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**Dynamic Relationships among Real Estate Investment Trusts, the  
Stock Market, and the Interest Rates: the Case of Hong Kong**

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## Abstract

*Abstract of thesis titled “Dynamic Relationships among Real Estate Investment Trusts, the Stock Market, and the Interest Rates: the Case of Hong Kong”, submitted by Tian Anqi (M-B15602-1) for the degree of Master of Social Sciences at the University of Macau in June 2013.*

This study investigates the dynamic relationship among Hong Kong real estate investments trusts (REITs), the Hong Kong stock index, and China’s interest rates. The first three Hong Kong REITs (HKREITs) to be listed on the stock exchange --- the Link REIT, the Prosperity REIT, and the Yuexiu REIT --- are used to represent HKREITs with different investment strategies. The Shanghai interbank offered rate (SHIBOR) and repo rate<sup>1</sup> (REPO) are used to represent China’s interest rates. The sample data contains weekly data for the period of November 25, 2005, to December 31, 2012.

Results indicate that two structural break points exist for all data series that coincide with the same events from the world financial crisis. Vector auto-regression analysis suggests that there is a long-term co-integrating relationship and a short-term Granger causal relationship between each of the three individual REITs and the Hong Kong stock index. Lastly, China’s interest rates have a different short-term causal impact on HKREITs depending on each REIT’s market capitalization scale ore business type.

**Keywords:** Real Estate Investment Trust, Stock Index, Interest Rate, Structural Breaks, Vector Auto-Regression Model

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<sup>1</sup> Repo rate is a short term interest rate in the money market, which is given by the central bank.

## Declaration

I declare that this thesis represents my own work, except where due acknowledgement is made, and that it has not been previously included in a thesis, dissertation or report submitted to this University or to any other institution for a degree, diploma or other qualification.

Signed \_\_\_\_\_



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## Abbreviations

Abbreviation	Description
LREIT	Link REIT
PREIT	Prosperity REIT
YXREIT	Yuexiu REIT
HSREIT	Hang Seng REIT Index
HSCI	Hang Seng Composite Index
HSCIF	Hang Seng Composite Index (Financial Sector)
HSCIPC	Hang Seng Composite Index (Properites and Construction Sector)

