

Real Estate Investment and Stock Investors' Characteristics

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Investors allocate their resources across different types of investments to maximize their portfolio returns given their risk tolerance. Housing is one of the major investments for two thirds of U.S. households (Hu, 2005). A previous study has shown that primary residence is the dominant asset in households' investment portfolios (Flavin & Yamashita, 2002). Overinvest in real estates can lead to inefficient portfolio diversification (Brueckner, 1997). Analysis of the 2016 Survey of Consumer Finance (SCF) shows that less than half of households own equities, after considering indirect stocks held in mutual funds, savings accounts, and retirement assets. This study contributes to the literature by identifying factors that are associated with ownership of non-primary residences, non-residential real estate, and business assets. Implications to investors and financial advisors are provided.

References

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