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A multivariate analysis of REIT performance by financial and real asset portfolio characteristics

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Abstract

This paper examines the risk-adjusted performance of real estate investment trusts (REITs) from 1986 through 1990 in relation to financial and property characteristics of their portfolios. The Sharpe measure of risk-adjusted rate of return was regressed against financial ratios and property investment ratios for a sample of equity and mortgage REITs. The results show that, in general, financial ratios (gross cash flow, leverage, asset size), regional location of properties, and types of real estate investments determine the risk-adjusted performance. More specifically, location of properties in the western United States, ownership of health care properties, and investment in securitized mortgages positively affect

the risk-adjusted return. The individual financial variables were not found to be statistically significant in influencing REIT returns.

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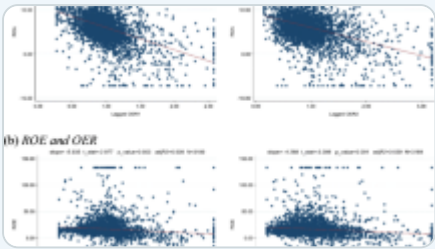
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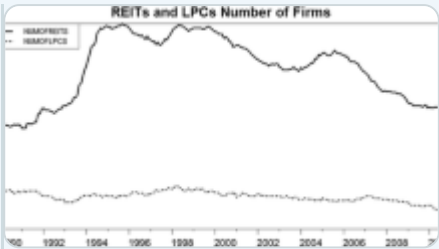
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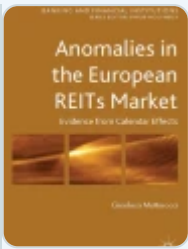
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