Advertisement

Real Estate Economics / Volume 31, Issue 3 / pp. 313-346

Financing Choice and Liability Structure of Real Estate Investment Trusts

David T. Brown, 1 Timothy J. Riddiough 2

First published: 12 August 2003

https://doi.org/10.1111/1540-6229.00068

PDF

Abstract

We conduct an analysis of public financial offerings of equity Real Estate Investment Trusts (REITs), with a focus on liability structure effects and whether or not firms target longer-run debt ratios. Our major findings are that (1) proceeds from equity offers are more likely to fund investment, whereas public debt offer proceeds are typically used to reconfigure the liability structure of the firm; (2) public debt issuers are often capital constrained and target total leverage ratios to retain an investment grade credit rating; and (3) the preoffer liability structure affects the issuance choice decision, in that firms with higher preoffer levels of secured (unsecured) debt tend to issue equity (public debt). Other notable findings are that the market for public REIT debt is integrated with the broader debt markets and that higher credit quality firms issue longer-maturing bonds.

References

Baker, M.P. and J. Wurgler. 2002. *Market Timing and Capital Structure. Journal of Finance* **57**: 1–32.

Web of Science® | Google Scholar

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Brown, D.T. 2001. Maturity, Credit Quality and the Term Structure of Credit Spreads. *Journal of Fixed Income* **11**: 9–27.

Google Scholar

Bulow, J.I. and J.B. Shoven. 1978. The Bankruptcy Decision. *Bell Journal of Economics* **48**: 437–456.

Web of Science® | Google Scholar

Capozza, D.R. and P.J. Seguin. 1999. Focus, Transparency and Value: The REIT Evidence. *Real Estate Economics* **27**: 587–619.

Web of Science® | Google Scholar

Collin-Dufrense, P. and R. Goldstein. 2001. Do Credit Spreads Reflect Stationary Leverage Ratios *Journal of Finance* **56**: 1929–1957.

Web of Science® | Google Scholar

Diamond, D. 1991. Debt Maturity Structure and Liquidity Risk. *Quarterly Journal of Economics* **106**: 709–737.

Web of Science® | Google Scholar

Fama, E. 1986. Term Premiums and Default Premiums in Money Markets. *Journal of Financial Economics* **17**: 175–196.

Web of Science® | Google Scholar

Gau, G.W. and K. Wang. 1990. Capital Structure Decisions in Real Estate Investment. *AREUEA Journal* **18**: 501–521.

Web of Science® | Google Scholar

Guedes, J. and T. Opler. 1996. The Determinants of the Maturity of Corporate Debt Issues. *Journal of Finance*

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Helwege, J. and C.M. Turner. 1999. The Slope of the Credit Curve for Speculative-Grade Issuers. *Journal of Finance* **54**: 1869–1884.

Web of Science® | Google Scholar

Howe, J.S. and J.D. Shilling. 1988. Capital Structure Theory and REIT Security Offerings. *Journal of Finance* **43**: 983–993.

Web of Science® | Google Scholar

Huang, J. and M. Huang. 2000. *How Much of the Corporate-Treasury Yield Spread Is Due to Credit Risk*? Unpublished manuscript. Pennsylvania State University .

Google Scholar

Keim, D. and R. Stambaugh. 1986. Predicting Returns in the Stock and Bond Markets. *Journal of Financial Economics* **17**: 357–390.

Web of Science® | Google Scholar

Leland, H. and K. Toft. 1996. Corporate Debt Value, Bond Covenants, and Optimal Capital Structure. *Journal of Finance* **51**: 987–1019.

Web of Science® | Google Scholar

Longstaff, F.A. and E.S. Schwartz. 1995. A Simple Approach to Valuing Risky Fixed and Floating Rate Debt. *Journal of Finance* **50**: 789–819.

Web of Science® | Google Scholar

Mann, S. and E. Powers. 2001. *Indexing a Bond's Call Price: An Analysis of Make-Whole Call Provisions*. Unpublished manuscript. University of South Carolina .

Google Scholar

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Google Scholar

Myers, S. and N. Majluf. 1984. Corporate Financing and Investment Decisions When Firms Have Information that Investors Do Not Have. *Journal of Financial Economics* **13**: 187–221.

PubMed | Web of Science® | Google Scholar

Shyam-Sunder, L. and S.C. Myers. 1999. Testing Static Tradeoff Against Pecking Order Models of Capital Structure. *Journal of Financial Economics* **51**: 219–244.

Web of Science® | Google Scholar

Stohs, M. and D. Mauer. 1996. The Determinants of Corporate Debt Maturity Structure. *Journal of Business* **69**: 279–312.

Web of Science® | Google Scholar

Stulz, R.M. and H. Johnson. 1985. An Analysis of Secured Debt. *Journal of Financial Economics* **14**: 501–521.

Web of Science® | Google Scholar

Welch, I. 2002. *Columbus' Egg: The Real Determinant of Capital Structure*. Unpublished manuscript. Yale School of Management .

Google Scholar

Citing Literature

Download PDF

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Copyright © 1999-2026 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences
Accept All
Reject Non-Essential