

# **Native Professional Forum**

## **Real Estate risk and reward has new meaning in 1995**

With 1994 performance reports now in the hands of investors, the stock and bond markets logged in one of their pocket years in history. At a recent seminar here in Anchorage, a bank officer summarized performance in several segments of the "market" as follows:

"For 1994, treasuries were a 3.63% in February '94; 6.77% at year end; the Standard and Poors total returns for the year, 1.32%; Emerging markets were down -11.1%; the Dow Jones Industrial averages increased 5.08%; and year-end interest bearing bank checking accounts paid 1.19%"

The hard lesson learned for many who are directors of ANCSA corporations invested in these markets is that so called "conservative" investments suffer from wild swings in the markets, and even losing equity can result.

Alaska real estate has experienced some large swings in value over the past ten years, but the last five years have proven bright for some investors who chose this investment class while other sought "safety" in the markets. Take purchasers of apartment buildings in Anchorage over the past two years. During 1994, some who purchased their properties during the past five years could expect to yield a minimum of ten to 15% on their cash invested due to good timing, quality properties, and effective management securing their income streams.

Most of these investors saw an opportunity to diversify their portfolios and chose real estate to round out their holdings to protect them from wild swings in other investment categories.

Any long-term investment portfolio should be based upon a well thought out investment policy that will drive diversification and specific percentages of capital in different investment classes. History has shown that both for individuals and corporations, real estate is an important part of a long-term wealth-building strategy. The capital markets' track record during 1994 suggests that this might be the time to evaluate real estate as a part of a long term strategy for some investors.

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