

**PERFORMANCE OF PROPERTY LISTED COMPANIES  
IN MALAYSIA: 1996 - 2007**

A research paper submitted to the Graduate School in partial fulfilment of the  
requirements for the degree Master of Science (Finance)  
Universiti Utara Malaysia

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### **Abstrak**

Tesis ini mengkaji tentang prestasi syarikat-syarikat hartanah di Malaysia dalam tiga tempoh yang berbeza iaitu sebelum krisis, semasa krisis and selepas krisis. Tempoh kajian ini bermula daripada 1996 hingga 2007 dengan menggunakan Sharpe Index, Adjusted Sharpe Index, Treynor Index, Jensen Index dan Adjusted Jensen Index, keputusan kajian ini menunjukkan bahawa prestasi syarikat-syarikat hartanah yang tersenarai di Bursa Malaysia adalah lebih baik daripada Kuala Lumpur Composite Index (KLCI) dan Kuala Lumpur Property Index (KLPI). Kajian lanjut terhadap prestasi syarikat-syarikat hartanah dalam tiga tempoh yang berbeza menunjukkan terdapat perbezaan yang signifikan terhadap prestasi syarikat-syarikat hartanah yang tersenarai jika dibandingkan dengan KLCI dan KLPI sebelum, semasa dan selepas krisis kewangan 1997. Penelitian yang ketara dalam temuan kajian ialah kebanyakan syarikat-syarikat yang tersenarai di bawah sektor hartanah termasuk juga pasaran secara keseluruhan dan indeks hartanah menunjukkan purata pulangan yang negatif. Ini bermakna, pelabur-pelabur dan pengurus dana seharusnya berhati-hati di dalam memilih saham hartanah sebagai sebahagian portfolio. Bagi pihak berkuasa, usaha yang lebih diperlukan untuk memperkukuhkan lagi sektor hartanah ini.

### **Abstract**

This thesis examines on the performance of listed property companies in Malaysia within three sub-periods: pre-crisis, during crisis and post-crisis. The period of this study started from 1996 to 2007. By using Sharpe Index, Adjusted Sharpe Index, Treynor Index, Jensen Index and Adjusted Jensen Index, the result of this study shows that the performance of listed property companies over-performed the aggregate market or Kuala Lumpur Composite Index (KLCI) and Kuala Lumpur Property Index (KLPI). Further examination on the performance of the property companies in the three sub-periods shows there was a significant difference in the performance of the property listed companies as compared to the KLCI and KLPI before, during and after the financial crisis 1997. An obvious observation in the result is that most of the companies listed under property sector as well as the aggregate market as a whole and the property index were showing an average negative return. This would mean that investors and fund managers would need to take extra caution to include property stocks in their portfolio. As for the regulators, more efforts needed to be done to boost this sector.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Background**

Prior to early 1997, a rapid growth in bank loans resulting in increasing loan exposure to non-tradable sectors such as property development and construction, consumption credit and purchases of stocks (Ariff et al., 1998). Property prices increased by 12% to 26% in the period 1991 and 1992; and between 13% to 18% in the period 1995 and 1996. The urban centres like the Klang Valley and Johor Bahru experienced double-digit property price inflation of between 10% to 17% yearly in the period 1994 to 1996 (Bank Negara Malaysia, Monthly Statistical Bulletin). However, in April 1997, in order to control the sharp rise in asset prices, Bank Negara Malaysia imposed a limit of 20% of total outstanding loans extended to the property sector with an exclusion of houses below RM150,000 (Bank Negara Malaysia Annual Report, 1998, page 21). Then, starting from the final quarter of 2000, the Malaysian economy had gradually improved (Riggs, 2000). The property industry leaders reviewed their long-term and short-term positions in the property market. As reported in *Emerging Trends in Real Estate 2007*, today most of the investors believe that the property industry in Malaysia offers better risk-adjusted returns as compared to other industries.

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