Movement of Interest Rates, Bond Yields and Stock Prices in the United States Since 1856*. National Bureau of Economic Research, 1938.

[Google Scholar](#)

[18] C. McEvedy and R. Jones. *Atlas of World Population History*. Penguin, 1978.

[Google Scholar](#)

[19] M. Miles and A. Esty. How Well Do Commingled Real Estate Funds Perform? *Journal of Portfolio Management*, Winter 1982.

[Google Scholar](#)

[20] M. Miles and T. McCue. Historic Returns and Institutional Real Estate Portfolios. *AREUEA Journal*, Summer 1982.

[Google Scholar](#)

[21] J. Musgrave. Fixed Non-residential Business and Residential Capital in the United States, 1925–1979. In *Survey of Current Business*. United States Department of Commerce, February 1981 (updates provided by the author).

[Google Scholar](#)

[22] S. Ross. The Arbitrage Pricing Theory of Capital Asset Pricing. *Journal of Economic Theory*, December 1976.

[Web of Science®](#) | [Google Scholar](#)

[23] S. Roulac and R. Hatheway. Investment Returns to Limited Partners of Public Real Estate Programs. *Real Estate Securities Journal*, Summer 1982.

[Google Scholar](#)

[24] M. Scholes and J. Williams. Estimating Betas from Nonsynchronous Data. *Journal of Financial Economics*, December 1977.

[Web of Science®](#) | [Google Scholar](#)

[25] W. Sharpe. Capital Asset Prices: A Theory of Market Equilibrium Under Conditions of Risk. *Journal of Finance*, September 1964.

[Web of Science®](#) | [Google Scholar](#)

[26] B. W. Sprinkel and R. J. Genetski. *Winning With Money*. Dow Jones-Irwin, 1977.

[Google Scholar](#)

[27] *Statistical Abstract of the United States*. United States Department of Commerce, Bureau of the Census, 1983 (Annual).

[Google Scholar](#)

[28] R. H. Zerbst and B. R. Cambon. Real Estate: Historical Returns and Risks. *Journal of Portfolio Management*, Spring 1984.

[Web of Science®](#) | [Google Scholar](#)

Citing Literature



[Download PDF](#)

ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

[Developing World Access](#)

HELP & SUPPORT

[Contact Us](#)

[Training and Support](#)

[DMCA & Reporting Piracy](#)

OPPORTUNITIES

[Subscription Agents](#)

[Advertisers & Corporate Partners](#)

CONNECT WITH WILEY

The Wiley Network
Wiley Press Room

Copyright © 1999-2024 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY