

Title: Systematic risk of islamic reits and conventional reits in Malaysia

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Abstract: In this paper, we evaluate the systematic risks of Islamic real estate investment trusts (REITs) and conventional REITs in Malaysia for the period from August 3, 2005 to December 19, 2014. Our results show that IREITs have lower systematic risks than other conventional REITs. The results are consistent when stochastic betas are estimated using time-varying coefficient models. We also find that new IREIT entry creates significant risk reduction effects for the conventional REIT markets. When we test the effects of the conversion of Axis REIT from a conventional REIT to an IREIT, we find that the systematic risks of Axis REIT significant reduce between the periods "before" and "after" the conversion. The findings imply that the lower betas of IREITs could protect IREIT investors against stock market volatilities that could not be diversified away.