

## FACTORS AFFECTING INVESTORS' INTENTION IN REIT INVESTMENT, EVIDENCE FROM MALAYSIA

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### Abstract

This study addresses the research problem of understanding the factors influencing investors' intention to invest in Real Estate Investment Trusts (REITs) in Malaysia. By examining the relationships between behavioural belief, attitudes towards behaviour, normative belief, normative attitude, control belief, perceived behavioural control and behavioural intention, the study aims to provide insights into investors' behavioural intention in the context of REIT investments. A total of 150 responses was collected through a self-administered online survey questionnaire distributed via social media platforms from individuals aged 25 years old and above across Malaysia. The PLS-SEM was run for the measurement model and structural model of the study. The study found that behavioural belief, normative belief and control belief have a significant positive effect on attitude towards behaviour, normative attitude and perceived behavioural control, respectively. The relationship between perceived behavioural control and behavioural intention is significant. However, the relationship between attitude towards behaviour, normative attitude and behavioural intention is not significant. The findings contribute to a better understanding of investor behaviour in the context of REIT investment and can guide regulators, financial counsellors, and real estate professionals in developing targeted marketing strategies to promote REIT investment. The limitations of the research are the need for more comprehensive data, larger sample sizes, consideration of demographic factors, and the incorporation of qualitative methods to strengthen the research findings and provide a better understanding of the factors influencing investors' perceptions and intentions in the Malaysian REIT market.

**Keywords:** REIT, Theory of Planned Behaviour, Behavioural Intention

### Introduction

REITs (Real Estate Investment Trusts) offer a way for investors to engage in real estate without direct property purchase. The Arab Malaysian First Property Trust, launched in 1989, was the first on the Malaysian stock market, paving the way for further expansion of REITs. In 2005, under new guidelines, Axis REIT was introduced on the Kuala Lumpur Stock Exchange (now Bursa Malaysia), marking a significant development in the sector (Razali & Sing, 2015). The market value of Malaysian REITs (M-REITs) increased significantly, from RM 1.8 billion in 2005 to RM 46 billion in 2019 (Wong, 2015). Despite their success, recent studies indicate a performance decline due to macroeconomic factors and issues in corporate governance. Moreover, the low trading volume highlights market illiquidity and price volatility, affecting returns (Tapa & Hussin, 2016).

Globally, the demand for novel investment options has surged, with real estate remaining a preferred choice among financial instruments. Unlike traditional real estate investments that involve buying property or company shares, REITs pool capital to buy and

manage commercial properties like offices, malls, and hotels, offering easier marketability and liquidity (Sukor et al., 2020). Investors benefit from income through rentals and capital appreciation. Despite M-REITs’ reliable distribution rates and resilience, largely due to significant local asset holdings like pension funds, individual investor’s participation remains surprisingly low. This could be due to a lack of familiarity, as the formal establishment of REITs in Malaysia occurred only in 2007.

To better understand what drives Malaysian investors to consider REITs, this study utilises the Theory of Planned Behaviour (TPB), which assesses how attitudes, subjective norms, and perceived control influence investment intentions (Ajzen, 1991). Similar research by Verghese and Chin (2022) on investor intentions for gold and silver bullion found that these factors significantly impact investment decisions. This study aims to explore whether similar beliefs and attitudes affect M-REIT investments, despite their stable yields. The investigation focuses on how behavioural, normative, and control beliefs shape attitudes towards behaviour, normative attitudes, and perceived behavioural control, and how these in turn, affect investment intentions.

### **Research Objectives**

The primary objective of this study is to investigate the factors that influence Malaysian investors’ intentions to invest in Real Estate Investment Trusts (REITs). Specifically, the study utilises the Theory of Planned Behaviour (TPB) to examine how behavioural beliefs, normative beliefs, and control beliefs shape attitudes towards behaviour, normative attitudes, and perceived behavioural control, and how these factors subsequently affect investors’ behavioural intentions towards REIT investments.

### **Scope of the Research**

The scope of this research encompasses the assessment of various psychological and behavioural elements that could impact investment decisions within the Malaysian REIT market. Utilising a structured survey distributed across Malaysia to individuals aged 25 and older, this study aims to:

- i) Assess the direct effects of behavioural, normative, and control beliefs on attitudes towards behaviour, normative attitudes, and perceived behavioural control.
- ii) Identify and analyse the role of attitudes and behaviours in shaping investment intentions.
- iii) Generate insights that can inform targeted marketing strategies, financial advisory practices, and regulatory frameworks to enhance investor engagement and confidence in the REIT market.

The findings will contribute to both academic knowledge and practical applications, guiding future research and aiding industry stakeholders in understanding and fostering better investment behaviours among Malaysian investors in the REIT sector.

### **Research Methodology**

The research targeted individuals aged 25 years and older in Malaysia. The sample size was calculated using G\*Power software, determining that a minimum of 99 participants was needed to achieve a significance level of 0.05, a statistical power of 0.9, and a population effect size of 0.15. This study employed a quantitative approach. To gather primary data, a self-administered questionnaire was distributed nationwide via social media platforms including Facebook, WhatsApp, and Google Forms. Prior to widespread distribution, the questionnaire was reviewed by 5 respondents to ensure its clarity and ease of understanding. The questionnaire was divided into three sections. Section A gathered demographic information

about respondents, including their age, gender, educational background, and current occupation. Section B focused on antecedent variables and independent variables. Section C addressed the dependent variable, which was Behavioural Intention (BI). The questions were adapted from Verghese and Chin (2022). Figure 1 illustrates the research framework for this study.

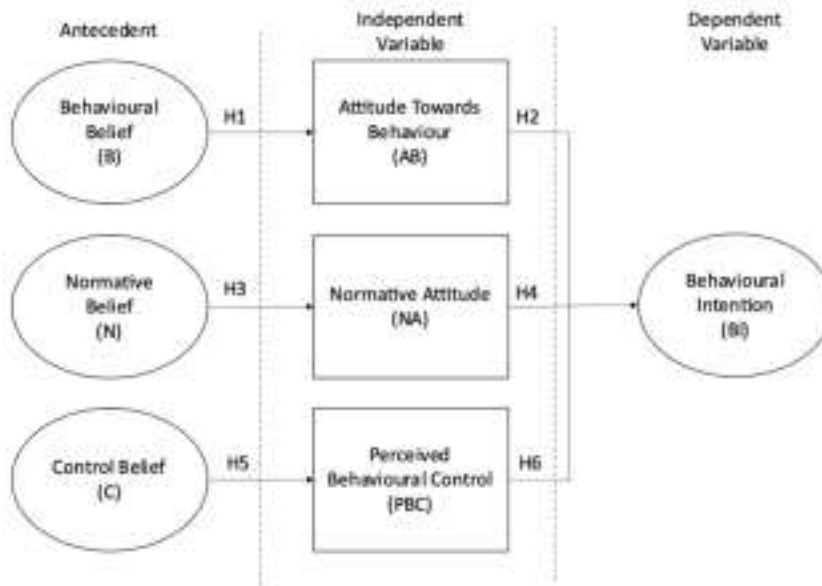


Figure 1: Research Framework

## Research Results

### *Respondents' Profile*

Table 1: presents demographic characteristics of the respondents.

		Frequency	Percent
Gender	Female	69	46
	Male	81	54
Age Group	25 – 30	96	64
	31 – 40	36	24
	41 – 50	8	5.3
	51 – 60	7	4.7
	Above 60	3	2
Education Level	Bachelor's degree/ Professional Qualification	103	68.7
	Master's Degree	21	14
	PhD Degree	4	2.7
	SPM/O-levels/IGCSE or lower	9	6
	STPM/A- levels/Diploma	13	8.7
Employment	Employed (Private Sector)	105	70
	Employed (Public Sector)	15	10
	Retired	7	4.7
	Self-Employed	17	11.3
	Student	3	2
	Unemployed	3	2

Following the recommendations of Anderson et al. (1988), this study adopted a two-step approach to test the developed model. Initially, the measurement model was evaluated using the guidelines set by Hair et al. (2019) to ensure the validity and reliability of the instruments used. Subsequently, the hypotheses were tested by running the structural model. In assessing the measurement model, the study examined factor loadings, average variance extracted (AVE), and composite reliability (CR). The recommended thresholds are that factor loadings should be  $\geq 0.708$ , AVE should be  $\geq 0.5$ , and CR should be  $\geq 0.7$ . As shown in Table 2, the factor loadings, AVEs, and CRs met these threshold levels, demonstrating that the study has achieved indicator reliability, convergent validity, and internal consistency, respectively.

Table 2: Reliability, Convergent Validity and Internal Consistency

	Items	Loadings	AVE	CR
Behavioural Belief	B1	0.875	0.800	0.941
	B2	0.921		
	B3	0.872		
	B4	0.908		
Attitude Towards Behaviour	AB1	0.879	0.849	0.957
	AB2	0.928		
	AB3	0.940		
	AB4	0.938		
Normative Belief	N1	0.845	0.733	0.916
	N2	0.901		
	N3	0.868		
	N4	0.807		
Normative Attitude	NA1	0.883	0.782	0.935
	NA2	0.883		
	NA3	0.915		
	NA4	0.854		
Control Belief	C1	0.866	0.711	0.908
	C2	0.776		
	C3	0.860		
	C4	0.869		
Perceived Behavioural Control	PBC1	0.838	0.795	0.939
	PBC2	0.916		
	PBC3	0.926		
	PBC4	0.884		
Behavioural Intention	BI1	0.970	0.939	0.984
	BI2	0.959		
	BI3	0.972		
	BI4	0.976		

Next, the HTMT criterion, as proposed by Henseler et al. (2015) and updated by Franke and Sarstedt (2019), was employed to assess discriminant validity. Table 3 indicates that the majority of the HTMT values fall below the threshold of  $\leq 0.90$ . Consequently, the study concludes that there is no significant overlap among the variables, confirming adequate discriminant validity.

Table 3: HTMT Ratio

	AB	B	BI	C	N	NA	PBC
AB							
B	0.724						
BI	0.696	0.674					
C	0.870	0.812	0.795				
N	0.766	0.817	0.685	0.847			
NA	0.796	0.696	0.658	0.795	0.831		
PBC	0.724	0.651	0.822	0.852	0.700	0.728	

*Structural Model*

The study utilised a 5,000 bootstrapping procedure, as recommended by Hair et al., (2019), to analyse the structural model. According to the results presented in Table 4, statistically significant positive relationships were found between Behavioural Belief (B) and Attitude Towards Behaviour (AB) ( $\beta = 0.675$ ,  $p < .05$ ), Normative Belief (N) and Normative Attitude (NA) ( $\beta = 0.744$ ,  $p < .05$ ), and Control Belief (C) and Perceived Behavioural Control (PBC) ( $\beta = 0.763$ ,  $p < .05$ ). Thus, Hypotheses H1, H3, and H5 are supported, indicating that the beliefs of Malaysian investors significantly influence their attitudes towards behaviour, normative attitudes, and perceived behavioural control.

In terms of the Theory of Planned Behaviour variables and Behavioural Intention, the study found a statistically significant positive relationship between Perceived Behavioural Control (PBC) and Behavioural Intention (BI) ( $\beta = 0.589$ ,  $p < .05$ ). However, the relationships between Attitude Towards Behaviour (AB) ( $\beta = 0.227$ ,  $p = 0.093$ ) and Normative Attitude (NA) ( $\beta = 0.063$ ,  $p = 0.290$ ) with Behavioural Intention (BI) were not statistically significant. Therefore, Hypotheses H2 and H4 are not supported, but H6 is supported, suggesting that Malaysian investors are more likely to increase their investment intentions in REITs if they possess a positive perceived behavioural control.

Table 4: Results of Hypotheses Testing

Hypothesis	Relationship	Std Beta	Std Error	t-values	p-values	BCI LL	BCI UL	f <sup>2</sup>	VIF
H1	B -> AB	0.675	0.080	8.398	0.000	0.511	0.786	0.837	1.000
H2	AB -> BI	0.227	0.171	1.323	0.093	-0.008	0.550	0.059	2.509
H3	N -> NA	0.744	0.053	14.079	0.000	0.643	0.818	1.243	1.000
H4	NA -> BI	0.063	0.114	0.554	0.290	-0.114	0.253	0.005	2.474
H5	C -> PBC	0.763	0.051	14.947	0.000	0.660	0.832	1.390	1.000
H6	PBC -> BI	0.589	0.125	4.700	0.000	0.349	0.754	0.486	2.052

Note: the study uses 95% confidence interval with a bootstrapping of 5,000

Following the recommendations of Shmueli et al. (2019), the study employed the PLS-predict method, which uses a holdout sample to generate case-level predictions at either an item or construct level. The PLS Predict procedure was conducted using a 10-fold method to assess predictive relevance. According to Shmueli et al. (2019), strong predictive power is indicated if the differences between all items (PLS-LM) are negative. Conversely, if all the differences are greater than zero, this suggests that the predictive relevance is not confirmed. If most of the differences are greater than zero, it signifies low predictive power, while a minority being higher indicates moderate predictive power. Referring to Table 5, the results

show that the minority of differences between the PLS model and the LM model are higher. Therefore, it can be concluded that the study’s model possesses moderate predictive power.

Table 5: PLSpredict Results

Item	PLS RMSE	LM RMSE	PLS-LM	Q <sup>2</sup> predict
AB1	1.167	1.014	0.153	0.320
AB2	1.093	0.979	0.114	0.364
AB3	1.047	0.936	0.111	0.352
AB4	1.021	0.970	0.051	0.433
NA1	1.088	1.107	-0.019	0.476
NA2	1.190	1.224	-0.034	0.399
NA3	1.008	1.033	-0.025	0.479
NA4	1.289	1.403	-0.114	0.335
PBC1	1.194	1.313	-0.120	0.351
PBC2	1.049	1.123	-0.074	0.502
PBC3	1.012	1.130	-0.117	0.487
PBC4	1.119	1.172	-0.053	0.454
BI1	0.933	1.010	-0.077	0.505
BI2	0.884	0.934	-0.050	0.558
BI3	1.031	1.095	-0.064	0.450
BI4	0.998	1.093	-0.096	0.486

### Conclusion and Discussion

The aim of this study is to investigate the factors that influence the intention of Malaysian investors to invest in REITs. The study findings answered the first research questions by confirming the behavioural belief (B) is an antecedent for attitude towards behaviour (AB), aligning with previous research (Bong Ko & Jin, 2017; Nickerson, 2022; Verghese & Chin, 2022). This implies that individuals’ beliefs about the outcomes and benefits of investing in REITs can shape their overall attitude towards engaging in such behaviour. Furthermore, normative belief (N) is identified as an influential factor that contributes to the development of normative attitude (NA). This finding is consistent with the research conducted by Abreu et al. (2019); Bhatti & Md Husin (2020) and Mead et al. (2014). This study confirms that control belief (C) demonstrates statistical significance when associated with perceived behavioural control (PBC), which is consistent with the findings of Boua et al. (2022), Loh and Hassan (2022) and Pu et al. (2022).

Regarding the second research question, the study reveals that the relationship between attitude towards behaviour (AB) and behavioural intention (BI) is insignificant, which is contradicting with past research (Cherry, 2022a; Jain, 2020, 2021). It may be because of the lack of familiarity and past experience in REITs. When individuals are less familiar with a specific investment vehicle, their attitude may not be strong enough to influence their intentions to invest. Next, the study reveals that there is no significant relationship between normative attitude (NA) and behavioural intention (BI), which is contradicting with past research (Carfora et al., 2019; Gamel et al., 2022) and Li et al., 2018). Based on the responses, it can be observed that Malaysian investors exhibited a modest inclination towards REIT investments, even when considering the influence of peers. This tendency might be attributed to the general lack of familiarity with REITs among Malaysians. Another plausible reason for the limited impact of normative attitude (NA) could be that Malaysians generally prefer investments that grant them full control over the assets. Moreover, the positive and significant effect of perceived

behavioural control (PBC) on behavioural intention (BI) aligns with previous research conducted by Khan et al. (2019), Kim et al. (2013) and Sun et al. (2020). Most of the Malaysian investors who perceive some level of control over their REIT investments also exhibit a corresponding level of perceived behavioural control (PBC) towards their actions. This suggests that investors are confident in their ability to effectively invest in REIT with the condition that they have access to adequate information and possess a comprehensive understanding of the investment process.

### Recommendations

This study enhances theoretical understanding of investor behavior by applying the Theory of Planned Behaviour (TPB) to investment decision-making, specifically examining how various beliefs and attitudes influence Malaysian investors’ intentions towards Real Estate Investment Trusts (REITs). Practically, the findings guide financial advisors to focus on providing comprehensive REIT information rather than relying on peer influence, helping tailor communication strategies to investor preferences and concerns.

The study also impacts marketing within the REIT industry by suggesting the promotion of REITs’ unique features like liquidity and potential for income, alongside providing educational resources to boost investor confidence and engagement. Furthermore, targeted marketing campaigns and financial literacy programs should consider individual investor factors to enhance REIT adoption.

However, the research faces limitations such as a non-representative sample skewed towards younger, highly educated individuals, potentially affecting the generalizability of the findings across Malaysia. Future studies should aim for a broader demographic to better represent the Malaysian population. Additionally, incorporating qualitative methods could provide deeper insights into the factors driving investor intentions in the REIT market.

In summary, while the study provides actionable insights for improving REIT investment among Malaysians, it also highlights the need for further research to address its limitations and expand understanding of Malaysian investors’ familiarity and engagement with REITs.

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