

# **The Effect of The Covid-19 Pandemic on Malaysia Property Market: Publicly Listed Real Estate Investment Trust (REITS), Property Investment Companies, and Hotel Operators**

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## **ABSTRACT**

This report consists of three essays on The Effect of the COVID-19 Pandemic on The Malaysian Property Market: Publicly Listed Real Estate Investment Trusts (REITs), Property Investment Companies and Hotel Operators. Using the event study method and quantitative analysis, the study describes the extensive impact of the pandemic on commercial property sectors and provides an overview of the spillover effect on other sectors specifically focusing on the stability of the financial sector.

The first essay (Chapter 2) focuses on historical trends of similar events in the past (e.g., SARS, Bird Flu, Spanish Flu) on investment properties' performance. This study is a literature review. In this review, a comparative evaluation of the impact of previous outbreaks and COVID-19 on investment properties' performance has been made based on statistics and previous research studies. The main purpose of this study is to make a comparative evaluation of the impacts of previous outbreaks and coronavirus disease 2019 (COVID-19) on the economy. COVID-19 appears to have disrupted all memorizations about epidemics ever seen. Nobody has anticipated that the outbreak in late December will spread rapidly across the world, be fatal and turn the world economy upside down. The information and figures obtained were expected to show that COVID-19 and previous outbreaks have such significant differences that cannot be compared. COVID-19 has been one of the worst to live in terms of spreading speed, the geography where it spreads, loss of lives and negative effects on the whole area.

The second essay (Chapter 3) identifies the significance of the impact of the pandemic on the performance of investment properties. We choose a quantitative method in assessing the impact of COVID-19 on the commercial real estate market in Malaysia as this method allows us to objectively quantify the impact of COVID-19 and the efficacy of Malaysia's MCOs in countering the devastating impact of COVID-19. All firm-level variables are to be downloaded from DataStream and Malaysia's Ministry of Health website. A quantitative method is utilized in assessing the impact of COVID-19 on the commercial property market in Malaysia. This method involves the use of secondary data that includes stock prices and firm-level data for each listed REIT, property investment company and hotel operator in Malaysia. The analysis involves the use of the regression method to establish the magnitude of COVID-19 on commercial real estate return and the efficacy or cost versus benefits of MCO policy based on investors' reactions in the commercial real estate market.

The third essay (Chapter 4) identifies the causal relationship of the spillover effect of the affected property market to other economic sectors. The dynamic movement of Malaysia's property market has sparked highlights for the past 10 years with house price movement being the main concern. In addition, scarcity of land, improvement in infrastructure, and differences

in employment opportunities are factors that contribute to the variation of house price growth (IMF, 2014). However, the implementation of the movement Control Order (MCO) to curb the transmission has adversely impacted our entire economy where all economic sectors and business activities stop during the MCO period. Since most of the sectors are interrelated in the economy, understanding the mechanism through its spillover effect is pivotal to delivering beneficial and important risk management strategies and policy formulation to iii the property investor and the government. On the other hand, unbalanced asset prices development would often contribute to financial distress, to the lesser financial stability of a country (Hilbers et al. 2001). In the era of financialization, the property market is prone to cycles, any shock in the economy would affect the financial sector via demand and supply of credit. While, on the other hand, the real estate market is influenced by economic activity which can be related to the demand for real estate. In addition, real estate could be seen as a factor of production in a country's economic growth. The circular flow explained the connection between the property market and the real economy sector.

The discussion is supported by a focus group discussion (FGD) (Chapter 5) that has approved and supported the findings in each essay. The findings described the pandemic as having a severe impact on the Malaysian economy. Going through Malaysia's experiences during the past crisis, the COVID-19 pandemic has challenged the capability of the current policy.