

# **OUTSIDE DIRECTOR COMPENSATION IN THE REIT INDUSTRY**

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## **Abstract**

The real estate investment trust (REIT) companies' environment is interesting for testing direct compensation issues, because of their unique regulated characteristics. The agency theory posits that boards of directors should monitor managers' activities for the firms' stockholders. However, at the turn of century firm failures and the market crash in 2008 have led to increased stockholder activism and the passing of Sarbanes–Oxley in 2002 and Dodd-Frank in 2010. These generally applied regulations have increased the pressure on boards to be more effective agents for stockholders. Director compensation is an important issue and our paper will empirically investigate these issues on the REIT industry around the 2008 market crash.

## **Introduction**

The real estate investment trust (REIT) companies' unique financial conditions lead to less flexibility in compensation package ranges for CEOs and directors, because managers have less free cash management abilities (Bauer et al., 2010). Even though REITs have outperformed on the S&P 500 for 16 of the past 24 years because of stable income from dividend payouts, from investors' points of view, their future is uncertain since there is speculation of an interest rate increase by the Federal Reserve Board (Wall Street Journal, January 15, 2014). However, empirical research results do not support this proposition. For example, Noguera (2012) finds no benefits for REITs performance even after the Sarbanes-Oxley Act (2002) and a better board structure.

Compensation is believed to be one of the mechanisms of aligning the interests of the board and CEO with those of the shareholders under the agency context. Equity compensation is supposed to better align long-term goals of shareholders' interests (Sinclair, 2004). However, Bhagat and Tookes (2010) find empirically that stock return-based measures such as market-adjusted returns can be noisy because stock returns will anticipate any potential effects of stock ownership on performance. Therefore, we investigate cash, equity, and a combination of both compensations separately in our study. Our data of director compensation was collected from DirectEdgar® (2012). Other data of firm characteristic are from Research Insight (2012).

We found that total compensation and cash compensation given to directors is more aligned with an increase in average sales and cash flows from operations for the REIT industry. However, equity director compensation increased in 2007 but decreased during our test period as found in previous studies. The market value of the REIT industry decreased significantly in 2008. This issue was more general concern with the current government as our capital market crashed in 2008, while overall director compensation kept increasing.

## **Previous Studies**

External directors' functions include monitoring, advising, and resource acquisitions (Hahn and Lasfer, 2011). In addition, recent regulations such as Sarbanes-Oxley require more responsibility for CEOs and the board of directors. As Hahn and Lasfer summarized, empirical findings change over different time periods.

Several previous studies have examined director compensation in the REIT industry. Noguera (2012) empirically studied the board structure and director compensation in the REIT industry and found that REITs with small boards, a majority of outside directors, and those not led by their CEOs do not perform better than their control firms. In a similar context, Ghosh and Sirmans (2005) also showed that the structures of REIT boards of directors are not independent of the CEO, and these boards are ineffective in monitoring and corporate governance. However, Feng et al., (2007) empirically showed that REITs that pay higher equity-based compensation to their boards of directors report better financial performance. Directors are more like agents of shareholders if they don't own stock and their best interests are more like managers, not shareholders. To mitigate this problem of misalignment of interests of directors, shareholders turn to equity-based compensation. However, equity compensation can be noisy measures as discussed in Bhagat and Tookes' (2010) study. Deutsch and Valente (2013) also found that equity compensation focused firms are less socially responsible over time. Therefore, this is an

empirical research question we need to test using real world data in the REIT industry. We assume firm performance is related to director compensation as previous studies assumed.

Boyd (1996) developed a model associating director compensation with firm performance. He found four variables: equity ownership by directors, firm size, firm profitability, and resource richness of the board that are significantly related to director compensation. However, Boyd emphasized that director compensation varied considerably over industries and firms. Therefore, our study focuses only on the REIT industry. In addition, we divide compensation into three categories as discussed previously: cash-based, equity-based, and total compensation.

REITs have to pay 95% of net taxable income to maintain tax-exempt status, REIT managers can only invest on real estate assets, and no single shareholder can own more than 10 percent of REIT shares (Ghosh and Sirmans, 2005). This unique REIT industry regulatory environment provides independent directors that monitor more critically in order to protect shareholders' interests.

Next, we discuss relevant factors related to director compensation of the REIT industry.

### *Director Equity Ownership*

Bryan et al. (2005) found empirically that directors with higher stock ownership do not necessarily compensate themselves more. Boyd (1994) found that directors with higher stock ownership received lower management compensation. This result suggests that a better alignment between director and shareholder interests exists if directors own firm shares. However, Persons (2012) recently argues that stock ownership by directors may help align interests of directors and stockholders, or it may weaken the monitoring effectiveness of managers as long as their interests are tied to increasing stock prices. From previous discussions, we propose our hypothesis as follows:

#### **Hypothesis 1: Compensation of REIT directors is related to their stock ownership.**

**Firm Size:** Larger firms may have higher political costs to maintain a good reputation. These larger firms are expected to be more socially responsible by the media and the public, and they end up paying higher compensation costs for managers as well as directors. Fong et al. (2010) showed CEO compensation and firm size relationship is positive. Gregg et al. (1993) previously showed that firm size was the major factor in setting director compensation. However, Brick et al. (2002) showed mixed results. They found that firm size when measured by the log of the number of employees was positively related to total director compensation. However, they found that firm size when measured by the log of sales was negatively related to total director compensation. Therefore, our second hypothesis is proposed as follows:

#### **Hypothesis 2: Compensation of REIT directors is related to firm size.**

**Firm Performance:** We assume that CEO and director compensation are related to firm performance. However, empirical research results testing the relationship between firm performance and director compensation is mixed. Magnan et al. (2010) showed a mixed or non-relationship between firm performance and director compensation in a recent literature review. Brick et al. (2002) found that the one-year average lagged ROA was positively related to director cash compensation, but the one-year lagged ROA was negatively related to the fraction of noncash compensation. By contrast, three-year stock returns were positively related to the fraction of noncash compensation. However, Subrahmanyam et al. (1997) found negative

abnormal returns relative to the portion of outside director compensation in bidding banks. Our third hypothesis is proposed as:

**Hypothesis 3: Compensation of REIT directors is related to firm performance.**

**Resource Richness:** Resource dependency theory posits that firms are subject to numerous external forces (Boyd, 1996). These include: shareholders, regulators, suppliers, employees, and competitors (Pfeiffer, 1987; Pfeiffer & Salancik, 1978). Resource dependency theory suggests that successful firms are those that minimize the adverse influence of those external factors. It views the board of directors as providing expertise, information, and access, as well as minimizing the impact of external factors. Shiah-Hou and Cheng (2012) found that outside director experience and director compensation are positively related. Markarian and Parbonetti (2007) also showed board complexity is related to the specific expertise that each board member brings to the firm. Noguera (2012) also finds that REITs with small boards do not perform better than their larger counterparts. If the number of board members is measured by their expertise in individual resource richness, our fourth hypothesis is proposed as an alternative form:

**Hypothesis 4: Compensation of REIT directors is positively related to resource richness.**

**The Investment Opportunity Set:** The Investment opportunity set of the firm may influence directors' equity compensation. Fich and Shivdasani (2005) find director equity compensation and the firm's investment plans are positively related. Boumosleh (2012) also found empirically that director stock options align the risk preference of managers and directors. Equity compensation, therefore, is assumed to align director interests more closely with those of managers and other shareholders. If directors increase their shareholdings over time, their interests are more like those of shareholders. Yermack (2004) showed that his empirical results hold for the directors' compensation cases. Cordeiro, et al. (2007) showed that firms with greater investment opportunities have a positive relationship with director compensation. However, Booth and Deli (1996) found a negative relationship between a firm's investment opportunity set and the number of outside directors. Chen et al. (2010) examined the investment opportunity set and earnings management in Taiwan. They found that firms with greater investment opportunity sets are more likely to engage in earnings management. Therefore, our fifth hypothesis is proposed as follows:

**Hypothesis 5: Equity-based compensation of REIT directors is positively related to the firm's opportunity set.**

**Number of Meetings:** Recently, due to increased criticism from the general public about CEO and director compensation, firms tended to move away from per-meeting fees to retainer structures. Additional retainer pay is appropriate for directors serving on committees that impose substantial extra demands (Goldstein, 2011). This pay results in some differences according to the work and time commitment for each director. Median total pay for outside directors rose 5% to \$220,000 in 2011, compared with a 6% increase in 2010 (Maxwell, 2012). The fee for each meeting is not trivial and directors may perform more monitoring activities and commitments if they meet more frequently. Therefore, our sixth hypothesis is proposed as follows:

**Hypothesis 6: Compensation of REITs directors is positively related to the number of meetings.**

## Methodology

Compensation data for the REIT industry was collected from the DirectEdgar® for 2006 – 2009. Our study used external directors' compensation since internal directors generally do not get paid for their service as shown in previous studies (Boyd, 1996).

Director compensation is composed of cash, stocks, or a combination of both. Therefore, we analyze them separately and jointly.

**Stock Ownership:** Stock ownership of external board members is measured as the percentage of stock owned by all external directors as reported in previous studies (Persons, 2012).

**Firm Size:** We use the log of sales to obtain a more normal distribution of our size measure. We also use the log of total assets (Yermack, 2004) as a measure of firm size. Additionally, because there may be a significant difference between the book value of assets and their market value for many REIT firms, we use market capitalization as an additional measure of firm size.

**Profitability:** Return on Assets and Return on Equity are two traditional measures of profitability. As McClain (2012) pointed out these accounting measures are less noisy. Return on Assets is measured as Net Income divided by Total Assets and Return on Equity is measured as Net Income divided by Total Equity.

**Resource Richness:** We use the number of external directors as a measure of resource richness. Boyd (1996) and Markarian and Parbonetti (2007) found that firm performance was linked to having fewer board members, but more environmentally connected directors. Recently, Persons (2012) also used the size of board members. Presumably, external directors are brought onto the board for their knowledge and connections.

**Investment Opportunity:** Yermack (2004) used two measures of investment opportunities: Tobin's Q (measured as the market value of equity plus the book value of debt divided by total assets) and research and development expenditures scaled by total assets. We use Tobin's Q for our study since REITs do not engage in traditional research and development.

### Control Variables

**Leverage:** More highly leveraged firms should use less equity compensation to lessen the impact of the agency cost of debt. We use the ratio of the book value of total debt to the book value of total assets as our measure of leverage.

**Cash scarcity:** Financial contracting theory predicts a shift to equity compensation in the presence of cash scarcity. The balance sheet amount for cash does not necessarily measure the scarcity of cash. It may have just been borrowed, or may be committed to a particular end. A more telling measure of the scarcity of cash is the payment of dividends. We follow Yermack (2004) and use a dummy variable as the indicator of the payment (1) or nonpayment (0) of dividends and hence cash scarcity.

### Model:

$$DC = PSOD + FP + FS + BOD + TQ + LV + CS + TF,$$
where,

DC is Director Compensation in log form. Here we use the logarithm of the director cash and equity compensation and the combination of both compensations as our dependent variables similar to Brick et al. (2002). PSOD is the percentage of stock owned by external directors. FP is Firm Performance. We use net income divided by total assets and net income divided by total equity as our variables. FS is Firm Size, as log of sales, log of total assets, and total market value. BOD is Resource Richness, measured as the mean number of external directors as defined in Boyd (1996). TQ is the investment opportunity set. LV is leverage; we measured leverage as total debt divided by total assets, and used it as a control variable. CS is Cash Scarcity, a control variable. We use dividends paid or not as a measure of cash scarcity; using a dummy variable with (0) being the absence of dividends and (1) as the payment of dividends.

## Results

Table 1 presents the descriptive statistics for the REIT firms from 2006-2009. The mean log of sales is 8.40 and the mean log of total assets is 9.29 for the U.S. REIT industry. These numbers are similar to those of U.S. electric utilities and also oil and gas firms. Net income to total assets is 0.9% and net income to total equity is -3.4%. During our test period, the U.S. REIT industry had negative income to total equity. In addition, these numbers are lower than those of other industries. This means that profitability of the REIT industry is lower than those of other industries. Leverage ratio is 58.43%. The U.S. REIT industry has a strong leverage ratio for our test period. Tobin's Q is 1.124. Dividend payout ratio is 91.19%, which means most firms pay their dividends as this was required by regulation. The average number of board of director members is 7.96 and they meet 8.1 times a year. Mean value of cash, equity, and total compensation for our sample firms are 5.52, 4.51, and 5.84, respectively. This is comparable to the director compensation in the oil and gas or electric utility industry, but a little bit lower than those of other industries for the same period. In each year, the results of our models of director compensation of REIT firms are not very consistent. Therefore, we report descriptive statistics and regression results for each year for further analysis.

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Insert Table 1 here

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Table 2 shows regression results for all years combined. Interestingly, the cash-based compensation model shows highest adjusted R-squared values for all four years. Persons (2012) finds that cash compensation is better during hard times. Our test period includes the 2008 stock market crash and recession. This explains why the cash-based compensation model is the best for our empirical results. The equity-based model is worse in this model. Similar results were observed in the U.S. electric industry. Log of total assets is significant for all three models. Therefore, we support H2. Net income to total equity is significant only on the cash-based model. Thus, we partially support H3. Stock owned by directors is significant only in the equity-based model. Again, we find partial support for H1. The number of directors are significant for all three models, supporting H4. The number of board meetings is significant for the cash-based model and total combined model, but not in the equity-based model. We find partial support for H6. Tobin's Q is negatively significant for only the total combined model. Dividend payout is negatively significant only in cash-based models as a control variable.

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Insert Table 2 here

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Table 3 presents a correlation matrix. Total assets are highly correlated with sales and market value. As expected, market value and total assets are also highly correlated. Other variables are not highly correlated and our results are not biased.

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Insert Table 3 here

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Table 4 shows each year's regression results. For 2006, our model is the most stable since the total combined model has the highest 49.8% adjusted R-squared value. The number of board of director variables is significant for all three models and they support H4. Log of total assets is significant for the cash-based model, but marginally significant for the total combined model. For 2007, our models are similar to those of the overall years' models. The number of board of directors members are significant and support H4. The number of board meetings is significant in the cash-based model, but marginally significant for the total combined model. Therefore, H6 is partially supported. PSOD is significant for equity-based and total combined models and partially supports H1. For 2008, the overall model is similar to those of the overall years' models and as this is the year of the market crash directors may have wanted cash payment for the REIT industry as found in Persons' (2012) study. The cash-based model is significant and the adjusted R-squared value is highest at 46.7%. Net income to Total assets is significant for the cash-based model and the meeting of the board is also significant in the cash-based model. Log of total assets is significant only for the total combined model. The number of board members is significant across all the models and support H4. PSOD is significant for the equity-based model and partially supports H1. For 2009, the results for the overall models are similar to previous years. For 2009, the adjusted R-squared value for the cash-based compensation model is 41.8% and the total combined compensation model's adjusted R-squared value is 38.3% and both are significant. Log of total assets is marginally significant for the total combined model and market value is significant for the equity-based model and total combined model. Therefore, we partially support H2. The number of board members is significant across all models and supports H4. Dividend payout is negatively significant as a control variable.

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Insert Table 4 here

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Figure 1 presents director compensation trends during our test period. Even though market values decrease in 2008, cash compensation keeps increasing. Equity-based compensation increases in 2007, but decreases for the following years. Total combined compensation follows the same trend because of the decrease in equity-based compensation. However, FFO is flat for our test period. FFO is defined here as Net income, excluding gains (or losses) from sales of property, plus depreciation and amortization (on real estate assets), after adjustments for unconsolidated partnerships and joint ventures.

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Insert Figure 1 here

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## Conclusions

In this study, we examine the relationship between director compensation and firm characteristics. We use only the REIT industry so that we can test our questions in a homogeneous environment. To test H1, we used PSOD. It was positive only with the equity-based compensation model. For our test period, U.S. REIT firm director compensation is partially aligned with shareholder interests.

We used three size variables to test H2. The log of total assets has the expected positive value and is marginally significant in the Total Compensation model. However, the log of sales and total market value variables are not significant. Our results partially support H2. To test H3, we used the profitability variables defined as Net income/Total assets and Net income/Total equity. However, our results are significant only for Net income/Total equity for the cash-based model. Therefore, our results are similar to those of Crystal (1991) who found no relationship between firm performance and director compensation in a U.S. study.

To test H4, we used the number of external directors. We found positive and significant results from the number of external director variables all across our models. Our results support the notion that the number of external directors is positively related to firm performance.

To test H5, we used Tobin's Q, but it is negatively significant only for the total compensation model. To test H6, we include the number of board meetings. However, it is only significant for the equity-based and the combined compensation models. We cannot support H5 and can only marginally support H6 for the U.S. REIT firms. H6 implies that the more meetings boards of directors have, the more their interests are aligned with those of shareholders. For control variables, the leverage variable is not significant. The cash scarcity variable which is measured by whether or not to pay dividends is negative and significant only in a cash-based compensation model.

There are limitations in our study. We may need to expand our test period since our test period includes the 2008 stock market crash. This may be why our results are not stable before and during the market crash for the U.S. REIT industry. We use only one industry and we cannot generalize our findings. We did not include stock market returns or research and development costs in our study.



**Table 1: Descriptive statistics  
All years (2006-2009)**

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
LSA	572	5.3747	9.8024	8.3960	0.6331
LTA	576	6.5884	10.8412	9.2936	0.6379
NI/TA	576	-0.8594	0.6026	0.0089	0.0877
NI/TE	576	-30.7342	15.7148	-0.0341	1.7102
MV	570	0.7290	22802.7700	1967.8505	3129.3485
T's Q	569	0.1160	1.283	1.124	3.490
TD/TA	575	0.0000	1.6097	0.5843	0.2268
DIV	556	0.0000	1.0000	0.9119	0.2837
TCPD	567	0.0000	1476000.0000	329761.5443	210317.9876
TEPD	567	-7443.0000	3197499.0000	320080.6423	388696.5231
TCompD	567	-	4226006.0000	690702.7054	539697.9242
		2393377.000			
PSOD	566	0.0000	81.9120	4.7247	10.3012
BOD	556	3.0000	16.0000	7.9586	2.0856
BM	560	0.0000	32.0000	8.1018	4.2690
Valid N (listwise)	518				

**Variable definitions:**

LSA: Log of Sales

LTA : Log of Total Assets

NI/TA : Net Income/Total Assets

NI/TE: Net Income/Total Equity

MV: Total Market Value of Equity

T's Q (Tobin's Q): The Market Value of Equity  
plus Book Value of Debt/Total Assets

TD/TA: Total Debt/Total Assets

DIV: If Dividend is paid 1; 0 otherwise

PSOD: Percentage Stock Owned by Directors

BOD: Total number of Board of Directors

BM: Number of Board Meetings

TCPD: Total Cash Compensation Paid to  
Directors

TEPD: Total Equity Paid to Directors

TCompPD: Total Compensation Paid to Directors

**Table 2: Regression Results for all years combined**

	Expected Sign	TCPD	TEPD	TComPD
(Constant)		-8.157	-5.703	-8.262
LSA	+/-	.949	.243	1.122
LTA	+/-	3.023	2.024	2.455
NI/TA	+/-	.530	.601	1.095
NI/TE	+/-	2.988	-.210	1.384
MV	+/-	1.503	1.377	2.315
T's Q	+/-	-1.115	.097	-3.531
TD/TA	+/-	1.984	-.994	.342
DIV	+/-	-4.418	1.336	-.437
PSOD	+/-	-.103	2.598	1.882
BOD	+/-	7.647	6.832	9.157
BM	+/-	6.825	1.001	3.316
F-Value		34.760	15.810	30.178
R <sup>2</sup> -Adj		.418	.240	.383



**Table 4: Regression results for each year**

**2006**

**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
LSA	144	5.6484	9.6915	8.3530	0.6342
LTA	144	6.7860	10.7219	9.2794	0.6536
NI/TA	144	-0.0936	0.6026	0.0324	0.0614
NI/TE	144	-2.7586	0.8698	0.0626	0.2676
MV	141	3.1550	22428.8470	2607.2380	3828.0764
T's Q	141	0.1763	4.3328	1.3296	0.4556
TD/TA	144	0.0000	0.9876	0.5743	0.2136
DIV	140	0.0000	1.0000	0.8929	0.3104
TCPD	140	0.0000	1148544.0000	297400.5896	189398.1043
TEPD	140	0.0000	1720137.0000	273815.2396	322714.6089
TCompD	140	0.0000	2125130.0000	621341.2552	467915.1726
PSOD	140	0.0000	81.9120	5.0999	10.9644
BOD	136	4.0000	13.0000	7.9853	1.9550
BM	140	0.0000	20.0000	7.9500	3.9371
Valid N (listwise)	126				

	Expected Sign	TCPD	TEPD	TCompD
(Constant)		-3.403	-2.439	-4.813
LSA	+/-	-1.154	.410	.029
LTA	+/-	2.714	.562	2.146
NI/TA	+/-	.491	-.079	-.322
NI/TE	+/-	.044	.533	.745
MV	+/-	.980	.427	.115
T's Q	+/-	1.378	.723	1.492
TD/TA	+/-	1.357	-.712	-.094
DIV	+/-	-.929	.488	-.242
PSOD	+/-	.152	-.504	-.490
BOD	+/-	3.092	4.416	6.072
BM	+/-	1.871	.868	.750
F-Value		7.515	5.195	12.254
R <sup>2</sup> -Adj		.364	.270	.498

2007

**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
LSA	145	5.3747	9.8024	8.4168	0.6423
LTA	146	6.5884	10.7316	9.3109	0.6589
NI/TA	146	-0.3293	0.1926	0.0123	0.0698
NI/TE	146	-10.8226	3.4247	-0.0569	1.1471
MV	145	1.5430	19372.7330	2094.2031	3162.2377
T's Q	145	0.7318	1.283	1.361	1.897
TD/TA	146	0.0000	1.2419	0.5879	0.2296
DIV	141	0.0000	1.0000	0.9504	0.2180
TCPD	145	0.0000	1185312.0000	317476.8066	194464.8850
TEPD	145	0.0000	3071340.0000	353723.2783	442393.5906
TCompD	145	-	4226006.0000	703967.8812	649304.8333
		2393377.000			
PSOD	144	0.0000	81.7766	4.8808	10.7621
BOD	144	4.0000	16.0000	7.9514	2.1429
BM	144	0.0000	30.0000	8.3472	4.8708
Valid N (listwise)	135				

	Expected Sign	TCPD	TEPD	TCompD
(Constant)		-2.326	-3.578	-3.892
LSA	+/-	.033	.570	.901
LTA	+/-	.814	.882	.663
NI/TA	+/-	.156	.329	.107
NI/TE	+/-	.308	-.416	.510
MV	+/-	1.892	-.624	2.097
T's Q	+/-	-.610	-.122	-3.555
TD/TA	+/-	2.254	-.405	1.157
DIV	+/-	.384	.447	.670
PSOD	+/-	.455	3.468	2.809
BOD	+/-	3.178	3.728	3.486
BM	+/-	4.339	.947	2.044
F-Value		9.536	4.935	6.863
R <sup>2</sup> -Adj		.412	.244	.325

2008

**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
LSA	142	5.8176	9.7494	8.4326	0.6218
LTA	144	6.9886	10.7604	9.3067	0.6137
NI/TA	144	-0.8594	0.1828	-0.0056	0.1199
NI/TE	144	-30.7342	15.7148	-0.1177	3.0870
MV	143	1.0470	13378.4520	1316.1333	2182.2223
T's Q	142	0.1160	2.0909	0.9590	0.2946
TD/TA	143	0.0087	1.5877	0.5972	0.2284
DIV	139	0.0000	1.0000	0.9496	0.2195
TCPD	142	0.0000	1352663.0000	348079.7944	223316.9904
TEPD	142	-7443.0000	2752268.0000	336096.9946	395471.4506
TCompD	142	0.0000	3123338.0000	728646.2531	518102.9008
PSOD	142	0.0250	80.3089	4.9395	10.4753
BOD	141	3.0000	14.0000	7.9716	2.1312
BM	141	0.0000	32.0000	8.4539	4.6637
Valid N (listwise)	131				

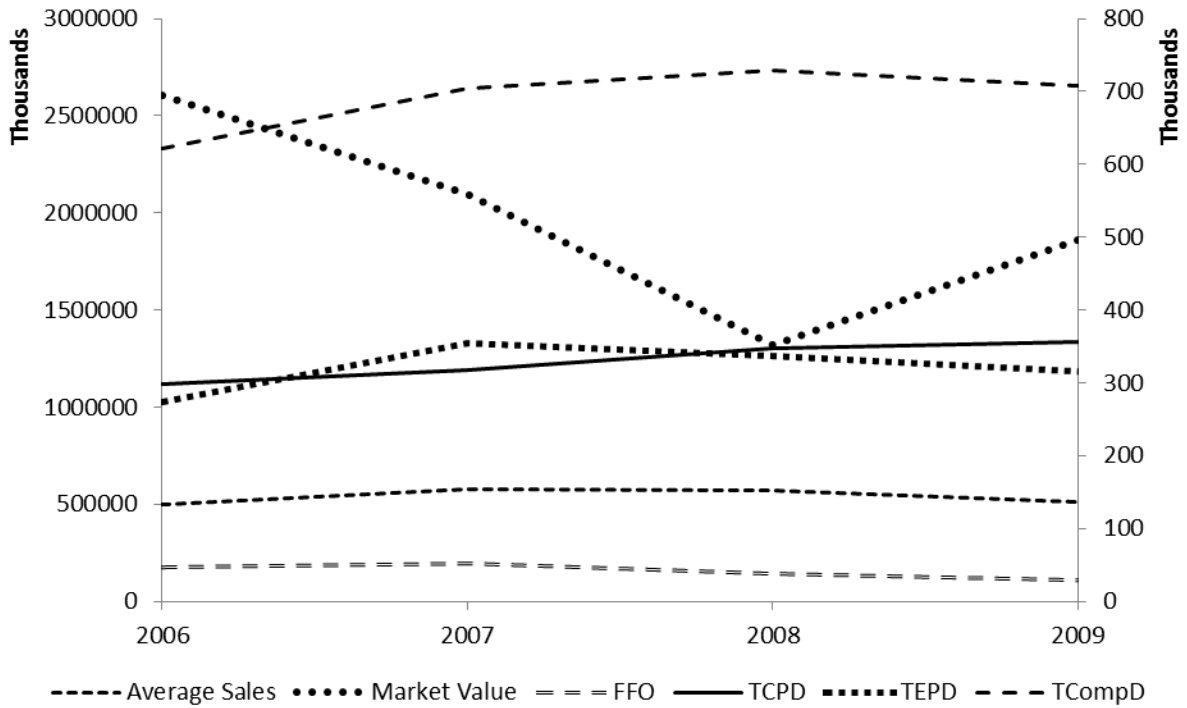
	Expected Sign	TCPD	TEPD	TCompD
(Constant)		-3.971	-3.608	-5.364
LSA	+/-	1.359	-.580	.036
LTA	+/-	.808	2.073	2.415
NI/TA	+/-	1.419	-.231	.543
NI/TE	+/-	3.512	-.587	.997
MV	+/-	.331	-.571	-.449
T's Q	+/-	-.599	1.355	.950
TD/TA	+/-	.787	-1.671	-1.034
DIV	+/-	-2.741	-1.164	-2.175
PSOD	+/-	.162	2.285	1.825
BOD	+/-	4.231	3.406	5.053
BM	+/-	3.630	-.158	1.072
F-Value		11.359	4.307	9.866
R <sup>2</sup> -Adj		.467	.219	.429

## Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
LSA	141	5.5899	9.6163	8.3816	0.6374
LTA	142	6.9746	10.8412	9.2767	0.6299
NI/TA	142	-0.3505	0.3716	-0.0037	0.0837
NI/TE	142	-8.8646	3.4075	-0.0242	0.9057
MV	141	0.7290	22802.7700	1859.4872	3026.0776
T's Q	141	0.1207	2.2249	1.0462	0.3206
TD/TA	142	0.0000	1.6097	0.5776	0.2366
DIV	136	0.0000	1.0000	0.8529	0.3555
TCPD	140	0.0000	1476000.0000	356266.0379	228512.1056
TEPD	140	0.0000	3197499.0000	315256.7289	382155.0725
TCompD	140	23400.0000	3689025.0000	707839.6254	501253.3709
PSOD	140	0.0200	58.6957	3.9712	8.9364
BOD	135	3.0000	14.0000	7.9259	2.1253
BM	135	2.0000	21.0000	7.6296	3.3851
Valid N (listwise)	127				

	Expected Sign	TCPD	TEPD	TCompD
(Constant)		-3.410	-1.342	-3.015
LSA	+/-	-.103	-.340	-.909
LTA	+/-	1.840	.741	2.053
NI/TA	+/-	-.500	.249	.045
NI/TE	+/-	-.289	-.452	-.526
MV	+/-	.565	2.990	2.759
T's Q	+/-	.576	.261	.702
TD/TA	+/-	-.251	.191	.033
DIV	+/-	-4.176	.688	-1.094
PSOD	+/-	-.647	-.830	-1.114
BOD	+/-	4.114	2.716	4.699
BM	+/-	1.829	-.026	.612
F-Value		9.175	4.950	9.781
R <sup>2</sup> -Adj		.416	.256	.434

**Figure 1: Director Compensation Trends**



FFO: Net income, excluding gains (or losses) from sales of property, plus depreciation and amortization (on real estate assets), after adjustments for unconsolidated partnerships and joint ventures.



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