

Risk and the Performance of Real Estate Investment Trusts: A Multiple Index Approach

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Abstract

This paper analyzes the returns of a sample of Real Estate Investment Trusts and examines their risk-adjusted performance using both single index (i.e., CAPM) and multiple index (i.e., APT) models. It is shown that while the performance rankings of the investment trusts are not very sensitive to the risk-adjustment model, the actual performance measures do sometimes differ substantially. Unfortunately, because of the high volatility of these real estate investments, the differences in investment performance across trusts generally are not statistically significant.

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