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MARKET EFFICIENCY IN HOTEL REAL ESTATE MARKET

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ABSTRACT

The purpose of the study is to test for the existence of market efficiency in the hotel real estate market by looking at how rapidly prices in hotel real estate markets are diffused in geographically closed markets. This study also measures the profitability associated with using trading rules based on recent price changes in nearby hotel real estate markets. Since only a few cities show a significant relationship between other cities' lagged hotel real estate returns in the same geographical area, the empirical results of this study provide evidence in favor of general hotel real estate market efficiency. However, we did find several possibilities of arbitrage profits due to non-synchronous price adjustments in two of the hotel real estate markets examined.