

BEACHES MAKE MONEY (MORE MONEY THAN STOCKS?)

Last week's column: Beaches make me lazy. No one questioned that relationship. This week, I'm saying, beaches make money. Let's see if anyone questions this one.

I'd love to say that beaches make ME money, but I'm not a realtor, and therefore have little chance of making money off of beaches. But realtors can, and do. And they make much more money selling land that's beachfront than they do on selling land that's not (except in New York City, then it's a Central Park or Park Avenue).

I do make a little money from resort developers, some of whom build really nice homes on really nice beaches and sell them for really nice prices. Which is why I produced all the tables and charts showing that beachfront real estate appreciates these last four weeks. I also do make a little money from some stocks, bonds, and royalty agreements. Which is why I had the idea to compare appreciation over the long run between beach homes (my surrogate was the highest priced sale) and a good-old financial instrument index, the Dow Jones Industrial Averages (stocks).

The chart I did on this last week was weak, according to my editor (we remember her as saying I was lazy). So, this week, instead of showing how each asset appreciated each year, I want to show what a million dollars would be worth if you put it in real estate or the DJI, starting in 1985 (a pretty good year for stocks, for Hawaiian real estate and for Bordeaux).

Simply put, a million dollars invested then would be worth \$6,027,114 (for stocks) or \$6,672,931 (for your Hawaiian beachfront. I hasten to add a couple things: the DJI number does include dividends, and the Hawaiian beachfront property index does not subtract taxes, so maybe the 10% advantage in long-term value that the Hawaiian real estate has over stocks isn't exactly perfectly precise (neither is life).

What does this all say? Do beaches make money? Yep. More money than stocks? If you want them to. By that I mean to remind readers the old saying that **liars figure and figures lie**. My figuring here has nothing to do with wanting to lie, but I am interested in showing that the subject of which I have some understanding holds its value pretty well (it does). The figures I use do not lie, but they look at them in light of the fact that values change and at different points in time they are high (and low). At any point over this 15-year span, you could have made a ton of money on beaches, or none at all. But, at least you would've had the beach to enjoy.

Stocks vs Beach Homes in Hawaii

