

RESEARCH STATEMENT

Recent events in financial markets have raised important questions in the areas of real estate, investment, and corporate finance. My research interests lie at the crossroads of these three specialties, including how information is embedded into market prices in the context of information asymmetries, uncertainty, and agency problems. For example, my dissertation investigates capital market reactions to both earnings conference call information content and earnings announcements in the face of uncertainty. The first essay incorporates a diverse sample of typical equities, while the second essay focuses on real estate investment trusts (REITs). The REIT industry provides a good intra-industry setting in which to test the information uncertainty theory for the post-earnings-announcement drift anomaly since REIT firms are relatively homogeneous, the industry is well defined, and industry structural changes in the early 1990s led to a documented change in REIT information uncertainty¹.

Another related project uses computer based content analysis to quantify the linguistic tone, in a manner similar to Tetlock (2007)², of real estate investment trust earnings conference calls. Results show that, after controlling for unexpected earnings, the tone of conference call dialogue has significant explanatory power for contemporaneous abnormal returns. Interestingly, a positive tone nearly offsets the damaging effects of a negative earnings surprise.

Other work under way examines the information content of IPO prospectuses and potential informational asymmetries in the marketing of financial securities. We look at the sentiment/tone of the prospectus as it relates to firm characteristics, contemporaneous market conditions, third party participants, and the sophistication of the target investors. We find that prospectus tone affects initial price changes as measured by a combination of offer price adjustment and first day returns. We also show that companies try to put their best foot forward and make a conscientious effort to paint a rosy picture in the wording of the prospectus, with added promotional emphasis placed on that portion of the prospectus that is expected to be read the most. Firm

¹ Ling, D.C. and M. Ryngaert. 1997. Valuation uncertainty, institutional involvement, and the underpricing of IPOs: The case of REITs. *Journal of Financial Economics* 43: 433-456.

Chui, A.C.W., S. Titman, and K.C.J. Wei. 2003. Intra-industry momentum: the case of REITs. *Journal of Financial Markets* 6: 363-387.

² Tetlock, P.C. 2007. Giving content to Investor Sentiment: The Role of Media in the Stock Market. *Journal of Finance* 62: 1139-1168.

characteristics, underwriters, and market conditions are all significantly related to the prospectus tone. For example, small firms are more expressive than large firms. Of course, the importance/impact of the effort to use the prospectus as a marketing tool depends on the availability of other means of promotion.

Although only in the initial phases, we are in the process of extending this work beyond linguistic tone to differentiate between firms' use of language that characterizes risk versus uncertainty in IPO prospectus risk factor disclosures. We aim to investigate whether the market prices risk and uncertainty differently and will determine the extent to which the differentiation can explain both initial underpricing and long-term underperformance.

I plan to pursue further research questions that deal with information content, uncertainty, market efficiency, and corporate governance. In particular, I plan to focus these inquiries on the intersection of real estate, investment, and corporate finance. My interests also include a variety of other real estate finance, investment, and development issues.