

An Investigation of the Change in Real Estate Investment Trust Betas

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Abstract

The betas on equity real estate investment trusts (REITs) have undergone a structural shift in the past 20 years. We show that this is the result of the lower variability of REIT returns and argue that the decrease in the standard deviation of REIT returns can be attributed to the increasing levels of information about REITs. We find that the number of analysts following the REITs industry, as measured by IBES, can significantly explain the drop in the standard deviation for most REITs. This was also found to be the case for another proxy for the level of information—the trading volume of the REIT index.

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