REAL ESTATE INVESTMENT TRUST CAPITAL STRUCTURE: MALAYSIAN MARKET

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ABSTRACT

Real Estate Investment Trust (REITs) refers to an investment vehicle that invests primarily in income producing real estate, real estate related assets and/or a single purpose company whose principal assets comprise real estates, and uses the income from the properties, net of expenses, to provide returns to its unit holders. A portion of a REIT's funds can also be invested in other asset classes, such as cash or deposits. In purchasing a unit in a REIT, the share of benefits and risks of owning the real estate assets held by the REIT. REITs are an attractive asset class for investors seeking strong dividend yields as REITs tend to distribute most of their distributable income (net of expenses) to unitholders in the form of dividends at regular intervals. A REIT may be listed or unlisted. This study was set out to focused on the determinants of capital structure for real estate investment trust (REITs) company from Malaysian perspective. In this study used multiple linear regression model to test whether the capital structure of real estate investment trust (REITs) company is affected by various market variables.Debt to equity ratio was used as dependent variable and four variables was used for the analysis; GROWTH (percentage growth rate in revenue), PBOOK (price-to-book ratio), PCASHFLOW (price-to-cash flow ratio) and DIVY (percentage of dividend yield).

According to the analysis for the year 2007, which based on multiple linear regression found that, price to book ratio and dividend yield are significantly influence the debt to equity ratio. The price to cash flow ratio and growth rate in revenue however, do not significantly influence the debt to equity ratio.