

With Great Control, Come Great Costs — Experts Warn Against Investing In Physical Real Estate

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Owning a house and investing in physical residential real estate can bestow an investor with a sense of control. It also feels closer to you and owing to its tangible nature, you can actually walk into that space, but with this sense of comfort, you also get a significant amount of costs, as per Vishal Dhawan, chief executive officer of Plan Ahead Wealth Advisors.

These costs include stamp duties registration costs, and so on. Because of this the cost of ownership increases. Therefore, "a lot of what you see on the price needs to be inflated to that extent

to get you the true price", stated Vishal.

Additionally, he noted that physical real estate is also harder to liquidate and it might take months and even years to liquidate a residential property.

Germinate Investor Services founder Santosh Joseph reiterated Dhawan's perspective and said that the "emotional benefit" of owning physical real estate should be pitted against the "rational benefit" of buying a real estate company's stock or inor investing in a real estate investment trust.

Dhawan stated that in the case of REIT, an investor gets the advantage of getting access to commercial real estate and growth in the economy without the headache of managing that space because REIT will manage that space for you.

"I think it is quite common to miss out on the cost of the home loan, over a long period of time, the cost can be very significant", added Vishal.

Although, he remarked, "the total cost of ownership is ultimately what's gonna determine what's the rate of return"