

**LIST OF CORRECTIONS MADE FROM THE RE-EXAMINATION FEEDBACK
RECEIVED 24TH MAY 2016**

1. Comment:

Page numbering should start with the introduction (preceding pages should be numbered using small roman numerals)

Response:

Correction made, see snapshot of the Table of contents below as well as snap shot of the first page of the report below.

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DECLARATION

I declare that this research report is my own unaided work. It is being submitted to the Degree of Master of Science (Building) in Property Development and Management to the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination to any other University.

Signature of Candidate

Date: 29 May 2017

2. Comment

The List of Tables heading should be on page 5 not page 4

Response:

Correction made, see snapshot of the page below.

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3. Comment

Pg. 18, para. 1, line 2: Akinsomi *et al.*'s (2016) study...

Response:

Correction made, see snapshot of the paragraph with the corrections highlighted below.

study also found that the inclusion of real estate stock had diversification as well as return enhancing benefits in a mixed asset portfolio. Akinsomi *et al.*'s (2016) study, on the other hand, found that South African companies that were Broad-Based Black Economic Empowerment (BBBEE) compliant performed better than those that were not compliant. The BBBEE policy was introduced by the government to address the inequalities of the previous government and hence distribute wealth and economic power to previously disadvantaged communities (The Department of Trade and Industry (DTI, 2003).

4. Comment

Pg. 29, para. 2, line 1: Brroks and Tsolacos' (1999) study...

Response:

Correction made, see snapshot of the paragraph with the corrections highlighted below.

On the contrary, Brooks and Tsolacos's (1999) study in the UK market, focusing on the influence of similar macro-economic factors as that of McCue and Kling (1994) found that it cannot be strongly concluded that the identified factors significantly affect return as no significant lag effect was found between the identified variables and return. The researchers argue that this may be due to the chosen variable not reflecting any information regarding the macroeconomic and business conditions that affect property returns. Consequently, the researchers proposed that the impact of property related indices such as capitalization rates and growth in both property yield and rentals be explored. Nevertheless, it is noted that the error variance decompositions employed in the study revealed that shocks to the term spread and unexpected inflation have a contemporaneous effect on property returns.

5. Comment

Pg. 30, para. 2, line 1: Ooi and Liow's (2004) study...

Response:

Correction made, see snapshot of the paragraph with the corrections highlighted below.

Ooi and Liow's (2004) study on Asian real estate stocks found that the macro-economic factors (interest rate, Asian financial crisis and overall market conditions) were more significant than firm-specific factors in explaining risk adjusted returns of real estate. The interest rate, which was proxied by the change in 3-month Treasury bill yield (or 3-month savings deposit rate where the T bill was not available), was found to be negatively correlated to return in six markets (Singapore, Thailand, South Korea, Malaysia, Hong Kong and Indonesia) whereas in Taiwan a positive correlation was found. In contrast, the results of the influence of the general economic conditions was found to be strongly and positively correlated to risk adjusted returns, consistent in seven all markets. On the other hand, the

6. Comment

Pg. 32, para. 3: the literature review has been written in the past tense but the Simpson *et al.* Study is reported in the present tense

Response:

Correction made, see snapshot of the paragraph with the corrections highlighted below.

Inflation

The interest in studying the impact of inflation on real estate return has largely been driven by the widely-accepted belief in the inflation hedging properties of real estate in a mixed asset portfolio. Simpson *et al.* (2007) contended that prior studies have assumed that real estate returns respond the same to both rising and declining inflation and thus examined their impact on real estate return. The study was done in relation to the prevailing US monetary policy to better understand the relationship between the two variables. The results revealed a significant positive association between REIT returns and both rising expected and unexpected inflation. On the other hand, a significant negative association was evident between REIT returns and both decreasing expected and unexpected inflation. In line with Naranjo and Ling (1997) the impact of unexpected inflation on returns is more severe than that of expected inflation, the rise of which has a more severe impact on returns than the fall.

7. Comment

Pg. 33, para. 4, line 3: et al. should be in italics

Response:

Correction made, see snapshot of the paragraph with the corrections highlighted below.

Whilst there has been extensive research done to explore the relationship between real estate and macro economy, it is noted that the economic relationships are not constant throughout the different markets. Hoskins *et al.* (2004), in their study of international markets, found that whereas there were similarities in the linkages between returns and economic variables, the differences in coefficients in the individual time series for each country is indicative of the non-uniformity of explanatory determinants across markets.

8. Comment

Pg. 34, para. 3, line 1: Ooi and Liow's (2004) study...

Response:

Correction made, see snapshot of the paragraph with the corrections highlighted below.

Ooi and Liow's (2004) study of determinants of risk adjusted performance in seven Asian markets, provides evidence that together with size, book-to-market ratio is one of the most significant factor in explaining real estate stocks. Unlike Mohamad *et al.* (2014), a negative relationship was found between returns and size in four countries; namely, Malaysia,

9. Comment

Pg. 35, para. 3, line 1: et al. should be in italics

Response:

Correction made, see snapshot of the paragraph with the corrections highlighted below.

Conversely, Goebel *et al.* (2012), using portfolios sorted by their exposure (High, Medium and low) to different firm characteristics after controlling for momentum (which is regarded as a dominant factor), found that before controlling for the monetary policy, size has no significant impact on return. Large REITs thus only outperform smaller REITs during restrictive monetary environments whereas no significant difference in returns is observed during expansive periods.

10. Comment

Pg. 59, 3rd paragraph, line 2: week should be weak

Response:

Correction made, see snapshot of the paragraph with the corrections highlighted below.

In contrast to Basiewicz and Auret (2009), who found a high correlation of 0.78 between cashflow-to-price ratio and earnings-to-price ratio, the study only found a **weak** correlation of 0.012. Given that the book-to-market value as well as the earnings-to-price ratio data was not readily available on Inet database; the derived calculations may have distorted the data.

11. Comment

Pg. 69, 2nd para. 2, line 5: "... portfolio stock with a low..."

Response:

Correction made, see snapshot of the paragraph with the corrections highlighted below.

The results of the regression model on the 9 collected variables reveal some influence on the excess return of listed property. 8% percent of the variance in excess return is explained by only the book to market ratio of equity. A premium is attached to listed property stock that exhibit low book-to-market ratio, Investors are thus more rewarded by including in their **portfolio, stock with a low book to market ratio**. Contrary to evidence from a majority of the findings in literature, the size effect is not observed in this study hence supporting the notion that the book-to-market value of equity ratio provides a more superior determinant of return also absorbing the effects of leverage and cashflow-to-price ratio as expected. Also, confirming to literature was the absence of the influence of the earnings-to-price ratio in the presence of the ratio of book-to-market value of equity.