

A Guide for the Perplexed Alternative Investments



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The abundant availability of cash in international markets in recent years, in addition to the changes in the global economy, the low interest rate environment and the volatility of global capital markets intensify the need to look for advanced solutions that enable a better yield/lower risk on investment portfolios. Exposure to alternative investment channels that augment the conventional investment channels, can achieve this goal by improving the diversification of the investment portfolio. In this paper we map the main channels of alternative investments and review their pros and cons.

The Performance of Residential Real Estate Investments Compared to Financial Alternatives in Israel, 1998-2018



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This study compares the performance of investments in residential real estate versus stocks and bonds in Israel over the period 1998-2018. We trace the accumulated capital under two main investment alternatives: (1) direct investment in a typical three-bedroom (four-room) apartment in various cities in Israel, and (2) financial investment alternatives—Tel Aviv 125, one-year Treasury bills, and a portfolio that combines these two categories. The findings show that, following the sharp increase in house prices and rents in Israel over the period 2007-2017, the investment in residential real estate outperformed all alternatives during the period under examination at any positive loan-to-value rate. Moreover, the greater the loan-to-value of the real estate investment, the greater its advantage over the financial investments. Nevertheless, the performance of the real estate investment was inferior relative to any one of the financial investments over the period 1998-2008. Finally, in examining city-level investment performance over the period 1998-2018, it follows that the real estate investment outperformed both the bond and the combined financial investment in all cities and the stock investment in seven of the ten cities in our sample.