UNIVERSITI TEKNOLOGI MARA

THE DYNAMIC RELATIONSHIPS BETWEEN MACROECONOMIC VARIABLES AND TOTAL RETURN OF ISLAMIC REITS IN MALAYSIA AND SINGAPORE

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MSc

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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

The purpose of this study is to identify the dynamic relationship between macroeconomic variables such as economic growth, income, interest rates, inflation, and money supply toward total return of Islamic Real Estate Investment Trusts (REITs) in Malaysia and Singapore. The monthly data is collected from 1st January 2010 until 31st December 2019. From previous literature, each macroeconomic variable has different influence across Asian REITs market. Therefore, the researcher would like to investigate the relationship between total return of Islamic REITs and their respective macroeconomic variables. Ordinary Least Square method is used to determine the relationship between gross domestic product (GDP), real personal income (RPI), overnight policy rate (OPR), consumer price index (CPI) and money supply (M3) toward total return of Islamic REITs (TR). The result of correlation analysis showed that correlation coefficients for all variables are significant. Besides that, Multiple Linear Regression showed that RPI and OPR have positive effect on a total return of Islamic REITs whereas M3 has negative effect on total return of Islamic REITs. Based on Cointegration test, GDP, RPI and CPI are cointegrated with total return of Islamic REITs while for Causality test, there is bidirectional basis between M3 and RPI and also unidirectional basis relationship between GDP and TR, RPI and GDP, CPI and GDP, CPI and RPI, OPR and RPI, TR and M3. The findings can assist investors to have better estimation and understanding prior to decision making on investment by study the distinction impact of macroeconomic variables on Islamic REITs market.

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