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**HOTEL REAL ESTATE INVESTMENT TRUSTS (REITs):
AN INVESTIGATION OF MARKET PERFORMANCE,
RISK FEATURES, AND RISK DETERMINANTS**

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ABSTRACT

This empirical study investigates the long-term (1993–1999) performance of hotel REITs and compares it with five other REITs groups: office/industrial, residential, health care, retail, and diversified REITs. In addition, the study is designed to investigate the risk features of hotel REIT stocks as well as their determinants of systematic risk.

Jenson's abnormal performance index is adapted to investigate the performance of six property sectors of REITs relative to that of the market portfolio. A t-test is used to evaluate whether the difference in performance between the REIT sectors and the market portfolio is statistically significant. In addition, one-way ANOVA is employed to test the equality of the group means of risk-adjusted returns. To analyze the risk features of hotel REIT stocks, the overall risk of hotel REIT stocks, as measured by variance of monthly rate of return over 1993–1999, is decomposed into systematic risk and unsystematic risk. The cross-firm multiple regression statistical technique is employed for examining the effects of liquidity, financial leverage, profitability, operating efficiency, dividend payout, firm size, and growth on systematic risk for the hotel REITs industry.