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**The impact of dividend policy on institutional holdings:
hotel REITS and non-REIT hotel corporations**

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THE IMPACT OF DIVIDEND POLICY ON INSTITUTIONAL HOLDINGS: HOTEL REITS AND NON-REIT HOTEL CORPORATIONS

**Seonghee Oak
And
Michael C. Dalbor**

ABSTRACT

Previous research (Canina, Advani, Greenman, & Palimeri, 2001) shows that dividend initiations and dividend increases result in higher stock returns. Although institutions need to hold stocks that pay high dividends paying because of the prudent-man rule, recent research (Grinstein & Michaely, 2005) contradicts this practice. Since hotel REITs and non-REIT hotel corporations belong to the same industry but have different dividend policies, it is worth examining the impact of dividend policy on institutional holdings. We find institutions tend to prefer REITs. We also find institutions prefer large firms that make capital expenditures, regardless of REIT status.