



## J-REIT Underwriters

Monthly J-REIT/Capital Market Overview

Staff Writer: Motomi Uki

Translation: Yoshie

With the first J-REIT to be listed around summer, Nikkan Kogyo Shimbun on April 12, announced the list of J-REIT underwriters, that would play a major role in trading J-REITs.

Lead managers are: Nomura Securities for Mitsui Fudosan Fund; Nikko Salomon Smith Barney and Nikko Securities for Mitsubishi Estate Fund; and Merrill Lynch for Tokyo Tatemono Fund.

Mori Trust, which will continue its private fund, is expected to appoint Daiwa Securities as a lead manager since Daiwa Securities owns shares in its management company.

It is interesting to see that three major Japanese security companies (if you view Merrill Lynch as a former Yamaichi Securities) are underwriting the three initial J-REITs, creating little differentiations between the funds.

I believe that each fund selected different underwriters in order to differentiate from others since the first J-REIT is not yet out in the market and investor's preference is not yet known.

It would be different for other funds which will follow, as they would be able to select their underwriters judging from the performance of leading funds (We will also be studying their performances). Which would create more differentiation between the funds.

I believe that the performance and management method of these leading underwriters would also determine the growth of J-REIT funds that follow. Even the product design itself would need to be unique, as J-REIT is different from US-REIT and Australian LPT. The major security companies that have a large retail network in Japan may have an advantage, as security companies will be selling the J-REIT and would be able to hear the investors opinions directly and thereby incorporate them in the next product.

The lead managers are mostly Japanese security companies, as Japanese investors are having trouble investing in the local market and active participation in the J-REIT is expected. However, global J-REIT offering is crucial as Japanese stock market is becoming more and more global. I believe that more foreign capital security companies would enter into the J-REIT underwriting business using their experience in US-REITs and Australian LPTs and their global networks.