THE SUSTAINABLE PERFORMANCE OF ISLAMIC REITS AND THEIR SOCIAL CONTRIBUTIONS: MALAYSIA AS CASE STUDY.

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ABSTRACT

The institutions that are committed to the Islamic tenets logically have got general sustainable performance and positive social impacts. Thus, this study aims to evaluate the sustainability in Malaysian Islamic REITs' performance in terms of dividends distributions, net profit and share price. Also, discovering the social contributions of them that often is link to the material performance. The methodology will include a mixed quantitative and qualitative case study approach to assess the performance and social responsibility of Listed IREITs in Bursa Malaysia through a modelling set of questions. From the findings, two main different trends can be highlighted (improving & deteriorating) relating to Malaysian IREITs' performance. The golden start-up period of Malaysian IREITs persisted only for 5 years in terms of their positive financial performance, which it reflected an increase in the net income and raise in the share price of each fund of them. After 5 to 6 years from the inception, the negative financial performance generally was noticed especially in share price. Moreover, it can be said that Malaysian Islamic Real Estate Investment Trusts (REITs) do not make a positive social contribution based on the social responsibility activities mentioned in their annual reports. The implication is that social responsibility plays a fundamental role in the performance of Islamic REITs (IREITs), and this study highlights the importance of considering their social impacts, which have often been overlooked in previous studies focusing mainly on financial performance.

Keywords: Real Estate Investment Trust (REIT), Financial Performance, Social Responsibility, International Integrated Report Requirements (IIRR)

Submitted: *22/3/2023* ***Accepted:*** *28/7/2023* ***Published:*** *30/7/2023*

INTRODUCTION

As REITs own and manage real estate assets, their performance and valuation can provide valuable insights into the financial sector as a whole. The value of a REIT's portfolio is directly tied to the quality and profitability of the properties it owns. Investors and analysts closely monitor REITs as they can provide indications about the health of the real estate market and the broader economy (Zhu, 2003). Real estate is a popular sector for investors looking to preserve their wealth and potentially generate profits. The real estate market can be divided into various categories based on the purpose of the properties. Residential real estate, which includes houses, apartments, and other dwellings, typically constitutes a significant portion of the real estate sector's overall composition in the economy. The financial crisis of 2008 demonstrated the significant impact that real estate prices can have on the overall economy. Real Estate Investment Trusts (REITs) have played a role in the real estate market, particularly in the United States. The first REIT, American Realty Trust, was founded in 1961, and their popularity grew substantially in the 1990s. By the period after 1992, American REITs accounted for approximately 65% of the market share (Pagliari et al., 2005) and more than 200 REITs are listed in America (Piao et al., 2017). While American real estate corporations have generally had experience improving their financial performance and navigating various crises, the 2008 financial crisis presented unique challenges. The fluctuation in property prices, particularly housing prices, led to significant issues such as loan modifications and restrictions due to negative home equity. Many borrowers were unable to recover their money, resulting in billions of dollars classified as negative home equity (Lombardi, 2010). The crisis highlighted the need for real estate investment trusts to operate effectively and fairly in order to facilitate the economic well-being of citizens. It underscored the importance of proper risk management, transparency, and responsible social practices within the real estate industry.

REITs are investment vehicles that pool funds from multiple investors to purchase, manage, and operate income-generating real estate properties. They allow individuals to invest in real estate without directly owning or managing the properties themselves. By investing in REITs, individuals can gain exposure to a diversified portfolio of properties, including commercial buildings, apartments, hotels, and shopping centres (Benefield et al., 2009). diversification alone may not be the only attractive feature for pulling in more investors to Real Estate Investment Trusts (REITs). Providing positive indexes to the market and offering comprehensive information annually are important aspects for REITs to gain investor confidence and assess their performance. This new approach of considering stakeholders' interests and providing a full set of information to cover the needs of all stakeholders has become a vital aspect of evaluating corporations' overall performance. The transformation from classic reports to integrated reports is indeed supported by various professional organizations, business leaders, and advisory bodies such as the World Business Council for Sustainable Development (WBCSD). The concept of integrated reporting emerged as a response to the recognition that financial information alone does not provide a complete picture of a company's value and performance. Integrated reports go beyond the traditional financial reports by incorporating information on environmental, social, and governance (ESG) factors, as well as other non-financial aspects that are relevant to the organization's strategy, operations, and stakeholders. (Owen, 2013). For instance, environmental impacts. Many practical global steps were taken in this field, and the economic entities compete to meet sustainable development goals where climate change resilience is one of them (Khan, 2021).

Finally, the real estate sector, particularly in the area of residential properties, can be sensitive and complex from social perspective CSR. One of the challenges faced by governments is the provision of affordable housing to their citizens, and Malaysia is no exception. This challenge gives the opportunity to REITs to be socially active more. However, balancing sustainable profits for the subscribers of REITs while also supporting society can be a complex task to Islamic REITs' management. The Islamic economic system is guided by certain principles and pillars that help guide Islamic companies and institutions to operate in a manner that aligns with Islamic principles and promotes societal well-being, ethical conduct, and economic justice. Thus, IREITs should provide a credible paradigm to the economy through caring for all stakeholders’ interest such as the society. Malaysia provided the first Islamic REITs in the world and those funds worked for around 15 years so, they should have a complete picture about sustainable performance. They are listed companies in Bursa Malaysia and try to compete in the Malaysian real estate market where the majority of REITs are conventional not Islamic. Generally, there are several good indexes regarding the performance and stability of Malaysian Islamic REITs because the Malaysian people trust in Islamic institutions. Sustainability in Islamic Real Estate Investment Trusts (IREITs) is indeed a complex and challenging aspect. While IREITs can align with the principles of Shariah-compliant investing, incorporating sustainability factors requires additional considerations and effective internal policies. Consequently, three main objectives can be reached from this study first, the general trend of Malaysian IREITs' financial performance. Second, Malaysian IREITs' contributions to society or to the environment. Finally, the link between financial or material performance and social contributions of Malaysian IREITs.

LITERATURE REVIEW

History of Islamic REITs and Their General Performance

Historically, property trusts or even real estate investment trusts in Malaysia started in 1989 (Edi & Saad, 2012) (Dusuki, 2010). Generally, the Islamic capital market witnessed dramatically growth where the diversification of financing instruments and investment channels in this sector supported that growth (Ali, 2007). The Islamic financing system provides an acceptable theoretic paradigm starting from free interest finance and to finalize with possessing the house by the client through special sale contract called Bay Bithaman Ajil (deferred payment sale). Although some practical mistakes from Shariah perspective had appeared such as adding time value to determine the rent in advance (Hassan et al., 2020), the natural developing of Malaysian legislations in real estate sector was going well by the professional bodies. The beginning of Islamic REITs was in Malaysia in 2005 when the Security Commission issued special guidelines to Islamic REITs that manage the main structure of their operation. Al-'Aqar KPJ REIT became the first Islamic REIT in the world but it took one year to listed in Bursa Malaysia 2006. The main activities of it were in health care and hospitals. In 2007 the Al-Hadharah Boustead REIT was established as a second IREITs in plantation sector where it was considered first IREITs in this vital sector in Malaysia (palm oil). In December 2008 AXIS REIT converted from conventional REIT to Islamic REIT.

The combination of expanding Islamic finance, growing acceptance among Muslims, and the ethical appeal of Islamic REITs has contributed to their noticeable expansion and improved performance over the last 15 years. However, it is important to note that the performance of Islamic REITs, like any investment, can be influenced by market conditions, property valuations, and other factors. The three main Islamic REITs in Malaysia (Al-'Aqar KPJ REIT, Al-Hadharah Boustead REIT, AXIS REIT) witnessed an increase in their share prices that reflects their performance in 3 to 5 years period. The percentage of increase reached to 56% for Axis IREIT. This percentage was the highest among all REITs listed in Bursa Malaysia at that time 2005-2009 whether Islamic or conventional REITs (Edi & Saad, 2012). On the other hand, Ong et al., 2012 found that Islamic Real Estate Investment Trusts (IREITs) in Malaysia were underperforming the market portfolio over a 10-year period starting from 2005. The authors attributed this underperformance to two factors: missing information about IREITs and a misunderstanding among investors that they are exclusively for Muslim individuals. However, the final results of Ong et al. 2012 showed that **"**most Malaysian REITs under-performed the market portfolio in pre, during, post GFC period**"** (Global Financial Crisis). Also, the ratio of return of equity ROA has showed positive performance on Malaysian IREITs comparing to the conventional REITs in 3 years period from 2007 to 2009 (Osmadi & Razali, 2014). The authors suppose that the "Islamic principle was able to give competitive advantage to property investment in particular REITs".

The sustainable performance is a comprehensive concept that includes more that financial performance of Islamic REITS. Measuring the performance of Islamic REITs by using the classical ratios or scales such as annual profits, return on assets, return on equity and share price may give financial indexes about their growth especially in short term but, the sustainability needs more than these elements. There are some challenges that face REITs generally and in Malaysia particularly such as distribution the returns annually around 90% of their returns. That means the management will loss the majority of internal source of fund that may be reinvested again (returns earnings) so, it will go for external source of fund which needs efficient strategic plans to cover its cost. Moreover, measuring the efficiency of a corporation's resources, including labor and capital, is indeed a crucial aspect when evaluating its performance. While annual profits provide an important financial metric, they don't necessarily provide a comprehensive picture of how effectively a company utilizes its resources. Malaysian Islamic REITs have special characteristics that should be taken into consideration when their efficiency is measured. For instance, REITs management should take into consideration shariah permissibility regarding to certain investments that may include some shariah's restrictions (usury, garar) at the same time it should not missing the valuable investments that do not have clear shariah's constraints. (Nor Nazihah Chuweni & Chris Eves, 2017). This argument creates more challenges to the management of Islamic REITs that should look for efficiency in using available funds to increase the sustainable performance in the specific limited area compared to conventional REITs. In addition, earnings management practices are another challenge that impact negatively on the performance and institution’s reputation. these practices are an unethical attitude that are completely rejected by the Islamic REITs because, they are against Shariah compliances (garar) where they may benefit part of stakeholders and harm others. Those practices can be evaluated based on the point of view of the evaluator. According to (Anagnostopoulou et al., 2021) "classification shifting (as earning management practice) strongly and negatively affects future Initial Public Offering (IPO) success and survival". Consequently, the sustainable performance is a fundamental goal for Islamic REITs where the efficiency is helping factor but, the management of IREITs should understand well all related challenges and issues.

Providing sustainable performance info through integrated reports approach

Providing reliable information through comprehensive annual reports is considered an important factor toward sustainable performance of Islamic REITs because, it supports management’s transparency. This can be done through annual integrated reports announced by Islamic REITs. The integrated report gives general description to all stakeholders about how the company participates in sustainable transformation through show the consequences and inter-relationship of its actions and its intentions on environmental, social and economic system in the local or international levels (Thomson, 2015). The important of adoption integrated report requirements is very clear and it became global trend specially after the financial crises where the professional bodies and regulatory focused more on risk management and reduce uncertainty regarding to all firms’ activities not only looking to the financial performance. For example, Asia's largest REIT (Link) announced several environmental goals as a policy toward sustainable operations that will develop its stakeholders' interests in the long term such as it targeted to decrease its yearly energy consumption up to 20% of 2010 levels by 2020 (Ng, 2018). Currently, Malaysian listed corporations work toward adoption integrated reports requirements but, they need more focus real effort toward that. “Most companies (Malaysian Listed companies) already disclose at least some of the key elements from the Framework. However, there is a lack of linkage between these elements, which stems from siloed reporting, and there is more focus on describing process rather than providing insight” (PricewaterhouseCoopers (PWC), 2014). Malaysian Islamic REITs claims that their annual reports cover all stakeholders' needs, in other words they adopted integrated report requirements. However, this is a controversial issue that needs deep investigation.

International integrated report requirements include several vital angles that should be clear in the annual reports of Islamic REITs to fulfil all stakeholder's needs. The clear vision and the essential activates on Islamic REITs should be clearly stated in the report with mentioning to the general circumstances of their work, whether the managerial or operational part. The governance structure of Islamic REITs needs to be described well and how it supports the ability of fund to create or add value in different period of time shot, medium and long term. Corporate governance codes create more stability in the firms where they determine the relationships among the departments and the people in the work and they prescribe the job duties to each position. That will reduce interest conflicts and provides smooth mechanisms to the work. Moreover, the report should include the mode of business of Islamic REITs. That will cover the details of how doing the business whether the Islamic REITs use the technology or they are still using the classic ways and why. The next step is the future of Islamic REITs where they should explain their targets and where they plan to be in the future. Moreover, they need to provide the prediction ways to reach that future place. In addition, the stakeholders especially the potential investors will need to see the achievements of Islamic REITs in the past and how the strategic objectives were reached. Also, the general outcomes comparing to available resources, in other words the effectiveness of Islamic REITs management. However, the transparency is an important factor in integrated report that means, Islamic REITs should provide a summary about the basic challenges and whether they expect some uncertainties in terms of conducting their strategic objectives.

The integration and good relationship with the society may save time and effort to the firm regarding the sustainable performance. Islamic REITs should treat the society by different way not like the conventional REITs who are looking for more returns in the long term. Islamic principles that should be the framework of Islamic REITs encourage the corporation to care for society and support people in need because, the society has an essential right in economic resources of its country. In other words, the wealth or properties of REITs was created due to the society, and without the society or people there will not be any wealth. However, the Islamic perspective includes the same aspect as the conventional system regarding social responsibility that leads to sustainable development to the firm because when the society is good economically the firms will find space to grow more. Social responsibility includes many activities and reached to different classes in the community but, normally people in need are target from firms. This may lead to another issue due to the agency theory approach. The firms often determine their annual budgets for social responsibility activities and the management has full delegation to use those funds so they may be distributed unjustly and according to management's interest.

However, Islamic REITs can help poor people in most of countries that they work in by providing affordable houses. The prices of houses rose sharply all over the world and the majority of people do not have enough money to buy house not only poor people but even the medial class of society suffer in getting a house that became a luxury object in some societies. Consequently, Islamic REITs has good opportunity to support the society with using their experience in properties market but, they need to choose the appropriate mechanisms to avoid the negative impacts on their annual returns. Affordable houses mean, the cost of the house is not too high at the same time it is eligible to live in. The price of a house includes cost and the margin where the balance between low real cost and low margin needs hard work and before that it needs the intention to help people. This problem is widely speared all over the world, especially in developing countries where the poor and medial class people cannot buy houses in the main cities particularly. Many studies confirmed that the shortage in funds is main reason in creating affordable houses. Most of construction corporations are looking for low price lands that mainly located outside the cities or in suburbs areas where the main public services are not available and the infrastructure is very poor. In addition, the conventional financing system in several countries does not support providing these houses where the commercial banks prefer short-term finance and put very high-interest rates (Olanrele et al., 2019).

Real estate investment trusts have different kinds of properties and deal with different society needs that mean, they should have the experience to deal with affordable houses issue properly. The REITs in Nigeria has quality management and professional investment approaches that means they can contribute properly in raise the number affordable houses in Nigeria (Diala et al., 2021). Thus, the capabilities of REITs can be driven toward provide affordable houses but, the returns can be low and the risk may be higher than other investments. Islamic REITs can buy affordable houses from the market if they are available and use them as inventory, they rent them and get returns. Also, they can agree with developer to provide those houses then they will be offered to public through financial lease or Ijarah ended with ownership. The regular rent payment will include the rent for usufruct and part from the price of the house. In addition, the Islamic REITs will ask for deposit for six months in the beginning where that money will reinvest again and generates returns to trustees. However, if they are some vacant houses Islamic REITs may go for short-term lease to avoid loss. This model can give more sustainability in providing affordable houses that will become available in the market with acceptable returns. Islamic REITs will take the role of financial institutions and the rate of returns that normally paid to banks will be paid to Islamic REITs then they will distribute them as dividends (Mohd Daud et al., 2021). However, the rate or margin from affordable houses may not be that high, especially in the beginning but the quantity may create the difference. On the other hand, participating in this social aspect will support the reputation of Islamic REITs and its sustainable performance should increase too. The Malaysian government lunched a project aims to provide affordable houses to Malaysian people and that will cost a lot of money that will be paid from Malaysian budget. That means, Malaysia suffering from this issue where its population structure includes big proportion young people who want to get married. Thus, Malaysian Islamic REITs should have role in support the country in this aspect.

METHODOLOGY

The Listed Malaysian Islamic REITs is the study population. Currently, there are four Islamic REITs listed in Bursa Malaysia (AL-'Aqar KPJ REIT, Axis REIT, KLCC REIT and AL-Salam REIT). They are working in different sectors and listed in Bursa in different dates where two of them started early before the financial crisis in 2008 and the other two listed after 2012. Mixed quantitative and qualitative case study approach will be used to assess the sustainable performance of those four Islamic REITs. The combination of quantitative analysis of financial performance and qualitative analysis of social responsibility activities will provide a comprehensive assessment of the sustainable performance of the four Islamic REITs. It will enable you to evaluate their financial viability, stability in returns, and adherence to social and environmental responsibilities. By using the annual reports of each REIT, three main areas will be covered in data analysis. Firstly, the financial performance through the financial ratios that are presented in the reports from the inception until last year 2021. That means, the general trend of returns of each REIT will be prescribed. Secondly, the dividends to REITs' subscribers will be presented to see the stability in annual distribution. Thirdly, the yearly social responsibility activities.

- Do Islamic REITs in Malaysia have sustainable financial performance?
- Do Islamic REITs in Malaysian offer sustainable profit (Dividends) to their subscribers?

- Do Islamic REITs in Malaysia support Malaysian citizens in getting affordable houses?
- Do Islamic REITs in Malaysia have positive social contributions?

DATA ANALYSIS

AL-'Aqar KPJ REIT

AL Aqar KPJ REIT is the first Islamic REIT in the world, where it was listed in Bursa Malaysia on 10 August 2006. The achievements of this REIT in the first 10 years period were noticeable where it is considered the first healthcare Islamic REIT in Asia and it was a developing benchmark of Islamic REITs in Malaysia and even in the south east Asia. The trust started with six properties as an initial portfolio then its portfolio increased to cover around 23 properties in different healthcare aspects such as one aged care and retirement village, 17 hospitals, two colleges and three health centres. Damansara Sdn Berhad is the management of AL Aqar REITs; this management is a subsidiary of Johor Company. AL Aqar REIT has several principles that are Shariah compliance such as the lessee of their properties are operating hospitals and other healthcare centres that are permissible activities. The properties that all their lessee are working in non-permissible activities will not be owned by AL Aqar REIT. However, this Islamic REIT has Shariah advisory committee that guides all its activities.

Table 1: Performance Indexes of AL-'Aqar KPJ REIT

Year	Financial Performance	Dividends (RM)	Social Responsibility activities
2006	Net income (RM) **23,579,764** Market Price Per Unit (RM) **1.00**	9,248,000	There is no social responsibility activities
2007	Net income (RM) **25,343,157** Market Price Per Unit (RM) **0.97**	24,890,000	There is no social responsibility activities
2008	Net income (RM) **43,395,088** Market Price Per Unit (RM) **0.87**	34,726,401	There is no social responsibility activities
2009	Net income (RM) **53,919,182** Market Price Per Unit (RM) **0.985**	39,658,557	There is no social responsibility activities
2010	Net income (RM) **45,014,000** Market Price Per Unit (RM) **1.12**	42,109,000	There is no social responsibility activities
2011	Net income (RM) **84,502,000** Market Price Per Unit (RM) **1.15**	49,140,000	There is no social responsibility activities
2012	Net income (RM) **62,527,000** Market Price Per Unit (RM) **1.29**	39,968,000	There is no social responsibility activities
2013	Net income (RM) **73,726,000** Market Price Per Unit (RM) **1.33**	54,650,000	There is no social responsibility activities
2014	Net income (RM) **63,561,000** Market Price Per Unit (RM) **1.38**	54,653,778	There is no social responsibility activities

2015	Net income (RM) **72,658,000** Market Price Per Unit (RM) **1.40**	62,381,885	There is no social responsibility activities
2016	Net income (RM) **61,434,000** Market Price Per Unit (RM) **1.57**	56,100,000	There is no social responsibility activities
2017	Net income (RM) **84,511,000** Market Price Per Unit (RM) **1.43**	56,100,000	collect donations for Mercy Malaysia's program in the Middle East only
2018	Net income (RM) **83,112,000** Market Price Per Unit (RM) **1.31**	56,400,000	There is no social responsibility activities
2019	Net income (RM) **73,771,000** Market Price Per Unit (RM) **1.32**	57,000,000	There is no social responsibility activities
2020	Net income (RM) **50,126,000** Market Price Per Unit (RM) **1.31**	50,100,000	There is no social responsibility activities
2021	Net income (RM) **46,602,000** Market Price Per Unit (RM) **1.16**	57,400,000	There is no social responsibility activities

The financial performance of AL-'Aqar KPJ REIT

The financial performance was presented in this study based on two different aspects to see the general trend of that performance. Firstly, net income before tax that is considered internal index about the annual returns of REIT. Secondly, market price of per unit that is considered an external index that refers to market assessment to the REIT. From the table above the general trend of both aspects can be presented as follows:

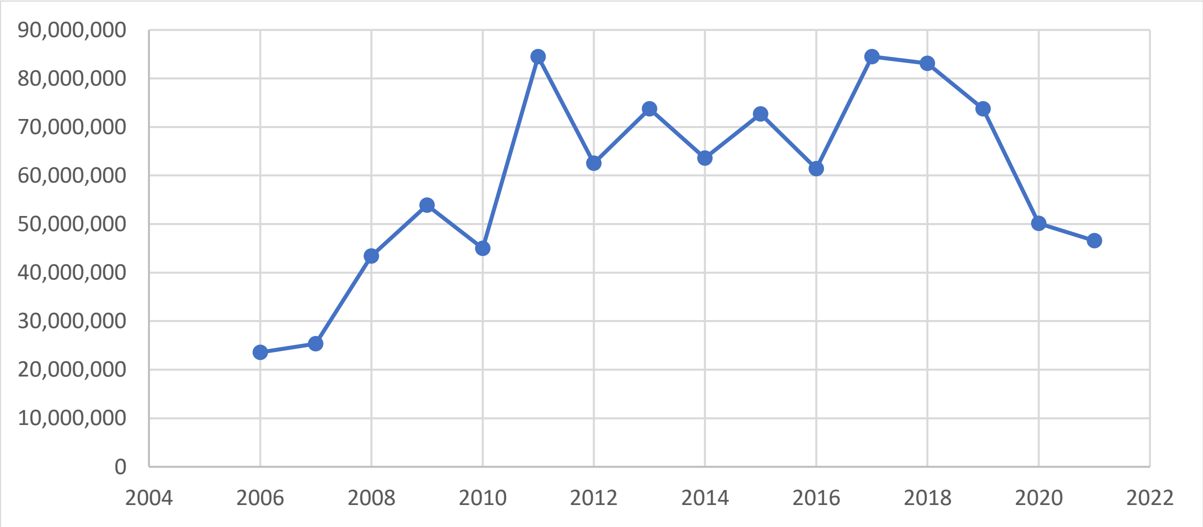

Figure 1: Net Income of AL-'Aqar KPJ REIT

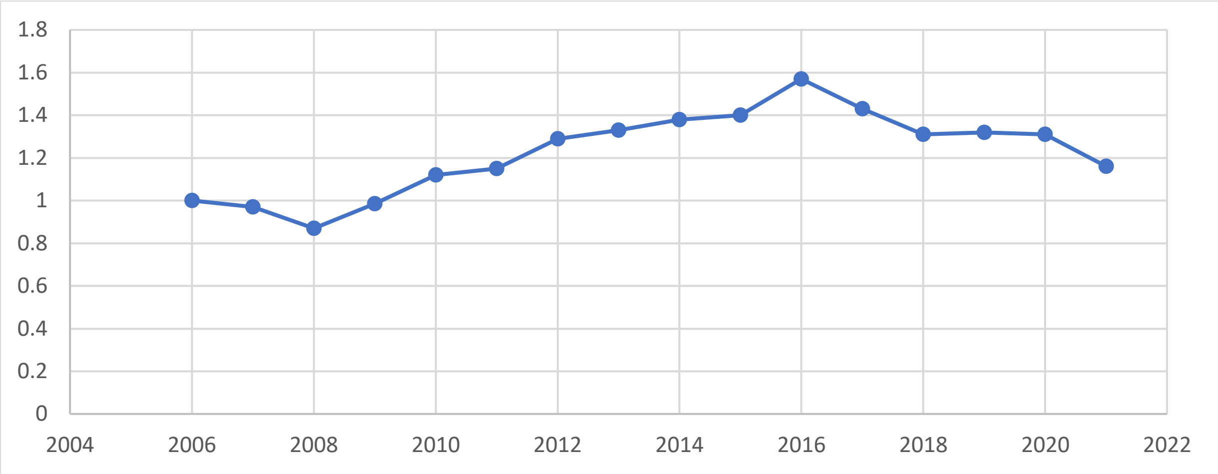

Figure 2: Market price per unit of AL-'Aqar KPJ REIT

The fluctuation in annual net profit during the study period is very clear especially in the period from 2010 until 2016. Generally, there is an increase in the net profit from around 25 million RM at the beginning 2006, 2007 to about 50 million RM in 2020. However, 2017 is considered the highest financial performance with around 84.5 million RM. Then the performance dropped sharply to less than 47 million RM that creating several questions about that. Although this period includes COVID 19 pandemic where the demand of health care services would increase, the numbers show negative financial performance of AL-'AQAR KPJ health care REITs

Dividends of AL-'Aqar KPJ REIT

Normally, the changing in dividends amount will follow the change in net profit available to distribute annually. Generally, the Malaysian REITs distribute at least 90% of their taxable income to avoid pay taxes. AL Aqar REIT distributes annual around 95% of its distributable income where some of revenues are not part of that such as changes in exchange rate of currencies. The general trend of annual dividends of AL Aqar can be presented as following:

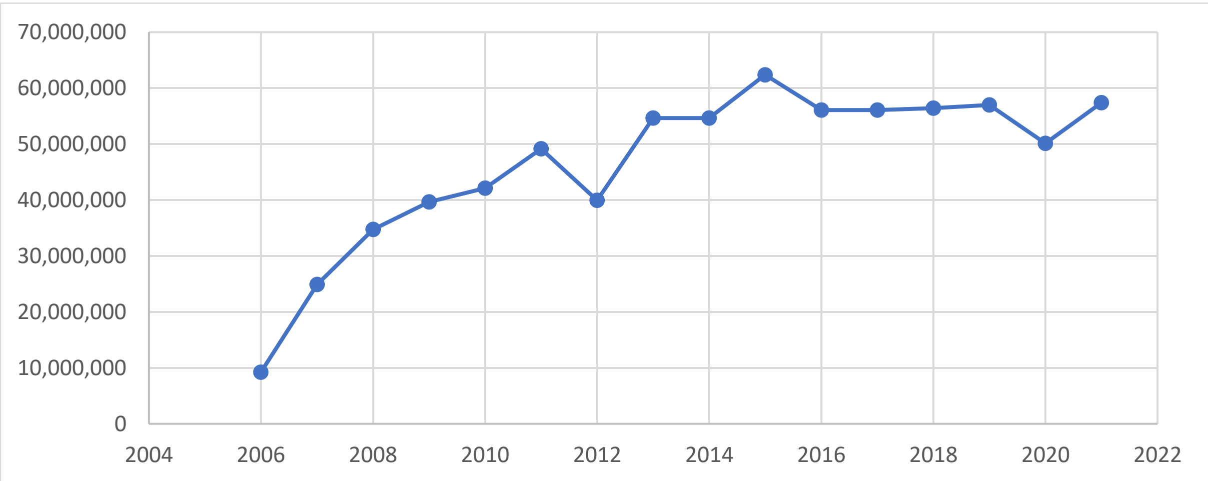

Figure 3: Dividends of AL-'Aqar KPJ REIT

From the chart, there is a considerable increase in annual dividends with noticeable stability. Although, the period from 2010 to 2016 witnessed kind of fluctuation, that was not high and the REIT gave regular dividends to its subscribers. In addition, the distribution was calculated according to net profit of the Group not only the fund whereas the net profit in this study was from the fund results.

Social responsibility activities of AL-'Aqar KPJ REIT

As mentioned in the Table 1 there is no social activities in AL Aqar REIT. Only in 2017 there was collect donations for Mercy Malaysia's program in the Middle East. AL Aqar REIT created full section in its annual report about the sustainability later started in 2016 where that should cover several aspects and the social part is one of them. However, the main action in this part is related to the employees. The main mission of fund relating to social aspect is "creating a diverse and talented workforce within a safe environment while contributing to the community". Although, the report mentions very positive statement about the society "Promoting societal development by giving back to the communities in which we operate", in fact there is no real charitable social activities that were mentioned in the reports.

Axis REIT

Axis REIT was listed in Bursa Malaysia at first time on 3th of August 2005 as first Malaysia real estate investment trust listed in Bursa. After that on 11 December 2008 it converted to Islamic REIT. Its portfolio includes about 60 properties which are located in the Klang Valley, Johor, Penang, Pahang, Negeri Sembilan and Kedah. Those properties includes offices, warehouses, industrial and manufacturing facilities. "Axis REIT Managers Berhad is the Manager of Axis-REIT and is licensed under the Capital Markets and Services Act, 2007 as an Islamic Fund Manager to manage an Islamic REIT". Thus, the real start of Axis REIT as Islamic REIT was in 2009.

Table 2: Performance Indexes of Axis REIT

Year	Financial Performance	Dividends (RM)	Social Responsibility activities
2009	Net income (RM) **61,976,000** Market Price Per Unit (RM) **1.93**	42,981,000	"This year, the Manager undertook the refurbishment of the New Life Care Centre - a foster children's home in Port Dickson". "RM 50,000"
2010	Net income (RM) **101,349,000** Market Price Per Unit (RM) **2.37**	52,746,000	Helping Selangor and Federal Territory Association for Mentally Handicapped Children ("SAMH") with RM 70,000 to complete 14 school.
2011	Net income (RM) **81,051,000** Market Price Per Unit (RM) **2,62**	65,745,000	Donated a New Van to Pertubuhan Rumah Amal Cahaya Tengku Ampuan Rahimah ("RACTAR") "RM 97,000". Participating in The Edge-Bursa Kuala Lumpur Rat race for charity 2011 with RM 15,000.
2012	Net income (RM) **103,116,000** Market Price Per Unit (RM) **3.13**	84,677,031	Refurbishment of the HQ for the Malaysian Association of the blind with RM50,000. Participating in The Edge-Bursa Kuala Lumpur Rat race for charity 2012 with RM 18,000.

2013	Net income (RM) **111,281,000** Market Price Per Unit (RM) **2.93**	84,903,000	Refurbishment of the West Wing of The Selangor And Federal Territory Association for the Mentally Handicapped with RM 93,900. Participating in race for charity 2013 with RM 18,000.
2014	Net income (RM) **110,455,000** Market Price Per Unit (RM) **3.62**	92,684,000	Construction of a physiotherapy unit and new play area at the Kiwanis Down Syndrome Foundation (Klang Centre) with RM 68,000. Supported and Attended the Charity Concert 'Larger than Life' in aid of the KDSF Klang Centre. Sponsored the youth leadership camp with RM 15,000. Race for charity 2014 with RM 18,000.
2015	Net income (RM) **96,637,000** Market Price Per Unit (RM) **1.64**	92,114,000	Construction of a home for Orang Asli family in Gopeng "RM75,415". Cash contribution to Red Crescent Malaysia "RM10,000". Sponsored the youth leadership camp with RM 15,000.
2016	Net income (RM) **122,292,000** Market Price Per Unit (RM) **1.61**	91,067,000	It organize a fundraiser on 8 December 2016 to raise funds for the Home of Peace Special Education Fund. Participating in race for charity. The youth leadership camp.
2017	Net income (RM) **122,560,000** Market Price Per Unit (RM) **1.5**	92,457,000	supported World Vision's fundraiser dinner themed "Love conquers all" "RM10,000". It purchased and donated a 14-seater, 2.2-litre Jinbei van to MAB with RM70,000. Race for charity with RM 18,000. it provided the space and collaborated with the National Blood Centre to run two blood donation drives.
2018	Net income (RM) **159,448,000** Market Price Per Unit (RM) **1.56**	107,825,000	It partnered with RISM for the first time, to organize a charity run "RM25,000". It provided school sets to many target students with RM 22,410. It provided the space for blood donation drives. charity bazaar, which aimed to raise funds for the purchase of school

			books for underprivileged students "RM5,600"
2019	Net income (RM) **213,451,000** Market Price Per Unit (RM) **1.77**	116,752,000	Blood donation drive. Supported Larian Bomba as a Healthy Living event with RM1,400. School Donation "RM10,000". Fire Safety and Emergency Evacuation Training. Women's Safety Programme.
2020	Net income (RM) **142,571,000** Market Price Per Unit (RM) **2.03**	126,203,000	Donation to Mercy Malaysia's Wakaf Covid-19 fund with RM50,000. Donation to University Malaya Medical Centre "UMMC" with RM50,000.
2021	Net income (RM) **204,039,000** Market Price Per Unit (RM) **1.94**	137,985,000	RM200,000 donated to a COVID-19 Hospital Emergency Fund.

The Financial Performance of Axis REIT

There is general increase in financial performance form one side that is the net income as we can see in the table (2) whereas the other index (market price per unit) witnessed considerable fluctuation where it increases to reach more than RM3.5 in 2014. Then it dropped again to RM1.94 in 2021. Although, it get back to same price in the beginning in 2007 but, this decrease should be taken into consideration because, the annual returns are good. However, the next two charts will show the general trends for both performance indexes of Axis REIT:

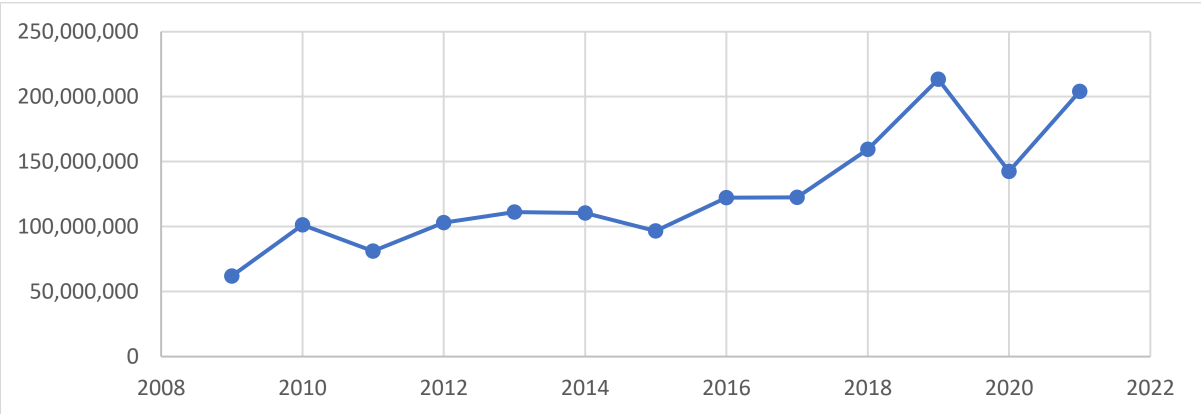

Figure 4: Net Income of Axis REIT

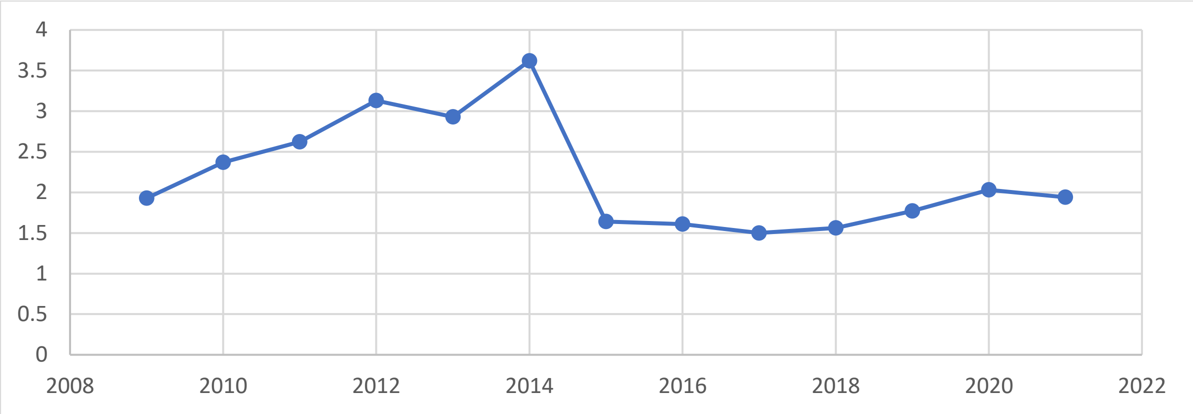

Figure 5: Market price per unit of Axis REIT

Dividends of Axis REIT

The stability in dividends policy of Axis REIT is noticeable with considerable increase in total amount of income distribution. It started in about 43 million RM in 2009, then there was steady increase until 2012. From that point until 2018 there was kind of stability with light increase. The trend went back to the first degree of increase to reach a round 138 million RM as we can see in the Figure 6:

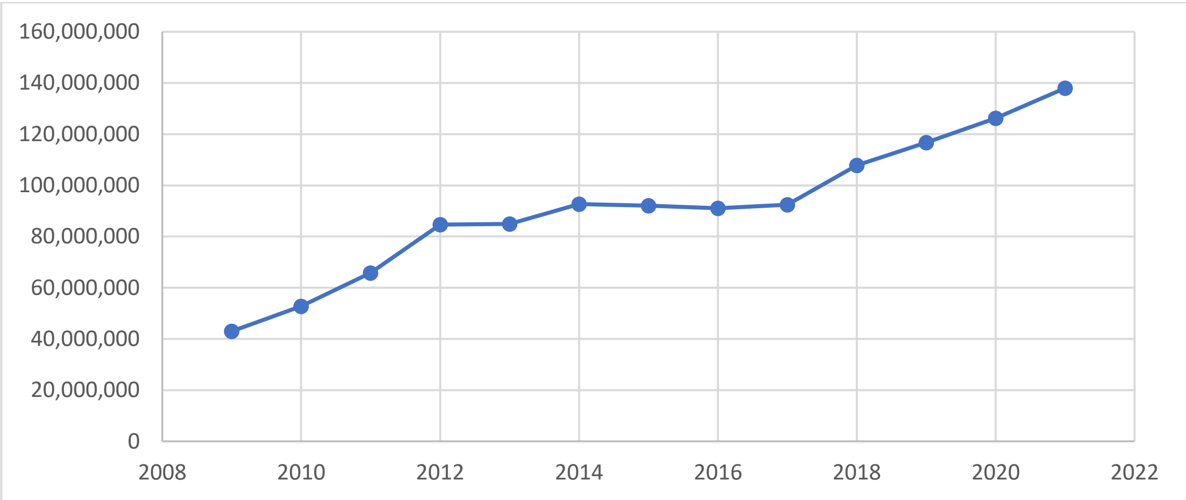

Figure 6: Dividends of Axis REIT

Social responsibility activities of Axis REIT

AXIS REIT has a considerable social contribution to the local community that it works in. There are variant social activities with a focus on the need of society. In addition, there is an acceptable yearly budget to those activities. Moreover, the annual reports of Axis REIT especially in recent years present other sustainable contributions relating to the environment and other stakeholders.

KLCC REIT

KLCC REIT is the largest real estate investment trust in Malaysia. Its portfolio includes the most famous buildings in the country such as Twin Towers in the Central Business District of Kuala Lumpur Malaysia or the Kuala Lumpur City Centre. Its total assets and market capitalisation reached to 32% of REIT sector in Malaysia that makes KLCC REIT the largest in Malaysia. KLCC REIT comprise three unique prime commercial assets - the iconic Petronas

Twin Towers, Menara ExxonMobil and Menara 3 Petronas. The REIT was listed in Bursa Malaysia on 09 May 2013.

Table 3: Performance Indexes of KLCC REIT

Year	Financial Performance (RM)	Dividends (RM)	Social Responsibility activities
2013	Net income **244,163,000** Market Price Per Unit **5.85**	232,707,000	There is no social responsibility activities
2014	Net income **364,623,000** Market Price Per Unit **6.71**	355,289,000	Suria KLCC succeeded in raising more than RM500,000 for the National Autism Society of Malaysia (NASOM). Support MOKUL charity that has children's home through collect donations and repair the home of children. Festive celebrations with the underprivileged Community.
2015	Net income **391,850,000** Market Price Per Unit **7.6**	391,396,000	Contributed RM23,000 to two charity homes, beneficiaries of the fund. Raised approximately RM457,000 to Help more autistic children live productive and fulfilling lives. Donation drives and fundraising
2016	Net income **411,451,000** Market Price Per Unit **8.30**	411,255,000	Support of World Wide Fund for Nature, Malaysia (WWF) with RM31,828.
2017	Net income **397,177,000** Market Price Per Unit **8.64**	378,217,000	Encourage the staff from different departments to participates in several social events and help the community in getting clean environment.
2018 2018	Net income **421,928,000** Market Price Per Unit **7.66**	421,545,000	Student Training Placement within KLCC Group to get practical skills in doing real work. Charity works, donated drives, fundraising and community service such as Visited (orphanage) to replace old fans, changed lights to LED, installed new water pump, painted the home and followed by lunch with them. Also, involved in Reach Out Program – donation of food to the homeless.
2019	Net income **451,569,000**	451,333,000	Student Training Placement within KLCC Group to get practical skills in doing real work.

	Market Price Per Unit **7.90**		Charity works, donated drives, fundraising and community service. Festive celebrations with the underprivileged community.
2020	Net income **447,372,000** Market Price Per Unit **7.08**	424,253,000	MOKL Hotel contributed healthcare essentials for Hospital Front liners on 24 March 2020 due to COVID 19 pandemic. Monetary donation to University Malaya Medical Centre for the purchase of Personal Protective Equipment (PPE) and medical equipment. Involved in Reach Out Program – donation of food to the homeless.
2021	Net income **467,655,000** Market Price Per Unit **6.55**	451,515,000	Donated bedding supplies worth RM8,350 and used clothing through PETRONAS and the Malaysian Armed Forces. A total of RM32,500 was distributed to support employees affected by the floods. Donated used computer to school. Contributed RM100,000 Speedmart Vouchers to 10 ADUNs within Selangor and Kuala Lumpur to be distributed to the needy.

The Financial Performance of KLCC REIT

The financial performance of KLCC REIT is stable and there is very good increase in the net income. The percentage of that increase nearly reached 50%. The net income was about 244 million RM in 2013, after that it jumped to become around 467 million RM in 2021. Moreover, the reaction of the market is good too because, the noticeable decrease in market price per unit was in last two years 2020 and 2021 where the global economic was impacted negatively from COVID 19. Finally, the following two charts show the general trends of both indexes of KLCC REIT.

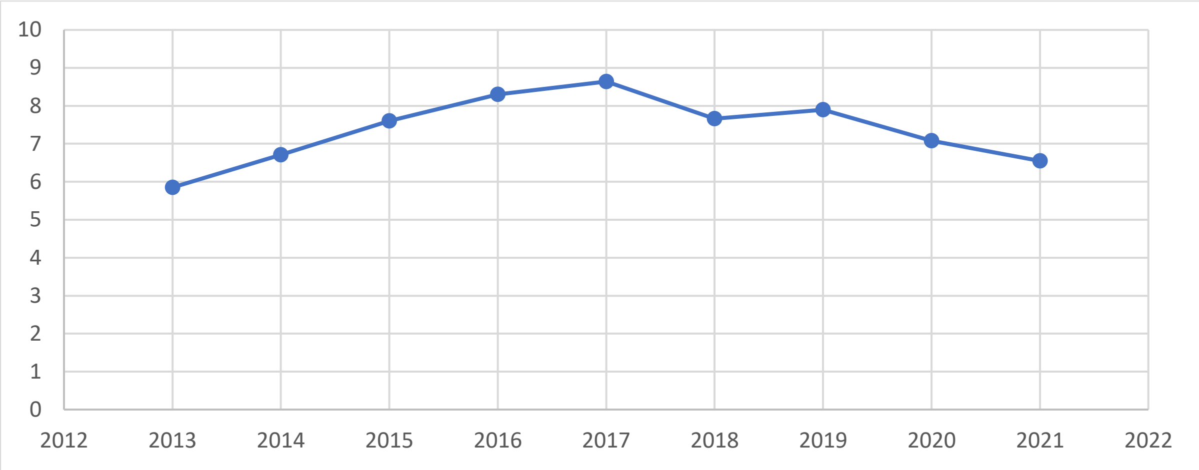

Figure 7: Market Price Per Unit of KLCC REIT

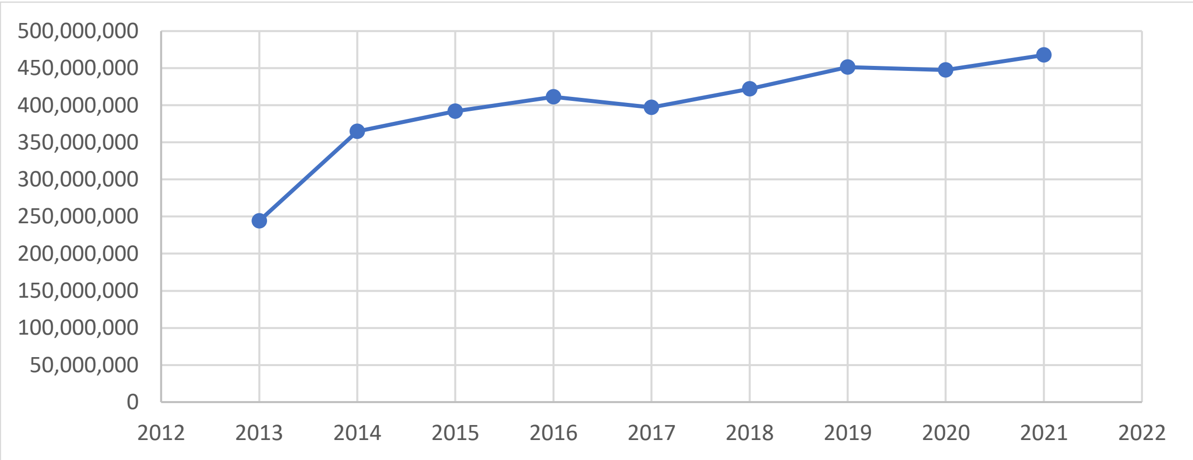

Figure 8: Net Income of KLCC REIT

Dividends of KLCC REIT

There is stable dividend policy in KLCC REIT. From the numbers, the fund keeps an increase in pay dividends from one year to another. The following chart shows that clearly.

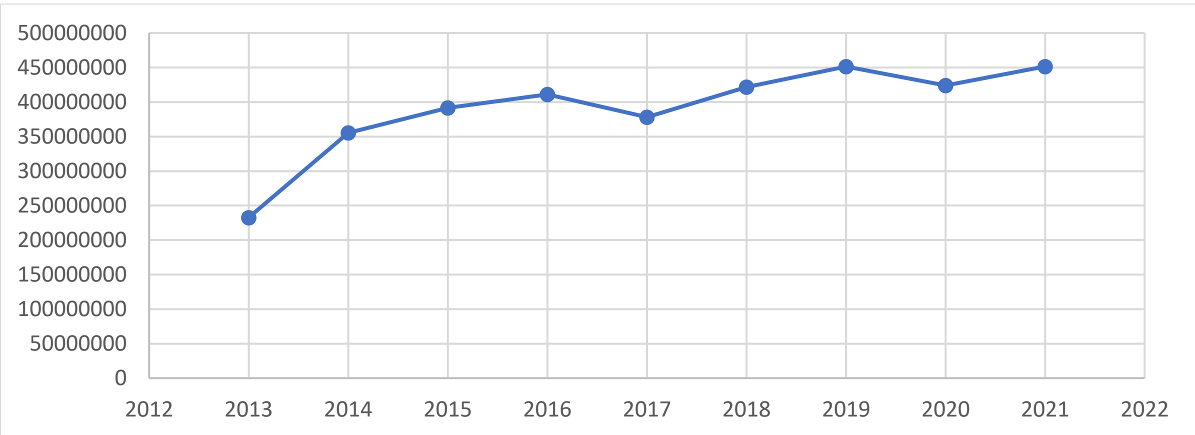

Figure 9: Dividends of KLCC REIT

Social responsibility activities of KLCC REIT
KLCC REIT invests in the local community activities, and it has very positive role in the community. The activities that were mentioned in Table 3 are only sample form social responsibility activities of KLCC REIT whereas there are more activities that were presented in the annual reports. Moreover, the reports include very comprehensive details about the sustainability activities that cover several aspects not only the social side.

AL Salam REIT

AL Salam REIT is Malaysian Islamic fund that was listed in Bursa Malaysia on 20 September 2015. The main strategy of fund is diversified Shariah compliant portfolio that included in 2015 about 31 properties then it has been expanded to cover 53 properties all over Malaysia. These properties are 43 food and drinks restaurants, 3 retail malls and 7 food and drinks assets but non restaurants. The fund is managed by Damansara REIT Managers Sdn Berhad

Table 4: Performance indexes of AL-Salam REIT

Year	Financial Performance	Dividends (RM)	Social Responsibility activities
2015	Net income (RM) **14,767,035** Market Price Per Unit (RM) **0.93**	6,960,000	There is no social responsibility activities
2016	Net income (RM) **46,667,408** Market Price Per Unit (RM) **1.07**	22,039,901	There is no social responsibility activities
2017	Net income (RM) **40,605,632** Market Price Per Unit (RM) **1.00**	36,249,858	There is no social responsibility activities
2018	Net income (RM) **40,326,431** Market Price Per Unit (RM) **0.81**	35,669,935	Blood donation drive and basic health screening at KOMTAR JBCC for shoppers. Charity visit to Rumah Fitrah Qaseh during Ramadan to contribute Ramadan & Raya preparations to underprivileged children. Farmer's Market at KOMTAR JBCC to support the Internal Woman's Association activity whereby a sales percentage will be donated to charity organisations. Donations of daily supplies and cash vouchers…..
2019	Net income (RM) **36,218,863** Market Price Per Unit (RM) **0.81**	33,001,861	Autism Celebration at KOMTAR JBCC with exciting activities focusing in special needs children with autism.

			Donations of daily supplies and cash vouchers during events at Pasaraya Komuniti.
2020	Net loss (RM) **13,471,451** Market Price Per Unit (RM) **0.55**	13,165,867	Organize event of World Food Safety Day. Organize event of back to school for community.
2021	Net income (RM) **2,130,766** Market Price Per Unit (RM) **0.485**	9,975,967	A relief mission was launched for a period of three (3) months to provide food aid. In collaboration with Persatuan Kebajikan Ummah, baby milk formula was distributed to mothers and families in need. In collaboration with Parlimen Pulai, a total of 25 food aid packages were distributed to taxi drivers. A total of 200 cans of creamer milk were handed over to the Ketua Kampung Kempas to be distributed to those in need.

The Financial Performance of AL Salam REIT

From Table 4, it can be said that the financial performance of AL Salam REIT decreased during the study period in both indexes (net income & market price per unit). The beginning was good with a considerable increase from 2015 to 2016. However, the drop started even before the global pandemic COVID 19 and it became worst during the pandemic period where the fund made loss in 2020 with total amount about 13.5 million RM. On the other side, the market price dropped sharply to more than 50% from 2016 to 2021. The following charts highlight that precisely:

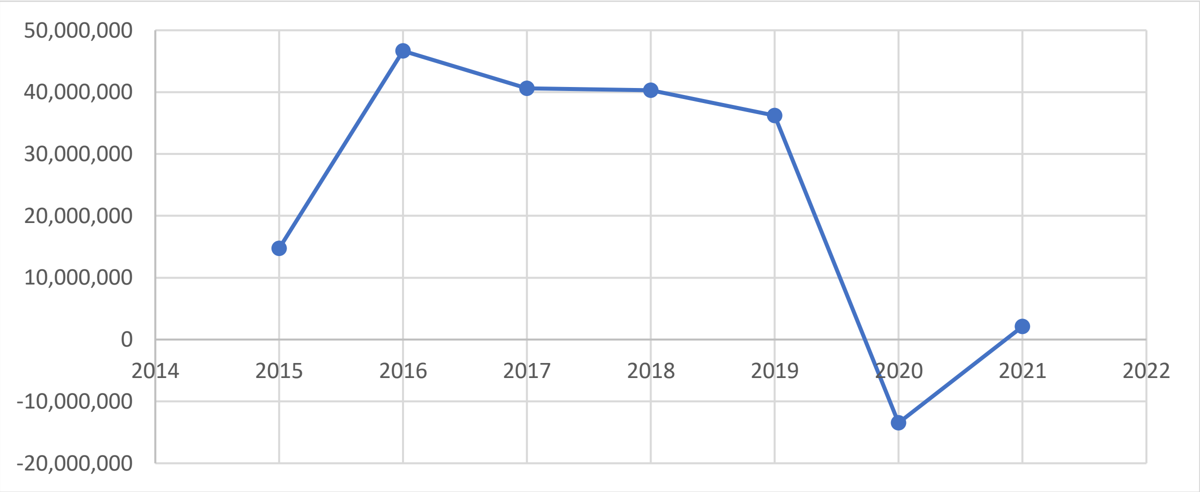

Figure 10: Net Income of AL Salam REIT

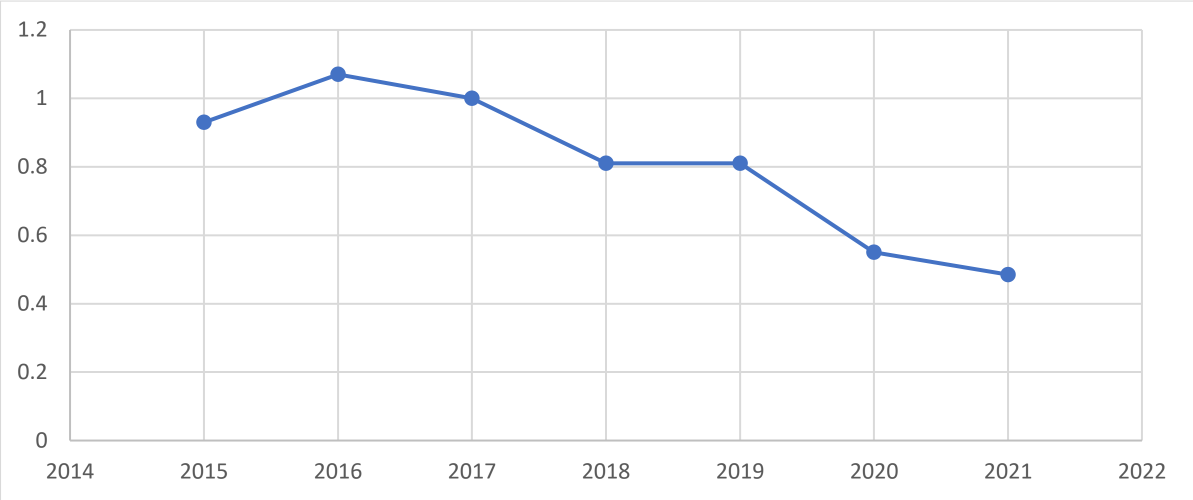

Figure 11: Market price per unit of AL Salam REIT

Dividends of AL Salam REIT

The fund tried to stabilize the dividends with acceptable level but, the drop in annual net profits enforce the fund to decrease the annual distributions. Those dividends are paid during the year then the fund calculates the total distribution for the whole year and add that to the report. Thus, in 2020 there was loss but, the fund distributed dividends. Moreover, in 2021 there was drop in dividends but, they exist. In other words, there was no compensation for 2020 dividends that were in loss period.

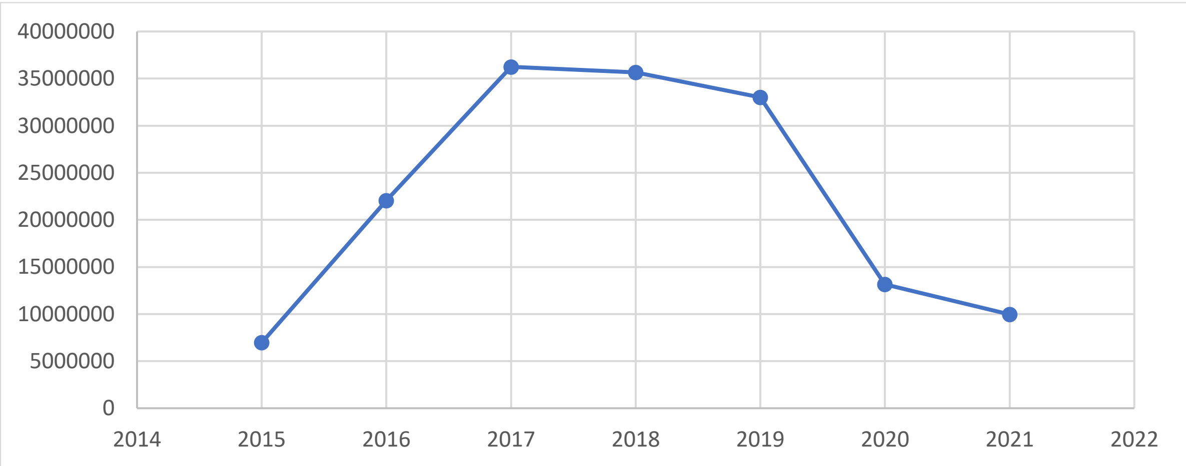

Figure 12: Dividends of AL Salam REIT

Social Responsibility Activities of AL Salam REIT

The fund started the focus on social responsibility activities in 2018 with present specific section to sustainable activities relating to the environment, workers, partners and the local community in its annual report. However, the majority of those activities are not efficient, in other words, they were done often in place inside the property of the fund with cooperation with other organizations and the contribution of AL Salam fund is limited especially with pay money. There were no exact amounts of money mentioned as budget to these activities. Thus, it can be said that social activities of this fund are weak.

CONCLUSION AND RECOMMENDATIONS

Real estate investment trusts have an essential positive role in the economy where they provide good opportunities to potential investors and can contribute positively to the stability of the real estate sector of the country. Islamic REITs were presented currently as another option in the capital market compared to conventional REITs (less than 20 years). This study assessed the financial performance of Malaysian Islamic REITs because the beginning of Islamic REITs was there in 2006. The main objective of this study was the sustainable performance of Malaysian IREITs with taking into consideration their social contributions during the period of study. The accounting absolute numbers was used to evaluate the financial performance. Annual profits (prepared internally) and share price (market evaluation). The results can be divided into two main stages or two periods of time. Firstly, the inception period of all Islamic REITs was quite good were witnessed an increase in the net income and an increase in the market price or share price of each fund of them. This match with the studies' results of Osmadi & Razali (2014) and Edi & Saad (2012). Secondly, after 5 to 6 years from the inception where the drop started in financial performance generally, especially in share price. Also, that match with the results of Ong et al. (2012) where their study period was 10 years started from 2005. Thus, it can be said there is no sustainable financial performance for Islamic REITs in Malaysia. The fluctuations in market price and annual net income creates several queries about the management efficiency. There are concerns about the management efficiency of both Islamic and conventional Malaysian Real Estate Investment Trusts (REITs). However, according to Chuweni and Eves (2019), Islamic REITs tend to have higher scores for technical, pure technical, and scale efficiency compared to conventional REITs across all years. Although, all 4 REITs in the study maintain their annual dividends and were paid yearly even in loss period, this has no impact on the market. Thus, Islamic REITs in Malaysia need to work more on sustainable financial performance and should find the most appropriate way to improve their share price in the market.

The other important part of sustainable performance is the social responsibility that creates more stability in long term and opens more valuable investment channels in the future. Most of studies relating to Islamic REITs have not covered this part so, this study provides summary to the most contributed social activates of Malaysian Islamic REITs from their inception until last year 2021. Generally, there is no real positive social contribution to Islamic REITs. Only KLCC REIT has some valuable contributions because, it is the biggest REITs in Malaysia and provide the pre-determined budget to those activities. However, those activities have not been expanded to solve national issues such as providing affordable houses. The Islamic REITs have the capabilities and the resources to participate in this national project especially with the Islamic financing applications such as Ijarah ends with ownership. Mohd Daud et al. (2021) provided full description and solutions that can be made by Islamic REITs in Malaysia to help people in getting affordable houses. The big Islamic REITs such as KLCC and AXIS provide certain or special section in their annual reports about the sustainability and social investments and they prescribe the important of those activities but, without real considerable work. Whereas, Al Aqar REIT ignored them completely although, its works in healthcare sector and it should touch the needs on local community deeply. On the other hand, Al Salam REIT tries to interact with the community but, its activity is very weak and they are close to ads activities rather than social activities. Consequently, Islamic REITs need to expand their social role and should put positive touch in Malaysia society.

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