UNIVERSITI TEKNOLOGI MARA

CONVENTIONAL AND ISLAMIC REITS AGAINST MACROECONOMICS VARIABLE

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ABSTRACT

Real Estate Investment Trust (REITs) is a low-risk investment tools that pools fund from investors to be used in real estate management (Joug & Tik 2015). Despite the increasing sophistication in financial instruments, the real estate sector remains very popular (Lieser and Groh, 2014; Sun et al., 2016). A real estate investment trust (REIT) is a type of real estate collective investment plan that combines the greatest aspects of both real estate and trust funds. The i-REIT is a Shariah-compliant variation of the traditional REIT. It can pay out at least 90% of its net profit in dividends to investors and unit holders. The aim of this study to investigate conventional and Islamic REITs towards macroeconomics variables within 5 years from 2016 to 2020. A five years data had been employed and correlation analysis is adopted. This study reveals that KLCI has not significant towards conventional REITs (CREIT) and Islamic REITs (IREIT) which are 0.3595 and 0.6370. Similarly, TBILLS has not significant with CREIT and IREIT which are 0.9645 and 0.4176. On the other hand, CPI is significant with CREIT with 0.0381, different with CPI and IREIT which is not significant with 0.1450. This study has developed valuable information and insight into the performance of Malaysian real estate investment trusts. Studies comparing the similarities and differences between conventional and Islamic REIT's toward macroeconomicsvariables.

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INTRODUCTION

1.1 Introduction

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1.2 Background of the study

A real estate investment trust, or REIT, is a trust fund that pools money from investors and uses it to buy, manage, and sell real estate assets such as residential or commercial buildings, retail or industrial lots, or other real estate-related assets, for example shares in publicly traded property companies, and listed or unlisted debt securities of property companies. There are two types of REITs: listed and non-listed. You can buy and sell listed REITs the same way you would buy and sell listed equities. Investors must go through a stockbroker to invest in REITs that are currently listed on the Bursa Malaysia. Investors should be aware that REITs, like any other listed product on the Exchange, may trade at a premium or discount to their individual net asset values. You can buy or sell unlisted REITs from the management company or throughother authorized intermediaries, just like any other unit trust product.

1.3 Problem statement

This study aims to investigate conventional and Islamic REITs towards macroeconomics variables within 5 years from 2016 to 2020. REITs are one of the instruments that are special and unique in Malaysia because Malaysia is the first country in Asia that issued two types of REITs. For example, conventional REITs and Islamic REITs. The objective of this study is to show the differences and the similarity of the characteristics, that include the risk level, diversification of