

J-REIT Market

Ken Okada

1. Listed J-REITs

	NBF			JRE		
	IPO	Mar-02		IPO	Mar-02	
Price	625,000	522,000	-16%	525,000	541,000	+3%
Asset size (billion yen)	226	244	+18	92	142	+50
Loan (billion yen)	82	100	+18	14	64	+50
LTV	36%	41%	+5P	15%	44%	+29P
Dividend yield	4.20%	5.90%	+1.7P	4.50%	5.00%	+5P

(as of 15th March 2002)

- Reserve to Acquire Properties

Over the past six months, NBF has acquired 2 properties for JPY 18bn, while JRE has acquired 5 properties for JPY 50bn. As a result, LTV rose to 41% for NBF and 44% for JRE. Both funds have LTV upper limits set at 60%, so the future reserve for property acquisition through loan is JPY 100bn for NBF and JPY 60bn for JRE.

- Future Points of Interest

As both funds have dwindling reserves available for property acquisition through loan, the next point of interest is when and how capital will be increased. An increase in capital lowers the profit per share if it does not connect directly to profitability, so in the current situation where stock prices are weak, it may result in a further drop in share prices due to dilution.

On the 29th March, JRE has just announced to introduce equity finance of 65,000 units (approximately JPY 34 billion). Today's stock price ended at -25,000 yen, which may be caused by the ex-dividend drop. Attention will therefore be focused on the equity strategies of JRE.

2. Plans for Future Listings

- Future Points of Interest

Japan Retail Fund (JRF), which listed on March 12, had its NAV discounted by 12%, and ended with a disappointing outcome. This can be attributed to the impact of: (1) low market

capitalization of approximately JPY 25bn (JPY 160bn for NBF, JPY 90bn for JRE) which led to anxiety about liquidity in the secondary market, (2) negative market reaction to the retail sector, such as the collapse of Mycal Corporation and Daiei's operating deficit, and (3) financial year-end timing made it difficult for institutional investors to undertake new investments. With the J-REIT market unstable in this way, attention will be focused on movements in funds that are yet to be listed.

Sponsor	Type	Size (billion yen)	Timing
ORIX	Office, residential, retail	100	Spring 2002
Tokyo Tatemono, Yasuda Life, e	Office, retail	100	Spring 2002
Mori Trust, etc.	Office, retail, hotel, residential	50	Autumn 2002
Goldman Sachs	Office	100	NA
Tokyu Land Corp., Lend Lease	Office, retail, hotel, residential	NA	Winter 2003