

CAREFULLY STUDY THE INFORMATION BEFORE MAKING AN INVESTMENT DECISION: PROMINENCE OF THE SPECIFIC FACTORS TOWARD THAI PROPERTY FUND INVESTMENT

Natkawin Jiamchoatpatanakul*

Abstract

Specific characteristics are legally required to be included in an investment factsheet, but these characteristics have been less studied in academic research for both international Real Estate Investment Trusts (REITs) and Thai property funds, because some unquantified factors might limit the conduct of quantitative research. The research for this paper uses a qualitative approach and was conducted by interviewing 41 qualified experts so as to obtain their opinions about key factors involved in Property Fund investment. Classified from their opinions about fourteen issues, there are three major factors that influence investment, namely, type and market situation of the underlying property, ownership interest and lease term, and terms and conditions, and characteristics of the property fund. Only five were mainly discussed in other studies, which exhibit similar results to support the significance of such key factors. The additional nine sub-factors might also be worth considering as the experts' concerns about property fund investment. Since most of the sub-factors were typically stated in the investment factsheet to inform the investors in accordance with SEC regulations, the findings enhance our understanding about them and substantiate the importance of the reminder phrase "carefully study the information before making an investment decision" for property fund investment.

Keywords: REIT, Thai Property Fund, Specific Factor, Unquantified Factor, Investment Fact Sheet

1. INTRODUCTION

Originated in U.S. in 1972, 38 countries have globally adapted and developed legislation regarding real estate investment trusts or so-called REITs (NAREIT, 2015). The first Thai real estate vehicle named a "property fund" which was similar to an REIT was introduced in 2003, and its market size has gradually increased to

approximately USD 8.5 billion NAV or USD 9.7 billion market value from 52 funds (Thai SEC, 2015a). In 2014, market capitalization of Thai real property funds only represent *circa* 0.7% of global market with USD 1,487.03 billion market value (APREA, 2015).

Since many international REIT studies have mainly focused on factors with available time series data to conduct

*Dr. Natkawin Jiamchoatpatanakul is a property fund manager at Phatra Asset Management co., Ltd. with over Baht 10 trillion AUM. He is a licensed appraiser, professional members of real estate affiliates and also a committee member of an internationally-recognized real estate organization, RICS.

quantitative research, some unquantified issues have not typically been studied. Even though there has been plenty of research, few studies have covered the analysis of such factors, for instance, as corporate governance (Lecomte & Ooi, 2013), property managerial skills and sponsor reputation (Jiamchoatpatanakul & Tangchitnob, 2015a), limitation of leverage utilization (Jiamchoatpatanakul & Thisadrondilok, 2015) and legislative structure and practices (Atchison & Yueng, 2014; Moss & Prima, 2014).

Investors, however, might need to consider the unquantified factors mentioned in an investment factsheet when making investment decisions. In accordance with Notification of the Securities and Exchange Commission no. Sor. Nor. 13/2550, 55/2552 and 49/2553 about prospectus of the property funds, such information is legally required to be provided for the investor (Thai SEC, 2015b). According to Sor. Tor. 25/2559, the Thai SEC has required Thai funds to include a phase reminding investors to carefully study the information before making an investment decision (Thai SEC, 2016). Therefore, they might be *sine qua non*, in terms of providing market insights to the investors. In this study, the researcher concentrated on developing a greater understanding of Thai property funds regarding specific major characteristics, for instance, underlying property type, location, ownership interest, fund structure, tenant profile, etc.

2. LITERATURE REVIEW

2.1 REIT's Stock Characteristics

The REIT vehicle has been internationally studied to understand its characteristics and the determinants of its performance. Similar to international REITs in U.S., Australia, Hong Kong, Singapore, Japan and Taiwan, Thai property funds also share stock characteristics from trading in the stock market (Jiamchoatpatanakul,

Tangchitnob & Bunchapattanasakda, 2015). Direct real estate investment cannot be duplicated by using a REIT vehicle owing to very weak and insignificant relationships between their returns in most property sectors (Pavlov & Wachter, 2011). The stock market volatility might impact REITs' price and return at least in the short term (Chan, Erickson & Wang, 2003). Share prices of the equity REITs are much more volatile than the underlying commercial real estate prices, especially in the period surrounding a financial crisis (Sun, Titman & Twite, 2014).

Trading in a centralized stock market brings about higher efficiency of REIT share price than direct real estate investment with a non-centralized market (Buccola, 1985). Liquidity from daily trading is one of the benefits of the listed funds (Jiamchoatpatanakul & Tangchitnob, 2014). However, Singaporean REITs with mid – large size show insignificant differences on average in efficiency, unlike small size REITs (Chiang, Tsaih & Hsiao, 2016). There are deviations between market price of securitized equity REITs and net asset value of underlying properties, for example, a significant premium in the market price of retail REITs, but a discount in that of industrial REITs (Capozza & Lee, 1995). Return of publicly-traded REITs has been almost twice those of real estate series, which implies exceeding risk from more return volatility of such REIT vehicles (Ross & Zisler, 1991).

2.2 REIT's Real Estate Characteristics

Investing in REITs, it might be unavoidable that the investors are exposed to the risks of the stock asset class. *Au contraire*, REITs have gradually performed more like their underlying real estate, and become more independent of the stock market in the long term (Clayton & Mackinnon, 2001 and 2003). There are also stronger relationships between REITs and direct real estate returns in the long run (Walter, Edward, Jarl & Crocker, 2011). A REIT is considered as a proxy for direct real

estate investment (Ooi & Poh, 2009). In addition, REIT returns exhibit lower volatility than those of stocks (Chen & Peiser, 1999; Han & Liang, 1995). The REIT vehicle tends to behave more like income stocks than growth stocks because of a regulatory requirement of 90% minimum dividend payout, and consequently low retained earnings to grow by acquiring new properties without capital increase (Chan et al., 2003; Liang, 2000). Higher asset values of the real estate and trust helps enhance financial viability from higher leverage (Haslam, Tsitsianis & Andersson, 2015).

In terms of management, overconfident REIT CEOs were found to have significantly negative impacts on REIT performance due to possibly making mistakes in leverage and share buyback decisions as in Yung, Li & Sun, 2015. REIT management with strong internal governance was found to be more favorable to the investor reactions when they announce debt and equity offers in negative situations as in Timothy, 2015. Performance of real estate funds can be enhanced by improving the underlying assets, for instance, asset enhancement, optimization of tenant mix and an incentive system for the property manager (Jiamchoatpatanakul, 2017).

2.3 Specific Characteristics

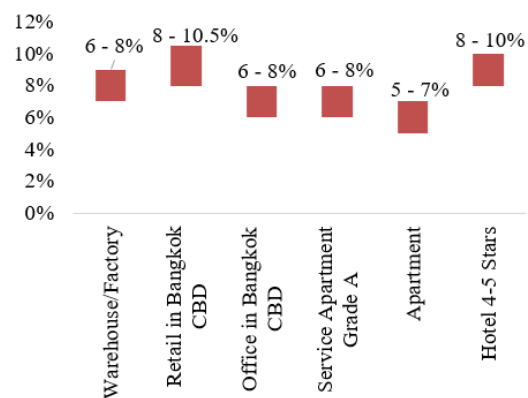
Although REITs partly share stock characteristics, they also behave like real estate as their underlying investment properties *per se*. Discussing specific factors, there are a number of aspects that relate to the underlying property in terms of type, location, ownership, and asset quality.

- Property Type

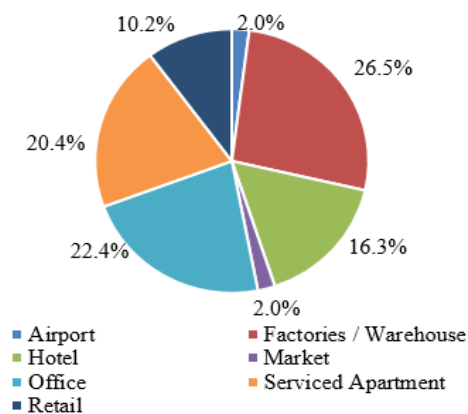
Each property type provides different investment yields as shown in Figure 1. For instance, hotels with good performance might provide higher yields and rent per square meter from daily room in comparison with monthly rent from an apartment. In this regard, REIT returns are found to be influenced by their underlying properties

(Downie, Wang & Xiao, 2010). REITs with underlying residential real estate tend to provide lower returns than those with underlying non-residential real estate (Buranasiri, 2012). Additionally, hotel REITs with rent connection to a hotel operation are found have higher risk adjusted returns than those with retail property with rent connection to retail sales (Mueller & Anikeeff, 2001).

As per Figure 2, an industrial property is the most dominant property sector of Thai property fund market with over one-fourth share.



Source: Thai Appraisal Foundation (2016)
Figure 1: Investment Yield of Thai Real Estate by Type, 2016



Source: Stock Exchange of Thailand (2016)
Figure 2: Number of Thai Property Funds by Property Type, 2016

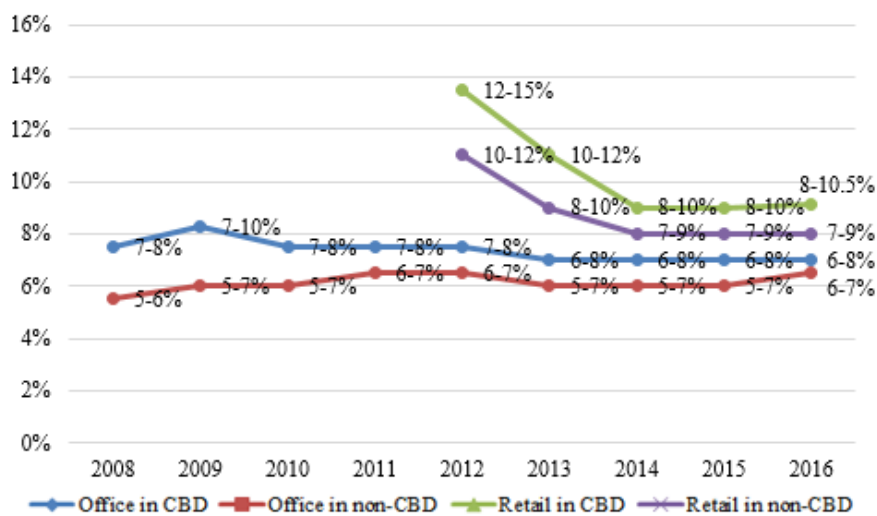
- Location

Location is one of the major factors that influence the performance of the REIT vehicle (Howe & Shilling, 1990; Redman &

Manakyan, 1995). The location is also discussed as one of the determinants of a required investment return or discount rate for income approach valuation (IVSC, 2014). For instance, properties located in the Central Business District (CBD) and non-CBD of Bangkok provide different investment yields (Thai Appraisal Foundation, 2015). As shown in Figure 3, commercial properties located in Bangkok’s CBD are likely to provide better yield than those located in Bangkok’s non-CBD owing to dissimilar development costs. To benefit from geographic diversification, many REITs are found to invest across continents (Chaudhry, Maheshwari & Webb, 2004; Cheok, Sng & Tsai, 2011).

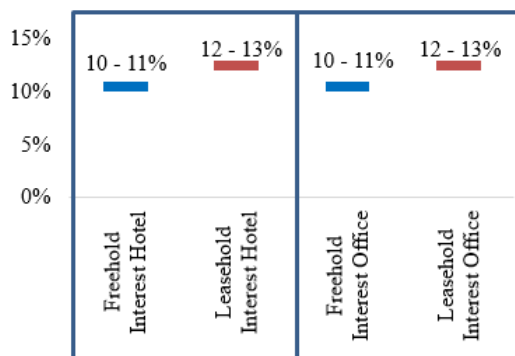
-Property Ownership Type

Property ownership can be classified into ownership over a perpetual period or freehold interest, and over a certain period as a lease agreement or leasehold interest (IVSC, 2014). Using an income approach valuation, dissimilar discount and capitalization rates are normally applied to appraise the property with different ownership types because of required return as per Figure 4 (Thai Valuers Association, 2010). For the Thai market, major funds possess freehold interest as shown in Figure 5.

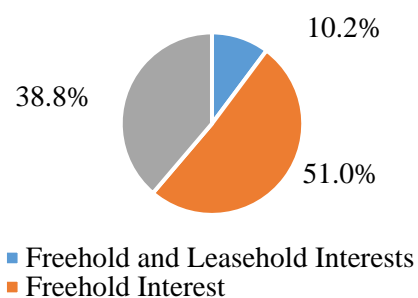


Source: Thai Appraisal Foundation (2016)

Figure 3: Commercial Property Investment Yield in Bangkok, 2008 – 2016



Source: Thai Valuers Association (2010)
Figure 4: Discount Rate for Freehold and Leasehold Interests of Property in Bangkok, 2010



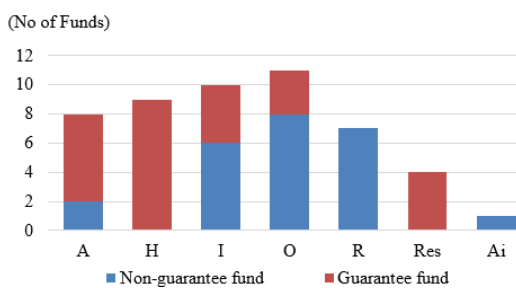
Source: Stock Exchange of Thailand (2016)
Figure 5: Thai Property Funds by Ownership Interest, 2016

- Quality of the Property

Quality of the property might be another aspect to consider since it might relate to a property’s condition, and consequently potential to generate revenue and maintenance and renovation expenses (Henderson, 1985). REIT performance is perceived to be impacted by quality of the underlying properties (Downie et al., 2010). Physical depreciation is typically considered to reflect asset value via a cost approach valuation (IVSC, 2014). Additionally, discount rates also reflect asset quality (De Francesco & Bonello 2008; Simons, 2006).

- Guarantee Term

Quoted by US SEC (2007), past performance does not guarantee future performance and may not be repeated, but may help the investor evaluate the volatility of the investment. However, a guaranteed return helps fix a minimum return for the investor over a specific period to increase the attractiveness of the fund (Pennacchi, 1999). Classified by property type, property funds with underlying retail properties are obviously concluded to be non-guaranteed funds but property funds with underlying residential properties are all structured as guaranteed funds as shown in Figure 6.



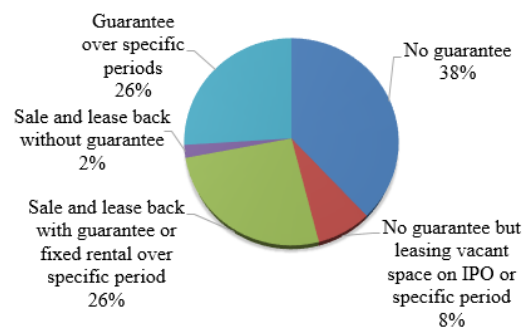
Note: A = Apartment/Service Apartment Ai = Airport
 I = Industrial/Warehouse H = Hotel
 O = Office R = Retail
 Res = Residential

Source: Stock Exchange of Thailand (2015)
 Figure 6: Number of the Guarantee and Non-Guarantee Thai Property Funds

Amongst all listed property funds as per Figure 7, over half of them are classified to be property funds with guaranteed returns and the remaining are referred as non-guaranteed funds. The guaranteed funds behave less like equity REITs and more like mortgage REITs than the non-guaranteed funds, which implies different fund characteristics from the guarantee terms (Jiamchoatpatanakul & Tangchitnob, 2015b).

3. RESEARCH METHODOLOGY

A qualitative approach was conducted by interviewing 41 experts with predetermined sample criteria of active roles in the property fund industry and a minimum of three years experience so that the researcher could obtain their experience-based opinions concerning specific characteristics in considering which property funds to invest in and how such characters were deemed important. The discussed topics about specific factors are also proposed by the interviewer in accordance with required information to disclose to the public in accordance with the Notification of the Office of the Securities and Exchange Commission No. Sor. Nor. 25/2552 (Thai SEC, 2009). The research samples include 11 property fund managers, 8 security analysts, 14 institutional and sophisticated retail investors and 8 real estate and financial professional consultants with an average age of 41 and 9 years average working experience.



Source: Stock Exchange of Thailand (2015)
 Figure 7: Types of Thai property funds by Guarantee Term

Applying a data triangulation technique, dissimilar sources of information from various groups of the interviewees would increase the credibility of scientific knowledge and the validity of research (Hussein, 2009; Neuman, 2003). During the research period from December 2013 – 2014, an approach of semi-structured interviews was applied. Afterwards, a summative content analysis was used for data analysis. The interview method helps clarify answers to the complex issues based on the opinions of the interviewees (Ebrahim, 1995). The interview result of each major concerned sub-factor is concluded as follows:

Sub-categories

- Agree \geq Disagree : Result (Pass)
- Agree $<$ Disagree : Result (Fail)

Major Concerned Factors

- All sub-categories pass: Result (Accept)
- All sub-categories fail: Result (Reject)
- One or some sub-categories pass: Result (Partial Accept)
-

4. RESEARCH FINDINGS AND ANALYSIS

4.1 Research Findings

In terms of specific factors, discussed opinions can be categorized into the following three major topics:

- Type and market situation of the underlying property;
- Ownership interest and lease term and terms and conditions;
- Characteristics of the Property Fund.

1) Type and Market Situation of the Underlying Property

A major topic involves the underlying investment property in terms of its type, location, asset quality, market situation, and asset reputation. From five related sub-categories, there are 146 experts' comments, all of which were agreed opinions to support the significance of the concerned factors of the property fund investment (agreed freq. = 146, 100.0%; disagreed freq. = 0, 0.0%).

- Type of the Property

Many interviewees discussed that performance of the property fund should reflect the type of the investment property *per se* since each type has its specific business characteristics and implied different characteristics for future cash flow. Interviewee no. 37 provided an example that a hospitality property with higher uncertainty should provide higher yield than office and retail properties owing to shorter tenancy. Interviewee no. 24 also mentioned that hotels are riskier than other property types because of a daily rent basis, unlike retail, industrial, and office properties with fixed lease agreements. However, some sub-types of retail properties, such as community and neighborhood malls, are also risky owing to lower attractiveness compared to large department stores. Interviewee no. 41 commented that property valuers generally apply different discount rates for appraising dissimilar property types via an income approach.

Result: Pass (41/41: 100.0%)

- Location of the Property

Most interviewees commented that location is one of the most important factors for the performance of the underlying property. Interviewee no. 1 suggested that each location has different demand, supply, and specific market conditions, which implies different degrees of business risk exposure. Interviewee no. 8 mentioned that the location of the underlying property should be considered to determine whether potential is high. For instance, some locations may be exposed to political uncertainty from protestors like the Ratchaprasong intersection as a location of the Office at Central World belonged to the CPNCG property fund. Interviewee no. 9 suggested that dissimilar risks in each location brings about different required investment returns. Similar to a theory, location was claimed as a key factor to affect performance of the real estate asset by interviewee no. 37. In this regard, locations near a future planned infrastructure project

and/or mass rapid transit has a potential to grow in terms of demand and rental.

Result: Pass (40/40: 100.0%)

- Quality of the Property

The quality of the property regarding building age, and function and physical obsolescence was discussed with the experts in terms of its impact on the performance of the property fund. Interviewee no. 6, 17, 20, and 23 mentioned that asset quality is an important issue when looking at investment property, which significantly affects a fund's performance. Interviewee no. 37 discussed that quality and condition of the real estate as related to the revenues and expenses of the property fund, such as qualified green standard building (LEED: US standard, BREAM: Europe standard and Green Mark: Singapore standard). From the opinion of interviewee no. 37, poor quality buildings would require high repair and maintenance expenses and generate inferior profits and performance for a property fund.

Result: Pass (23/23: 100.0%)

- Market Situation of the Property

Many interviewees discussed the property market situation as the other determinant of a fund's performance. Interviewee no. 15 suggested that each property type is affected by different factors. For example, performance of hospitality properties depend mainly on the tourism market and the number of the tourist arrivals. Domestic and international economic situation would affect consumption demand, the manufacturing sector, and the industrial property market, whilst the political situation could cause business tension and might affect demand for office space. From the view of interviewee no. 38, such market situation also include changes in business, legal, and property circumstances, e.g. area development from private and public project development, city expansion from infrastructure development, changes to zoning regulations, land prices, etc. Interviewee no. 28 also suggested that some property types with high demand but low

supply, such as office space or an airport, would have potential to increase rent and maintain a good occupancy rate because of low competition. Discussed by Interviewee no. 3, a negative property market situation like the Asian Crisis of 1997 and natural disasters like flooding in 2012 are amongst risk factors to a property fund.

Result: Pass (23/23: 100.0%)

- Reputation of the Property

Most interviewees suggested that the reputation of the underlying investment property is one of the interesting factors in the investor's consideration. Interviewee no. 4 argued that the reputation of the property might lead to high investment demand and consequently a premium market price to a fund's NAV. From the opinion of interviewee no. 11, a property fund with high credibility of the sponsor and a well-known reputation of the investment property could create goodwill from the viewpoint of the investor. He also commented that some property funds with a good reputation may have a premium in market price to NAV. Interviewee no. 22 suggested that the reputation of the underlying property brings about confidence to the investor and lower risk in their perceptions, such as Tesco Lotus hypermarket, Central department store, etc.

Result: Pass (19/19: 100.0%)

2) Ownership Interest and Lease Term

The second main topic involves the ownership interest and the lease term of the fund. From five related sub-categories, there are 79 experts' comments, all of which agreed with the significance of the concerned factors of the property fund investment (agreed freq. = 79, 100.0%; disagreed freq. = 0, 0.0%).

- Type of the Ownership Interest

Many interviewees commented that the type of ownership interest produced differing values for the underlying property and fund. After the expiration of the lease period, the value of the leasehold asset becomes zero.

Therefore, freehold property was expected to provide a lower yield than leasehold property because of the perpetual ownership assigned to the former. Interviewee no. 41 commented that the appraiser would apply different discount rates for dissimilar ownership interests to estimate the value of the underlying property of the fund. Interviewee no. 6 mentioned that some investors prefer funds with leasehold interest with higher yields than those with freehold interest. However, he proposed that they should consider the gradual decrease of asset value from shorter lease tenures. From the opinion of interviewee no. 1, the funds with leasehold property should provide higher yields or discounted prices vis-à-vis those holding freehold interest assets.

Result: Pass (36/36: 100.0%)

- Historical Performance of the Property

Many interviewees commented that the investor should consider not only the guaranteed yield of the investment property, but also its actual history performance. Interviewee no. 34 commented that investors would typically use historical information to forecast future income. In this regard, both interviewee no. 16 and 40 mentioned that historical and projected performances of the subject property fund are generally compared with returns of other listed funds with the same property types to find whether the subject fund is attractive or not. Interviewee no. 3 stated that property appraisers analyze the past performance of the investment property over the past 3 – 5 years based on a Profit and Loss statement to forecast the future cash flow by an income approach valuation.

Result: Pass (22/22: 100.0%)

- Lease Term of the Tenant

Some interviewees mentioned about the period of lease term as one of the key factors of a property asset. Interviewee no. 13 commented that properties with short-term lease agreements tend to have higher risk exposure than those with long-term lease

agreements. Interviewee no. 22 suggested that lease periods of hotel, serviced apartments, and residential property with generally no longer than a one year lease period is shorter than commercial and industrial properties with typical three years lease periods. Therefore, they tend to have higher vacancy risks than such commercial and industrial types with longer lease terms. Interviewee no. 38 commented that some serviced apartment funds would set strategies to manage between short – and long – term guests so as to balance between room rate and vacancy stability. To diminish revenue uncertainty from short leases, many hospitality type funds use a buy-and-lease back structure to partly secure revenue from fixed rent. The sponsor, however, would share variable rental, based on the hotel's performance.

Result: Pass (12/12: 100.0%)

- Cash Flow Maturity of the Property

Some interviewees commented about the maturity of the cash flow of the property. Interviewee no. 11 mentioned that some property funds are initially offered to the public with incomplete construction status or within a few years after completion of the construction, therefore an asset valuation requires market assumptions for rental revenue or growth projections. Therefore, there is a risk that the subject property might perform inferior to the overall market and forecast. In comparison to mature property which has operated for more than three – five years, their cash flow generally would be more stable and a projection can be more accurate than immature properties. Interviewee no. 34 also suggested that some immature property funds without a historical performance record are riskier than the mature property with certain lease agreements. Interviewee no. 3 stated that lease renewal of major tenants of the property would provide more security and stability to its future cash flow.

Result: Pass (5/5: 100.0%)

- Business Type of the Tenant

A few interviewees commented that business type of tenants should also be considered. Interviewee no. 18 suggested that it is riskier to lease the property to a single tenant or many tenants in the same business type. In case the single tenant or business type faces problems, this may lead to default in rental payment of the major tenant of the property, for instance, the financial sector during the Asian financial crisis in 1997. Interviewee no. 21 also recommended that the investment property with many tenants in riskier business sectors or with short business lifespans expose a property or fund to higher risk level than those with a low number of such tenants.

Result: Pass (4/4: 100.0%)

3) Terms and Conditions, and Characteristics of the Property Fund

The last major topic involves terms and conditions, and characteristics of the fund. From four related sub-categories, there are 36 experts' comments, most of which agreed with the significance of the concerned factors of the property fund investment (agreed freq. = 29, 80.6%; disagreed freq. = 7, 19.4%).

- Guarantee Term of the Sponsor

Many interviewees mentioned about the guarantee terms from the sponsor as one of the factors affecting performance of the property fund. Interviewee no. 3 and 15 stated that some investors would mainly consider property fund investment from yields and guarantee terms. Interviewee no. 5 commented that specific terms of the fund like a guaranteed yield would enhance the investment appetite, and also affect the NAV of the property fund in the long term because of a specific period for the yield guarantee. From the opinion of interviewee no. 11, a property fund behaves more like a fixed-income asset during the guarantee period, and more like an equity during the non-guarantee period. The implication is that the available guarantee period might affect market price and performance of the

property fund. Afterwards, each investor with dissimilar risk perception may exit after guarantee expiration date, and new investors may require higher yields from lower market price to compensate for higher risk during the non-guarantee period. Interviewee no. 18 indicated that the structure of the guarantee yield is popularly applied for a high risk type like hotels. Nonetheless, interviewee no. 14 argued that institutional investors would deliberately analyze fundamental performance of the fund in the long term, not sales gimmicks of guaranteed yields.

Result: Pass (17/21: 81.0%)

- Low Return Correlation to Other Assets

Some interviewees discussed the characteristics of the property fund in terms of low return correlation to other assets. Interviewee no. 21 commented that institutional investors add property funds to their investment portfolios for a diversification benefit from their low return correlation to other assets, although the degree of correlation to the stock market is magnified over a negative situation. Interviewee no. 24 suggested that approximately 5% of portfolio allocation in direct or indirect real estate should have higher risk-adjusted return of overall portfolio than that without such allocation because of exposure to specific real estate risk and its unique correlation characteristics. Interviewee no. 29 gave an example that S-REITs with low correlation to J-REITs and Thai property funds are a good diversifier in an international portfolio. However, interviewee no. 16 argued that property funds have moderate correlation to the stock market, while international REITs also show similarly moderate to high correlation to the stock market.

Result: Pass (9/11: 81.8%)

- Complicated Property Type and Cash Flow

A few interviewees explained that some property types with complicated cash flow models or revenue structures may affect the

investment demand of retail investors. Interviewee no. 38 believed that some investors with limited understandings of the complexity of property investment may hesitate to invest, for instance, in an airport like Samui Property Fund (SPF). Interviewee no. 5 also supported this by saying that investors intuitively have more investment confidence in a property type which they are familiar with, such as department stores and hypermarkets.

Result: Pass (2/2: 100.0%)

- Frequency in Dividend Payment

Interviewee no. 10 commented about the frequency of dividend payments as one of the factors impacting investment demand of the investor. She suggested that property

funds would typically not retain rental income to reinvest for a future growth because of regulatory requirements to pay dividend at 90% of taxable income. Being a high yield investment asset, investors tend to expect a rental yield rather than capital gains. Therefore, a low frequency in dividend payment of half year or annual payment might cause some investors to hesitate to make investment decisions to buy the fund, as opposed to funds with a quarterly payment policy. Interviewee no. 21, however, believed that a dividend payment scheme is an insignificant factor when it comes to the investment demand of the investor since they mainly consider investment yield and internal rate of return (IRR).

Result: Pass (1/2: 50.0%)

Table 1: Major Concerned Factors to the Stakeholders

Discussion Topics	Agreed Opinion	Result
- Type of the Property	(41/41) 100.0%	Pass
- Location of the Property	(40/40) 100.0%	Pass
- Quality of the Property	(23/23) 100.0%	Pass
- Market situation of the Property	(23/23) 100.0%	Pass
- Reputation of the Property	(19/19) 100.0%	Pass
4.1 Type and Market Situation of the Underlying Property	(146/146) 100.0%	Accept
- Type of the Ownership Interest	(36/36) 100.0%	Pass
- Historical Performance of the Property	(22/22) 100.0%	Pass
- Lease Term of the Tenant	(12/12) 100.0%	Pass
- Cash Flow Maturity of the Property	(5/5) 100.0%	Pass
- Business Type of the Tenant	(4/4) 100.0%	Pass
4.2 Ownership Interest and Lease Term	(79/79) 100.0%	Accept
- Guarantee Term of the Sponsor	(17/21) 81.0%	Pass
- Low Return Correlation to Other Assets	(9/11) 81.8%	Pass
- Complicated Property Type and Cash Flow	(2/2) 100.0%	Pass
- Frequency in Dividend Payment	(1/2) 50.0%	Pass
4.3 Terms and Conditions, and Characteristics of the Property Fund	(29/36) 80.6%	Accept
Specific Factor	(254/261) 97.3%	Accept

4.2 Research Analysis

There were 261 opinions from 41 experts on 14 sub-factors about the specific characteristics being evaluated, most opinions agreed (254 of 261 opinions: 97.3%). With regard to type and market situation of the underlying property (146

opinions: 100% agreed opinions), the factors concerned can be ordered by the number of opinions which agreed as follow: property type, location, quality, market situation and reputation. The first three sub-factors were found to be consistent with other academic studies with similar supporting rationales. In their opinions about the last two, the

investors should be aware to a market situation in terms of demand and supply of each property type in each area, and should realize that a better property reputation might draw more attention of tenants and lead to a market price premium from more confidence in the investment assets.

With regard to the aspects of ownership interest and lease term (79 opinions: 100% agreed opinions), ownership interest was similarly recognized as the same as findings in other research. In addition, the historical performance of each property should be concerned as a concrete track for its future projection and cash flow. Similarly, the level of historical cash flow maturity was mentioned because volatile record might bring about an uncertain forecast, low investor confidence and limited market premium. Lease term and business type of the tenants of each property should be taken into consideration because overweight term and business type of the tenants might risk the future cash flow significantly.

The last specific factor that was majorly agreed upon by the interviewees (29 opinions: 80.6% agreed opinions) was about the terms and conditions, and characteristics of the property fund. Being consistent with other studies, guarantee term was deemed to be an issue of concern because of dissimilar investment risks. Return correlation characteristics were mentioned from the viewpoint of the portfolio allocation in each investment period, and the complication of investment assets and the fact that foreseen cash flow may cause less confidence for the investors to choose a particular investment vehicle. Dividend payment frequency relates to reinvestment of the distributed dividends, thus some investors may prefer quarterly distribution to that on a monthly or annual basis. All mentioned factors might have influence on investment demand and market price.

5. CONCLUSIONS

Thai property funds as an investment vehicle have lacked adequate academic

study, especially about aspects of specific characteristics such as unquantifiable factors. In this research, 41 qualified experts were interviewed about specific characteristics which are deemed to be their concerns in the property fund investment arena. Fourteen sub-factors mentioned can be categorized into three factors of type and market situation of the underlying property, ownership interest and lease term and terms and conditions, and characteristics of the property fund.

Five aspects were found to be consistent with international studies, i.e. location, property type, asset quality and guarantee terms. The other ten sub-factors were not recognized in other studies, but were mentioned as the experts' concerns in the property fund investment field, including market situation, asset reputation, historical performance, cash flow maturity, lease term and business type of tenants, low return correlation, complicated property type and dividend payment frequency.

Except low return correlation of the fund, the other thirteen sub-categories are required to be stated in the investment fact sheet in accordance with the Thai SEC's notification regulations. Therefore, it might be worthwhile for investors to consider these aspects when making decisions about property fund investment. The findings substantiate the importance of reminding potential investors to carefully study all information before making an investment decision.

REFERENCES

- APREA (2015). *Real Estate Research Report*, Retrieved November 15, 2015, from http://www.aprea.asia/index.php?option=com_research&Itemid=119.
- Atchison, K. & Yueng, V. S. (2014). *The Impact of REITs on Asian Economies*. Working Paper, Retrieved November 15, 2015 from <http://www.aprea.asia/file/The%20Impact%20of%20REITs%20on%20Asian%20Economies.pdf>.

- Buccola, S. T. (1985). Pricing Efficiency in Centralized and Non-centralized Markets. *Journal of American Agricultural Economics Association*, 67(3), 583 – 590.
- Buranasiri, J. (2012). *Performance of Real Estate Investment in Capital Market*. Working Paper. Retrieved December 7, 2015, from <http://libdcms.nida.ac.th/thesis6/2012/b176108.pdf>.
- Capozza, D. R. & Lee, S. (1995). Property Type, Size and REIT Value. *Journal of Real Estate Research*, 10(4), 363 – 379.
- Chan, S. H., Erickson, J. & Wang, K. (2003). *Real estate investment trusts: structure, performance, and investment opportunities*. The Financial Management Association survey and synthesis series. Oxford: Oxford University Press.
- Chaudhry, M. K., Maheshwari, S. & Webb, J.R. (2004). REITs and idiosyncratic risk. *Journal of Real Estate Research*, 26(2), 207 – 222.
- Chen, J. & Peiser R. (1999). Risk and return characteristics of REITs 1993 – 1997. *Journal of Real Estate Finance*, spring, 8 – 61.
- Cheok, S. M., Sling T. F. & Tsai I. C. (2011). Diversification as Value-Adding Strategy. *International Real Estate Review*, 14(2), 184 – 207.
- Chiang, H. C., Tsaih, Y. C. & Hsiao, W. C. (2016). The Efficiency Analysis of Singapore Real Estate Investment Trusts, *Eurasian Journal of Business and Management*, 4(4), 9 – 20.
- Clayton, J. & MacKinnon, G. H. (2001). Time – varying nature of the link between REIT, real estate and financial asset returns. *Journal of Real Estate Portfolio Management*, 7(1), 43 – 54.
- Clayton, J., & Mackinnon, G. H. (2003). The Relative Importance of Stock, Bond and Real Estate Factors in Explaining REIT Returns. *Journal of Real Estate Finance and Economics*, 27, 39 – 60.
- De Francesco, A. J. & Bonello, M. (2008). *The Pricing of the Australian Commercial Property Market: An Update*. Working Paper.
- Downie, M., Wang, L. & Xiao, P. (2010). Would the reputation and behavior of the Chinese stock exchange be a disincentive to investors considering a Chinese REIT? *Journal of European Real Estate Society*, 23 – 26. Retrieved December 2, 2015, from <http://nrl.northumbria.ac.uk/42>.
- Ebrahim, G. J. (1995). Mother and Child Health: Research Methods, *Journal of Tropical Pediatrics*, 2, 196 – 211.
- Han, J. & Liang, Y. (1995). Historical performance of REITs. *Journal of Real Estate Research*, 10(3), 235 – 262.
- Haslam, C., Tsitsianis, N., Andersson, T. & Gleadle, P. (2015). Real Estate Investment Trusts (REITs): A new business model in the FTSE100, *Accounting Forum*, 39(4), 239 – 248.
- Henderson, J.V. (1985). *Economic Theories and the Cities*, Orlando: Academic Press.
- Howe, J. S. & Shilling, J. D. (1990). REIT Advisor Performance. *Journal of Real Estate Economics*, 18(4), 479 – 500.
- Hussein, A. (2009). The use of triangulation in social sciences research: Can qualitative and quantitative methods be combined? *Journal of Comparative Social Work*, 1, 1 – 12.
- IVSC (2014). *RICS Valuation – Professional Standard 2014*, London: Royal Institution of Chartered Surveyors.
- Jiamchoatpatanakul, N. (2017). Solutions for Thai Property Funds' Performance Improvements, *Journal of Investment and Management*, 6(1), 28 – 36.
- Jiamchoatpatanakul, N. & Tangchitnob, J. N. (2014). Does Size matter to Performance and How? : Case of Thai Property Fund Market. *Journal of Industrial Education*, 13(3), 165 – 172.
- Jiamchoatpatanakul, N. & Tangchitnob, J. N. (2015a). Do managerial and operational risk factors impact performance of the indirect real estate vehicle? : Case of Thai Property Fund. *Journal of Research in Economics and International Finance*, 4(2), 39 – 47.

- Jiamchoatpatanakul, N. & Tangchitnob, J. N. (2015b). Is Guarantee Better? : Case of Thai Property Fund. *TMC Academic Journal*, 10(1), 1 – 19.
- Jiamchoatpatanakul, N., Tangchitnob, J. N. & Bunchapattanasakda, C. (2015). Does Stock Market Affect Performance and Portfolio Allocation? Case of Thai Property Fund, *BU Academic Review*, 14(2), 18 – 32.
- Jiamchoatpatanakul, N. & Thisadrondilok, K. (2015). Impact of Debt Leverage on the Thai Property Fund' Performance. *ASEAN Journal of Management & Innovation*, 2(2), 13 – 23.
- Lecomte, P. & Ooi, J. (2013). Corporate Governance and Performance of Externally Managed Singapore REITS, *Journal of Real Estate Finance and Economics*, 46(4), 664 – 684.
- Liang, Y. (2000). *REIT correlation with stock indices*. Prudential Real Estate Investors. Working Paper.
- Moss, A. & Prima, A. D. (2014). *Asia Pacific Listed Real Estate: A Contextual Performance Analysis*. Working Paper.
- Mueller, G. R. & Anikeeff, M. A. (2001). Real Estate Ownership and Operating Businesses: Does Combining Them Make Sense for REITs? *Journal of Real Estate Portfolio Management*, 7 (1), 55 – 65.
- NAREIT (2015). *Global Real Estate Investment*. Retrieved November 22, 2015, from <https://www.reit.com/investing/reit-basics/global-real-estate-investment>.
- Neuman, W. L. (2003). *Social Research Methods: Qualitative and Quantitative Approaches*. 6th ed. Boston, Massachusetts: Sage, Allyn & Bacon Press.
- Ooi, J. T. L. & Poh, H. N. (2009). *Asian REITs: Playing the Yield Game*, Global Trends in Real Estate Finance, Oxford: Wiley– Blackwell, 64 – 81.
- Pavlov, A. D. & Wachter, S. M. (2011). REITs and Underlying Real Estate Markets: Is There a Link? *Institute for Law & Econ Research Paper*, 20, 1 – 11.
- Pennacchi, G. G. (1999). The Value of Guarantees on Pension Fund Returns. *Journal of Risk and Insurance*, 66(2), 219 – 237.
- Redman, A., & Manakyan, H. (1995). A multivariate analysis of REIT performance by financial and real estate asset portfolio characteristics. *Journal of Real Estate Finance and Economics*, 10, 169 – 175.
- Ross, S. A. & Zisler, R. C. (1991). Risk and return in real estate, *Journal of Real Estate Finance and Economics*, 4(2), 175 – 190.
- Simons, R. A. (2006). *When Bad Things Happen to Good Property*. 1st edn. Environmental Law Institute, 49.
- Stock Exchange of Thailand (2015). *Thai Property Fund and REIT*. Retrieved December 6, 2015, from <http://marketdata.set.or.th/mkt/sectorquotation.do?market=SET§or=PF%26REIT&language=th&country=TH>.
- Stock Exchange of Thailand (2016). *Property Fund and REIT Sectors*. Retrieved March 20, 2016, from http://www.settrade.com/C04_08_stock_sectorcomparison_p1.jsp?txtSymbol=SPF#.
- Sun, L., Titman, S. D. & Twite, G. J. (2014). REIT and Commercial Real Estate Returns: A Postmortem of the Financial Crisis, *Journal of Real Estate Economics*, 43(1), 8 – 36.
- Thai Appraisal Foundation (2015). *Yield of Thai Investment Property*. Retrieved December 16, 2015, from http://www.thaiappraisal.org/pdfNew/pdf_RateReturn/2017-01-209-Rate_Return.pdf.
- Thai SEC (2009). Notification of the Office of the Securities and Exchange Commission No. Sor. Nor. 25/2552, Retrieved November 27, 2015, from <http://capital.sec.or.th/webapp/nrs/data/5244s.pdf>.
- Thai SEC (2015a). *Capital Market Report*. Retrieved November 23, 2015, from

<http://www.sec.or.th/TH/Pages/CapitalMarketReport.aspx>.

Thai SEC (2015b). *Regulation and notification of Thai property fund*. Retrieved November 23, 2015, from http://capital.sec.or.th/webapp/nrs/nrs_search.php?chk_frm=1&ref_id=99&cat_id=76&topic.

Thai SEC (2016). *The Business of Buying and Selling Back of Securities*. Retrieved August 1, 2016, from

[http://capital.sec.or.th/webapp/nrs/nrs_search.php?chk_frm=1&ref_id=9902&cat_id=975&topic_desc=%A1%D2%C3%BB%C3%D0%A1%CD%BA%B8%D8%C3%A1%D4%A8%CB%C5%D1%A1%B7%C3%D1%BE%C2%EC%20\(%CA%D3%CB%C3%D1%BA%B9%D2%C2%CB%B9%E9%D2%CF%20/%20%A4%E9%D2%20/%20%A8%D1%B4%A8%D3%CB%B9%E8%D2%C2\)](http://capital.sec.or.th/webapp/nrs/nrs_search.php?chk_frm=1&ref_id=9902&cat_id=975&topic_desc=%A1%D2%C3%BB%C3%D0%A1%CD%BA%B8%D8%C3%A1%D4%A8%CB%C5%D1%A1%B7%C3%D1%BE%C2%EC%20(%CA%D3%CB%C3%D1%BA%B9%D2%C2%CB%B9%E9%D2%CF%20/%20%A4%E9%D2%20/%20%A8%D1%B4%A8%D3%CB%B9%E8%D2%C2)).

Thai Valuers Association (2010). *Discount rate and Capitalization rate*. Retrieved November 22, 2015, from http://www.tva.or.th/download/article/article_20100709115952.pdf.

Timothy, J. (2015). *Three essays on the costs of external financing*. Working Paper.

US SEC (2007). *Mutual Funds: A guide for Investors, SEC Publication 002*, Retrieved December 15, 2015, from <http://www.sec.gov/investor/pubs/sec-guide-to-mutual-funds.pdf>.

Walter, I. B., Edward, N. C., Jarl, G. K. & Crocker, H. L. (2011). On the Hybrid Nature of REITs, *Journal of Real Estate Finance and Economics*, 44(1), 230 – 249.

Yung, K., Li, D. D. & Sun, Q. S. (2015). CEO overconfidence and financial policies of real estate investment trusts (REITs), *Journal of Property Research*, 32(4).