URBAN BEAR CAPITAL

Real Estate Alternative (REA)

About us

Urban Bear Capital is located in Central Florida and is happy to offer its expertise in Investment Consulting. Our tried and tested system is based on over 10 years of cumulative experience shared between our core team. We pride ourselves on setting up our clients for success in investments and are sure that you will leave our white paper more prepared than you have been before.

urbanbearcapital.com

Real Estate Alternative (REA)

One of the most sought-after investments in the world is real estate. Although real estate is a great investment, which we will review in this white paper, Urban Bear Capital's Real Estate Alternative (REA) Strategy will showcase how equity investments are far superior at return generation. Investments deployed in the stock market can generate far better returns in a more efficient manner relative to real estate. This investment thesis will deep dive into the advantages and disadvantages of the real estate market versus the stock market in order to shed light on how to maximize your ROI.

What are the advantages of Real Estate?

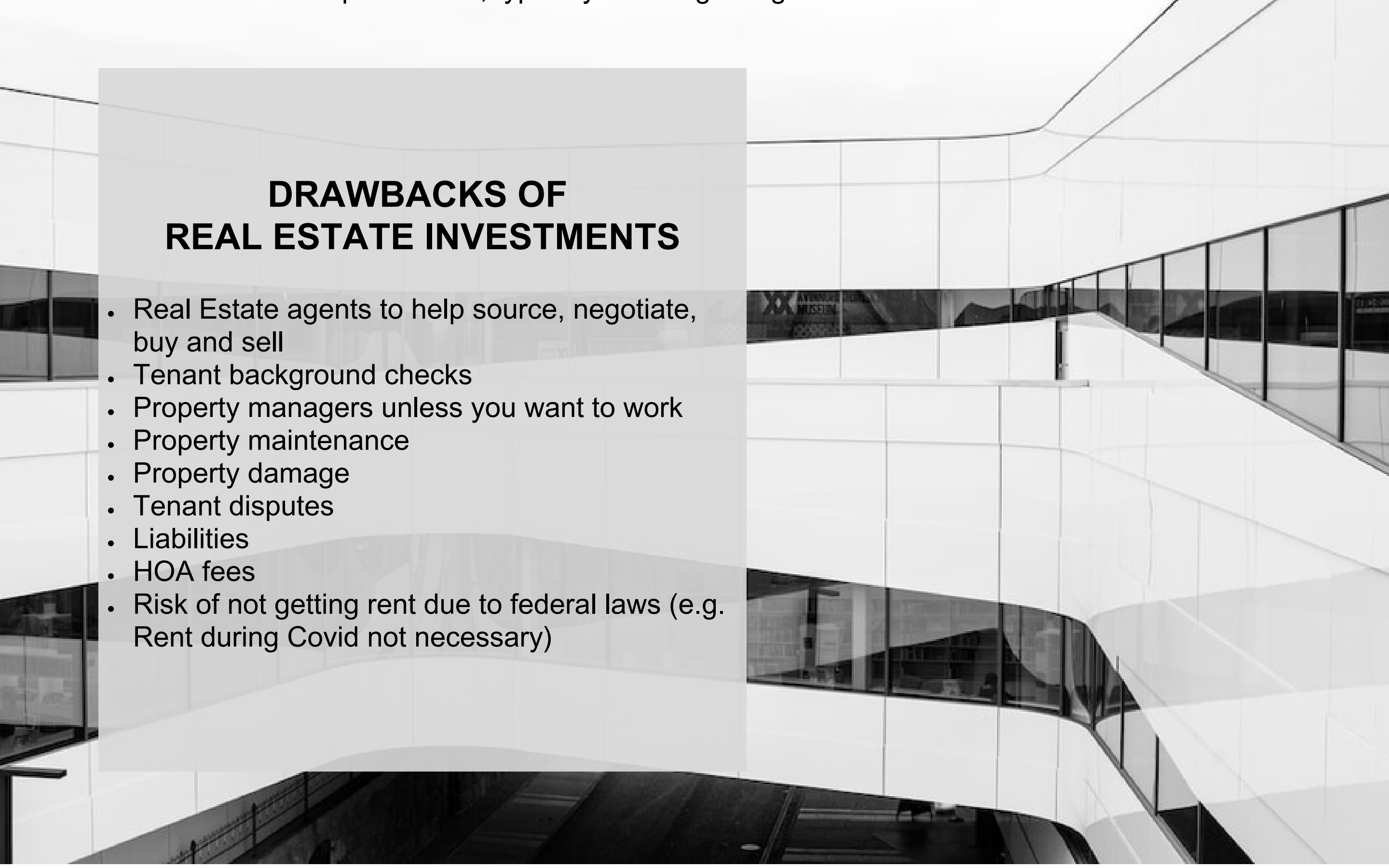
Real estate investments are attractive because they are often perceived as safer than most other investments due to the low volatility in prices, their intrinsic value as tangible assets, and their versatility to investors (buy/rent/sell/occupy). In addition, housing markets in the long term continue to hold value and grow because of how essential home ownership is and less prone to trends/competition. Real estate has derived an average return of 10.3% a year for the last 25 years which furthers the evidence of how stable this asset class is.

What are the drawbacks of Real Estate?

A major drawback to investing in real estate is the high barrier to entry created by the minimum investment required (down payment, closing cost, real estate fees, etc). Mortgages have become increasingly difficult to attain and require many conditions to be met that vary both at a federal, state and lender level.

Cash buyers have to forfeit a large amount of up-front money to purchase a property as well as ongoing management, administration and maintenance costs which erode the returns, taking them well below the 10.3% average. Currently, the median home price in the US is currently just under $430,000, the highest in history, closing the door to potential investors.

In the event that you can source a lower priced home, it will not only produce lower returns, but they can also be in distressed neighborhoods, where collecting rent from tenants can be unpredictable, typically resulting in higher maintenance costs.



DRAWBACKS OF REAL ESTATE INVESTMENTS

- Real Estate agents to help source, negotiate, buy and sell
- Tenant background checks
- Property managers unless you want to work
- Property maintenance
- Property damage
- Tenant disputes
- Liabilities
- HOA fees
- Risk of not getting rent due to federal laws (e.g. Rent during Covid not necessary)

How Does the Stock Market Compare?

The stock market is a green field of opportunity and convenience that any investor, regardless of experience, capital or expertise can participate in. With Urban Bear Capital as your investment consultant, you can better capitalize on the many investment strategies that can generate predictable returns. Among other investment tools, Options provide access to leverage, allowing you to control 100 shares at a time for a fraction of the price it would cost you to purchase 100 shares.

The leverage provided through real estate mortgages is fractional, which come with the limitations detailed above, in comparison to options contracts especially when owned in high volumes.

The stock market is also highly liquid and versatile - positions can be acquired or reduced within seconds. Strong Option strategies also allow you to profit from investments regardless of the shifts up or down in the market, a risk mitigation strategy that cannot be mirrored in Real Estate . If housing prices start falling your real estate will be proportionately affected, rental prices will be affected/evictions will rise and you will struggle to unload your house as demand declines.

According to NCREIF, the S&P 500 has produced a 9.6% annualized return over the last 25 years. It is important to note that the data doesn't take into account investments in individual stocks or other ETFs that have over performed the last decade. The data also doesn't take in account dividends, active trading of positions nor the income generated from selling derivatives. This increases the actual realized rate of return on equity investments significantly.

Real Estate Vs. Stock Market

Real Estate: A $100,000 investment in 2008 would get you a 1500 sqft 3-bedroom townhome in Sanford, FL. As of 2023, the same townhome is worth $300,000. Not accounting for rental income averaging 7% a year, the investment appreciated by 300%.

Stock Market: A $100,000 investment in homebuilder stock DR Horton in 2008 at $10 would have bought you 10,000 shares. As of 2023, DR Horton stock is worth $108. That is a $980,000 or 980% gain, not accounting for dividends or premiums collected for owning the shares at an average return of 10% a year during that time.

In addition, one purchasing real estate most investors are constrained to one asset when purchasing a property, with one paying tenant usually in a local market (for ease of oversight). Urban Bear Capital can invest in over 5000 different assets in the equity markets, with thousands of derivatives to choose from. If the $100,000 was put in a stock, Nvidia as an example, the gain today would be worth over $7 million. This shows that diversifying in the stock market can lead to exponential gains in comparison to owning property.

We hope the advantages of investing in the stock market versus the real estate market have provided a new perspective. Although some will continue to see the stock market as more "risky" than real estate, our expertise as your investment consultant will help manage, monitor and mitigate that risk in a way that creates superior ROI without you taking on any of the stress.

We look forward to showing you how much more efficient the equities markets are!