ASSESSING THE IMPORTANCE OF FACTORS INFLUENCING THE FUTURE DEVELOPMENT OF REITs IN MALAYSIA

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ABSTRACT

REITs in Malaysia (M-REITs) have become an important property investment vehicle in Malaysia since 2005. This paper reports the results of a major industry survey in Malaysia to assess property industry views regarding the key factors influencing the future development of M-REITs. Key factors emerge regarding the future development of M-REITs. These key factors for the future development of M-REITs include tax issues, provision of professional M-REIT services, availability of quality properties and strategic property locations; reflecting the need for both regulatory changes and clearly articulated growth strategies for M-REITs.

Keywords: Malaysia, M-REITs, future development, fund managers, property advisors, key factors.

INTRODUCTION

Property markets in Asia have taken on a more significant role in portfolios, given the strong economic growth and improved property market maturity and transparency in the Asian property markets in recent years (Chin et al., 2006; JLL, 2008). A number of the major global property fund managers now have significant Asia property portfolios in their global property mandates. This includes both direct property (eg: ING, RREEF, UBS, LaSalle and Pramerica) and property securities funds (eg: Cohen & Steers, Colonial First State, ING Clarion, Macquarie, Morgan Stanley and RREEF).

Similarly, REITs in Asia have also expanded rapidly since being established in 2001. At September 2009, there were 101 REITs in Asia across Japan, Singapore, Hong Kong, Malaysia, Taiwan, South Korea and Thailand; with domestic and pan-Asia portfolios. This saw Asian REITs with a market capitalisation of over US$63B, accounting for 12% of the global REIT market capitalisation at September 2009 (Macquarie Securities, 2009).

Within this Asia REIT context, Malaysia established a REIT market (M-REITs) in August 2005, with 13 M-REITs established by September 2009, including the world's first Islamic REIT in August 2006. This sees another important source of listed property exposure in Malaysia, in addition to the long-established listed property companies sector. Given the early stages of developing this REIT market in Malaysia, the purpose of this paper is to present the results of a major industry survey to assess the importance of factors likely to influence the future development of REITs in Malaysia.

SIGNIFICANCE OF REITs IN MALAYSIA

Listed property companies in Malaysia

Malaysia has seen significant growth in recent years, with GDP growth of 5.3% forecast for 2010 (JLL, 2009). Importantly, Malaysia is seen to offer a competitive business environment (#24 globally) (WEF, 2009) and was not as adversely affected by the global financial crisis as most other Asian markets (Newell and Razali, 2009), as well as Malaysia being one of the most transparent property markets in Asia, only exceeded by Hong Kong and Singapore (JLL, 2008).

Malaysia has a significant listed property companies sector on the Kuala Lumpur stockmarket; being predominantly property developers. This sees 83 property companies listed on the Malaysian stockmarket, with a market capitalisation of US$11 billion in September 2009. This sees Malaysia accounting for 0.8% of global property companies and 1.6% of property companies in Asia (Macquarie Securities, 2009).

Most of the previous property research regarding Malaysia has focused on Malaysian property companies, largely concerning the role of Malaysian property companies in a pan-Asia context (Liow, 2008; Liow and Adair, 2009; Liow and Sim, 2006; Newell et al., 2005), board composition issues (Shakir, 2008a, b, 2009), capital structure (Ameer, 2007; Mahmood and Zakaria, 2007), sustainability issues (Newell and Manaf, 2008) and corporate real estate (Ting et al., 2006).

Development of REITs in Malaysia

Malaysia developed a Property Trust Funds (PTF) market in 1986. Despite revisions to the PTF guidelines in 1991, 1995 and 2002 by the Securities Commission of Malaysia, the PTF sector performed poorly and received very limited investor support, due to structural factors such as a lack of tax transparency. By 2004, only three PTFs were listed on the Kuala Lumpur stockmarket (Kok and Khoo, 1995; Newell et al., 2002). This poor performance of PTFs and the subsequent successful introduction of

REIT markets in other Asian countries (eg: Japan, Singapore) saw the Securities Commission of Malaysia issue new guidelines for M-REITs (Securities Commission of Malaysia, 2005a) and the first M-REIT was established in August 2005.

Table 1 highlights M-REITs in an Asian and global REIT context at September 2009. These 13 M-REITs saw the Malaysian REIT market ranked as #15 of the 21 global REIT markets and #5 of the seven Asian REIT markets. Whilst the Asian REIT markets are dominated by the Japan, Singapore and Hong Kong REIT markets, accounting for 94% of the Asian REIT market, the REIT market in Malaysia has provided important property diversity in the local stockmarket regarding listed property investment opportunities beyond the traditional focus on listed property companies. This diversity includes the establishment of the world’s first Islamic M-REITs in August 2006 (Newell and Osmadi, 2009).

Table 1: Significance of Asian REITs: September 2009

Country	Number of REITs	Market capitalisation (US$)	Percentage of Asia market	Percentage of global market	World ranking (by $)
Japan	41	$33B	52.0%	6.2%	5
Singapore	20	$18B	28.1%	3.3%	7
Hong Kong	7	$8B	13.5%	1.6%	9
Taiwan	8	$1.8B	2.8%	0.3%	14
Malaysia	**13**	**$1.4B**	**2.3%**	**0.3%**	**15**
South Korea	6	$0.5B	0.8%	0.1%	19
Thailand	6	$0.3B	0.5%	0.1%	20
Total Asia	**101**	**$63B**	**100.0%**	**11.8%**	
Total Global	**509**	**$531B**		**100.0%**	

Source: Authors’ compilation from Macquarie Securities (2009)

However, like most global REIT markets, the M-REIT market was impacted by the global financial crisis in 2008-2009; although the impact was less evident than that seen in many other mature global REIT markets (Macquarie Securities, 2009). Key factors that have contributed to the lesser impact of the GFC on M-REITs are M-REITs being highly regulated, conservatively managed, debt is largely in local currency with local banks, low gearing and institutional support.

Table 2 provides the property profile of the various M-REITs at September 2009. These property portfolios cover the office, retail, industrial and hotel sectors, as well as the healthcare and palm oil plantation sectors. At September 2009, there were three Islamic M-REITs (Al-Hadharah Boustead REIT, Axis REIT, Al-Aqar KPJ REIT), accounting for 34% of the M-REIT market capitalisation. Islamic M-REITs acquire income-producing Shariah-compliant properties, have strict compliance rules regarding tenant activities and utilise Islamic financial/debt instruments (Newell and Osmadi, 2009; Osmadi, 2006; Securities Commission of Malaysia, 2005b).

Table 2: Property profile of Malaysian REITs: September 2009

REIT	Date listed	Market cap (US$)	Asia REIT rank	Property sectors in portfolio
Starhill REIT	Dec 2005	$302M	#51	Hotel, retail, apartment
Al-Hadharah Boustead REIT	Feb 2007	$199M	#62	Palm oil plantations
Axis REIT	Aug 2005	$158M	#69	Office, industrial
Al-Aqar KPJ REIT	Aug 2006	$145M	#72	Healthcare
Amfirst REIT	Dec 2006	$125M	#75	Office
Quill Capita REIT	Jan 2007	$113M	#77	Office
Amanaraya REIT	Feb 2007	$97M	#80	Office, retail, industrial, hotel
Hektar REIT	Dec 2006	$97M	#81	Retail
UOA REIT	Dec 2005	$92M	#82	Office, retail
Tower REIT	April 2006	$89M	#84	Office
Atrium REIT	March 2007	$27M	#108	Industrial
Amanah Harta Tanah PNB	August 2005	$26M	#109	Office, retail
Amanah Harta Tanah PNB2	August 2005	$18M	#114	Office

Sources: Authors' compilation from APREA (2009), CBRE (2009) and various annual reports

Regulatory environment for M-REITs

Since the establishment of M-REITs in August 2005, the Securities Commission of Malaysia has introduced further regulatory changes to the management of M-REITs in August 2008 and June 2009 to encourage the growth of M-REITs, enhance their attractiveness, attract foreign investors and encourage foreign REITs to list in Malaysia (Securities Commission of Malaysia, 2008). These measures included increased maximum gearing levels, improved tax arrangements (eg: reduced withholding tax), improved foreign ownership conditions (eg: 100% of foreign ownership of funds management), reduced Bumiputra ownership conditions, more flexibility in property acquisitions, and improved reporting and disclosure (Trust, 2009).

Table 3 lists full details regarding the current regulatory structure and characteristics of M-REITs at September 2009. Overall, these new guidelines have been seen to be a stimulus to the M-REIT market; particularly concerning increased foreign involvement (CB Richard Ellis, 2009). This has seen M-REITs rated as the #2 REIT market in Asia for future REIT opportunity and the #3 REIT market in Asia for overall potential (Trust, 2009).

Given this desire by the Securities Commission of Malaysia to regularly review the regulatory environment of M-REITs to enhance the local and international competitiveness of M-REITs, this forms the catalyst for this paper. In particular, subsequent sections of this paper will present the results of a major industry survey to assess the importance of key factors likely to influence the future development of M-REITs.

PREVIOUS M-REIT RESEARCH

Given the recent establishment of REITs in Asia, only limited research has been conducted in this increasingly important area; this includes Chiang et al (2008), Kutsuna et al. (2008), Lin (2007), Ooi et al. (2006), and Quek and Ong (2008); largely concentrating on developmental and IPO aspects of REITs in the larger REIT markets in Asia; namely Japan, Singapore and Hong Kong. The only research specifically on M-REITs assessed the development of Islamic M-REITs (Osmadi, 2006), and the risk-adjusted performance and portfolio diversification benefits of Islamic M-REITs in a portfolio over 2006-2008; particularly contrasting the performance of Islamic M-REITs and conventional M-REITs over this period and during the global financial crisis (Newell and Osmadi, 2009). Overall, Islamic M-REITs were seen to be a differentiating property investment product from conventional M-REITs, as well as displaying the defensive characteristics of low risk levels and portfolio diversification benefits. The robustness of these characteristics were further enhanced during the GFC (Newell and Osmadi, 2009).

Given the lack of research regarding M-REITs, and their significant growth prospects and strong regulatory support by the Securities Commission of Malaysia (SCM), it is important to obtain a critical evaluation of the importance of factors likely to influence the future development of M-REITs. This is assessed by a major property industry survey, with the results highlighted in the following sections in this paper.

Table 3: Regulatory structure and characteristics of Malaysian REITs: September 2009

Management: External manager; 100% foreign ownership allowed; previously 70%

Property investments: At least 75% of total asset value; can include fractional interest Properties

Overseas investment: Yes; Securities Commission approval required

Property development: No; can enter into conditional forward purchase agreement with cover for construction risks

Gearing: Limited to 50% of total asset value; previously 35%

Distribution: No restrictions, but tax-exempt if at least 90% of total income is distributed; undistributed earnings taxed at 28%

Capital gains tax: Exempt

Stamp duty: Exempt

Tax transparency: Yes

Withholding tax: 10% for foreign investors (comparable to Hong Kong and Singapore); previously 28%

Valuations: At least every three years; Securities Commission approval is not required for re-valuations unless for a new M-REIT or where acquisition is financed within one year through issuance of new units

Capital raisings: Prior unit holder approval allows faster capital raising up to 20% of fund size

Ownership requirements: minimum 15% equity ownership by Bumiputra at IPO; not applicable post-IPO; reduced from 30% previously

Compliance: Appointment of designated person responsible for compliance (eg: SC law) required

Sources: Authors’ compilation from CBRE(2009), EPRA(2008), Trust(2009)

METHODOLOGY

A survey to assess the importance of factors influencing the future development of M-REITs was conducted over October – December 2007. The survey addressed a range of factors influencing the future development of M-REITs. These factors were identified by a literature review of the development of REITs in Asia (eg: Ooi et al., 2006) and an assessment of previous REIT surveys conducted by one of the authors. These factors comprehensively covered the areas of M-REIT structure, tax, regulatory environment, industry structure, investor acceptance, property market environment, property performance and individual property-specific issues. This saw a coverage of both macro and micro M-REIT/property factors for a full and rigorous assessment of the importance of the potential factors influencing the future development of M-REITs. This saw 31 potential factors identified, with additional factors able to be included by the survey respondents via open-ended questions.

This survey was conducted as personal interviews with senior participants in the Malaysian property investment industry. These survey participants comprised M-REIT fund managers, commercial property practitioners/advisors (eg: JLL, CBRE, Colliers, WTW etc) and investment fund managers, with participant details provided from annual reports, property industry databases (eg: ISM) and investment directories. The M-REIT fund managers had specific expertise regarding M-REITs, whilst the commercial property advisors/practitioners and fund managers were senior professionals who had direct involvement and experience with M-REITs in the property industry practitioners area and general investment portfolio management area respectively. Hence, all survey participants had a high degree of involvement and awareness of issues relevant to M-REITs. The M-REIT regulators at SCM were not surveyed, as a direct practitioner focus was sought from the survey respondents.

Overall, 150 surveys were distributed, with a total of 96 respondents who participated in the survey interviews. These 96 respondents comprised the three industry sub-groups; namely M-REIT fund managers (11), commercial property advisors (30) and fund managers (55). This saw an overall response rate of 64%, with response rates for the three sub-groups of respondents being M-REIT fund managers (85%), property advisors (58%) and fund managers (65%). The high response rates across all three sub-groups, as well as the respondents being senior professional staff with a high level of understanding and awareness of M-REITs, ensured that high quality and reliable survey information was obtained.

To assess the importance of the various factors influencing the future development of M-REITs, a 5-point rating scale was used; ranging from 1=not available to 5=essential. Participants also responded via several open-ended survey questions. ANOVA was used to examine significant differences in responses between the three sub-groups surveyed regarding the importance of each of the 31 factors influencing the future development of M-REITs. Rank correlation analysis was also used to assess the overall association and consistency between these three industry sub-groups. Factor analysis (with varimax rotation) was also used to identify the underlying property dimensions in the survey responses to these 31 factors. These property dimensions were determined by identifying the inherent underlying structure in the 31 variables with factor weights greater than 0.5 in each dimension from the factor analysis.

RESULTS AND DISCUSSION

Given the short timeframe of only four years since the establishment of M-REITs, it is important to consider their strategic longer-term future development prospects as an effective REIT market in Malaysia, Asia and globally. As such, the identification and prioritising of the key factors influencing the future development of M-REITs is critical; this being the focus of this section. This takes on even further importance, given the demonstrated responsiveness of the Securities Commission of Malaysia to regularly review the regulatory environment of M-REITs to enhance their local and international competitiveness.

Table 4 presents the average scores for the importance of the 31 specific factors potentially influencing the future development of M-REITs. This is presented for the total respondents, as well as for the three industry sub-groups to assess whether there are significant differences in the views of these three sub-groups of property players. The most important factors regarding the future development of M-REITs were tax issues, provision of professional services, availability of quality properties and strategic property locations. Tax considerations were a top priority; with a favourable tax transparency locally and an appropriate tax treatment being the top two rated factors. Other priority factors for the future development of M-REITs were focused more around growing the property portfolio and achieving yield enhancement. This reflects the importance of the broader features needed for the long-term growth and viability of M-REITs as an effective property investment vehicle in Malaysia.

Table 4 also shows the extent of differences in the views seen by M-REIT fund managers, property advisors and fund managers regarding the importance of the key factors for the future development of M-REITs. This saw M-REIT fund managers having a higher average score (3.94) than property advisors (3.79) and fund managers (3.41). Whilst M-REIT fund managers gave the highest average score for the importance of specific factors for 58% of the 31 factors, which reflected their more detailed knowledge and operational understanding of M-REITs, property advisors also figured prominently with the highest average score for 39% of factors. This showed critical understanding by the property advisors regarding the importance of the factors influencing the future development for M-REITs; particularly for factors relating to direct property issues.

Table 4: Importance of factors influencing the future development of M-REITs**

Factor	Total*	M-REIT fund managers	Property advisors	Fund managers
Secure and favourable tax transparency treatment locally	4.38	4.55 a	4.80 a	3.80
Appropriate tax treatment	4.38	4.73 a	4.60 a	3.80
Professional M-REIT services	4.25	4.36	4.80	3.60
Availability of quality properties	4.23	4.09 a	4.80	3.80 a
Strategic property locations	4.19	4.36 a	4.60 a	3.60
Increases in rental rates	4.18	4.55 a	4.20 a	3.80
Reduction in withholding tax rate on distributions to local investors	4.12	4.55 a	4.00 a,b	3.80 b
Property market performing well	4.09	3.45	4.60	4.20
Reduction in withholding tax rate on distributions to international investors	4.05	4.36 a	4.00 a,b	3.80 b
Acceptable risk profile	4.03	4.09 a,b	4.20 a	3.80 b
Increases in earning profile	4.02	4.45 a	4.00 a	3.60
Secure and favourable tax transparency treatment internationally	3.99	4.18 a	4.00 a	3.80 a
M-REIT properties well maintained	3.99	4.36 a	4.00 a.b	3.60 b
Attractive M-REIT yields compared to other investments	3.98	4.09 a	4.00 a	3.60
Well-informed investors	3.91	4.27 a	3.80 a	3.80 a
Suitable distribution policy	3.89	4.27 a	4.40 a	3.00
Attractive M-REIT yields in initial 3-5 years	3.76	4.09 a	4.00 a	3.20

M-REIT market performing well	3.71	3.73 a,b	4.20 a	3.20 b
Acceptable regulation worldwide	3.70	3.91 a,b	4.00 a	3.20 b
M-REITs attractive to international investors	3.67	4.00 a	3.60 a,b	3.40 b
Portfolio diversification with stockmarket	3.55	3.64 a	3.80 a	3.20
Increased general investor participation	3.53	4.18	3.00 a	3.40 a
Increased institutional investor Participation	3.47	4.00	3.20 a	3.20 a
Diversified tenants	3.28	3.64 a	3.00 a	3.20 a
More competitive than other REIT markets	3.25	3.36 a,b	3.40 a	3.00 b
Availability of an M-REIT index	3.22	3.45 a	3.00 b	3.20 a,b
Low management fees	3.16	3.27 a	3.00 a	3.20 a
Islamic M-REIT market performing well	3.01	2.82 a	3.00 a	3.20 a
Availability of Islamic M-REIT index	2.84	2.91 a,b	3.20 a	2.40 b
Diversified property portfolios in M-REITs	2.78	3.55	2.00	2.80
Inclusion of international property in M-REIT portfolios	2.60	3.00 a	2.20 b	2.60 a,b
Overall average score	**3.71**	**3.94**	**3.79**	**3.41**

*: to avoid issues of different sub-group sizes, average for total is average of three sub-group scores
**: for each of the 31 factors, sub-group means not followed by the same letter are significantly different (P<5%)

Significant differences (P<5%) in priorities between the three sub-groups for the importance of the 31 factors influencing the future development of M-REITs were evident for 26 of the 31 factors; see Table 4; In particular, M-REIT fund managers gave significantly higher scores than fund managers for 65% of factors, and property advisors gave significantly higher scores than fund managers for 62% of factors. M-REIT fund managers only gave significantly higher scores than property advisors for 19% of factors. Hence M-REIT fund managers and property advisors were generally aligned in the importance they attached to specific factors, while fund managers generally attached less importance to the factors than did either M-REIT fund managers and property advisors.

In terms of the future development of M-REITs, there was also general consistency in the importance given to the key factors identified by the three industry sub-groups. Tax issues dominated the priorities for each of the three sub-groups; particularly appropriate tax treatment and local tax transparency. M-REIT fund managers also prioritised rental growth and earnings growth, whilst property advisors prioritised direct property issues (eg: professional property services, quality properties, strategic locations). Fund managers also prioritised direct property issues, as well as the need for an acceptable risk profile for M-REITs.

Overall, M-REIT fund managers and property advisors were seen to have the highest degree of consistency regarding the priorities of the importance of the factors influencing the future development of M-REITs. This saw a rank correlation between these two sub-groups of 0.67. However, the three sub-groups were generally aligned in their views, reflected in rank correlations of 0.62-0.67. This clearly reflects a consistent view amongst the property industry participants regarding priorities in the importance of the key factors influencing the future development of M-REITs.

Using factor analysis, Table 5 presents the appropriately identified “property dimensions” regarding the future development of M-REITs for the total respondents and the three sub-groups. In each case, 3-6 underlying property dimensions were able to be identified, explaining 89-99% of variation. Investment and performance issues, and strategic and regulatory issues were seen as the main underlying property dimensions, accounting for 53.1% of the explained variation. The “strategic property issues” dimension was seen as the focus for the M-REIT fund managers, compared to the focus on the “investment and performance issues” dimension for both property advisors and fund managers. The “strategic and regulatory issues” dimension also figured prominently for all three sub-groups; being the second most important underlying property dimension in each case.

Table 5: Factor analysis "property dimensions" for future development of M-REITs

Total: 5 dimensions accounting for 89.0% of variation*

- Investment and performance issues (26.9%)
- Strategic and regulatory issues (26.2%)
- Specific market dynamics (16.8%)
- Diversification in portfolio (12.7%)
- Strategic property issues (6.4%)

REIT fund managers: 6 dimensions accounting for 98.8% of variation

- Strategic property issues (26.1%)
- Strategic and regulatory issues (26.0%)
- Investment and performance issues (17.4%)
- Diversification in portfolio (15.0%)
- Role of property in a portfolio (7.7%)
- Changing property environment (6.5%)

Property advisors: 3 dimensions accounting for 97.1% of variation

- Investment and performance issues (42.5%)
- Strategic and regulatory issues (35.5%)
- Diversification in portfolio (19.1%)

Fund managers: 3 dimensions accounting for 96.8% of variation

- Investment and performance issues (35.6%)
- Strategic and regulatory issues (33.4%)
- Strategic property issues (27.8%)

*: percentage of variation explained by individual factors is given in brackets

These analyses regarding the importance of factors influencing the future development of M-REITs were also supplemented by open-ended questions for broader views by respondents regarding M-REITs. Key issues to emerge from these open-ended questions were:

- M-REIT fund managers
    - ❖ yield, yield accretion and risk management are key factors for M-REITs
    - ❖ it is not necessary for M-REIT portfolios to be highly diversified, as diversification need only be done at the portfolio level or where economies make sense
    - ❖ international property investors from mature REIT markets provide implicit guidance and support for the M-REIT sector to develop along international best practice guidelines

  - ❖ key imperative is to actively manage and optimise property portfolio performance for M-REITs
  - ❖ fees should be appropriate and benchmarked internationally.

- Property advisors
  - ❖ importance of owners or sponsors behind the M-REIT regarding accumulation and injection of new properties via an effective growth strategy
  - ❖ need for fuller disclosure of financial and legal matters.

- Fund managers
  - ❖ defensive role of M-REITs in a stock portfolio
  - ❖ Islamic M-REITs are suited to funds whose clients require them to invest in Shariah-compliant stocks only
  - ❖ small size of most M-REITs render them not attractive to larger funds or international investors
  - ❖ tax treatment of M-REITs is not attractive, relative to Singapore
  - ❖ lack of alignment of interest with fund manager may see properties not managed well
  - ❖ difficult to grow M-REITs as local market is too small.

Many of these aspects are captured in the broader factors of yield-accretive acquisitions, focused investment, the role of the M-REIT sponsor, conflict of interest between manager and shareholders, small size of the M-REIT market, unfavourable tax treatment, corporate governance and appropriate management fees; which are also critical for the future development of M-REITs.

IMPLICATIONS FOR M-REITs

M-REITs have emerged as an important property investment vehicle in Malaysia in recent years, offering property product diversity; particularly regarding Islamic M-REITs for investors seeking Shariah-compliant property investment opportunities. Using a major industry survey, this paper has highlighted industry views regarding the key factors influencing the future development of M-REITs. Generally consistent views were found amongst M-REIT fund managers, property advisors and fund managers regarding these key factors for the future development of M-REITs. These key factors included tax issues, provision of professional M-REIT services, availability of quality properties and strategic property locations.

These results have significant property investment implications for the future development of M-REITs in a local, Asia and global context. They clearly identify the priorities of improving the regulatory environment for both local and international investors, as well as developing a clearly articulated growth strategy involving professional management, acquisition of new assets, dividend growth and improved transparency. These results are further reinforced by the proactive role by the Securities Commission of Malaysia in regularly reviewing the regulatory environment of M-REITs to enhance the local and international competitiveness of M-REITs.

The priority around tax issues seen in this industry survey is amply reflected in the improved tax arrangements for M-REITs seen in the 2009 Malaysian budget. This has seen the tax rate on dividends received by foreign institutional investors from M-REITs reducing from 20% to 10%, and the tax rate on non-corporate investors (local and overseas) reducing from 15% to 10%. These tax incentives take on increased importance, given the significant recent tax incentives implemented for S-REITs to encourage their ongoing development in Singapore for both local REITs and international REITs; with Singapore seeking to be the pan-Asia hub for REITs. These S-REIT tax incentives include reduced withholding tax, stamp duty waivers and GST concessions (Trust, 2009). Further tax concessions for M-REITs are necessary to enhance their attractiveness to local and international investors, as well as providing a catalyst to the ongoing future growth prospects for M-REITs.

In addition to these tax and regulatory changes, this survey has also clearly identified the need for improved professional M-REIT services and the development of clearly articulated growth strategies to enhance the stature of M-REITs and increase their investor acceptance amongst the major international property investors.

The integration of the key factors identified in this research for the future development of M-REITs, along with the proactive role of the Securities Commission of Malaysia and a supportive property industry in Malaysia should see a more conducive environment for the successful future development of M-REITs.

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