

## Liquidity a Curse? Buffett Thinks So

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Non-Traded REITs, BDCs, and direct participation programs do not have a readily available exchange for investors to buy and sell shares on a daily basis making them illiquid investments. This lack of liquidity causes many investors to opt out, but should it?

Could being locked into an investment prevent investors from acting irrationally?

Warren Buffett would say yes.

In a Fortune Magazine exclusive glimpse of his annual letter to Berkshire Hathaway shareholders, Mr. Buffett writes, "Owners of stocks ... too often let the capricious and irrational behavior of their fellow owners cause them to behave irrationally as well."



Direct investments such as non-traded REITs, BDCs and oil and gas partnerships prevent irrational investor behavior. Most of these investments require a five to ten year holding period so even if there are changes in interest rates, property values, or energy prices, investors are in it for the long haul.

Buffett suggests that real estate investors practicing buy and hold with their properties, should consider this approach with their equities and ignore stock market commentators hinting that now is the time to buy or sell.

He concludes, "For these investors, liquidity is transformed from the unqualified benefit it should be to a curse."

[To read the transcript from Fortune, click here.](#)



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