

# Real Estate vs REIT Comparator

Compare the financial outcomes of investing \$100,000 in direct property ownership versus REIT shares over 10 years.



## Direct Property Ownership

### Property Purchase Price:

300000

### Down Payment (Your \$100K):

100000

### Monthly Rent Income:

2000

### Annual Expenses (taxes, insurance, maintenance):

6000

### Annual Appreciation Rate (%):

3

### Mortgage Rate (%):

7

**\$153,502**

10-Year Total Return

### ✓ Pros:

- Leverage amplifies returns
- Tax deductions (mortgage interest, depreciation)
- Control over property decisions
- Tangible asset you can use



## REIT Investment

### Initial Investment:

100000

### Expected Annual Total Return (%):

8

### Dividend Yield (%):

4

### Annual Expense Ratio (%):

0.1

### Reinvest Dividends?

Yes - DRIP ▾

**\$213,902**

10-Year Total Value

### ✓ Pros:

- Highly liquid (sell anytime)
- Low minimum investment
- Instant diversification
- Professional management

### ✗ Cons:

- No leverage (can't use mortgage)
- Dividends taxed as ordinary income
- No control over properties
- More volatile than direct RE

### X Cons:

- Illiquid - hard to sell quickly
- High transaction costs (6%+ to sell)
- Time and effort to manage
- Concentrated risk (one property)

Calculate & Compare

## Trade-Off Analysis

Factor	Direct Property	REIT	Winner
Liquidity	Months to sell	Seconds to sell	REIT
Minimum Investment	\$50K+ down payment	\$1+	REIT
Leverage	4-5x with mortgage	None (without margin)	Direct
Tax Benefits	Depreciation, 1031 exchange	Dividends taxed as income	Direct
Diversification	Single property	Hundreds of properties	REIT
Time Required	10+ hours/month	Minutes/month	REIT

### For which type of investor is direct property ownership better? Why?

Consider time availability, expertise, tax situation, risk tolerance...

### When would you recommend REITs over direct ownership?

Consider liquidity needs, diversification goals, passive income preferences...