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Procedia Computer Science 111 (2017) 329–338

Procedia Computer Science

www.elsevier.com/locate/procedia

8th International Conference on Advances in Information Technology, IAIT2016, 19-22 December 2016, Macau, China

Intelligent REITs in the information age

Shimin Hu *

Department of Computer and Information Science, University of Macau, Taipa, Macau SAR, China

Abstract

This paper examines the emergence of the latest powerful structure of the Intelligent Real Estate Investment Trust (iREIT) model: when real estate investment model is empowered by information technology online platform. iREIT is known as a revolutionary and controversial topic since it was born in terms of breaking the 'glassing ceiling' that real estate investment became no longer exclusively reserved for high net worth individuals. The barrier of entry is significantly reduced to $1000 USD for anybody who would like to diversify his/her investment portfolio. The originality and invaluable contributions of this paper are twofold: (a) a Trend Following (TF) trading strategy is applied to test the possibility and sustainability of 13% annual returns as some iREIT companies stated. Two modifications on TF are tested here, one is to extend TF over multiple markets, the other is to combine the use of forecasting tool that would predict a future trend. TF would give the insights on buying or selling decisions based on the moving trend patterns. (b) Assess the trend profitability from Top5 Asian countries, verify whether the best practices of the diversified real estate investment portfolio for iREIT exists, hence to explore the possibility of auto-investment over iREIT in future.

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Peer-review under responsibility of the organizing committee of the 8th International Conference on Advances in Information Technology

Keywords: REIT, iREIT, Real Estate, Crowdfunding, IT, Trend Following, Communication Technologies.

1. Introduction

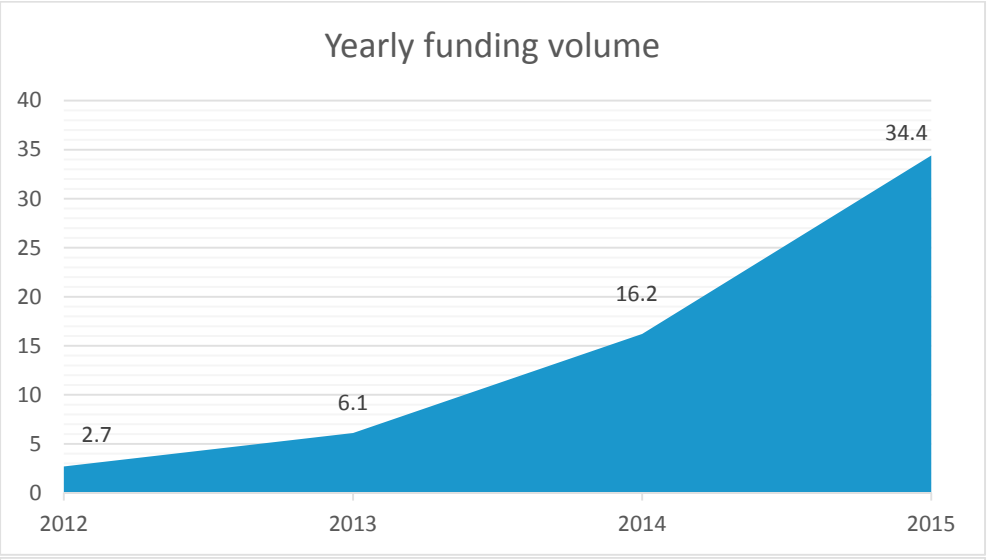
There are many researches and analysis that have been done on the topic about Real Estate Investment Trust (REIT) mainly in business management, finance and economics perspectives. Relatively few academic researchers

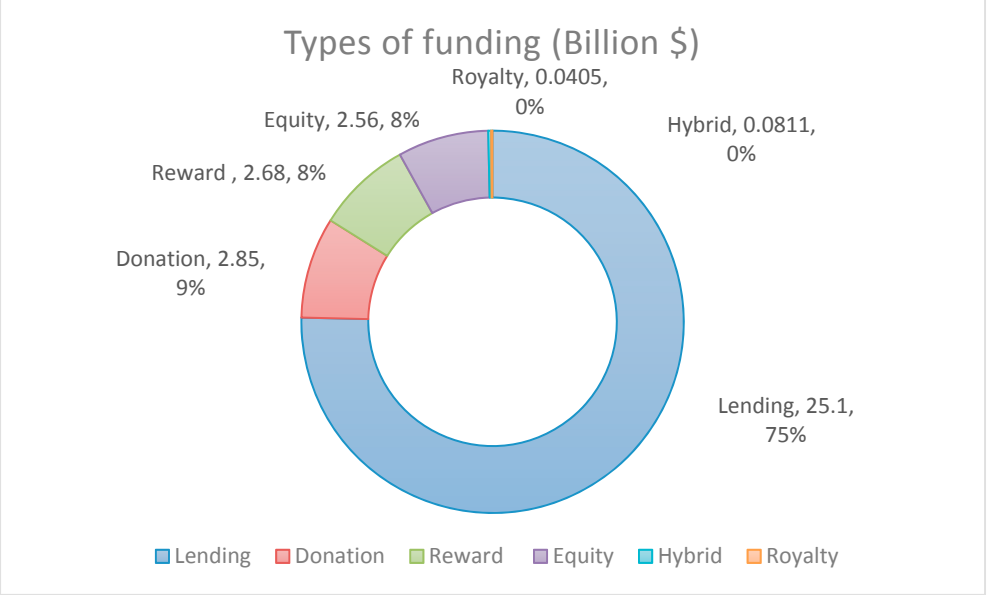
* Corresponding author. Tel.: +0-000-000-0000 .
E-mail address: shiminhu.crystal@gmail.com

1877-0509 © 2017 The Authors. Published by Elsevier B.V.
Peer-review under responsibility of the organizing committee of the 8th International Conference on Advances in Information Technology
10.1016/j.procs.2017.06.031

actually ever think out of the box and attempt to innovate new REIT models in the information age. This paper aims at innovating a new iREITs model which combines investment on traditional real estate industry with information technologies – such as crowdfunding and trend following which is a type of automatic trading algorithm for maximum profit gain. Here we define iREITs/ eREITs as Intelligent REITs. Essentially it's a digital smart financial real estate Crowdfunding platform making the REITs accessible and affordable for anybody to invest anywhere and anytime with promising return from real-estate market, and without taking the risk of the volatile nature of the stock market.

According to Mass solution Report[1], the investment by the global Crowdfunding industry reached $35 billions in 2015. A World Bank study predicted that it would grow to $96 billions by 2020. It is not surprising that those reports indicate the real estate Crowdfunding has come in the limelight as its growth has accelerated over the years. For instance, it just broke the $1 billion threshold in 2014, with an increases of 150% amounting to $ 2.57 billions in 2015. It is expected to reach a 250% increase in 2016[1]. Figure 1 shows the total funding volumes from 2012 to 2015, and the types of funding in 2015.





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