



**PORTFOLIO CONSTRUCTION AND PERFORMANCE MEASUREMENTS OF
REAL ESTATE INVESTMENT TRUST (REITs) IN KUALA LUMPUR
COMPOSITE INDEX (KLCI) AND STRAIT TIME INDEX (STI)**

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ABSTRACT

Real estate investment trust or REITs are investment vehicle which invest in primarily in real estate. REITs also are collective investment scheme where funds are pooled together in a common fund. REITs can act as inflation hedge-while cost of living rises, rental income can rise as well. This study is to construct the portfolio and measure the performance of REITs securities in Asia country. For this study, the countries taken as sample are Malaysia and Singapore. Kuala Lumpur Composite Index (KLCI) and Strait Time Index (STI) as market benchmarks. The construction of the portfolio based on the Efficient Frontier Model and the measurement of portfolios' performance based on market-based measurement, and abnormal return. The data include total return and historical beta of each securities, 3-months Treasury bill and total return for market benchmark. All data collected are monthly basis for both countries.

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CHAPTER ONE: INTRODUCTION

1.0 Introduction.

In this chapter, it will explain on the subject matter of the study.

1.1 Background of study.

Real estate investment trust or REITs are investment vehicle which invest in primarily in real estate. REITs also are collective investment scheme where funds are pooled together in a common fund. The investors in REITs known as unit holders receive their return in form of dividend from the investment for the holding period. All REITs have trustee, manager and unit holders. There are several types of REITs can be invested such as Retail REITs, Residential REITs, Healthcare REITs, Office REITs and Mortgage REITs. For instance, the real estate assets may consist of residential or commercial buildings, retail, healthcare facilities, office buildings and self-storage buildings. REITs are pools of properties and/or mortgages that are traded on one of stock exchange market (Chan et al. 2003).

The income generate from REITs comes from the rental of commercial real estate. Commercial properties are basically cyclical income-producing assets with inflation-hedging attributes that appear to provide long-term asset appreciation (Teh, Soh, & Yan, 2012). Since then, it has progressed to become a well-established REIT market in Malaysia, with fourteen REITs listed as of year 2010 (Security Commission of Malaysia, 2010). Malaysia became the world's first developer of Islamic Real Estate Investment Trust, which is compliant with the principle of Shariah. The introduction of Islamic REITs was facilitated by guidelines issued by the Malaysia Securities Commission. These guidelines provided a new global benchmark for development of Islamic REITs, enhancing the important role of Malaysia to promote the