

Asset Size

Total assets (based on acquisition prices): 11,815.6 billion yen
 Number of properties: 2,637 properties
 (P7-8)

The number of properties acquired exceeded 100 for five quarters in a row since Jan-Mar 2013, with an asset build-up by existing investment corporation making head way, in addition to newly listed investment corporations. Also, diverse types of property acquisitions, including hotels (*ryokan* or Japanese-style inns), logistics facilities as well as healthcare facilities, are conspicuous. Already over 20 properties – which have been acquired as well as those that are scheduled for acquisition – have been announced in April and beyond, and while there is a possibility of a somewhat slowing in the pace, proactive property acquisitions can be expected for the time being. Regarding sales, sale prices continue to remain substantially below acquisition prices, and this is thought to stem from each investment corporation's initiatives that aim to push forward with replacing assets by selling properties with deteriorating profitability.

Appraisal cap rate during acquisition

Appraisal cap rate at time of acquisition: Average 5.2% (5.5% in the last quarter)
 (P9-12)

The appraisal cap rate (hereinafter referred to as CR) stood at 5.2%, which has dropped to a level that follows 4.9% in 2008 and 5.1% in 2007, showing a trend toward a decline in the CR and a rise in acquisition prices on the back of competition among investment corporations in acquiring properties. By area, the CR in the past year in “Chiyoda, Chuo and Minato wards” have remained on a downward trend of 4.8%→4.7%→4.6%. By asset type, the CR is being set on the bullish side compared with yield levels thus far, with hotels at slightly above 5% and healthcare facilities at around 6%. Comparatively speaking, these types of operational assets do not have market depth, and thus this point tends to be consciously thought of as a risk, but the CR can be expected to decline further if acquisitions by investment corporation continue to proceed.

NOI cap rate

NOI yield for assets under management: Average 5.5% (5.6% in the last quarter)
 (P13 - 16)

The NOI yield for assets under management (NOI for the year/appraisal value at the end of the term) is hovering at 5.5%. With the NOI remaining stable for the past year (refer to “NOI Index” on p.20), the appraisal CR at the end of the term showed a moderate decline (refer to “Range of fluctuations of appraisal CR” on pages 47 and 48) and, as a result, the NOI yield has remained unchanged or is on a moderate downward trend. Looking at the rate of price fluctuations from the time of property acquisition until the end of the most recent fiscal year, a clear difference can be seen depending on the time of acquisition – negative for acquired properties from 2005 to 2009 and positive for properties acquired in 2010 and beyond – but the rate of increase in properties acquired in 2011 and 2012 is at the 8% level, in contrast to the rate of increase contracting to 5.9% in 2013, which can be seen as a rise in acquisition prices on the back of competition to acquire properties.

TOREIT Monthly/Quarterly Report annual subscription rate: 162,000 yen

J-REIT Asset Size (as of March 31)

Number of properties: **2,637** (last quarter: 2,544)

Total assets (acquisition price): **¥11,815.6 bn** (last quarter: ¥11,412.7 bn)

+¥402.9bn.
(acquisition price)

Total assets (appraised price): **¥11,378.9 bn** (last quarter: ¥10,907.6bn)

+¥471.3bn
(appraised price)

Investment corporations: 44 investment corporations
(last quarter: 43 investment corporations)

Acquired: 102 properties ¥432.3bn. (acquisition price)

(last quarter: 109 properties, ¥631.4 bn.)

Sold: 9 properties, ¥30.3 bn. (sale price)

(last quarter: 10 properties, ¥33.2 bn.)

(pp.7-8)

TOREIT Monthly/Quarterly Report annual subscription rate: 162,000 yen

Appraisal cap rate during acquisition: 5.2% on average

(5.5% last quarter)

−0.3P 

- ◆Area /Minato, Chuo, & Chiyoda wards: **4.6%** (4.7% last qtr.)
Other major cities **5.7%** (6.0% last qtr.)
- ◆Asset type /Offices: **4.7%** (5.2% last qtr.) Residential: **5.1%** (5.3% last qtr.)
- ◆Offices /Minato, Chuo, & Chiyoda wards: **4.4%** (4.8% last qtr.)
Other major cities : **5.6%** (5.9% last qtr.)
- ◆Residential /Minato, Chuo, & Chiyoda wards: **4.8%** (4.8% last qtr.)
Other major cities : **5.6%** (5.8% last qtr.)

(pp.9-12)

NOI cap rate: 5.5% on average (5.6% last qtr.)

−0.1P 

- ◆Area /Minato, Chuo, & Chiyoda wards: **4.8%** (4.8% last qtr.)
Other major cities : **6.4%** (6.4% last qtr.)
- ◆Asset type /Offices: **5.2%** (5.3% last qtr.) Residential: **5.6%** (5.7% last qtr.)
- ◆Offices /Minato, Chuo, & Chiyoda wards: **4.6%** (4.7% last qtr.)
Other major cities : **6.3%** (6.3% last qtr.)
- ◆Residential /Minato, Chuo, & Chiyoda wards: **5.0%** (5.0% last qtr.)
Other major cities : **6.5%** (6.5% last qtr.)

(pp.13-16)

Rent level: ¥12,760/tsubo/mon. (p.17) Occupancy rate: 96.8% (p.18)

Expense ratio: 26.5% (p.19) NOI index: ¥35,200/sq. meters/yr. (p.20)

Qtr.-end total amount index: ¥2,286,680/tsubo (p.21)

NOI cap rate (compared to previous settlement): 5.4%

(previously 5.5%)

−0.1P 

Properties whose accounts were settled between October and December 2013 are selected and the values of the previous accounts are then compared.

◆Area /Minato, Chuo, & Chiyoda wards: **4.7%** (previously 4.8%)

Other major cities : **6.2%** (previously 6.2%)

◆Asset type /Offices:**5.2%** (previously 5.3%) Residential: **5.6%** (previously 5.6%)

◆Offices /Minato, Chuo, & Chiyoda wards: **4.6%** (previously 4.7%)

Other major cities : **6.1%** (previously 6.1%)

◆ Residential /Minato, Chuo, & Chiyoda wards: **5.0%** (previously 5.1%)

Other major cities : **6.4%** (previously 6.4%)

(pp.22-23)

Rent level: ¥12,520/tsubo/mon. (p.33) Occupancy rate: 96.1% (p.34)

Expense ratio: 28.2% (p.35)

NOI index: ¥34,340 /sq. meters/yr. (p.36)

Quarter-end total amount index: ¥2,254,140/tsubo (p.37)

Acquisition trends: List of properties acquired

(acquisition prices, appraisal cap rates during acquisition, etc.) (pp.29-37)

Sales trends: List of properties sold

(sale prices, NOI cap rates at the time of sale, etc.(p.38))

The rates are indicated in **red** for an increase, **yellow** for the same level, and **green** for a decline from the previous period.

Latest financial appraisal CR – previous financial appraisal CR:

Down 8.2bp



During this half year, the appraisal CR (cap rate based on direct capitalization method) declined by 8.2bp. (pp.39-40)

* bp: basis point, 1bp = 0.01%

◆Offices	Avg. down 7.8bp
Minato, Chuo, & Chiyoda wards:	down 8.8bp
Other major cities :	down 6.0bp
◆Residential	Avg. down 8.8bp
Minato, Chuo, & Chiyoda wards:	down 8.3bp
Other major cities :	down 9.0bp
◆Retail	Avg. down 6.5bp
◆Hotels	Avg. down 9.5bp
◆Warehouses	Avg. down 4.4bp
◆Limited proprietary right of land	Avg. 5.0bp
◆Parking facilities	Avg. down 7.5bp.
◆Healthcare facilities	Avg. down 10.0bp

The rate of fluctuation is shown, with the assumption that the appraisal CR is the capitalization rate that was used in the direct capitalization method for the appraisal at the end of the term for properties held by the J-REIT. The rate of fluctuation is calculated by subtracting the appraisal CR from the end of the previous fiscal term (February 2013 –July 2013) from the appraisal CR at the end of the most recent fiscal term (August 2013 – January 2014).

(P44-46)