



## CERF Fellow Report

Please note this information will be published on the CERF website.

### 1. Personal Details

<b>Name and Faculty:</b>	Dr Eva Steiner, Department of Land Economy
<b>Date:</b>	7 July 2014
<b>CERF Fellowship Period:</b>	2014-2016

### 2. Research Update

<b>Research Title and Abstract</b> Please tell us your CERF Funded Research Title and Abstract <b>(250 words max)</b>	Debt plays a crucial role in real estate investment given the suitability of real assets as collateral. However, the drivers of capital structure choices in real estate investment trusts (REITs) remain unclear. At the same time, the fall out from the recent global financial crisis shows the economic cost of sub optimal REIT capital structure. In the first step of my proposed research programme, I will evaluate the efficiency of REIT capital structure choices throughout the market cycle, discussing implications for risk and capital management strategies.
<b>Key Research findings to date:</b> (250 words max)	To date, we have evaluated the implications of corporate capital structure choices for firm quality in a sample of international real estate investment firms. We find that the strongest firms in our full sample have a number of



	<p>capital structure characteristics in common: low leverage, long debt maturity, high shares of fixed-rate debt, low shares of secured debt, suggesting that they are able to access capital markets against the backdrop of the quality of the firm without having to rely on collateral to mitigate lender concerns, and low cash holdings. Overall, our findings suggest that a defensive, prudent capital structure with low leverage and one that is aimed at managing refinancing risk through mitigating underinvestment problems by matching debt and asset maturity as well as managing interest rate risk through utilising fixed-rate instruments is able to make a significant contribution to firm value.</p> <p>While the nature of the relationships between capital structure characteristics and firm value is broadly consistent across the sample countries, the extent to which firm value responds to leverage in particular varies significantly, with the strongest marginal negative effect observed in Germany. This example illustrates that institutional differences across countries may significantly influence the relationships between capital structure characteristics and firm value.</p> <p>Managers may adjust capital structure decisions to the prevailing institutional environment to enhance the benefits for firm value. Investors may be able to take these institutional differences into account when evaluating the capital structure of target firms for investment purposes.</p>
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### **3. Weblinks to your work**

We would like to provide CERF Managers with weblinks to the research output of CERF Funded Projects and the following information:



- links to your research outputs
- publications generated during the CERF fellowship
- seminars, conference presentations, press releases and other academic activities

The preliminary findings to date will be published as a European Public Real Estate Association (EPRA) research report. Publication date to be announced. Weblinks will be made available as soon as possible.

#### **4. Additional information**

Is there any other information you would like to share with us about your work to date?

n/a

***Please return completed form to The Administrator, [admin@cerf.cam.ac.uk](mailto:admin@cerf.cam.ac.uk)***