

# Dividend Policies and Dividend Announcement Effects for Real Estate Investment Trusts

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## Abstract

Previous research on real estate investment trusts (REITs) assumes that their dividend policies are determined solely by tax regulations. We observe, however, that REITs often pay out more dividends than are required by tax rules. This paper examines the dividend policies of REITs by drawing inferences from agency-cost theory and tests for the determinants of REIT dividend payout ratios. The study also considers whether the stock market responds differently to the dividend announcement effects of equity and mortgage REITs based on asymmetric information. Our results support agency-cost explanations for dividend policy and suggest a differential announcement effect.

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