



J-REIT Disclosure

Monthly J-REIT/Capital Market Overview

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In Japan, the J-REIT Law will be enacted from November 30, 2000.

The detailed outline was announced prior to this enforcement.

While Japanese real estate market is accused of being “obscure”, the “information disclosure” is one of the key issues.

The following are the major points of “information disclosure” indicated in the detailed outline:

Disclosure of Management Policy

- “Purpose of the fund”, “basic characteristics”, “investment policy”, and “investment criteria” of each J-REIT must be disclosed.

Market Value Evaluation

- “Real estate appraisal” must be done by the third party at the time of acquisition and sales of the real estate, and the “appraised value” must be reported to the investors afterward.
- “Value” of each property must be reported in the annual report. However, this “value” is not particularly accurate, as it can be calculated based on three different official values: “appraised value”, “kouji-kakaku *1”, and “street price *2”

Note 1) Kouji-kakaku: Official value of national “average land” published by the National Land Agency every March.

Note 2) Street price: Official value of “streets” published by the Taxation Bureau every August. Inheritance tax and gift tax are both calculated based on this value.

Investment Property Information

- “Number of tenants”, “rent income”, “occupancy rate of past five years”, and “rentable floor area” of each property must be disclosed.
- “Name and business type”, “annual rent”, “expiration of lease”, and “method of lease renewal” of major tenants *3 in the core properties *4 must be disclosed.

Note 3) Major tenant: Tenant who occupies 10% or more of the retable area.

Note 4) Core property: Property which produces 10% or more of the rental income of the total portfolio.

- Disclosure is unnecessary in the case of “single tenant” and “joint ownership”, when information disclosure per property is difficult.

Disclosure of Fees

- The annual report must contain “management fee of manager company”, “underwriting fee of security company”, and “management fee of trust bank”.

Would these information disclosures beneficial to the investment decisions?

There are different assessment methods for the “market value evaluation”, and this could lead to confusion. I would think it is better off not to disclose an “ambiguous value”. However, I believe that regulation concerning the “investment property information” is in the same level as that of US REIT and Australian LPT.

Whatever the case, the “information disclosure” is for the protection of investors, and the “investor’s opinion” must be treated as the first priority. Investor’s reaction must be carefully observed.