

Geographic financial performance: Implications for local real estate prices and REIT stock returns*

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Abstract

We posit and find that profitability changes of firms headquartered within a geographic region manifest in that region's real estate prices and related stock prices implications. Indeed, regional profitability indices constructed from real-time quarterly financial reports provide timely information about future wages and real estate returns, especially in tight local real estate markets. However, this profitability-housing link is not fully processed in REIT prices exposed to regional real estate values. Overall, this paper shows that firms' profitability performance analyzed at the geographic level has substantial economic implications for the asset pricing of real estate and stocks.

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