Determinants of Returns on Malaysian Real Estate Investment Trusts (MREITs)

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DECLARATION

I hereby declare that:

(1) This Research Project is the end result of my own work and that due acknowledgment has been given in the references to all sources of information be they printed, electronic, or personal.

(2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.

(3) The word count of this research report is 17423 .

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ABSTRACT

This study examines the performance of Real Estate Investment Trusts (REITs) in Malaysia. The sample data are selected from REITs listed in Bursa Malaysia for 10 years from 2006 to 2016 with 143 observations. The study used Return as the proxy for REIT performance while a systematic risk, dividend, net income, and a total asset to represent the determinants variable. Applying the pooled OLS regression analysis, the results provide evidence on the association between return with systematic risk, dividend yield, net income and total asset of REITs. Results of this study are hoped to help the investors and portfolio managers to deepen their understanding of the dependence factors that might influence the performance of REITs in Malaysia.

CHAPTER 1

INTRODUCTION

1.0 Introduction

It was around the year 1960 that REIT or the Real Estate Investment Trust showcase was framed when the law orchestrated REITs established by the United States Congress. From that point on, a few nations had built up their own REITs to oblige their own market aggressiveness (Tsai, 2013). REITS eludes to the sort of store that concentrated on the land properties speculations which much of the time deal with the wage creating resources (Olanrele and Said, 2015). The benefits incorporate properties like workplaces, shopping center, and stockrooms. The principle explanation behind REITs' fame is because of their generally safe trademark in contrast with other traditional stock in the market. A few financial specialists would pick some potential REITs into their portfolio to save their incentive against the expansion consequently.

1.1 Background of Study

Before 1960, the best way to put resources into the property is by having the properties physically. Beside that financial specialist could put resources into openly recorded property stocks or land connected obligation securities for moment bonds which are issued on growing land ventures (Alias and Soi Tho, 2011). In accordance with the money related transformation, a broad scope of interests in the land area has been created with the start of Real Estate Investment Trusts. REIT is an organization that claims or funds pay creating land. REITs can be identified with various parts of the economy including shopping centers, stockrooms, condos building, doctor's facilities, lodgings, mechanical offices, foundation, nursing homes, workplaces, understudy lodging, and timberlands. There are likewise REITs which center their ventures particularly either by area or by property sorts (Lee, Hishamudin and Lee, 2005).

REITs enable anybody to put resources into the arrangement of huge scale properties an indistinguishable path from they put resources into different businesses through the procurement of stock or offers. The investors of a REIT acquire an offer of the pay created through land speculation without really going out and purchase or back any properties like where investors benefit by owning stocks in different partnerships. Be that as it may, with a specific end goal to appreciate this tax-exempt status, the REITs must have the majority of its benefits and wage attached to the land and appropriates no less than 90% of its aggregate wage to financial specialists/unit holders every year. REITs are recorded on a stock trade exchange simply like other stock (Securities Commission, 2008).

Real Estate Investment Trust started in the US during the 1960s. Along these lines, REITs are set up in many developed countries over the previous decades with consistent settled gaining. REITs offer an option venture conspires that has logically exchanged the currently settled store speculations due to the alluring dissemination yield. Financial specialists of REITs are normally long-haul speculators with the generally safe procedure; for example, singular financial specialists, protection organization, benefits stores bodies and unit put stock in reserves (Lee, Kuo, Lee and Lin, 2011). Since numerous financial specialists could not stand to put resources into a vast land portfolio, REITs pick up quality from reserves raised and put the assets into a prominent and high esteem land nature for a better return (Chin and Ahmad, 2006).

In Malaysia in the late eighties, land reserves are known as Listed Property Trusts before it was renamed to Real Estate Investment Trusts in 2005. Malaysia was the main Asian nation to have recorded property confide in the board trade in 1989 (Newell, Hwa, and Acheampong, 2002). "Asian Economic Crisis Event" in the vicinity of 1997 and 1998, huge change on the advancement of the REITs occurred in different countries inside Asia (Rozali and Hamzah, 2006; Ibrahim and Ong, 2008). These conventions upheld another global standard for the development of Islamic REITs industry and set up a considerable part in Malaysia to empower the improvement and additionally extension of the Islamic business in the International Financial Community (Ibrahim and Ong, 2008). With the moral venture apparatuses, an Islamic REIT was then actualized by universal Muslim pioneers (Rozali and Hamzah, 2006; Ibrahim and Ong, 2008). Up until the point when 2010, there is a sum of certain Islamic REIT as being recorded in Malaysia such as the following:

i. The Al-Aqar KPJ REIT in August of 2006

ii. The Axis REIT in August of 2005

iii. The Al-Hadharah Boustead REIT in February of 2007

iv. The Axis REIT as being improved in an Islamic REIT in December of 2008 (AXIS, 2015)

As recent, Malaysian government presented and revised a fresh out of new authoritative measure to accelerate the extension of the nearby REITs industry and additionally encourage REITs as plausible speculation devices for financial specialists and ventures players (Rozali and Hamzah, 2006). With all the data expressed over, this study is led to offer investigational confirm that alludes to the hazard related to the interest in REITs and additionally its authentic implementation. This study anticipated that current writing by giving confirmation of a danger return an implementation of the REIT over ten-year time within a particular monetary cycle (Basse, Friedrich, and Bea, 2009).

1.2 M-REIT Background and Latest Performance Trends

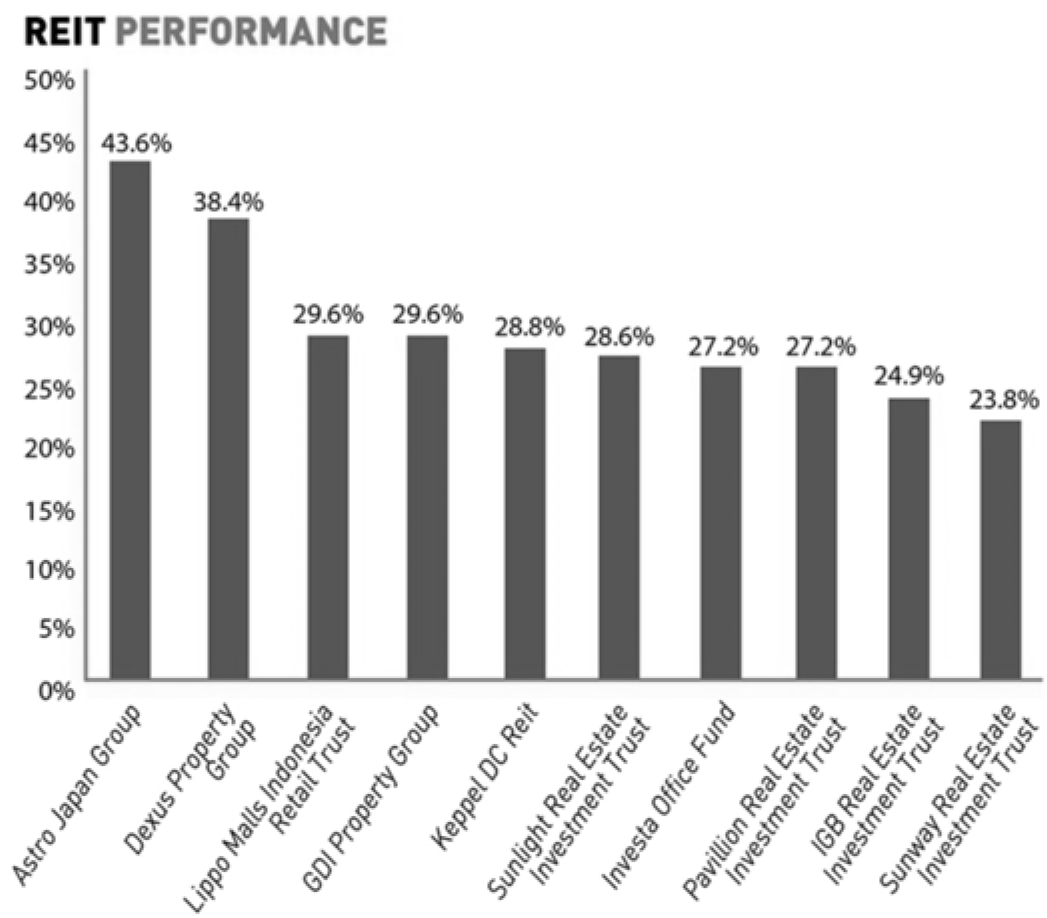
In Figure 1.1, M-REITs regardless of having been in lifestyles for most effective over a decade have grown notably, partially due to a growth in the variety of REIT preliminary public offerings in current years. REITs are funding motors that pool together income-generating actual estate assets, which include motels, office homes, rental apartments, warehouses, logistics centers and buying malls. These are an enormous asset class that attracts traders who're looking for a better yielding annuity-style investment at low to mild hazard and a capacity hedge towards inflation. Thus, the most important Asian REIT market presently is Japan with an anticipated marketplace capitalization of US$ 110 billion (RM489 billion), followed closely by using Australia, with a US$105 billion marketplace cap. Those two REIT markets had been the quickest growing inside the international during the last 5 years and have overtaken France and the UK to be the second largest global REIT markets, respectively. In 2014, Asia accounted for US$7 trillion, or approximately 25 percent, of the worldwide "investable" real estate market. This is anticipated to develop notably to US$17 trillion via 2020, to round 35 according to the cent. final year, the Asian REIT market posted a healthful 15.9 in keeping with cent overall go back, as represented by the S&P Pan Asia REITs Index. Australia and Singapore REITs were the high-quality performers, accounting for 35 of the pinnacle 50 performers inside the 146-member index.

Figure 1.1: Total REIT Return over a Year in 2017

Note. From Bloomberg, iFAST compilations. Data as of 31 January 2017

Refer to Figure 1.2, for the performance of REITs in Asia Region, the pinnacle-three performing REITs in Asia presently are Astro Japan belongings organization, Dexus assets institution and Lippo department shops Indonesia Retail consider. Astro Japan assets have a portfolio that features workplace, retail, residential and hotel belongings. Dexus assets have a similar portfolio but with added exposure to industrial homes. Lippo department stores Retail accept as true with, the most effective Indonesian REIT in the market, has a portfolio comprising tremendous retail department stores and spaces. There are six Malaysian REITs in the list, with four ranking from the eighth and eleventh area. Pavilion REIT and IGB REIT are taking the lead with returns of 27.2% and 24.9%, respectively. In the meantime, analysts count on select REIT gamers to preserve to do nicely, specifically those with best belongings within the industrial, business and healthcare space. Thus, from Figure 1.2, it shows the potential of MREIT able to contribute similar returns by comparing among peers within Asia region as the REIT performance around 23%- 43.6% by average are around 30.17 %.

Figure 1.2: REIT Performance



Note. From Bloomberg, iFAST compilations. Data as of 31 January 2016.

Presently, Asian REIT markets are imparting 4.6 according to cent yield, which might be below those of French, German and Canadian REIT markets. iFAST Capital studies stated valuation-sensible, as represented with the aid of book ratio, Asian REITs are still soaring near the 1.2 degrees despite taking in some influences on the stop of the ultimate year following the United States Federal Reserve's interest fee hike. Ideally, it is vital for investors to get acquainted with the belongings and actual property market conditions earlier than figuring out to make investments in the types of REITs they favor. Apart from that, marketplace sentiments at the monetary situations may indirectly contribute to the emptiness prices of properties, especially those related to business and workplace buildings. "for instance, the weakening of the ringgit over the last two years can be one of the catalysts to enhance tourism activities within the country and this can be effective for REITs which might be mainly targeted at the hospitality sectors," the studies group advised News Strait Times belongings. For local investors searching for to spend money on offshore REITs, iFAST Capital cautions in opposition to expectations of a declining ringgit. Thus, iFAST Capital studies think that stabilizing oil prices and Bank Negara Malaysia's new foreign exchange policy ought to stay supportive of the ringgit transferring ahead. In assessing valuation, REIT capability to deliver steady coins distributions is one of the key regions to observe for, apart from the appreciation of the underlying assets. Valuation on yields need to additionally be emphasized as the worldwide outlook for yields is on an improving fashion on the lower back of growing-danger-unfastened quotes, coupled with reflationary forces from the stabilization of commodity charges and iFAST Capital research expects Malaysian patron sentiment and spending to get better, however at a slow pace this 12 months, which the factors lack interesting opportunities within the retail REIT segment.

1.3 Problem Statement

M-REITs are considered as one of the more up to date venture instruments presented in Malaysia. Its market is viewed as generally little contrasted with Singapore, Hong Kong, and Taiwan. For as long as three years, the current M-REITs advertise has seen developing an interest to retail investors and investors who have a low-risk appetite (Rozali and Hamzah, 2006; Ibrahim and Ong, 2008). Regardless of that, advertise assessment, particularly from singular financial specialists is still decently mellow even with constant postings in the Bursa Malaysia base. Most investigators simply tie their studies on MREITs earlier and until 2005 the studies fundamentally emphasis just on the implementation of the hidden four Land Property Trusts (LPT), while overlooking the other M-REITs recorded along these lines (Hamzah, Rozali and Tahir, 2010; Hwa and Rahman, 2007; Newell et al., 2002; Ooi, Newell, and Sing, 2006; Sing, Ho, and Mak, 2002).

It was found that there are limited studies are being driven for all the 14 M-REITs recorded. Interestingly with past studies that for the most part underlined on the attribution of the infamous Asian cash related crisis in 1997, this investigation will preferably prepare to highlight the later externalities that impacted the overall financial market, for instance:

i. Inflating of overall property ascends in the midst of 2004 to 2007 in view of low advance charge levels in the US

ii. The coming about outbreak of the U.S. subprime contract ascend in 2007

iii. Euro credit crunch in 2008

iv. Collapse of Dubai property section in 2009

v. Chinese Stock Market Crash in 2015

Each one of these events that occur in the midst of the era of 2001 to 2010 sent a tidal of significant worth offer down and made huge insecurity in the overall fiscal market. M-REITs do give certain perceived great conditions as a hypothesis stood out from either qualities or bonds. It presents cut down risk than the esteem publicizes while yielding superior to expected return than that of the security (Rozali and Hamzah, 2006; Ibrahim and Ong, 2008). Thus, it is recommended that M-REITs should be used to separate portfolio hypotheses. Nevertheless, the ability of M-REITs for fulfilling sensible portfolio assortment still decently vague for most fund managers as the introduction given for this sort of wonder is to some degree lacking. The thought of M-REITs in most fund managers' portfolio still by and large bound. Likewise, given that M-REITs are benefited yield based wander, which is more imperative than capital appreciation; extending worldwide and private swelling levels may have given the motivation to feel vague about M-REITs as beneficial theories (Rozali and Hamzah, 2006; Ibrahim and Ong, 2008). The extending inflationary weight in the present years has ascended onto the practicality of M-REITs filling in as a supporting gadget for examiners.

1.4 Research Objective

This study will aim to examine the performance of M-REITs and the M-REIT implementation within the business system. Specifically, this study attempts:

i. To identify the factors that affect the M-REIT performance
ii. To determine the relationship and effect of independent variables on the M-REIT's return

1.5 Significance of the Study

As the M-REIT promotion currently encounters an era of expansion and change, people see this study as fundamental as it gives each potential budgetary master and also non-contributing investors with a larger and more significant appreciation on the M-REITs' nature and the progression exhibit already, present as well as future. This study is needed to develop the present learning on M-REITs in helping greater social events of people to understand the meaning of REITs are and what they can give as a theory tool. Additionally, this study's revelations can give vital data on the Malaysian REITs implementation with the objective that theorists may settle on a more specific decision on their endeavors. Through our study, theorists could in like manner choose whether the Malaysian REITs are able to be strengthened into cases and the investors can use it to shield their property amid cash related hopelessness and to create more capital in excellent conditions.

Despite the fact that the results of our study could not ensure a precise forecast without bounds, it could, in any case, be a measuring stick or reason for speculation thought in view of chronicled viewpoint to decide the potential and consistency of profit for each of the recorded M-REITs. Besides, our study might likewise give a look at the conduct of M-REITs being contrasted with the more extensive securities exchange. In conclusion, this study could likewise move toward becoming references for different scientists and academicians to additionally explore on any REIT-related ranges later on as a mean of constant augmentation and development of current writing on the subject.

1.6 Organization of Research

There are completely 5 parts of this study consider. The substance has been accumulated as Chapter 1 as a segment of a simple introduction on the illumination of the general blueprint of the study. Next, Chapter 2 spreads Literature Review into the theoretical structure, the establishment of the progression of REITs in Malaysia will be talked about and cleared up. Afterwards, Chapter 3 elucidates the study plot, data social affair, and method. Chapter 4 studies the results of this study as all understandings of the results will be discussed and broke down whether the hypothesis is importance. The last chapter covers the general conclusions and proposition part. Also, the paper will present the public findings whereby include the finding disclosures, restrictions, and recommendations for future studies.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter, the development of M-REITs will be discussed. The progression of REIT in Malaysia is moreover illuminated, nearby the structure and relationships of customary MREITs and Islamic REITs. An illumination on the organization of M-REITs takes after. Finally, this part will inspect the study on composed works of past studies on REITs-related subjects.

2.1 The Development in Malaysia Real Estate Investment Trusts (M-REITs)

Around mid of 1960, United States introduced the first REITs. In any case, for M-REITs, the authorization that permits the improvement of registered property whereby resembles REIT was the foremost to exhibit among the Asia nations. The emergence of crucial Listed Property Trust was in August 1989 shows the first appearance of Listed Property Trust. Center Easterner Malaysian First Property Trust recorded on Kuala Lumpur Stock market (Hamzah et al., 2010).

Before the completion of the 1990s, there were several quantities of LPTs in the KLSE records by and large. To begin with, the Property Trust of Malaysia (MPT) which is the second LPT according to the documents was set up on 23rd November 1989.The Amanah Harta Tanah PNB registered in late December 1990, and the Maybank Property Trust Fund in early 1997, which are the third

LPT trails the MPT (Hamzah et al., 2010). FMPT quit posting on July 2002 resulting in being recorded for quite a while.

By the end of April in 2005, only three LPTs' were on the Bursa Malaysia which is the Amanah Harta Tanah PNB 2, Amanah Harta Tanah PNB, and AmFirst Property Trust. In 2005 is when the Securities Commission exhibits new standards on REITs. That was the end of the property in records place stock in and changed its name as REITs as certification an organization of terms with various nations. In 2005, the Bursa Malaysia recorded the principle M-REITs called Axis Real Estate Investment Trust, was then on Bursa Malaysia register in 2005. The underneath table shows abbreviate of openly recorded Malaysian REITs as at 31st December 2016.

Table 2.1: List of M-REITs as at December 31, 2016

No	REIT Fund	Management Company	Fund Trustee
1	AmFirst Real Estate Investment Trust	Maybank Trustees Berhad	AmARA REIT Managers Sdn Bhd
2	Axis Real Estate Investment Trust	RHB Trustees Berhad	Axis REIT Managers Berhad
3	AmanahRaya Real Estate Investment Trust	CIMB Islamic Trustee Berhad	AmanahRaya-REIT Managers Sdn Bhd
4	Atrium Real Estate Investment Trust	Pacific Trustees Berhad	Atrium REIT Managers Sdn Bhd
5	CapitaLand Malaysia Mall Trust	M Trustee Berhad (formerly known as Am Trustee Berhad)	CapitaLand Malaysia Mall REIT Management Sdn Bhd
6	Al-Aqar Healthcare REIT	AmanahRaya Trustee Berhad	Damansara REIT Managers Sdn Bhd
7	Tower Real Estate Investment Trust	M Trustee Berhad (formerly known as Am Trustee Berhad)	GLM REIT Management Sdn Bhd
8	Hektar Real Estate Investment Trust	M Trustee Berhad (formerly known as Am Trustee Berhad)	Hektar Asset Management Sdn Bhd
9	IGB Real Estate Investment Trust	M Trustee Berhad (formerly known as Am Trustee Berhad)	IGB REIT Management Sdn Bhd
10	KLCC Real Estate Investment Trust	Maybank Trustees Berhad	KLCC REIT Management Sdn Bhd
11	Pavillion Real Estate Investment Trust	M Trustee Berhad (formerly known as Am Trustee Berhad)	Pavillion REIT Management Sdn Bhd
12	Amanah Harta Tanah PNB	AmanahRaya Trustee Berhad	Pelaburan Hartanah Nasional Berhad
13	YTL Hospitality REIT	Maybank Trustees Berhad	Pintar Projek Sdn Bhd
14	MRCB-Quill REIT	Maybank Trustees Berhad	MRCB Quill Management Sdn Bhd
15	Sunway Real Estate Investment Trust	RHB Trustees Berhad	Sunway REIT Management Sdn Bhd
16	UOA Real Estate Investment Trust	RHB Trustees Berhad	UOA Asset Management Sdn Bhd

2.1.1 Differences of Malaysia Typical REITs and Islamic REITs

REITs have a total wander plot in property which merged the best features of placing stock in store and property. Thus, the Islamic REIT (iREIT) is the Shari'ah version of the general REIT. The Malaysian government, by methods for Securities Commission issued rules for iREIT in November 2005, setting another overall standard to change the instrument and making Malaysia a principle region to present such guidelines in the business. These standards supply guidance in order to promote investors on Shari'ah consistency in making and overseeing an iREIT. These guidelines moreover serve as supplement the present principles on REIT. These guidelines moreover serve as supplement the present principles on REIT. At the point when stood out from the standard policy, the iREIT wage:

a. Must derive from the Shari'ah practices

b. On the off chance that there ought to emerge an event of different activities, must be at par with the twenty percent benchmark as the SAC regulates.

The Shari'ah regards the following functions as non-passable as the Securities Commission Guidelines indicate:

- Financial organizations in perspective of riba (interest)
- Gambling/gaming
- Manufacture or offer of non-halal things or related things
- Conventional security
- Entertainment practices that are non-allowable as shown by the Shari'ah
- Manufacture or offer of tobacco-based things or related things
- Stockbroking or offer trading Shari'ah safe securities
- Hotels and resorts

Other than that, a Shari'ah leading body of trustees or Shari'ah specialist ought to moreover be designated to provoke the store chief on Shari'ah compliance issues. Fundamentally, iREIT operates like some trust stores whereby incorporate the going with social occasions:

- By holding units, the investors place assets into M-REIT
- M-REIT secures its arrival increase the advantages
- The management administers & oversees the M-REIT
- The trustee goes about as the store's manager
- Prompting on issues, the Shari'ah identifies by the Shari'ah Committee
- The manager of the premises gives upkeep and organizes the honest to goodness homes
- Tenants rent the honest to goodness spaces

To the extent handling cost in Malaysia, both REIT and iREIT get identical appraisal handling on stamp commitment, certifiable property grabs charge and likewise corporate obligation. The authoritative framework is moreover tantamount to the M-REITs and the iREITs while excluding the iREIT which must continue abide by the Shari'ah regulations the paper mentions above.

2.1.2 The Governance of M-REITs

The Malaysian Securities Commission is the statutory start to manage Malaysia REITs with necessity powers permitted and investigative under the Securities Commission Act 1993. REITs are overall overseen by Securities Commission through the going with principles and institutions (LHDN Malaysia, 2012):

- Guidelines on Asset Valuation

- Guidelines on Real Estate Investment Trusts 2008
- Securities Commission Act 1993
- Guidelines on Islamic REIT

As per Section 158 of the Securities Commission Act, each one of the guidelines was issued by the Securities Commission. Any breaks or protection for any of the necessities could have cause legitimate approve by the securities or guidelines Acts. Diverse guidelines and regulations that in like manner improve on the authoritative limit of the REITs are by these accompanying:

- Valuers, Appraisers and Estate Agents Act 1981
- Securities Industry Act 1993
- Foreign Investment Commission (FIC) Guidelines
- Malaysia Income Tax Act, 1967 (MITA)
- The Listing Rules of Bursa Malaysia
- Guidelines on Unit Trust Funds
- Capital Markets and Services Act, 2007 (CMSA)

Under the Securities Act 1993, a couple of issues are required for support. For example:

- For an association to go about as a REIT chief
- For the REIT units issuance and offering or establishing a REIT
- The posting of the REIT on Bursa Securities
- For a trust in association to go about as trustee

While under the Guidelines, the issues require underwriting are:

- Approval for arrangement of any ability to a delegate

- Approval for an acting course of the members of the board, the Committee of investors and the REIT management CEO
- Acceptance on valuation of certifiable areas for particular sorts of getting and revaluation of honest to goodness homes
- The passing of any waivers or special cases that the REIT may require

2.1.3 The Efforts of the Malaysia Government in Introducing the REITs Market

In Malaysian, the investment in incomes in an advanced trading center is approximately three to five percent yearly; this relies on the individual fund's performance. However, M-REITs are superior as Malaysia is a developing country thus its real estate values are still low hence lags behind Asian developed nations which have a solid volume. Regarding this, there is room for expansion for the real estate section in Malaysia, and it consolidates as a transformation to develop better incomes between six to eight percent which fair than other advanced nations. Other Asian countries' REIT markets are advantageous over the Malaysian REITs. Nations like Singapore and Hong Kong have a withholding tax of zero percent with compared to Malaysia's ten percent. The tax regime of M-REITs is falling off behind Hong Kong hence making both of them an attractive destination for REIT listing. As a result, for the Malaysian Securities Commission and the government to promote the Malaysia Real Estate Investment Trusts market, it requires coming up with better and convincing initiatives (Ong et al., 2011).

The Securities Commission gives the new regulations on the Malaysian REITs in 2005 on a move of developing a REIT industry that is vibrant and competitive and speeds up the capital market growth in Malaysia. The aspects of the guidelines include reduction of restrictions on M-REITs in several transactions, for example, the loan limits on property purchases and owning of the leasehold possession encumbered by a fee. To facilitate the growth of M-REITs, the authority exempts shareholders from the tax incentives and income distribution from the income and income tax it accumulates from the investors to recover the tax. Afterwards, on 21st November 2005, new guidelines were released by the Securities Commission for the development of the Islamic REITs to enable the improving the Islamic capital industry. The move seeks to strengthen the Islamic capital trading industry new stuff in Malaysia hence transforming it into the first nation to offer such protocol in the international Islamic financial sector. Malaysia expects these contracts to become the international benchmark for the developing the global Islamic REITs (Ong et al., 2011).

Due to these regulations, all the Malaysian REITs require distributing not less than ninety percent of their total income, and the income it attributes remitting taxes. The managers of the M-REITs managers also hope that the government sets aside ten percent withholding tax for the non-resident individuals and residents. However, the waived withholding revenue of ten percent on personal and other nation's investors was present until 31st December 2011. After that, the M-REIT taxed the dividends it receives after the last payable amount with fifteen percent to non-corporate investors and twenty percent to foreign organizational investors. The proposed Malaysian Managers Association (MRMA) incorporates the elimination of the withholding tax and wants the government to it in the annual budget. The Malaysian 2010 budget built the Real Property Gain Tax (RPGT) to control the speculations trading attraction in a property. Meanwhile, during that time, there were no publications of changes in the M-REIT industry.

There are expectations that the entire industry will maintain the reduced ten percent withholding tax of ten percent. It is if the government does not reduce it to zero percent to contrast with the Singapore's withholding tax in this year's budget, to offer an orientation of charge and tax position to future REIT investors. Additionally, the government plans to form a regulatory system for the iREIT as another move of reinforcing Malaysia's name as the Islamic finance center. The law applies same to both except the iREITs which must be at par with the Shariah law. The iREITs must have an advisor or a Shariah Committee that acts as the REIT's chancellor. Moreover, it must have, and a consultation point with reference on to the investments the Security Commission Guideline on iREIT provides (Ibrahim, & Ong, 2008).

The actions that the Shariah accepts or are within the twenty percent standard must derive the returns distribution, though same as the activities in the conventional REITs in which the income makes realized or realized gains for Islamic REIT's revenue. The authority uses this benchmark to measure the tax from rental payment from the activities which do not comply with the Shariah like dealing with liquor sales and gambling or rental of facilities involved receipts. Regarding the Malaysian REITs, so far, seventeen M-REITs are in the Malaysian listing with two Islamic REITs. The Al-Hadharah Boustead REIT was the first iREIT; this is the leading global Islamic plantation REIT. The second one is the Al-Aqar KPJ REIT which is the first Islamic REIT in the world. Both Al-Hadharah Boustead and Al-Aqar KPJ REITs are among the three largest Malaysian REITs based on dividend yields (Ibrahim & Ong, 2008).

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The actions that the Shariah accepts or are within the twenty percent standard must derive the returns distribution, though same as the activities in the conventional REITs in which the income makes realized or realized gains for Islamic REIT's revenue. The authority uses this benchmark to measure the tax from rental payment from the activities which do not comply with the Shariah like dealing with liquor sales and gambling or rental of facilities involved receipts. Regarding the Malaysian REITs, so far, seventeen M-REITs are in the Malaysian listing with two Islamic REITs. The Al-Hadharah Boustead REIT was the first iREIT; this is the foremost global Islamic plantation

REIT. The second one is the Al-Aqar KPJ REIT which is the first Islamic REIT in the world. Both Al-Hadharah Boustead and Al-Aqar KPJ REITs are among the three largest Malaysian REITs based on dividend yields (Ibrahim & Ong, 2008).

2.2 M-REITS Performance Factors

Basically, little market capitalization of generally US$1543 million (Security Commission, 2010) incited Malaysia' monetary masters to feel that it is an essential issue that balance capable headway of M-REIT publicize diverge from others country. The commitment among Malaysian institutional theorists in arrive wander has been about low, with an ordinary of only 4 percent of land wander trusts owned by substantial investors pros more than 1990-2011 (Mohammad and Izah, 2010). Ong et al (2012) showed that the Net Asset Value is the most effortless system and strong assessment strategy to get practically identical things between another markets and backings. This study hopes to separate the implementation of M-REITs using NAV method and appreciate how REIT can and what REIT is passing on wander preferences to the theorists to be another appropriate wander elective (Abdullah and Wan Zahari, 2008). In a perfect world that the correct revelations can help both retail and institutional investors pros aware the association between REIT costs and the estimation of land and administer their cash to place assets into REIT. REIT is a financial product that offers a stock on the noteworthy trades and place assets into a land clearly, whichever over properties or home advances. According to the United States Federal Income Tax Law, a REIT is an association, trust or alliance that goes about as a wander administrator work in land and land contracts. REIT commonly offers budgetary pros exceptional yield, get phenomenal cost thought and presents an exceedingly liquid procedure for placing assets into arriving (Abdullah and Wan Zahari, 2008). Individuals can place assets into REIT by acquiring their offers particularly in an open market or by placing assets into a typical store which has some mastery in arriving. REITs by law are required to pass on no under 90 percent of their assessable pay as benefit unto the hands of the budgetary pros (Ong, 2011; Ong, Teh, and Chong, 2011). NAV is a segment of the net market estimation of the principal honest to goodness property resources of the REIT associations spread over the total momentous units of the REIT Company (Abdullah and Wan Zahari, 2008).

The intelligent irregularities unmistakably exhibit that one factor in the dismissal of various factors cannot choose the authentic genuine return from a hypothesis yet all components are influencing on REIT restores at the same time. There is along these lines a prerequisite asks about the synchronous effect of discernible recognized aspects if not all and their comparative significances to overhaul precision and exactness in REIT return gage, an indication of an opening yet to be filled (Abdullah and Wan Zahari, 2008). The change of M-REITs in Asian countries, Malaysia was the timeliest to transparently list property place stock in (Newell, Ting, and Acheampong, 2002).

The Malaysia Central Bank, generally called Bank Negara supported the authoritative structure for Malaysia recorded property trust in 1986 (Security Commission of Malaysia, 2010) and made specific Securities Commission rules for recorded property place stock in stores in 1991, transforming its progress in 1995. In 1986, Malaysia started the property trusts in promoting, known as Property Trust Funds, the predecessor of REITs (Newell, Ting, and Acheampong, 2002). Starting now and into the foreseeable future, it has progressed to twist up obviously a settled REIT promote in Malaysia, with 14 REITs recorded as of the year 2010 (Security Commission of Malaysia, 2010).

2.2.1 Systematic risk of M-REIT

Plentiful researches on REITs examine REIT performance compare with other financial property and marketplace standards and that research have reached numerous conclusions. Ong (2011); Ong, Teh, and Chong (2011) find that on common, REITs offer better returns than the saving debts and S&P 500 index for the periods of 1963-1973. But, whilst the 12 months 1974 is covered in the reviews, REITs underachieve the S&P 500 index at some stage in the pattern 1963-1974 period due to extraordinarily terrible overall REIT performance shares Ong, Teh and Chong (2011) show the returns of fairness REITs are more just like the ordinary shares return and closed-cease price range than to the unsecuritized real property returns. Similarly, Ong (2011) discover that REITs returns are noticeably associated with returns of inventory market and locate no proof that in common, the real estate mutual budget provides investors with effective atypical returns.

Fund price ratio and fund age also determined to be negatively associated with performance whilst higher turnover ratio are associated with higher bizarre fund returns. (Newell and Osmandi (2009) evaluate the capabilities of REITs in various belongings classes with the ones of a marketplace benchmark for mid-length groups, proxied through the S&P's MidCap Index.

The findings imply that healthcare; rental, retail, and diverse REITs have lower returns than the market standard however those REITs have more risk ranges. For REITs in the storage, hotel, and workplace types, the said returns and threat are better than those of the S&P's MidCap Index (Ong, 2011; Ong, Teh, and Chong, 2011).

Ong, Teh, and Chong (2011) inspect the threat functions of resort REITs in terms of systematic and unsystematic threat additives. The findings display that 84 percent of the entire risk of REITs is attributed to unsystematic threat and that the systematic chance is proven to be definitely correlated with debt ratio and asset boom of lodge REITs but negatively with REIT's size. In other phrases, large motel REITs with low levels of debt leverage and asset growth tend to have a low level of systematic danger. Newell and Osmandi (2009) study the performance of inn REITs using Jensen Index by means of differentiating the overall performance of motel REITs with the ones of the overall marketplace and different REIT sectors.

The effects display that at the same time as the performance of risk-adjusted of motel REIT fits that of the marketplace, the inn REIT region as a portfolio underachieves other REIT sectors together with the assorted, office, and industrial REIT.

The inn REITs also have the best market chance in comparison to different REIT sectors. The findings of Newell and Osmandi (2009) indicate that REITs not simplest is a negative replacement for direct investment in the property marketplace but also offers no diversification advantages while invested collectively in shares and bonds.

On the other hand, funding in direct property is proven to produce some diversification blessings when invested with bonds and stocks. The consequences show enormous overall performance variations among diversified and specialized REITs and the variances rely upon the general market circumstance. Throughout properly marketplace situations REITs that diversify via belongings kind display improved performances than those specialized in their property holdings.

There may be some proof that when the market situations are less beneficial specialized REITs have higher performance than their assorted counterparts. Newell et al. (2002) study the overall performance of four listed assets trusts over the length of 1991-2000 and locate that the indexed assets trusts underperformed the marketplace benchmark.

The findings of Hamzah et al. (2010) suggest that the danger-adjusted performance and systematic danger degrees of REITs vary throughout unique monetary cycles. Especially, the effects based totally on a pattern of 4 REITs show that REITs outperform the marketplace portfolio for the duration of the monetary crisis length (1997-1998) however underperform throughout both the periods of pre-disaster (1995-1997) and submit-crisis (1998-2005).

The findings of Lee and Ting (2009) display that in a combined-asset portfolio, diversification blessings may be derived from funding in REITs however not from investment in belongings shares. But, REITs show inferior performance effects in the pre-disaster and submit-disaster periods (Newell and Osmandi, 2009).

2.2.2 Dividend yield of M-REIT

Dividend yield shows the ratio of going back by using the enterprise that goes to the investors in the form of a dividend.

Dividend Yield in line with percentage/stock's price according to share (Newell and Osmandi, 2009). The ratio measures the share of a proportion’s marketplace price that is back annually as dividends, being a vital difficulty for shareholders. Traders use the ratio in figuring out their go back through setting their money at the chance and for a time frame. It's miles usual that an investor will determine to invest in any REITs which give excessive dividend payout whilst choosing the various investment equipment. M-REITs commonly, the dividend yield of M-REITs changed into above the return of fixed deposit that is at a median of two-3% (Newell and Osmandi, 2009). Even though the dividend yield may not as excessive as the return from investing in stock marketplace, REITs contain lesser threat because of the normal condominium earnings glide from their rental properties.

Later, Hamzah et.al (2010) had using Sharpe ratio, Treynor Index and Jenson Ratio to look at the performance of M-REITs for pre-GFC, in the course of GFC and publish-GFC duration through employed month-to-month go back from period 1995 to 2005 within the performance factor for the Asian emerging and advanced REITs markets, found that the M-REITs have the highest average return (0.053%) many of the seven Asian REITs markets within the have a look at (Newell and Osmandi, 2009) as result display that various property kind REITs are performing higher than specialized property type REITs when the overall marketplace is completed properly. The dividend yield is a significant overall performance factor for REITs because of REITs tax policies. Thru means of the usage of multiple Regression analysis, the observe of Newell and Osmandi (2009) proved that a few monetary factors of M-REITs inclusive of internet Asset fee (NAV), length, gearing/leverage and Fund from Operations have motivated at the M-REITs overall performance.

They followed quantitative studies method and decided on 3 M-REITs which can be Amfirst REITs, Starhill REITs and AmanahRaya REITs as a sample for the length from 2008 to 2012. There was the consensus with the study locating that dividend yield did bring statistics to the marketplace and the dividend policies may be used as a tool to deliver non-public information approximately REITs destiny coins go with the flow (Newell and Osmandi, 2009). This perhaps will have an impact on the inventory fee of REITs as some of the investors will study the dividend payout of REIT businesses in making funding selection. as a result, this look at will use predicted return and dividend yield as performance factor for M-REITs to observe the have an impact on of various underlying property kinds on MREITs.

2.2.3 Net Income

The net income or profits is derived from deductions of the belongings operating fees and different applicable fees incurred in coping with the REITs. The overall performance evaluation, internet earnings is crucial because it plays a critical role in figuring out the dividend to be paid out for unitholders for the specific financial 12 months (Ong et al., 2011; Oreagba, 2010). The greater the internet income and the unitholders would be looking up for extra substantial returns. Thus, the most important M-REITs in phrases of marketplace capitalization had noted the highest net earnings for the 2 years take a look at duration. An increase of eleven.8% is achieved with the aid of Starhill REIT within the year 2008 (Ong et al., 2011; Oreagba, 2010). This increase of net income turned into attributable to the better condo rates from current tenancies in addition to the commencement of latest tenancies. But, Axis REIT has noted a better growth price in phrases of internet earnings which is about 39% notwithstanding a reduced average vacancy charge for the portfolio respectively within the year 2008. (Ong et al., 2011; Oreagba, 2010). M-REIT has recorded an upward push because of the strong occupancy of all condo properties. Net sales had recorded at a mean of RM 23.21 million in line with annum. Nonetheless, M-REIT has been defined in various literature and research (Oreagba, 2010). REIT is an organization that manages and owns funding grade and profits producing real property homes inclusive of residential homes, office buildings, tourism related centers, purchasing malls, healthcare centers, and commercial facilities (EPRA, 2012). REIT is an appropriately listed enterprise just like mutual funds that allows buyers to pool fund in the substantial amount of capital for funding in different types of real property and other actual estate funding media (Ong et al., 2011; Oreagba, 2010). REIT has been conventional and followed all around the globe as an alternative funding medium in actual property. REIT commenced within us. In 1960. Considering the fact that then extra international locations around the world have launched REIT administrations at distinctive instances. The spread of the REIT technique to actual estate investment everywhere the sector has also expanded recognition of making an investment in worldwide real property securities (Ong et al., 2011).

2.2.4 Total Asset

An Asset price technique A business enterprise's NAV or ebook cost indicates the entire value of the organization's property that shareholders could acquire and how need to the organization be liquidated (Ong et al., 2011; Oreagba, 2010). REIT NAV top class and NAV bargain in step with younger (1998), high top-class REIT exchange at excessive top rate taken into consideration to have more boom potential than the REIT alternate at decrease top class to their NAV.

He finds that relative top rate to NAV is associated with differences in company precise increase opportunities and proxies for administration satisfactory and governance (Ong et al., 2011; Oreagba, 2010). NAV bargain can affect REIT's ability to raise funds and generally tend to gradual down organization development.

The irrational behavior for trader purposes the misalignment between the market fee and NAV figures (Ong et al., 2011). Thus, M-REIT could be exchanged at higher NAV rates with low leverage due to the fact they capable of taking gain of exploitable improvement opportunities within the underlying assets markets. In addition, they determined that there is a power not unusual factor to REIT pricing relative to NAV and this is in part associated with REIT liquidity as measured by the transaction prices of trading (Oreagba, 2010).

2.2.5 M-REIT Returns

M-REIT return evaluation in standard, the performance of REITs is specifically determined through the distinct varieties of funding the agencies make, which is essentially divided into fairness REIT, mortgage REIT and hybrid REIT (Grupe & DiRocco, 1999). Returns from REITs are more often than not derived from dividend yield and proportion fee appreciation. The dividend is thus a degree of going back of REITs like some other investment in the stock/capital marketplace. A whole lot of methods had been mentioned and applied in the past research to measure the overall performance of REITs. each of the techniques but focused on every determinant issue that contributed to the yield at the same time as preserving other elements regular or with no simultaneous impact. Yong, Allen, and Lim (2009) using a multi-aspect method to analyze Australian REIT (A–REIT) return identified size (in phrases of capitalization), the degree of leverage (Gearing) and market-to-book (value) ratio amongst others as the determinant of REITs returns. They but did not display the simultaneous effect of all of the more than one factors taken into consideration as Ong et al. (2011) studied the overall performance of Malaysian REITs from

2005– 010 using internet Annual cost. A funding that alternate at a market charge that is beneath the NAV is appeared to have tremendous boom potentials NAV at the same time as one with marketplace fee above NAV alerts to traders, a terrible increase possibilities for the REIT. NAV is a characteristic of the net marketplace price of the underlying real property assets of a REIT agency unfold over the full fantastic devices of the REIT organization (Ong, Teh, Soh and Yan (2012; Ong, Teh, and Chong, 2011).

2.3 The latest development of REIT in Malaysia

The headway of REIT in Malaysia started mightily in 2006 since the establishment of the REIT Guideline by Malaysian Securities Commission in 2010 (SC, 2010). Focuses on REITs' implementation in Malaysia showed a couple of conflicts on Malaysian REITs identify with the time of REITs. The REITs can give a broader upgrade opportunity to the theorist; give more important liquidity, the feasibility of operation, and the ability to improve at any level wander (Feng, Price and Sirmans, 2011; Hamzah and Rozali, 2010). Consequently, in Malaysia, REITs got lacking responses from both neighborhood and non-tenant monetary pros. In light of the example study of Malaysian REITs, esteem refers to in Bursa Malaysia, there was affirm that Malaysian REITs was neglecting to meet desires. This was a result of a couple of components including one of the kind characteristics Of the Malaysian REITs, for instance, phenomenal property assignment, range, size of firm and REITs capital structure made it troublesome for the money related authorities to make any judgment upon Malaysian REITs (Ibrahim and Ong, 2008). Other than that, the institutional monetary experts' speculation, benefit course of action and organization style were also influencing the implementation of Malaysian REITs. Meanwhile, the change of REITs in the US started in the mid-1960s and it encountered immense designed implementation and structure changes (Feng, Price and Sirmans, 2011; Hamzah and Rozali, 2010). The appreciation of the weaknesses and characteristics of US REITs industry is essential since composing overview included a couple of determinants impacts the REITs implementation. These determinants are seen as property task approach. Therefore, through the above suggestions, this study has recognized that no under six qualities of REITs which are the determinant of Malaysian

REITs. Additionally, the nonappearance of close-by study on these determinants, it is an investigation gap which can be explored in Malaysian REITs. In light of these reasons, it is felt that determinants that trigger the implementation of Malaysian REITs warrant one of a kind thought and study (Feng, Price and Sirmans, 2011). The PAS will prepare to help the Malaysian REITs to develop their own specific PAS; the budgetary experts in the essential initiative on REITs hypothesis; and the Malaysian government in evaluating the change of REITs. Thusly understanding REITs determinants is essential for the flourishing of Malaysian REITs (Feng, Price and Sirmans, 2011; Hamzah and Rozali, 2010).

2.3.1 Understanding the view of M-REIT Determinants

There are basic studies that discussed through and through the US REITs implementation, improvement, structure and diverse factors which are fundamental to be learned by Malaysia. Moreover, the study on REITs show the mixed result on implementation and likewise return (Mohamad and Saad, 2012). Notwithstanding the way that REITs is known as best wander instrument to bolstered extension and potential to give improvement yet Malaysian REITs do not get extraordinary affirmation from the institutional money related authority (Mohamad and Saad, 2012; Mohamad, Saad, and Bakar, 2011). Along these lines, this study ramified determinants that are fundamental to affect the Malaysian REITs implementation. The determinants are arranged into an improvement on property sort differentiations and property sort center; widening on the territory of property; the size of REITs firm; financing course of action grasped by REITs organization style of REITs and institutional examiners' help (Abdullah and Wan Zahari, 2008). The upsides of using development strategy to diminish chance were without a doubt known yet the observational results on these issues were mixed (Mohamad and Saad, 2012; Mohamad, Saad, and Bakar, 2011).

REITs implementation is differentiated in perspective of different sort of property guaranteed. For example, look at on motel REITs, retail REITs, office, private REITs. Elements, for instance, finance structure; zone and monetary condition and subjective factor, for instance, an operational organization of cabin were seen as basic effects in the hotel essential initiative (Newell and

Osmadi, 2009). Meanwhile, the higher wage advancement, the higher per open room improvement and higher inhabitance rate advancement have affected the implementation of REITs lodging. The M REITs has the most important market chance when diverged from various REITs parts yet its danger adjusted return resembles the general market (Abdullah and Wan Zahari, 2008). The implementation of each REIT part reveals that cabin REITs region was shoddy contrasted with office, mechanical and separated REITs section in term of the portfolio and what's more particular stock implementation (Newell and Osmadi, 2009). The study on retail has recognized that there are ten factors which affect the level of rent per square foot. These variables are subdivided into two social affairs to be particular pay related components and masses related components (Abdullah and Wan Zahari, 2008). The study on office space showed the working environment rent in the metro region declined due to overbuilding in the 1980s impressively more than the reduction of office rental in the provincial market (Newell and Osmadi, 2009). The provincial office promotes more demand on account of components, for instance, better nature of transportation, higher country school quality, less stop up and wrongdoing, cut down rent offer, change in development and correspondence (Newell and Osmadi, 2009). The private REITs are more used with whole deal commitment and gaining less flimsiness, in view of the possibility of private that have specific features and have high-security regard that can give wide availability of different financing sources. There are mixed disputes on the ability of property sort complexity and implementation (Abdullah and Wan Zahari, 2008). The property acknowledged particular implementation to REITs suitable to give improvement advantage on property portfolio. Meanwhile fought that upgrade in regards to property sort can cause burdens as REITs need to use satisfactory authorities to coordinate one of a kind property sort with different nature and risk and realized a negatively regard impacted by REITs (Newell and Osmadi, 2009).

A study on Singapore REITs Hypothetical Property Trust found that three section specific HPT and extended HPT has preferable implementation broken down by neighborhood stock and bond. There are low connections between office HPT and mechanical HPT with stock which show that these HPT ought to be consolidated into a mixed-asset portfolio (Abdullah and Wan Zahari, 2008). There was the basic effect of improvement to the extent property sort in property portfolio as a method to diminish peril and increase REITs implementation. The particular REITs had higher market peril than separated REITs. There is no basic affirmation of particular REITs in a singular property sort beating the extended REITs may improve REITs implementation was superior to specific REITs to the extent non-authentically immense edge. The request for property sort dissemination among specific and upgraded saw that there were important differences in implementation of REITs (Newell and Osmadi, 2009). Regardless, in their study did not expel that when general monetary circumstance was not as great, property sorts specific REITs were the better performers. They in like manner battled that there is frustration on financial and accounting to enlist any important qualification that was acknowledged to be identifiable differences in implementation (Newell and Osmadi, 2009). Property sort widened REITs seem to have in a general sense the larger amount of portfolio committed to office property by and large and more amazing excited about enthusiasm for space and retail properties (Abdullah and Wan Zahari, 2008).

On territory perspectives on REITs, it was agreed that widening across the finished different range, restrain peril, upgrade REITs implementation and was considered as a basic portfolio system. The zone of properties has been requested by state and territories, where they found that enthusiasm for REITs properties arranged in the western US has a useful result on danger adjusted return (Ong, 2011; Ong, Teh, Soh and Yan, 2012). Meanwhile, it was found that 73 percent of annuity sponsor arrive trough will consider range expanding at the neighborhood level and 23.9 percent of them consider metropolitan for improvement. The territory scattering of REITs property in the US showed REITs moreover upheld to place assets into humbler urban groups and broad metropolitan domains (Ong, Teh, Soh and Yan, 2012). More than 90 percent of money related experts separate fluctuating zone of property wander. There were various REITs independently tended to focus on territory region or property sort. The greatest REITs focus more on retail REITs property sort and small assembling places assets into office and current REITs property sort (Ong, 2011; Ong, Teh and Chong, 2011; Ong, Teh, Soh and Yan, 2012). To the extent the range center, the greatest REITs have the most surprising endeavor obsession in the Mideast, Southeast, and Southwest and Mountain division and give watchful thought in Midwest locale. This study has in like manner perceived the comfort of the zone for the implementation of property stock, rents, and cost. These analysts used market division and recorded the range for the weighted zone (Ong, Teh, Soh and Yan, 2012). At that point, advertise division considers on County Stockholm, depicted that there was unmistakable sub grandstand saw which realized five assorted cost records as a yield. There was criticalness in the gathering yield and the aggregate national yield in clearing up advancements in certifiable rents and property cost in the UK (Abdullah and Wan Zahari, 2008).

The fiscal activities in the region of properties have furthermore weighted the region. The study of financial zone factor has been discussed through STEP which included economy as a variable. The money related range should be used as opposed to geographic zones (Ong, 2011; Ong, Teh, and Chong, 2011; Ong, Teh, Soh and Yan, 2012). The money related range has been controlled by using a game plan of fundamental fiscal elements at the MSA level that should get the differences between exhibit measurement, work structure, financial advancement case and space apportionment by property division of a market and saw that affectability study was used to test the authenticity of the social affair and to recognize the inside and outskirts people of each money related group (Ong, 2011; Ong, Teh, and Chong, 2011). The money related bundles were especially decided as the landing association between social occasions was low, which prescribe that it was basic to improve across the finished financial territory. The basic information that had the connections cross money related range was nearly nothing, which demonstrated that the key budgetary differences in the districts do to make the certain change over into liberal return contrasts (Abdullah and Wan Zahari, 2008). The low association suggests that upgrade transversely finished zones were profitable to fabricate an advantage portfolio (Ong, 2011; Ong, Teh, and Chong, 2011; Ong, Teh, Soh and Yan, 2012). The high gauge of the range had associations depending upon the activities which weighted these regions. The private advantages back monetary master and REITs tend to hold the portfolio that was overwhelmingly pressed in the extraordinary territory. These illuminated REITs theorists should not by any means hold a wide-based market portfolio gave they can separate independently. Solitary REITs budgetary pro may be in a perfect circumstance appointing their capital where they can get the most working size of financial and helpful energies with existing properties, where their dominating information uncovered to them timing was the best open entryway (Ong, 2011; Ong, Teh, and Chong, 2011). Earlier, Ong, Teh, Soh and Yan (2012) communicated that total private land portfolio procedure was more drawn in geographical concentration than a total open land portfolio. Notwithstanding, in the occasion that open land was examined by property sort the proposal upon geographical concentration was the same as private land beside retail and mechanical which were more separated (Abdullah and Wan Zahari, 2008). The plenitude returns upon properties portfolio securing came to fruition as a result of the wealth advantage got when association reconfirmed their geographical fixation in the acquisition as inspected before in the determinants through property sort, upgrade and zone (Ong, Teh, Soh and Yan, 2012). The movement examples of business chairmen prescribe that the straightforwardness areas were as of now upgrading the business condition. This offers associations to move the business practices from particularly made and high-cost region to insignificant exertion region offering cost diminishing and satisfactory quality.

2.4 Empirical Evidence on REITs

Correct evidence from past research according to Smith and Shulman (1976), made a connection among the implementation of 16 REITs to the S & P 500 rundown, venture records, and 15 closed-end funds over the 1963-1974 period. They found that esteem REITs beat venture account and the S&P record for the 1963-1973 periods. Regardless, the poor implementation of REITS stocks in 1974 realized their REITS test neglecting to meet desires the S&P list for the whole 1963-1974 period. Kuhle, Walther, and Charles (1986) found that REITs performed ineffectually in the midst of the mid-1970s. When taking a gander at both the CAPM based Jensen records and the APT-develop Jensen documents in light of 16 esteem REITs and 20 contract REITs over the 1973-1982 period, Titman and Warga (1986) surmised that the implementation of REIT stocks was not in a general sense not exactly the same as that of the market portfolio.

Another study by Paul and Kim (1989) prescribed that REITs neglected to meet desires appeared differently in relation to the S&P record over the 1984-1987 periods. Howe and Shilling (1990) moreover found that REITs neglected to meet desires the CSRP correspondingly weighted record over the 1973-1987 periods. Regardless, the disclosures from the studies on the REIT implementation between the late 1970s and mid-1980s generally demonstrated that the implementation of the REIT business was practically identical or superior to that of the market portfolio. Expends and Epley (1982) found that mixed-asset portfolios containing 35 survivor REITs defeated the S&P rundown and single asset portfolios over the 1973-1985 period. Kuhle et al. (1986) found that REITs defeated the S and P list in 1977-1984.

Furthermore, Sagalyn (1990) found that survivor esteem REITs defeated the S&P record over the 1973-1987 periods. A couple of studies on the advance expense affectability of significant worth REITs are conflicting. For example, Chen and Daniel (1988) report immense affectability of significant worth REITs to changes in yields of whole deal government securities, while Liang, Prudential, and Webb (1995) find only the superfluous affectability of significant worth REITs to changes in a month to month holding period returns on whole deal government securities. It gave the idea that changed mediators for financing costs are causing the conflicting results. Additionally, Sanders (1996, 1998) reports that benefits on exceptional yield (Baa) corporate securities and every so often high survey whole deal corporate securities have essential legitimate power for REIT returns.

Fama and French (1993) use two security grandstand factors in their five-factor show, the spreads between returns on whole deal government securities and T-charge rates and spreads between high survey whole deal corporate and whole deal government securities. These components are in like manner seen to be useful in REIT return studies (Chan, Hendershott, and Sanders, 1990; Peterson and Hsieh, 1997; Sanders, 1998). A couple of prior solicitations have been made into the factors impacting land returns when all is said in done and into returns on REITs. For example, a study was made to perceive factors in the general economy that impact arrive returns. Moreover, that work saw the nearness of trim factors, for instance, benefit yield and firm size that were critical to unveiling the danger premium to arrive. Additional study concerning the firm level determinates of benefits was reflected in an article that perceives the piece of a couple of firm-level factors in choosing peril adjusted returns (Litt et al., 1999).

In Malaysia, conveyed confirmation on the property stocks wander implementation is to a great degree obliged. For example, Lau and Damon, (1990) inspected on the properties and implementation of the Malaysian property stocks. In any case, they did not survey on the danger and return associations. A huge segment of the studies was done in the neighboring country, Singapore. Chan and Sing (1991) separated the benefits on property stocks and land, and Liow (1996) inspected on the recorded implementation of Singapore property stocks.

Nevertheless, no further studies on the danger adjusted the implementation of property stocks and their security after some time were tried. A couple of prior solicitations have been made into the segments affecting area returns all around and into returns in REITs. For example, a study was made to perceive factors in the general economy that impact arrive returns. Additionally, that work saw the nearness of embellishment factors, for instance, benefit yield and firm size that were imperative to unveiling the risk premium to arrive. Additional study concerning the firm level determinates of benefits was reflected in an article that perceives the piece of a couple of firm-level factors in choosing risk-adjusted returns (Litt et al., 1999). In reality, the data study of that work derived that 66 percent of excess returns of REITs might be cleared up by firm-specific elements and that solitary 34 percent of "plenitude" returns is a result of precise threats. The firm-level factors that were examined were: commitment/esteem, FFO pays out EBITDA, FFO unique, and CAD different (pay adjusted for debasement), assess (publicize capitalization), benefit yield, and percent insider esteem. The results exhibited that elite firm size had a basic negative association with firm-specific risk.

The study by Chan et al. (1990) dissected the month to month returns on a likewise weighted rundown 18 to 23 REITs of which that were executed on huge stock exchanges over the 1973 to 1987 period. Specifically, their study in like manner checks whether esteem REIT returns are identified with a change in the markdown on closed-end stock resources which take after reasonable given the closed end nature of REITs. Thusly, when a direct CAPM structure is used, they found confirmation of surplus land returns basically in the 1980s. Regardless, when the multifaceted model is used, the checks vanish. Additionally, arrive as measured by the entry implementation of significant worth REITs is less flawed than stocks all things considered, yet does not propose a prevalent risk-adjusted return (Chan et al., 1990).

Think done by Corgel and Rogers (1987) said that the benefits of REITs change extensively with currency advertises in the short run, however, tend to be higher related over longer holding periods. Everything considered the REITs' benefits are keener of the changes in the rentals and estimations of the essential honest to goodness spaces in portfolios. Of the affirmation in the help of REIT consistency, Gyourko and Keim (1992) find that slacked estimations of REIT benefits can predict returns for assessment based land records. They observe that 5 assessment based records solidify promote fundamentals at a slack. Essentially the usage of past moving typical based rundown regards drives the change of trade based course of action, for instance, Case Shiller.

Regardless, REITs were not capable anticipate the abatement in arrive in the midst of the present crises and Pavlov and Wachter (2009) suggest this may be a direct result of unobtrusive credit being offered and gotten to by REIT money related masters. Neil Myer and Webb (1993) communicated that esteem REIT returns have every one of the reserves of being significantly more solidly related to close end stores or those on unsecuritized business certified spaces. Kapplin and Schwartz (1995) broke down the benefits of 54 US arrive securities over a three years traverse. They found that the land securities fail to give an effective extension fence and REIT did not give a wealth return past the market. This study was stretched out by Glascock and Davidson (1995) that analyzed the entry of 31 recorded land associations in the midst of the period 1977 to 1986. They found a similar finding where recorded property associations did not appear to give an intriguing swelling supporting return. In perspective of a yearly reestablish, their example neglected to meet desires the market on a peril adjusted commence.

Wang, Erickson, Gau, and Chan (1995) found that cash related specialists tend to bring after REITs with the higher institutional property. An advanced study by Howe and Shilling (1990) prescribed that firm size and property territory may not completely clear up REITs implementation. Additionally, Below, Kiely, and McIntosh (1995) proposed that trading activity is less basic as a determinant of REITs implementation than the level of institutional ownership. Specifically, their exploratory disclosures implied that the level of defenselessness enveloping worth of significant worth REITs is lessened when the level of institutional proprietorship rises.

Malaysia Real Estate Investment Trust (M-REIT) is not appealing to the overall market. This is a direct result of M-REIT are too little in asset size to attract remote store. Other than this, MREIT is in like manner too little in term of capital impetus as a result of the low exchange estimation of the Ringgit and have extraordinarily compelled outside potential in light of the way that their present market costs do not allow new acquisition as there is no yield amassing. Broad theorists are not gifted to make essential wander that would keep up their liquidity as a result of the capitalization of REIT publicize were quite recently too little. Due to this reason, budgetary masters saw that Malaysian REIT had direct advancement in returns. An audit of Chief Executive Officer and bosses of REIT in Malaysia had furthermore perceived a couple of obliging segments to the best in the class progression of Malaysia REIT (Ting, 1999). For example, nonattendance of intrigue and poor acknowledgment among institutional examiners, properties open for acquirement are not given a better than average return and strong implementation by battling wander elective. These components have transformed into a restrictive wander condition for REIT to make and develop a colossal theory profile in Malaysia (Newell et al., 2002).

Generally, most esteem wanders depend upon capital get as a central wellspring of return for examiners. Right when there is a positive improvement in share costs, monetary experts will get and setback if the offer costs move for the most part. REIT shares have been regarded to have not as much as great capital expands on account of lower stock cost instabilities, be that as it may, they have had consistent and sizeable benefit payouts each year. Interests in REITs and the land promote have certain resemblance that the two would realize obligation regarding properties being contributed through securities trade or physical property exhibit yet the prime differentiation is that REITs are more liquid than arrive in light of the way that with REITs, money related masters can without a doubt get in and out from acquiring and offering of the REITs stocks through the offer exchanging framework, while buying and offering of honest to goodness spaces, for instance, landed properties and shop parts would set aside any more extended time for managing or looking for potential buyer and seller. The route toward offering or obtaining a land will be more trapped and dull.

Various investigators have analyzed REIT implementation in made markets, especially in the US, since the late 1970s. Disclosures on the US REIT implementation have been mixed as for currency markets portfolio. In any case, a couple of studies has been driven to this point in Malaysia. Revelations by Kok and Khoo (1995) suggested clashing peril adjusted implementation and methodical risk while Newell et al. (2002) discovered inauspicious risk-adjusted implementation. In the Malaysian setting, conveyed evidence on the implementation of recorded property trusts is extraordinarily compelled. Kok and Khoo (1995) examined the implementation and the exact risk of three recorded property trusts, specifically Arab Malaysian First Property Trust, First Malaysia Property Trust and Amanah Harta Tanah PNB, over January 1991 - April 1995 period by using Treynor, Sharpe and Jensen Index estimations. The results indicated recorded property trusts are generally out-performed than an exhibit in the midst of bear markets, however, performed deficiently in the midst of decidedly inclining markets. Their disclosures contemplated that First

Malaysia Property Trust beat other recorded property trusts and executed and also the market portfolio over the period. The recorded property places stock in generally performed better than the market in a falling business part, however, more repulsive than the market in a rising business division. The recorded property trusts did not give solid implementation after some time. The deliberate perils of the recorded property trusts were low before the season of over-theory. In any case, after the season of over speculation, the deliberate threats were higher than those of the market. They also found that the effective peril rankings of the recorded property trusts were not unsurprising after some time. Wang et al. (1995) found that REITs with a more hoisted measure of institutional proprietorship defeat those with cut down level of institutional theorists. The avocation is that institutional money related masters have the fitness and are all the more prepared to spend resources for screen their endeavors. On account of the closer watching, it transforms into an inspiration for the REITs to perform better.

Chan, Kin, and Wang (1998) moreover argue that institutional budgetary experts have better control and checking limit on the REITs, in this way growing the estimation of the REIT. Maintain a strategic distance from (2003) and Ting (1999) found among the factors that constrained the progression of Listed Property Trusts in Malaysia to consolidate poor perception and nonappearance of enthusiasm for thing among examiners including institutional monetary experts, properties open to securing are giving low yield, exorbitantly couple of institutional budgetary authorities in Malaysia and a strong implementation by fighting endeavor decisions as well as adjacent hypothetical theory.

Newell et al. (2002) inspected the implementation of four recorded property trusts, particularly Arab Malaysian First Property Trust, First Malaysia Property Trust, Amanah Harta Tanah PNB and Maybank Property Trust Fund One (Amanah Harta Tanah PNB 2), over the 1991 - 2000 periods. In light of the ordinary yearly return measures, they found that selective Amanah Harta Tanah PNB beat the Kuala Lumpur Composite Index, the Kuala Lumpur Properties Index and the Kuala Lumpur Office Property Index independently completed the period. The threats, measured by standard deviation, for three of the recorded property trusts (First Malaysia Property Trust, Amanah Harta Tanah PNB and Mayban Property Trust Fund One Amanah Harta Tanah PNB 2) were more than the general securities trade shot and inside and out finished the working environment arrive possibility. They furthermore derived that in light of a coefficient of assortment measure, each of the recorded property trusts on a very basic level neglected to meet desires the Kuala Lumpur Composite Index and land associations' zone.

A study from 1979-1989 exhibited that REITs implementation is insistently impacted by the flood of information in the market. The enthusiasm for such information is all things considered, inferable from institutional budgetary authorities checking their endeavors (Chan, Erickson, and Wang, 2003). There is amazingly confined research and instructed have been pondering as for the Islamic REIT. Osmadi (2006) is considering the progression of Islamic REITs. Ibrahim and Ong (2008) look at the implementation of operational Islamic-pleasant REITs for both restricted and non-constrained arrangement. The defiant REITs beat grievance REITs for the comparably weighted portfolio. In any case, the revelations are clashing with the study of Hassan, Alhenawi, and Merdad (2011) assesses the relative implementation REITs for both restricted and non-limited arrangement. The results exhibit that pleasing REITs have out-performed safe REITs and give less unsteady wander vehicle. Various researchers have mulled over on REITs from different viewpoints and in different circumstances. In any case, peril and return study is a much-reviewed zone in REITs.

As demonstrated by Henderson Global Investors (2006), REITs offer a liquid go-between for the physical land exhibit which suggests money related authorities can gather nearby and improved portfolios in a pitiful and profitable path without the complexities of buying physical land (Chan, Erickson, and Wang, 2003). The cost capability suggests they are high yielding, and the exceptional yield tends to lessen share esteem insecurity which makes REITs by and large alright diverged from various esteems. A couple of studies do especially investigate the sections of REITs' precise danger that breeze up clearly one of the parts settled on REITs return. Chan et al. (1990) analyzed three factors driven by REIT and general securities trade; McCue and Kling (1994) consider on the associations between the macroeconomics and business arrive returns; Simpson, Ramchander, and Webb (2007) reports a strong asymmetry in the response of significant worth REIT returns to extension; and Chen and Peiser (1999) found confirmation that REIT portfolio typical returns show no positive relationship with beta. In any case, factors, for instance, eccentrics, topographical expanding, and property sort specialization appear to have a more constructive outcome.

2.6 Chapter Summary

In conclusion, we realized that most of the past studies indicated the performance of REITs on several financial events to compared with the other financial instruments. Although there are some researchers studied the factors that would determine the performance of REITs in general. Yet, less specific researches were conducted for the local market. Thus, in a subsequent chapter, this study will discuss the methodology that is used to find the hypotheses which are able to capture the determinants of REITs in Malaysia.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

The research method is an all-around requested process used to choose an observational study composedly. It collects and studies each material datum of the study. Other than that, the investigation strategies help in understanding the study of the outcomes. In like manner, look at reasoning moreover delineates the entire cognizance of the investigation steps. Research framework insinuates a general approach to manage the study methodology, from the theoretical supporting to data assembling ultimately data study (Collis and Hussey, 2013). In Chapter 3, the perceived research diagram and data sourcing are portrayed in the study. The basic point is to clear up and inspect how the study would proceed. The investigation approach of this paper will unmistakably demonstrate the study plot, data gathering methodologies, assessing frameworks, hands-on work systems and data study strategies all together that will have the ability to elucidate the purposes of this investigation.

3.1 Data

Quantitative data is all things considered numerical (or can be set into orders) and is in this way more objective in nature. Representations consolidate conduit speed data or bystander counts. This data is definitely not hard to put on a table and outlines and would then have the capacity to be affected arranged to be penniless down to further. The quantitative data for this study was obtained in a general sense through Bloomberg Terminal database.

Moreover, the data was affirmed with information from the fundamental sources, for instance, Bursa Malaysia and Equity Tracker which is an enlisted esteem database used by securities firms. For the implementation study, all data is accumulated in private financial guidelines. Immediately, this study explored the databases for consistently M-REITs stock price, M-REITs dividend yield, M-REITs net income, M-REITs total assets, and FTSE Bursa Malaysia KLCI for the season of 10 years. The usage of stock price and the index is to calculate the systematic risk for the M-REITs.

As the paper reviews the establishment years for each M-REITs stock expenses and careers, it finds out that the Malaysian Listed Property Trusts (LPTs) changes names to Malaysian Real Estate Investment Trusts (M-REITs), beginning from 2005, which turns solid with a systematized term. Other than that, in the midst of the study's timeline, it furthermore discovers that the Kuala Lumpur Composite Index (KLCI) changed its name into FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBMKLCI), and it was on 6th July 2009 when people realized the changes. Choices of self-governing and ward factors for this study are crucial what's more, must be tended to correctly. For our research, there are four independent variables or substance segments to be reviewed which are systematic risk, dividend yield, net income, and total assets of M-REITs. The study then uses these entire component elements in choosing the M-REITs display, and back-slide investigation will be finished to evaluate the imperative of each independent component (Mohamad & Saad, 2012).

Table 3.1: Definition for Dependent and Independent Variables

Variables	**Definition**	**Expected Sign**
Dependent		
Return	Measurement using M-REIT annual stock price	
Independent		
Systematic Risk of M-REIT	Measured the variation in returns relative to the market	Negative
Dividend yield of M-REIT	M-REIT yearly dividend income	Negative
Net Income	The annual earning of M-REIT	Positive
Total Asset	The total asset owned by M-REITs	Positive

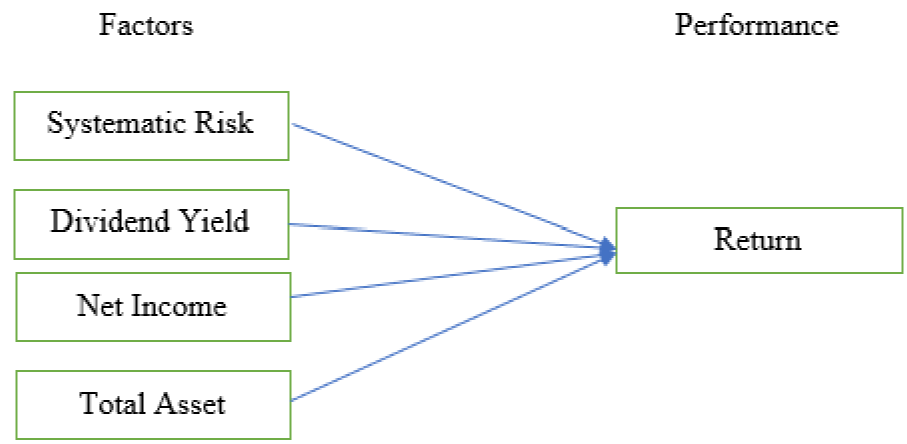
The testing layout is the once-over of segments where tests may be drawn (Zikmund, 2003). It can be thought of as a once-over of all segments in the quantity of occupants in interest, for instance, names of individuals, telephone numbers, house areas and enlistment tracts. The reviewing layout operationally portrays the target masses from which the case is pulled in and to which the example data will be summed up. The testing arrangement used as a piece of this investigation is not a probability test. In like manner, the looking at of no likelihood described as the probability of a particular individual of the people is dark. FBM Kuala Lumpur Composite rundown, M-REITs stock costs benefit yield, net compensation and total assets which records got from Bloomberg Terminal databases. Thus, the looking at a plan of the study can be done up as non-probability assessing.

3.2 Theoretical Framework

The speculative structure is a social occasion of interrelated thoughts, like a theory yet not so much so all around worked-out. It controls the study, making sense of what things to evaluate, and what quantifiable associations with look for. It is similarly depicted as an ascertained model of how a man imparts the associations among various estimations that have been recognized as key to the issue (Sekaran, 2003).

By explanation, the theoretical framework enables readers to understand the relationships between the variables and factors related to the problem. Regarding a variable, people cannot assume different absolute or numerical values. The issue to predict is the dependent variable; whereas the problems people expect they will affect the dependent variables are the independent variables.

Figure 3.1 Theoretical Framework



3.3 Measurement of Data

Remembering the ultimate objective to evaluate each of the variables recorded yearly returns from rough data at all MREITs expenses and FBM Kuala Lumpur Composite Index is gathered independently. M-REITs returns are used as a go-between for regard. In the study, the M-REITs include each one of the 16 REITs recorded associations in Malaysia. The case to be used as a piece of this study adventitiously falls under the entire data for M-REITs zone in Malaysia. The yearly incomes of Malaysian REITs stocks were extracted out of the database on a certain trading day of the year. The REITs prepare the annual stock cost in perspective of:

$$R_t = \frac{(P_t - P_{t-1})}{P_{t-1}} \times 100 \quad \text{———————} \quad \text{(Eq. 1)}$$

Whereby:

R_t = M-REIT stock income for year t

P_t = M-REITs closing stock at final day of year t

P_{t-1} = M-REITs closing stock price at final day of year prior to year t (last year)

Likewise, the annual incomes for FTSE Bursa Malaysia KLCI are processed based on:

$$R_{index_t} = \frac{(index_t - index_{t-1})}{index_{t-1}} \times 100 \text{ ———— (Eq. 2)}$$

Whereby:

R_{index_t} = Equity index income for year t

$index_t$ = final day closing index value of year t

$index_{t-1}$= final day closing index of year prior to year t (previous year)

The study required the stock price for each M-REITs and market index to compute Systematic Risk. Thus, this study will compute the covariance and variance with market return and annual return of M-REITs. After that, by dividing the covariance of significant with variance, this study can obtain the estimation of systematic risk of each M-REIT. The formula to compute systematic risk is as follows:

$$Systematic\ Risk = \frac{Cov_{xy}}{Var_x} \text{ ———————— (Eq. 3)}$$

Whereby:

Cov = Covariance

Var = Variance

x = equity index returns

y = M-REITs returns

3.4 Regression Techniques

For our study, this study apply Pooled Ordinary Least Square (OLS) method to test the significance of the factors and performance of M-REITs. Before this study proceed with the regression analysis, this study will have to measure the seriousness of multicollinearity for the data set by using the Variance Inflation Factors (VIF). Thus, significant multicollinearity issues exist, the variance inflation factor will be very large for the variables involved. If values of VIF that exceed 10 are often regarded as indicating multicollinearity.

Afterwards, this study have to determine whether fixed or random effects model should be used in our panel data. To do so, Hausman's Specification Test will be used for this case. It is a useful device for determining the preferred specification of the common effects model. Hausman's Specification Test is designed to detect the violation of random effects modeling assumption that the explanatory variables are orthogonal to the unit effects. Thus, if the Hausman's Specification Test indicated p-value less than 0.05, then fixed effect model should be used, otherwise, random effect model will be used.

The Pooled OLS method will be used for the regression analysis to determine if there is a significant relationship between the independent variables and the dependent variables. The null hypothesis is rejected when the p-value is less than the level of significance.

Lastly, this study will conduct a diagnostic test for our study. The Breusch-Pagan (BP) test is used to tests for heteroscedasticity. It begins by allowing the heteroscedasticity process to be a function of one or more of independent variables, and it is usually applied by assuming that heteroscedasticity may be a linear function of all the independent variables in the model. If the test statistic has a p-value less than 0.05 then the null hypothesis of homoscedasticity is rejected and heteroscedasticity assumed.

3.5 Chapter Summary

In summary, this section defines the theoretical frameworks to enable the reader understands the overall relationship how the dependent relationship to the independent variables. From the above investigation and assessment, the paper uses the relevant data and outputs to fulfill the study's objective.

CHAPTER 4

ANALYSIS AND RESULTS

4.0 Introduction

In this part, the study compresses and organizes the experimental outcomes. Afterwards, the research decides the settled and arbitrary implications of the board information it gathers before the relapse investigation continues. Later, the study will clarify the aftermaths of the relapse in the findings to determine the M-REITs and the symptomatic test outcomes.

4.1 Descriptive Statistics

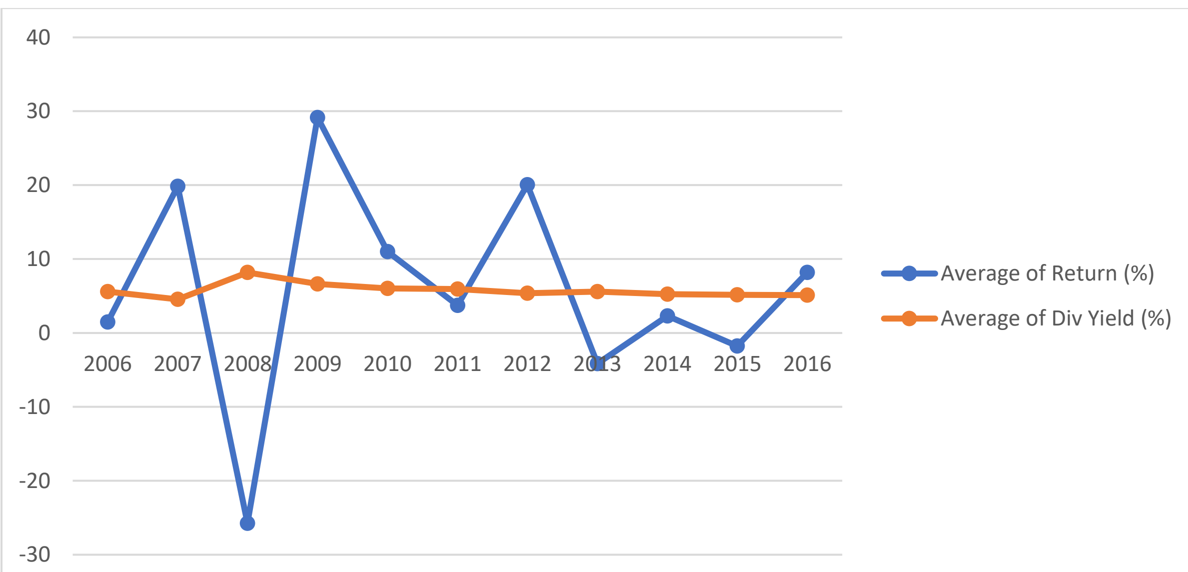
4.1.1 Average Rate of Return against Average Dividend Yield of M-REITs

Table 4.1 and Figure 4.1 show the average rate of return and average dividend yield of M-REITs in Malaysia from the year 2006 to 2016. From the graph, it shows that in the year 2008, the average rate of return of M-REITs had slumped to around -25% of return and did not contribute any return to investors. This condition could be due to the subprime crisis occurred during 2007 -2010. Nonetheless, although there is no earning from capital gain, M-REITs are able to declare a dividend of an average 8% to shareholders which could be an alternative to gaining. Moreover, it also acted as a risk diversification instrument for investors to include in their portfolio because of the low-risk criteria.

Table 4.1: Average Rate of Return and Average Dividend Yield of M-REITs

Year	Average of Return (%)	Average of Dividend Yield (%)
2006	1.496277502	5.61656
2007	19.83926753	4.551633333
2008	-25.7402614	8.187275
2009	29.16666389	6.6178
2010	11.02370321	6.031025
2011	3.732612618	5.957935714
2012	20.06482044	5.385726667
2013	-4.145008699	5.58805
2014	2.293207852	5.2402625
2015	-1.760613867	5.18721875
2016	8.208747747	5.12658125

Figure 4.1: Average Rate of Return and Average Dividend Yield of M-REITs



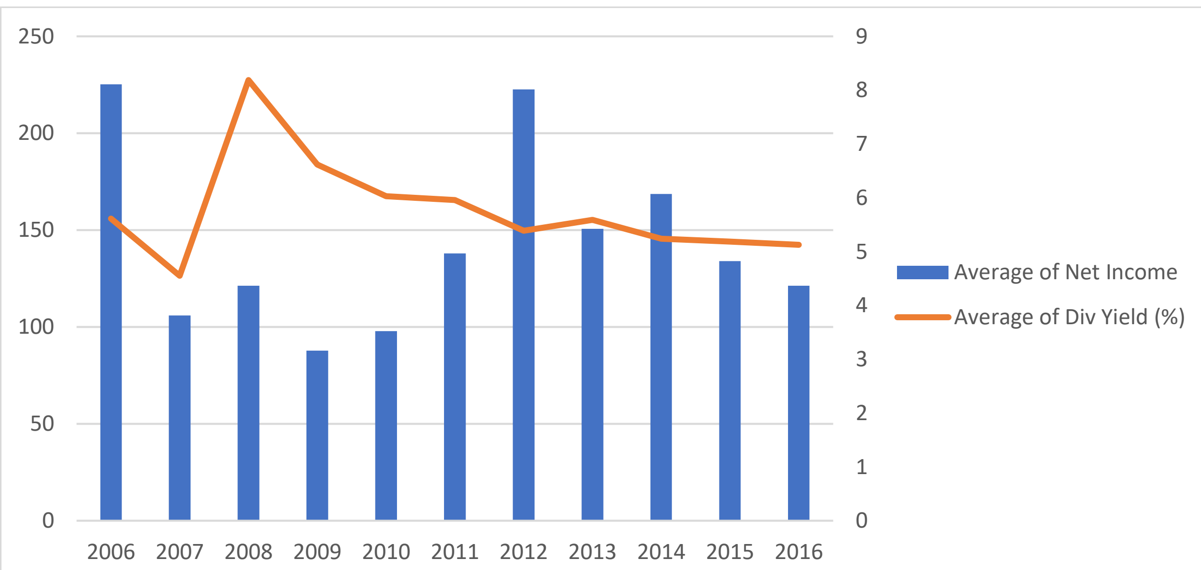
4.1.2 Average Net Income against Average Dividend Yield of M-REITs

Table 4.2 and Figure 4.2 show the average net income and an average dividend yield of M-REITs in Malaysia from the year 2006 to 2016. From the graph, this study can observe that the during the subprime crisis (2007-2010) and the aftermath of it, the net income of most M-REITs are at the lowest. Yet, similar to the previous analysis made. The M-REITs capable to maintain the cash inflow and create a buffer to investors during the crisis event by giving the dividend.

Table 4.2: Average Net Income and Average Dividend Yield of M-REITs

Year	Average of Net Income (RM million)	Average of Dividend Yield (%)
2006	225.18776	5.61656
2007	105.9403333	4.551633333
2008	121.252275	8.187275
2009	87.821475	6.6178
2010	97.842575	6.031025
2011	137.90215	5.957935714
2012	222.5403933	5.385726667
2013	150.5813	5.58805
2014	168.6709375	5.2402625
2015	134.0245938	5.18721875
2016	121.2431438	5.12658125

Figure 4.2: Average Net Income and Average Dividend Yield of M-REITs



4.1.3 Average Net Income against Average Return of M-REITs

Table 4.3 and Figure 4.3 show the average net income and the average percentage of return rates of the REITs in Malaysia from the year 2006 to 2016.The information suggests that the REITs gained the highest returns after achieving the lowest systematic risk and total risk as associated with the market portfolio. The study indicates that there was under-performance of REITs in comparison with the market portfolio.

Table 4.3: Average Net Income and Average Rate of Return of M-REITs

Year	Average of Net Income (RM million)	Average of Return (%)
2006	225.18776	1.496277502
2007	105.9403333	19.83926753
2008	121.252275	-25.7402614
2009	87.821475	29.16666389
2010	97.842575	11.02370321
2011	137.90215	3.732612618
2012	222.5403933	20.06482044
2013	150.5813	-4.145008699
2014	168.6709375	2.293207852
2015	134.0245938	-1.760613867
2016	121.2431438	8.208747747

Figure 4.3: Average Net Income and Average of Rate of Return of M-REITs

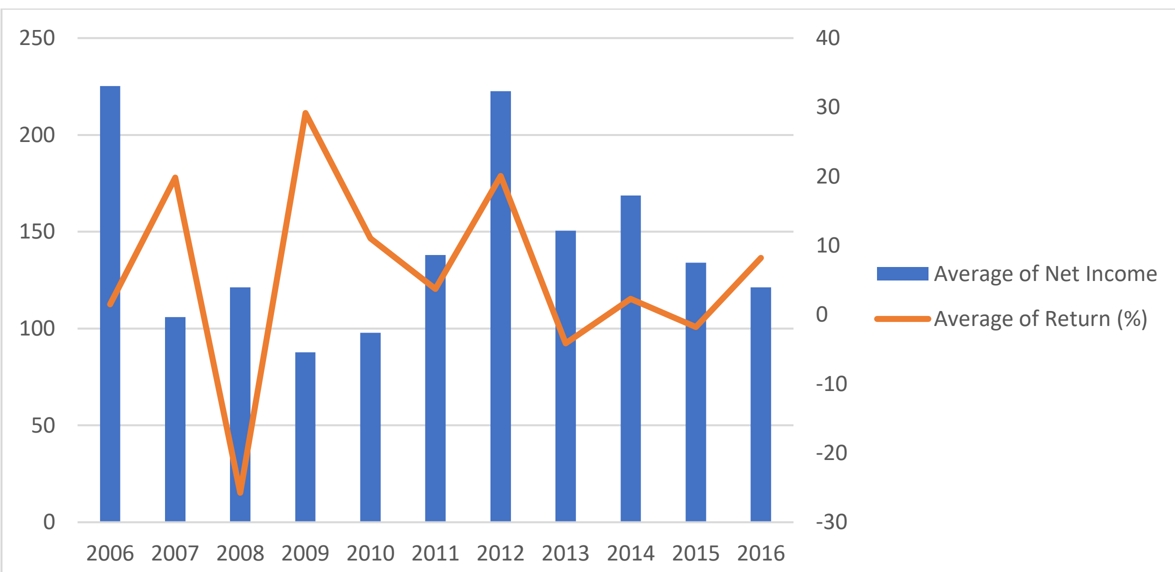


Table 4.3 also exhibits the performance of the REITs throughout the research. The results show that all the REITs experience under-performance as compared to the market portfolio. The reason for this can be the investors do not recognize the Malaysia Islamic REITs as Bursa Malaysia lists

only three Islamic REITs and they might consider it a new form of investment. The comprising of Shariah principle in the Islamic REITs makes the investors think the Islamic REITs are for Muslim investors. Moreover, the few Islamic REITs are unable to create enough interest and buzz of the native and domestic investors.

Overall, the study's results depict that Malaysia's most profitable REITs relative to the market portfolio because it was in the listing after the global financial crisis. The unexpected timing can lure what investors expect of the upcoming growth opportunities. The performance of majority REITs in Malaysia was low relating to the market portfolio, and there were a lower average yearly net income and a higher total average of returns compared to the market portfolio. Additionally, many conventional REITs have a systematic risk which is smaller than the market portfolio. The findings suggest that the conventional REITs offer negative figures, depicting poor performance in traditional REITs in general.

Regarding the current trend on Malaysian REITs return rates, the study shows that the standards are improving yearly. In the recent past, almost all M-REITs had an increase in payouts in comparison to the previous years with the year 2001 having the high-income return. People can also note from the research findings that the return rates for Malaysian REITs remain up even during the subprime mortgage crisis in 2008. During this period, almost all of other sections were eliminating or reducing their dividend payouts to their investors, given that the crisis resulted in a serious meltdown to the world's property industry.

The study findings suggest that the values for the REITs are not conclusive because they are the latest listings from 2010 and M-REITs are yet to make a declaration of their final yearly net income rates. However, the market observers and analysts expect the M-REITs to be promising paymasters as they have strategic assets holding in their real estate and property portfolios.

The study's findings show that if investors consider Malaysian REITs to be part of their investment plan because they will be able to protect and hedge from the pressure of inflationary with the REITs' netting positive net income rate. Regarding this factor, the shareholders with a concern of finding lesser risk but good ways to avoid their buying power erosion, they will get ahead of the inflation trap through venturing in the Malaysian REITs.

4.2 Results of Regression Analysis

Pooled OLS is used to test the theory that M-REITs' level of Return, the research considers four factors which are Risk, Dividend Yields, Net Income and Total Assets. Before that, the research requires measuring the seriousness of multicollinearity for the investigation. Therefore, this study will perform the VIF test and finds out that there is a low level of multicollinearity was available for the model since all the VIF esteem for all factors the test tried is under 10 which is summarized in Table 4.4. The study performs tests utilizing 143 firm-years perceptions and displays the outcomes in Table 4.5. Also, the research investigates the Breusch-Pagan Test are included in Table 4.5. The outcomes it shows in P-values are not same as the highest level for both cross-segment and period. Consequently, it is the study presumes that the analysts reject the invalid theory is and the information is biased.

The outcomes for Systematic Risk demonstrate a negative coefficient with the return at the highest level. The findings show that for this situation, the Systematic Risk does not have any critical association with Return hence does not dismiss the invalid theory. According to the observations, the outcomes for Return and Systematic Risk are in reliable which depicts that the REIT portfolio average returns demonstrate no positive association with precise hazard. The study shows that the relapse is also in Dividend Yield which demonstrates a one percent importance level with Return. The finding indicates the REITs can clarify any adjustments in Dividend Yield about the alterations in Return thus dismisses the invalid theory. Regarding this case, the higher the Dividend Yield, the lower will be REIT's, this shows that the M-REITs can clarify one-unit increment in Return by - 2.276 units which diminishes in Dividend Yield. As the research demonstrates the consequences of Net Income, the coefficient is high with the Return at one percent essential level.

The outcomes suggest that an expansion or reduction of the net salary of REIT's organizations will have an impact on the Return. Results for Total Assets about the Return demonstrate a negative immaterial association with the Return and the necessary level which does not dismiss the invalid theory. Additionally, the r-square clarifies 16% of the Return variety by the independent factors.

Table 4.4 Table of Variance Inflation Factor

Variables	VIF
Constant	-
Systematic Risk	1.676253
Dividend Yield	1.297102
Net Income	3.124770
Total Asset	3.417795

Table 4.5 Regression Analysis Summary Table

	Pooled OLS	Cross-Section Random Effects	Period Random Effects
Variables	Coefficient (SE)	Coefficient (SE)	Coefficient (SE)
Constant	20.22625 (7.494998)	20.22625 (7.615079)	20.53343 (7.599747)
Systematic Risk	-12.53753 (12.41666)	-12.53753 (12.61560)	-12.77747 (12.36166)
Dividend Yield	-2.275707 (0.851659) ***	-2.275707 (0.865304) ***	-2.312117 (0.854448) ***
Net Income	0.040738 (0.12765) ***	0.040738 (0.012969) ***	0.040248 (0.013156) ***
Total Asset	-0.001074 (0.000756)	-0.001074 (0.000768)	-0.001061 (0.000773)
R-Squared	0.157709	0.155709	0.160682
Adjusted R-Squared	0.133295	0.133295	0.136354
Breusch-Pagan Test	0.0000***	0.0041***	0.0000***

Note: *** indicates the significance of parameter at 1%. Parenthesis () stand for standard errors.

4.3 Result of Hausman's Specification Test

In Table 4.6 summarizes the descriptive statistic of the Hausman’s Specification Test for the panel data. From the table, the corresponding P-values for both cross-section and period indicate that null hypotheses of the normal distribution are inconsistent. Thus, this study conclude that the random effect is suitable for the analysis.

Table 4.6 Hausman's Specification Test Summary

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	P-value	Result
Cross-section random	7.030901	3	0.0709	Random effect
Period random	1.017252	4	0.9072	Random effect

4.4 Chapter Summary

The chapter outlays the findings and results of this study with both inferential and descriptive statistical analysis techniques. The section presents an analysis of the Malaysian REITs performance regarding the total annual collection and determines their risk or vitality levels using the standard deviation values.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

It is the last piece of this study whereby the audience will understand the findings of the study. Regardless of anything else, the paper will give a summary of noteworthy disclosures in this study. By then, the resulting consequences of this research and furthermore the review will highlight the rising hindrances in relation with range. Lastly, the study will analyze some domains for future research or compose advancement and moreover proposition for everyday approach making.

5.1 Conclusion of Findings

The research finds out that a segment of the determinants does not have the quick relationship with the M-REITs Return. The study shows the consistent result with the study of (Conover, Friday, and Howton, 2000). Regardless, the result is in invalidating with the study of Mohamad and Zolkifli (2014). The reason could be a result of our study is based on Malaysia just, and the past research focuses on the Asian countries. Thus, a segment of the components is clashing an immediate aftereffect of the measurement contrasts. The delayed consequences of Systematic Risk demonstrate that the implementation of M-REITs did not totally affect it. Which infer that the instability of the business areas would not cause an enormous effect on it and cause it the risk could be steadier than others shares? Thusly, by adding REIT offers to an extended portfolio may progressively raise the total portfolio returns with cut down danger. The results of Dividend Yield demonstrated a negative relationship with Return. This study exhibits unsurprising result from the study of Masum (2014). It shows that in the monetary master's perspective, the benefit pay-out impacts the potential improvement of the offers which give out charming returns. The Net Income showed a positive relationship with the Return which is unsurprising with the study of Mohamad and Zolkifli (2014). It suggests that the higher pay of an association would be favorable to the wealth of the speculators. Mean Asset does not show facilitate a relationship with the Returns. Regardless, it does not suggest that it does not in a roundabout way influence the Return. In Jalil and Ali (2015), signify asset has a circuitous relationship with the implementation of REITs through the traverse of the associations.

The research finds out that a segment of the determinants does not have the quick relationship with the M-REITs Return. The research shows the consistent result with the review of (Conover, Friday, and Howton, 2000). Regardless, the result is in invalidating with the study of Mohamad and Zolkifli (2014). The reason could be a result of our research is based on Malaysia just, and the past research focuses on the Asian countries. Thus, a segment of the components is clashing an immediate aftereffect of the measurement contrasts. The delayed consequences of Systematic Risk demonstrate that the implementation of M-REITs did not wholly affect by it. Which infer that the instability of the business areas would not cause an enormous effect on it and cause it the risk could be steadier than others shares? Like this, by adding REIT offers to an extended portfolio may progressively raise the total portfolio returns with cut down danger. The results of Dividend Yield demonstrated a negative relationship with Return.

The study exhibits unsurprising result from the survey of Masum (2014). It shows that in the monetary master's perspective, the benefit pay-out impacts the potential improvement of the offers which give out attractive returns. The Net Income showed a positive relationship with the Return which is unsurprising with the study of Mohamad and Zolkifli (2014). It suggests that the higher pay of an association would be favorable to the wealth of the speculators. Total Asset does not show facilitate the relationship with the Returns. Regardless, it does not suggest that it does not in a roundabout way influence the Return. In Jalil and Ali (2015), signify asset has a complicated relationship with the implementation of REITs through the traverse of the associations.

5.2 Implication of the Study

First, the shareholders can consider adding Malaysian REITs in their investment portfolio. The results find low-risk investment methods and do not correlate with the portfolio market FBM Kuala Lumpur Property Index; it achieves only a particular portion of the portfolio. Because the risk level in M-REITs is low, M-REITs are suitable for the small risk investment criteria group of investors. The Malaysian REITs concentrate on the four-time yearly dividends rather than the stock price growth. The M-REITs can also be an alternative investment technique during the economic crisis or bear markets, as shareholders can temporary switch their portfolios to the low-risk M-REITs to reduce losses.

For the investors looking for steady and stable passive income, M-REITs are a better choice. Therefore, the study concludes that the Malaysian REITs supported by the theory ‘bird-in-the hand'. The argument concerns policy of the dividend in a venture that John Litner improved in 1962 then by Myron Gordon in 1993. It is clear that most of the shareholders in M-REITs need dividend yield out of all types of investments and Malaysian M-RETTs able to generate a stable income compared to other stock investments. In fact, the rules for M-REITs discuss that managers must allocate ninety percent and above of the net income to their investors.

To conclude, investors prepare their criteria in their investment portfolio along with the essential technical analysis of the market cycles. Along with the volatile or the significant swings in the market as well as the economy, M-REITs have protection which is an effective means to lost capital and a safeguard to the investment values.

5.3 Limitation of Study

The study is similar to other experimental research. Thus, it also has limitations and weaknesses that make the findings to be insufficient to draw for future research. Future study on this topic or related field will be inconsistent with the results because of some research limitations, which the study highlights. First, this study's weakness is a comparatively short sampling period of Malaysian REITs, as the sampling time is only from 2006 to 2015. Because of the short duration of the study with the limited listed Malaysian REITs, investors might not trust sixteen M-REITs for performance as compared with the advanced nations like Japan, the USA, Australia, and many others. Second, the research does not consider the level of the profitable income stream from the rental of premises portfolios to a shareholder. For the returns distribution techniques, the paper does not have consistent regulations among the organization of M-REITs.

Additionally, as the current operator of the Malaysian REITs only has a land bank and a commercial properties portfolio, there is a limitation of coverage of the kind of operations or business of the M-REITs. Hence there can be an effect on the study's findings if the M-REIT operator has another real estate related property like residential facilities or hotels in their portfolio. The reason us the differences in income stream or cash flow with several forms of tangible property assets. Furthermore, there might be differences in performance although in the Islamic and conventional REITs regarding the management cost and the case management laws. Therefore, any conclusion the research draws now does not imply the nature of the future or the current Islamic REITs.

The study's discussion indicates that low volatility and low return of M-REITs reflects yet another disadvantage to offshore M-REITs investment. The research attributes the phenomenon to the turnover rates over the years and the little daily volume of transaction. The factor affects Malaysian REITs stock price motion in the time frame. Moreover, the study has a limitation in the disclosure of the information by the M-REITs entities on their historical financial data for the full interrogations levels.

5.4 Recommendations for Future Research

Further studies enable finding solutions to overcome these limitations of the research, as well as parts that require additional investigation. Future studies can extend to cover other performance measures like Net Asset Value and Size (Ong et al., 2011) to complement the efficiency of the findings.

Additionally, they require focusing on the M-REITs' performance analysis for both the local and international overview to recommend investors on whether they wish to invest locally or internationally. Researchers can undertake an exegetical study to comprehend better the M-REITs' performance. Besides this, the study can compile evidence through interviews and observations to find out the perception and attitudes of local and global investors. With the growth of M-REITs, the future studies should offer significant developments and advanced property sector in Malaysia.

Furthermore, the researchers can compare the Islamic REIT to the Malaysian conventional REIT. Hence, able to come up with appropriate findings which give the investors an understanding of each trade-off risk-return and also carry out studies about considering M-REITs as likely alternative investments. Additionally, future studies can try finding out the performance of different sections in the M-REITs' property types like the healthcare, retail, diversified or office. The results from this study will be vital information to the readers and investors to decide on which M-REITs that matches their investment portfolio. Lastly, future researchers can extend their research and analysis into the Asian REITs Industry and also compare the European verse Asian REITs. The study will be critical as the Europe REITs market mutuality can be able to come up with an empirical result to benefit the reader as well as the investor.

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