

# ANOMALIES IN REIT RETURNS: EVIDENCE FOR AND AGAINST THE Q-THEORY

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## ABSTRACT

Among well-known asset pricing anomalies in U.S. common stocks, only investment and momentum premiums stand significant in the REIT industry. Consistent with the q-theory, the investment effect turns significant. However, we find that investment premium is not governed by investment frictions as predicted by Li and Zhang (2010). Moreover, we find that the profitability effect is insignificant in REITs, disturbing q-theory's explanation that profitability is one of the two pillars that the theory relies on. However, we provide evidence that profitability, in fact, controls the momentum phenomenon.

**Keywords:** Asset Pricing, Q-Theory of Investment, REITs, Cross Section of Expected Returns