

**A- REIT FIDUCIARY REMUNERATION AND THE GLOBAL
FINANCIAL CRISIS**

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ABSTRACT

The recent Global Financial Crisis (GFC) impacted heavily upon A-REIT performance and asset values. This paper examines A-REIT fiduciary remuneration, its determinants, and if it was altered, given the negative impact of the GFC. More specifically, this paper investigates linkages between proactive capital restructuring as a reaction to negative effects of the GFC and changes to managerial compensation. It also examines a variety of characteristics around compensation including A-REIT performance, risk factors and managerial power.

INTRODUCTION

In recent times, company fiduciaries have come under scrutiny because of the marked difference between their compensation and that of the average employee. This was especially the case after the onset of the GFC. Poor average financial results, share performance, and balance sheet health throughout the 2008 and 2009 financial years elicited public perception that fiduciary remuneration was excessive and did not reflect the ability to maximise shareholder wealth. On one hand, share values reflect investor sentiment and are susceptible to the downward 'follow the herd' approach once markets begin to crash. In this case, severe negative changes in share values are not entirely within the control of management. On the other hand, market crashes must also have some catalyst. In the case of A-REITs, low interest rates, high tangibility of property assets and high resulting collateral on offer to lenders, enabled borrowing which was arguably excessive. The shock of the GFC onset and resulting market downturn, coupled with tremendous urgency to reduce debt and offer equity clearly demonstrated that some A-REITs had not practiced due diligence by managing risks before the event. This factor appears to bear the brunt of negative shareholder sentiment with respect to fiduciary remuneration.

The aim of this paper is to attempt to isolate the determinants of remuneration, and the ways in which it is linked to certain aspects of A-REIT management such as performance, risk, and concentration of fiduciary power. In order to segregate the responsibilities of different types of management, this paper analyses CEO, non-executive director and top operational management remuneration separately. It further segregates remuneration into base salary, short term performance cash bonuses, and long term incentives such as options and equity. The results are generally consistent with logical expectations. As a cautionary word, it is not the intention of this paper to provide commentary on the magnitude of remuneration, but rather, the linkages between fiduciary responsibility and its financial reward in both positive and negative economic environments.

LITERATURE REVIEW

The bulk of literature so far centres around executive remuneration within companies, and to my knowledge, there has been no contemporary research conducted on A-REIT fiduciary compensation. Chopin et al (1995) and Hardin (1998) examine how measures of performance impact upon executive compensation. The former find that revenue and size positively correlate with executive compensation, whilst the latter finds that size, the number of years since the initial public offering, dividends awarded, and percentage shareholding by senior executives influences senior executive compensation.

Scott et al (2001) study the incentive component of cash compensation. In their model, bonuses are influenced by performance, which is expected, given that bonuses are specifically awarded for reaching pre-determined performance benchmarks. Entity size is significant to a lesser degree, whilst in contrast to Hardin (1998), the REITs' age does not influence compensation.

Pennathur and Shelor (2002) examine relationships between cash compensation and performance measures, including those determined by the market such as stock returns between 1994 and 1999. Their variables appear to have no significance up until 1996. Thereafter, they find that stock returns from previous periods positively influence the change in compensation, but the age of a CEO has a negative one. Earnings per share, however has no influence.

Pennathur et al (2005) extend their 2002 study to incorporate CEO share-based compensation. CEOs appear to receive larger option rewards when REITs have larger growth opportunities and earnings per share. If a REIT's operations are riskier due to return variability, option awards tend to increase. However, stock performance has a negative impact on option awards, which they attribute to the need for greater motivation in periods of high growth potential. In contrast to their 2002 outcome, they find that CEO age no longer has an impact on option awards.

Ghosh and Sirmans (2003) introduce elements of power via board composition and monitoring on REIT performance. They find that a greater number of independent directors reduces the agency problem and increases performance. In their 2005 paper, they find that

CEO compensation is higher when the board is weak and that board structure is impotent in monitoring CEO activities.

Griffith and Najand (2007) find that lagged performance does not affect CEO change in salary because bonuses and incentives are typically used to assess these variables. However, riskiness of the firm, duration as CEO and ownership level does impact upon base pay. Performance measures such as Market Value Added, prior returns and Tobins Q all had a significant positive impact upon CEO bonuses, which is also consistent with Scott et al (2001), but firm size had no effect. Managerial power does not seem to have played a part in determining cash bonuses. They also find that prior stock returns positively impact upon the value of stock options and that CEO power also affects their magnitude. Finally, they find that neither risk variables nor size influence the value of stock options.

In this paper, I extend prior research in two ways by examining non-executive director remuneration and variable interaction after onset of the GFC. Not only do non-executive directors have a monitoring function, but they compensate themselves through a remuneration committee of which a CEO is not typically a member, and therefore creates potential for their own agency issues. I also examine determinants of non-executive director, CEO, and top management compensation over the most volatile period in decades, where we can gain deep insight into their dynamic interaction.

DATA AND METHODOLOGY

The data was chosen over four years from 2006 to 2009 in order to create an even time period pre and post GFC, which had its onset mid way through the 2007-08 financial year. To improve consistency, my aim was to use only A-REITs which were listed continuously over this period. As a result of this parameter, the sample size is not large. Furthermore, several A-REITs were too volatile over the sample period and were omitted. Another issue with the data was that several A-REITs are not obliged to disclose individual managerial remuneration because this is paid by their responsible entity. On several occasions, responsible entities were either jointly owned by multiple companies, were unlisted in Australia, or were subsidiaries of unlisted foreign companies. In this case, management fees that were disclosed could not be apportioned to certain individuals and could not be used. In all, there were 19 suitable A-REITs in the sample, therefore I have employed a panel methodology with 76 observations. The data was retrieved from annual reports through the Connect 4 and Finanalysis databases. Remuneration and managerial unit holding disclosures were taken from directors' report section of the annual reports, performance and risk figures were taken from financial reports and converted into ratios. Unit price data was taken from Aspect Huntley within Finanalysis.

Table 1 shows descriptive statistics for the dependant variables *Salary*, *Short term cash bonus*, and *Long Term Incentives* for both CEO and Top Management as disclosed in the annual reports. It also shows only Salary for Non-Executive Directors, as these are primarily independent and do not typically receive performance-based rewards. Salary is comprised of base pay, fringe benefits and superannuation, whilst Long Term Incentives include the nominal value of A-REIT units and options. Any exercising of options by executives is not included due to the contingent nature of this activity and is independent from its initial offer as an incentive. The above three elements of compensation were not tested as an aggregate (Total Compensation) because I felt that this would obscure the interaction between variables, where each element of compensation is awarded for a specific reason. The following model is used to test the hypotheses:

$$\text{Remuneration}_{it} = a_0 + \beta_1 \text{Performance}_{n-1} + \beta_2 \text{Risk}_n + \beta_3 \text{CEO Power}_n + \beta_4 \text{Attributes}_n + e_{it}$$

Base remuneration showed a substantial trend from year to year, therefore the change in remuneration over time was the appropriate measure to use. The array of independent variables used in each regression depends on its relatedness to each respective fiduciary. For example, a CEO's remuneration would be expected to depend more on factors that lead to improving shareholder wealth, whereas top management remuneration should depend more on operational results rather than the outcome of investment and financing decisions.

Table 1. Descriptive statistics for Dependent Variables

| VARIABLES | CEO SALARY | CEO BONUS | CEO INCENTIVES | NON-EXEC SALARY | TOP MANAGEMENT SALARY | TOP MANAGEMENT BONUS | TOP MANAGEMENT INCENTIVES |
|--------------------|------------|------------|----------------|-----------------|-----------------------|----------------------|---------------------------|
| MEAN | 2,307,416 | 2,089,594 | 842,038 | 896,219 | 5,055,867 | 3,415,210 | 2,128,143 |
| MEDIAN | 748,537 | 110,000 | 311,859 | 560,631 | 2,734,106 | 950,000 | 378,074 |
| MINIMUM | 28,275 | 0 | 0 | 9,000 | 89,988 | 0 | 0 |
| MAXIMUM | 15,445,740 | 15,000,000 | 6,322,180 | 2,215,205 | 20,644,082 | 20,148,143 | 19,199,737 |
| STANDARD DEVIATION | 4,338,972 | 4,322,286 | 1,404,919 | 713,051 | 5,938,161 | 5,705,687 | 4,297,026 |

Note: Descriptive statistics are provided for the entire panel (2006-2009) and are not listed for any particular year. CEO remuneration for Westfield Trust includes combined income for Frank, Peter and David Lowy.

The Performance category, prefix **PERF**, includes the following measures in the year prior to remuneration being awarded:

EPS: Earnings Per Share (unit), which is defined as Earnings Before Interest and Tax divided by the number of A-REIT units outstanding at the end of the financial year,

ROE: Return on Equity, which is defined as Net Profit After Tax divided by Total Book Equity,

MVA: Market Value Added, which is the difference between the market value of an A-REIT and book capital contributed. This is an indicator of unit holder wealth maximisation,

Tobins Q: Measured as the sum of market equity and book liabilities, divided by the sum of book equity and book liabilities. A Tobins q value greater than one indicates that overall REIT investments have made an economic profit over and above the weighted average cost of capital. This also measures positive contributions to unit holder wealth.

MV:BV: This is the ratio of market value to book value of equity. This is a proxy for growth opportunities reasonably expected to be utilised efficiently,

S&P A-REIT Index Returns (INDRET): The daily average return over a 12 month period is used as a proxy recommendation for Non-Executive Director salary,

UPP: The average Unit Price Performance over a 12 month period is used as a measure of positive contributions made by executives, reflected in unit prices.

The Risk category, prefix **RISK** includes:

Operating risk (OPRISK): which is defined as the standard deviation of earnings scaled by total assets, used to represent volatility of performance,

Standard Deviation of unit returns (SDRET): which measures the volatility of contributions to unit holders' wealth,

Standard Deviation of S&P A-REIT Index returns (SDINDRET): which measures the volatility of the index,

Gearing (GEAR): which is interest-bearing liabilities divided by the sum of interest-bearing liabilities and book equity. This represents the debt ratio.

Debt Per Unit (DPU): which is an alternative measure to the Gearing Ratio above. This represents total interest-bearing debt divided by the number of units on issue. This is arguably a better representation of capital structure given that book equity values fell due to asset

devaluations post GFC and artificially inflated debt ratios, even when nominal debt was reduced (Zarebski & Dimovski 2011).

The CEO Power category, prefix **POWER**, is based upon the hypothesis that a CEO will have some power in the setting of their remuneration. Variables include:

The proportion of units owned by the CEO relative to those owned by the board of directors (CEODIR). This indicates implied relative ownership power, even if the CEO is not formally a member of the remuneration committee,

The proportion of units owned by the CEO relative to those owned by all other unit holders (CEOTOT). This is an alternative measure of CEO power where the rest of the board unit holdings are not isolated.

The Attributes, prefix **ATT** category includes the following:

SIZE: which is the natural logarithm of total assets. Executives are expected to be compensated more as their degree of responsibility rises,

Years Experience: represents the number of years experience the CEO has in either top management or within the property industry. This represents the relative skill and ability of the CEO to make better wealth-maximising decisions,

CEO duration (CEODUR): is a proxy for experience gained in their current position. This approximates a CEO's relative success and knowledge, and is expected to rise with remuneration,

The CEO currently acting as a director of a separate entity (ANOTHERCODIR): this dummy variable indicates experience on a greater scale,

GFC Dummy: is 1 in the 2008 and 2009 financial years, and 0 otherwise.

Table 2 represents the correlation matrix of all independent variables representing performance, risk and power. If a correlation lower than -0.6 or greater than +0.6 was recorded between any two variables, only one of these as a maximum was included in any given regression to avoid any multicollinearity issues.

Table 2: Correlation Matrix of Independent variables.

| | EPS | ROE | SPP | MVBV | MVA | TOBQ | AVG IND RET | OP RISK | SD UNIT RET | GEAR ING | DPU | SD INDEX RET | CEO DIR | CEO TOT | SIZE |
|--------------|-------------|-------|--------------|-------------|-------|-------------|-------------------|------------|-------------------|-------------|-------------|--------------------|-------------|------------|------|
| EPS | 1.00 | | | | | | | | | | | | | | |
| ROE | 0.47 | 1.00 | | | | | | | | | | | | | |
| SPP | 0.43 | 0.33 | 1.00 | | | | | | | | | | | | |
| MVBV | 0.32 | 0.33 | 0.54 | 1.00 | | | | | | | | | | | |
| MVA | 0.63 | 0.16 | 0.19 | 0.41 | 1.00 | | | | | | | | | | |
| TOBQ | 0.39 | 0.39 | 0.56 | 0.73 | 0.46 | 1.00 | | | | | | | | | |
| AVG IND RET | 0.49 | 0.41 | 0.72 | 0.59 | 0.33 | 0.63 | 1.00 | | | | | | | | |
| OP RISK | -0.18 | -0.50 | 0.06 | 0.12 | -0.07 | 0.12 | 0.06 | 1.00 | | | | | | | |
| SD UNIT RET | -0.27 | -0.31 | -0.34 | -0.36 | -0.20 | -0.34 | -0.38 | 0.01 | 1.00 | | | | | | |
| GEARING | -0.18 | -0.20 | -0.13 | -0.19 | -0.11 | -0.13 | -0.17 | -0.14 | 0.16 | 1.00 | | | | | |
| DPU | 0.33 | 0.15 | 0.05 | 0.11 | 0.52 | 0.18 | 0.04 | -0.19 | -0.21 | 0.19 | 1.00 | | | | |
| SD INDEX RET | -0.47 | -0.47 | -0.83 | -0.59 | -0.29 | -0.57 | -0.86 | -0.05 | 0.42 | 0.16 | -0.09 | 1.00 | | | |
| CEODIR | 0.43 | 0.22 | 0.16 | 0.06 | 0.37 | 0.19 | 0.10 | -0.10 | -0.26 | -0.38 | 0.41 | -0.09 | 1.00 | | |
| CEOTOT | 0.30 | 0.13 | 0.03 | 0.11 | 0.52 | 0.17 | 0.03 | -0.14 | -0.18 | -0.37 | 0.33 | -0.03 | 0.68 | 1.00 | |
| SIZE | 0.17 | 0.07 | -0.03 | 0.29 | 0.44 | 0.32 | -0.04 | 0.00 | -0.32 | -0.15 | 0.61 | 0.03 | 0.48 | 0.33 | 1.00 |

RESULTS

The results for fiduciary remuneration are presented in tables 3 through to 8. In addition to the aforementioned prefixes, the suffix LAST, represents an independent variable from the last financial year. The suffix CHANGE represents the change in the independent variable from year $t-1$ to year t .

Table 3: Model of Change in Non-Executive Director Salary and its determinants

| VARIABLE | COEFF | T-STAT | PROB |
|--------------------|-----------|-----------|--------|
| C | -515184.2 | -3.845776 | 0.0003 |
| GFC | -8996.454 | -0.376164 | 0.7081 |
| PERF MVBV LAST | 103614.4 | 2.088369 | 0.0409 |
| PERF TOBQ LAST | 63764.17 | 3.276777 | 0.0017 |
| PERF UPP LAST | 1023.825 | 1.675609 | 0.0989 |
| ATT SIZE | 20987.58 | 2.249482 | 0.0280 |
| RISK DPU CHANGE | 57789.19 | 2.939927 | 0.0046 |
| RISK OPRISK CHANGE | 248674.5 | 3.820515 | 0.0003 |
| POWER CEODIR | -1250.665 | -1.722363 | 0.0900 |
| | | | |
| R ² | 0.3170 | | |

Table 4: Model of Change in CEO Salary and its determinants

| VARIABLE | COEFF | T-STAT | PROB |
|--------------------|-----------|-----------|--------|
| C | 69230199 | 7.432214 | 0.0000 |
| GFC | 1.39E+08 | 7.885876 | 0.0000 |
| PERF MVA CHANGE | 7.13E-05 | 2.305345 | 0.0246 |
| PERF INDRET CHANGE | 3.66E+08 | 7.870331 | 0.0000 |
| ATT SIZE | 54721.67 | 1.786686 | 0.0790 |
| RISK OPRISK CHANGE | 175571.5 | 3.633996 | 0.0006 |
| RISK DPU CHANGE | 177942.3 | 2.081842 | 0.0416 |
| RISK SDIND LAST | -1.09E+08 | -7.877770 | 0.0000 |
| POWER CEOTOT | 39333.38 | 0.478968 | 0.6337 |
| GFC*RISKOPRISKCHAN | 2048850. | 5.671747 | 0.0000 |
| | | | |
| R ² | 0.2514 | | |

Table 5: Model of CEO Bonus and its determinants

| VARIABLE | COEFF | T-STAT | PROB |
|-------------------|-----------|-----------|--------|
| C | -7663349. | -0.470016 | 0.6407 |
| GFC | -840087.3 | -6.746953 | 0.0000 |
| PERF TOBQ LAST | 117034.1 | 1.376540 | 0.1756 |
| PERF INDRET LAST | 3295228. | 10.32703 | 0.0000 |
| PERF MVA LAST | 0.000306 | 3.965113 | 0.0003 |
| POWER CEOTOT LAST | 355452.6 | 2.770552 | 0.0082 |
| RISK DPU | -398607.1 | -3.491868 | 0.0011 |
| ATT CEODUR | 23352.44 | 5.224267 | 0.0000 |
| | | | |
| R ² | 0.9634 | | |

Table 6: Model of CEO Long Term Incentives

| VARIABLE | COEFF | T-STAT | PROB |
|------------------|-----------|-----------|--------|
| C | -1378774. | -1.506831 | 0.1369 |
| GFC | -430198.6 | -4.184627 | 0.0001 |
| PERF UPP LAST | 845.6080 | 2.052491 | 0.0443 |
| PERF ROE LAST | 1988.430 | 1.334351 | 0.1869 |
| ATT EXECDUR | 73308.65 | 4.482007 | 0.0000 |
| ATT SIZE LAST | 76369.07 | 1.481784 | 0.1434 |
| RISK DPU | -69418.30 | -1.909553 | 0.0607 |
| RISK GEAR | 3858.483 | 3.337343 | 0.0014 |
| RISK OPRISK LAST | -228998.9 | -3.631257 | 0.0006 |
| POWER CEOTOT | 88497.77 | 2.814362 | 0.0065 |
| GFC*POWERCEOTOT | -236100.2 | -4.568644 | 0.0000 |
| | | | |
| R ² | 0.8002 | | |

Table 7: Model of Change in Top Management Salary

| VARIABLE | COEFF | T-STAT | PROB |
|-------------------|-----------|-----------|--------|
| C | -1683384. | -1.743577 | 0.0863 |
| GFC | 1319593. | 6.278108 | 0.0000 |
| PERF EPS CHANGE | 1042871. | 3.112337 | 0.0028 |
| PERF MVA CHANGE | 7.63E-05 | 1.251945 | 0.2154 |
| PERF UPP CHANGE | 5755.968 | 2.255275 | 0.0277 |
| RISK SDIND CHANGE | -228867.5 | -0.888377 | 0.3778 |
| ATT YEARSEXP | -8310.764 | -0.568522 | 0.5718 |
| ATT SIZE | 107243.1 | 2.121914 | 0.0379 |
| GFC*PERFEPSCHANGE | -1559304. | -4.403204 | 0.0000 |
| GFC*PERFUPPCHANGE | 18577.64 | 3.061306 | 0.0033 |
| | | | |
| R ² | 0.3906 | | |

Table 8: Model of Top Management Bonus

| VARIABLE | COEFF | T-STAT | PROB |
|--------------------|-----------|-----------|--------|
| C | -80489533 | -0.076475 | 0.9394 |
| GFC | -1499928. | -8.620632 | 0.0000 |
| PERF MVBV LAST | 951904.2 | 1.717580 | 0.0931 |
| PERF TOBQ LAST | 102072.0 | 2.554387 | 0.0143 |
| PERF ROE LAST | 17483.17 | 11.32563 | 0.0000 |
| PERF MVA LAST | 0.000312 | 1.894846 | 0.0648 |
| ATT YEARSEXP | 63630.61 | 2.313205 | 0.0256 |
| RISK OPRISK LAST | -72612.56 | -2.479524 | 0.0172 |
| RISK SDSHARET LAST | -10012.72 | -2.509204 | 0.0159 |
| | | | |
| R2 | 0.8701 | | |

For the change in Non Executive Salary (Table 3), book-to market value, Tobins-Q, and Unit price performance measures from the previous year impact positively and significantly. This implies that this type of salary is somewhat dependent upon the contribution made to unit holders' wealth. Unit size, the change in debt per unit, and change in operating risk are all positive and significant. This implies that increasing unit risk factors place greater onus on directors to be vigilant and to contribute greater than the minimum care and skill required by Corporations Law. Salary increases to compensate for more careful navigation of these problems. The proportion of director units owned by the CEO is negative

and significant. This implies that agency factors may play a part where the remuneration committee feels less inhibited by a CEO's power to raise non-executive director fees. The GFC has a negative impact on director fees but is not significant. This implies that the board is somewhat vigilant when considering fees in turbulent economic times.

For the change in CEO salary (table 4), only Market Value added and index returns lead to a positive and significant impact. This is in contrast to Griffith & Najand (2007), and indicates that base salary does play a part in rewarding some past performance and rather, may act as a benchmark in reflecting upon the performance of the A-REIT market. Increases in operating risk and debt per unit are also positive and significant, similar to Griffith & Najand (2007). This implies that salary is largely not intended to reward CEOs for performance, but does provide more compensation under more challenging circumstances. Larger A-REITs also appear to offer greater compensation for greater level of responsibility. There is potential for further agency issues whereby CEOs may choose to increase the size of a trust in order to attract a higher salary. Caution needs to be exercised if there is no other valid reason to attract more debt and unit holder capital other than to increase future salary. The impact of CEO power is positive but not significant, showing that agency issues do not seem to corrupt the independent salary-setting process. Griffith & Nejang (2007) also find a positive association but it is significant in their study, indicating that agency issues among A-REITs are not as prominent as those in the U.S. This seems possible based upon the high rate of external monitoring brought about by the high levels of A-REIT debt prior to the GFC. The onset of the GFC has a positive impact on salary, and interacting GFC with the change in operating risk shows again that salary is risen to compensate CEOs for management of increasing risk factors.

In determining CEO bonuses (table 5), the only Trust-specific performance factor with positive significance is Market Value added. This is perplexing, as no other profit-related factors were significant, unlike Griffiths & Najand (2007) and Scott et al (2001). A possible reason for this is that despite better performance, specific Trust targets may not have been met, or more of the operational activities may have been delegated to top executives. The number of years in the position of CEO is positively significant, indicating that more experience puts them in a better position to reach targets when set. The proportion of units owned relative to all unit holders implies that there may be agency issues in terms of power when either setting bonus targets or the magnitude of a bonus. This is in contrast to Griffith &

Najand (2007), who find no significance. It is important to distinguish that cash bonus targets are set internally and are expected to be more difficult to monitor relative to the setting of base salary. The lowering of debt per unit confirms that bonuses depended partly on capital restructuring, especially when equity-based financing was being urgently sought in the 2008-09 financial year. The GFC itself had a strong negative impact on bonuses, also confirming that targets were not being met, however much of this was not within the control of CEOs in light of substantial asset devaluations and dwindling revenues.

In determining Long Term Incentives (Table 6), the previous year's unit price performance was positive and significant, consistent with Griffith & Najand (2007), Hall & Liebman (1998) and Scott et al (2001), but in contrast to Pennathur et al (2005). This implies that L-T-I setting was based on the optimism of maintaining the previous year's growth in unit values. As an incentive, this seems an appropriate course of action in aligning CEO and unit holder interests. Duration in the position of CEO also leads to an increase in LTIs. This may be used as a motivational tool after periods of longevity in the same position. LTIs may also be offered in the knowledge that a more experienced CEO is expected to perform better and will gain more wealth personally from increasing equity values rather than from cash. Falls in Debt per unit also elicited rises in LTIs. This strategy was implemented to secure capital and in many cases, to stave off insolvency. Therefore, it would appear to impose lower expected cost on an A-REIT to offer units with uncertain performance implications than it would be to offer cash. Gearing may have increased as an unintended consequence of falling asset values relative to debt. The uncertainty surrounding A-REITs post GFC is expected to have been incentive enough to offer a greater proportion of remuneration as equity and in motivating CEOs to urgently move the trust away from bankruptcy. The reduction in the last period's operating risk seems to have aided the increase of LTIs in contrast to Griffith & Najand (2007). It appears that optimism stemming from this result extended to an increased Sharpe index and greater demand for units, eliciting long term increases in value for both the CEO and unit holders. Consequently, CEOs of A-REITs are being rewarded for investment in lower-risk projects. The proportion of CEO unit holdings also impacts positively on LTIs, consistent with Griffith & Najand (2007). It is interesting to note that CEOs with higher unit holdings and power receive greater incentive payments, but this reverses abruptly after the onset of the GFC, shown by the interaction variable. This raises the possibility that there may have been some intervention by more powerful CEOs in

reducing equity payments relative to other forms of compensation during the period of unit price stagnation. The GFC in general had a significant negative impact on LTIs and it seems possible that these were reduced to minimise the impact on total CEO remuneration.

For the change in Top management Salary (table 7), a positive change in earnings per share and unit price performance has a significant impact. This implies that a mix of operational and wealth maximising factors influence base salary. Again, an increase in trust size increases the sum of responsibility, leading to greater salary. The interaction variables show that the earnings per share component of salary decreased post GFC, absolving top management of some responsibility and minimising their loss of remuneration. In the case of decreased unit price performance, salary experienced an even greater decrease post GFC, perhaps giving an indication that top management are sharing more responsibility in the market perception of the trust.

In determining Top Management bonuses (table 8), increasing market-to-book value, Tobins-Q, Market Value Added, and return on equity all had a positive significant impact. This consolidates the assertion that their focus on operational matters also extends to maximising unit holder wealth, and they are rewarded as a result. They seem to also be rewarded for the reduction in operating risk which was significant in the model. The reduction in index unit return volatility seems to increase bonuses and it appears that this may be a general outcome of a more stable market. The number of years of CEO experience also has a positive and significant impact on Top management bonuses. It seems plausible that knowledge and wisdom passed on by more experienced CEOs helps to improve lower level managerial performance. The GFC, as in the case of CEOs, had a negative impact on bonuses, given substantially impaired results.

The determination of Top Management Incentives yielded no significant results, and the author plans to extend the database to 2011 for future extensions to this paper.

SUMMARY AND CONCLUSION

This contemporary study of fiduciary remuneration has yielded mainly expected results. Non Executive Directors appear to be better compensated when previous year results bring up challenges and opportunities for greater vigilance in the current year. They are also compensated for assisting in maximising unit holder wealth and tend to be less inhibited in setting higher remuneration when the CEO holds less power.

CEOs are also compensated for managing and attempting to reverse prior challenging results, especially after the onset of the GFC. The depth of CEO experience assists both themselves and top managers in maximising bonuses and CEO power seems to enhance the magnitude of own bonuses awarded. Specific tasks such as capital restructuring were rewarded at a time when insolvency was a serious threat to A-REIT survival. Agency issues also seem to appear where CEO power increases. The offering of long term unit incentives diminishes in favour of cash after onset of the GFC in what would appear to be a tactic to minimise the negative impact on more powerful CEOs of floundering unit values.

Factors affecting top management remuneration seem to have more obvious determinants and also centre around better performance and the reduction of risk. The focus on operations management appears to be blurred, with their remuneration also depending on factors that involve unit holder wealth in addition to traditional operational performance measures.

The GFC generally causes a distortion in remuneration, rewarding fiduciaries for a more difficult job ahead. There appears to be some potential for agency issues to surface, but this needs rigorous analysis, more suited to a specific paper on these issues. Overall, fiduciaries are awarded task-appropriate compensation, and this appears to at least match their intentions of maximising unit holder wealth.

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