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# How resilient are REITs to a pandemic? The COVID-19 effect

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## Abstract

### Purpose

Real estate investment trusts (REITs) are historically considered as attractive assets to investors particularly as the underlying assets are properties which are income-producing. REITs also distribute substantial amount of profits as dividends to shareholders. Stephen and Simon (2005) find that REITs in a mixed asset portfolio of stocks and bonds enhance returns and reduce risk. This paper examines the role a pandemic (COVID-19) plays in the performance of global REITs index and REIT sectors.

### Design/methodology/approach

To examine the effects of COVID-19 on REITs, the year-to-date (YTD) returns of global returns index and REITs sectors in the United States are observed and a comparative analysis is employed from January 2020 to May 2020.

### Findings

Based on a three-month return ending 22 May 2020, FTSE EPRA NAREIT index is the biggest loser at  $-31.83\%$  whilst the FTSE EPRA Asia-Pacific index has the lowest loss at  $-23.20\%$ . The author examines YTD returns which show disparities on the effect of COVID-19 on REIT sectors. The US market is examined; most REIT sectors suffered big losses as at April 2020; the analysis reveals YTD returns for the top three REIT sector losers are lodging/resort REITs ( $-45.81\%$ ), retail REITs ( $-41.16\%$ ) and office REITs ( $-22.63\%$ ). Data centre REITs are the only sector REITs with positive returns at  $17.66\%$ .

### Practical implications

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REITs such as data REITs, grocery-anchored REITs and storage REITs. These REITs are not as adversely affected by COVID-19 in comparison to other REITs.

## Originality/value

This paper identified the impact of COVID-19 on the performance of global REITs and US sector REITs during the periods from January 2020 to May 2020.



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## Keywords

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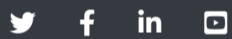
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