

Deakin Research Online

This is the published version:

Ratcliffe, Chris and Dimovski, Bill 2011, A REIT bidder returns : an evaluation of public and private targets and method of payment, in *Book of Abstracts : 18th ERES Conference 2011 Eindhoven*, European Real Estate Society, Eindhoven, The Netherlands, pp. 188-188.

Available from Deakin Research Online:

<http://hdl.handle.net/10536/DRO/DU:30036808>

Reproduced with the kind permissions of the copyright owner.

Copyright : 2011, The Authors

A REIT BIDDER RETURNS AN EVALUATION OF PUBLIC AND PRIVATE TARGETS AND METHOD OF PAYMENT

Chris Ratcliffe, *Deakin University*, Bill Dimovski, *Deakin University*

Session: F1

We examine the wealth effects of fifty-six Australian Real Estate Investment Trusts (A-REITs) acquirers around the announcement date of a merger and acquisition over the period of 1996 to 2010. Utilising event study methodology we find that bidding A-REITs earn positive and significant cumulative excess returns (CARs) of +0.966% around the three-day announcement period [-1,+1]. Analysis also indicates bidding firms earn higher CARs when the acquisition is financed by scrip and/or a combination of scrip and cash. Consistent with prior REIT research, event study results show that A-REIT acquirers earn higher excess returns when the target is private as compared to a public target, +2.834% and +0.457% respectively. Further investigation, employing regression analysis, shows book-to-market ratio has a negative impact on bidding firms CARs, suggesting low (high) book-to-market ratio firms are overvalued (undervalued). We also find that specialisation by property type has a positive and significant influence on bidder excess returns. Finally, our results show support for the method of payment findings in the event study, with method of payment returning a negative and significant impact on bidder CARs.

Keywords: real estate investment trusts reits, areits, mergers, acquisitions, abnormal returns, cumulative

Email first author: cratclif@deakin.edu.au