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## THE EFFECT OF CORPORATE ACQUISITIONS ON STOCKHOLDER RETURNS IN THE LODGING INDUSTRY

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### ABSTRACT

We examine the stock market's reaction to merger announcements in the lodging industry over the 1982-2000 period. Unlike the results for the overall market, we find that both the stockholders of the acquiring and target firms gain at the time of the merger announcement. In the lodging industry, mergers are positive net present value investments for bidders, whereas for the overall market, merger bids are at the best zero net present value investments. In addition, we found that shareholders benefit from mergers in the short- (one year), medium- (three year), and long-term (five year). Lastly, the wealth gains to tender offers are significantly greater than the wealth gains to mergers for both the portfolio of target and acquiring firms.