
Solutions for Thai Property Funds' Performance Improvements

Natkawin Jiamchoatpatanakul

School of Management, Shinawatra University, Bangkok, Thailand

Email address:

Natkawin_j@hotmail.com

To cite this article:

Natkawin Jiamchoatpatanakul. Solutions for Thai Property Funds' Performance Improvements. *Journal of Investment and Management*. Vol. 6, No. 1, 2017, pp. 28-36. doi: 10.11648/j.jim.20170601.15

Received: October 31, 2016; **Accepted:** November 17, 2016; **Published:** December 26, 2016

Abstract: A regulatory repeal of Thai property funds has faced limitation of raising capital to acquire new assets for improving the overall performances. Since they can decide not to convert to be a new form of Real Estate Investment Trust (REIT) owing to disincentives of tax benefit loss and conversion cost, it is a cry for discovering workable solutions to enhance existing funds' performances to maintain strong performance without the capital increase approach. Among twenty discussed methods in the research, fourteen workable solutions were proposed by forty one interviewees, some of which are consistent with the other studies. On the contrary, few discussed methods are inconsistent with others, i.e. incentive and management fee in a form of share to the fund manager owing to perception of inactive role of the Thai property fund managers when compared to those of the international REITs. The remaining four approaches were discussed to be unfitting for utilization. Looking forward, Thai funds might grow and increase their performances by utilizing number of workable solutions under the circumstances of non-existence of Thai property fund regulation to support inorganic growth opportunities.

Keywords: Thai Property Fund, Thai REIT, Solutions for Performance Improvement

1. Introduction

Real Estate Investment Trust (REIT) is a globally-recognized investment asset which was initiated in US in 1972. In Thailand, the similar vehicle named the Property Fund for Public Offering Type I or the so-called Property Fund was introduced in 2003, and continuously grown up to 52 funds with net asset value of approximately USD 8.3 billion or 2.1% of Thai GDP in Q2 2015 [41, 50]. Amongst 38 countries with similar vehicles, Thai property fund exhibited a market share circa 5.1% and 0.7% of Asian and global markets respectively [3].

Since regulation of Thai property funds was repealed in 2014, SEC has allowed establishment of new REIT vehicle in accordance with the notification of the Trusts for Transactions in the Capital Market Act 2007 as in [49]. SEC provides the reasons of such structural replacement: 1.) developing the real estate investment vehicle to be in line with the international practices, 2.) offering alternative of real estate asset to the public, 3.) providing more flexibility in establishment and management of real estate vehicle.

Consequently, new property fund cannot be registered for

listing, and existing funds are not allowed to increase capital, unless they convert to be a REIT vehicle. Although the REIT benefits from higher gearing at 35–60% of its net asset value, more flexible type of investable property and allowance to raise capital for new acquisition, there are some concerns on disincentive of tax benefit loss and conversion cost. Since Thai SEC does not enforce the funds to convert to be REITs, it might be questionable how they enhance performance without conversion and capital increase.

2. Literature Review

2.1. Attributes of Indirect Real Estate Vehicle

Investment in indirect real estate vehicle like REIT and Thai property fund might differ from that in traditional property. Trading in the stock market, Thai funds gain liquidity benefit and has stock characteristics evidenced from moderate correlation to the market like REITs in other markets, e.g. US, Australia, Hong Kong, Singapore, Japan and Taiwan as in [10, 29 and 32]. In addition, regulatory and

fund structures are deemed to affect their performances in relation with leverage utilization as in [33, 35] and guarantee structure as in [30]. Having said these, the property fund asset partly reflects the real estate attributes, e.g. property type, location, required good tenants and high skills and experience of the property manager as in [31] and as unpublished reference in [28]. Therefore, the solutions for Thai Property Funds' performance improvements might relate to such factors which are typically applied for traditional real estate and specifically applied for the indirect vehicle.

2.2. Tax Structure of Indirect Real Estate Vehicle

In the end of 2015, none of the existing funds decided to convert to be a new form of REIT owing to possibly concerns of disincentive of tax benefit loss and conversion cost. Unlike REIT structure, Thai property fund vehicle has been waived from value-added tax (VAT), special business tax and stamp duty tax. On top of such tax exemption at fund level, withholding tax on dividend are waived for the corporate listed unit holders and partially waived for corporate non – listed unit holders. In comparison, Thai REIT has more similar tax benefit to Singapore REIT than Thai Property Fund as shown in table 1.

Table 1. Tax Regulation of Thai Property Fund and REIT, and Singapore REIT.

Tax at Fund/REIT Level		Thai Property Fund	Thai REIT	Singapore REIT
Corporate Income Tax		Waived	Waived	Rental income exempt from tax
Value-Added Tax (VAT)		Waived	7.0%	7.0%
Special Business Tax		Waived	3.3% of Asset Value	-
Stamp Duty Tax		Waived	0.1% of Asset Value	3.0% of Asset Value
Tax at Investor Level		Thai Property Fund	Thai REIT	Singapore REIT
Withholding Tax	Retail Investor	10% on dividend	10% on dividend	Waived on domestic distributions
	Corporate Investor	Waived for listed corporate, and 5% for non-listed corporate	10% on dividend	(10% on distributions to non – individual foreigner)
Capital Gain Tax	Retail Investor	Waived	Waived	Waived
	Corporate Investor	20% CIT	20% CIT	17% CIT

Source: [2, 48]

2.3. Solutions for the Performance Improvements of Indirect Real Estate Vehicle

There are number of research papers which propose methods of enhancing the indirect real estate vehicle as follows:

2.3.1. Asset Growth and Fund Size Increase

The acquisition of the new asset with high quality may help improve the overall performance of the fund. REIT managers may seek for inorganic growth from selective acquisition of the new high quality income-producing real estate that reaches their investment criteria as in [1]. The market, however, expects the managers to acquire reasonable assets to benefit to the unit holders, not just anticipate increasing asset under management and consequently management fees as in [39]. After announcements of new property acquisition of Singapore and Japan REITs, significant abnormal increase of unit value has been averagely found 0.38% in a five trading days around the event date as in [42]. However, [24] found that there is no benefits from size for EU REITs, especially after the subprime crisis. In addition, Singapore REITs with mid – large size show insignificant differences on average in efficiency, unlike small size REITs as in [13].

Fund size is one of the inputs in the well – known three factor asset pricing model, which suggests the smaller stocks tend to provide high abnormal return as in [18]. REIT price gains significant price premium from large size and implied high liquidity as in [15]. In addition, Australia REITs with large size over USD 1 billion gain attention from the institutional investors because of high enough liquidity as in [54]. [9] mentioned that the large size US REITs are, the

more premium in the net asset value of REITs become during early 90s. Nevertheless, there are negative relationships between US REIT returns and their total asset during 2002 – 2011 as in [7], and between Australia REITs (A-REITs) and their sizes between 1991 and 1996 as in [54].

2.3.2. Asset Enhancement

Applying an asset enhancement is one of the methods to increase performance of the underlying investment properties. The asset enhancement is defined as the ability to transform the properties to be at the forefront of performance measurement of asset managers with an acceptable hurdle rate as in [53]. With an aim of the profit increase, the asset enhancement may provide an incremental return on investment (ROI) to the unit holders via methods of facility improvement, space reconfiguration, green and CSR initiatives, marketing and branding and etc. as in [36]. The asset enhancement makes the property more compatible with changes in market demand, for instance, conducting tenants and customers' survey to strategize management plans to achieve their high satisfactions as in [25].

From the market perception, managers should have combination of good skills of property and capital management as in [39]. Also, they raise a point that the market expects managers to minimize heavily dilutive equity issues, but increase higher return per shares. In addition, each property type also has different potential to conduct an asset enhancement and requires dissimilar skills and experience of the manager, for instance, higher risk adjusted return of US hotel REITs with rent connection to a hotel operation than that of the retail property with rent connection to retail sales as in [40].

2.3.3. Active Property Management

The property manager with good understandings about the property, and high skills and experience can repair, maintain and refurbish the property to keep good condition so that it maintains high asset value as in [16]. One of the reasons is that capital expenditure on maintenance and scrap value are amongst variables to determine the property value. Repair and maintenance, replacement, refurbishment and redevelopment are options to extend beneficial uses of the building when they are at the end of business life cycle as in [23, 37].

In process, the approaches include making the existing building to standard condition, renovating the existing building to be a new use to suit market condition and/or replacing with new equipment, furniture and fixtures as in [8]. Also, such methods increase the presences of both tenants and tenants' employees, and consequently helps maintain occupancy rate from retaining the tenant to relocate to other property and/or brings about more easiness to negotiate for higher rent revision as in [6].

Renovating a property at the optimal time would make capital value enhancement, and brings about benefits to the landlord as in [27]. However, redevelopment and renovation decisions would base on cost-to-rent ratio, location of the property, lease term and tenant type as in [52].

2.3.4. Optimization of Tenant Mix

Tenant mix is one of the internal strategies which purposefully decide tenants to increase property value, such as well-known or anchor tenants. This approach also helps diminish risk from suitable tenant allocation in terms of business type and lease expiry period as in [1]. The tenant mix management is found to enhance an economic benefit to both tenants and owner of the commercial property in terms of higher rent and better overall traffic as unpublished reference in [25] and [56].

2.3.5. Property Type and Locational Diversification

Investment portfolio diversification is an internationally-accepted approach for reducing an unsystematic risk of the overall portfolio as in [38]. In this regard, US and Australia REITs with the focused property type investment is found to have significant positive relationship to their performances as in [20]. On the contrary, REITs with the diversified property type gain the lower profit margins from the higher general and administrative expenses and the lower ratio of rent to total revenue but holds greater risk levels with more sensitivity towards market beta as in [9].

Property investment in regional locations of REITs is significant in determining their performances as in [46]. Large REITs with many underlying properties are mostly found to be geographically diversified as in [11]. Additionally, REITs have diversified across continents rather than across countries since 1990 because of lower operation and management expenses as in [12, 21].

2.3.6. Maintaining Asset Value

Since value of the underlying investment property will be

periodically reviewed by the independent appraiser, reasonable change of its fair value will reflect strong net asset value and balance sheet of the fund/trust. In this regard, the fair value accounting (FVA) generates benefits to REITs from record of holding gains and additional financial leverage when value of real estate increase. Thus, higher NAV would enhance financial viability of the trusts as in [22]. Although the uninformed or noise investor push market price of the REIT away from its NAV, the informed investor would push the price back to NAV to reflect reasonable pricing as in [14].

2.3.7. Guarantee Term

For REITs, the underlying properties requires appraisals for determining selling prices via an income valuation approach from estimating future income and considering expense from historical data as in [4]. However, some sponsors may offer a guarantee term to secure future return to the investors for a certain period. Discussed by [45], the guarantee on investment return is an amount of minimum fixed rate of return the investor would gain from the guarantor. Regarding risk exposure, the funds with guarantee term exhibits less like equity REIT and more like mortgage REIT than those without guarantee term as in [21].

2.3.8. Incentive to the Fund/Trust Manager

The fund/trust manager has an important management role at fund/trust level, including setting strategic plan, seeking for acquisition opportunities, deciding amount of dividend distribution and communicating about the fund/trust to the investors. Amongst 136 US REITs in 2001, those pay higher equity – based compensation to their board members with independent nomination committee were associated with higher financial performance as in [19]. REIT management with strong internal governance is found to be more favorable to the investor reactions when they announce debt and equity offers in the negative situation as in [47].

Although there is an insignificant relationship between the post IPO performance and the portion of performance – based fee of Singapore REITs, it show a positive direction of relationship as in [43]. However, overconfident REIT CEOs are found to have significantly negative impacts on REIT performance owing to possibly mistakes in leverage and share buyback decisions as in [55]. The potential REIT shareholders generally expects not only stable yield from rental income and high liquidity, but also high transparency and professional management as in [51].

2.3.9. Incentive to the Property Manager

Focused REITs investing in specific property type are found to be significant in determining their performances because of masterfulness in managing specific type of the underlying properties as in [46]. The large US REITs tends to be more geographically diversified, and also less diversified across property types as in [11]. In addition, [5] mentioned that the property performance of a lodging property is related to its brand and skillful management. Since skills and experience of the property manager is necessary, especially the properties with short – term occupation, such as hotel,

convention center and service apartment, the reasonable incentives might motivate the management and boost revenue of the asset as in [31, 34].

3. Research Methodology

This research concentrates on obtaining possible practices for improving performance of the existing property funds. A qualitative approach is conducted by interviewing the research samples “what are workable solutions for Thai Property Funds’ performance improvements?” The interview method helps clarify answers of the complex issues based on opinions of the interviewees as in [17].

Given the predetermined criteria of active roles in the property fund business and minimum three-years relating experience, there are 41 research samples which include 11 property fund managers, 8 licensed security analysts, 14 institutional and sophisticated retail investors and 8 real estate and financial professional consultants (41 years old average age and 9 years average working experience). The logic and effective of purposeful sampling approach lie in selecting the information-rich samples for the research in depth as in [44].

Applying a data triangulation technique, dissimilar sources of information from various groups of the interviewees would increase the credibility of scientific knowledge and validity of a research as in [26]. During a research period from December 2013 – 2014, an approach of the semi-structured interview is applied to obtain their experience-based opinions. Afterwards, a summative content analysis is used for data analysis. The research result would be summarized as follows:

Table 2. Research Analysis Criteria.

Research Finding	Research Analysis
No. of agree opinions \geq disagree opinions	workable solution
No. of agree opinions $<$ No. of disagree opinions	non-workable solution

4. Research Results and Discussion

4.1. Research Results

There are twenty possible solutions which were discussed by the interviewees as follows:

Method 1: External growth strategy from acquisition of high quality property

Most interviewees mentioned about a method of new asset acquisition. Interviewee no. 1 suggested the fund to acquire high quality properties with rental growth potential so as to benefit from high performance asset and more trading liquidity. Interviewee no. 8 – 13, 27 – 30, 38 and 40 suggested the fund to buy new properties with better performance than overall existing funds to enhance the fund’s performance. In this regard, interviewee no. 36 informed that the fund should make accretive acquisition to boost higher earnings per share (EPS). Interviewee no. 14 suggested that the fund with continuous plans to acquire new assets from

sponsors might attract higher investment demand and consequent price appreciation. However, some interviewees note about the current situation that the property funds might not be allowed to raise capital for new acquisitions. A use of debt at 10% of fund’s NAV and of retained cash after 90% minimum dividend distribution is available funding option for the existing funds.

Result: All agree

Method 2: Increase number of real estate asset to diversify risk from various locations

Interviewee no. 3 – 6 discussed that the funds may diversify new investment in various location. Interviewee no. 15 mentioned that such locational variety would help reduce a risk exposure of the overall fund compared to the fund with single asset or many assets in single location, for instance, political and terrorism events in Ratchaprasong, flooding situation in Ayudhya and Pathumthani provinces. Interviewee no. 28 stated each area has specific nature in terms of demand, supply and purchasing power of the customers, which implies dissimilar risk exposure.

Result: All agree

Method 3: Internal growth strategies from the asset enhancement

Interviewee no. 6, 21 and 29 suggested to maximize a utilization of the common area to generate revenue, conduct properly and continuously building system maintenance and minimize unnecessary operational and managerial expenses. Interviewee no. 22 commented that the fund should employ the asset enhancement strategies, such as renting out the common area of the underlying properties for advertising space, temporary kiosks and automated teller machine (ATM). In this regard, interviewee no. 35 discussed that the fund should set strategic management plans for maintaining competitiveness of the asset.

Result: All agree

Method 4: Diversification of tenants, their business types and lease expiration

Interviewee no. 4 and 5 commented that the property with well-diversified tenants would not only diminish risk from over concentrated business type of the tenants, but also draw customers to the properties in case of retail property. Interviewee no. 9 and 15 mentioned that diversification of lease profile of the tenants help mitigate risk of the overall fund in terms of tenant, business type of tenant and period for lease term. The property with more diversified profile of tenant lease tends to have more stable or implied less risky future income cash flow.

Result: All agree

Method 5: Incentive system for property manager of some property types

Interviewee no. 3, 28 and 34 suggested about incentive schemes for the property managers to motivate their performances. Interviewee 34 stated “it is fair to reward managers when the subject property outperforms the market.” Interviewee 24 and 26 also shared similar

viewpoints that the fund should provide an incentive management fee to property manager at suitable level compared to market benchmark, especially property types with more volatile performance from short lease term, such as hotel. Interviewee no. 12 suggested that the incentive system would encourage property managers to manage and operate properties effectively, but such incentive terms and conditions need to be identified at the beginning so as to avoid inappropriate reward.

Result: Majorly agree

Method 6: Increase fund size for liquidity risk reduction

Many interviewees discussed about higher market price than net asset value of the funds with large size. From the opinions of interviewee no. 2, the fund should increase size to diminish liquidity risk by investing in new properties. Interview no. 9, 17 and 18 suggested an increase of fund size to enhance trading volume in the stock market possibly support a price appreciation. Interviewee no. 7 mentioned that some investors being major shareholders of the funds with low trading volume might get loss from selling units at discounted price to exit. In this regard, interviewee no. 10 guided on investment criteria of the institutional investors who generally require large enough size to avoid the liquidity risk. Interviewee no. 36 also supported that the fund with below THB 2 billion size draws significantly less attention from such investors.

Result: All agree

Method 7: Internal growth strategies from tenant optimization plans

Interviewee no. 9 discussed about suitable selection of low risk tenant with good financial status and reputation to avoid a default rental payment. In terms of tenant, interviewee no. 37 guided that the property should have well-diversified portfolio of tenant mix to increase competitiveness. Interviewee no. 39 suggested about having an anchor to draw traffic of the visitors, such as Starbucks, Tesco Lotus and McDonalds. He also mentioned about common area utilization that temporary tenants might be set and scheduled to change every week or month so as to draw traffic to the property thanks to variety of new tenants.

Result: All agree

Method 8: Change of property manager due to poor performance

Interviewee no. 13 and 23 commented that the fund might consider a change of the property manager when the asset is poorly managed. Similarly, interviewee no. 36 proposed that the managers who have continuously performed below the market average should be terminated. Interviewee no. 31 stated that it is necessary to assign the property manager with fitting skills and experience to maximize profit of the property. Interviewee 27 also supported that skills and experience of property manager has an influence on fund performance, thus manager should be changed when performance does not meet the benchmark. In this regard, interviewee no. 14 discussed that the fund manager should

monitor the property management and supports the property manager to yield good performance of the asset and fund.

Result: All agree

Method 9: External growth strategies from disposal of poor quality property

Interviewee no. 39 suggested a disposal of the poor assets to optimize the overall portfolio of the fund. On the other hand, the unit holders might obtain cash back to reinvest in other assets. In this regards, interviewee no. 36 suggested the fund should set options to sell or open bidding when market price is much below than net asset value, e.g. Siri Prime Office Property Fund (SIRIP) with such option. This would decrease risk for the fund to exit and hold properties with less income generation potential.

Result: All agree

Method 10: Use of guarantee term

Interviewee no. 3 mentioned that reasonable guarantee term might diminish the investors' concerns about performance of the properties and increase their investment demands. Interviewee no. 20 and 21 also supported a use of guarantee structure to attract the investors in properties with less reputation or more volatile rental revenue. Interviewee no. 21 discussed that some property types, such as hotel and service apartment, naturally have volatile future cash flows from short lease agreements, unlike commercial and industrial properties with typical three years term. Nevertheless, interviewee no. 38 argued that the guarantee term is typically proposed for few years and the investment properties may not perform well as the projection after the term expiration.

Result: Majorly agree

Method 11: Use of marketing scheme to increase an attractiveness of the property

Interviewee no. 15 proposed a marketing method to increase reputation of the asset in order to attract tenants, and rise occupancy rate and revenue of the underlying properties of the fund. Interviewee no. 32 suggested that a use of marketing can be conducted to enhance an awareness of the property, for instance, organizing events and activities in common area, and internet marketing. However, he guided that such methods should be cautiously applied at no or low cost because they might not immediately increase revenue but benefits to the asset in long run.

Result: All agree

Method 12: Manage NAV of the Fund

Interviewee 37 and 38 commended that fund manager would maximize the net asset value (NAV) of the fund or adjusted book value of the underlying properties to maintain attractiveness of the fund. Having said these, maintain profit and keeping the reasonable profit growth would not lead to NAV decrease, except the leasehold right with remaining short term below ten years. Interviewee no. 32 discussed that some investors might consider not only yield and IRR, but also price to book value (P/BV) in their investment. If such ratio leads to high premium or discount of market price to

NAV, they may hesitate to invest.

Result: All agree

Method 13: Increase understanding of the fund manager about the property

Interviewee no. 15 stated that knowledge about investment properties and their markets was deemed to be necessary for fund managers to set management policy and increase future profit growth, especially those without property experience but only financial academic background. Based on opinion of the interviewee no. 22, a counterargument claims passive role of manager does not support requirement to have intensive knowledge.

Result: Majorly agree

Method 14: Stock buyback scheme of the sponsor

Interviewee no. 20 introduced a stock buyback scheme for the fund or property sponsor to reduce a liquidity risk. Interviewee no. 34 proposed about the stock buyback scheme that the fund or property sponsor may buy investment units when market price drop below NAV significantly. The supporting reason is that low trading volume of some property funds might cause a significant decrease of the market value. However, interviewee no. 16 commented that it might be unfair for the sponsor to maintain cash at all time so as to buyback the investment units as such scheme.

Result: Majorly agree

Method 15: Incentive system for fund manager

Interviewee no. 4 suggested about providing the profit sharing incentive to the fund manager for superior to a benchmarking performance and/or gain from the property disposal. In this regard, interviewee no. 24 recommend that fund manager should have property knowledge to set fitting management policies. Some interviewees argued that incentive system does not fit to the property fund vehicle because the managers are those from the Asset Management Company with limited skills and market insights to enhance performance of the underlying properties. In addition, interviewee no. 23 mentioned about possible conflict of interest, and the fund manager should have transparent practices as definition in the fund scheme to earn the reward.

Result: Majorly disagree

Method 16: Composition of the fund management expense (cash and partly share)

Interviewee no. 16 proposed an approach which has been applied in Singapore REIT. The managerial expense of the REIT manager might be partially paid in a form of stock (ESOP), instead of all pure cash. The rationale is that the manager might have more motivation as one of the REIT owners. On the contrary, interviewee no. 31 and 33 discussed that the asset management companies as the fund managers typically do not have specialized property knowledge to boost performance and the existing property funds seems to be an inactive vehicle. Thus, it might not worth providing such performance-based fee like share.

Result: Majorly disagree

Method 17: Fee reduction of the fund management

In terms of the fund management fee, interviewee no. 1 suggested that the fee reduction might reduce expenses and consequently increase profit to the fund. However, Interviewee no. 24 raised that the fund management fee is set and announced in the investment prospectus before IPO date. Thus, the management fee is not typically bargained, unlike other supplier contracts. Interviewee no. 33 supported none of the funds has ever changed the asset management company to gain lower fee.

Result: Majorly disagree

Method 18: Fee reduction of property management

Interviewee no. 31 and 41 guided that the property manager should actively manage properties to keep their values and generate continuous rental income, such as continuous maintenance of building system, and renovation and refurbishment to sustain good asset condition. They suggested that such professional manager would charge management fee at higher rate than overall market, thus fee reduction brings about low possibility to assign high quality management. In practice, all potential managers should be invited to participate a bidding to avoid an overprice fee.

Result: Majorly disagree

Method 19: Use of external property expert to advice the Asset Management Company

Interviewee no. 32 discussed that the regulation allows the fund to assign the external property expert but might not worth for the properties with potential sponsor and/or property managers. Since many the Thai property funds were sponsored by well-recognized sponsors, they tend to have enough knowledge and abilities to manage the property as good performance to declare to SEC for listing the funds. In addition, income – producing properties sold to the funds are typically mature and may be limited to be guided by the external advisors.

Result: All disagree

Method 20: Increase number of real estate asset to diversify risk from various property type

Diversification was discussed to diminish an overall risk, but allocation in various property type is questionable. Interviewee no. 19 raised a question that the fund manager might not have understandings and experience in all property types and locations so that all assets are efficiently managed to benefit from diversification of various types in the same fund. Interviewee no. 32 proposed the type diversification is unnecessary to be conducted in a single fund because the investors can diversify from investing in number of specialized funds. Supported by interviewee no. 17, a different property type brings about dissimilar tenants, sale and marketing approach and property operation and maintenance, thus market knowledge and specific connection in each property type are required for the management to be a leading entity in the industry.

Result: All disagree

4.2. Research Discussion

In this research, twenty plausible methods were introduced, fourteen of which were majorly or totally agreed and should be recognized as the workable solutions for increasing the funds' performances. Among fourteen

approaches, eleven of them are found to be consistent with other studies but the other four methods are not found in other researches. The last six discussed methods were considered to be unfitting solutions, two of which are inconsistent with other studies as shown in table 2.

Table 3. Proposed solution for the property funds' performance improvements.

No	Proposed Solutions	Overall Frequency	Agreed Opinion	Disagreed Opinion	Result	Consistency with other studies
1	External growth strategy from acquisition of high quality properties	37	37	0	W	Consistent
2	Increase number of asset to diversify risk from various locations	24	24	0	W	Consistent
3	Internal growth strategy from the asset enhancement	17	17	0	W	Consistent
4	Diversification of tenants, their business types and lease expiration	14	14	0	W	Consistent
5	Incentive system for property manager of some property types	16	14	2	W	Consistent
6	Increase fund size for liquidity risk reduction	8	8	0	W	Consistent
7	Internal growth strategy from tenant optimization plans	7	7	0	W	Consistent
8	Change of property manager when asset is underperformed	6	6	0	W	Consistent
9	External growth strategy from disposal of poor quality asset	5	5	0	W	Consistent
10	Use of guarantee term	9	7	2	W	Consistent
11	Manage NAV of the fund	3	3	0	W	Consistent
12	Use of marketing scheme to increase an attractiveness of the property	3	3	0	W	No supporting
13	Increase understanding of the fund manager about the property	3	2	1	W	No supporting
14	Stock buyback scheme of the sponsor	2	2	1	W	No supporting
15	Incentive system for the fund manager	8	2	6	NW	Inconsistent
16	Composition of the fund management expense (cash and partly share)	3	1	2	NW	Inconsistent
17	Fee reduction of fund management	5	2	3	NW	No supporting
18	Fee reduction of property management	4	1	3	NW	No supporting
19	Assign external property expert as advisory	2	0	2	NW	No supporting
20	Diversify risk from various property type	3	0	3	NW	Consistent

[Note]: W = workable solution, NW = non-workable solution

5. Conclusions

In this research, forty one qualified interviewees discussed about possible solutions, which can be concluded into two major results:

- 1) There are fourteen approaches which were recognized as the workable solutions for the fund' performance improvements.
 - Eleven discussed approaches were found to be consistent with the international studies which relate to asset growth, disposal and improvement, risk management at asset and fund levels, incentive scheme for and change of the property manager, NAV management and specifically guarantee term of the fund. Prioritizing by number of agreed opinions, asset accretion, fund's portfolio risk diversification and asset enhancement are the top three most agreed solutions and widely accepted.
 - The remaining three approaches were suggested, all of which were discussed by few interviewees and might not be widely applied. These include use of marketing scheme, a stock buyback scheme of the sponsor and property knowledge enhancement of the fund manager. Since none of them were mentioned in the other studies and might not be concrete methods, they may be deemed as available options but should be less focused than the first eleven methods.
- 2) There are six approaches which were majorly disagreed and might be summarized as non-workable solutions.

- Surprisingly, incentive and management fee in a form of share to the fund manager were found to be unfitting and inconsistent with the other researches. One of the reasons might be a perception of inactive role of the Thai property fund managers when compared to those of the international REITs.
- The remaining four of the discussed methods were also found to be inappropriate for the funds. These include fee reduction of the property and fund management, assignment of external property advisor and risk diversification from various property types.

References

- [1] Atchison, K. and Yueng, V. S., The impact of REITs on Asian economics. Working Paper, 2014.
- [2] APREA, Asia Pacific REITs: a comparative regulatory & tax study, 2014. <http://www.aprea.asia/file/Asia%20Pacific%20REITs%20-%20a%20comparative%20regulatory%20&%20tax%20study.pdf>
- [3] APREA, Real Estate Research Report, 2015 http://www.aprea.asia/index.php?option=com_research&Itemid=119.
- [4] Banfield, A., A Valuer's Guide to the RICS Red Book (7thedn.). London: RICS Red Book, 2014.

- [5] Brady, P. J. & Conlin M. E., The Performance of REIT-owned Properties and the Impact of REIT Market Power. *Journal of Real Estate Finance and Economics*, vol. 28, no. 1, pp. 81–95, 2004.
- [6] Brochner, J. and Holm, M., Contractual Relations and Information Flows to Building Users in Refurbishment Project. *Information and Communication in Construction Procurement*, Proceedings W92 Procurement System Symposium, April 24–27, 2000, Santiago, Chile.
- [7] Buranasiri, J., Performance of Real Estate Investment in Capital Market. Working Paper, 2012. <http://libdems.nida.ac.th/thesis6/2012/b176108.pdf>.
- [8] Burden, E. *Illustrated Dictionary of Architectural Preservation*, New York: McGraw Hill, 2004.
- [9] Capozza, D. R. and Lee, S., Property Type, Size and REIT Value, *Journal of Real Estate Research*, vol. 10, no. 4, pp. 363–379, 1995.
- [10] Chan, S. H., Erickson, J. and Wang, K., Real estate investment trusts: structure, performance, and investment opportunities. *The Financial Management Association survey and synthesis series*. Oxford: Oxford University Press, 2003.
- [11] Chaudhry, M. K., Maheshwari, S. and Webb, J. R., REITs and Idiosyncratic Risk. *Journal of Real Estate Research*, vol. 26, no. 2, pp. 207–222, 2004.
- [12] Cheok, S. M., Sling T. F. and Tsal I. C., Diversification as Value-Adding Strategy. *International Real Estate Review*, vol. 14, no. 2, pp. 184–207, 2011.
- [13] Chiang, H. C., Tsaih, Y. C. and Hsiao, W. C., The Efficiency Analysis Of Singapore Real Estate Investment Trusts, *Eurasian Journal of Business and Management*, vol. 4, no. 4, pp. 9–20, 2016.
- [14] Clayton, J. and MacKinnon, G. H., Time-Varying Nature of the Link between REIT, Real Estate and Financial Asset Returns. *Journal of Real Estate Portfolio Management*, vol. 7, no. 1, pp. 43–54, 2001.
- [15] Clayton, J. & MacKinnon, G. H., Departures from NAV in REIT Pricing: The Private Real Estate Cycle, the Value of Liquidity and Investor Sentiment. *Real Estate Research Institute Working Paper*, 2002.
- [16] Dildine, L. L., Massey, F. A. and Worth, R. E., Dynamic model of private incentives to housing maintenance, *Southern Economic Journal*, vol. 40, pp. 631–639, 1974.
- [17] Ebrahim, G. J., Mother and Child Health: Research Methods, *Journal of Tropical Pediatrics*, vol. 2, pp. 196–211, 1995.
- [18] Fama, E. F. and French K. R., Common Risk Factors in the Returns on Stocks and Bonds, *Journal of Financial Economics*, vol. 33, pp. 3–56, 1993.
- [19] Feng, Z., Ghosh, C. and Sirmans, C. F. Director Compensation and CEO Bargaining Power in REITs. *Journal of Real Estate Finance and Economics*, vol. 35, no. 3, pp. 225–251, 2007.
- [20] Hedander, J., Focus, Liquidity and Firm Value: An Empirical Study of Listed Property Trusts in Australia. *Pacific Rim Property Research Journal*, vol. 11, no. 1, pp. 84–111, 2005.
- [21] Hamelink, F. and Hoesli, M., What Factors Determine International Real Estate Security Returns? *Journal of Real Estate Economics*, vol. 32, no.3, pp. 437–462, 2004.
- [22] Haslam, C., Tsitsianis, N., Andersson, T. and Gleadle, P., Real Estate Investment Trusts (REITs): A new business model in the FTSE100, *Accounting Forum*, vol. 39, no. 4, pp. 239–248, 2015.
- [23] Highfiled, D., *Refurbishment and Upgrading of Buildings*, London: E & FN Spon, 2000.
- [24] Huang, B., Evidence of Size Effect in EU REIT markets. Working Paper, 2015.
- [25] Hung, K. W., Effectiveness of Privatization of Public Shopping Centers and Identification of Asset Enhancement Opportunities, unpublished, 2008.
- [26] Hussein, A., The use of Triangulation in Social Sciences Research: Can Qualitative and Quantitative Methods be combined? *Journal of Comparative Social Work*, vol. 1, pp. 1–12, 2009.
- [27] Iris, C. F. C., The Determinants of renovation frequencies: an empirical study of shopping centers in Hong Kong, Working Paper, 2004.
- [28] Jiamchoatpatanakul, N., Carefully Study the Information before Making an Investment Decision: Prominence of the Specific Factors toward Thai Property Fund Investment, unpublished, 2016.
- [29] Jiamchoatpatanakul, N. and Tangchitnob, J. N., Does Size matter to Performance and How?: Case of Thai Property Fund Market. *Journal of Industrial Education*, vol. 13, no. 3, pp. 165–172, 2014.
- [30] Jiamchoatpatanakul, N. and Tangchitnob, J. N., Is Guarantee Better?: Case of Thai Property Fund. *TMC Academic Journal*, vol. 10, no. 1, pp. 1–19, 2015a.
- [31] Jiamchoatpatanakul, N. and Tangchitnob, J. N., 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*, vol. 4, no. 2, pp. 39–47, 2015b.
- [32] Jiamchoatpatanakul, N., Tangchitnob, J. N. and Bunchapattanasakda, C., Does Stock Market Affect Performance and Portfolio Allocation? Case of Thai Property Fund, *BU Academic Review*, vol. 14, no. 2, pp. 18–32, 2015.
- [33] Jiamchoatpatanakul, N. and Thisadrondilok, K., Impact of Debt Leverage on the Thai Property Fund' Performance. *ASEAN Journal of Management & Innovation*, vol. 2, no. 2, pp. 13–23, 2015.
- [34] Kimies, S. E., *The Basics of Yield Management*, *Cornell Hotel and Restaurant Administration Quarterly*, vol. 30, no. 3, pp. 14–19, 1989.
- [35] Lecomte, P. and Ooi, J., Corporate Governance and Performance of Externally Managed Singapore REITs, *Journal of Real Estate Finance and Economics*, 46 (4), 664–684, 2013.
- [36] Lee, Y. M., The Effectiveness of privatization of public shopping centers and identification of asset enhancement opportunities. Working Paper, 2012.
- [37] Mansfield, J. R., What's in a name? Complexities in the definition of refurbishment. *Journal of Property Management*, vol. 20, no. 1, pp. 23–30, 2002.

- [38] Markowitz, H., Modern Portfolio theory, *Journal of Finance*, vol. 5, no. 1, pp. 3–17, 1952.
- [39] Moss, A. and Prima, A. D., *Asia Pacific Listed Real Estate: A Contextual Performance Analysis*. Working Paper, 2014.
- [40] Mueller, G. R. and Anikeeff, M. A., Real Estate Ownership and Operating Businesses: Does Combining Them Make Sense for REITs? *Journal of Real Estate Portfolio Management*, vol. 7, no. 1, pp. 55–65, 2001.
- [41] Office of National Economic and Social Development Board, *Thai Economic Performance in Q4 and 2014 and Outlook for 2015*. Working Paper, 2015.
- [42] Ooi, J. T. L., Ong, S. E. and Neo, P. H., The Wealth Effects of Property Acquisitions: Evidence from Japanese and Singaporean REITs. *Journal of Real Estate Economics*, vol. 39, no. 3, pp. 487–505, 2011.
- [43] Ooi, J. T. L., The Compensation Structure of REIT Managers: Impact on Stock Valuation and Performance. *Journal of Property Research*, vol. 26, no. 4, pp. 309–328, 2009.
- [44] Patton, M., *Qualitative Evaluation and Research Methods*. California: Beverly Hills Sage, pp. 169–186, 1990.
- [45] Pennacchi, G. G., The Value of Guarantees on Pension Fund Returns. *Journal of Risk and Insurance*, vol. 66, no. 2, pp. 219–237, 1999.
- [46] Redman, A., & Manakyan, H., A Multivariate Analysis of REIT Performance by Financial and Real Estate Asset Portfolio Characteristics. *Journal of Real Estate Finance and Economics*, vol. 10, pp. 169–175, 1995.
- [47] Timothy, J., *Three essays on the costs of external financing*. Working Paper, 2015.
- [48] Thai Revenue Department, *Property Fund and REIT Regulatory Structure and Tax*, 2015. http://www.rd.go.th/publish/fileadmin/user_upload/kormor/PropertyFund-REIT.pdf.
- [49] Thai SEC, *The Trust for Transactions in Capital Market Act B. E. 2550*, 2007. http://www.sec.or.th/laws_notification/file_dw_en/trustact2007.pdf.
- [50] Thai SEC, *Capital Market Report*, 2016. <http://www.sec.or.th/TH/Pages/CapitalMarketReport.aspx>.
- [51] Wenceslao, D. C., *What are the Business and Regulatory Factors for a Successful Philippine REIT Market?* Working Paper, 2008.
- [52] Wong, K. C., *The Faustmann Redevelopment Cycle*. Pacific Rim Real Estate Society 7th Annual, from Conference, Christchurch, New Zealand, 2002.
- [53] Wu, K., *Value Enhancement Strategy –The Perspective of Listed REITs in Hong Kong*, 2011.
- [54] Yong, J., Allen, D. E. & Lim, L. K., *A Multi-Factor Analysis of A-REIT Returns*. Working Paper, 2009.
- [55] Yung, K., Li, D. D. and Sun, Q. S., CEO overconfidence and financial policies of real estate investment trusts (REITs), *Journal of Property Research*, vol. 32, no. 4, 2015.
- [56] Yuo, T. S., Crosby, N., Lizieri, Co. and McCann, P., *Tenant Mix Variety in Regional Shopping Centres: Some UK Empirical Analyses*. Working Paper, 2004.