



**UNIVERSITI TEKNOLOGI MARA**

**DETERMINANTS OF ISLAMIC  
REAL ESTATE INVESTMENT  
TRUSTS (I-REITS) PERFORMANCE  
IN MALAYSIA**

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## ABSTRACT

The focus of this research is to identify the relationship between the determinants of Islamic Real Estate Investment Trust (REITs) and the performance of REITs in Malaysia. The main objective of this study is to examine the potential of Islamic Real Estate Investment Trusts (REITs) determinants and the performance of REITs in Malaysia. This research used panel data analysis to analyze the data collected. The data collected is the financial statement of REITs Company over the period of 2007 until 2016 with using quarterly data. As for the variable, Net Assets Value of the selected companies was used in order to measure the performance of REITs in Malaysia. On the other hand, the independent variables is the determinants of REITs which are represent by dividend yield, net income, market capitalization, financial leverage and market to book ratio. This study using panel data and by using Ordinary Least Square (OLS) the result is taken to shows empirical results of significant of variables. It is found only market capitalization, net income and financial leverage has significant effect on the performance of Islamic REITs (I-REITs). Meanwhile for other variables such as market-to-book ratio and financial leverage has no significant effect on performance of Islamic REITs (I-REITs).

**Keywords:** Net Assets Value, Dividend Yield, Net Income, Market Capitalization, Financial Lcverage and Market-to-Book Ratio, Islamic REITs.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 INTRODUCTION**

This chapter will explain the background of the study, the problem statement, the research questions and objectives, the significant of the study, the scope of the study and the limitation of the study.

### **1.2 BACKGROUND OF STUDY**

Real Estate Investment Trusts (REITs) is referring to a company that owns and in other situation operates income-producing real estate, as apartments, office buildings, warehouses, shopping centres. Some REITs also engage in financing real estate. According to Mazurczak (2011) the shares of many REITs are traded on major stock exchanges. Besides that, according to Mohamad & Zolkifli (2012) REIT is a trust or company that pools fund from individual investors, acquires and operates income-generating real estate, and distributes the income derived from their own properties as dividends.

REITs are not new to the world and since their introduction in Asia in early 2000s. The research by Asia Pacific Real Estate Association (APREA) in year 2014 stated that the REITs have been adopted by each country across the years and have been growing into a large market. The first Asian country that embrace the REIT's market are Japan and South Korea and since then has emerged in Singapore, Hong Kong and Malaysia.

In 2008, crisis of subprime burst in the United States then finally caused the prospects of trade market performance have been lower. Close to 57 years ago, in the beginning of the 1960, the indirect investment vehicle called as REITs was first introduced by US government to set a platform to their people to get benefits from real estate investment which a new alternative way to invest in property assets. Investors such as American were seeking to maximize their returns, include REITs in their portfolio.