

Asset Size

Total assets (based on acquisition prices): 12,117.4 billion yen
 Number of properties: 2,710 properties
 (P7-8)

Total assets have been rising steadily in recent years and for the first time have exceeded 12 trillion yen based on acquisition prices. The number of properties acquired in the Apr-June quarter in 2014 stood at 88. Although the number of acquisitions declined slightly compared with five consecutive quarters up to the previous quarter, when the number of properties acquired exceeded 100 in each quarter, investment corporations' willingness to acquire properties remain strong. Acquisitions of hotels have been conspicuous. Of 88 properties acquired this quarter, 27 properties are hotels. Of 25 properties that are planned to be acquired next quarter or later, 19 properties are hotels. The main reason is the listing of investment corporations specializing in hotels. In addition, comprehensive-type investment corporations acquired hotels. Asset types appear to be being diversified.

Appraisal cap rate during acquisition

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

The appraisal cap rate (hereinafter referred to as CR) at the time of acquisition rose from the previous quarter to 5.5%. The main factor is a change in the breakdown of acquired properties by asset type: an increase in the acquisition of hotels, whose CR is relatively high. Many of the hotels acquired during the quarter were hotels in the provinces (except metropolitan areas), where hotels' CR is especially high, and this contributed to the rise in CR. Meanwhile, the CR in appraisal companies' term-end appraisal values remains on a downward trend (refer to "Range of fluctuations of appraisal CR" on pages 43 through 46). We assume that the CR at the time of acquisition remains on a downward trend and real estate prices continue to rise.

NOI cap rate

NOI yield for assets under management: Average 5.5% (5.5% 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 (refer to "NOI Index" on page 18), the appraisal CR at the end of the term showed a moderate decline, and as a result, the NOI yield has remained unchanged or is on a moderate downward trend. By building age, the average NOI yield of buildings whose building age is less than three years was 4.5%, the lowest, and that of buildings whose building age is 20 years or more was 5.6%, the highest. The older buildings are, the higher the NOI yield tends to be (refer to "NOI yield for assets under management by building age" on page 36). In general, the asset value declines as the building grows old, while NOI does not fall significantly. Consequently, there is a positive correlation between the building age the NOI yield.

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

J-REIT Asset Size (as of June 30)

Number of properties: **2,710** (last quarter: 2,637)

Total assets (acquisition price): **¥12,117.4 bn** (last quarter: ¥11,815.6 bn)

+¥301.8bn.
(acquisition price)

Total assets (appraised price): **¥11,744.8 bn** (last quarter: ¥11,378.9bn)

+¥365.9bn
(appraised price)

Investment corporations: 46 investment corporations
(last quarter: 44 investment corporations)

Acquired: 88 properties ¥332.8bn. (acquisition price)

(last quarter: 102 properties, ¥432.3 bn.)

Sold: 15 properties, ¥29.6 bn. (sale price)

(last quarter: 9 properties, ¥30.3 bn.)

(pp.7-8)

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

Appraisal cap rate during :acquisition:5.5% on average

(5.2% last quarter)

+0.3P



◆Area /Minato, Chuo, & Chiyoda wards: **4.8%** (4.6% last qtr.)
Other major cities: **6.0%** (5.7% last qtr.)

◆Asset type /Offices: **4.8%** (4.7% last qtr.) Residential: **5.3%** (5.1% last qtr.)

◆Offices /Minato, Chuo, & Chiyoda wards: **4.6%** (4.4% last qtr.)
Other major cities : **5.7%** (5.6% last qtr.)

◆Residential /Minato, Chuo, & Chiyoda wards: **4.7%** (4.8% last qtr.)
Other major cities : **5.6%** (5.6% last qtr.)

(pp.9-12)

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

±0.0P



◆Area /Minato, Chuo, & Chiyoda wards: **4.7%** (4.8% last qtr.)
Other major cities :**6.3%** (6.4% last qtr.)

◆Asset type /Offices: **5.2%** (5.2% last qtr.) Residential: **5.5%** (5.6% last qtr.)

◆Offices /Minato, Chuo, & Chiyoda wards: **4.6%** (4.6% last qtr.)
Other major cities : **6.3%** (6.3% last qtr.)

◆Residential /Minato, Chuo, & Chiyoda wards: **4.9%** (5.0% last qtr.)
Other major cities : **6.4%** (6.5% last qtr.)

(pp.13-16)

Rent level: ¥12,710/tsubo/mon. (p.17) Occupancy rate:97.0% (p.18)

Expense ratio: 26.1% (p.19) NOI index: ¥34,490/sq. meters/yr. (p.20)

Qtr.-end total amount index: ¥2,260,050/tsubo (p.21)

NOI cap rate (compared to previous settlement): 5.5%

(previously 5.6%)

−0.1P 

Properties whose accounts were settled between January and March 2014 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 : **6.4%** (previously 6.5%)

◆Asset type /Offices:**5.2%** (previously 5.3%) Residential: **5.5%** (previously 5.6%)

◆Offices /Minato, Chuo, & Chiyoda wards: **4.5%** (previously 4.6%)

Other major cities : **6.4%** (previously 6.5%)

◆ Residential /Minato, Chuo, & Chiyoda wards: **4.8%** (previously 4.9%)

Other major cities : **6.4%** (previously 6.5%)

(pp.22-23)

Rent level: ¥12,610/tsubo/mon. (p.24) Occupancy rate: 97.6% (p.25)

Expense ratio: 24.7% (p.26)

NOI index: ¥34,990 /sq. meters/yr. (p.27)

Quarter-end total amount index: ¥2,313,690/tsubo (p.28)

Acquisition trends: List of properties acquired

(acquisition prices, appraisal cap rates during acquisition, etc.) (pp.29-36)

Sales trends: List of properties sold

(sale prices, NOI cap rates at the time of sale, etc.(p.37)

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 7.5bp
Minato, Chuo, & Chiyoda wards:	down 8.3bp
Other major cities :	down 6.2bp
◆Residential	Avg. down 8.9bp
Minato, Chuo, & Chiyoda wards:	down 8.2bp
Other major cities :	down 8.9bp
◆Retail	Avg. down 6.6bp
◆Hotels	Avg. down 8.6bp
◆Warehouses	Avg. down 5.4bp
◆Limited proprietary right of land	Avg. down 6.0bp
◆Parking facilities	Avg. down 5.0bp.
◆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 (May 2013 – October 2013) from the appraisal CR at the end of the most recent fiscal term (November 2013 – April 2014).

(P45-47)