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## THE POTENTIAL OF MALAYSIAN REITS' PROPERTY TYPE ALLOCATION

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### Abstract

The aim of this study is to explore the potential of property type allocation in Malaysian real estate investment trusts (M-REITs) portfolio and examining the advantages and disadvantages of property type diversification in REITs portfolio. Employing a ten year REITs' data traded in Bursa Malaysia (BM) from year 2006 until 2015 and used descriptive analysis, this study describe distribution of M-REITs' financial performance of size of market capitalization (MktCap), performance of total return index (TRI), dividend per unit (DPU) and dividend yield (DY). Whereas, the portfolio allocation through property type identified as office space, commercial mall, industrial building, hotel & resort and specialized property. This study reveal that larger portion of PTCM in M-REITs property allocation that was influenced by the economic situation and M-REITs tend for being specialized property type market concentration strategy compared of being diversified property type strategy. Nevertheless the allocation of commercial mall is growing bigger throughout the period, but experienced decrease in trend of average dividend yield (ADY), puzzled and indicated that the revenue from PTCM do not performed according to the market value of the property. The PTCM in term of size and property portfolio allocation had come into dis-economics of scale, which increase of growth of firm size not in tangent with growth of average DY of M-REITs. Therefore, the quality of property being brought in the M-REITs property portfolio and the style of M-REITs advisory management upon REITs' property acquisition requires further explanation.

**Keywords:** *M-REITs, property type allocation, market capitalization, total return index*

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### 1.0 INTRODUCTION

Malaysia is the first country in Asia to establish listed property trusts (LPTs) in 1989. However, the development of LPTs market left behind their counterparts in Singapore and Japan, deferred due to the local structural and regulatory factors (Newell et al., 2002). Therefore the Securities Commission (SC) of Malaysia introduced REITs Guideline in 2005, superseding earlier guidelines on LPTs, in which recently the REITs Guideline 2012 introduced with inclusion of more improve value for Malaysian REITs (M-REITs). As at to date, there are fifteen REITs traded in Bursa Malaysia (BM) and throughout the past ten year, M-REITs experience few remarkably changes in term of performance, size, regulations, and the level of responses from the institutional investors

upon REITs as well as emerged of Islamic REITs in REITs industry.

Few studies highlight that REITs are attractive to investors as they provide a wider diversification opportunity in real estate, greater liquidity compared to direct real estate ownership, feasibility of operation and the ability to diversify at any level of investment (Chan et al., 2003; Zietz et al., 2003). Furthermore, REITs' returns in the form of dividend yields are attractive due to unique regulations compelling REITs to distribute at least 95 percent of their taxable income to shareholders. Yet, assessing M-REITs is challenging since M-REITs is unique in characteristic such as market capitalization, unit price performance, management advisory, performance of REITs property and introduction to Islamic REITs concept in M-REITs (Newell and Osmadi, 2009; Sing et al., 2002; Ong et al.,

2011; Jalil and Hishamuddin, 2015; Alias et al., 2011).

Moreover, M-REITs are varies in term of their property type allocation strategy and this diversification influence REIT's property portfolio risk consistently (Ping and Jalil, 2015; Ting and Wai, 2011). In addition to that, M-REITs size is much lagged behind their counterpart (Alias and Soi, 2011; Ong, et al., 2011). As a consequence, it provides a less favorable investment preference for M-REITs (Ong et al., 2012). Therefore this study is carried out to explore the potential of property type allocation within M-REITs and to provide an insight on the advantages and disadvantages of property type diversification. A ten year data of REITs companies traded in BM is utilized and descriptive analysis is adopted to explain the behavior of M-REITs property type.

## **2.0 REITS FINANCIAL PERFORMANCE**

Generally, the creation of REITs as new investment vehicle, allows the investors purchase interest in a portfolio of properties on the capital market and in the same way as they could purchase shares in company. REITs promising a stable return for long term investment goal as well as higher dividend distribution. Nevertheless the performance of REITs is positively correlates with size (Anderson et al., 2002; Ambrose and Linneman, 2001; Capozza and Lee, 1995; Linneman, 1997). Therefore the properties that represents in the REITs portfolio are significant important in order to ensure higher revenue received. In meantime, the larger REITs were likely to have higher profit margins, higher rental revenue ratio, lower implied capitalization rates and lower cost of capital (Ambrose and Linneman, 2001). Different type of property contribute different performance towards REITs due to different nature of invested property in the REITs portfolio. The difference of property portfolio is depend on the property type invested by REITs (Newell and Osmadi, 2010). Studies on the office building by Brueggeman (1996), revealed that office REITs are affected by the overbuilding of office space in US in 1980s, thus it reflected through poor rental revenue and performance of office REITs' dividend yield.

This seem to support a study by Benjamin et al. (2003), which highlighted that physical characteristics of property, local market factors and location affect the value of industrial property.

The important criteria assess by investors is REITs size where a group of studies found that REITs performance positively correlates with size (Anderson et al., 2002; Ambrose and Linneman, 2001; Capozza and Lee, 1995; Linneman, 1997). Their study tested Linneman's (1997) hypothesis on existence of economies of scale to firm size which suggested that every billion dollar increased in market capitalization (MktCap) was translated into 2.2 percent reduction in capital cost. REIT size is significantly related to the level of institutional investors' involvement in REITs (Below et al., 2000a; 2000b) where larger REITs have greater ability to attract institutional investors (Below et al., 2000a). Larger REITs tend to have higher institutional ownership levels. Another perspective was that size plays a significant role in influencing investor's preferences on REITs (Brown, 1991; Brown and Matysiak, 2000). There are differences in capital value of each property which will skew the performance of the portfolio towards the risk return characteristic of the largest properties. The systematic risk of each portfolio can change as each new property is added to the portfolio (Brown and Matysiak, 2000). It was evident that the risk of a value-weighted portfolio will be dominated by those properties which have the largest capital value (Brown, 1991).

An alternative group of studies on optimal REITs size and diseconomies of return conjure up mixed argument on size of REITs (Bers and Springer, 1997; Bers and Springer, 1998; Devaney and Weber, 2005; Vogel, 1997; Yang, 2001). REITs were able to operate in the range of increasing return to scale and advantage from expansion when risk was incorporated into efficiency. However, when the size of REITs firm became large enough and reached an optimal point, diseconomies of scale will take place (Yang, 2001). These studies do not suggest a positive, linear relationship between REITs size and performance. Rather, there is an optimal size for REITs, further which there is a negative relationship between REIT size and performance.

REITs size has significant effect on all expenditure cost categories besides interest expenses. General and administrative (G&A) expenses as well as management fees demonstrated the largest economies of scale but operating expenses showed only modest effect (Bers and Springer, 1998). The economies of scale in REITs were found to increase the efficiency of operations in one way which may be helpful to improving the performance of REIT (Bers and Springer, 1997). At a certain size, REITs firm might decrease in terms of economies of scale due to cost function of REITs that is quadratic to the size of REITs firm (Vogel, 1997). Thus, Malaysian REITs need to identify their right size for them, in order to avoid the increase of G&A and diseconomies of scale. There seem to be tremendous room for growth in order for Malaysian REITs to be on par with the rest of the region. Perspective on the firm size is found to be an important criteria judged by the investors on REITs (Anderson et al., 2002; Ambrose and Linneman, 2001; Linneman, 1997; Capozza and Lee, 1995). In contrast, Rosenthal's (1996), findings argued that although larger, REITs might enjoy informational advantages which allow them to enter the right market. However, there is no empirical evidence that REITs has allocated a significant amount of expenses to study different property markets. However, studies on optimal REITs size and diseconomies of return conjure up a mixed argument upon the size of REITs (Devaney and Weber, 2005; Yang, 2001; Bers and Springer, 1998; Bers and Springer, 1997; Vogel, 1997). The size of firms also has a significant relationship on the institutional investors' involvement in REITs (Below et al., 2000a; 2000b). Besides, the size of REITs firms is significantly important to influence investor's preferences on REITs (Brown and Matysiak, 2000; Brown, 1991). Given the fact that the size of firm is important as discussed above, thus it is suitable for the variables under size of firm to be explored in order to examine the influence size strategy has on the REITs financial performance. The size of firm signalled the strength of the companies compared to other types of investments in the market such as market capitalization which represents the real market value of the REITs at any particular time. This gave confidence to the

investors about their investments in that particular REITs.

Standardisation of return calculations is important characteristics in the performance measurement. This study will employ total return index as a REITs' financial performance indicator in order to provide guidance to investors. Generally, Total Return Index (TRI) is one of the common financial performance indicator observed by investors. TRI is the type of stock index that tracks both the capital appreciation and dividend of a particular stock. Thus, it can effectively reveal the market performance of REITs' stock.

Furthermore, return of real estate securities as the performance measurement is commonly used by researcher for Malaysia real estate securities and common stocks. Ting (2002), used the monthly return of ten listed property companies in Malaysia collected from KLSE over the period 1991 to 2000 showed that the annual return of these companies is between 5.77% and 32.17%. Later, Newell et al. (2002) also used property index return to examine the performance of Malaysia real estate securities over the period of 1999 to 2000. The study revealed the Malaysia property index annual return was 12.68%. In addition, the study of Myer and Webb (2000) stated that the return data of the property type allocation are useful in explaining the performance of REITs. Thus, these previous research encourage this study to employ total return index of REITs as one of the financial performance indicator.

REITs investment in Malaysia was observed by investors through dividend yield or dividend distribution (Ghosh and Sirman, 2006). This mainly due to that tax regulations on REITs require a higher dividend yield than the average equities in the market (Chan et al., 2003). Casey et al. (2006) used dividend yield of REITs sample as independent variable to test its impact on REITs capital structure. The results show that dividend yield is significant to the capital structure of REITs, this may be due to REITs pay out significantly more dividend as they have more cash flows arising from depreciation shelter. In addition, there have also several studies such as Wang et al. (1993), Zietz et al. (2003) and Lee et al. (2010) who focus on the influence of dividend yield on REITs and point out that dividend yield

has influence on REITs performance. The study of Wang et al. (1993) found that REITs manager pay more dividend when REITs perform poorly. Also, the study of Lee et al. (2010) resulted that the excess dividend pay-out are able to convey information to capital market and thus can gaining access to fund acquisition. This result make consensus with the study of Wang et al. (1993) who find that dividend announcement do convey information to the market and the dividend policies can uses as a tool to convey private information about REITs future cash flow. This perhaps will influence the stock price of REITs as some of the investors will look at the dividend pay-out of REIT companies in making investment decision.

Generally, the uniqueness of REITs regulatory environment which specifies at least ninety percent of taxable earning to be paid in term of the dividend declared. Thus, not more than five percent of the retained earning left can be used for REIT expansion and this limit REITs' investment. This has been mentioned by Chan et al. (2003), that REITs' dividend policy is not constrained by the pay-out ratio set by tax regulations. Surprisingly, REITs pay out more significance dividends than the requirement of the regulation. Therefore, due to the current requirement, in order to invite more external funds for growth, REITs investors prefer REITs to pay out more dividends because it seems difficult nowadays to raise capital from the equity market. Any increase or decrease in REITs dividend yield pay-out is a signal of information about its future earnings against the stock market appreciation. Therefore, the high pay-out ratio is used to enable the investor in the stock market to understand the REITs in depth. Zietz et al. (2013), noted that REITs with a higher cash flow volatility tend to have lower dividend pay-out ratios. This seems to be parallel with the explanation about the dividends and their stock prices. Equity REITs, REITs with high volatility in earnings, REITs with poor performance and higher growth REITs typically pay out lower dividends. The government is influenced by the dividend policy and also plays a significance role in improving the participation of investors in REITs .

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REITs size has significant effect on all expenditure cost categories besides interest expenses. General and Administrative (G&A) expenses as well as management fees demonstrated the largest economies of scale but operating expenses showed only modest effect (Bers and Springer, 1998). The economies of scale in REITs were found to increase the efficiency of operations in one way which may be helpful to improving the performance of REIT (Bers and Springer, 1997). At a certain size, REITs firm might decrease in terms of economies of scale due to cost function of REITs that is quadratic to the size of REITs firm (Vogel, 1997). Thus, Malaysian REITs need to identify their right size for them, in order to avoid the increase of G&A and diseconomies of scale. Malaysian Business (2008) reported that the average size of Malaysian REITs is approximately RM483mil as compared to RM4.2bill for REITs in Singapore and Australia. There seem to be tremendous room for growth in order for Malaysian REITs to be on par with the rest of the region.

## **2.1 Property type allocation**

The benefits of using the property type diversification strategy to reduce risks are well understood but the empirical results on these issues are mixed. Before the early 1990s, investors agreed upon the idea of maintaining steady income streams under different market conditions and REITs portfolios should be diversified in both locations and property types (Chan et al., 2003; Avidon, 1995). Both the advantages and disadvantages of diversification by property types and location revealed that the

location of properties and the types of property owned did affect the REITs value and had an implication on the investment strategy (Johnson, 1999). Besides, the specialized strategy provided a better understanding of the specialized market and allowed both the investor and manager to know REITs better and avoid increased management costs due to the need to take care of many property markets (Benefield, 2006; Johnson 1999; Kistner 1996).

The study intends to examine the property portfolio diversification strategies, since there are evidences that highlight the advantages of being a diversified property type. This can be done by adapting Benefield's (2006) study which classified property type into specialized and diversified according to the percentage of a particular property types holding. The evaluation on the performance of REITs is made according to property types and concentration (Glascock and Kelly, 2007; Capozza and Seguin, 1999; Gyourko and Nelling, 1996). The specialized property types contributed six percent of the variance of national real estate securities index returns which indicate that the country's diversification is essential to the reduction of risk in portfolio (Glascock and Kelly, 2007; Capozza and Seguin, 1999). However, contradicting to that, there is no evidence found to prove that the diversification across property types or geographic regions is related to a market based measure of diversification the R<sup>2</sup> from a simple market model regression (Gyourko and Nelling, 1996).

In reviewing the related literature review on diversification of properties allocation in REITs firms, the diversification of both through property types is essential for REITs' maximizing returns. The diversification through property types is classified according to type of differences, and the above literature reviews, the differences in property types have a different magnitude toward risks, so a combination of a few property types in REITs property allocation is useful to diversify the risks and returns. Although, the REITs benefited in being a specialized form since the cost of hiring personnel to run REITs is low but there are still REITs that prefer to be in a diversified form for diversification purposes. The following describes in details the importance of

property type differences and property type concentration for REITs firms.

The differences in property types provide REITs a wider diversification opportunity. Investors are attracted to REITs due to its ability to provide greater liquidity, its feasible operations and its ability to diversify at any level of investment (Breidenbachet al., 2006; Chan et al., 2003; Capozza and Lee, 1995). Therefore this indicated the property type performance had a significant relationship with the geographical location of REITs properties. Different property types brought about different REITs performances depending on the nature of the property (Anikeeff et al., 2007; Danielsen and Harrison, 2007; Newell and Peng, 2006; Newell and Peng, 2005; Young, 2000).

These are supported by the study of property type sectors that assessed the different performances of different types of properties owned by REITs. The hotel REITs show difference performances (Newell and Seabrook, 2006; Brady and Conlin, 2004; Kim et al., 2002). In the meantime, a study on retail REITs revealed that the household income bracket is influenced by the retail REITs (Nijkamp et al., 2002). On the other hand, a study on office REITs showed that the overbuilding of office spaces affected the office REITs performance (Brueggeman, 1996). The office rent in the metro area declined due to overbuilding in the 1980s. This is much more than the decline of office rental in the suburban market. The suburban office market received more demand from tenant due to several factors such as better quality of transportation, higher suburban school quality, less congestion and crime, lower rent offers, improvement in technology and communication. The excess supply of office space resulted in the decrease of office space rental demand, thus poor rental revenue effected performance of office REIT' dividend.

Meanwhile, a study on the residential/ hotel REITs highlighted that the residential had a higher collateral value which affects the REITs value (Morri and Cristanziani, 2009). Besides residential properties had a high recovery rates if a borrower defaulted on a loan (Kim et al., 2002). Other factors such as the finance structure, location and economic condition and qualitative factors such as operational management of hotel

are recognized as important influences for the hotel decision making (Newell and Seabrook, 2006). The higher revenue growth, the higher per available room (REVPAR) growth and higher occupancy-rate growth has affected the performance of the hotel REITs (Brady and Conlin, 2004).

There are mixed arguments on the potential of the property type difference and performance (Morri and Beretta, 2008; Myers and Webb, 2000; Capozza and Seguin, 1999). Myers and Webb (2000) study showed a low R2 value variation of S&P 500 and the Russell 2000 indices indicated that property types were not effective to describe the property allocation in the property portfolio. The diversification of property types can possibly cause disadvantages as REITs need to employ sufficient experts to supervise different property types of different nature and risks (Morri and Beretta, 2008; Capozza and Seguin, 1999). Thus, in this study, besides categorizing property type between property types sectors, assessment on specialized property type and diversified property type have been carried out. This is to determine whether the strategy either specialized or diversified is the best for Malaysian REITs. Thus, the prior literature discussed that difference property type had a difference impact on the REITs financial performance and highly correlated to the economic situation such as commercial mall and retail (Anikeeff et al., 2007; Danielsen and Harrison, 2007), as evidenced on REITs financial performance by Ambrose and Linneman (2001), on the high rental value and strategic location of commercial mall properties. Moreover, the oversupply of office space properties in the market also impacted performance (Brueggeman, 1996). Meanwhile hotel REITs or more toward resort life style had a higher collateral value which affects the REITs value (Morri and Cristanziani, 2009). The above study shown that there is relationships between REITs performance and type of properties in REITs portfolio.

### 3.0 METHODOLOGY

This study aimed to explore the potential property type allocation upon Malaysian REITs' return.

Descriptive analysis is used to explain the pattern of the data through (i) measuring the central tendency and (ii) spread of the data. Measuring the central tendency is a way to describe the central position frequency distribution for the group of data, in which including the mode, median and mean. While, measuring of spread is a way to describe how are the spread out the score, in which including the range, variance, standard deviation, skewness (sk) and kurtosis (k).

There are as much as fifteen REITs companies traded in Bursa Malaysia (BM) and the detail of they start traded is as Table 1 of the following. The financial performance of M-REITs is represented by market capitalization (MktCap), dividend per unit (DPU), dividend yield (DY) and total return index (TRI), in which all of these data are gathered from DataStream. Nevertheless, in order to gather MktCap and DY, it required a calculation according to the following Formula 1 and Formula 2. Meanwhile, the constituents of property type allocation in portfolio are classified as office space (PTOS), commercial mall (PTCM), industrial building (PTIB), hotel & resort (PTHR) and specialized building (PTSB). All the information about the property type portfolio are taken from M-REITs Annual Report publish in official website of BM.

**Table 1:** Lists of M-REITs

No.	REITs Company	Year Start Traded
1.	AHP REIT	2006
2.	AL AQAR REIT	2006
3.	AXIS REIT	2006
4.	STARHILL REIT	2006
5.	TOWER REIT	2006
6.	UOA REIT	2006
7.	AMANAHRAYA REIT	2007
8.	HEKTAR REIT	2007
9.	AMFIRST REIT	2007
10.	ATRIUM REIT	2007
11.	QUILL CAPITA REIT	2007
12.	CAPITAL MALL REIT	2011
13.	PAVILLION REIT	2012
14.	SUNWAY REIT	2012
15.	IGB REIT	2013

$$\text{Market Capitalization} = \frac{\text{Units in Circulation} \times \text{Market price per share}}{\text{Market price per share}} \quad (1)$$

$$\text{Dividend yield} = \frac{\text{Dividend per unit}}{\text{Market price per share}} \quad (2)$$

#### 4.0 DATA ANALYSIS AND DISCUSSION

##### 4.1 Analysis on the central tendency

This study analysed the influence of MktCap, DPU, DY, TRI and property type portfolio through descriptive statistics. The following Table 2 shows the descriptive analysis on the most frequently value occurring repetitively in an array of range of data shows the mode of MktCap is RM113 mill, mode of DPU is at 8.4 sen, mode

of DY is at 5.9 percent while mode of TRI is at 250.2. The mode of property type allocation shows that PTOS is at RM133 mill, PTCM is at RM132 mill, PTIB is at RM197.5 mill, PTHR is at RM92.3 mill and PTSB is at RM206 mill. Meanwhile, the value appear in the middle of range of data show that median for MktCap is RM493 mill, median for DPU is 8.4 sen, median for DY is 7.1 percent and median TRI is 178. The median for property type allocation shows that PTOS is at RM520 mill, PTCM is at RM249 mill, PTIB is at RM197.5 mill, PTHR is at RM104 mill and PTSB is at RM317 mill. Meanwhile the range (r) showed that the M-REITs financial performance are as (i) MktCap is RM4,603.4 mill; (ii) DPU is 14.2 sen; (iii) DY is 9.1 percent; and (iv) TRI is 461.5. Whereas r for property type allocation for (i) PTOS is RM1,038.1 mill; (ii) PTCM is RM4,863 mill; (iii) PTIB at RM1,066.8 mill; (iv) PTHR is RM1,140.7 mill; and (v) PTSB is RM1,315.5mill.

**Table 2:** Descriptive analysis of M-REITs financial performance and property type (Data from year 2006 until 2015)

	MktCap (RM in Mill)	DPU (RM)	DY	Total Return Index	Office space (PTOS)	Commercial mall (PTCM)	Industrial building (PTIB)	Hotel & resort (PTHR)	Specialized building (PTSB)
Mean	1012.196	0.091	0.074	202.777	500.954	1106.670	272.572	450.716	590.593
Median	492.969	0.084	0.071	177.690	520.200	249.250	197.522	104.120	317.000
Mode	113.000	0.084	0.059	250.180	133.000	132.000	197.522	92.310	206.000
Range	4603.356	0.142	0.091	461.510	1038.141	4863.000	1066.842	1140.690	1315.523
Std Dev	1290.062	0.027	0.016	95.065	289.003	1549.102	269.996	520.891	447.539
Kurtosis	2.206	5.095	4.804	3.699	-0.652	0.239	2.990	-1.601	-0.924
Skewness	1.887	2.168	1.743	1.871	0.408	1.352	1.742	0.824	0.783

Meanwhile the mean for MktCap is RM1,012.196 mill and the mean for TRI is 202.8. Meanwhile, the mean for DPU is 9.1 sen and mean for DY is 7.4 percent. In term of property type allocation of all Malaysian REITs, it shows that the mean for PTCM is RM1106.7 mill; PTSB is RM590.6 mill; PTOS is RM501 mill; PTHR is RM451 mill; and PTIB is RM272.6 mill. This indicates how M-REITs data had been distributes around its mean.

Through the mean analysis it show that PTCM is RM1,106.7 mill is the highest compare to other type of property type allocation. Moreover the mean of overall MktCap is RM1,012.196 mill, indicated that the M-REITs

preferred PTCM as property type allocation. This seem to support prior study by Anikeeff et al. (2007) and Danielsen and Harrison (2007) that highlighted commercial mall and retail located at strategic location and at the right economic situation produced higher rental value that maximize REITs unitholder wealth. The range of between MktCap (RM4603.4) and PTCM (RM4863), indicating M-REITs tend to be specialized concentration market, in which aligned with Benefield (2006), Johnson (1999) and Kistner (1996). For which, their study found advantages of being in a specialized market allowed both the investor and manager to know REITs better and avoid increased management

costs due to the need to take care of many property markets. The analysis seem to reveal two important findings such as, first there are larger portion of PTCM in M-REITs property allocation that was influenced by the economic situation and; second that M-REITs tend for being specialized property type market concentration strategy compared of being diversified property type strategy.

#### **4.2 Analysis of the spread of the data**

Further analysis on the spreading of the data through standard deviation (SD) for financial performance are as (i) MktCap at RM1290 million; (ii) DPU at 2.7 sen; (iii) DY at 1.6 percent; and (iv) TRI is 95.1. While SD for property type allocation for (i) PTCM at RM1549.1 million; (ii) PTHR at RM520.9 million; (iii) PTSB at RM447.5 million; (iv) PTOS at RM289 million; and (v) PTIB at RM270 million. The evaluation on the SD is important to define the range in which the majority of the data values occur.

The rule of thumb used in the study is that the skewness and kurtosis value fall within the range of +/- 2.0 to be considered normal. Applying this rule for measures of skewness, normality is evident is most of the variables. The skewness showed both M-REITs Financial Performance and M-REITs Property Type Allocation have positive skewed. The M-REITs Financial Performance skewness are including (i) MktCap at 1.89; (ii) DPU at 2.17; (iii) DY at 1.74 and (iv) TRI at 1.87. The M-REITs Property Type Allocation showed skewed to the right within the range of 0.41 – 1.74 as the following (i) PTIB at 1.74; (ii) PTCM at 1.35; (iii) PTHR at 0.82; (iv) PTSB at 0.783; and PTOS at 0.41. All the variables in M-REITs Financial Performance and M-REITs Property Type Allocation would be considered reasonably normally distributed, except variable DPU. The DPU is positively skewed of 2.168 showed that there are more data at the lower end of the distribution,

hence marked a higher variability with non-normally distribution.

The measures of Kurtosis showed that M-REITs Financial Performance are (i) MktCap at 2.21; (ii) DPU at 5.1; (iii) DY at 4.8; and (iv) TRI at 3.7. This indicated that DPU is higher peaked and more leptokurtic than the other variables, in which evident that these are not normally distributed. Nevertheless, the M-REITs Property Type Allocation showed more negative kurtosis such as (i) PTOS at -0.65; (ii) PTSB at -0.924; and (iii) PTHR at -1.601, in which signified that it are flatter and platykurtic. Meanwhile, PTIB positive skewed at 2.99, also show it higher peaked and leptokurtic. The more peaked or the flat the distribution, the less normally distributed the data. Yet, PTCM show kurtosis at 0.239, indicated a normally distributed data. This finding explained on above finding about the concentration of PTCM domination on M-REITs' MktCap.

#### **4.3 Analysis of the Financial Performance Trend**

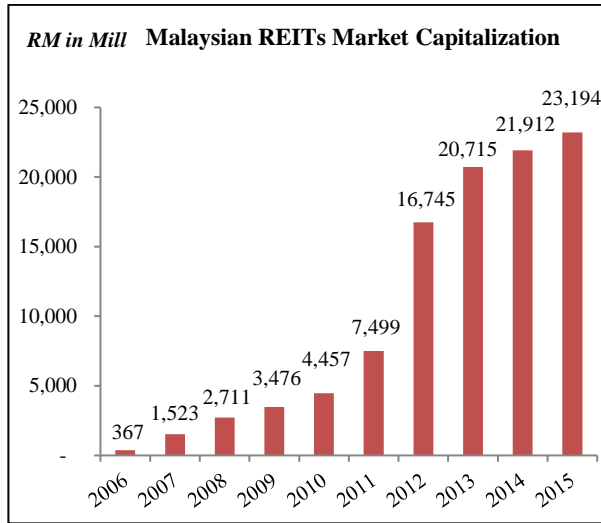
The following are the trend analysis on M-REITs' financial performance according to MktCap, DPU, DY and TRI from year 2006 until 2015. Figure 1 to Figure 4 show M-REITs market capitalization is RM23.2 billion as at end of year 2015, while the average total return index (ATRI) showed a gradual increment over this period of study. However it showed a slight downward in year 2015 compared to prior year. Yet average dividend per unit (ADPU) is trending downward starting year 2013. Since year 2013 the ADPU is trending down. While average dividend yield (ADY) showed a gradually increase from year 2006 until 2008, starting year 2010 the ADY is trending down. The ATRI showed a gradual increment over this period of study, nevertheless year 2015 show a slight lower ATRI compare to prior year.

The size of M-REITs through yearly MktCap of trend showing a contradict performance of M-REITs ADY. The growing of MktCap did not contributed to welfare of M-REITs' unitholder through DY. In fact since year 2008 until year

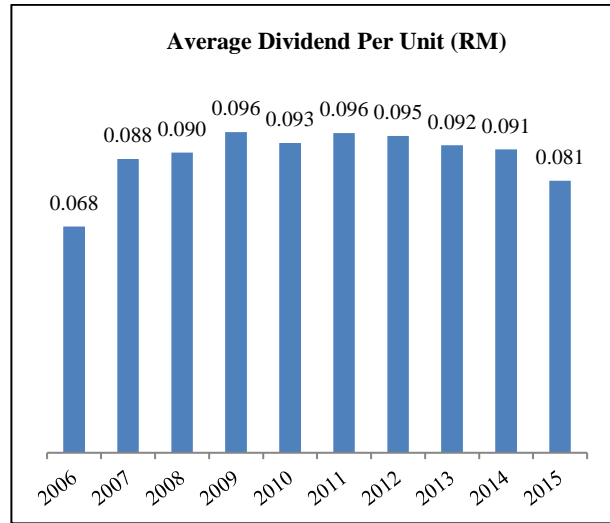


2014, the M-REITs ADY is experienced negative growth (2009: -18.5%; 2010: -11.8%; 2011: -1.7%; 2012: -10.7%; 2013: -1.4%; and 2014: -0.3%). This finding seem to contradict with the characteristic of REITs investment which is long term goal and steady return overtime (Chan et al., 2003; Zietz et al., 2003). Nevertheless, the M-

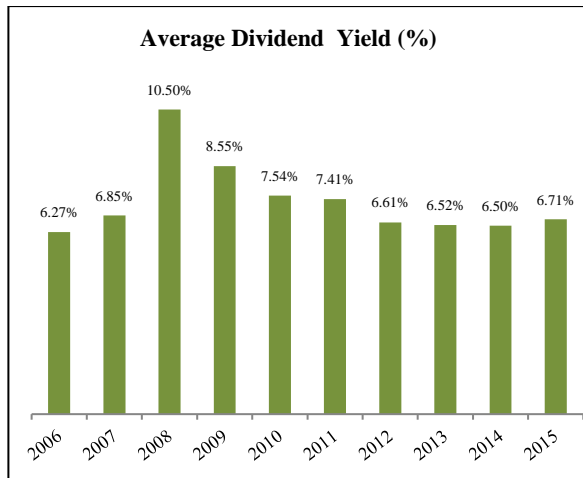
REITs ATRI showed a continuously increment since year 2008. This indicated that M-REITs well received as investment vehicle in Malaysian financial market and investors perceived M-REITs as profit-taking mechanism over short term investment.



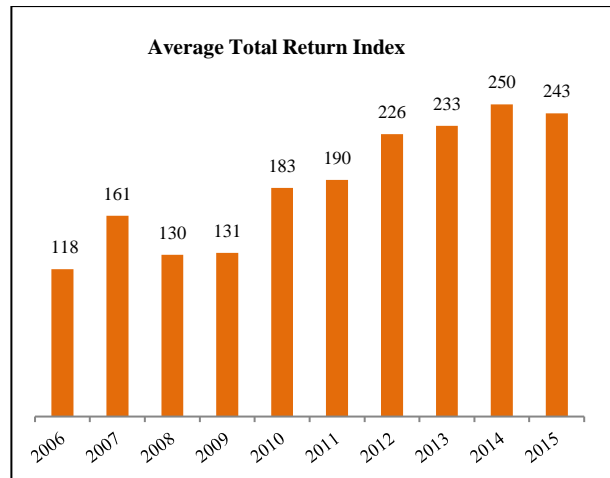
**Figure 1:** The Market Capitalization of Malaysian REITs (Data from year 2006 until 2015)



**Figure 2:** The Malaysian REITs Performance of Average Dividend per Unit (RM) (Data from year 2006 until 2015)



**Figure 3:** The Malaysian REITs Performance of Average Dividend Yield (%) (Data from year 2006 until 2015)



**Figure 4:** The Malaysian REITs Performance of Average Total Return Index (Data from year 2006 until 2015)

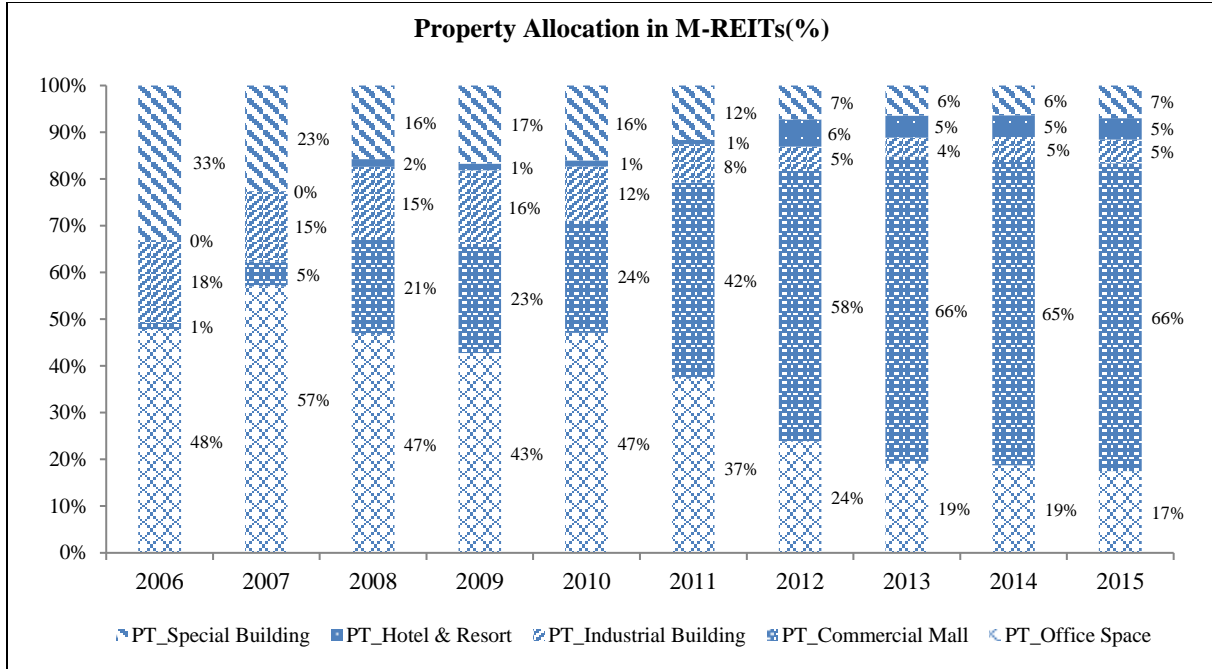


Figure 5: The Malaysian REITs' Property Type Allocation (Data from year 2006 until 2015)

## 5.0 CONCLUSION

All in all, this study reveals that M-REITs have room for growth to be on par with its' regional peers and to enjoy economies of scale. Yet, this study also indicates that is growing preference for PTCM as property allocation strategy by M-REITs, though there is decreasing trend of average dividend yield. The contradiction on the growing size of M-REITs and ADY, need further explanation for M-REITs property acquisition behaviour, the initial intention of getting that particular property as REITs building and style of M-REITs advisory management upon REITs' property acquisition.

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