Real Estate Risk, Corporate Investment and Financing Choice

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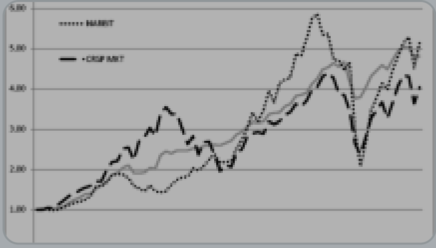
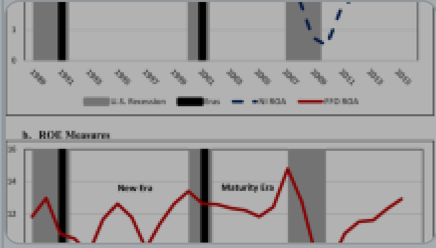
underperformance of hedge funds' real estate strategies, and confirm the theoretical predictions in Deng et al. (2015).





The Cross Section of Expected Real Estate Returns: Insights from Investment-Based Asset Pricing

Notes

1. High adjustment cost associated with real estate assets is documented both in business media press and academic research papers. For example, WSJ (3/26/01) expressed analysts' concerns about Hilton and Starwood in particular because "owning hotels is more risky than managing or franchising them because of the cost of carrying and maintaining property". In term of

4. The FTSE NAREIT Composite REITs index is a market capitalization-weighted index of all tax-qualified publicly-traded REITs, including equity REITs (EREITs), hybrid REITs (HREITs), and mortgage REITs (MREITs). Observations of the index returns are available at the National Association of Real Estate Investment Trusts (NAREIT), www.nareit.com.

5. We infer equity issuance by observing the change of the shares (scaled by multiple stock price and divided by book value of total assets at the end of the year). As firms may repurchase or issue shares for option compensation, we require the change of equity to be larger than 1% to be quantified as equity issuance equal 1, otherwise 0.

6. This paper report regression results where the specification does not include

returns. Working paper.

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