

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

Omokolade Akinsomi

+ Author & Article Information

Journal of Property Investment & Finance (2021) 39 (1): 19–24.

<https://doi.org/10.1108/JPIF-06-2020-0065> Article history 🕒

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

Most sector REITs during the pandemic have lost considerable value based on YTD returns as at May 2020. Flight to quality is expected during this uncertain period to 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.

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.

Keywords: [COVID-19](#), [Pandemic](#), [Global REITs](#), [Indices](#), [Index returns](#), [Crisis](#)

© Emerald Publishing Limited

Licensed re-use rights only

You do not currently have access to this content.

Sign in

Don't already have an account? [Register](#)

Client Account

Email address / Username

Password

[Reset password](#)

[Register](#)



Access through your institution

Purchased this content as a guest? Enter your email address to
restore access

Pay-Per-View Access €35.00

 Buy This Article

Rental

This article is also available for rental through DeepDyve.

