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Syariah REITs Vis-A-Vis Conventional REITs: An Analysis

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Abstract

The development of Islamic capital market products has been highly innovative in Malaysia as has pioneered various innovative Syariah compliant products over the past few years. Of importance is the introduction of the first Syariah real estate investment trusts (S-REITs). In November 2005, The Malaysian Government through the Securities Commission (SC) of Malaysia has issued the Guidelines *for Islamic Real Estate Investment Trusts (S-REITs.* Thus it provides new investment opportunity for investors who wish to invest in real estate through Syariah-compliant capital market instruments. Based on this strategic difference, the purpose of this paper is to provide an understanding on the performances of these two natures of REITs in the Malaysian capital market, namely conventional REITs (C-REITs) and Syariah REITs by comparing the risk and return of S-REITs and C-REITs from Malaysia perspective. The secondary data for analysis is retrieved from Bloomberg's Database of 12 listed REITs in the Bursa Malaysia main board for three year period from 2007 to 2009 with quarterly observation. Sharpe Index, Jensen Index and Treynor Index are used as a proxy to the return of REITs, while beta, standard deviation and coefficient of variation are used as a proxy to represent REITs's risk. Applying correlations and independent sample t-test, the result has provided evidence on the association between return and risk on REITs.

Keywords: *Syariah REITs, Conventional REIT, Sharpe Index, Jensen Index and Treynor Index*

1. Introduction

The development of Islamic capital market products has been highly innovative in Malaysia to keep pace with the changing interest of investors and to ensure that the country's Islamic capital market adapts to and takes advantage of the ever-changing international environment. As such, Malaysia has pioneered various innovative Syariah compliant products over the past few years. Of importance is the introduction of the first Syariah real estate investment trusts (S-REITs). In November 2005, The Malaysian Government through the Securities Commission(SC)

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of Malaysia has issued the *Guidelines for Islamic Real Estate Investment Trusts (S-REITs Guidelines)* as outlined by the Syariah Advisory Council (SAC) of the SC to facilitate the establishment of S-REITS in Malaysia. As apposed these guidelines must be adhered to by the market players and be read together with the *Guidelines on Real Estate Investment Trusts* (SC, 2005). Consequently with the introduction of *S- REITs Guidelines*, Malaysia is given credit by becoming the first jurisdiction in the global financial sector to issue such Guidelines in the industry (Mohamed, 2007). The S-REITs Guidelines also serve to complement the existing guidelines on REIT and was set as the global benchmark for the development of S-REITs in Malaysia and at the same time providing clear guidance on and new investment opportunities in collective real estate investments through a Syariah-compliant capital market instrument.

S-REITS is the Syariah complements to existing conventional REITs with no universal definition though all definitions have to comply with the requirements of the Syariah. However from the Malaysian concept based on S- *REITs Guidelines*, S-REITs is defines as "*a collective investment scheme in real estate, in which the tenants operate permissible activities according to the Syariah*" (SC 2005). While conventional REITs (C-REITs) are subjected to the capital market laws, S-REITs are subjected not only to the capital market laws but also to the Quranic law of economics. As according to Dr Asyraf Wajdi Dusuki, (2007), S-REITs differ from conventional property funds mainly due to the requirement to strictly observe Islamic investment guidelines and Syariah principles. Thus it provides new investment opportunity for investors who wish to invest in real estate through Syariah-compliant capital market instruments and the international investors seeking Syariah-compliant instruments can buy into Islamic REITs without the need for direct ownership of such properties (Osmadi, 2007). Based on this strategic difference, the purpose of this paper is to provide an understanding on the performances of these two natures of REITs in the Malaysian capital market, namely conventional and Syariah REITs. However, S-REITs is relatively new as compared to the C-REITs and in the Malaysian context and most of the study are based on the overview and development of S-REITs (such as; Nik Ruslin, 2007; Osmadi, 2007; and Dr. Asyraf Wajdi Dusuki, 2007***)***. So far, there is limited published evidence on the comparison of performance between S-REITs and C- REITs. This study intends to fill the gap in the literature by providing further empirical evidence on the Malaysian REITs. Thus the main objective of this study is to compare the risk and return of S-REITs and C-REITs from Malaysia perspective.

2. Literature Review

The literature on the performance of C- REITs has long standing issues as compared to the S-REITs. The issues addressed by previous studies include the risk-return performance(Chan, Hendershott and Sanders ,1990; McCue and Kling,1994; Simpson, Sanjay Ramchander and Webb ,2007), volatility(Chen and Peiser ,1999; Allen, Madura and Springer ,2000;and Abdul Razak *et al* ,2010) and development (Wu Yu,2006) Though the issue on REITs has been widely studied, largely missing from literature is the focus on Malaysia REITs, one of the study is by Kok & Khoo (1995) that examined the performance and the systematic risk of three listed property trusts in Malaysia , over the January 1991-April 1995 period and divided the period into three sub-period: rising market, over-speculated market and declining market . By utilizing Sharpe

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Index, Treynor Index and Jensen Index, their findings concluded that listed property trusts generally performed better than the market in a falling market but worse than the market in a rising market however the listed property trusts did not give consistent performances. Further they indicate that, the systematic risks of the listed property trusts were low before the period of over-speculation and higher than those of the market after the period of over-speculation. The study then further develop by Ahmad Husni, Mohamad Badri and Izah (2007) to investigates the performance and systematic risk of listed property trusts in Malaysia for the 1995 to 2005 periods according to sub-periods namely precrisis, during crisis and post-crisis. Their study indicate that the risk-adjusted performance varied over the study period where in general outperformed the market portfolios during the crisis but underperformed in the pre-crisis and post-crisis periods. Study also found that average systematic risks were slightly higher than the market portfolios during the pre-crisis and crisis but were significantly lower in the post-crisis period

Newell, Ting & Acheampong (2002) analyzed the performance of four listed property trusts in Malaysia over the 1991-2000 periods. They employ average annual returns to quantify returns, standard deviations to quantify risks and coefficient of variations to quantify risk-adjusted performances. Their study indicated that only Amanah Harta Tanah PNB outperformed the Kuala Lumpur Composite Index, the Kuala Lumpur Properties Index and the Kuala Lumpur Office Property Index over the period based on the average annual return measures. Further the study indicate that each of the listed property trusts significantly underperformed compared to the Kuala Lumpur Composite Index and real estate companies sector by using coefficient of variation measure, while, three of the listed property trusts when measured by standard deviation were more than the overall stock market risk and significantly above the office real estate risk. All the previous studies portray some picture on C-REITS and on the basis of this study we choose the methodology for research and variable selection.

2.1 Growth of S-REITS in Malaysia

The development of S-REITs in Malaysia began with the issuance of the S-REITs Guidelines in November 2005, with Al-'Aqar KPJ REIT became the first Malaysian company and being the first Islamic REIT in the world to establish and launch me- REITs and listed in Bursa Malaysia in June 2006. It focused on hospital and healthcare facilities and has identified seven hospitals within the group as its main asset class for the establishment of the REITs. Half-year later in February 2007, Al-Hadharah Boustead REIT became the second Islamic REIT listed on Bursa Malaysia and the first Islamic plantation REIT to provide an opportunity for investors to participate in plantation ownership by concentrated its involvement in palm oil plantations. The latest listed S-REITs is AXIS REIT that were converted from its existing conventional structure in December 2008 and offer more diversified investment which incorporated both office and industrial assets. However, the history and development of REITs in Malaysia started in September 1989 and first acknowledge as listed property trusts with the first Malaysian listed property trust, Arab Malaysian First Property Trust on the Kuala Lumpur Stock Exchange (KLSE). Followed by First Malaysian Property Trust by November 1989 that was delisted in July 2002, Amanah Harta Tanah PNB by December 1990 and then unlisted Mayban Property Trust Fund

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One launched in 1990. Since then no listed property trusts issued until Amanah Harta Tanah PNB 2 was listed in March 1997. As at the end of April 2005, only three property trusts were listed on the Bursa Malaysia comprising AmFirst Property Trust (formerly known as Arab Malaysian First Property Trust), Amanah Harta Tanah PNB and Amanah Harta Tanah PNB 2. In an effort to create a vibrant REITs industry in Malaysia with the introduction of the new *Guidelines on Real Estate Investment Trusts* on 3rd January 2005 Malaysia has seen the debut of Axis REITs listed on Bursa Malaysia on July 29, 2005. Followed by Starhill REITs on December 16 and UOA REITs on December 30, the same year. In 2006, the market witnessed the listing of Tower REITs, Al-Aqar KPJ REITs and Hektar REITs and as by the end of 2007, Quill capital trust, Al-Hadarah, Atrium REITs was listed in Bursa Malaysia. The latest listed REITs was Amanahraya-REIT in September 2009 and to date by May 2010, 12 REITs was listed in Bursa Malaysia with Amanah Harta Tanah PNB 2 ceased its listing in year 2009. Table 1 represent the growth and latest listed REITs in Malaysia with their total market capitalization as at December 2009.

Table 1: Historical Growth of Malaysian Listed Property Trusts and REITs

No	Listed Property Trust/REIT	KLSE/ Bursa Malaysia Listing	Market Capitalization as at 2009
1	Arab Malaysian First Property Trust [1]	28 September 1989	N/A
2	First Malaysia Property Trust [2]	November 1989	N/A
3	Amanah Harta Tanah PNB	28 December 1990	RM 91.5million
4	Amanah Harta Tanah PNB 2 [3]	25 March 1997	N/A
5	Axis REIT * [4]	29 July 2005	RM 592.6667 million
6	Starhill REIT	16 December 2005	RM 1,007.95 million
7	UOA REIT	30th December 2005	RM 314.814,3 million
8	Tower REITs	12 April 2006	RM 319.77 million
9	Al-Aqar KPJ REITs*	10 August 2006	RM 510.5915 million
10	Hektar REIT	4 December 2006	RM 358.4011 million
11	AmFirst REITs	21 December 2006	RM 446.161 million
12	Quill Capital Trust	8 January 2007	RM 421.3415 million
13	Al-Hadharah Boustead REIT*	8 February 2007	RM 724.1013 million
14	Atrium REIT	2 April 2007	RM 112.0569 million
15	Amanahraya-REIT	26 February 2007	RM 368.978 million

Notes
Sources: Company annual reports and Bloomberg's Database.
* Islamic Fund

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1 Arab Malaysian First Property Trust changed to AmFirst REITs in December 2006
2. First Malaysia Property Trust delisted in July 2002
3 Amanah Harta Tanah PNB 2 delisted in November 2009
4 Axis REITs converted to S-REITs in December 2008.

2.1.1 Al-Aqar KPJ REITs

Al-'Aqar KPJ REIT that was listed on the Main Board of Bursa Malaysia on 10 August 2006 is a Malaysian-based real estate and investment trust. It was established on 28 June 2006 with the execution of a Trust Deed dated 27 June 2006 between Damansara REIT Managers Sdn berhad (Manager), and AmanahRaya Trustees Berhad (Trustees). Al-'Aqar KPJ REIT was formed to own and invest in Syariah acceptable properties which comprise of KPJ Ampang Puteri Specialist Hospital Building, KPJ Damansara Specialist Hospital Building, KPJ Johor Specialist Hospital Building, KPJ Ipoh Specialist Hospital Building, Puteri Specialist Hospital Building and KPJ Selangor Specialist Hospital Building. Second acquisition in year 2008 inclusive of Perdana Specialist Hospital Building, Kuantan Specialist Hospital Building, Sentosa Medical Centre Building, KPJ Kajang Specialist Hospital and Kedah Medical Centre Building. Third acquisition in year 2009 comprised of KPJ Seremban Specialist Hospital Building, Taiping Medical Centre Building, Damai Specialist Hospital Building, Bukit Mertajam Specialist Hospital Building, Tawakal Existing Building and KPJ Penang Specialist Hospital Building. In addition, Selesa Tower and KPJ International College Complex (collectively the "Properties") are the two additional properties that were not hospital-related but are complementary to the health tourism industry. In line with the objective to provide the unit holders a steady stream of income, Al-'Aqar KPJ REIT declared an income distribution of RM8.10 sen per unit for the period ended 31 December 2009.

2.1.2 Al-Hadharah Boustead REIT

Al-Hadharah Boustead REIT was listed on 8 February 2007 on the Main Board of Bursa Malaysia Securities Berhad. As the first Islamic plantation-based real estate investment trust (REIT) launched in Malaysia, Al-Hadharah Boustead REIT's principal investment strategy is to own and invest primarily in plantation assets comprising plantation estates and mills. The primary objectives of the Fund are to provide Unit holders with stable distribution of income/yield and to achieve long term growth in the NAV per Unit of the Fund. As at 31 December 2009, the Fund comprises of ten oil palm estates and two palm oil mills in Peninsular Malaysia covering 16,419 hectares.

2.1.3 Axis-REIT

Axis-REIT was listed on Bursa Malaysia on 3 August 2005 and in December 2008 it was successfully reclassified as a Syariah Compliant REIT. Axis-REIT's principal activity is to invest primarily in commercial, office and office/industrial real estate and was managed by Axis-REIT Managers Berhad (the "Manager"). The Manager's primary objective is to ensure the Fund

provides a regular and stable income distribution to Unit holders and ensure long-term growth in the NAV of the Fund.

2.2 Structure of S-REITs

In illustration, as refer to figure 1, S-REITs work like any other trust funds and similar to C-REITs where it should have valuation, trustees, property managers, management companies, etc. In addition, the Syariah committee/adviser is appointed to act as an adviser pertaining on all Syariah related matters in reviewing, monitoring and approving investments by Islamic REITs as required under the Islamic REITs Guidelines issued by SC. As stated in the *S- REITs Guidelines* the main criteria covered in the guideline include rental of real estate for business purposes, investment, deposit and financing, Takaful schemes and forward sales or purchases of currency for risk management (SC, 2005).

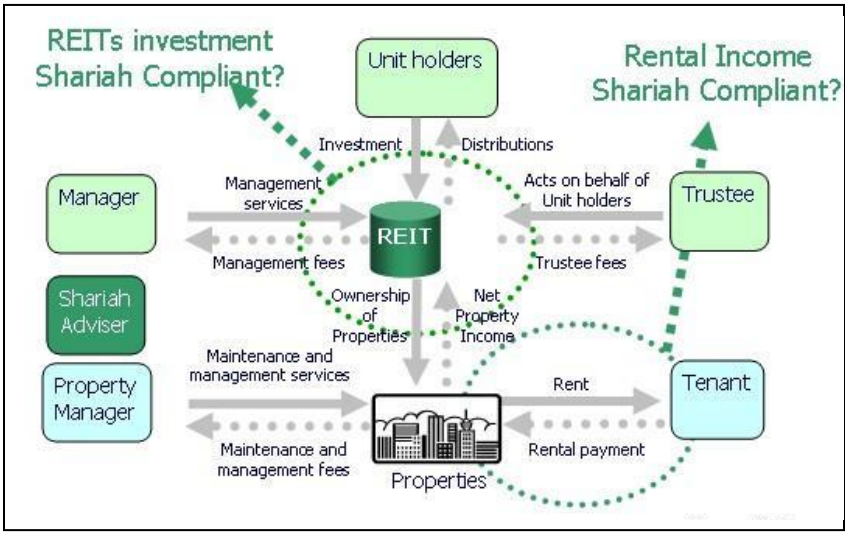

Figure 1: Structure of S-REITs

As refer to table 2, returns from properties for both S- REITs and C-REITs investment are generated from rental income and any capital appreciation that comes from holding the real estate assets over an investment period. According to *S- REITs Guidelines* the S- REIT is permitted to own or purchase real estate in which its tenant(s) operates mixed activities that are permissible and non-permissible, according to the Syariah. The benchmark for non permissible activities is set at 20% of total turnover of the Syariah REIT and this benchmark is used to assess the level of contribution from mixed rental payment from Shariah-non compliant activities. The non-permissible activities as stated in *S- REITs Guidelines* are financial services based on riba (interest), gambling/gaming, manufacture or sale of non-halal products or related products, conventional insurance, entertainment activities that are that are non-permissible according to the Syariah, manufacturing or sale of tobacco-based products or related products, stock broking or share trading in non Syariah compliant securities, and hotels and resorts. Apart from the activities listed above, the Syariah committee adviser can apply Ijtihad for other non-permissible activities to be included as a criterion in assessing the rental income for Islamic

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REITs (SC 2005). As refer to Mohammad (1989), Ijtihad is the process of reasoning by Islamic jurists to obtain legal rulings from the sources of Syariah, However, according to the *S- REITs Guideline* in order to protect the image of the Islamic REIT, an Islamic REIT is not permitted to own real estate in which all the tenants operate non-permissible activities, even if the percentage of rental from that building to the total turnover of the Islamic REIT is still below the 20% benchmarks (SC 2005). In turn of returns for the investor, the unit holders receive their returns in the form of dividends or distribution and capital gains for the holding period. The return and distribution of income, though similar with C-REIT, for Islamic REIT these incomes must be from Syariah compliant activities or from the above mention non-compliance activities within the 20% benchmark.

Table 2.Returns and Distribution of Income for REITs

	S-REIT	**C-REIT**
Return from properties	Syariah compliant: • Rental income • Capital appreciation	• Rental income • Capital appreciation
Return for the investor	Syariah compliant: • Dividend • Capital gain	• Dividend • Capital gain
Distribution of income	Distribution of income should only be made from realized gains or realized income but must be from Syariah compliant activities or from the activities within the (20% benchmark) *	Distribution of income should only be made from realized gains pr realized income.

***** (20% benchmark): This benchmark is used to assess the level of contribution from mixed rental payment from Syariah-non compliant activities

3. Conceptual Framework

The period covered in the study starts on January 1, 2005, and ends on December, 2009 with quarterly observation. The total monthly returns for each 12 sample REITs listed in Bursa Malaysia Main Board are calculated, as well as the returns of the FTSE Bursa Malaysia KLCI (as proxy for conventional funds) and the FTSE Bursa Malaysia EMAS Syariah Index (as proxy for Syariah funds benchmark). The variable selections for measurements of risk and return mostly depend on the recent surges of previous studies. For the measurement of REITs return we followed the study from Kok & Khoo (1995) and Ahmad Husni, Mohamad Badri and Izah (2007) that utilizing Sharpe Index, Treynor Index and Jensen Index. While for risk measurement we followed Newell, Ting & Acheampong (2002) that used standard deviations and coefficient of variations to quantify risk of REITs.

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Three variables will be used to represent risk of REITs which are beta, standard deviation and coefficient of variation. The first measurement is βp as beta of a portfolio (individual REIT) and it also can be expressed as:

$$\beta_p = \frac{Cov(r_{a,} r_p)}{Var(r_p)} \quad (1)$$

Where r_a measures the rate of return of the markets, r_p measures the rate of return of the individual REIT, and cov (r_a, *rp*) is the covariance between the rates of return.

The second measurement is standard deviation being denominator for σp for the fund portfolio returns over the sample period and can be express as;

$$\sigma_P = \sqrt{\frac{n}{n-1}\sum_{t=1}^{n}\frac{\left(R_{Pt} - \overline{R}_{Pt}\right)^2}{n}} \quad (2)$$

Where, R*pt* as the return portfolio p at time t, $\overline{R}_{Pt}$ as the average return of the portfolio during the sample period and *n* representing the number of return observations in the sample.

The last measurement is coefficient of variation to expresses the total risk undertaken by the REITs under consideration per unit of return achieved. More specifically, the coefficient of variation was given by:

$$CV_P = \frac{\sigma_P}{\overline{R}_p} \quad (3)$$

Where σp is the standard deviation as calculated in equation (2) and $\overline{R}_p$ is the average return of individual REITs and mathematically can be expressed as;

$$\overline{R_{Pt}} = \frac{1}{n}\sum_{i=1}^{n} R_{Pt} \quad (4)$$

Here *Rpt* is the return on fund p at time t and *n* represents the number of fund returns in the Sample. *Rpt* is he rate of returns for each REITS and is calculated as follows:

$$R_{Pt} = \frac{P_t - P_{t-1}}{P_{t-1}} \quad (5)$$

Where *Rpt* is total return of a portfolio (individual REIT), Pt is price at time t, and P_{t-1} is price one period before time t.

As for the proxy of return, the first indicator is Sharpe Index that was developed by William Sharpe (1966). It was widely used as performance measure in financial literature which measures investment performance using total risk. Mathematically the Sharp index can be described as:

$$SI = \frac{\left(R_P - R_f\right)}{\sigma_P} \quad (6)$$

With the variables in the nominator for SI is Sharpe Index, Rp is the return for portfolio, Rf is the risk-free rate of return and σp is the standard deviation of returns for portfolio. The denominator for σp being for standard deviation for individual REITs. Based on equation (6) the SI divides the excess return of a portfolio over the sample period by the standard deviation of

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the returns of that portfolio over the same period. The SI thus provides the amount of excess return a portfolio earns per unit of risk it takes (with risk being defined by σ*p*).

The second measurement of return is Treynor Index introduced by Jack Treynor (1965) which presented the first formal technique which combines both risk and returns in a single performance measure. Treynor's technique was used to measure funds performance based on the ratio of the risk premium of the portfolio, divided by beta:

$$TI = \frac{(R_P - R_f)}{\beta_p} \quad (7)$$

The last return measurement for our research is Jensen alpha index (JI) developed by Jensen (1968) to determine the size of excess returns achieved by a portfolio above (below) the fund risk adjusted return as expected in CAPM. JI can be described as:

$$JI = R_{Pt} - [R_F + \beta_I (R_M - R_F)] \quad (8)$$

4. Research Methodology

In attempt to find the mean difference, the independent sample t-rest is used in our study to test the hypothesis of means equality between S-REITs and C-REITs. While Pearson Correlation is used to test the correlation between the risk and return of REITs. The hypotheses for equality of means are stated below:

Hypothesis 1 H0: there is no difference in Treynor Index between S-REITs and C-REITs (μ_{TIS}= μ_{TIC})
H1: there is a significant difference in Treynor Index between S-REITs and C-REITs ($\mu_{TIS} \neq \mu_{TIC}$)

Hypothesis 2 H0: there is no difference in Sharpe Index between S-REITs and C-REITs (μ_{SI}= μ_{SC})
H2: there is a significant difference in Sharpe Index between S-REITs and C-REITs ($\mu_{SI} \neq \mu_{SC}$)

Hypothesis 3 H0: there is no difference in Jensen Index between S-REITs and C-REITs (μ_{JI} = μ μ_{JC})
H3: there is a significant difference in Jensen Index between S-REITs and C-REITs ($\mu_{AJI} \neq \mu_{AJC}$)

Hypothesis4 H0: there is no difference in beta between S-REITs and C-REITs (μ_{BI}= μ_{BC})
H4: there is a significant difference in beta between S-REITs and C-REITs ($\mu_{BI} \neq \mu_{BC}$)

Hypothesis 5 H0: there is no difference in total risk between S-REITs and C-REITs (*(*μ_{TRI}= μ_{TRC})
H5: there is a significant difference in total risk return between S-REITs and C-REITs ($\mu_{TRI} \neq \mu_{TRC}$)

Hypothesis 6 H0: there is no difference in coefficient of variation between S-REITs and C-REITs *(*μ_{CVI}= μ_{CVC})

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H5: there is a significant difference in coefficient of variation between S-REITs and C-REITs ($\mu_{CVI} \neq \mu_{CVC}$)

Hypothesis 7 H0: risk and return of REITs are not correlated ($r_{p1} \leq 0$)
H6: risk and return of REITs are correlated($r_{p1} > 0$)

5. Results

5.1 S-REITs and C- REITS performance since initial public offering (IPO)

Table 3 represents the performance of REITs share price since IPO. Based on the table, all the three listed S-REITs traded above their IPO price. As for the C-REITs, Amanah Harta tanah PNB, Starhill Reits, Atrium REITs and AmanahRaya Reits are traded below their IPO prices. The highest IPO changes is for Axis S-REITs with a changes of 56%, followed by AlHadarad S-REITS by 34.3% and Quill Capital C-REITs by 28.6%

Table 3: S-REITs and C- REITS performance since initial public offering (IPO)

(as of 31 December 2009)

No	Listed Property Trust/REIT	Initial Offer Price	Closing price as at Dec 2009	Change in Share Price (%)
S-REITS				
1	Axis REIT	RM 1.25	RM 1.95	56.0
2	Al-Aqar KPJ REITs	RM 0.95	RM 0.99	4.2
3	Al-Hadharah Boustead REIT	RM 0.99	RM 1.33	34.3
C-REITS				
1	Amanah Harta Tanah PNB	RM 1.00	RM 0.9	-10.0
2	Starhill REIT	RM 0.98	RM 0.86	-12.2
3	UOA REIT	RM 1.15	RM 1.27	10.4
4	Tower REITs	RM 1.07	RM 1.14	6.5
5	Hektar REIT	RM 1.05	RM 1.12	6.7
6	AmFirst REITs	RM 1.00	RM 1.04	4.0
7	Quill Capital Trust	RM 0.84	RM 1.08	28.6
8	Atrium REIT	RM 1.05	RM 0.92	-12.4
9	Amanahraya-REIT	RM 0.94	RM 0.86	-8.5

5.2 Current Composition of Malaysia REITS Market Listed in Bursa Malaysia Main Board Based On Market Capitalization

Figure 2 and figure 3 represent the market composition of listed REITs in bursa Malaysia main board based on market capitalization of each REITs as at December 2009. Starhill C- Reits is dominating the REITs market by 19%, followed by all the three S-REITs (Al-Hadarah=14%, Axis=11% and Al-Aqar=10%). Even though all the three S-REITs are the largest composition in the total REITs market in Malaysia however S-REITS only dominating the market by 35% as compared to C-REITs 65% in composition. Nonetheless this is the biggest achievement for S-REITs since the composition is represent by only three S-REITs as compared to C-REITs by nine REITs.

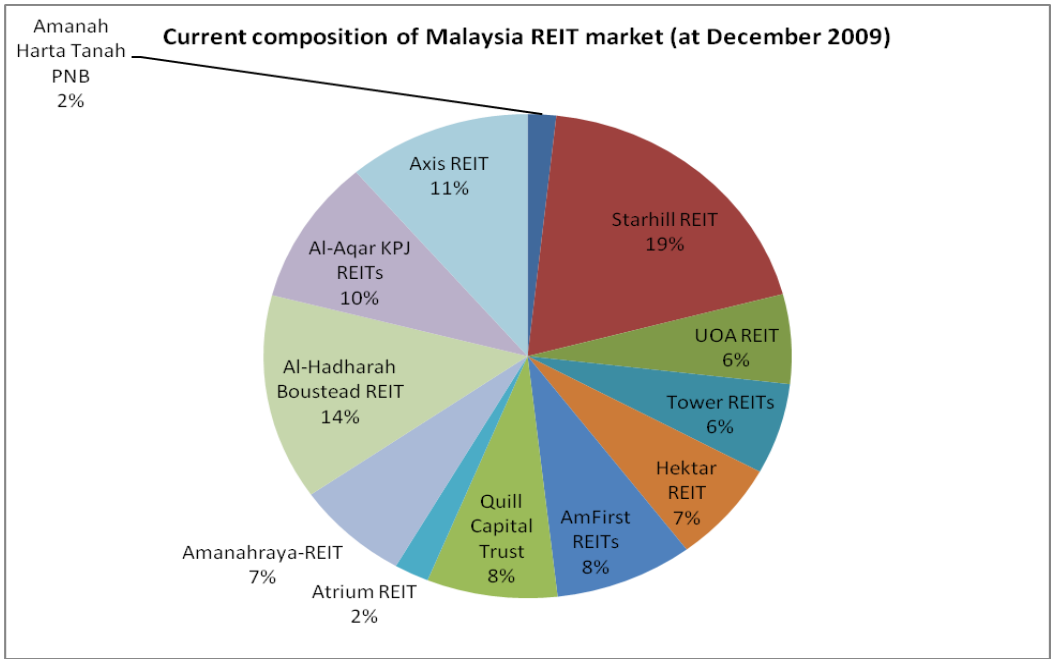

Figure 2: Current composition of Malaysia REITS market listed in Bursa Malaysia main Board based on market capitalization as at December 2009

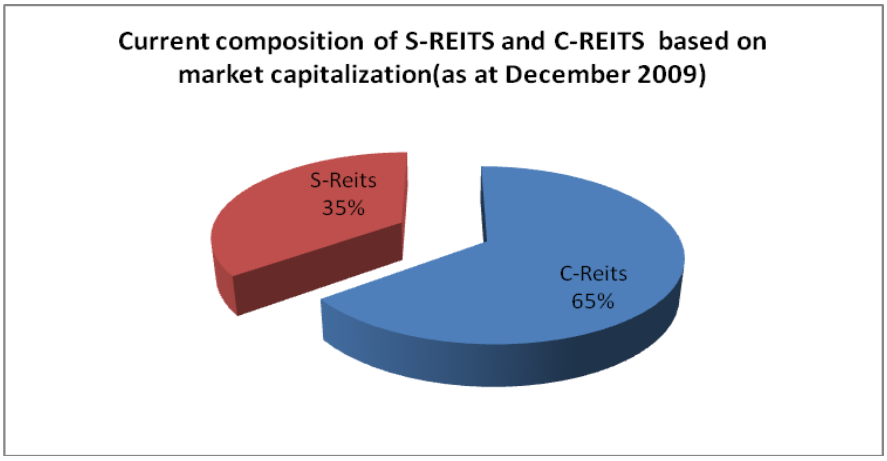

Figure 3: Current composition of S- REITS and C-REITs market listed in Bursa Malaysia main Board based on market capitalization as at December 2009

5.3 Group Statistics for S-REITS and C-REITS

In comparing the performance of the REITs market return table 4 represents the group statistic analysis for S-REITs and C-REITs. The S-REITs have higher mean in term of risk represent by standard deviation with mean of 4.7944 and beta 0.6628 as compared to the C-REITs which are 4.3378 and 0.4923 respectively. However, S-REITs has lower coefficient of variation with a mean of 0.1765 compare to C-REITs of 0.1916. The return for the S-REITs is also lower compare to C-REITs with means for Sharpe Index is -1.0767 and Jensen Index -3.7081 compared to C-REITs with mean value of -0.9064 and -1.8416 respectively. As for mean Treynor Index, S-REITs has higher mean of 6.5920 compared to C-REITs with mean of -3.2547. thus based on the group statistic results it can be conclude that S-REITs has higher in risk and eventually lower in return.

Table 4:Group Statistics for S-REITS and C-REITS

	type	N	Mean	Std. Deviation	Std. Error Mean
std	S-REITs	24	4.7944	3.61923	.73877
	C-REITs	102	4.3378	2.85241	.28243
beta	S-REITs	24	.6628	2.56937	.52447
	C-REITs	102	.4923	1.07403	.10635
cv	S-REITs	24	.1765	1.05121	.21458
	C-REITs	102	.1916	1.21385	.12019
Sharpe	S-REITs	24	-1.0767	2.19539	.44813
	C-REITs	102	-.9064	1.46369	.14493
Jensen	S-REITs	24	-3.7081	14.56076	2.97220

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	C-REITs	102	-1.8416	6.13209	.60717
Treynor	S-REITs	24	6.5920	34.12328	6.96538
	C-REITs	102	-3.2547	18.32653	1.81460

5.4 The Difference in Risk and Return between S-REITs and C-REITs

To decide whether the two means for risks and returns of S-REITS and C-REITs are significantly different from zero the two-tailed test for equality of means for all the variable for risk and return(as shown in table 5 indicates that p-value exceeds 10% level of significant) except for Treynor Index(p-value < 0.1) . Since the p-value > 0.1 we fail to reject the null hypothesis at 10% level of significant, thus hypothesis 2, 3, 4, 5, 6 is rejected. Hypothesis 1 can be accepted implying there is a significant difference in Treynor Index between S-REITs and C-REITs and the null hypothesis can be rejected at 10% level of significant. It can be concluded that there is no significant difference in the means of standard deviation, beta, and coefficient of variation, Sharpe index and Jensen index except for Treynor Index between S-REITs and C-REIT.

Table 5: Independent Sample T-Test for S-REITS and C-REITS

	Levene's Test for Equality of Variances		t-test for Equality of Means				
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
std	1.861	.175	.669	124	.505	.45653	.68276
beta	12.359	.001	.511	124	.610	.17049	.33375
cv	.294	.589	-.056	124	.955	-.01510	.26893
sharpe	2.709	.102	-.462	124	.645	-.17029	.36855
jensen	6.949	.009	-.984	124	.327	-1.86656	1.89751
Treynor	.773	.381	1.962	124	.052	9.84669	5.01966

For testing the equality of variance, the Levene's test in table 5 indicates that the estimate F-statistic for standard deviation, coefficient of variation, Sharpe Index and Treynor Index is not significant at the 1% level of significant as the p-value is greater than 1% level. Since p-value >0.01 the variance for standard deviation, coefficient of variation, Sharpe Index and Treynor Index used in the t-test are homogeneous. As for beta and Jensen Index, the estimate F-statistic is significant at 1% level of significant as the p-value is lower than 1% level, thus it can be conclude that the variance for beta and Jensen Index used in the t-test is not homogeneous

5.5 Correlation analysis between risk and return of REITs

From the statistical results as shown in table 6,the estimated Pearson correlation for standard deviation is 0.386 with Sharpe Index, however not correlated with Jensen Index and Treynor

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Index, implying a positively correlated relationship with a magnitude of 38.6% between the two variables with the p-value is less than 5%(p-value<0.05). Result for beta indicate a positively correlated relationship with a magnitude of 24% (Sharpe Index) and 63.5% (Jensen Index) both with p-value is less than 5% (p-value<0.05)but not correlated with Treynor Index. Similar to coefficient of variation that indicate a positively correlated relationship with a magnitude of 70.9% (Sharpe Index) and 37.6% (Jensen Index) also with p-value is less than 5% (p-value<0.05) and not correlated with Treynor Index. This implies that the statistical result of the correlation coefficient is substantiated at the 5% level for standard deviation, beta and coefficient of variation with Sharpe and Jensen Index. The null hypothesis can be rejected at the 5 % level of significant and hypotheses 7 can be accepted. It can be conclude that there exists a relatively positive relationship between risks and return indicating that the higher return in REITs the higher will be the risk and vice versa.

Table 6: Correlation analysis between risk and return of REITs

		std	beta	cv	sharpe	jensen	Treynor
std	Pearson Correlation	1		-			
	Sig. (2-tailed)		-		-	-	-
beta	Pearson Correlation	.365**	1	-	-	-	-
	Sig. (2-tailed)	.000					
cv	Pearson Correlation	-.010	.158	1	-	-	-
	Sig. (2-tailed)	.913	.077				
sharpe	Pearson Correlation	.386**	.240**	.709**	1	-	-
	Sig. (2-tailed)	.000	.007	.000			
jensen	Pearson Correlation	.123	.635**	.376**	.345**	1	-
	Sig. (2-tailed)	.171	.000	.000	.000		
Treynor	Pearson Correlation	-.055	-.028	.069	-.153	.009	1
	Sig. (2-tailed)	.541	.760	.443	.088	.916	

6.0 Conclusion

The primary focus of this study is to ascertain the relative performance of S-REITs and C-REITs by conducting a comparative performance analysis. As based on the study, results indicate that the performance of the C-REITs is better compared to S- REITs in terms of Sharpe and Jensen Index with lower standard deviation and beta. Although the development of Islamic capital market products has been highly innovative in Malaysia however REITs is considered new in the

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Malaysian market especially for the Syariah REITs. The sources of data about S-REITs are still very limited compared to their ethical or conventional counterparts; therefore it is too early to conclude that the conventional REITs are better as compared to the Islamic REITs. Nevertheless, we hope that the result can contribute to the body of knowledge to fill the gap in the literature by providing further empirical evidence on the Malaysian REITs and identifying the risk and return performance of REITS in Malaysia capital market. Future research should be conducted to examine the development, performance and impact of Malaysian REITs. It was suggested that further research in the area of S-REITs and C-REITs should not be neglected. Thus this study is left for future to be further explored.

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