

Strategies to Revitalise the Securitised Property Industry in Malaysia*

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Abstract

Malaysia is the first Asian country to develop listed property trusts in 1989. However despite an eleven year lead in the industry, the development of the listed property trust industry has been slow. Currently only four property trusts are listed on the Kuala Lumpur Stock Exchange. Three of the property trusts are listed since 1989 with the fourth listed in 1997. Despite regulatory changes by the authorities that allow greater investment flexibility, property investment portfolios of existing trusts have not expanded in a significant manner.

The purpose of this paper is to examine the development of listed property trusts in Malaysia and discuss the problems faced by the listed property trust industry. Suggestions to improve the industry encompass measures to enhance supply and demand for listed property trust units from investors. In addition, recommendations to make listed property trusts a more attractive investment option are also suggested.

Keywords: listed property trust, unit holding analysis, demand and supply

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Introduction

Efforts to start a property trust began way back in 1984, when the Association of Merchant Banks Malaysia submitted a comprehensive paper to the relevant authorities on the feasibility of setting up property trusts in Malaysia. The Malaysian authorities were receptive to the new investment concept as property trusts are able to mobilise the investment of surplus funds in order to develop, diversify and deepen the capital market. A regulatory framework that allows property trusts to be set up and operate was subsequently set in place (Kang 1989 and Gumley 1989).

However the poor state of the property market in 1984/5 had hindered the introduction of property trusts to the capital market. The economic recovery in 1986/7 and a steady economic growth in 1988 paved the way for the launching of property trusts in 1989. At that time five financial institutions including two merchant banks had been given approvals in principle to establish property trusts in Malaysia.

Amanah Hartanah PNB (AHP) was the first property trust launched in Malaysia as an unlisted property trust when it made an offer for sale of its units on 21 March 1989. The successful launch of AHP was followed by the first listed property trust i.e. the Arab Malaysian First Property Trust with its listing debut on the Kuala Lumpur Stock Exchange (KLSE) on 23 November 1989 with an initial fund size of 135 million units and a market capitalisation of RM180.9 million as at 31 December 1989.

Development of the Malaysian Listed Property Trust Industry

The development of the Malaysian listed property trust industry has been lethargic. The number of listed property trust funds has remained the same from 1989 to 1996 i.e. Amanah Hartanah PNB (AHP), Arab-

Malaysian First Property Trust (AMFPT) and First Malaysian Property Trust (FMPT). The fourth listed property trust fund, Mayban Property Trust Fund One (MPT) was listed in 1997.

Today the listed property trust industry constitutes less than 0.1% of the KLSE market capitalisation.

Property trust managers had commented that the property trust industry is over regulated by the *Guidelines on Property Trust Funds* 1991 issued by the Capital Issues Committee, Ministry of Finance (Azim 1992, 1993). The restrictions imposed by the Guidelines are related to property acquisition, disposal, development and borrowing limit. The restrictive provisions of the Guidelines relating to property acquisition had prevented property trust funds from expanding their investment portfolios through new property acquisitions. Subsequently promoters and managers of trust funds had sought major reviews of the Guidelines from the regulatory authorities particularly the Securities Commission.

A revised *Guidelines on Property Trust Funds* were issued by the Securities Commission on 26 June 1995 incorporating amendments relating to property acquisition, property disposal, property development and borrowing limits. The revised guidelines were well received by the property trust managers (Azim 1995).

The amendments have enabled property trust funds to acquire properties more easily by providing more options and flexibility in property acquisitions. In particular, property trusts can now acquire property interests such as:-

- (a) strata properties;
- (b) equities of real estate companies;
- (c) properties in foreign countries; and
- (d) properties such as office buildings which are not fully tenanted but having the potential of achieving full occupancy.

The wider property acquisition options were supported by corresponding changes in financing and borrowing methods.

Despite the 1995 revisions to the *Guidelines on Property Trust Funds* 1991, the industry has remained stagnant. The greater flexibility allowed under the *Guidelines on Property Trust Funds* 1995 on property acquisition and financing have not spurred listed property trusts (LPTs) to be more active in the local property investment scene. Property investment portfolios of existing LPTs have not expanded in a significant way.

In the case of FMPT, the property acquisitions from 1994 - 1997 were reinvestments of the proceeds from the sale of its flagship property investment, Plaza MBF in 1994. FMPT took advantage of the relaxation in the Guidelines and made a foreign property purchase in 1996 of a warehouse-cum-showroom in Victoria, Australia.

The ten property acquisitions by AHP from 1995 - 2000 were small properties comprising nine 3 to 4 storey shop-office premises and one office building.

The property acquired by Mayban Property Trust in 1996 was a medium size 9¹/₂ storey office-building owned by the Malayan Banking Group.

In short, the revised Guidelines 1995 have not made a positive impact on the property trust industry and there are impediments that prevent property trust managers from taking full advantage of the provisions under the Guidelines (Ting et al, 1998).

Tharmalingam (1999) commented on the long time period to obtain approvals for the purchase of property from the regulatory authorities. Tharmalingam also noted that local investors perceive LPTs as unexciting investments with limited or no growth potential compared to shares.

An opinion survey was conducted in 1998 on CEO Property Managers of LPTs. The findings showed that the constrained expansion of existing property portfolios was due to the following factors (Ting 2000):-

- Lengthy capital market requirements in raising capital for property acquisition. The acquisition bid from a property trust is conditional on approval by the Securities Commission. The acquisition may take more time to complete compared to another buyer.

The vendor may also face uncertainty in the selling price as the price may be adjusted downwards by the Securities Commission.

- Restrictions in bank borrowings to a maximum of 10% of the gross assets of the fund by the Securities Commission's *Guidelines on Property Trust Funds* 1991 and 1995.
- Poor investor perceptions of property trust investments.
- The lack of interests from institutional investors.
- Properties available for acquisitions are providing low yields.

Feedback from the CEO Property Managers indicated that the following factors had hindered the launching of more property trust funds in Malaysia (ibid):-

- Competing investment alternatives (e.g. initial public offerings (IPOs) and unit trust funds). In the past, IPOs on the KLSE have achieved high premiums upon listing resulting in high capital gains by stags. Property trusts which have a trust structure are not allowed to speculate and are viewed as defensive stocks offering stable returns and prices;
- poor investor perceptions on property trust investments;

- restrictive Securities Commission's *Guidelines on Property Trust Funds*;
- the lack of demand from institutional investors; and
- too few institutional investors.

Characteristics of Malaysian Listed Property Trusts

The currency crisis which began in July 1997 has revealed LPTs as a viable investment option that is able to provide a steady stream of dividend distributions despite the currency turmoil and the subsequent economic and property downturn. The LPTs have survived the 1998 stock market crash as none has faced corporate failures. Prior to the currency crisis, the income distributions and net tangible assets of LPTs have been growing steadily (Ting 1999).

Table 1: Income Distribution of Listed Property Trust in Malaysia (%)

YEAR	AHP	AMFPT	FMPT	MPT
1989	5.50	4.99		
1990	6.50	5.75	4.54	
1991	7.20	7.70	5.68	6.09
1992	8.24	10.00	6.82	5.80
1993	12.00	11.00	7.18	6.30
1994	12.25	10.58	6.72	6.30
1995	12.25	11.10	6.24	7.07
1996	12.50	11.50	6.92	7.58
1997	7.00	11.50	6.67	7.50
1998	6.00	8.00	5.11	7.00
1999	6.50	8.00	0.50	4.43
2000	6.00	7.00	0.00	4.32
Mean	8.5	8.9	5.1	6.2
Std deviation	2.86	2.31	2.55	1.15

Source: Annual Report of LPTs (1989 - 2000)

The income distributions of LPTs have reduced after the currency crisis and downturn in the commercial property market. However, the post crisis average gross yields from December 1998 to December 2000 for three of the LPTs are 6.3 per cent to 9.6 per cent which are above the savings and fixed deposit rates. The average dividends declared for the same period range from 5.3 per cent to 7.7 per cent.

Table 2 shows the portfolio characteristics of the LPTs.

Table 2: Characteristics of Malaysian Listed Property Trusts (December 2000)

Property Trust	KLSE Listing	Total assets (RM-Ringgit)**	Level of Property	Number of Properties	Property Portfolio composition (by property type and location)
Arab Malaysian First Property Trust	Sept 1989	RM188m	95%	2	Office (100%) Kuala Lumpur (100%)
First Malaysian Property Trust	Nov 1989	RM96m	59%	6	Office (43%) Industrial (44%) Retail (7%) Hotel (6%) Kuala Lumpur (41%) Australia (25%) Others (34%)
Amanah Harta Tanah PNB	Dec 1990	RM155m	81%	12	Office (93%) Retail (7%) Kuala Lumpur (93%) East Malaysia (3%) Others (4%)
Mayban Property Trust Fund One	March 1997*	RM121m	76%	5	Office (100%) Kuala Lumpur (40%) Others (60%)

* - previously an unlisted property trust from August 1990 - February 1997

** US\$1 = 3.8 Malaysian Ringgit (December 2000)

Dynamics of investments in Malaysian Listed Property Trusts: Unit holders and unit holding analysis

The major unit holders of the LPTs are bank/financial groups and fund management companies (Table 3).

Table 3: Major Unit Holders of LPTs in Malaysia (December 2000)

Listed Property Trust	Major Unit holder	Unit holding (31.12.2000)
AHP	PNB	42.98%
AMFPT	AMMB Holding	43.49%
FMPT	Sistem Televisyen Malaysia Bhd	70.70%
MPT	Malayan Banking Group	

Source: Annual Report of LPTs

Overall, the number of large unit holders has not changed significantly. However, there is a noticeable fluctuation on the number of small unitholders of the 1 -5,000 unit category (Fig.1) which varies with the investment climate. The figure shows a steady increase in the number of small unitholders since the 1993 stock market bull. However the number

of investors started to decline when the currency crisis and the subsequent economic recession caused an increase in vacancy rates and drop in rental and capital values in the commercial property market. This has resulted in a decrease of unitholdings of small unit holders.

Fig.2 shows that the unitholdings of large unitholders (more than 10,000 unit category) have increased slightly since the currency crisis. This showed that large investors were attempting to move into investments which could provide steady income. The increase in unitholdings of large investors comes from the decrease in unitholdings of small unitholders.

However, the increase in unitholdings of large unitholders is not from institutional investors as their holdings were constant over the period (Fig.3). The increase in unitholdings of large unitholders were attributable to the high net-worth individuals.

The unitholders analyses further confirm the lack of participation of institutional investors in property trust investments.

Institutional Investors and Property Investments

Institutional investors in Malaysia comprise statutory and private provident funds, pension funds, insurance companies and unit trust funds. The major institutional investors in Malaysia i.e. EPF, PNB, LUTH, SOCSO and LTAT, collectively own about RM250 billion in assets. These top five institutional investors have invested in equities totalling an estimated RM73.6 billion in KLSE accounting for about 17 per cent of the KLSE market capitalisation of RM444 billion.

Pension funds and insurance companies have not played a significant role in the development of the listed property trust market. Statutory requirements have prevented them from being significant institutional investors in the LPT market and direct property market.

Table 4: Total Asset of Major Institutional Investors in Malaysia (June 2000)

Institutional Investors	Estimated Total Assets (RM billion)	Estimated investment in KLSE (RM billion)
EPF	172.5	50.5
PNB	58.0	15.5
LUTH	8.6	2.5
SOCSSO	8.3	1.4
LTAT	4.8	3.7

Note : EPF - Employees Provident Fund
 PNB - Permodalan Nasional Berhad
 LUTH - Pilgrims Fund Board
 SOCSO - Social Security Organisation
 LTAT - Armed Forces Fund Board

Source: Malaysian Business 1st December 2000

Property investments of these institutional investors are made mostly via shareholdings in listed property companies on the KLSE. Property development is the main activity of most of these listed property companies.

The majority of the investments of provident and pension funds are invested in corporate securities, government securities, cash and bank deposits.

Table 5: Composition of Assets of Provident and Pension Fund in Malaysia

Investment	1988 (%)	1998 (%)
Corporate securities	6	32
Government securities	81	27
Cash & bank deposits	4	26
Debentures & loans	4	13
Others assets	5	2
TOTAL	100	100

Source: Bank Negara Malaysia (2000) *The Central Bank and the Financial System in Malaysia - A Decade of Change* Bank Negara Malaysia Publication

EPF is the largest provident fund in Malaysia with its members accounting for 96 per cent of the total workforce in the country. The low level of property investment is due to its asset allocation policy whereby EPF can invest only up to 5 per cent of its fund in the property sector. Currently EPF's investment in the direct property sector is about RM860 million. EPF's property investments comprise mainly commercial properties functioning as branch offices for EPF in various states.

**Table 6: EPF Asset Allocation for 1997 - 2000
(at cost)**

Investment	1997	1998	1999	2000
Malaysian Government Securities	29.4	31.3	31.6	34.1
Loans & Bonds	25.9	26.1	24.6	20.8
Money Market instrument	25.0	23.9	24.4	22.9
Shares	4	26		
Property	19.3	18.3	19.0	21.8
Property	0.4	0.4	0.4	0.5
TOTAL	100.0	100.0	100.0	100.0

Source: Nanyang Siang Pau 7 March 2001

Compulsory investments in public pension/provident funds have crowded out private investments in other insurance and pension schemes and have hindered the development of a private pension fund industry. To a certain extent, public pension/provident funds through voluntary and forced savings have also crowded out potential individual investments in the LPT market. The majority of the pension funds accumulated captive investments as they are invested in government securities.

There are a total of 127 approved unit trust funds with a total size of 90.351 billion units and a net asset value of the funds totalled RM43.3 billion which stands at 9.74 per cent of the KLSE market capitalisation of RM444.5 billion at the end of year 2000. There are 34 unit trust management companies currently operating in Malaysia.

Although the unit trust industry has grown significantly since 1990, unit trust investments in LPTs are negligible (as shown in Fig. 3).

Table 7: Market Capitalisation of Property Trust and Unit Trust Sector versus KLSE 1996 - 2000 (RM billion)

Investment	1996	1997	1998	1999	2000
KLSE	806.7	375.8	374.5	537.0	444.5
Listed Property Trust	0.54	0.26	0.34	0.38	0.27
Percentage of listed property trust to KLSE market capitalisation (%)	0.067	0.069	0.091	0.071	0.061
Unit Trust	60.0	33.6	38.7	43.0	43.3
Percentage of unit trust to KLSE market capitalisation (%)	7.44	8.94	10.33	8	9.74

Market Potential for Further Expansion of Property Trusts

There is no shortage of investment grade properties in the Kuala Lumpur property market. The active construction and property market have built a large number of office, retail, hotel and industrial properties in the Kuala Lumpur conurbation. Investment quality properties are available for further expansion and establishment of more property trust funds (refer Table 8).

However, despite the availability of investment grade properties, LPTs are unable to make property acquisitions due to weak stock market sentiment, weak rental and oversupply of commercial properties (refer Table 9 and 10).

Table 8: Office Buildings by Floor Size in Kuala Lumpur

Net Floor Area	%
Less than 20,000	73
20,000 to 50,000	25
More than 50,000	2
Total	100

Source: Kuala Lumpur City Hall (DBKL)

Table 9: Existing Supply and Occupancy Rate of Purpose-Built Office Buildings in Kuala Lumpur (Q2 2000)

Area in Kuala Lumpur	No of Buildings	Total Space (sm)	Occupancy rate (%)
Golden Triangle	43	882,409	73
Jalan Ampang	25	1,032,210	75
Central Business District	87	1,109,324	86
Within city centre	111	1,392,503	76
Suburban	73	1,266,505	73
TOTAL	339	5,682,951	77(mean)

Source: Kuala Lumpur City Hall (DBKL)

Table 10: Incoming Supply of Office Space in Kuala Lumpur (Q2 2000)

Area in Kuala Lumpur	Completion Incoming supply (sm)			
	No. of building	Total Space (sm)	No. of building	Total Space (sm)
Golden Triangle	1	38,090	4	62,995
Jalan Ampang	1	19,044	4	81,839
Central Business District	0	0	7	315,868
Within city centre	2	48,797	13	320,952
Suburban	9	175,678	20	948,070
TOTAL	13	281,609	48	1,729,724

Source: National Property Information Centre (NAPIC)

Prospects for the Listed Property Trust Industry

The listed property trust industry is expected to benefit from the following market developments:-

a. The Capital Market Master Plan

In its recently released Capital Market Master Plan in February 2001, the Securities Commission (SC) will introduce a framework for the issuance of asset-backed securities to offer a financing alternative for companies with good assets. To facilitate asset securitisation, the following areas will be looked into:-

- (i) to further clarify and make transparent the tax position surrounding securitisation structures to ensure consistency of treatment; and
- (ii) to administratively rationalise the application of other regulatory requirements imposed by various regulatory bodies.

The existing taxation framework, the stamp duty and real property gains tax on transactions relating to the issuance of asset-backed securities will be removed to encourage asset securitisation.

b. The growth of the unit trust industry

The unit trust industry has grown considerably over the same period compared with the LPT market. The proliferation of unit trusts will contribute towards the greater demand for LPT units particularly from income unit trust funds which are interested in investing on investments providing a steady stream of dividend income.

c. The consolidation and mergers of banking groups

Banks in Malaysia have undergone mergers to form ten major banking groups. Property assets owned by the banking groups could be securitised as LPTs on the KLSE.

- d. The development of the financial planning industry will facilitate demand for LPT units to meet the investment objectives of investors.

Future Directions

The potential of the Malaysian property trust industry has yet to be fully realised. It is pertinent that interests in the listed property trust industry are revived and given a new lease of life as property securitisation in the form of listed property trusts provides a key solution to the current oversupply of commercial properties. The large supply overhang needs to be cleared to lessen the drag on the recovery of the Malaysian economy.

The failure of the secondary market to take off comes down to two major issues - demand and supply. The low trading volumes of listed property trust units on the KLSE reflect the lack of demand from institutional investors. Institutional investors who are keen to invest in LPT are few.

The lack of demand has impeded the formation of new LPTs and issuance of more LPT units by existing LPTs. This vicious cycle has existed despite the revisions to the LPT Guidelines.

The following suggestions are made to improve the supply and demand of listed property trusts as an attractive, viable and profitable indirect property investment vehicle in Malaysia:-

• Increase the supply of listed property trusts units

- a. Review on regulatory structures and policies on the setting up of new property trusts.

The successful creation of a property trust market requires the establishment of infrastructure and policy framework which are conducive to the setting-up of more property trust funds, secondary market trading and market development.

The regulatory framework should be facilitative and efficient. Under the existing Guidelines, sponsors of LPT must be financial institutions. This requirement should be reviewed to allow more opportunities for other Malaysian entrepreneurs to set up more property trusts. This would also allow developers and listed companies which have quality property portfolios to be launched as LPTs e.g. Tan & Tan, Country Height and YTL Group etc. This could provide the needed push to the industry as property trusts with quality portfolios are introduced into the market.

b. Danaharta

Danaharta, the Malaysian national asset management company, was set up to help solve the problems of non-performing loans (NPLs) in the banking system. Due to its roles, Danaharta will be one of the largest direct property owners in Malaysia. One exit strategy that can be adopted by Danaharta is through asset/property securitisation.

Danaharta could float more than one property trusts or launch sector specific property trust funds. By launching the new trust funds during property market trough and with appropriate timing of listing on the capital market, it would attract investors interests as there will be potential for high yields and capital appreciation in the longer term. Coupled with well diversified property portfolios, Danaharta would help to revive interests in the listed property trust industry.

c. Setting up Benchmark Performance Measures

Property performance benchmarks are lacking in Malaysia. For direct property, the only performance

measure available is the Malaysian House Price Index for the residential sector prepared by the National Property Information Centre (NAPIC).

Table 11: Property Performance Measures in Malaysia

Property Investment	Performance	Notes
Direct property	Malaysian House Price Index	Capital return only
Indirect property	Property Sector Index (KLSE)	Capital return only
	Hotel Sector Index (KLSE)	Capital return only
	Plantation Sector Index (KLSE)	Capital return Capital return

It is noted that NAPIC is currently in the process of coming out with more indices, in particular office performance indices.

No index is currently available for LPTs listed on the KLSE. The creation of a new listed property trust index by the KLSE would greatly enhance the level of visibility and comparability of LPT with other sectors of the KLSE.

The absence of LPT index has deprived investors of the opportunity to compare risk and return of LPT with other investment options.

Total return indices including KLSE indices are not available in Malaysia. A total return LPT index could be easily created to allow comparisons of LPTs with shares and Government bonds.

d. Creating sector specific LPTs

By relaxing regulations on LPT promoters, corporate groups with sector specific properties (e.g. retail, office, leisure/tourism) can seek listing as LPT. This process will create sector specific LPT. Investors would then

have the opportunity to invest in buoyant property sectors and to benefit from property managers who have specialised management skills in managing such properties.

Once such LPTs are created, it would provide attractive property investment opportunities. As such property portfolios are unlikely to be duplicated. And the only way to own such properties or a portfolio of properties is to buy into the LPT concerned.

- **Increase the demand for listed property trust units**

- a. To allow EPF contributors to invest in LPT

EPF contributors have been allowed to invest in approved unit trusts. Designating LPTs as allowable investments by EPF would greatly increase the demand for LPT units as investments.

- b. Foreign investors

Restrictive regulations on foreign investors in the past e.g. Foreign Investment Committee (FIC) requirements, unfavorable Real Property Gains Tax and inconsistencies in regulations/policies on property have reduced the attractiveness and competitiveness of property investment in Malaysia.

This has exacerbated the lack of demand from foreign investors who could provide the support and stability to the Malaysian property investment market.

Allowing foreign investors to own up to 49 per cent of the total unit holdings of a property trust fund would create greater demand for LPT.

- c. Educate the investors

The investing public should be educated on the roles of property trusts in investment strategy and portfolio allocation.

The investors should understand what drives the market prices of listed property trusts and how the performance is related to the property market, stock market, bonds and interest rates. A high yield LPT would serve as an alternative to savings and fixed deposits.

A campaign can be carried out to educate the public on the use of LPT as an alternative investment vehicle to property investment.

- d. More institutional investors

As more unit trusts are formed the investing institutions would create greater demand for more LPT units. LPTs offer liquidity and this would allow unit trusts to rebalance their investment portfolios according to their investment needs.

- **Making listed property trust investments more attractive**

- a. Tax-exempt status

One major factor contributing to the growth of property trusts in Australia and USA is the tax-exempt status of the property trusts. Property trusts in the United States, Australia, Canada and Switzerland (Pietra 1991) distribute all income and capital gains annually to the unit holders in order to benefit from the tax-exempt status as provided by the laws. A similar tax-exempt status would put property trusts in Malaysia on a similar footing with the international counterparts where income to unit holders is taxed in their hands.

Currently, LPTs in Malaysia do not enjoy any tax advantage. The LPT is taxed at the corporate tax rate (26 per cent) before payment is made to unit holders. Tax-exempt distributions would avoid the current double taxation of distributions and it would attract investor interests as income in the investors hands will be higher. In this regard co-operations from the Inland Revenue Department and other regulatory authorities are necessary to make this tax-exempt status possible for listed property trusts.

- b. New framework and guidelines from the Securities Commission (SC)

It is unfortunate that the LPT sector is left untouched by SC in the Capital Market Masterplan. SC should come out with a new framework and guidelines that could facilitate the development of the LPT industry.

- c. Renaming of listed property trusts to real estate investment trusts (REITs)

To remove the stigma of the existing property trusts, upon the granting of tax-exempt status, listed property trusts should be re-launched as REITs so as to be identified as comparable to the REITs in the USA.

- d. Attractive high dividend yield

Current dividend distributions of the LPTs have provided a reasonable yield compared to savings and fixed deposit rates. Given the current low savings and fixed deposit rates environment, an attractive high dividend yield of 8 - 10 per cent from the listed property trusts and further supported by tax exemption on earnings would be a compelling reason for investors to invest in listed property trusts.

- e. Finite-life property trusts

Under its Deed of Trust, AHP was initially a fixed term property trust to operate for a maximum period of 10 years commencing from 21 March 1989. AHP has shown the viability of the property

trust concept as its net tangible assets has increased from RM1.00 since inception in 1989 to RM1.68 on 31 December 1998. However due to the currency crisis, AHP was not able to terminate and liquidate the trust during the 1997-1998 economic downturn. Instead, the term of the trust has been extended to an indefinite period (AHP Annual Report, 1998).

A finite-life property trust would be more attractive to investors as the trust could devise appropriate exit strategies so that the trust can be terminated and the proceeds could be distributed to the unit holders thereby allowing them to enjoy the capital appreciation of the trust fund's property portfolio and other investments.

- f. Improving liquidity in the secondary market

The LPT market is characterised by low trading volumes and low institutional investors shareholding in LPT. The lack of liquidity in the secondary market is due to a lack of a diverse and active group of institutional investors with incentives to maximise returns on their portfolio.

In this respect the unit trust industry and fund management which is consistently promoted by the Securities Commission will benefit the property trust industry.

In addition insurance companies, pension funds, investing corporations, charitable organisations and other fund managers should be allowed to make a larger portion of the investment assets in real estate to diversify investment risks.

In this regard, tax-exempt dividend distributions will be most welcome by some of these institutional investors.

- g. Information and financial disclosure

A greater level of information disclosure and reporting system on the leases/tenancies profiles, rent

reviews, rental levels and equity investments will provide the greater transparency needed for decision making by investors.

Such information will allow investment analysts to make projections on the future earning potentials of the LPTs.

h. Security/Investment analysis

More analyses and information on LPT should be carried out and disseminated. More security analysts following the LPT sector would further boost the level of confidence of the investing community.

On-going research and a supply of information will stimulate and maintain investor interests.

i. Property acquisitions

LPTs need to expand through property acquisitions to achieve bigger market capitalisations to provide greater liquidity. Large capitalised LPTs is more favoured by institutional investors as small market capitalisations and low trading volumes make trading of the LPT units difficult. Upon reaching a sizable market capitalisation, institutional investors can buy and sell LPT units without affecting its market price.

AHP in particular should continue its portfolio expansion strategy to become the biggest property trust in Malaysia. It should acquire more prime properties (not small secondary properties) to increase its market capitalisation so that no investors could afford not to invest in the property trust.

Conclusions

The Australian LPT market took some 25 years to grow to its current size and the USA REITs market took about 40 years to reach today's market capitalisation. The Malaysian LPT market which has a history of 12 years is a relatively young market. It is interesting to note that Japan and Singapore have set up property trust funds in recent years and other Asian countries such as Korea, India and Thailand are also keen to set up property trust.

The future directions of the Malaysian listed property trust industry rely on changes to regulatory, legal, tax, accounting and funding structures. It is envisaged that these changes will bring forth an increase in the demand and supply for property trusts. More support from the regulatory authorities are required to provide the impetus to the growth and development of the Malaysian LPT industry.

With the implementation and the realisation of the Capital Market Masterplan, the Malaysian LPT industry will be able to benefit from the implementation of its various measures.

Institutional investors could play a more important role in assisting the development of the listed property trust industry. Institutional investors should look into the roles of direct and indirect property in their investment portfolios.

There exist a sufficient number of commercial investment properties in the Kuala Lumpur property market to enable more property trusts to be introduced and existing trusts to expand their property investment portfolios.

With improvements in the supply and demand for LPTs, it is envisaged that LPTs will continue to provide Malaysian investors an investment option which could provide a stable and attractive yield plus long term capital growth.

Fig. 1 : Number of Unitholders in Malaysian Listed Property Trusts (AHP, AMFPT, FMPT, MPT)

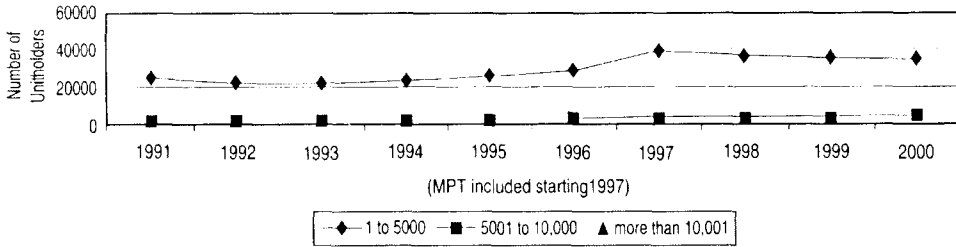


Fig. 2 : Number of Unitholdings by Size of Holdings in Malaysian Listed Property Trust (AHP, AMFPT, FMPT & MPT)

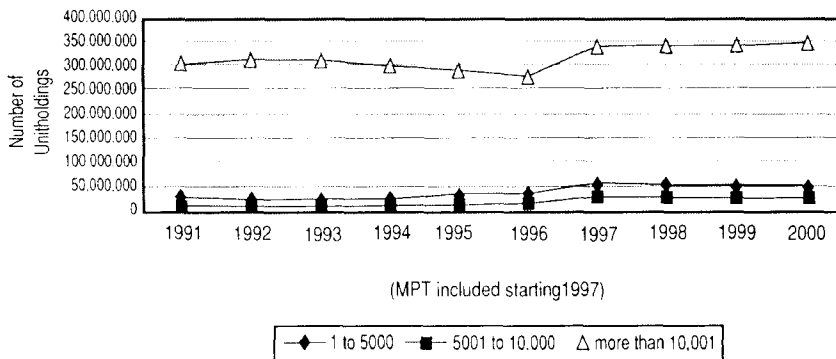
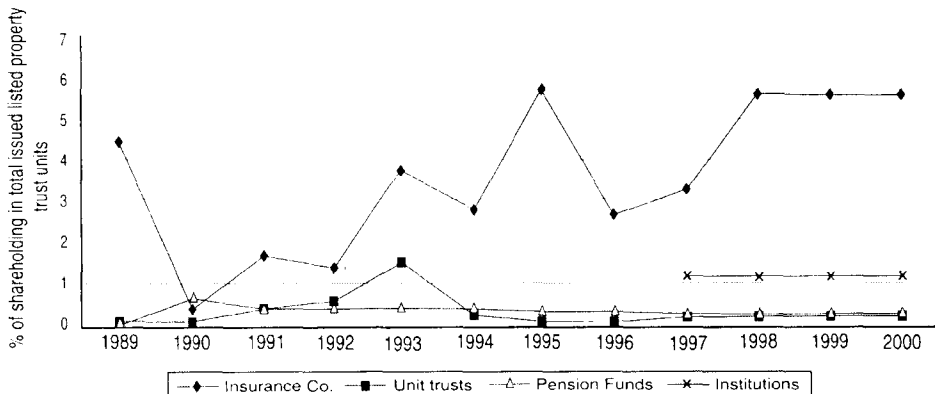


Fig. 3 : Percentage of Unitholding in Listed Property Trusts by Institutional Investors (Dec. 1989 - Dec. 2000)



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