

# German Public Real Estate Open-Ended Funds in Japan

By

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Submitted to the Department of Urban Studies and Planning  
in partial fulfillment of the requirements for the degree of

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## ABSTRACT

The German real estate open-ended fund, a major indirect real estate investment vehicle for German individual investors, is now suffering a strong pressure of globalization from its investors because of the sluggish German domestic real estate market. In order to deal with such pressure, many funds have begun to invest in the US and now looking for opportunities in Asia, especially in Japan.

For a German fund which is basically a core investor with a long-term investment horizon, the Japanese market fits its investment policy because of the maturity and stability. At the same time, the low correlation with its fatherland market and the currency hedge gain in Japan is worthy of special mention, along with the recovering market.

However, many funds seem to encounter difficulties in acquiring Japanese properties. Among several reasons, the most significant problem is likely to be the problem of the accessibility to deal flows. Currently, many transactions are conducted among the limited market community of participants in Japan. Otherwise bidding requires a fairly high premium on the market consensus because of the small number of publicly available transactions.

Nevertheless, some foreign investors have successfully acquired properties in Japan, so the German open-ended fund will surely be able to have opportunities, too. In this thesis, four measures are proposed: the close relationship to Japanese leading real estate companies or their intimate advisory firms, the entry in the retail sector, the participation in development projects, and the investment in PFI projects. Some of them may have already been examined by funds, but the advantages and disadvantages of these alternatives are examined from the perspective of a Japanese real estate professional, which should help German funds comprehend possibilities in the Japanese market.

*Thesis Advisor:*

Dr. David Geltner

Professor of Real Estate Finance

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## **1. Introduction**

### **1.1. Introduction**

The purchasing power of German investors in the world real estate market is well-known among real estate professionals. The German public real estate open-ended fund is a representative German core investor because of its transparency and huge money source. Therefore, there are a lot of analytical articles based on information announced publicly by funds. However, as far as I know, there is no research on their activities in the Japanese real estate market, which is their new frontier. Maybe the reasons are 1) that there are very few transactions conducted in Japan so far and 2) that German analysts may encounter difficulties to acquire adequate information about the Japanese real estate market because of the language problem. According to my various interviews, however, more and more German open-ended funds are trying to access the Japanese market and all of them are facing difficulties.

The purpose of this thesis is to analyze the reasons for such difficulties and to propose prescriptions to overcome them. In order to do so, this paper is based on specialized data: tailor-made analyses on the Japanese real estate market and interview-based analyses about the globalization strategy applied by German open-ended funds. Concerning the Japanese real estate market, if analysts can read Japanese, there are a plenty of studies regarding Japanese markets, J-REITs, and so on. However, still, I think that most studies fail to consider a “specialty of each transaction.” That would be the reason that the market data analyzed by an “analyst” is sometimes nonsense from a practitioner’s viewpoint. The Japanese real estate market is still not as transparent as that in the US or in the UK, so this tendency may be amplified. Of course, how far data can be generalized is the largest issue, so in this paper, the Japanese market was examined in order for German open-ended funds to know the actual figure. The other strong point, interview-bases analysis, is a privilege of academic research. By face-to-face interviews with fund managers, a nuance of each fund, which does not appear on the simplified data storage or on systematic questionnaires, could be involved in this research.



I hope that this research helps both German funds and Japanese real estate professionals to understand each other. Still even in the Tokyo CBD, there are many unorganized areas, which require huge capital to revitalize through redevelopment. Thus, as one of Japanese real estate professionals, who believe that vitality of the city is the basis of long-term national economic growth, I heartily welcome foreign long-term core investors. At the same time, I believe that the recent recovery of the real estate market in Japan will surely reward such core investors.

## **1.2 Research Target**

The prime purpose of this thesis is to analyze factors which prevent German real estate open-ended funds from entering the Japanese market and to provide realistic prescriptions. Therefore, most research and analyses are based on the presumption that the property type, expected property yield, target city, and price range which are targeted by German funds are regarded as given factors. From this point of view, the Tokyo Class-A office building market, which is the prime target for German open-ended funds, is mainly analyzed. Retail products are also involved in German funds' investment objects, but their values depend much on individual commercial realm and on key tenant's attractiveness, so they are excluded from the main analyses in this paper. Also, residential and warehouse products are out of their target, so these sectors are left out in this paper.

Concerning the market data, too old data may distort the current real figure. Thus, individual data were collected during the time period from the January 2004 to June 2005.

## **1.3 Word Definitions**

### **1.3.1 German Real Estate Open-Ended Funds**

There are a wide variety of categories of the open-ended fund by its investment subjects, including stocks, bonds, real estate and so on. The real estate open-ended fund is one such category. In

addition, there are two types of real estate open-ended fund: public and private. The public open-ended funds are sold to individual investors at retail banks, while private open-ended funds are sold to institutional investors. Both types of open-ended funds are often operated by the same management company, but this thesis analyzes the former, the public fund, because of its transparency, so “an open-ended fund” or “a fund” mentioned in this paper means generally the public real estate open-ended fund.

### 1.3.2 Geographical Classification of Japan

- (1) Tokyo CBD: Tokyo central 5-ward area, namely Chiyoda-ku, Chuo-ku, Minato-ku, Shijuku-ku, and Shibuya-ku (Figure 1-3-1)
- (2) Central Tokyo: Tokyo 23-ward area except 5 wards above (Figure 1-3-1)
- (3) Tokyo Suburb: Kanto area (Tokyo-to, Kanagawa-ken, Saitama-ken, Chiba-ken, Ibaraki-ken, Tochigi-ken, and Gunma-ken) except the Tokyo CBD and the central Tokyo area (Figure 1-3-2)
- (4) Other regions, including Hokkaido, Tohoku, Chubu-Hokuriku, Kansai, Shikoku, Chugoku, Shikoku and Kyushu (Figure 1-3-2)

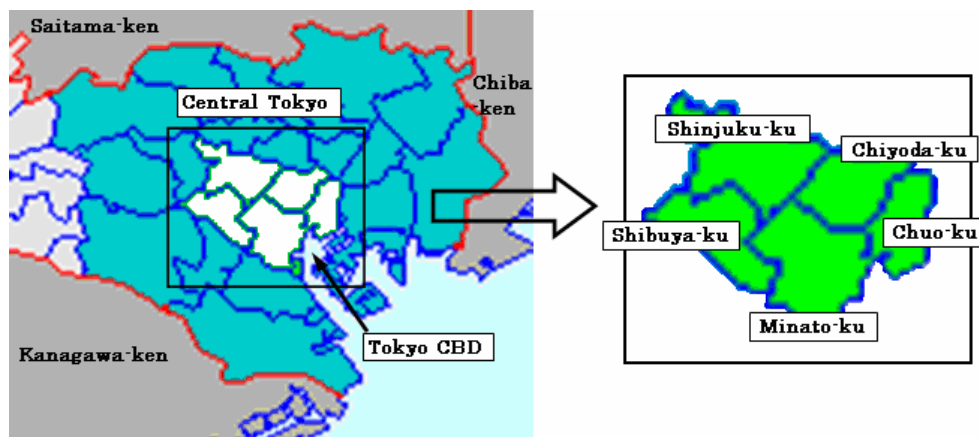


Figure 1-3-1 Tokyo CBD and the Central Tokyo



Figure 1-3-2 Regions in Japan

### 1.3.3 Unit

In order to facilitate the sense for an area or a price per area, an area is described in square meters as far as possible. However, in some places, “Tsubo,” a traditional Japanese area unit, is used, where Tsubo seems to be more appropriate than square meters. See the conversion table below (Table 1-3-1).

Table 1-3-1 Area Conversion Table

	Tsubo	Square Meter	Square Foot
1 Tsubo	1	3.30578	35.5844
1 Square Meter	0.3025	1	10.7639
1 Square Foot	0.028102	0.09290	1

To indicate a price, the local currency is used as far as possible. This is because the fluctuation of

currency rate sometimes distorts the real figure of the analyzed market. Particularly, real estate is inherently a domestic business despite the internalization through financial engineering skills and modern information technology, so the local market should be examined from the local viewpoint. The present exchange rates among major currencies are below (Table 1-3-2) <sup>1</sup>:

Table 1-3-2 Currency Exchange Rate (TTM) as of the End of June, 2005

	€	¥	US\$
€1	1.00	133.63	1.21
¥100	0.75	100.00	0.90
US\$1	0.83	110.62	1.00

## 2 The German Real Estate Open-Ended Fund and Its Globalization

### 2.1 Basic Characteristics of German Real Estate Open-Ended Funds

#### 2.1.1 Investors of the German Real Estate Open-Ended Fund

The German public real estate open-ended fund has been one of the most important investment vehicles for individual investors. Investors can buy a share of an open-ended fund at a retail bank with the price quoted in a newspaper every morning. Currently, 26 public real estate open-ended funds are available (Appendix A).

Most individual investors regard real estate open-ended funds as a private pension plan. Due to the low birth rate and aging society and to the worsening unbalanced national finance, the public pension plan has been gradually curtailed since the pension system reform in 1992, so they are forced to prepare for their retirement by themselves. The public real estate open-ended fund has favorable characteristics for such investors. In fact, huge money has constantly flowed in the real estate open-ended fund business

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<sup>1</sup> Data Source: The Bank of Tokyo-Mitsubishi Ltd.

from 1992 (Figure 2-1-1) <sup>2</sup>.

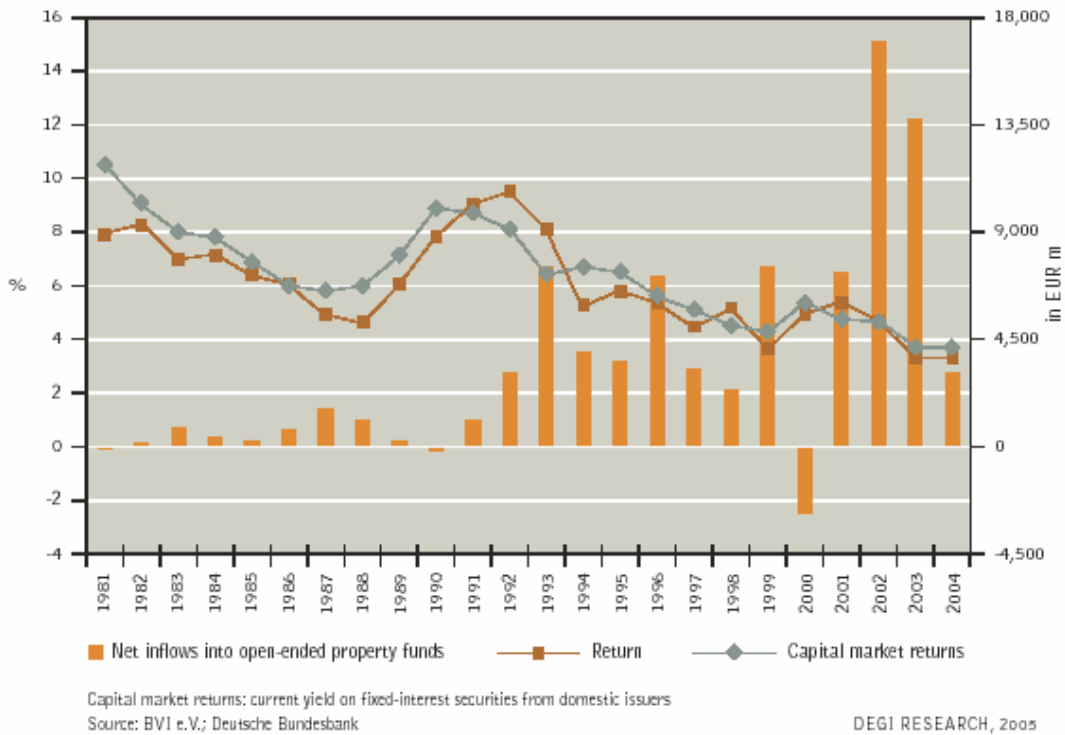


Figure 2-1-1 Development of German Real Estate Open-Ended Funds

There are two advantages in the real estate open-ended fund. First, the past record shows that the return from the real estate open-ended fund is approximately 4% and much more stable than other asset classes (Figure 2-1-2) <sup>3</sup>. In exchange for the stability, the return from the real estate open-ended fund is not as high as other asset classes such as stocks and international bonds, but this stability would be the crucial factor for investors, who invest money for their retirement. Second, although most individual investors do not have professional knowledge about the real estate business, they can trust the fund managing companies because these managing companies are normally a subsidiary of a big bank or a large insurance company: for example, Deutsche Bank, Commerz Bank, Allianz, and so forth. In short, the parent

<sup>2</sup> Beyerle, Thomas, DEGI Research, "New Perspectives, Market Report Germany 2005," 2005, DEGI Deutsche Gesellschaft für Immobilienfonds mbH

<sup>3</sup> Beyerle, Thomas, DEGI Research, "New Perspectives, Market Report Germany 2005," 2005, DEGI Deutsche Gesellschaft für Immobilienfonds mbH

financial institutions provide their affiliated open-ended funds with credibility.

As a result, the image of typical investors of the German open-ended fund is those who buy small units of an open-ended fund, say €100, every month as a saving instrument. Thus, “security” of the principal is very important, although such a high security level results in a low return. This fact makes German real estate open-ended funds invest mainly in core properties in a matured market.

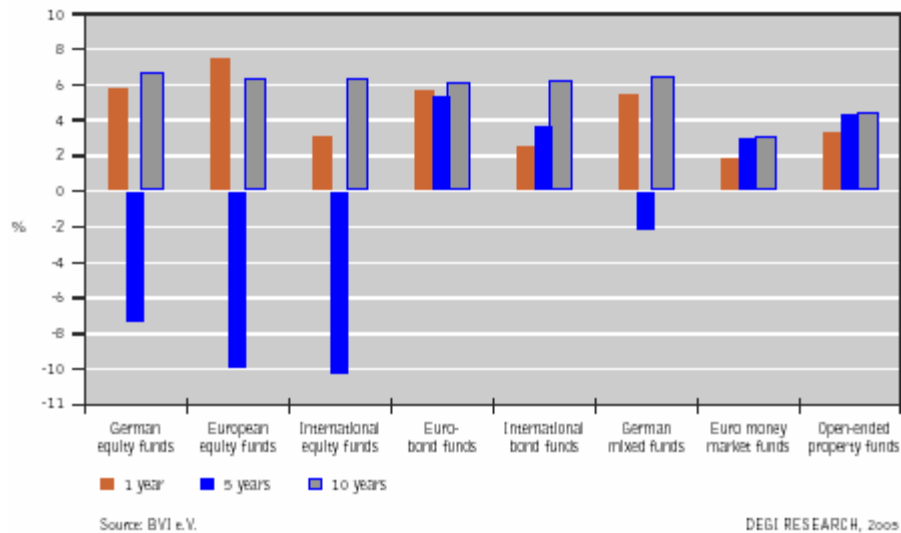
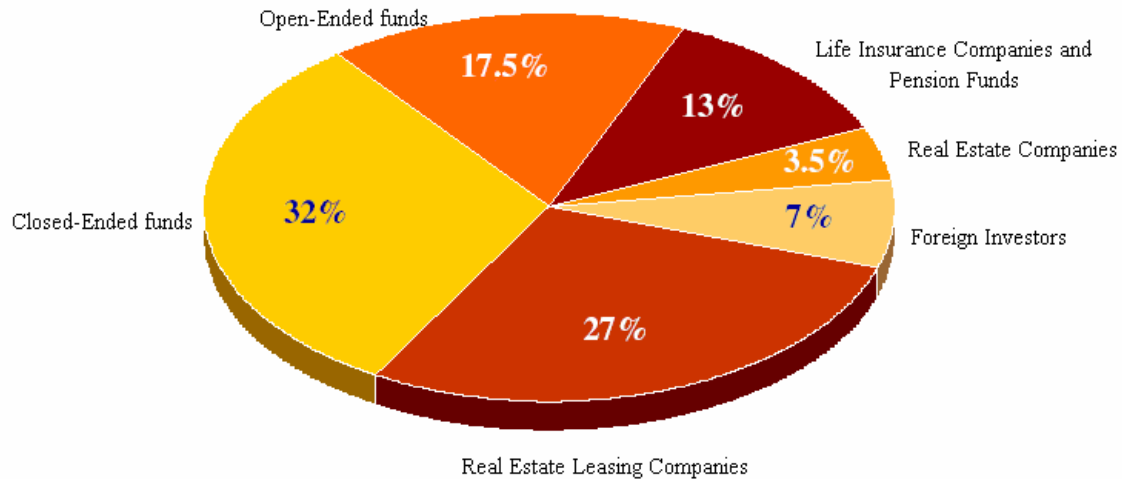


Figure 2-1-2 Annual Average Return by Fund Category

### 2.1.2 The German Real Estate Open-Ended Fund in the German Real Estate Market

Other than open-ended funds, there are several other institutional real estate investors: pension funds, life insurance companies, closed-end funds, real estate leasing companies, and foreign investors (Figure 2-1-3)<sup>4</sup>. The open-ended fund industry accounted for only 17% of all real estate investment by such institutional investors in 2003, but is growing rapidly through huge money influx since 2001 (Figure 2-1-1).

<sup>4</sup> BulwienGesa AG, “Immobilienmarkt in Deutschland – Gastvorlesung Universität Leipzig,” 2004, BulwienGesa AG



Total €285 million

Quelle: BVI, BAV, Bundesverband Deutscher Leasing-Gesellschaften, Bankhaus Eilwanger & Geiger, Deutsche Bundesbank / Kapitalmarktstatistik und eigene Erhebungen, \* Publikums- und Spezialfonds © Bulwien AG 2004 (104)

Figure 2-1-3 Investment Outstanding by Institutional Investors in Germany as of 2003

### 2.1.3 Legal Aspects

The German open-ended funds have a unique investment style in comparison to that of other institutional investors. That is because their activities are strictly controlled by a regulation called “Investmentmodernisierungsgesetz” which seeks “individual investor protection,” although the controls on funds have been gradually deregulated.

First, the property-level LTV must be under 50% on average<sup>5</sup>. This means that the LTV can exceed 50% for some properties. The actual LTV levels applied by funds are much lower than that permitted by the regulation. The average LTV level is approximately 20.0% (Appendix A). The large amounts of cash that flowed into the funds since 2001 may have affected this low LTV level. Additionally, the fund-level LTV must be below 25% of the fund value. Together with the restriction on the liquidity level, this prevents real estate funds from shifting the main investment subjects from real estate into other financial sectors.

<sup>5</sup> Investmentmodernisierungsgesetz §69(1)

Second, the fund must keep its liquidity level between 5% and 49% of the fund assets<sup>6</sup>. However, in the first four years after the launch of a new fund, the fund is allowed to have a higher liquidity than 49%<sup>7</sup>, so the liquidity levels of some newly launched funds exceed 50%. The average liquidity level is 26.0% and the target liquidity level<sup>8</sup> is from 20% to 25%. German open-ended funds tend to invest the liquidity in bonds and bank deposits, but not in stocks.

Third, the exposure to currency risks must be under 30% of the fund's total assets<sup>9</sup>. The restriction to investment in foreign properties has gradually loosened and this revised clause provides funds with powerful possibilities for foreign properties. In short, as long as the currency risk is limited to 30% even through hedge, there is no restriction to enter the foreign market. In fact, many funds hedge the currency risks of their foreign properties through the debt financing by the local currency and the Euro-buy forward exchange transaction.

Fourth, the open-ended fund is allowed to invest in development projects, but the total value of land under development or that of undeveloped land is not allowed to exceed 20% of the fund value, respectively<sup>10</sup>. It means that the real estate open-ended fund must be an income oriented investment product, not an appreciation oriented one.

Lastly, the acquisition price of a single property must be below 15% of the fund value. Additionally, the total value of properties whose single price exceeds 10% of the fund value must be limited to below half of the fund value<sup>11</sup>. Thus, funds are required to diversify the portfolio to lower risks.

#### 2.1.4 Typical German Public Real Estate Open-Ended Funds

Most fund management companies are an affiliated company of a big German bank or an

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<sup>6</sup> Investmentmodernisierungsgesetz §80(1)

<sup>7</sup> Investmentmodernisierungsgesetz §74

<sup>8</sup> This data is obtained through the interview.

<sup>9</sup> Investmentmodernisierungsgesetz §67(4)

<sup>10</sup> Investmentmodernisierungsgesetz §67 (2) and (3)

<sup>11</sup> Investmentmodernisierungsgesetz §73 (1)



insurance company. For example, DB Real Estate is a subsidiary of Deutsche Bank, Deka Immobilien Investment is owned by Deka Bank, and so on.

The type of fund can be divided into three categories: the domestic-oriented, the Europe-oriented, and the international-oriented. In recent years, a great deal of money shifted from the domestic-oriented funds to the Europe-oriented and international funds. As a result, many fund management companies have launched international funds since 2002 (Appendix A).

The German open-ended fund invests heavily in the office sector; it accounted for 70% of the portfolio, followed by the retail sector (18%). Interestingly, the residential sector occupies only 1% of the portfolio.<sup>12</sup> According to a fund manager of an open-ended fund, that is because most open-ended investors are in the mature age and have already invested in a small residential unit, so they do not want to own residential properties in the open-ended fund portfolio.

The fund's total return consists of the property return<sup>13</sup> and the liquidity return. The property returns vary among funds from 1.3% to 13.4%. Generally speaking, newly launched international-oriented funds show higher returns than old domestic-oriented funds. The liquidity returns are similar among funds (roughly between 2.0% and 3.0%), because all funds invest the liquidity in the domestic bond market or the bank account. As a result of the deduction of fund management fees from the total returns (the property returns plus the liquidity returns), the fund-level returns for investors range from 0.6% to 7.0%.

### 2.1.5 A Brief History

The first public real estate open-ended fund was issued in 1959 by Internationales Immobilien-Institut GmbH, today a member of HypoVereinsBank group. Following this first fund, several financial institutions, including Deutsche Bank, Dresdner Bank, Commerz Bank, and Deka Bank, issued real estate open-ended funds. However, the number of investors was limited during their early stages

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<sup>12</sup> BulwienGesa AG, *Immobilienmarkt in Deutschland –Gastvorlesung Universität Leipzig*, 2004, BulwienGesa AG

<sup>13</sup> The property return is comprised of the property income return and the property appreciation return.

(Figure 2-1-1). The major investors at that time were wealthy individuals with tax purposes. The change occurred in 1991. Backed by migration from the ex-German Democratic Republic area (DDR) into the Federal Republic of Germany (BRD), by powerful public investments in the DDR area, and by the upswing of GDP, the real estate market in Germany expanded rapidly. At the same time, benefits from the public pension plan has begun to be reduced since 1992, so many individual investors began to have interests in the real estate market. In 2000, the real estate open-ended fund industry suffered a significant cash outflow as a result of the high-tech or IT stock boom, but after the collapse of the boom, much more money than before flowed into the industry.

However, this sharp influx of money brought a new problem for the real estate open-ended fund industry. Because the liquidity level of the fund must be legally below 49%, this abundant cash drove funds to buy many properties with a low cap rate. Furthermore, the rest of money they could not spend accumulated as the liquidity, which is invested in governmental bonds and creates low return. One of the resolutions to solve these problems was the expansion into the foreign market (Figure 2-1-4)<sup>14</sup>. This movement has been substantially accelerated by continuing regulatory changes. Today, restrictions only serve to keep exposure to currency risks below 30%.

For the past couple of years, the weakened German leasing market has amplified the globalization incentives to German open-ended funds. Poor results from the weakening domestic market shifted investors' preferences from domestic funds into internationally diversified funds.

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<sup>14</sup> "BulwienGesa AG, *Immobilienmarkt in Deutschland –Gastvorlesung Universität Leipzig*," 2004, BulwienGesa AG

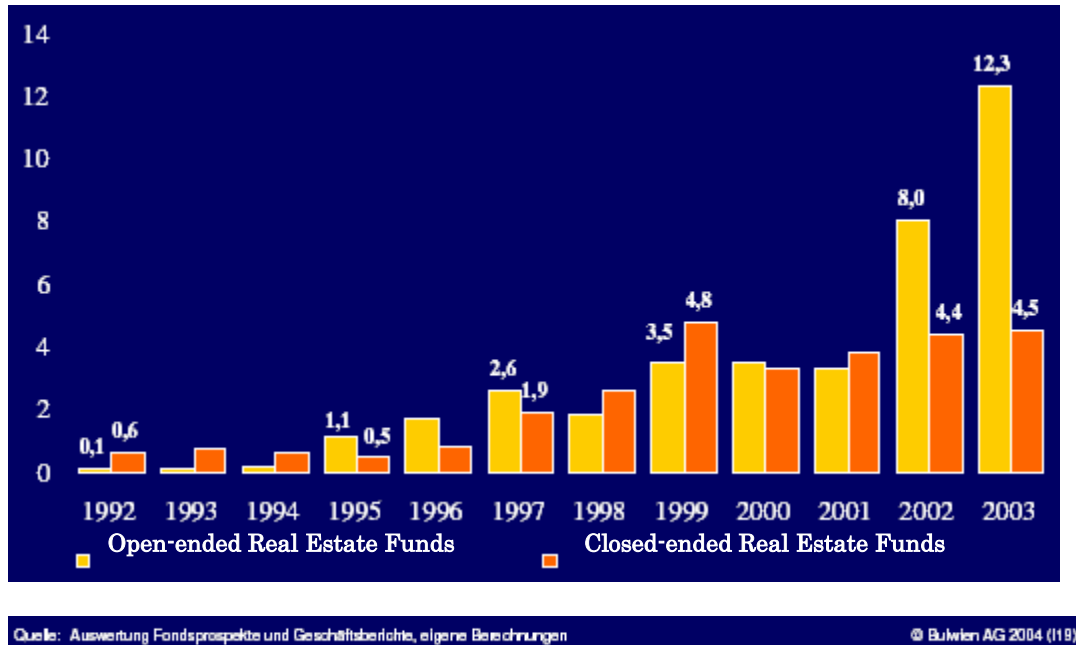


Figure 2-1-4 Investment in the Foreign Real Estate Market by German Funds

## 2.2 Globalization Pressure

### 2.2.1 Current Situation

The current investment strategies of German real estate open-ended funds have been shifting from the German domestic portfolio to the international diversified portfolio<sup>15</sup> for the past few years. Two scandals caused by DEKA in the summer of 2004, namely corruption in property transaction and too high appraisal price, were the trigger of the money outflow from the whole real estate open-ended fund industry (Figure 2-2-1)<sup>16</sup>. Especially the latter problem is likely to make individual investors anxious about the domestic-oriented open-ended fund share price, which mainly consists of the property appraisal price and the liquidity asset price. In short, individual investors are now caring about the soundness of the German real estate market: lowering cap rates in spite of high vacancy, inflated book values of funds' portfolios, dwindling yields from domestic funds<sup>17</sup>, pessimistic expectations for the German macro-economy, and so

<sup>15</sup> "International funds" are defined as funds which invest in properties outside Europe.

<sup>16</sup> Marx, Simon "German Open-ended Funds Monthly Analysis, March 2005," 2005 CB Richard Ellis Limited

<sup>17</sup> Yield of domestic funds: 0.6%-3.0%, yield of European funds: 1.6%-5.3%, and yield of international funds:

forth. However, this does not necessarily mean that all funds suffer the money outflow. Investors are switching from domestic funds into international funds (Table 2-2-1). Therefore, in order to survive, the globalization strategy, through the establishment of a new global fund or through the expansion of an existing fund, is indispensable for most fund managing companies.

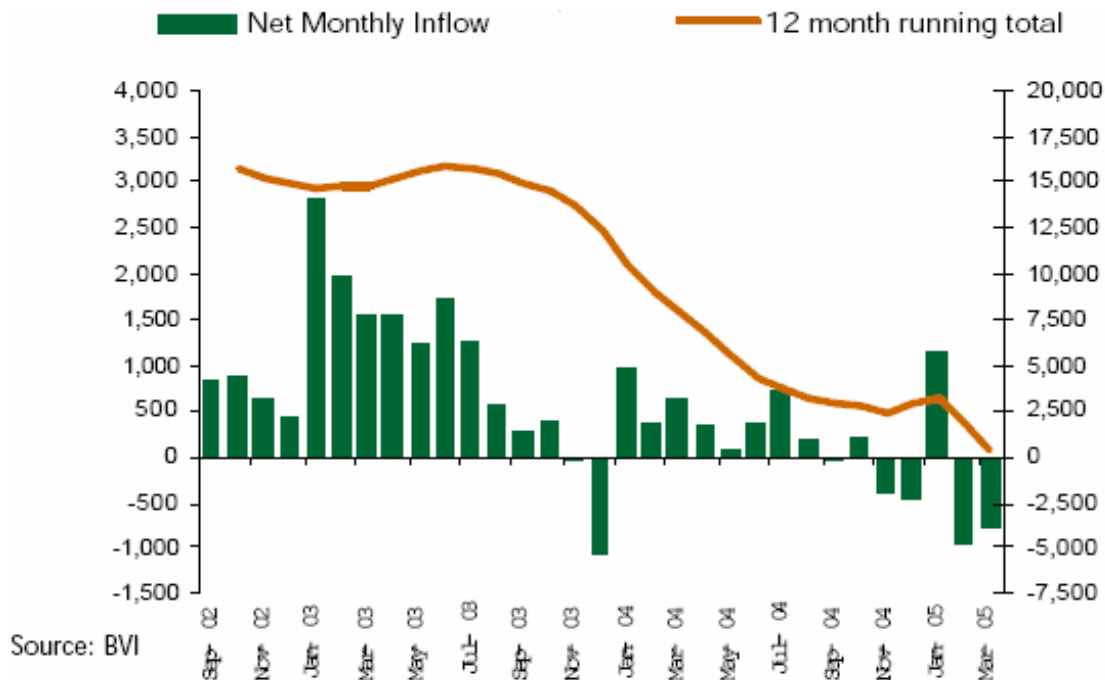


Figure 2-2-1 Change of Money Flows to or from German Real Estate Open-Ended Funds

Table 2-2-1 Money Inflow and Outflow (March 2005)<sup>19</sup>

Top 5 Funds Inflow (€000s)			Top 5 Funds Outflow (€000s)		
Funds	Amount	Invest in	Funds	Amount	Invest in
KanAm Grundinvest Fonds	98,241	International	Deka-ImmobilienFonds <sup>18</sup>	-481,919	Germany
AXA Immoselect	86,198	Europe	DIFA-Fonds Nr 1	-225,761	Germany
Grundbesitz-global	71,832	International	Grundbesitz-Invest	-126,138	Germany
CS Euroreal	56,435	Europe	DIFA-Grund	-110,976	International
SEB ImmoInvest	36,612	International	Deka-ImmobilienEuropa	-102,727	International

2.9%-7.0%.

<sup>18</sup> Deka experienced two scandals in 2004. These may result in serious outflow from funds managed by Deka.

<sup>19</sup> Mark, Simon, "German Open-ended Funds Monthly Analysis, March 2005," 2005, CB Richard Ellis Limited

### 2.2.2 Steps for Globalization

Although the speed of the shift into the international market varies from fund to fund, the steps taken by funds are likely to be similar. The first step is the expansion to neighboring EU countries, especially in France and the United Kingdom. These markets are easily accessible by German open-ended funds because of geographical, political, economic, and psychological intimacy, but the basic problem of this strategy is the high correlation of these markets to the German market.<sup>20</sup> Therefore, funds sometimes include properties in Prague, Budapest and Warsaw. Adding to the fact that German people are familiar with these countries geographically and historically, the markets in these countries provide relatively high yields<sup>21</sup> and low correlations to German markets<sup>22</sup>.

The second step is the expansion to the US. The main reasons would be the higher yield of US properties and desire to achieve diversification of the fund portfolio outside Europe. Additionally the high transparency of the US market may facilitate German open-ended funds to enter into the US market (Figure 2-2-2). Table 2-2-2 clearly shows the expansion process of funds. Many funds established before 2002 expanded into the US market following investments in the German and the European markets. Additionally, some funds established after 2003 invested in the US from the beginning of the funds, and sometimes do not include German properties in their portfolios. These facts would also suggest that the German real estate open-ended funds orient towards internationalized portfolios more and more.

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<sup>20</sup> Correlation between Frankfurt and London is 0.75 and that between Frankfurt and Paris is 0.88 (Beyerle, Thomas (Editor), *Urban Values – Real Estate Investment in Europe 2004*,” 2004, DEGI Deutsche Gesellschaft für Immobilienfonds mbH)

<sup>21</sup> Prague: 8%, Budapest: 8.25%, and Warsaw: 8.5% (Beyerle, Thomas (Editor), *Urban Values – Real Estate Investment in Europe 2004*,” 2004, DEGI Deutsche Gesellschaft für Immobilienfonds mbH)

<sup>22</sup> Correlation between Frankfurt and Prague is -0.64, that between Frankfurt and Budapest is -0.46, and that between Frankfurt and Warsaw is -0.64 (Beyerle, Thomas (Editor), *Urban Values – Real Estate Investment in Europe 2004*,” 2004, DEGI Deutsche Gesellschaft für Immobilienfonds mbH)

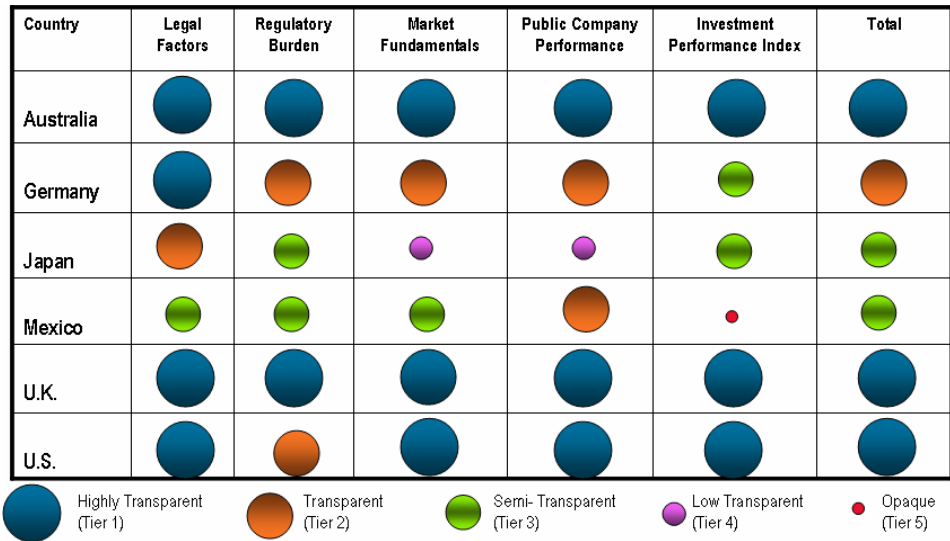


Figure 2-2-2 Transparency Index <sup>23</sup>

Table 2-2-2 First Year of Investment (International Funds)

	Established in	Germany	Europe ex. Germany	US & Canada	Asia incl. Australia
DIFA-Grund	1985	1985	1999	1995	
SEB ImmoInvest	1989	1985	1995	1999	
Deka-ImmobilienEuropa	1997	1997	1997	1997	1999
SKAG Euroinvest Immobilien	1999	1999	2000	2002	
Grundbesitz-global	2000		2000	2001	2003
KanAm grundinvest Fonds	2001		2002	2003	
Deka-ImmobilienGlobal	2002	2003	2002	2004	2004
hausInvest global	2003		2004	2004	
KanAm US-grundinvest Fonds	2003			2003	
SKAG 3 Kontinente	2003	2004		2004	
SEB ImmoPortfolio Target Return Fund *	2004				
DIFA-Global	2004	2004	2004	2005	

\* No data available because of the newly issued fund

The third step is the entry into Asia, especially into Japan and South Korea. Most leading

<sup>23</sup> Jones Lang LaSalle and LaSalle Investment Management, “Global Real Estate Transparency Index 2004,” 2004, Jones Lang LaSalle and LaSalle Investment Management

open-ended funds have almost finished the second step and are moving to the third step. The prime reason of expansion to Asian markets would be pressure from investors, who prefer “the internationally diversified portfolio.” Actually, most newly issued funds after 2000 have a name which includes the word “global” or “international.” All fund managers I interviewed<sup>24</sup> mentioned that the principal merit of the investment in Asian markets is the diversification effect of the fund portfolios. Especially for Japan, some of them said, “an international fund” must invest in Japan, because Tokyo is the largest single real estate market. Their target allocation to Asian real estate is between 10% and 30%, but the current portions of Asian properties in their portfolio are considerably lower than their target (Table 2-2-3, Table 2-2-4, and Table 2-2-5)<sup>25</sup>. Their slow expansion to Asian or Japanese real estate market is different from those to the US market.

Table 2-2-3 Target Allocation to Asian Market

Fund A	Fund B	Fund C	Fund D	Fund E	Fund F	Fund G	Fund H
Revising	20%	No interest now	10%, but 30% in future	10% for the first step	20%	No interest now	20 - 25%

Table 2-2-4 Target Asian Cities

Fund H	Fund I	Fund J	Fund K	Fund L	Fund M
Tokyo	China and Seoul	Tokyo, Seoul, and Singapore	Tokyo and other major Japanese cities, Seoul, and China	Tokyo, Fukuoka, Seoul, Hong Kong, and Singapore	Tokyo and Seoul

<sup>24</sup> See Appendix B

<sup>25</sup> Because of confidentiality, the order of funds is changed between Table 2-2-3 and Table 2-2-4.

Table 2-2-5 Current Allocation to Asia Properties

Managing Company	Fund	As of	Fund Asset (euro)	Asia Total	Japan	Korea	Austral ia
Deka Immobilien Investment GmbH	Deka-ImmobilienEu ropa	9/30/2 004	11,158 mil	5.1%	1.3%		3.8%
Deka Immobilien Investment GmbH	Deka-ImmobilienGl obal	9/30/2 004	2,626 mil	23.8%	4.5%	4.5%	14.8%
DB Real Estate GmbH	Grundbesitz-global	3/31/2 005	3,763 mil	9.1%	2.6%	6.5%	

## 2.3 Quantitative Analyses on the International Portfolio Allocation

### 2.3.1 Purpose of the Correlation Analysis

Second only to the issue of whether or not international investment is necessary, exactly how German real estate funds should allocate their assets is a question of great importance. Thus, the optimal allocations of properties by German open-ended funds among Germany, United States, and Japan are examined based on portfolio theory. Each fund surely conducts research on that, but the correlation data have not been published as far as I know, although those among major European cities are relatively easily accessible. In addition, the expected allocations to Asian cities vary from fund to fund (Table 2-2-4), but still Tokyo is their main target because of the market size and stability.

The correlations among the three office markets are analyzed at the following two levels:

- (1) Pure fluctuation correlations among the markets
- (2) Adding the particular characteristics of German open-ended funds, including a typical LTV level and a typical currency risk hedging strategy, to the correlations

### 2.3.2 Base Data and Assumption

As an indicator of German office market, the “DIX Ergebnisse”<sup>26</sup> is applied. This indicator

<sup>26</sup> Created by Deutsche Immobilien Datenbank GmbH



shows both the income yield and the capital yield of overall German office markets since 1996. Because the German office market is dispersed in several major cities and these domestic properties are still important in the international fund's portfolio, and because correlations among western European countries are high<sup>27</sup>, DIX is likely to be the best indicator to show the big picture of the strategy applied by the German open-ended fund. Concerning the US office market, the NCREIF data for the New York CBD is used. New York City is currently receiving high levels of German capital. For Japanese investments, "STIX"<sup>28</sup> is used as an indicator of the Tokyo CBD office market. Most German open-ended funds target the Tokyo CBD as their primary Asian market of choice. STIX includes both income and capital return data for the Tokyo CBD since 1976.

Also, a typical German open-ended fund which is heading for international markets is assumed based on the current data (Appendix A) and on the results from the interviews:

- (1) All property-level LTVs are 30%<sup>29</sup>.
- (2) The expected return from whole real estate portfolio after leverage is 7%.<sup>30</sup>
- (3) The equity portion is fully hedged through the euro-buying forward exchange transaction. No income component is hedged.<sup>31</sup>

### 2.3.3 Results of Analyses

- (1) Pure fluctuation correlations among the three markets

Table 2-3-1 shows the historical total returns of the three real estate markets. According to these historical data, it is distinct that all correlations among Germany, United States, and Japan are very low to each other (Table 2-3-2). As a result of these correlations, the optimal asset allocation among these

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<sup>27</sup> Correlation between Frankfurt and London is 0.75 and that between Frankfurt and Paris is 0.88 (Beyerle, Thomas (Editor), *Urban Values – Real Estate Investment in Europe 2004*, 2004, DEGI Deutsche Gesellschaft für Immobilienfonds mbH)

<sup>28</sup> Created by STB Research Institute, which is a subsidiary of The Sumitomo Trust & Banking Co., Ltd.

<sup>29</sup> The average property-level LTV of international funds is estimated to be 31% except newly launched funds.

<sup>30</sup> The average return on real estate portfolios of the international funds is 6.9%.

<sup>31</sup> According to the interviews with fund managers

markets at 7% total return is as follows: Germany 55%, Japan 15%, and the US 30% (Table 2-3-3). The asset allocation to Germany shown in this analysis seems to be too low in comparison with the current allocation (70% on average<sup>32</sup>), while expansion to the Asian market is on the way.

Table 2-3-1 Property Yield

	Germany <sup>33</sup>			Japan <sup>34</sup>			USA <sup>35</sup>		
	Total	Income	Capital	Total	Income	Capital	Total	Income	Capital
1996	4.5%	5.6%	-1.1%	-3.1%	4.5%	-7.6%	11.38%	8.28%	3.10%
1997	2.9%	5.2%	-2.3%	3.6%	5.0%	-1.4%	17.00%	8.50%	8.50%
1998	5.1%	5.2%	-0.1%	2.5%	6.2%	-3.7%	19.10%	8.10%	11.00%
1999	5.2%	4.8%	0.4%	2.7%	5.9%	-3.2%	12.32%	7.27%	5.05%
2000	6.0%	5.0%	1.0%	3.8%	6.0%	-2.2%	17.04%	7.23%	9.81%
2001	6.2%	5.5%	0.7%	4.4%	6.1%	-1.7%	10.47%	8.15%	2.32%
2002	4.6%	5.6%	-1.0%	4.4%	5.5%	-1.1%	10.79%	8.56%	2.23%
2003	1.6%	5.0%	-3.4%	4.9%	5.4%	-0.5%	12.00%	7.87%	4.13%

Table 2-3-2 Correlation

	Germany	Japan	USA
Germany	1.0000	-0.1163	0.0310
Japan		1.0000	0.0780
USA			1.0000

Table 2-3-3 Optimal Portfolio @7% Return

Germany	Japan	USA
55%	15%	30%

Standard Deviation: 1.39%

(2) 30% LTV and currency hedge for the equity

The analysis above illustrates the pure real estate market correlation among the three markets. However, this includes an unrealistic assumption. That is, all investors have their own original countries, so the problem of the currency exchange rate fluctuation is always attached to both the property income return and the property appreciation return.

<sup>32</sup> Allocation to the European markets total

<sup>33</sup> DIX by Deutsche Immobilien Datenbank GmbH

<sup>34</sup> STIX by STB Research Institute

<sup>35</sup> NPI Returns by National Council of Real Estate Investment Fiduciaries

In the case of German real estate open-ended funds, the income return is fully exposed to the currency risks. Thus, the income return should be the combination of the income return based on the local currency shown in Table 2-3-1 and the exchange rate level between a local currency and euro (Table 2-3-4<sup>36</sup>).

On the other hand, the currency risks on the property price are completely hedged by most funds, fundamentally. Therefore, the property price itself is not affected by any currency rate movement. However, the hedging strategy brings gains or losses to investors, so this effect must be taken into account. The major currency hedge methods are the debt financing with the local currency and the forward exchange transaction. Currently, the debt financing enhances the income return in most real estate markets in the world, the so-called debt leverage, because the property incomes yield is higher than the interest rate (Table 2-3-1 and Table 2-3-5<sup>37</sup>). The income yield from Japanese properties is low from an international perspective, but the spread to the interest rate is much more than that of other markets, so debt financing is beneficial especially to properties in Japan (Section 3.1.3).

The other hedging method, the forward exchange transaction, is applied for the remaining portion, which is not covered by the debt financing. Because the forward transaction rate for the currency with a higher interest rate discounts in future, it creates both gains and losses thanks to the underlying difference between the two subjected currencies (Section 4.3.6). Here again, only the yen creates huge gains for German investors because of its remarkably low interest rate. For the US dollar, the German investors can expect neither large profits nor large losses because of the similar interest level.

According to the effects from the currency fluctuation and its hedging strategy above, the following items should be considered in the adjustments of the income return from the German fund's viewpoint:

(1) Influences from the currency market on the local base yield (Table 2-3-4)

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<sup>36</sup> Data source: OECD Economic Outlook

<sup>37</sup> Data source: OECD Economic Outlook

(2) Leverage effects through the debt financing with the presumption that the LTV is 30% and that the interest rate in each currency is the 10-year governmental bond (Table 2-3-5) plus 70 BP (spread for AAA CMBS, because of the low LTV).

In addition, the following effects are added to the total return for the German funds.

- (1) Forward exchange transaction accrues hedge gains or losses on the equity portion (70% of the property value by definition).
- (2) Because of the full currency risk hedge through the debt financing and the forward exchange transaction, the currency exchange market does not affect the property appreciation return at all.
- (3) Leverage effects the appreciation return through the debt financing

Table 2-3-4 Exchange Rate

	JPY/USD	EUR/USD	DM/USD
1995	94.1	0.73	1.43
1996	108.8	0.77	1.51
1997	121.0	0.89	1.73
1998	130.9	0.90	1.76
1999	113.9	0.94	
2000	107.8	1.09	
2001	121.5	1.12	
2002	125.3	1.06	
2003	115.9	0.89	

1 Euro = 1.95583 DM

Data Source: OECD Economic Outlook

Table 2-3-5 Long-term Governmental Bonds

	Japan	Germany	US
1996	3.1%	6.2%	6.4%
1997	2.4%	5.7%	6.4%
1998	1.5%	4.6%	5.3%
1999	1.7%	4.5%	5.6%
2000	1.7%	5.3%	6.0%
2001	1.3%	4.8%	5.0%
2002	1.3%	4.8%	4.6%
2003	1.1%	4.1%	4.0%

Data Source: OECD Economic Outlook

Table 2-3-6 shows the adjusted return from each market. The return from the German market is sharply dropped in 2003, which lead individual investors to shift money from a domestic fund to an international fund. Also, the total return from the Japanese market is relatively stable and exceeds 7% return in recent years, a return targeted by many international funds. Although adding properties with less than 7% yield to the portfolio with 7% target return does not necessarily mean the negative transaction,

because it may greatly decrease the portfolio risks by low correlations with existing properties, the acquisition decision committee of each fund often settles the 7% as the hurdle rate, so this hurdle rate is still important. The returns of US properties are much more attractive than those of Germany and Japan, but are much more volatile.

Table 2-3-6 Total Return after Adjustments

	Germany	Japan			USA		
	Total	Total	RE Total	Hedge	Total	RE Total	Hedge
1996	3.5%	-3.4%	-6.5%	3.1%	13.5%	13.7%	-0.2%
1997	1.4%	7.3%	4.0%	3.3%	21.9%	22.6%	-0.7%
1998	5.0%	5.2%	2.1%	3.1%	24.1%	24.8%	-0.7%
1999	5.2%	7.1%	4.3%	2.8%	14.1%	15.2%	-1.1%
2000	6.0%	9.7%	6.1%	3.6%	21.9%	22.6%	-0.7%
2001	6.5%	8.3%	4.8%	3.5%	12.6%	12.8%	-0.2%
2002	4.2%	8.4%	4.9%	3.5%	12.8%	12.6%	0.2%
2003	0.2%	8.6%	5.6%	3.0%	13.7%	13.6%	0.1%

The correlation among the three markets is still low (Table 2-3-7), so the portfolio comprised of the three markets significantly improved the risk-return relation in comparison to the German-only portfolio. Actually, the three-market portfolio has a 7% return with 2.0% volatility, while the German-only portfolio has a 4.0% return with 2.2% volatility. Therefore, the three-market fund is much more favorable than the German-only fund, at least from the portfolio theory.

Then, how about the allocation to each market? The result here (Table 2-3-8) is similar to the target allocation answered by the funds (Table 2-2-3). The target allocation to Asia is between 10% and 30%, while the result here is 14%. Therefore, the target allocation by German funds should be considered to be a stable target and they should strive hard to accomplish and maintain the target, because it is the optimal portfolio for the funds.

Table 2-3-7 Correlation

	Germany	Japan	USA
Germany	1.0000	0.0856	0.0518
Japan		1.0000	0.1490
USA			1.0000

Table 2-3-8 Optimal Portfolio @7% Return

Germany	Japan	USA
65%	14%	21%

Standard Deviation: 1.98%

## 2.4 Conclusion of This Chapter

The German public real estate open-ended fund is a major indirect real estate investment product for German individual investors. Because of the characteristics of the product, the investment policy of the fund is fundamentally very conservative. However, the recent sluggish real estate market in Germany forced many funds to enter the foreign markets. They first expanded in the neighboring European countries, then in the US and now they are looking for investment opportunities in the Asian market, especially in Tokyo, which has the largest real estate market and provides stability.

Then, what portion should be allocated to the three markets, Germany, the US, and Japan? According to the interviews conducted by the author, many funds want to allocate to Asian market between 10% and 30%. On the other hand, the portfolio theory says that the optimal allocation to Japan is 14%. Therefore, the strong desire of the German funds to acquire Japanese properties would be proven also by the quantitative analysis.

## 3. Japanese Real Estate Market

### 3.1 Current Market

#### 3.1.1 Leasing Market

The leasing market can be evaluated from two perspectives: the vacancy rate and the rent level. Historically, the vacancy rate in the Japanese office market is very low in comparison with other European

and US cities (Figure 3-1-1)<sup>38</sup>. Moreover, its vacancy rate is almost stable, especially for class-A buildings in the Tokyo CBD (Figure 3-1-2)<sup>39</sup>. The vacancy rate of class-A buildings in the Tokyo CBD is almost in the range of 4% to 6%. The only exception was the spike in 2003, which was called “the 2003 problem”. The new office supply concentrated in this year<sup>40</sup>. However, even under such an extreme case, the class-A office leasing market recovered soon and returned to its original vacancy range.<sup>41</sup> Interestingly, medium and small office buildings were not so much damaged by the 2003 problem as large (non-class-A) buildings. Maybe the new supplied class-A office spaces pulled tenants out from large non-class-A buildings.

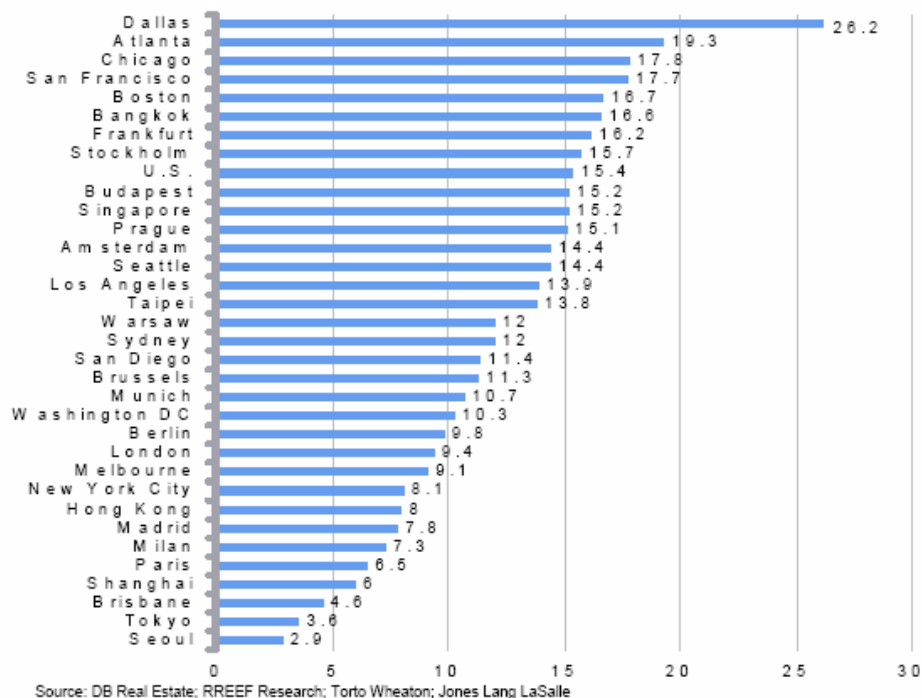


Figure 3-1-1 Office Vacancy Rate

<sup>38</sup> RREEF Research, “Global Real Estate Insights, Improving Fundamentals versus Rising Interest Rates,” April 12, 2005, DB Real Estate Research

<sup>39</sup> Sourced by The Real Estate Investment Analysis Team, Financial Research Group, NLI Research, “Tokyo Office Market Trend – Cloudy Outlook for Leasing, While Investment Heats Up,” NLI Research, January 28, 2005

<sup>40</sup> According to the report issued by Mori Building Co., Ltd., the supply of large-scale office buildings in Central Tokyo (23-wards) changed as follows; 720,000 m<sup>2</sup> in 2000, 890,000 m<sup>2</sup> in 2001, 1,180,000 m<sup>2</sup> in 2002, 2,210,000 m<sup>2</sup> in 2003, and 1,118,000 m<sup>2</sup> in 2004.

<sup>41</sup> According to most recent report in “Office Market Report, vol. 33, 2005 Spring” issued by K. K. Ikoma Data Service, the vacancy rate in Tokyo CBD was 2.9%.

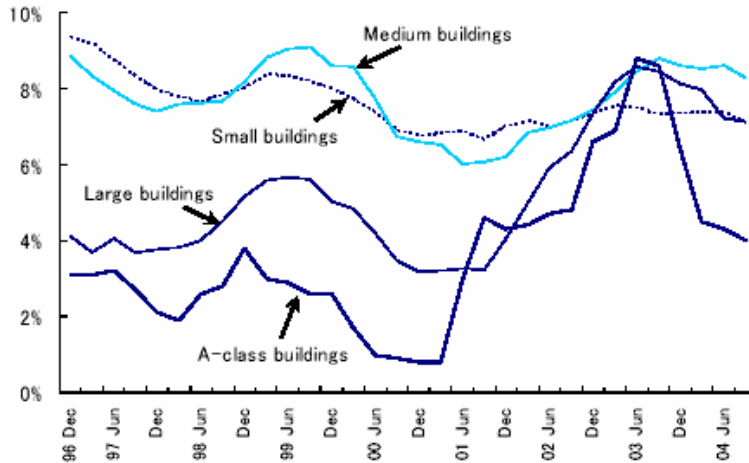
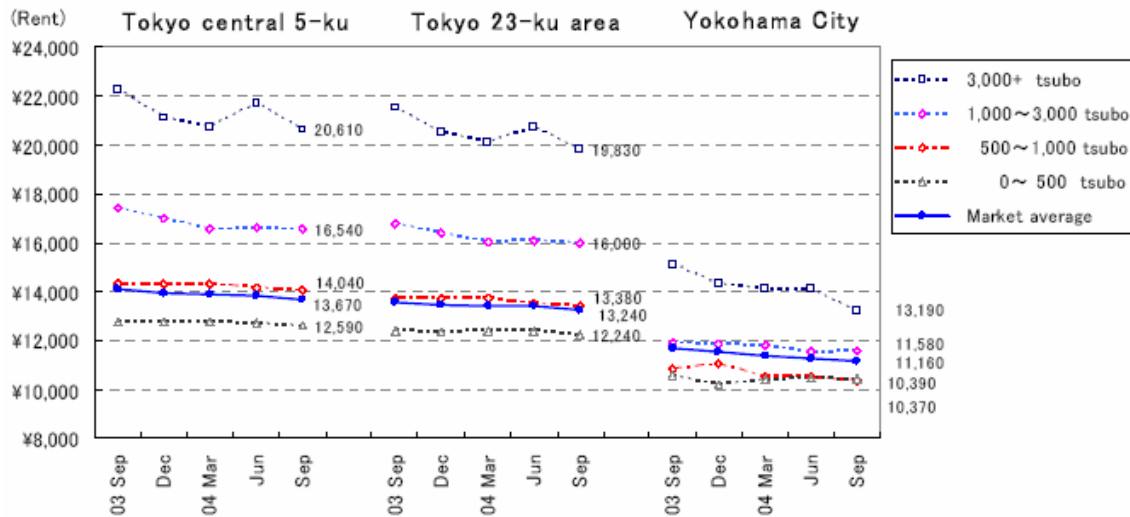


Figure 3-1-2 Tokyo CBD Office Vacancy Rate

Along with the vacancy rate, the rent level is an important factor for the office leasing market.

Market rents of the Tokyo CBD, central Tokyo, and Yokohama are decreasing little by little, regardless the area and building size (Figure 3-1-3)<sup>42</sup>. In exchange for the recovering vacancy rates, landlords may accept rent reductions.



Source: Compiled using materials from Ikoma Data Service System, IDSS-CREIS online service.

Figure 3-1-3 Office Rents by Area and Building Size<sup>43</sup>

<sup>42</sup> Sourced by The Real Estate Investment Analysis Team, Financial Research Group, NLI Research, “Tokyo Office Market Trend – Cloudy Outlook for Leasing, While Investment Heats Up,” NLI Research, January 28, 2005

<sup>43</sup> Monthly rent per Tsubo which is 3.30578 square meter



However, there is a different story for class-A buildings located in a better location, for example, Otemachi and Marunouchi in the Tokyo CBD (Figure 3-1-4)<sup>44</sup>. The rent level of the buildings built after 1982<sup>45</sup> in these areas began to increase in 2003. Also, according to a report by Mori Trust, many big tenants moved into newly developed buildings in the superior Tokyo CBD areas such as the Marunouchi and Nihonbashi area and the Shiodome and Shinagawa area from the surrounding, but still CBD, areas (Figure 3-1-5)<sup>46</sup>. That would be the reason that rents in these superior CBD areas reversed. In short, there are winners and losers among Tokyo CBD office markets.

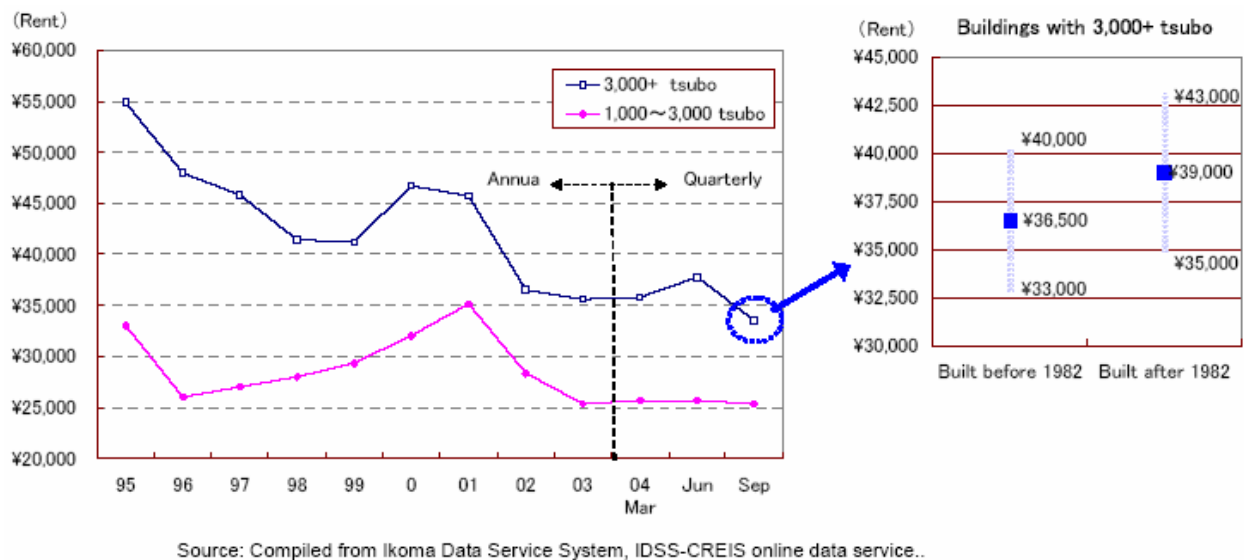


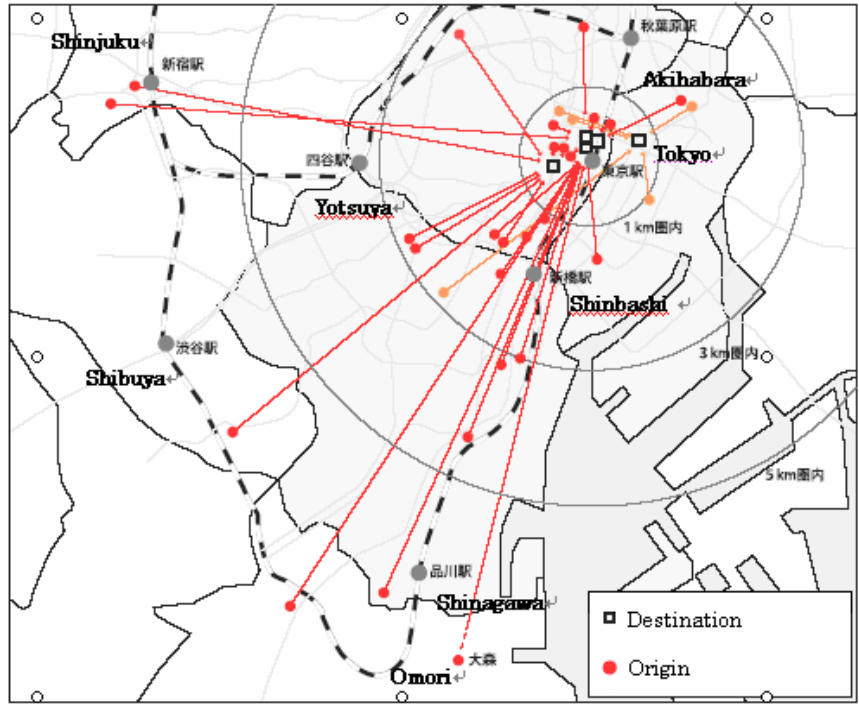
Figure 3-1-4 Office Rents in Marunouchi and Otemachi

<sup>44</sup> Sourced by The Real Estate Investment Analysis Team, Financial Research Group, NLI Research, “Tokyo Office Market Trend – Cloudy Outlook for Leasing, While Investment Heats Up,” NLI Research, January 28, 2005

<sup>45</sup> One year after the new anti-seismic building code was introduced.

<sup>46</sup> Ono, Makoto and Nakayama, Yasunari, “Survey on Large-Scale Office Buildings Supply in Tokyo 23-Wards, 2005,” Mori Building Co., Ltd., April 11, 2005, Mori Building Co., Ltd.

(Into Marunouchi and Nihonbashi Area)



(Into Shiodome and Shinagawa Area)

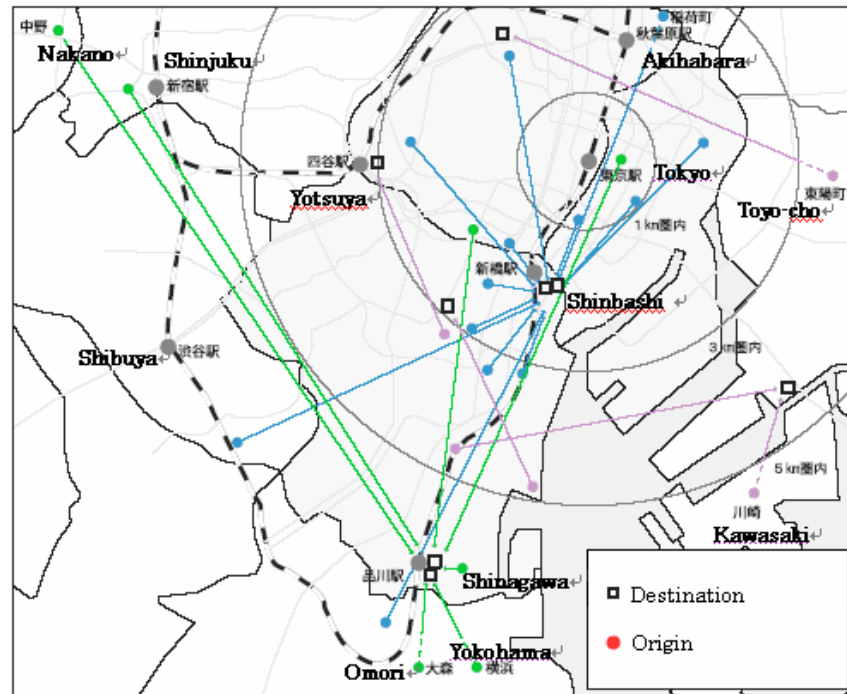


Figure 3-1-5 Tenant Movements into New Developed Buildings over 10,000 Tsubo

### 3.1.2 Investment Market

As with many major office markets in the world, the capitalization rate and the expected yield are gradually lowering in Japan. Japanese Real Estate Institute illustrates that the expected capitalization rate for class-A building located in Marunouchi-Otemachi area (the most prestigious submarket in Tokyo) was squeezed from 5.5% in October 2000 to 4.3% in April 2005<sup>47</sup> (Figure 3-1-6). The capitalization rate in Japan is not as high as in other US and Asian cities except Singapore and Beijing, but almost the comparable level with major European cities<sup>48</sup> (Table 3-1-1). Especially, the capitalization rate in Frankfurt, which is the representative city for the German real estate market, is almost the same as that in the Japanese market.

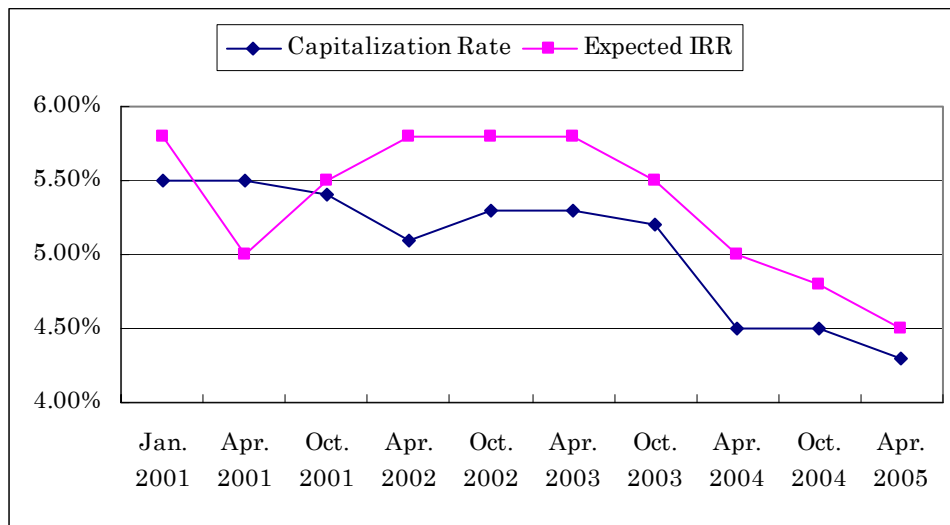


Figure 3-1-6 Investors Survey for Class-A Office Building in Marunouchi-Otemachi Area

<sup>47</sup> Research and Study Department, Japan Real Estate Institute, “The Japanese Real Estate Investor Survey No.3 – No.12”, 2004, Japan Real Estate Institute

<sup>48</sup> Matsumoto, Nobuyoshi, International Affairs Committee, Japanese Association of Real Estate Appraisal, “Results of Survey on International Land Price and Others as of the End of 2003,” March 2004, Japanese Association of Real Estate Appraisals

Table 3-1-1 Capitalization Rates in Major International Cities as of 2003 (CBD)

Asia Pacific							USA		Europe		
Tokyo	Osaka	Singapore	Seoul	Beijing	Hong Kong	Sidney	New York	Los Angeles	Frankfurt	London	Paris
5.5%	6.5%	3.0%	9.0%	5.0%	7.5%	7.5%	7.5%	9.0%	5.0%	6.5%	6.5%

However, these standardized figures hide the most important point in the Japanese investment market, namely accessibility to deal flows. Especially for class-A buildings, the transaction tends to be conducted among limited participants, namely in the off-market. Additionally, the capitalization rates applied in publicly available transactions are sometimes different from those prevailing in the market consensus. Appendix C illustrates transactions in Tokyo CBD and the central Tokyo area between January 2004 and June 2005 for big office buildings, which have more than a 30,000m<sup>2</sup> total floor area; 35 transactions are observed in the data and its characteristics are as follows:

- 1) There are many transactions between affiliated or closely related companies:

Transactions between affiliated companies: 9 (No. 1, 4, 9, 10, 22, 27, 30, 31, and 33)

Transactions between Keiretsu<sup>49</sup> companies: 5 (No. 7, 18, 20, 25, and 32)

Acquisition from development or ownership partner: 3 (No. 2, 11, and 35)

Transactions between the landlord and the tenant: 1 (No. 3)

- 2) Capitalization rates of the transactions between non-affiliated companies are lower than the results of the Investor Survey, although most capitalization rates are unknown.

Shinjuku Square Tower (No. 19): 4.3%, Investor Survey (April 2004, Shinjuku area): 5.5%

JAL Building (No. 16): 4.7%, Investor Survey (April 2005, Shinagawa area): 5.2%

<sup>49</sup> WIKIPEDIA explains as follows: Currently Keiretsu refers to the horizontally and vertically linked structure of post-war Japan multi-national companies. The horizontally linked groups include a wide range of industries linked through majority shareholdings in banks and general trading firms. Examples are Mitsubishi, Mitsui, Sumitomo, Fuyo, DKB, Sanwa, Tokai, and IBJ. The vertically structured groups are linked around parent companies, with subsidiaries usually serving as suppliers, distributors, and retail outlets. Examples of vertically integrated groups are such as Toyota, Hitachi, Toshiba, Fujitsu, Matsushita, and Sony. Common features among the groups include crossholding of company shares, intra-group financing, joint investment, mutual appointment of officers, and other joint business.

3) Capitalization rates of the transactions between affiliated companies are higher than the results of the Investor Survey, although most capitalization rates are unknown.

Tennozu Park Side Building (No. 27): 7.1%, Investor Survey (April 2004, Shinagawa area): 5.5%

Toyosu Center Building (No. 10): 8.1%, Investor Survey: N/A

Mizuho Bank Headquarters Building (No. 7): 6.1%, Investor Survey (April 2004, Otemachi): 4.5%

4) Many buyers use a securitization scheme for the acquisition. Not a few of these securitized properties were assumed to be added to investment funds.

Acquisition through SPV: 16 transactions

5) J-REITs acquired only 7 properties, 4 of which were sold by a related company.

Japan Real Estate Investment Corporation: 3 transactions (No. 20, 22, and 32)

Japan Prime Realty Investment Corporation: 1 transaction (No. 19)

Nomura Real Estate Office Fund, Inc.: 2 transactions (No. 16 and 27)

Nippon Building Fund: 1 transaction (No. 35)

6) Foreign investors acquired 8 properties. Activities of Morgan Stanley are outstanding.

Morgan Stanley: 5 transactions (No. 5, 13, 21, 26, and 28)

Loan Star Group: 1 transaction (No. 6)

The Government of Singapore Investment Corporation: 1 transaction (No. 15)

daVinci Advisors: 1 transaction (No. 12)

7) Some sellers who sold their properties to non-affiliated buyers are companies in business difficulties. However, I avoid saying the individual company names here.

In conclusion, although many class-A buildings are traded in the Japan, more than half of them are transacted between related companies. Thus, actual opportunities that a third party investor participates in such transactions between related companies would be almost impossible. On the other hand, the door is opening for the rest of transactions, where some foreign investors such as Morgan Stanley are playing

significant roles. The capitalization rates applied by these foreign investors are unclear, but their expected return is surely much higher than that of J-REITs in many cases, because Morgan Stanley and Loan Star Group are opportunistic investors. However, how they access the deals is still vague. Probably, they developed such a deep network in Japanese real estate industry or NPL business societies that it can obtain transaction availability out of the market.

### 3.1.3 Property Yield and Yield Gap to the Interest Rate

The property yield by the acquisition in Tokyo belongs to the lowest group among major real estate markets. However, from the viewpoint of the yield spread between the property yield and the long-term interest rate, the spread in Tokyo is reversely large: 4.5% (Table 3-1-2). On the other hand, the spreads in New York, Frankfurt, Paris and London are much lower than Japan, for example, 3.5% in New York, 0.9% in Frankfurt, 2.4% in Paris, and 2.0% in London. This means that the risk premium on real estate in Japan is higher than in other major markets, but the volatility of the property returns (the capital return plus the appreciation return) in Japan since 1996 (2.6%) is between those in New York (3.4%) and in Frankfurt (1.6%). Thus, the Japanese property market would be attractive from the risk-return relation.

In the actual investment, this yield spread creates value through the debt finance leverage. In addition, financing with the local currency is a strong measure for foreign investors to hedge the currency risks. That is, the higher the LTV level applied for a property in Japan is, the more the investment value is created through the debt financing leverage and diminished currency risks.

Table 3-1-2 CAP Rate and Long-Term Interest Rate Spread in Major Markets (as of 2003)

City	Tokyo	Singapore	Seoul	Beijing	Hong Kong	Sidney	New York	Los Angeles	Frankfurt	London	Paris
Cap Rate	5.5%	3.0%	9.0%	5.0%	7.5%	7.5%	7.5%	9.0%	5.0%	6.5%	6.5%
Int. Rate*	1.0%		5.4%			5.0%	4.0%	4.0%	4.1%	4.5%	4.1%
Spread	4.5%		3.6%			2.5%	3.5%	5.0%	0.9%	2.0%	2.4%

\* Interest Rate is the 10-year governmental bond rate

Data Source: OECD Economic Outlook and Japanese Association of Real Estate Appraisal

### 3.1.4 Real Estate Securitization

Progress of property securitization can be regarded as the evidence that the real estate becomes a financial product. For good or for bad, while it brings huge investment money into the real estate industry, it changes the property pricing method. Ministry of Land, Infrastructure and Transportation described this change<sup>50</sup>: “In Japan, land is regarded as a separate asset from buildings. ... Property price, including that for income producing properties, usually comprises land price plus building price, which are calculated separately. Land prices are normally determined by market comparisons utilizing land price indices prepared by the Government, ... , whilst building prices are normally determined in the market through cost approach. Currently, due to the continued land price declines and the spread of property securitization, property prices are beginning to be determined by reflecting the income from the subject properties, where real property assets are considered as a whole, using the income approach.”

Then, how about progress of real estate securitization in Japan? According to the recently published White Paper<sup>51</sup>, the securitized real estate market is rapidly growing and the current market size is approximately ¥20 trillion (fiscal year). For instance, only 9 properties (¥61.6 billion) are securitized in 1997, but in 2004, 1027 properties (¥7,518.3 billion) were securitized (Figure 3-1-7). The White Paper explains that “The securitized real estate market is still expanding by off-balancing of assets by private companies and by increasing demand for real estate investment by foreign and domestic investors, who are looking for investment opportunities.”

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<sup>50</sup> Land Information Division, Land and Water Bureau, Ministry of Land, Infrastructure and Transport “*Summary of White Paper on Land (2004)*,” 2005, Ministry of Land, Infrastructure and Transport

<sup>51</sup> Land Information Division, Land and Water Bureau, Ministry of Land, Infrastructure and Transport “*Summary of White Paper on Land (2005)*,” 2005, Ministry of Land, Infrastructure and Transport

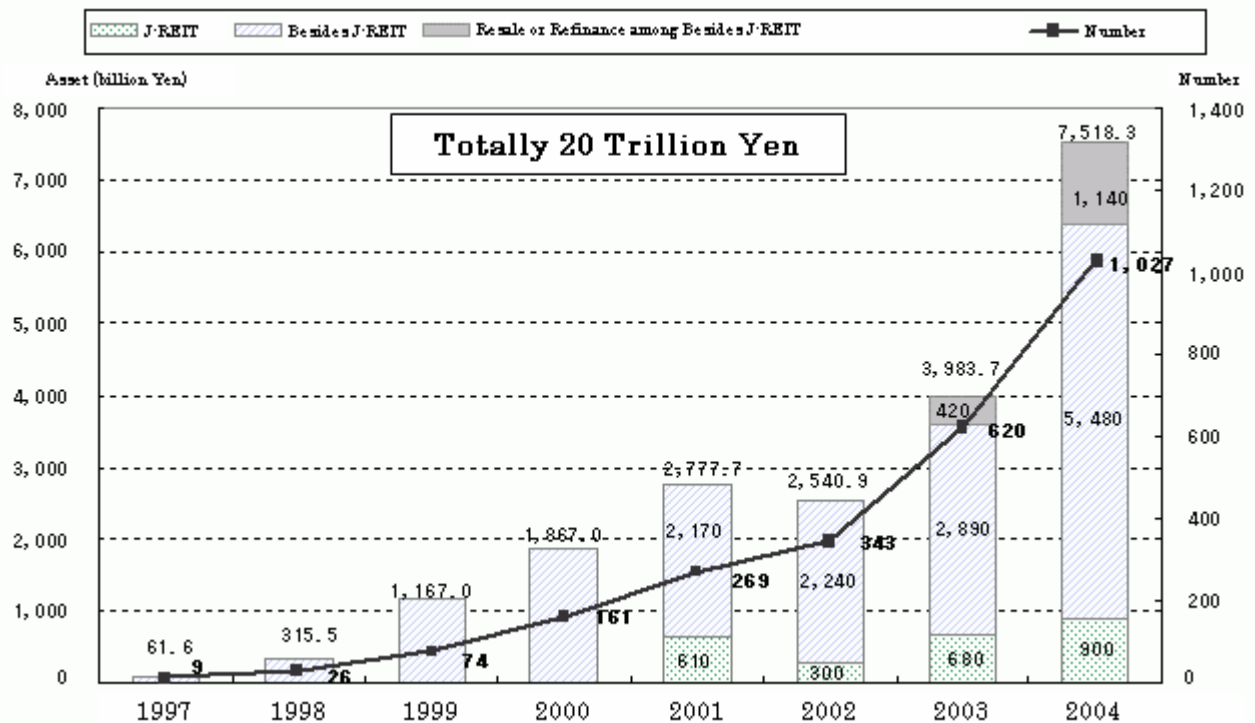


Figure 3-1-7 Japanese Securitized Real Estate Market

Besides the White Paper on Land, Ministry of Land, Infrastructure and Transport made a detailed research on Japanese Market<sup>52</sup>. Followings are the summary of the research.

- 1) Some securitized products reached at their maturity date. According to a questionnaire, a total of ¥420 billion assets in 2003 and ¥1,100 billion assets in 2004 were refinanced or resold.
- 2) In 2004, acquisition of indenture through an incorporated company or a joint-stock corporation was ¥4,177 billion (55%), acquisition through a SPC, which is controlled by Law on Asset Fluidization, was ¥2,196 billion, and acquisition by the J-REITs was ¥895 billion.
- 3) The amount of securitized assets increased in all property types. The largest securitized property type is office (40%, cumulatively), but recently securitization of residential and retail properties is increasing (Figure 3-1-8).
- 4) The number of leased-back properties by the originator is dwindling year by year: ¥1,500 billion (62

<sup>52</sup> Sasahara and Yamauchi, "Survey on Real Estate Securitization" June 10, 2005, Ministry of Land, Infrastructure and Transport



transactions) in 2001, ¥770 billion (62 transactions) in 2002, ¥600 billion (64 transactions) in 2003, and ¥440 billion (62 transactions) in 2004.

- 5) The number of securitizations from the development stage is augmenting: ¥290 billion (44 transactions) in 2001, ¥400 billion (76 transactions) in 2002, ¥550 billion (84 transactions) in 2003, and ¥580 billion (123 transactions) in 2004

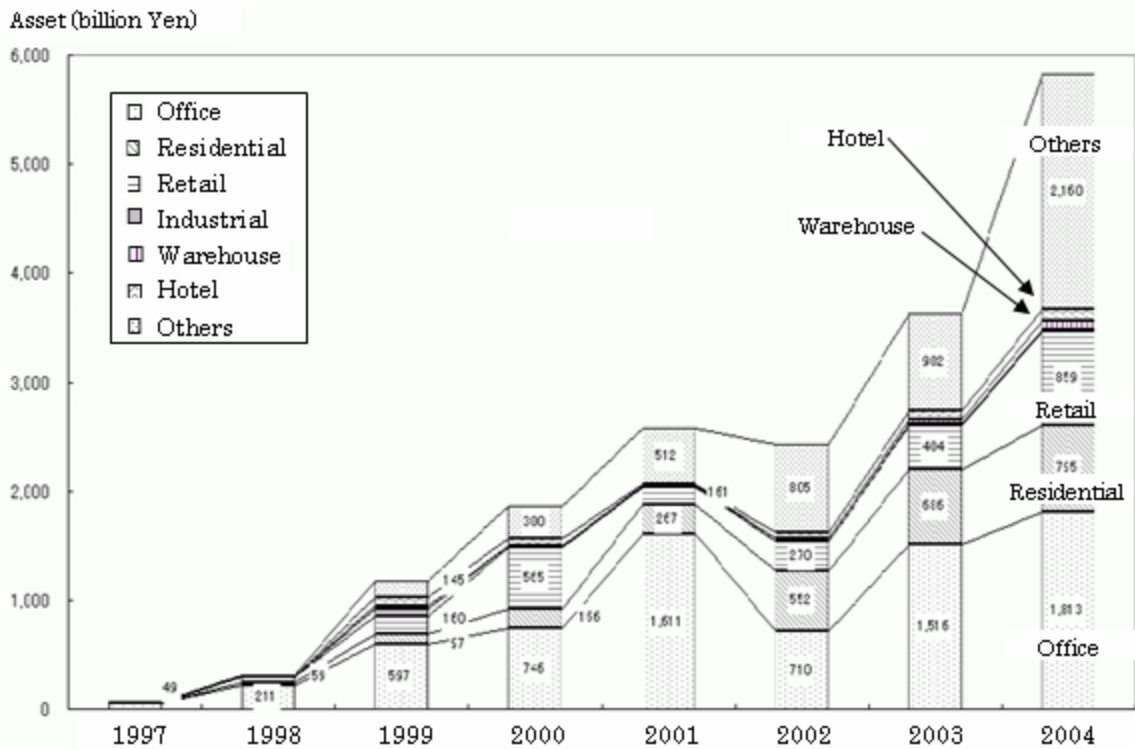


Figure 3-1-8 Securitized Properties by Product Type

### 3.1.5 Players

The existence of investors who evaluate the same asset at different price from that of the investor market (Investment Value Investor) makes the real estate market different from other mainstream investment markets such as stock markets<sup>53</sup>. This kind of investor occasionally bids off a property with an

<sup>53</sup> “The investment value of a property is its value to a particular owner, who would be owing and operating the asset for a long period of time, and explicitly not planning to sell the asset for a long period of time.” David Geltner, David

extremely low capitalization rate. For example, in June, 2004, Tokyo University of Science acquired an office building with a 3.2% capitalization rate (No. 66 in Appendix D). The university was planning to use the property as a temporary campus during the reconstruction period of the existing campus near the property<sup>54</sup>. This capitalization rate is the lowest figure: others are all above 4.0% except Miyashiro Building (No.241 in Appendix D).

Furthermore, even with the market value investors<sup>55</sup>, there are two types (Figure 3-1-9). The first group, the status quo investor, evaluates properties based on the existing buildings. Many of this type are not developers, but institutional investors, including J-REITs, investment funds, and financial institutions. They may think much of financial aspects of the real estate, namely the stable income stream and the capitalization rate. The other group, the potential value investor, evaluates properties based on the redevelopment value of the property. Because building regulations and an optimal building type in an area can shift as time passes, the value created by the redevelopment may exceed the current market value, even if demolition costs are taken into account. Because of the lack of data, the expected capitalization rates applied for these transactions cannot be shown here, but Nakano Sun Plaza, Mizuho Bank Ootemachi Head Office Building, Ootemachi Financial Center, and UFJ Tokyo Building are included in this type of transactions (Appendix D). These properties have a high possibility that they may be acquired with a capitalization rate below the market consensus capitalization rate, which presupposes that the building will be operated as it is.

Therefore, in order to understand “real” competitors for a status quo investor, including German open-ended funds, characteristics of each transaction must be carefully examined; transactions conducted by investment value investors and potential value investors should be excluded. It may be meaningless for status quo investors to compete with investors with a different property valuation criterion.

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and Miller, Norman G., “*Commercial Real Estate Analysis and Investments*,” p270, 2001, South-Western Publishing

<sup>54</sup> Nikkei Business Publications, Inc. “*Nikkei Real Estate Market Information July 2004*,” 2004, Nikkei Business Publications, Inc.

<sup>55</sup> Those who invest in properties for investment purpose, not for self-use purpose

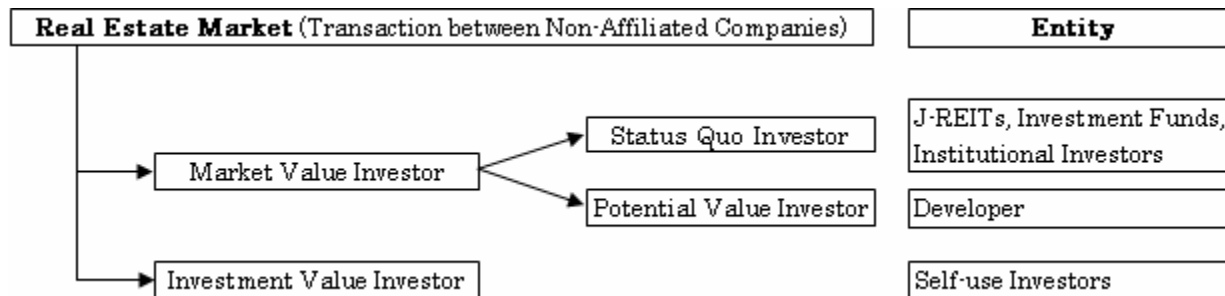


Figure 3-1-9 Classification of Players

Then, what is the situation of J-REITs and private funds, which are representative Status Quo Investors? J-REITs accounts for 32% of the total office building buyers in 2004, the largest buyer of the office sector. However, they are still on the way of expansion, so their participation in the market as a seller is very limited, but the fact that some JREITs began to sell their assets in 2004 may mean that some J-REITs are approaching the turning point (Section 5-1-3). On the other hand, SPCs are now a major players both as a buyer and a seller. Not all, but many, SPCs are investment vehicles applied by private funds, so this means that some funds would mature and sell their properties (Figure 3-1-10)<sup>56</sup>.

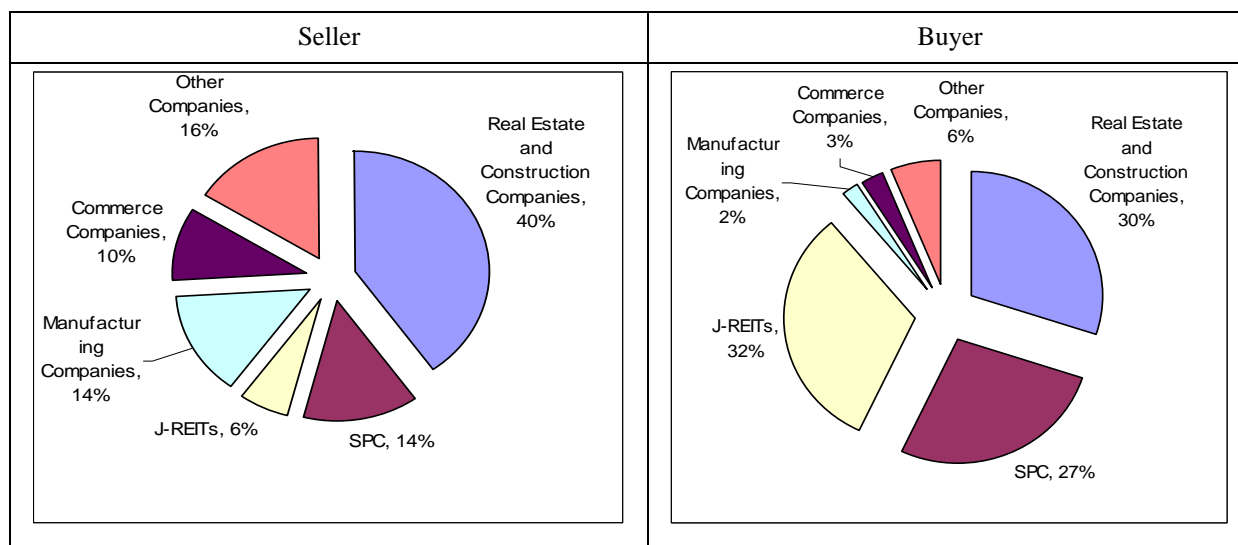


Figure 3-1-10 Players in the Office Investment Market in 2004

<sup>56</sup> Data Source: Sato, Yasuhiro, Urban Research Institute, Corp., “Topic 1: Reality of Office Transactions,” Real Estate Topics (June, 2005), 2005, Mizuho & Trust Banking Co., Ltd.

## 1) J-REITs

The first two J-REITs, Nippon Building Fund and Japan Real Estate Investment Corporation, were listed in September 2001. Currently, 22 J-REITs are listed on Japanese stock exchanges and other 24 J-REITs<sup>57</sup> are preparing for the listing (Appendix E). Together with the incremental number of J-REITs, total property volume acquired by J-REITs is also growing (Figure 3-1-11<sup>58</sup>). The volume of J-REITs is approximately 12% of the securitized real estate market. It is true that J-REITs are not the largest real estate investor in Japan, but they are the only entity, which is legally required to announce its detailed transaction data publicly, so its transparent activities are powerfully influencing the property pricing in the whole market.

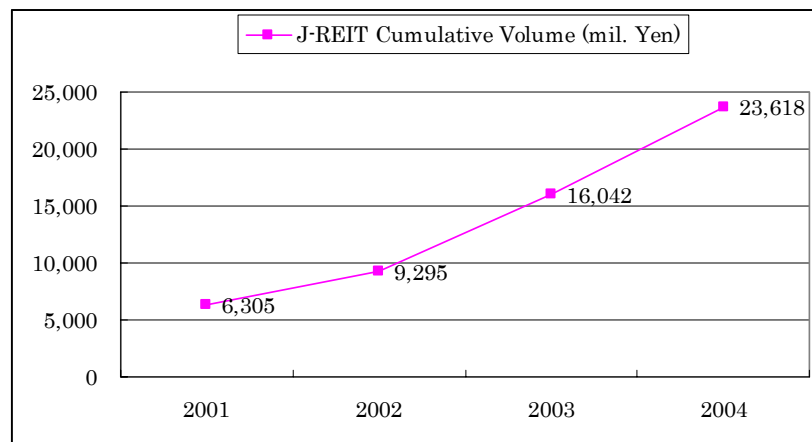


Figure 3-1-11 Cumulative Asset Volume of J-REITs

J-REITs are heavily investing in the office and the retail sector and prefer properties located in the greater Tokyo area (the Tokyo CBD, central Tokyo, and Tokyo suburb) (Figure 3-1-12). This concentrated investment in the Tokyo office market by J-REITs is considered to be the largest reason which raised property values there (Appendix F). However, each building has different characteristics

<sup>57</sup> As far as I know from various news sources

<sup>58</sup> Sourced by Land Information Division, Land and Water Bureau, Ministry of Land, Infrastructure and Transport "Summary of White Paper on Land (2005)," 2005, Ministry of Land, Infrastructure and Transport

such as its age, the tenant structure, the location and others, so to judge whether transactions conducted by J-REITs are below the market capitalization rate or not is difficult. However, by comparing their capitalization rate applied for class-A buildings<sup>59</sup> to the Investor Survey<sup>60</sup>, their rough investment criteria in relation to the market consensus capitalization rate can be assumed (Table 3-1-3<sup>61</sup>). According to Table 3-1-3, the capitalization rates applied by J-REITs, at least for class-A properties in Tokyo, do not seem to be too low in comparison to Investor Survey except Shinjuku Square Tower. As a matter of fact, J-REITs acquire properties at a market consensus level in many cases. Reversely speaking, the legally required transparency prevents J-REITs from buying properties with an unreasonably low capitalization rate. However, many class-A office buildings acquired by J-REITs were partial ownership, aged buildings, or both. If these factors are added to the capitalization rates as a risk premium, the J-REIT's capitalization rates would be lower than the market consensus.

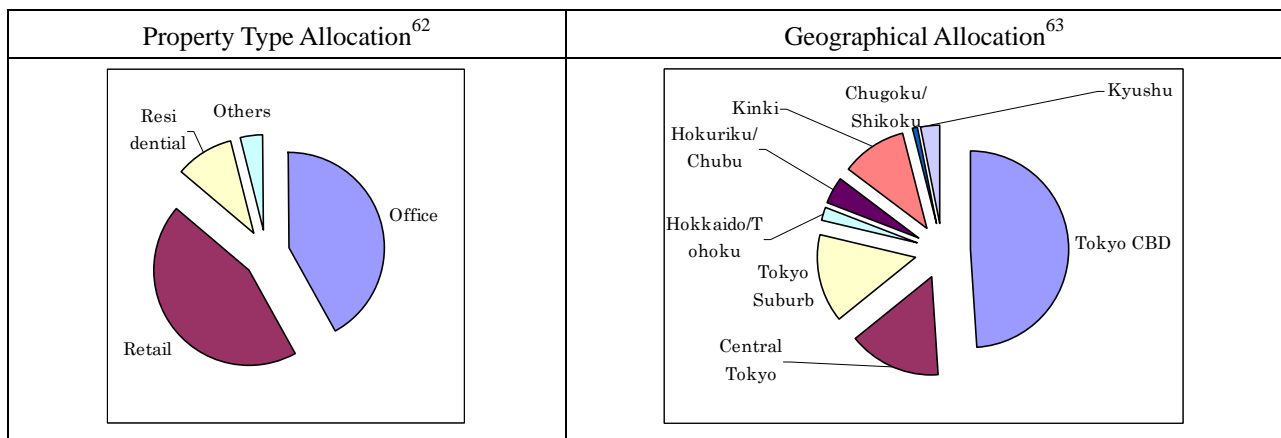


Figure 3-1-12 J-REITs Investment Allocation

<sup>59</sup> Investor Survey also provides information about additional risk premiums to a presumed class-A office building by the building age, the total floor area, the ceiling height, and so forth. However, the capitalization rate calculated by simply adding these risk premiums appears to be unreasonable, so in this thesis, capitalization rates only for class-A buildings are compared.

<sup>60</sup> Research and Study Department, Japan Real Estate Institute, “*The Japanese Real Estate Investor Survey*,” Japan Real Estate Institute

<sup>61</sup> Data source: The public announcements by J-REITs. In order to avoid inaccuracy, the properties whose total floor area is above 10,000 m<sup>2</sup> and whose location is included in the Investor Survey are selected.

<sup>62</sup> Data Source: The Association for Real Estate Securitization

<sup>63</sup> Land Information Division, Land and Water Bureau, Ministry of Land, Infrastructure and Transport “*Summary of White Paper on Land (2005)*,” 2005, Ministry of Land, Infrastructure and Transport

Table 3-1-3 Class-A Office Building Transactions in Tokyo by J-REITs

Building	Area	Investor Survey	Transaction	Remarks
Shinjuku Square Tower	Nishi-Shinjuku	5.5% (Apr. 2004)	4.3% (Jun. 2004)	Partial ownership Completion in 1994
Toranomon Kotohira Tower	Toranomon	5.3% (Oct. 2004)	4.9% (Sep. 2004)	Partial ownership Brand-new building
Nihon-bashi Muro-machi Center Building	Nihonbashi	5.2% (Oct. 2004)	5.3% (Dec. 2004)	Completion in 1986
Osaki MT Building	Osaki	5.5% (Apr. 2005)	5.4% (Mar. 2005)	Partial ownership Completion in 1994
Fujita Kanko Toranomom Building	Toranomon	5.3% (Oct. 2004)	5.6% (Dec. 2004)	Partial ownership Completion in 1988

## 2) Private Funds

The actual volume and the return of real estate private funds are not disclosed. However, STB Research Institute made an interesting study on them based on a questionnaire. The following are the summary of the report by STB Research Institute<sup>64</sup>:

- (1) The market size of private real estate funds was estimated to be ¥2.2 trillion as of December, 2004. This sector has grown at the same pace as J-REITs (Figure 3-1-13).

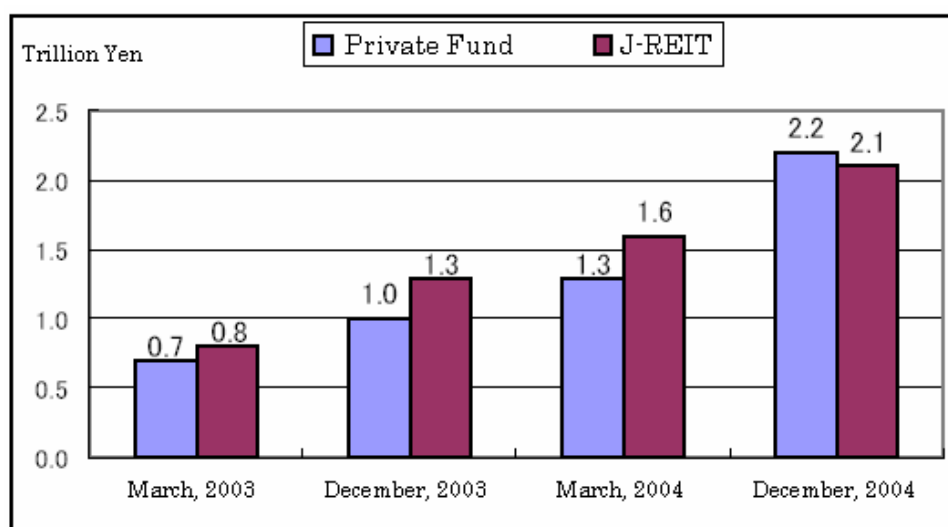


Figure 3-1-13 Asset Volume of J-REITs and Private Funds

<sup>64</sup> STB Research Institute, "Survey on Real Estate Private Funds (2004): Results", January 26, 2005, News Release, STB Research Institute

- (2) Both the average volume and the average expected return of private funds decreased in 2004 (Figure 3-1-14). This may be derived from the increasing presence of domestic pension funds as investors to private funds, since pension funds prefer relatively conservative investments. Additionally, severe competition to acquire properties in the central Tokyo areas may work to depress the expected return.

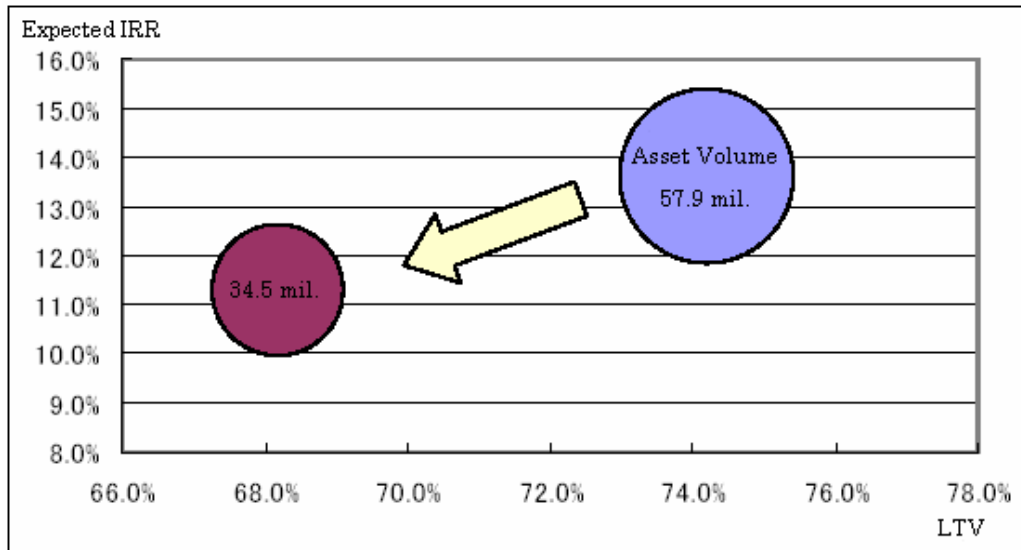


Figure 3-1-14 Typical Private Fund Volume and Expected IRR

- (3) The majority of private fund managers think that while rents for large-scale office buildings in Tokyo CBD will increase, these properties will still be difficult to acquire (Figure 3-1-15).

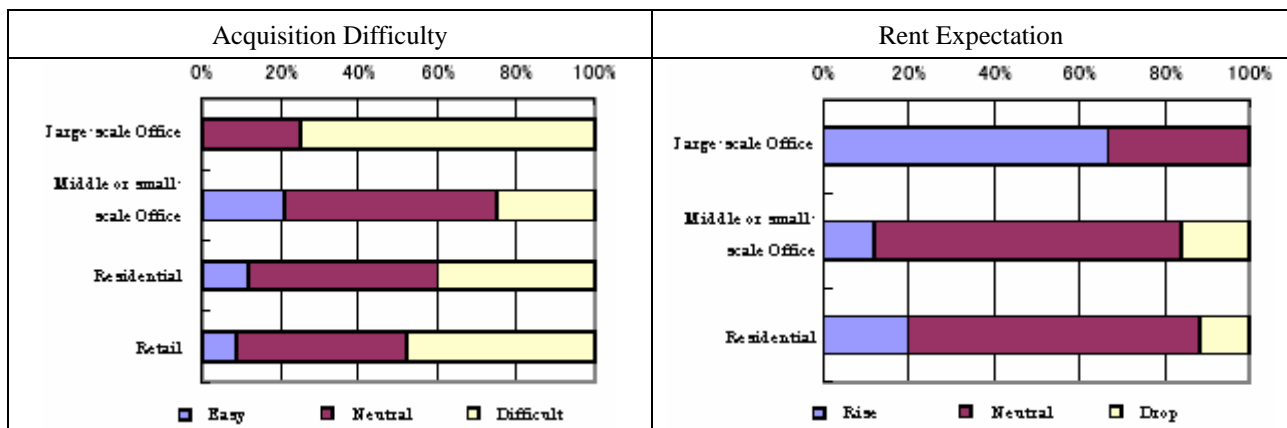


Figure 3-1-15 Acquisition Difficulty and Rent Expectation based on Questionnaire

- (4) While almost half of the funds focus on the Tokyo market, the other half focus on areas other than Tokyo. The ratio of the latter was increased from the survey last year. Probably, severe competition in Tokyo forced them to head for other regions.
- (5) The largest number of fund management companies entered the private fund business in 2003.

(6) J-REITs are regarded as the most important exit for private funds, which includes the transformation of a fund into a J-REIT and property sales to J-REITs.

As shown in Figure 3-1-14, the expected return by a typical private fund is around 11% with 68% LTV. If the interest rate accrued on the debt is 1.5%, a rate which is a little bit higher than the Japanese 10-year government bond yield, the expected return on property should be 4.54%. Thus, the capitalization rate applied by private funds may be comparable to J-REITs. Actually, some J-REITs sold properties to private funds (Table 3-1-4). Therefore, the notion that only J-REITs are hunting for office buildings in Tokyo is wrong. Private funds are also competitive players in the Tokyo office market.

(Table 3-1-4) J-REIT Dispositions

J-REIT	Buyer	Date	Building Name	TFA (SM)	Const ruction	Loca tion	Price (mil. Yen)	CAP rate
ORIX JREIT	AIG Edison Life Insurance*	Dec. 2004	Nikko Kagurazaka Building	3,262	1992	Tokyo CBD	1,627	
ORIX JREIT	AIG Edison Life Insurance*	Dec. 2004	West Side Gotanda	1,822	1991	Cent. Tokyo	578	
ORIX JREIT	AIG Edison Life Insurance*	Dec. 2004	Landic Gotanda	3,596	1997	Cent. Tokyo	2,135	
ORIX JREIT	Tact Iryo (K)* and individual	Jun. 2005	VX Kayaba-cho Building	2,086	2001	Cent. Tokyo	1,040	
Global One Real Estate Investment	Big Forest Capital Company* (SPC of Shoei Co., Ltd.)	Oct. 2004	Kintetsu Omori Building	10,442	2002	Cent. Tokyo	5,600	5.6%
Nippon Building Fund	Simplex Investment Advisors, Inc.	May. 2004	Shinjuku Yocho-machi Building	7,185	1990	Tokyo CBD	2,700	5.1%
Japan Prime Realty Investment	Gokokuji Holding TMK* (TMK of Morgan Stanley)	Dec. 2004	JPR Ikebukuro Building	6,468	1980	Cent. Tokyo	3,345	4.2%

\* The company name translated by the author.



## 3.2 Future Expectation on Japanese Office Market

### 3.2.1 New Office Supply and Absorption

The office vacancy rate is determined by the current vacant space plus the net new space supply less the absorption. Therefore, in order to forecast a vacancy rate, investigation on projects in the pipeline and the estimation of the absorption is indispensable. The actual names of projects over 30,000 m<sup>2</sup> in the pipeline are enumerated in Appendix G. Because of the necessity for the historical data, the numerical values used for the analysis here are adopted from those provided by Mori Building, which include a slight difference with Appendix G<sup>65</sup>.

Mori Building made a similar simulation on this topic by using a regression model<sup>66</sup>, but it forecasts the future space absorption only with the relation to the space supply. However, the macro-economic situation would also be a factor for the absorption, so this paper creates a regression model both from the office supply and from the real GDP growth rate<sup>67</sup> and forecasts the future absorption level and the vacancy rate<sup>68</sup>. This regression model seems to work well because of high t-statistics and R square:

$$\begin{aligned} (\text{Absorption Level}) = & -7.161 + 1493.01 * (\text{GDP Growth Rate}) + 0.8566 * (\text{New Supply Level}) \\ & (-0.37) \quad (2.66) \qquad \qquad \qquad (5.39) \qquad \qquad R^2 = 0.83 \end{aligned}$$

Then, based on this model, the absorption level and the vacancy rate for large-scale office markets in Tokyo were surmised. This result shows that the vacancy rate will continue to decrease both in 2005 (5.0%) and 2006 (4.9%), despite large supply in 2006. Also, because of the drop of office supply between 2007 and 2009, the vacancy rate will further decrease, as long as the real GDP growth rate is

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<sup>65</sup> Data provided by Mori Building are based on properties over 10,000 m<sup>2</sup> and excludes the floor area which is not used for an office use or the related, while the data in Appendix G are properties over 30,000 m<sup>2</sup> and used mainly for office.

<sup>66</sup> Hashimoto, Moichiro and Murata, Tomio, Property Management Planning Division, Mori Building Co., Ltd., “*Survey on Large-scale Office Market in Tokyo 23-Wards (December, 2004)*,” May 10, 2005, Mori Building Co., Ltd.

<sup>67</sup> Data source: “Economic and Financial White Paper of Japan (2004)” for the past data and various press releases by research institutes for forecast data (averaged).

<sup>68</sup> New office supply data between 1993 and 2009, absorption data between 1993 and 2004, and vacancy rate 1993 and 2004 are sourced by “Large-scale Office Building Market Report in Tokyo 23-Wards (December, 2004)” above.

above 1.0% (Figure 3-2-1).

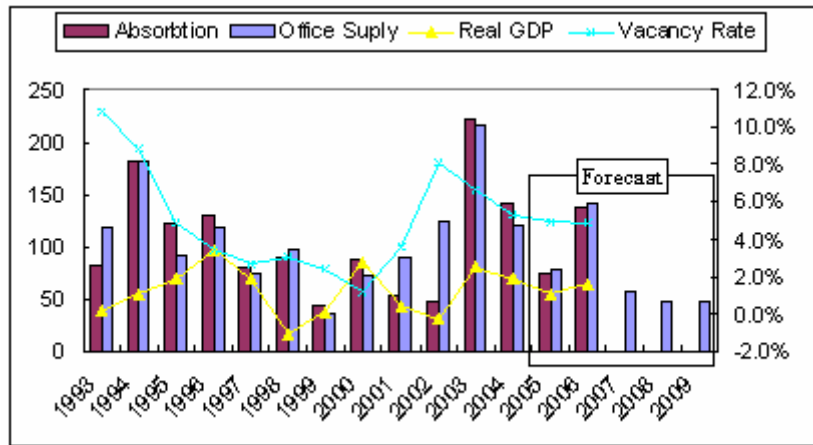


Figure 3-2-1 Vacancy Rate Forecast

In the real world, there are many indications that suggest the tightening office market. According to Nihon Keizai Shinbun on July 7, 2005, large-scale (class-A) office buildings such as Nihonbashi Mitsui Tower (developer: Mitsui Fudosan) and Tokyo Building (developer: Mitsubishi Estate) are full before their completions. This article says: “In addition to internet related companies, manufacturing companies began to expand their office spaces because of the recovery of the investment ability through restructuring. Thanks to the concerns about the shortage of new constructed office spaces, companies which need to secure future office space are inclining to make a leasing contract in advance.”

### 3.2.2 Rent

The rent level (Offering price base) in Tokyo continues to decrease but interestingly, its movement is not related to the vacancy rate (Figure 3-2-2)<sup>69</sup>. The rate of the rent decrease is gradually reducing, and the rent level in some sectors, such as buildings shown in Figure 3-1-4 in Section 3.1.1,

<sup>69</sup> Data sourced by K.K. Ikoma Data Service, “Office Market Report vol. 33 (2005 Spring)”, K.K. Office Japan and Land Information Division, Land and Water Bureau, Ministry of Land, Infrastructure and Transport “White Paper on Land (2002)” 2002, Ministry of Land, Infrastructure and Transport. The White Paper cited the data from K.K. Ikoma Data Service

began to increase. Therefore, the most important thing to predict the future rent level in Tokyo is to judge whether these rent increases are just temporary noises or the sign of the end of a long dark tunnel.

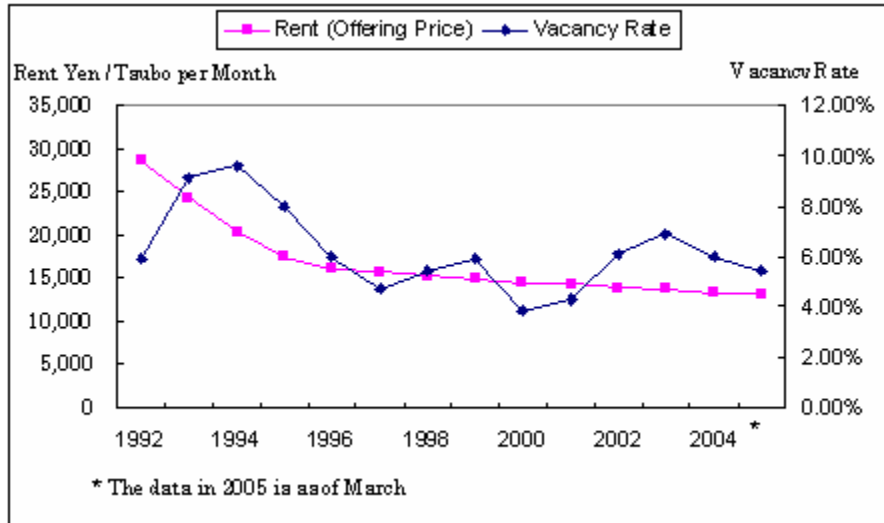


Figure 3-2-2 Rent and Vacancy Rate in Tokyo 23-Wards

If the rent growth movement is observed from a long span, it is evident that damages caused by the bubble economy between the late 80s and early 90s to the current rent level were severe. The rent growth rate was accelerated from 1988 together with the prosperity of the bubble economy, but turned direction sharply when the feast finished in 1991 (Figure 3-2-3). This downhill is still continuing, although the rate of the rent fall is gradually diminishing. If the recent decade of the rent downtrend can be regarded as a period paying the bill of the bubble economy, when will the payment be cleared up? The best way to forecast a rent level is to analyze the movement of the land price. Interestingly, the rent trend in Japan is not related to the vacancy rate (Figure 3-2-2), but to the land price trend. The rent trend moves very similar to that of the land price with one to two years time lag (Figure 3-2-3)<sup>70</sup>.

<sup>70</sup> Data Source: Land Price (The Publication of Land Prices, as of January 1 of every year): Land Information Division, Land and Water Bureau, Ministry of Land, Infrastructure and Transport; Rent (as of April 1 of every year): Building Owners and Managers Association.

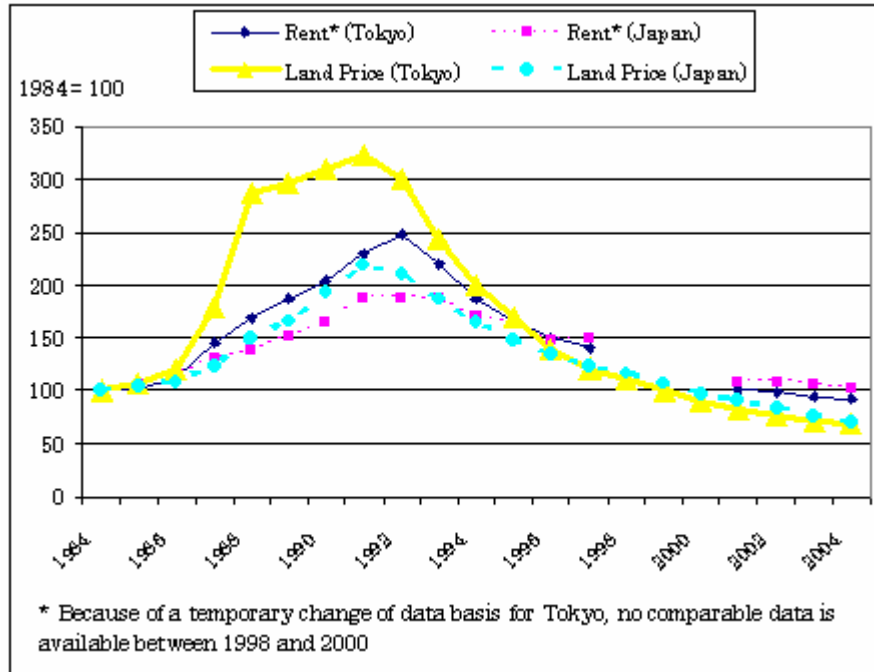


Figure 3-2-3 Rent and Land Price Trend

Here, Figure 3-2-4 illustrates the super-long-term relationship between the commercial land price and CPI since 1970<sup>71</sup>. Before the bubble economy, the commercial land price had increased almost at a similar pace with CPI. However, only the land price rose well above the CPI during the bubble and dropped rapidly to well below the CPI after the burst of the bubble economy. If the land price returns to the original trend line represented by CPI growth rate, the land price will be doubled.

Then, when will the land price begin to recover? Nobody knows the exact timing, but, if the detail data are closely examined, there may be a symptom that the new movement has already occurred silently. The rate of the land price decline is certainly reducing (Figure 3-2-5). In the Tokyo CBD, which is comprised of Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, and Shibuya-ku, the average land price began to increase recently except in Shinjuku-ku<sup>72</sup>. Especially, the land price in Shibuya-ku has grown for

<sup>71</sup> Data Source: CPI: “Annual Report on Consumer Price Index (2004),” Statistics Bureau, Ministry of Internal Affairs and Communications and the Publication of Land Prices: “The Publication of Land Prices (2005),” Land Information Division, Land and Water Bureau, Ministry of Land, Infrastructure and Transport. Because the land price is measured on January 1 in every year, the land price in 2005 in the publication is treated as that in 2004 and so on.

<sup>72</sup> Data Source: Land Information Division, Land and Water Bureau, Ministry of Land, Infrastructure and Transport.

three consecutive years. Therefore, the land price in the Tokyo CBD probably hit the bottom in 2004 and may rise for the time being.

As a result, if the upswing of the land price leads to enhance the rent level as before, the recovery of the rent level in Tokyo will come soon. Actually, the majority of the fund managing companies have an optimistic expectation on the rent level in the Tokyo CBD, particularly for the large-scale office building. (Figure 3-1-15 in Section 3.1.5)

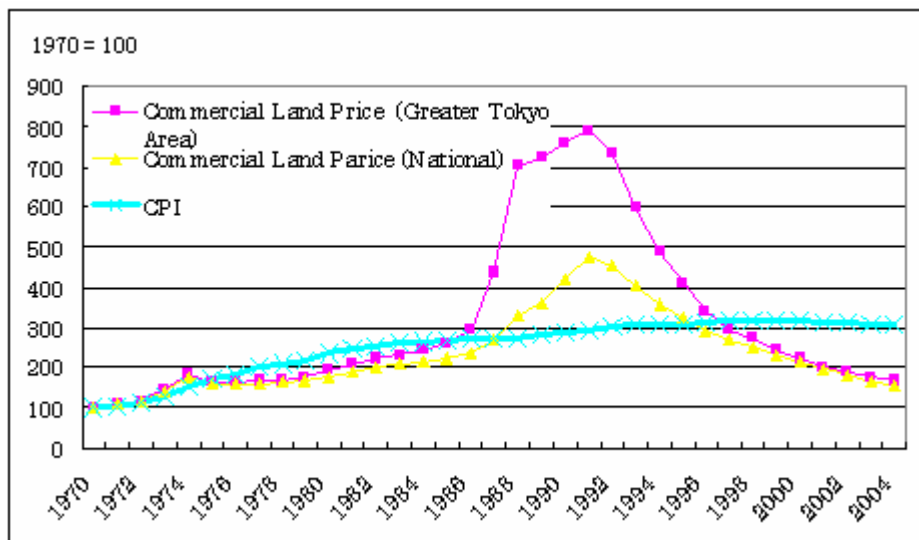


Figure 3-2-4 Commercial Land Price and CPI

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Because the land price is measured on January 1 in every year, the land price in 2005 in the publication is treated as that in 2004 and so on in this analysis.

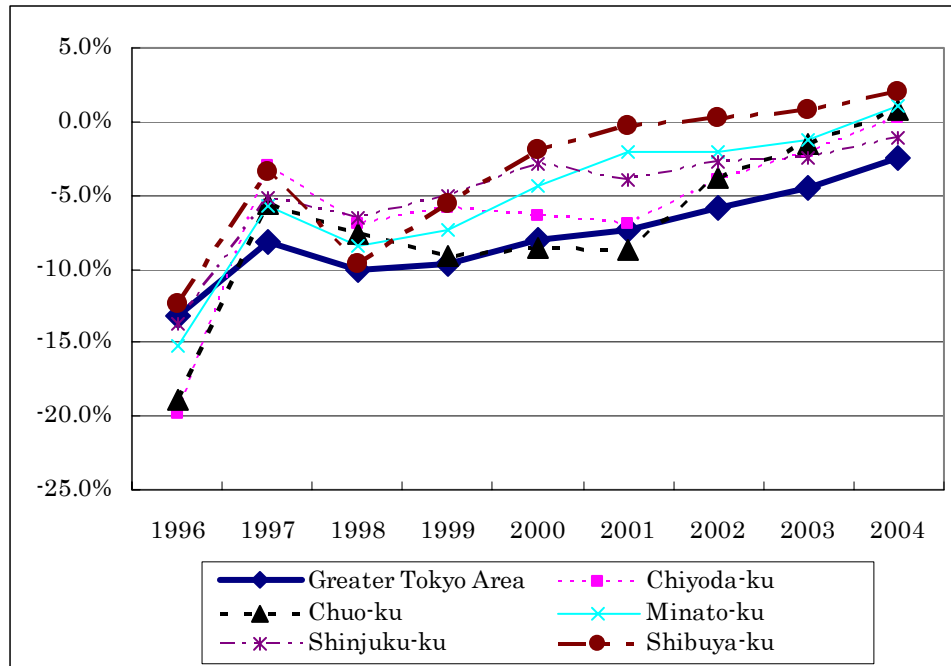


Figure 3-2-5 Growth Rate of the Land Price in Tokyo CBD

### 3.2.3 Office Space per Worker

The office space per worker in Tokyo is gradually increasing (Figure 3-2-6)<sup>73</sup>. Currently, a worker uses approximately 22 m<sup>2</sup> on average. For some new buildings, this ratio is much higher. For instance, buildings in the Shiodome area, where most buildings are completed in 2003 and 2004, it is between 30.2 m<sup>2</sup> and 38.7 m<sup>2</sup> per worker, which is an internationally comparable level: 39.3 m<sup>2</sup> in New York, 38.5 m<sup>2</sup> in Frankfurt and Sweden, 33.8 m<sup>2</sup> in Paris, and 27.7 m<sup>2</sup> in London<sup>74</sup>. Thus, if new convenient office buildings like those in Shiodome affect to enlarge the average office space per worker, it will be a strong demand driver for the office space.

<sup>73</sup> Data Source: Building Owners and Managers Association

<sup>74</sup> Data source: Land Information Division, Land and Water Bureau, Ministry of Land, Infrastructure and Transport “White Paper on Land (2003),” 2003, Ministry of Land, Infrastructure and Transport

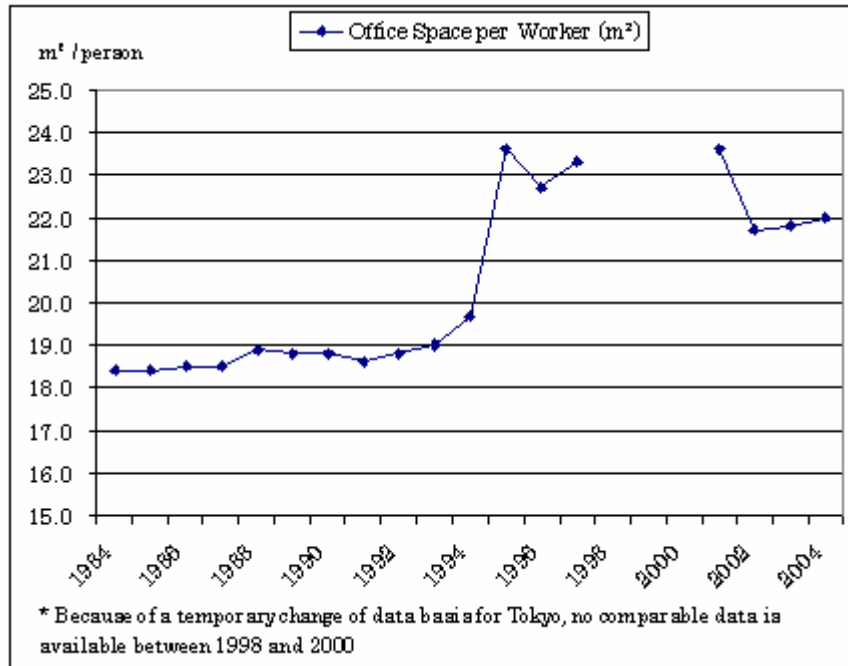


Figure 3-2-6 Office Space in Tokyo per Worker

### 3.2.4 Population in Tokyo

The largest economic, political, and social issue in Japan is the long-term decline of population (Figure 3-2-7)<sup>75</sup>. The decrease in the ratio of non-working age population is especially serious. There is no doubt that these will depress the Japanese economic potential. However, how these problems influence the Tokyo office market is vague. First, the population in Tokyo may not decrease. While in other metropolitan areas, including the Osaka area (Osaka-fu, Hyougo-ken, Kyoto-fu, and Nara-ken) and the Nagoya area (Aichi-ken, Gifu-ken, and Mie-ken), migrants have stopped or flowed out since 1974, in the Tokyo Metropolis area (Tokyo-to, Saitama-ken, Kanagawa-ken, and Chiba-ken), a powerful population inflow is still continuing (Figure 3-2-8)<sup>76</sup>.

<sup>75</sup> Data Source: National Institute of Population and Social Security Research

<sup>76</sup> Data Source: Statistics Bureau, Ministry of Internal Affairs and Communications

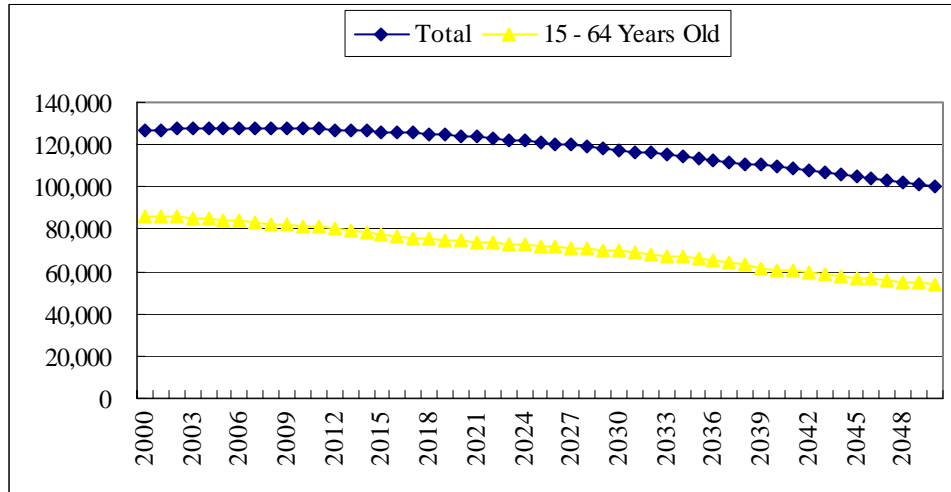


Figure 3-2-7 Population Forecast in Japan

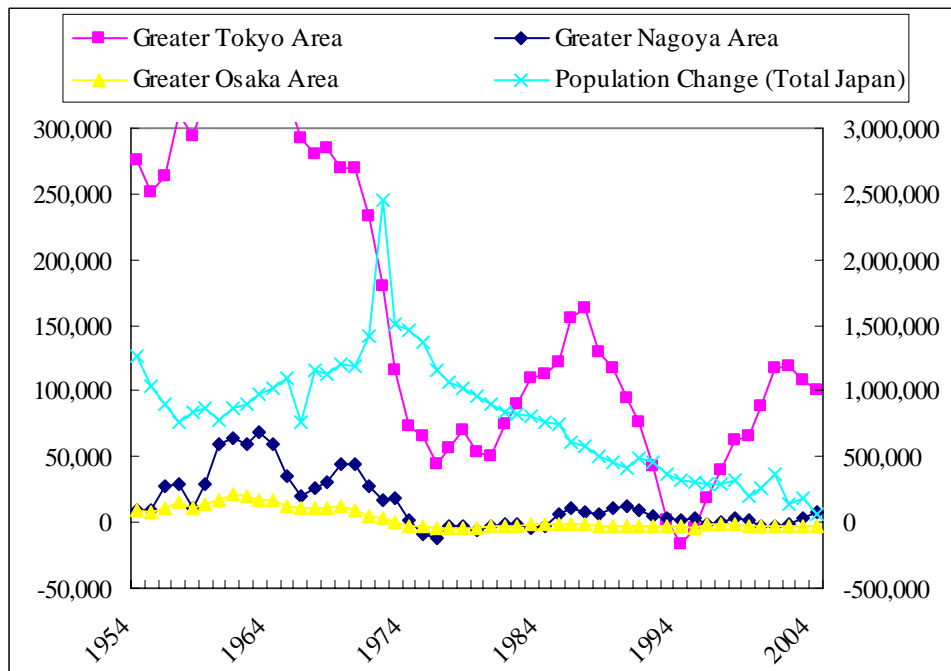


Figure 3-2-8 Migrants into the Three Metropolis Areas

Second, in Japan, there are still exploitable work forces: women and senior people. According to OECD<sup>77</sup>, the female labor force participation rate between 25 and 54 years old was 67.7% in 2003, while

<sup>77</sup> Data Source: OECD Employment Outlook



that of men was 96.4%, the highest figure among the OECD countries. Additionally, the female labor participation rate is low internationally (Table 3-2-1). If the female work force participation ratio increases by 10% to the level of other developed countries, it would powerfully supplement the decrease in the workable age population.

Table 3-2-1 Labor Force Participation Ratio (2003)

	Japan	Germany	France*	UK	USA
Men	96.4%	93.0%	93.9%	91.4%	90.6%
Women	67.7%	78.9%	79.0%	76.6%	75.6%

\* Data in 2002

Third, senior people are also a promising labor source. According to the White Paper on Labor (2003)<sup>78</sup>, while around 65% of men between 60 and 64 years old had a job in 2000, 15% of them could not find a job despite their will to work. Moreover, the pension recipient age will be gradually delayed by 5 years to 65 years old within the next 15 years, so companies are legally forced to expand the employee's retirement age from 60 to 65 years old, step by step from 2006<sup>79</sup>. Therefore, this regulation change will work to maintain the work force level in Japan in some degree, as well. Concerning the Tokyo office market, the urgent fear of the retirement of the boomer generation will be surely put off by several years at worst.

### 3.2.5 Change of Consciousness on Real Estate Ownership

Before the burst of the bubble economy, the real estate was a vital asset even for non-real estate companies in Japan, so the Japanese economic system was sometimes called "the land capitalism." This was derived from a tax merit, a requirement from banks, and a myth that land price would never fall. First,

<sup>78</sup> "White Paper on Health, Labour and Welfare (2003)," Ministry of Health, Labour and Welfare

<sup>79</sup> Amendment of Senior Employment Stabilization Law (will enact from April, 2006) It includes many transitional and exceptional clauses, but this paper does not deal with them.

the property price used as a tax basis had been politically valued at a significantly low price against the fair value, for example, almost at 47% of the fair price in 1988<sup>80</sup>. However, in order to avoid criticism about unfairness from other class tax payers, this ratio has gradually increased since 1994. As a result, a strange phenomenon happened: the property tax increased although the property price decreased. Second, real estate was the most important pledge to borrow money from banks before and was believed that the value would continue to increase forever, so buying real estate and holding it was the most favored management style in Japan until the end of the bubble economy. That is the reason that many old Japanese firms still own a huge amount of assets, some of which are not related to their core business. However, the development of the financial market, which enables companies to finance directly from the capital market, the successive decline of the property price after the bubble economy, and the introduction of the asset impairment accounting rule from the 2005 fiscal year, all these factors change the attitude of non-real estate companies to real estate possession.

According to a survey by Ministry of Land, Infrastructure and Transport<sup>81</sup>, the number of companies which believe that the real estate is a beneficial asset has gradually decreased to 25% for big companies with a capital of more than ¥100 million, half the level of 1993, although many Japanese big companies still possess their own headquarter buildings (Figure 3-2-9). Therefore, there is a lot of potential that such big companies could sell their properties located in Tokyo CBD and become lease-back tenants.

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<sup>80</sup> Research Center for Property Assessment System, “*Research Paper on Property Taxation in Local Taxes*,” 1999, Research Center for Property Assessment System

<sup>81</sup> Land Information Division, Land and Water Bureau, Ministry of Land, Infrastructure and Transport “*Summary of White Paper on Land (2005)*,” 2005, Ministry of Land, Infrastructure and Transport

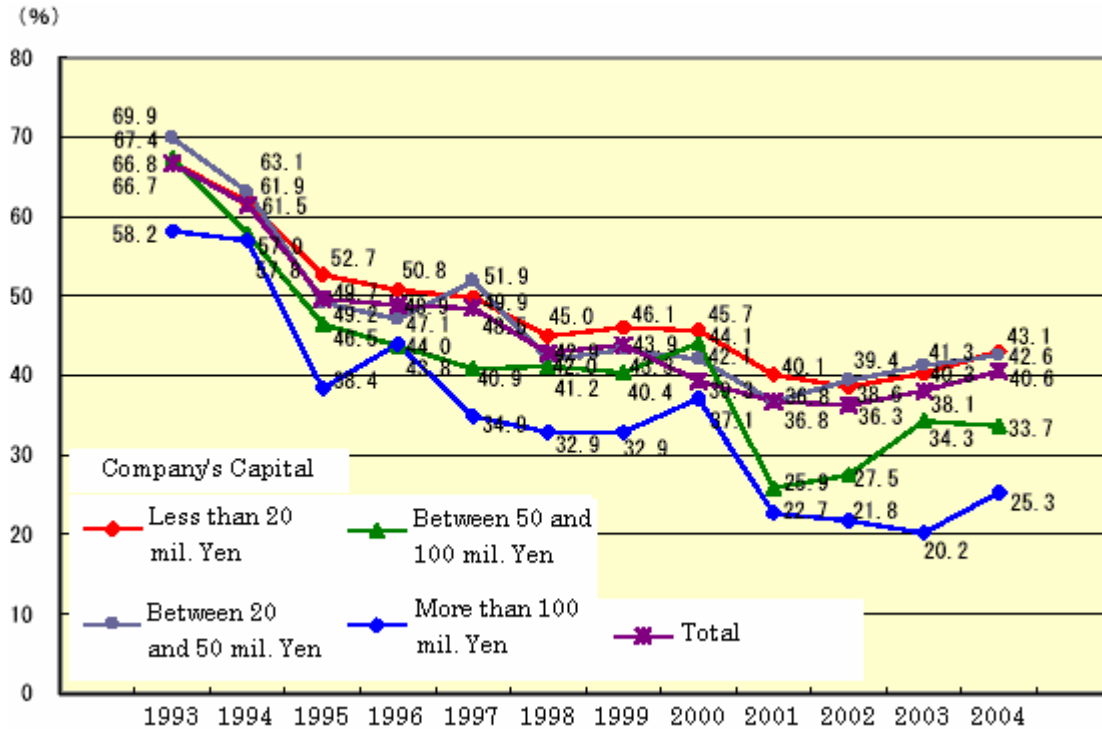


Figure 3-2-9 Companies which Believe that the Real Estate is an Beneficial Asset

### 3.2.4 Investment Market

Even if the office leasing market in Tokyo recovers in near future, it will not necessarily secure the enlargement of investor's benefit. Since investor's return is measured by the income divided by the asset price, the level of asset price is very important. As discussed in Section 3.1.2, the property yield in Japan is low in the world. Moreover, because the current interest rate in Japan is so low that it cannot lower anymore, the shrinkage of the property yield leads to reduce the yield gap to the interest rate, which deprives investors of the profit produced by the debt leverage.

In fact, because of the successive decline in the capitalization rate (Figure 3-1-6 in Section 3-1-2), some investors shift from the office investment market into other markets such as a residential, a retail, and an industrial market, and some shift from the Tokyo market into other regional markets. Actually, the number and the amount of office transactions decreased in 2004 (Figure 3-2-10)<sup>82</sup>. This tendency can also

<sup>82</sup> Sato, Yasuhiro, Urban Research Institute, Corp., "Topic 1: Reality of Office Transactions," Real Estate Topics

be observed in activities of J-REITs which invest both in the office and other sectors<sup>83</sup> (Table 3-2-11). Three of five J-REITs lightened the weight of office sector in their portfolio. ORIX JREIT, one of two exceptions, heavily invested in office properties other than Tokyo in 2004: It acquired 2 properties (¥12,150 million) in the greater Tokyo area and 3 properties (¥29,200 Million) other than there, while it disposed of 4 properties (¥5,380 million) in the greater Tokyo area and 1 property (¥620 million) other than there.

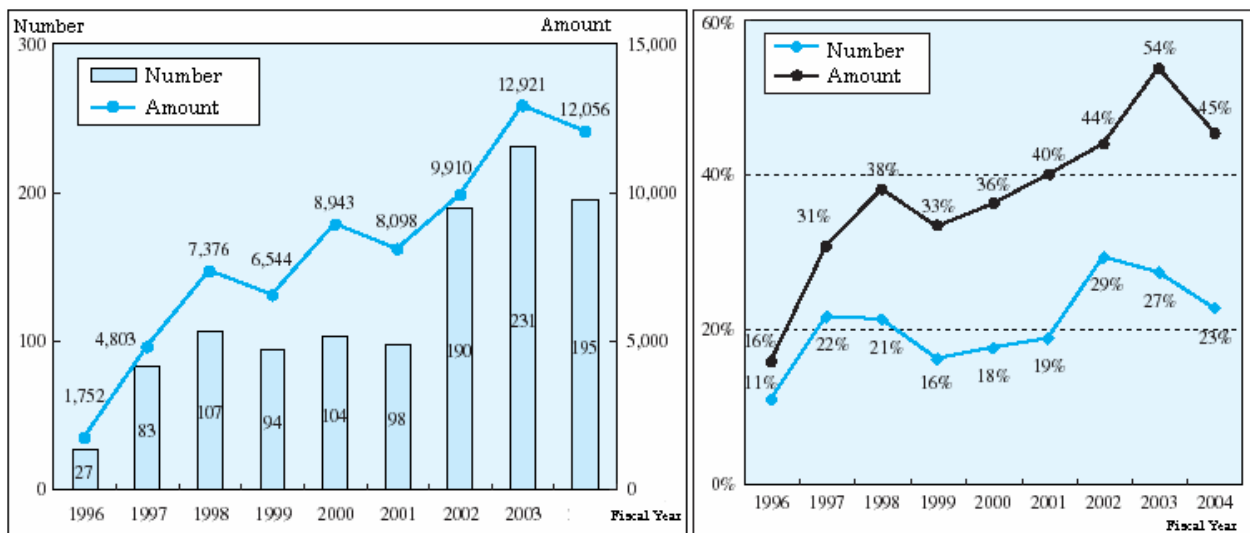


Figure 3-2-10 Office Transactions

(June, 2005), 2005, Mizuho & Trust Banking Co., Ltd.

<sup>83</sup> Data source: Association for Real Estate Securitization and publicly announced information by each REIT

Table 3-2-11 J-REIT Portfolio

		Office	Resid.	Retail	Hotel
ORIX JREIT Inc.	Current Portfolio*	83%	3%	4%	10%
	Acquisition Ratio**	94%		6%	
Japan Prime Realty Investment Corporation	Current Portfolio*	78%		22%	
	Acquisition Ratio**	61%		39%	
Premier Investment Corporation	Current Portfolio*	60%	40%		
	Acquisition Ratio**	44%	56%		
TOKYU REIT, Inc.	Current Portfolio*	59%		41%	
	Acquisition Ratio**	23%		77%	
United Urban Investment Corporation	Current Portfolio*	19%	16%	37%	28%
	Acquisition Ratio**	53%	34%	11%	2%

\* As of the End of March, 2005

\*\* Transactions since January 2004

Furthermore, in spite of many new listed J-REITs and J-REIT “reserves” (Appendix E), most of them are specialized in residential or small office buildings, which create a relatively higher yield than class-A office buildings in exchange for higher risks. Besides arguments of appropriateness of these kinds of properties as J-REIT investment subjects, these new J-REITs are established as an exit of private funds, so such portfolio constituents are the natural consequence. On the other hand, conservative J-REITs established by leading real estate companies are still buying class-A properties to achieve the target volume, but some of them approached to the point quite near the target volume and began to sell their properties in order to exchange properties in their portfolios (Section 3-1-4). Thus, buying pressure from such main-stream J-REITs would gradually weaken.

For these reasons, the capitalization rate in the Tokyo office market may be at the minimum level, where some investors restrain themselves from further acquisition or begin to sell their properties. If so, the capitalization rate in Tokyo would stabilize at the current level. That is, this capitalization rate may be

an equilibrium point for investors. Thus, should the capitalization rate be unchanged for a while, the current landlord would be able to fully enjoy fruits brought by the rent growth examined in the previous sections.

### **3.3 Conclusion of this Chapter**

Currently, the office leasing market in Tokyo is recovering both in the vacancy rate and in the rent level. The vacancy rate for the class-A office building in Tokyo is around 4%, which is considerably lower than that in major international cities. As the history in 2003 shows, the potential demand for class-A buildings is quite strong, so the vacancy rate improves quickly even after a huge supply of the new office spaces. Additionally, the planned new office supply within the observable time span is not as much as those before 2004, so a rise in the vacancy rate is not probable. Concerning the rent, the continued downward pressure is likely to finish soon for class-A office buildings, especially in Tokyo. The rate of the rent decline is certainly reducing and in some places, it has changed direction. In addition, the rent level in Japan is strongly related to the land price historically, not the vacancy rate. Here, the land price has been significantly undervalued from the CPI trend line after the collapse of the bubble economy, but the sign of the recovery was widely observed in Tokyo. Long-term risks in the Japanese market will be the population decrease, but for Tokyo, the influence would be limited because of migrants from other regions, the increase in the office space per worker, and the utilization of potential workforces.

The investment market is heating in Tokyo. The three major players in the real estate investment market are J-REITs, private funds, and real estate companies. The real estate investment market has been rapidly expanded since 2001, when the J-REIT was begun by law. Truly, the capitalization rate is low, but the current initial yield entices some investors to sell their properties or to shift the target properties into other sectors such as residential, retail, and warehouse, so the possibility of further lowering the capitalization rate would be limited. Moreover, the property yield may not be too low, if the debt leverage

resulted from the yield gap to the interest rate is taken into account. The yield gap in Japan is the highest one in the world. Furthermore, yen is the only major currency which creates hedge gain to dollar or euro investors. These would also promote the profitability from Japanese properties.

Therefore, it would be high time that German funds enter the Japanese market. Down-side risks seem to be limited.

#### **4. German Real Estate Open-Ended Funds in Japan**

##### **4.1 Investment Strategy in Japanese Market**

###### **4.1.1 Premises**

Detailed information about the investment strategy applied by each German real estate open-ended fund is difficult to access only by using publicly announced materials. Conducting interviews directly with fund managers would be the only way to know it. Therefore, much information in this section results from interviews conducted by the author. While there are 26 public real estate open-ended funds and 13 managing companies (Appendix A), the interviews were conducted with 8 managing companies, which occupy higher ranks in terms of the fund volume. At the same time, however, the investment strategy is important information for competitors, so this paper deals with such information statistically in order to protect the privacy of individual funds. Furthermore, since the individual fund name may be inferred only by hiding the fund name, data are split by items and changed the order of data for every item. This handling may bother readers, but the author sincerely asks their understanding and patience.

According to the survey, 6 of 8 funds are looking for properties in Asian real estate markets. The other 2 funds also have interests in Asian markets and are watching markets, but it will take another several years for them to make a final decision. Therefore, data hereunder are from the 6 funds, which are searching properties in Asia.

#### 4.1.2 Target Allocation

The target allocation to Asian market is between 10% and 30%. There is no fund which wants to invest the majority of its asset in Asian markets (Table 4-1-1), while three funds are powerfully investing in the US: hausInvest global (89.8%), KanAm US-grundinvest Fonds (100%), and SKAG 3 Kontinente (50.3%).

Table 4-1-1 Target Allocation to Asian Markets

Fund A	Fund B	Fund C	Fund D	Fund F	Fund G
Revising	20%	10%, but 30% in future	10% for the first step	20%	20 - 25%

Table 4-1-1 stands for the target allocations of German open-ended funds to the whole Asian market. In the Asian market, there is no special target allocation for individual cities, but the cities in which German funds are looking for properties are limited: Tokyo and Seoul (Table 4-1-2). According to a fund manager, Tokyo is the major target because of its market size and stability, while Korea is attractive because of its high yield. On the other hand, another fund manager said that despite such advantages of the Tokyo market, its capitalization rate is too low to supply adequate returns to the fund investors. Attitudes toward China are completely split among funds. Four of six funds think that Chinese market is too opportunistic for German open-ended funds, while other two think that the high return expected in China can compensate for its risks if they can limit risks through a careful property selection and a relatively short holding period. As a whole, except for one fund which gave up entering the Japanese market under the current property yield, the Tokyo market seems to be regarded as an indispensable market for funds, which have a motto of “international diversification.” A fund manager said: “Because Tokyo is the world’s largest real estate market, we cannot sell a fund without a property in Tokyo under the name of a global fund. The allocation to Tokyo may change by its market conditions, but disappearance of the allocation to



Tokyo will never happen.”

Table 4-1-2 Target Asian Cities

Fund H	Fund I	Fund J	Fund K	Fund L	Fund M
Tokyo	China and Seoul	Tokyo, Seoul, and Singapore	Tokyo and other major Japanese cities, Seoul, and China	Tokyo, Fukuoka, Seoul, Hong Kong, and Singapore	Tokyo and Seoul

#### 4.1.3 Criteria by Acquiring Properties in Japan

Concerning the minimum capitalization rate applicable for class-A buildings, most funds set it at a competitive level to J-REITs (Table 4-1-3), while their target return at the property equity level is around 7%. However, by adding the debt leverage and the currency hedge gains to the capitalization rate, they can achieve the target equity return. The exceptional fund, Fund O, has a policy that it does not include currency hedge gains and appreciation returns to its expected property return, so its expected capitalization is by far the highest among the funds. Furthermore, this fund tries to accomplish the target return from the first year of the acquisition, although some costs are levied only at the time of the acquisition<sup>84</sup>. In order to overcome such hurdles, this fund includes China as a target market because of the high property yield, while it knows a higher country and real estate market risks in China than in major matured markets like EU countries, the US, and Japan. Nevertheless, this difference of the policies would be derived only from the different way of thinking as to which risks are favorable between the financial risks concerning hedge gains and the market and country risks concerning a non-matured country.

<sup>84</sup> Major costs necessary for the acquisitions are follows: Real Estate Acquisition Tax: 4% of the taxable value (1.5% until the end of 2005 because of a legislation of specified duration in Tokyo), Real Estate Registration Tax: 1% of the taxable value (2% from April 1, 2006), and brokerage fees (3% at maximum, negotiable) and others including the stamp duties, legal fees, due diligence fees and so on.

Table 4-1-3 Minimum Capitalization Rate Applicable for Class-A Properties in Tokyo

Fund N	Fund O	Fund P	Fund Q	Fund R	Fund S
below 5%	7%	4.5%	4%	4%	4.3%

For the types of properties German funds want to acquire are limited in only two products: class-A or class B+ office buildings or retail buildings (Table 4-1-4). The acceptable locations of office buildings are limited: Tokyo and other auxiliary cities, including Osaka, Nagoya, or Fukuoka. However, retail facilities do not need to be located in such major cities, because the purchasing power within the trading radius is much more important for retail properties. On the other hand, German funds have no interest in residential buildings and logistics facilities. Many funds mentioned that these types of facilities require a special management skill German funds do not have, especially in Japan. An interesting comment on that is “since most investors of German open-ended funds already own a small rental residential unit in Germany, they do not need to add more residential properties to their private portfolio.” Concerning the hotel sector, two criteria must be satisfied. First, the hotel must be a business hotel located in a major city. The resort hotel is out of the question, because it is difficult to find a new managing company if the contract with the current managing company expires by the maturity or by the bankruptcy of the managing company. Second, the contract between the owner and the managing company must be a leasing contract, not a managing contract. Of course, there are many contract types between the leasing and the managing contract, but the crucial point is how much the managing company bears operational risks. In Japan, most hotels are managed under a management contract, so investment in the hotel sector by German funds is almost impossible in Japan.

The target price of a single property is above ¥3 billion at the minimum (Table 4-1-4). The maximum price is determined by the total fund assets. In short, a single property in the portfolio of an open-ended fund is not allowed legally to exceed 15% of its total asset price. Generally speaking, ¥5 to ¥20 billion (€40 to €150 million) would be the most frequent price range.

Table 4-1-4 Target Property Type and Price Range

Fund	Fund N	Fund O	Fund P	Fund Q	Fund R	Fund S
Price Range	less than €100 million	more than €25 million	€30 - €150 million	more than €50 million	€100 - €250 million	Less than €300 million
Property Type	Class A or B+ office and retail	Class A or B+ office and retail	Class A or B+ office and retail	Class A office and retail	Class A Office	Class A Office

## 4.2 Current Situation

### 4.2.1 Past Records

German open-ended funds have acquired only four properties in Japan. All of them are located in the Tokyo CBD area (Table 4-1-5). Both the location and the price are included in the target range above.

However, only three funds operated by two fund managing companies could acquire properties in Japan: Deka Immobilien Investment GmbH and DB Real Estate GmbH. Simultaneously, these three funds are funds investing only in other Asian markets, including Korea and Australia (Table 4-1-6).

Table 4-1-5 Properties Acquired by German Open-Ended Funds in Japan

Year	Building	Type	Location	Fund	Price* (mil. yen)	TFA (m <sup>2</sup> )
2001	Concept Aoyama	Office	Tokyo CBD	Deka-ImmobilienEuropa	8,469	4,420
2001	Shinsen Place	Office	Tokyo CBD	Deka-ImmobilienEuropa	3,663	2,811
2003	Atago East Building	Office	Tokyo CBD	DB Grundbesitz-global	8,878	6,695
2004	Akihabara Don Quixote	Retail	Tokyo CBD	Deka-ImmobilienGlobal	9,812	8,282

\* Estimated by the author from annual reports of each fund above

Then, do these funds accomplish their target allocation to the Asian market? As discussed in Section 4.1.1, the target allocation to Asian market is 20% on average. However, current results are significantly lower than the target level except with the Deka-Immobilien Global (Table 4-1-6). In order to accomplish the 20% target allocation, Deka-Immobilien Europa and DB Grundbesitz-global must acquire another €1,663 million and €10 million, respectively. Other managing companies have not been able to

own any properties either in Japan or in Asia so far. The greatest reason that the investment in Asian markets does not reach the goal would be poor results in the Japanese market. As mentioned in Section 4.1.2, the main target for German open-ended funds is Tokyo, but their portfolios include a few properties in Tokyo even in comparison with those to Korea and Australia.

Table 4-1-6 Current Allocation to Asia Properties

Managing Company	Fund	As of	Fund Asset (euro)	Asia Total	Japan	Korea	Austral ia
Deka Immobilien Investment GmbH	Deka-Immobilien Europa	9/30/ 2004	11,158 mil	5.1%	1.3%		3.8%
Deka Immobilien Investment GmbH	Deka-Immobilien Global	9/30/ 2004	2,626 mil	23.8%	4.5%	4.5%	14.8%
DB Real Estate GmbH	Grundbesitz- global	3/31/ 2005	3,763 mil	9.1%	2.6%	6.5%	

#### 4.2.2 The Pros and Cons of the Japanese Market

Despite such poor results, 6 German open-ended fund managing companies are now trying to buy Japanese properties, mainly in Tokyo. Two of them began their activities in Japan this year. Why do they persist in Japanese properties? What is the attractiveness of the Japanese market? What prevents them from acquiring Japanese properties? As the first step to answer these questions, the pros and cons of the Japanese real estate market from perspectives of German funds are summarized based on interviews (Figure 4-2-1 and Figure 4-2-2). Then, in the next two section, Section 4.3 and Section 4.4, each items suggested by German funds are examined.

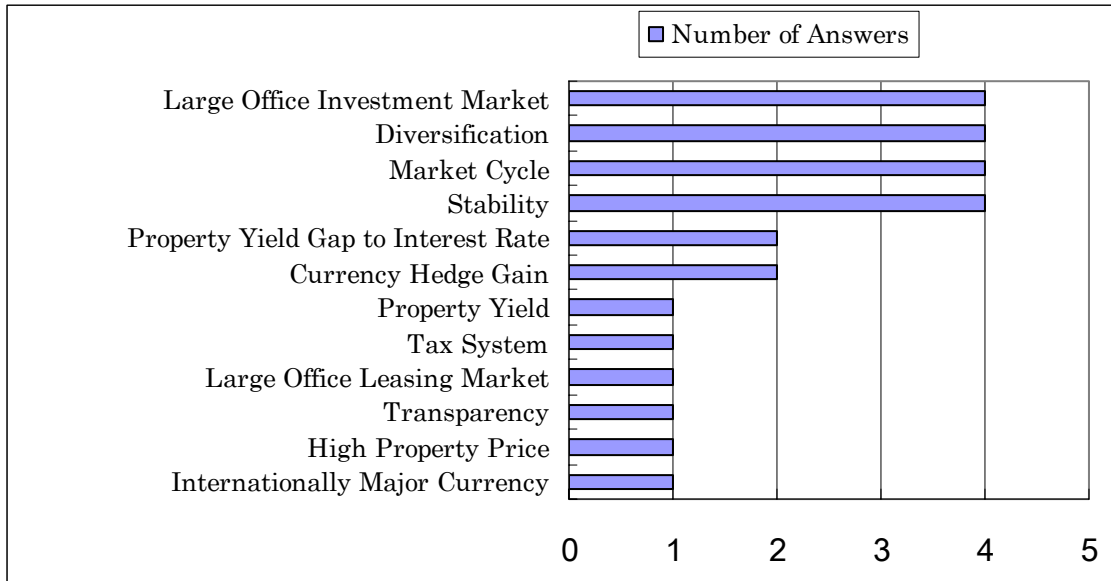


Figure 4-2-1 Advantages of Japanese Market

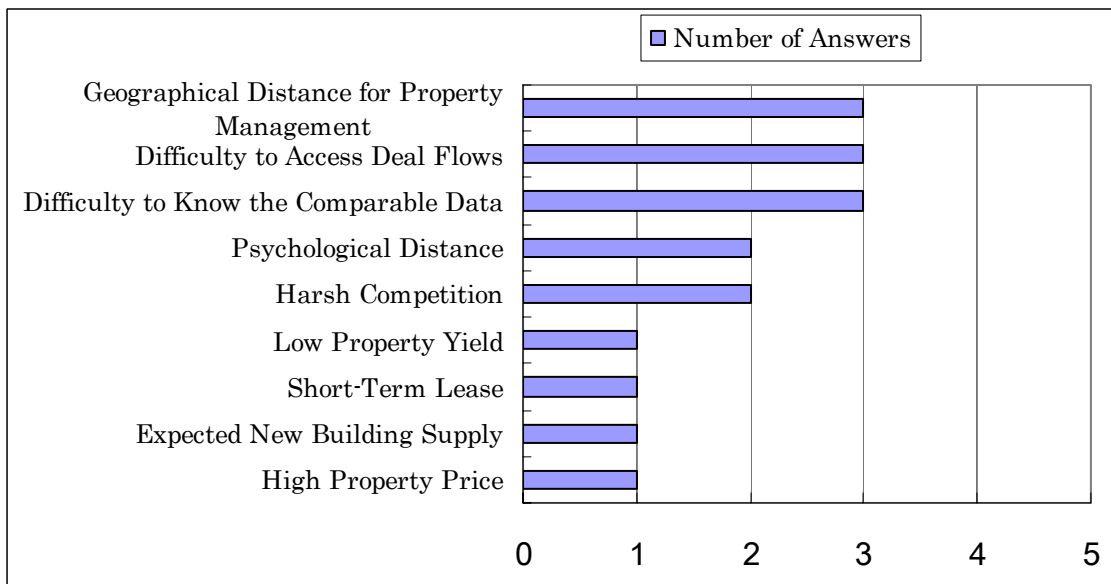


Figure 4-2-2 Disadvantages of Japanese Market

### 4.3 Advantages of Japanese Market

#### 4.3.1 Huge Office Investment Market

The current real estate volume available for international investors is estimated as \$5.9 trillion

and the Japanese market accounts for 12% (Figure 4-3-1)<sup>85</sup>. As a single office market, Tokyo is said to be the largest market with 82 million m<sup>2</sup> office stocks<sup>86</sup>.

There are two main reasons why a big market size is advantageous: First, there are many players. This would make it easy for German funds to find a next buyer of their properties. Although their expected holding period is 10 years or more (they hold not a few properties in their portfolio over 30 years), this kind of “security” would be important for them, since they must always revise an optimal portfolio allocation by consecutive market changes. Also, an underlying discrepancy of German open-ended funds, a discrepancy between the investment in real estate, which has relatively low liquidity, and the ease for individual investors to request the redemption anytime they want, may influence the attitude. In addition, both psychological and geographical distance between Germany and Asia would intensify this tendency of German funds as shown in the disadvantageous point of Japanese market (Figure 4-2-2).

Second, “international diversification” is a strong slogan to attract individual investors. Most individual investors are not professionals in the real estate business, but rather amateurs. They buy open-ended funds as a part of their private portfolio by following an advisor at their bank<sup>87</sup>. For those individual investors, the fact that they own excellent buildings in major cities worldwide, even if it is a very tiny portion, would both fill their pride and the safe image of the fund due to the internationally well-diversified portfolio.

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<sup>85</sup> DB Real Estate Research, “*A framework for international real estate investment*,” March 4, 2004, DB Real Estate

<sup>86</sup> Data Source: Tokyo Metropolitan Government

<sup>87</sup> According to an advisor at a retail bank, advisors normally recommend their clients to invest 15% of the total assets in the real estate sector.

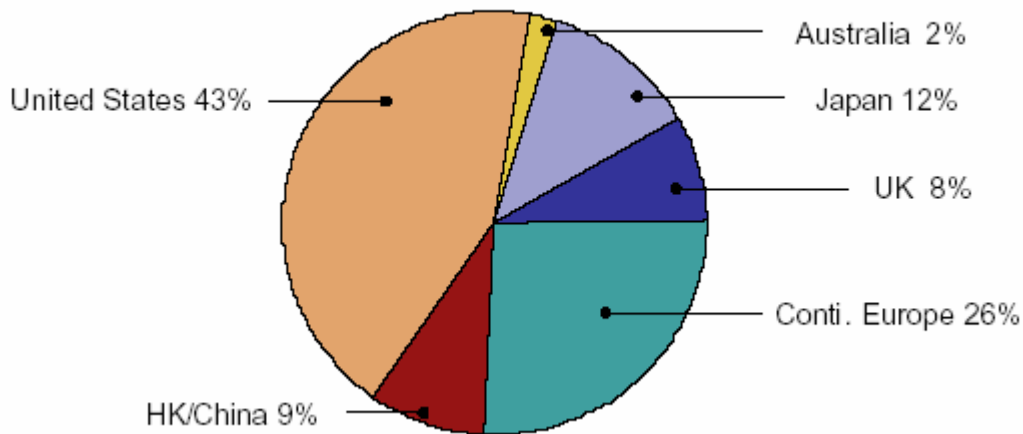


Figure 4-3-1 Investible Real Estate Market Portion

#### 4.3.2 Diversification

The target market is determined not only by the portfolio theory but also by other factors which are discussed in this chapter. So this paper presupposes that a fund manager selects target markets based on factors other than the portfolio theory at first and then decides optimal allocations among the selected markets from a portfolio optimization viewpoint. In the interviews, actually, many fund managers emphasized much more the stability of the market than on the low correlation among markets. Also, the fund regulation in Germany requires funds to fulfill safety criteria, including a sustained income stream from the property<sup>88</sup>, a reasonable reason for regional allocation<sup>89</sup>, the free transfer of the property and capital in the country where the property is<sup>90</sup>, and the purchase price below its appraisal price<sup>91</sup>.

Based on the assumption from the interviews, an assumption that Germany, the US, and Japan are the selected target markets due to factors other than the portfolio theory, the optimal portfolio allocation among the three markets is as follows: 65% in Germany, 21% in the US, and 14% in Japan

<sup>88</sup> Investmentmodernisierungsgesetz §67 (2)

<sup>89</sup> Investmentmodernisierungsgesetz §67 (3) 2 (Applicable only for properties outside of EU)

<sup>90</sup> Investmentmodernisierungsgesetz §67 (3) 4 (Applicable only for properties outside of EU)

<sup>91</sup> Investmentmodernisierungsgesetz §67 (5)

(Section 2-3-3). This result is similar to the target allocation applied by German funds. While the portfolio analysis shows that the 14% allocation to Japan is optimized the portfolio, the target allocation by German funds to Asia ranges from 10% to 30%. It is true that the analysis done in Chapter 2 excludes countries other than these three, but still Europe, the US and Japan occupy 90% of the investible real estate market, so the result would be almost correct (Figure 4-3-1).

#### 4.3.3 Market Cycle

A fund manager said that his fund will never buy any assets in a market where the cycle is near the peak. In truth, all German funds are closely watching the market cycles of major cities. The market cycle consists of two factors: the leasing market and the investment market.

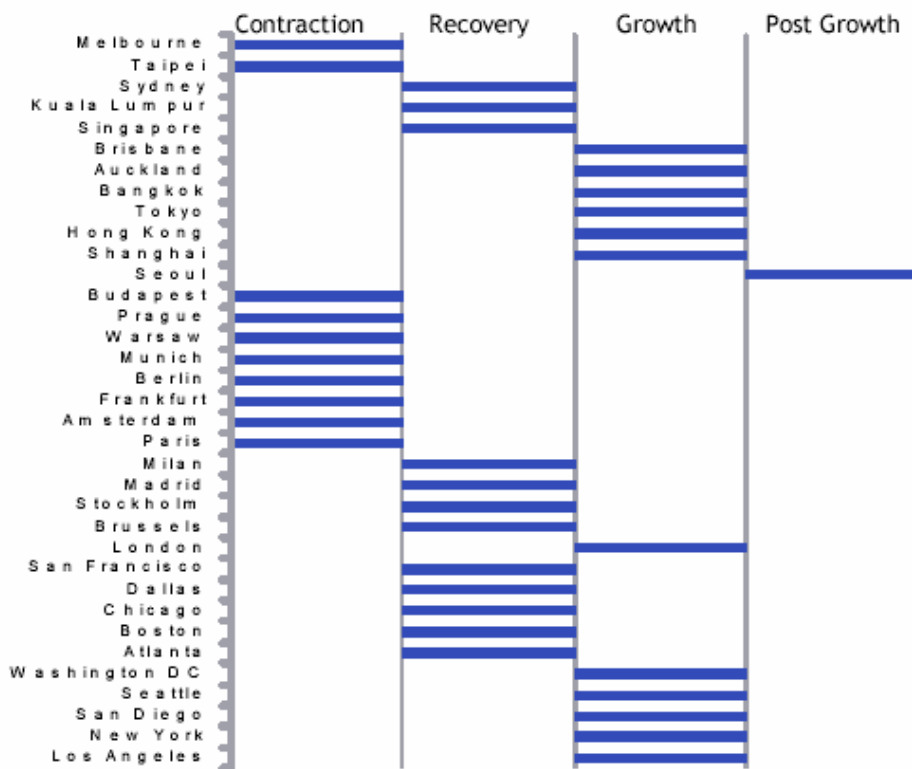
As discussed in Section 3.2, the Tokyo office leasing market is expected to recover soon both by a lower vacancy rate and by a higher rent level. Although population in Japan will decrease continuously for a long period of time, the Tokyo office market can surely overcome the downsizing pressure, if a huge amount of unutilized workforces, women and seniors, participate in the labor market or if office space per worker increases to an international level on average. The other important factor, the office investment market, is expected to be stable in terms of the capitalization rate. The current capitalization rate in Tokyo is likely to be near the market equilibrium. J-REITs, which account for one-third of office purchasers in 2004, began to dispose of some assets at the same time. The current situation where J-REITs exist both in buyers and in sellers would mean that the Tokyo office investment market is close to the market equilibrium.

This basic stance in this paper is consistent with that of many German open-ended funds, including Commerz Grundbesitz and DB Real Estate. (Figure 4-3-2 and 4-3-3). Both funds think that the Tokyo market is now on the way toward growth.





Figure 4-3-2 Market Cycle Analysis by CGI<sup>92</sup>



Source: DB Real Estate; RREEF Research; DB RREEF

Figure 4-3-3 Market Cycle Analysis by DB Real Estate<sup>93</sup>

<sup>92</sup> Commerz Grundbesitz-Investmentgesellschaft mbH, "halbjahresbericht 1.10.2004 – 31. 3.2005," June, 2005, hausinvest global

<sup>93</sup> RREEF Research, "Global Real Estate Insights – Improving Fundamentals Versus Rising Interest Rate," April 12, 2005, DB Real Estate

#### 4.3.4 Stability

The meaning of “stability” may vary from person to person. Some may think that it means a stable total return consisting of the income return and the appreciation return. However, in the case of German open-ended funds, it seems to mean a stable income stream. Because German open-ended funds have no maturity date, they have discretion to select a timing to sell a property. A fund manager said that his fund will not sell a property even if the market is expected to become weak as long as the property produces a sufficient stable income stream. Another fund manager said that his fund does not include any expectation concerning the appreciation return because no one knows the future price.

Of course, each share price of German open-ended funds is based largely on the sum of property appraisal prices, so the capital gain must be important for them. Nevertheless, in order to avoid appreciation risks from a long-term viewpoint, they have carefully chosen huge matured markets like Tokyo and New York, diversified their geographical allocation, and observed closely the cycle of each market.

The income stream is made up of the rent level and the occupancy rate, so rent changes and vacancy rates are compared among major markets (Figure 4-3-4<sup>94</sup>). Then, it is obvious that Tokyo is much less volatile both for the vacancy rates and for the rent changes than European, other Asian, and US global cities.

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<sup>94</sup> PPR, “*Mitsui Fudosan Quarterly Global Office Market Summary 2004Q3*,” 2004, MFA Global Office Research

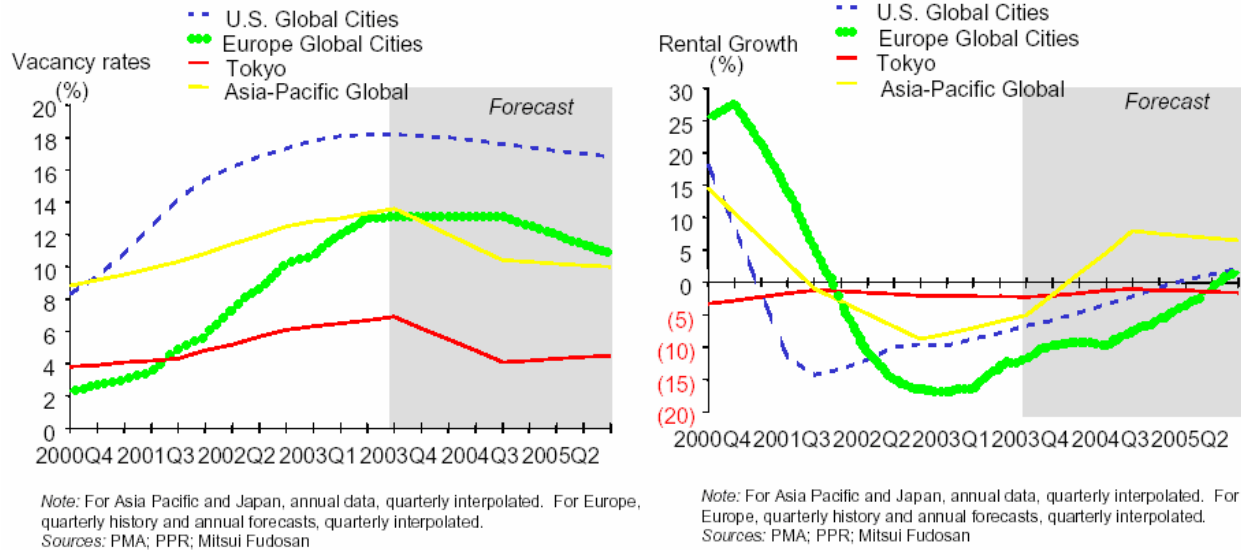


Figure 4-3-4 Global City Comparison

#### 4.3.5 Property Yield Gap to Interest Rate

As discussed in Section 3.1.3, the yield gap between the property yield and the interest rate creates huge profits for investors with a high leverage ratio. Also, debt works as a currency hedge instrument, so the debt financing plays a crucial role for typical foreign investors.

However, it is questionable that German open-ended funds prefer debt financing in Japan like other foreign investors. First, while German funds are allowed to exploit the debt financing up to 50% of the total property value<sup>95</sup>, their current LTV level is quite low: 31% on average for international open-ended funds<sup>96</sup>. This situation may be derived from the huge liquidity accumulated in the funds during 2002 and 2003. It was probably more urgent for them to use the accumulated liquidity than to leverage the investment through debt financing. Nevertheless, this situation will be gradually resolved as funds acquire properties. Second, German funds would not want to rely on debt finance in Japanese market. The 50% LTV rule does not mean that the LTV of every individual property should be below 50%, so funds can change the LTV ratio from property to property. In the case of Japan, a sole major country

<sup>95</sup> Investmentmodernisierungsgesetz §69 (1)

<sup>96</sup> Because new established funds normally have an extremely high liquidity for buying new properties, funds established within a couple of years are excluded.

whose interest rate is much lower than that in Germany, the hedge gain is created by a Euro-buy-Yen-sell forward exchange transaction (Section 4-3-6). Therefore, even if the yield gap between the property yield and the interest rate in Japan is attractive, they may prefer to allocate a higher LTV in other countries like the US in exchange for a lower LTV in Japan.

Still, debt financing would be applied by German funds in some degree, so the current yield gap in Japan is examined in comparison with Germany and the USA. Figure 4-3-5<sup>97</sup> depicts the yield spread between the real estate total return and the short-term interest rate. Clearly, the United States has the highest yield spread. On the other hand, Figure 4-3-6<sup>98</sup> shows the yield spread between the income return and the long-term interest rate. In this term, Japan has the highest performance. Germany has the narrowest spread in both cases. The difference in the results in Figure 4-3-5 and Figure 4-3-6 suggests that US property returns much rely on the property appreciation change and those of Japan are on the income return. Then, about which return do investors should care, the income return or the total return? There would be no correct answer. It depends on investors' preferences. Because of a high volatility of the appreciation return, investors with a short-term investment period would prefer the US market to Japan and vice versa.

How about German open-ended funds? They are very conservative investors and hold property for a long period of time. They do not seem to seek a capital gain, essentially (Section 4.3.4). What they want most is "a long-term stable income," so concerning the yield spread, they would think much of the difference between the income yield and the long-term interest rate. For such investors, the Japanese market provides the largest benefits.

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<sup>97</sup> Data source: DIX by Deutsche Immobilien Datenbank GmbH, STIX by STB Research Institute, NPI Returns by National Council of Real Estate Investment Fiduciaries, and OECD Economic Outlook

<sup>98</sup> Same as above

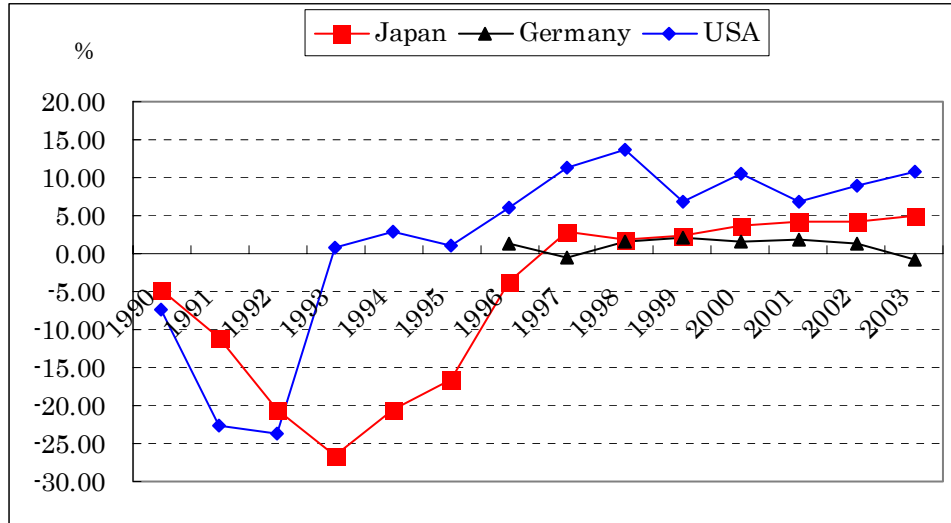


Figure 4-3-5 Yield Spread between the Total Return and the Short-Term Interest Rate

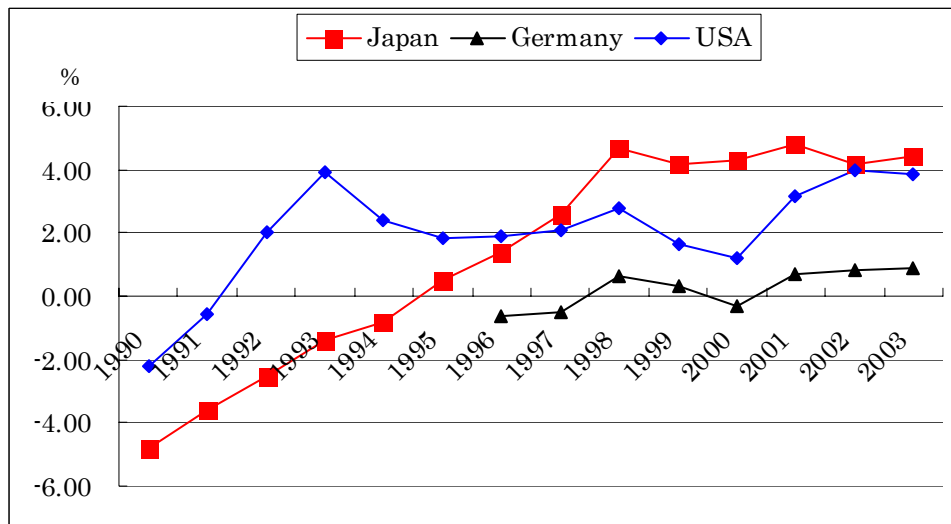


Figure 4-3-6 Yield Spread between the Income Return and the Long-Term Interest Rate

The future yield spread will be influenced both by the decrease in the property yield and by the increase in the interest rate. During the bubble economy in the early 90's, a back spread appeared between the property yield and the long-term interest rate in Japan and in the US (Figure 4-3-7). However, in the rest of period, the movement of the property yield and the long-term interest rate is parallel among all three markets, Japan, Germany, and the US. Therefore, the property yield can be considered to move in the

same direction as the long-term yield without an exceptional period.

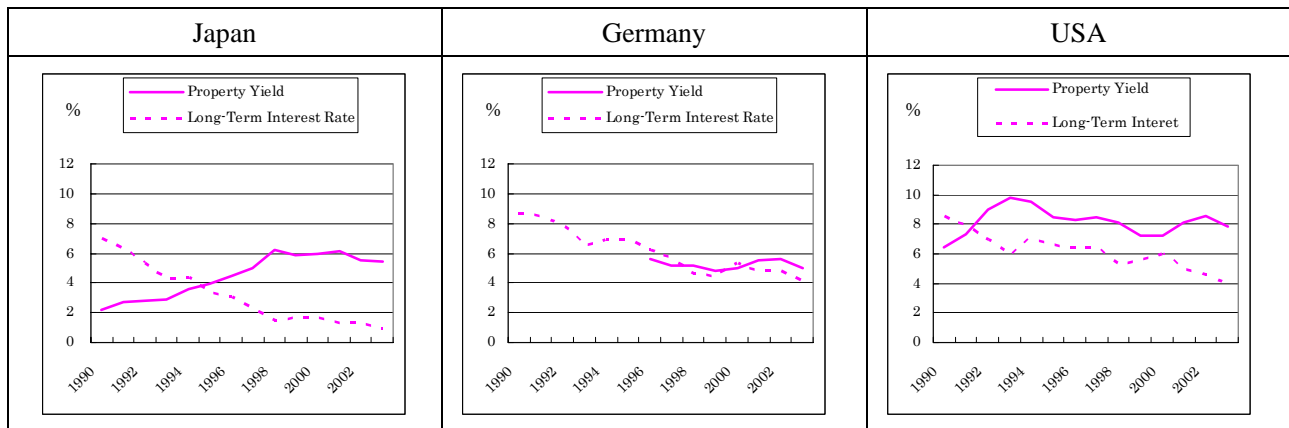


Figure 4-3-7 Property Yield and Long-Term Interest Rate

The largest risk in the Japanese market would be the rise of the long-term interest rate, which has no room for lowering any more. If the property yield moves parallel with the long-term interest rate as before, the property yield will increase as well. That is, the property price will fall if other conditions are unchanged. However, the possibility of the increase in the long-term interest rate in Japan seems to be limited for a while. Bank of Japan, the Japanese central bank, speaks repeatedly about the policy called “Zero (short-term) interest rate policy” and the Japanese economy is expected to grow slowly. Additionally, the vacancy rate and the rent level in Tokyo office leasing market is expected to improve, as discussed in Section 3.2.1 and 3.2.2, so the asset price may not change so much because the improvement in the leasing market may offset the pressure resulting from the higher property yield demanded from the investment market.

Conclusively, the Japanese market has the largest yield spread between the property yield and the long-term interest rate, a spread which is favored by long-term income oriented investors. The interest increase may decrease the asset appreciation through a rise in the capitalization rate, given that other conditions are stable, but the optimistic rental market may offset the appreciation losses. In spite of these considerations, the property yield gap to the interest rate is not a crucial point for German open-ended

funds to decide to enter the Japanese market because of the attractiveness of currency hedge gains in Japan (Section 4.3.6).

#### 4.3.6 Currency Hedge Gains

Through many interviews, it was found that the currency hedge gain is likely to be the most powerful financial incentive to invest in Japan. Although German funds are allowed to have currency risk exposure up to 30% of their total asset volume<sup>99</sup>, most funds are trying to hedge currency risks fully. The major currency risk hedges applied by German funds are the debt financing by the local currency and the forward exchange transaction for the part which is not covered by the debt financing. At the same time, they are forced to limit the LTV under 50%, so they need to manipulate the debt financing and the forward exchange transaction in order to maximize funds' profits. The advantage of Japan is that it is the only major country that creates hedge gains for German investors.

The hedge gain is created by the interest rate differences between two countries. Because the forward currency rate with a higher interest rate discounts in the future, the promised currency exchange rate in the forward exchange transaction is discounted against the spot rate by the same amount as the interest rate difference, and vice versa. This transaction itself includes currency risks, but by matching the transaction amount to the amount of the equity portion of the invested properties, the currency risk can be eliminated. Therefore, if a currency with a higher interest rate is bought in the future, the amount of the discount can be counted in as secured gains as long as the forward exchange transaction does not mature. Additionally, this profit relies only on the interest gap between two countries, not the current exchange rate, so the investor can avoid the financial gamble in the currency market. Below is a numerical example of how the forward exchange rate is determined and eliminates currency risks.

Let us assume that the euro interest rate is 4%, the yen interest rate is 1%, and the spot exchange rate is ¥100.00 for €1.00. How much is the forward exchange rate contracted today (but the transfer of

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<sup>99</sup> Investmentmodernisierungsgesetz §67 (4)

money will be the maturity date), for say a 3-year forward exchange transaction? As shown in Table 4-3-1, the exchange rate whose transfer is effective in three years is determined by the combination of the spot exchange rate and the interest difference between the yen and the euro. In this case, because the euro has a higher interest rate than the yen, the euro discounts against the yen in the forward exchange transaction as much as the difference of interest rate between the two currencies.

Table 4-3-1 Currency Hedge Gain Example

	Spot Rate	Value in 1 year	Value in 2 year	Value in 3 year		Forward Rate
Yen	100.00	101.00	102.01	103.03	=	91.99
Euro	1.00	1.04	1.08	1.12		1.00

Then, how does it work in the real world? In order to focus on the influence of currency risks, the property price at the disposition is assumed to be unchanged from the acquisition. Without a currency risk hedge, no one knows the exchange rate in three years. It may increase 10%, decrease 10%, or be unchanged. If the value of the euro increases by 10% (€1=¥90 in the example), it adds 11% bonus to the property value. Reversely, if the value of the euro decreases by 10% (€1=¥110 in the example), it spoils the euro-based property value by 9%. These unknown results are the currency risk. On the other hand, the forward exchange transaction contracted at the property acquisition settles the exchange rate in the future at the time of the acquisition at a rate which is determined by the spot exchange rate and the interest gap. In addition, this interest rate difference brings profits to hedging purpose investors, whose original currency has a higher interest rate. In this example, the investor can obtain 9% profit (3% per annual) without currency risks (Table 4-3-2).



Table 4-3-2 Effects of the Forward Exchange Transaction

		Acquisition	Disposition (after three years holding)			
			Without Forward			With Forward
			€1=¥100	€1=¥110	€1=¥90	€1=¥92
Property	Yen Base	10000	10000	10000	10000	10000
	Euro Base	100	100	91	111	109
Influence from Currency			0%	-9%	11%	9%

Assumption: Interest gap is 3% and the property price is unchanged.

In the case of Japan, German funds can receive approximately 2.5% hedge gains, while other countries bring them loss: 0.3% losses in the US, 0.5% losses in Korea, 1.6% losses in Australia, and so on (Figure 4-3-7)<sup>100</sup>. On the other hand, the yield spread between the initial property yield and the long-term interest rate is 4.5% in Tokyo and 3.5% in New York (Figure 3-1-2 in Section 3.1.3)<sup>101</sup>. Therefore, to lower the LTV in Japan and to enhance it in the US would be a rational selection. The same thing goes for other major countries. In short, Japan is the only country where German funds do not need to use debt financing to hedge the currency risks, while they can receive the same level of benefit though the forward exchange transaction.

<sup>100</sup> Data source: OECD Economic Outlook

<sup>101</sup> The benefits of debt leverage are lower than the spread because the LTV is normally under 100%. In the case that the LTV is 30% as with German funds, the benefit of the leverage is 1.9% in Tokyo:  $(5.5\% - 1.0\% * 30\%) / 70\% - 5.5\% = 1.9\%$

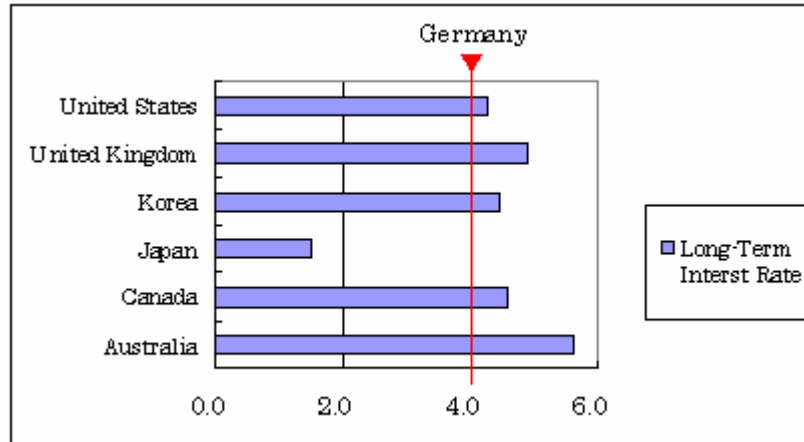


Figure 4-3-7 Long-Term Interest Gap

However, this hedge gain also has a risk. When the existing forward transaction matures, funds have to roll over the transaction, or sell the corresponding properties. However, no one knows whether the interest gap at the transaction renewal is the same ratio as the previous one. If not, gains from the hedging strategy may suddenly disappear at the time of the renewal. For this reason, some funds do not count hedge gains in their expected return by the acquisition, while others try to use them positively. However, these funds which do not count currency hedge gains in the property yield tend to take other risks such as investments in more development projects or in pre-matured markets like China. They said that investors of their funds want to invest in real estate, so they are not allowed to make financial gambles. This difference lies in the difference of risk preference, namely financial risks, country risks, or development risks.

Then, how risky do they expect the interest spread between the euro and the yen to be? According to the data since 1990<sup>102</sup>, the interest spreads of the yen and the US dollar against the euro (Mark before currency unification) are very stable. The interest rates of the yen have never exceeded those of the euro. Additionally, the spread is 2.9% on average, while its standard deviation is only 0.6%. Therefore, judging from historical data, to expect at least a 2.3% interest gap between the euro and the yen

<sup>102</sup> Data source: OECD Economic Outlook

is quite reasonable, while the current gap is 2.5%.

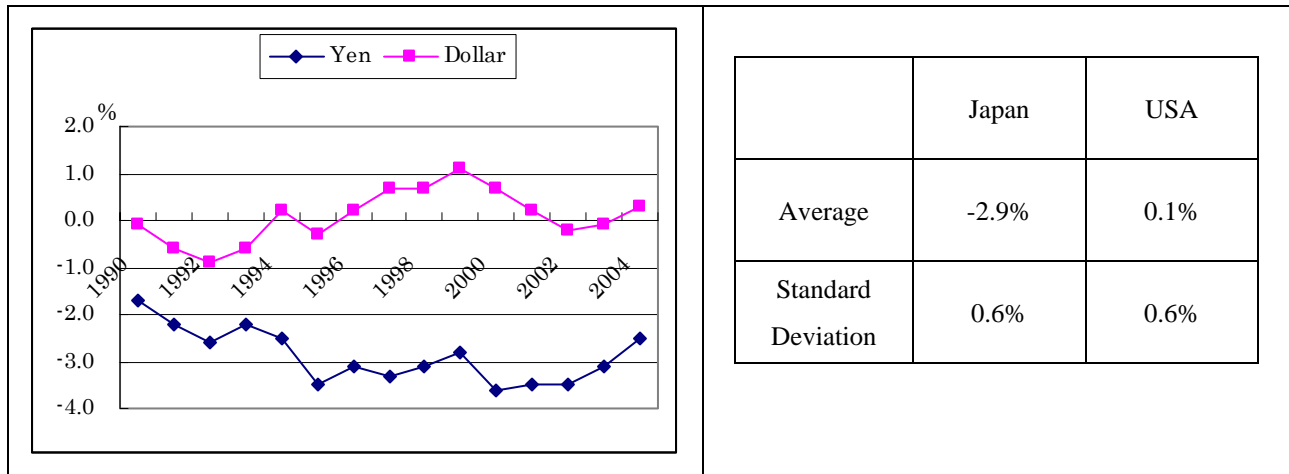


Figure 4-3-8 Long-Term Interest Spread against Euro

#### 4.3.7 Property Yield

A fund manager suggested that the current pricing in Japan is reasonable from a risk-return point of view. All German funds are long-term investors and care about a long-term market cycle, not a short-term market fluctuation, so they will never invest in the market where they think it is at the peak or on the down trend. Therefore, the fact that many German funds try to enter the Japanese market now would suggest that most these funds think that the current property yield in Japan is reasonable. The current capitalization rate is low in the Tokyo office market in truth, but the optimistic future of the market may allow such a low capitalization rate.

#### 4.3.8 Tax System

A fund manager mentioned that the tax system in Japan is easy to understand. It is true that the taxation items in the Japanese tax system are similar to those in Germany (Table 4-3-2). On the other hand, the US taxation system is difficult to understand for foreign investors, because it varies from state to state.

Table 4-3-2 Taxation System

	Germany	Japan	USA
Taxation on Capital Gain	Corporate Tax (national) Business Tax (local)	Corporate Tax (national) Corporate Enterprise Tax (local) Residence Tax (local)	Corporate Tax (national) Corporate Tax (local)
Taxation on Real Estate Holding	Property Tax (local)	Property Tax (local)	Property Tax (local) Property Tax (some states)
Taxation on Real Estate Transaction	Real Estate Acquisition Tax (local)	Real Estate Registration Tax (national) Real Estate Acquisition Tax (local)	Real Estate Transfer Tax (some states)

Additionally, a person other than fund managers mentioned that the Japanese legal system is easy to understand because it includes many common concepts. Maybe that is because the civil law in Japan, a basic law also for the real estate business, was established in 1896, modeled after the German law.

#### 4.3.9 Huge Office Leasing Market

The depth of the leasing market would be an important factor for long-term core investors, who emphasize stable income. Especially for foreign investors, geographical and psychological distances to the market create fear that they may not be able to find a next tenant at the market conditions. In this point, a big market can allay such uneasiness.

#### 4.3.10 Transparency

It is surprising that a fund manager is satisfied with the transparency level in Japan, which is often complained about by foreign investors. However, the thriving J-REIT activities are surely making the Japanese market quickly transparent. J-REITs announce publicly their acquisition prices, summaries of

property appraisals, and so forth, so these data are working as an indicator in the whole market. Additionally, those who can read Japanese can relatively easily access data published by private research institutes or brokerage companies, although these data are not raw but processed by researchers. Thus, the market trend or cycle can be assumable through these data.

#### 4.3.11 High Property Price

This is one of the resolutions to deal with the problem of the geographical distance. If asset prices are high, the fund can reduce the number of assets to operate under the same amount of investment. However, this kind of preference is different among funds if they have a foothold in the local market.

#### 4.3.12 Internationally Major Currency

Foreign currency transactions in the world market are dominated by only four currencies: US\$ (45%), €(18%), ¥ (10%), and £ (5%) as of 2001 (Figure 4-3-9)<sup>103</sup>. This means that if investors can manipulate the asset allocation in these currencies, such a diversified portfolio would be able to eliminate the currency risks. Actually, a fund manager said that because of the international diversification, his fund does not hedge currency risks by individual currencies. However, the result from the same analysis done in Section 2.3 under the condition of no currency risk hedge could not justify the investment in the Japanese market. The result suggests that most assets (82%) should be invested in Germany, whereas the volatility rises from 2.0% (currency risks hedged by the forward exchange transaction) to 3.7%. In short, as far as following the assumption and data applied in this paper, the congeniality between the currency diversification and the real estate diversification is not good.

Beside arguments above, German open-ended funds must keep their exposure to the currency risks under 30% of the total fund assets, so the currency risk hedge is important for international funds. In

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<sup>103</sup> Data Source: Working Group for Globalization of Yen, “*The Proceedings from the First Meeting*,” September, 12, 2002, Ministry of Finance

order to contract a financial derivative transaction, including forward, swap, option, and others, the other party who accepts the transaction is indispensable. However, it is almost impossible for euro investors to find a counter partner against minor currencies<sup>104</sup>, while this would be easy against the US dollar, yen, or sterling pound. Therefore, from a viewpoint of the practical business, the fact that Japan has an international currency is attractive for hedging purposes.

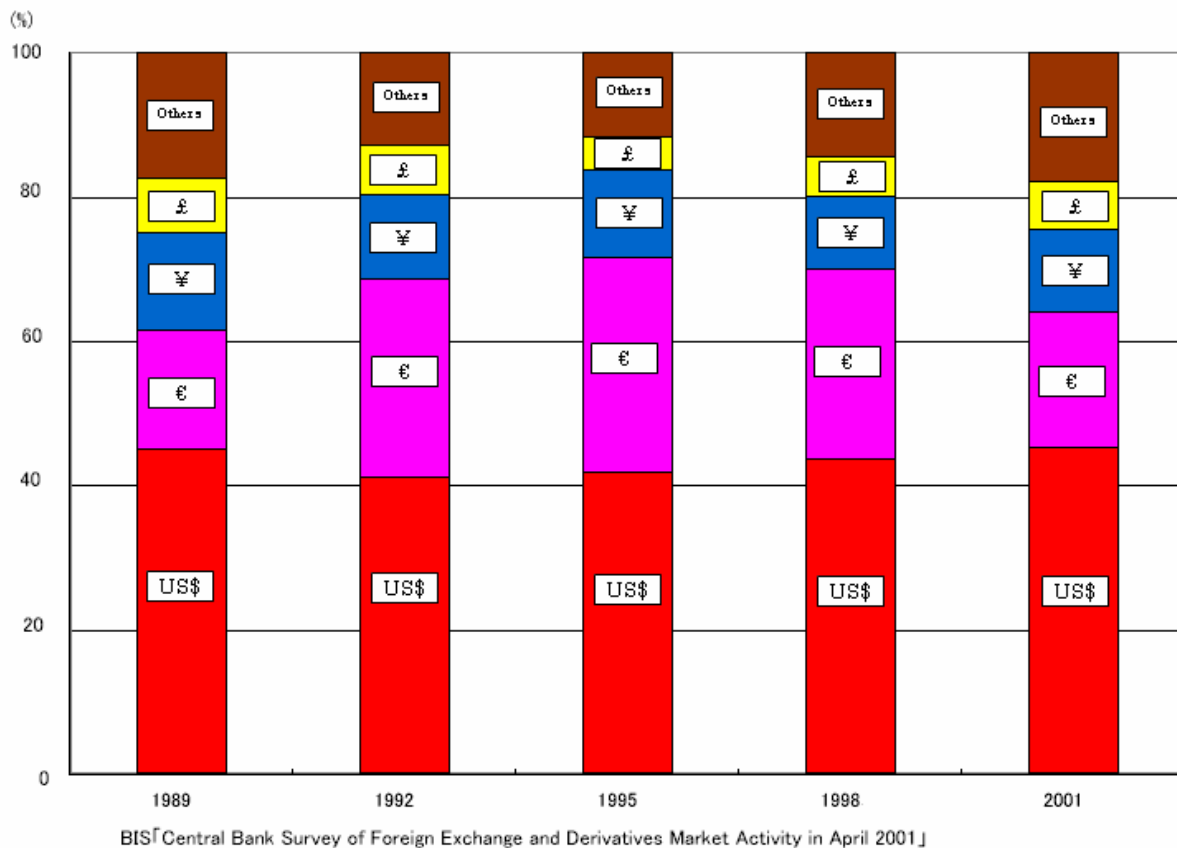


Figure 4-3-9 Shares in the Currency Market

#### 4.4 Disadvantages of Japanese Market

##### 4.4.1 Geographical Distance for Property Management

Anxiety concerning the geographical distance between Germany and Japan is mainly derived

<sup>104</sup> By using a relay currency, US\$, a derivative transaction between euro and a minor currency may be possible. However, it accompanies additional commissions to the financial institution.

from the property management point of view. This concern would be particular for long-term investors. According to a fund manager, one of the reasons that German funds prefer full ownership buildings is that they are afraid of poor maintenance by opportunistic investors.

However, this fear about the managing ability in the local market seems to be greatly dissolved by finding a reliable local partner. In fact, two open-ended funds, which already entered the Japanese market, did not complain about the geographical distance. Particularly, DB Real Estate has an affiliated local partner, Deutsche Securities Limited, Tokyo Branch, so it works well to reduce such worry.

#### 4.4.2 Difficulty to Access Transaction Availability

This would be the most significant problem when German funds enter the Japanese market. There are a lot of real estate transactions in the Japanese market (Appendix D), but most of them are transacted among the limited payers centering several leading real estate companies. The more expensive a property is, the more difficult it is to access the deal flow. However, it is very difficult to know exactly how buyers could access the deal. Only a few J-REITs show such information. For instance, Nippon Building Fund, the largest and leading J-REIT operated by the Mitsui Fudosan group, explains details about the information source of their transactions<sup>105</sup>.

Nippon Building Fund acquired 17 assets amounted to ¥113 billion in 2004 (Table 4-4-1). Only two properties were acquired through bidding competition. Another two properties were through cross trading, in which there might be competitors. However, the other 13 transactions, including transfer from the affiliated company, acquisition of the properties in which the affiliated company has a special interest, and additional acquisitions of the ownership partner, were probably conducted outside of the market. Additionally, expensive transactions were concentrated in the off-market transaction.

Assumed from the NBF data, the number of publicly available transactions may be scarce and

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<sup>105</sup> Nippon Building Fund Management Ltd., “*Presentation Paper for the 7th Fiscal Term (every half year) at the Analyst Meeting*,” February 2005, Nippon Building Fund

investors who have no connection to the closed real estate community may rush to the limited opportunities.

Table 4-4-1 Data Source by Acquisitions in 2004 (Nippon Building Fund)

	Price (mil Yen)	Price Rank	Date
Transfer from Affiliated Company			
Toranomon Kotohira Tower	6,043	8	Nov-04
NBF Atsugi Building	2,300	13	May-04
Properties in which the Affiliated Company has a special interest as a master lessee or an asset manager			
Dia Toranomom Building	13,337	3	Jun-04
ALLIANCE	9,126	5	Jul-04
DIA Ikebukuro Building	4,695	11	Jun-04
Ikebukuro TG Homest Building	4,428	12	May-04
Tanimachi Kowa Building	1,944	14	Jun-04
Aqua Dojima Building	1,914	15	Jun-04
Aqua Dojima Daiwa Dijima Building	17,810	1	Sep-04
Ebisu CS Building	1,000	16	May-04
Additional Acquisition of Partner's Share			
S-INO OMIYA North Wing	5,580	9	Nov-04
Sapporo L Plaza	239	17	Nov-04
Nihonbashi Muro-machi Center Building	14,000	2	Dec-04
Cross Trading			
NBF Higashi-Ginza Square	7,153	6	Aug-04
Hirokoji Toei Building	5,406	10	Mar-04
Bid			
Shiba A Building	6,770	7	Jun-04
S-INO OMIYA North Wing	11,236	4	Nov-04
Total	112,981	17	



#### 4.4.3 Difficulty to Know the Comparable Data

Different from private funds, German funds must persuade their special committee and custody bank to acquire an asset. In order to do so, historical and current raw data comparative to the property is vital. However, it is truly difficult to obtain such raw data in Japan except those of J-REITs as mentioned in Section 4.3.10. Additionally, the history of J-REITs is four years at most, while the expected holding period by German funds is typically ten years. Who has the storage of historical data? Maybe, big Japanese real estate companies represented by Mitsui Fudosan and Mitsubishi Estate have them, but they provide the stored data only for their own benefits, so the third party investors do not have a chance to receive these data.

#### 4.4.4 Psychological Distance

I hope that the further development of the information technology will make the world closer.

#### 4.4.5 Harsh Competition

This discussion is closely related to Section 4.4.3. Simple comparison of the capitalization rate would hinder revelation of the actual figure: the publicly available transaction demands premium to investors. There is a good example in Figure 4-4-1: S-INO OMIYA North Wing<sup>106</sup>. In August of 2004, the auction for the partial ownership of this building was executed by one of two owners of the building, Japan Railway, Transport and Technology Agency; Nippon Building Fund was the successful bidder. Its contract price (¥11.2 billion) was well above the FYI (For Your Information) price (¥7 billion). The capitalization rate was expected to be 5.0%. Two month later, the fund successfully made another contract to transfer the rest of the ownership with ¥5.6 billion (6.3% capitalization rate) from TAISEI Corporation. Both ownerships were transferred in November, but there was 1.3% difference in the capitalization rates. According to the investor's survey, the capitalization rate applied for class-A buildings in this area was

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<sup>106</sup> A new constructed class-A building in Saitama City, which is located 30 kilometer north of Tokyo

6.6%<sup>107</sup>, so the acquisition price from TAISEI Corporation, namely an off-market transaction probably, was consistent with the investor's sense.

This story suggests how the acquisition through an auction demands a premium to the bid winner. Then, for both foreign and domestic investors who can access only such publicly available transactions with "auction premiums," the Japanese investment market surely looks too competitive to buy properties with the "market capitalization rate."

Why are many real estate transactions conducted outside of the market in Japan, while sellers can sell their properties at higher prices through bidding? Intricately woven business relationships, "Keiretsu", and fear of acquiring a bad reputation by selling own prime assets<sup>108</sup> may be the reasons. However, I want to point out another business convention called "Kaku" in this paper. Kaku is a vague concept. It is like a brand image, but is created not by advertisement, nor by the current financial situation. Maybe the company history as to how much the company has contributed to the economic development in Japan since the Meiji era<sup>109</sup> largely decides the company's Kaku. Thus, most companies with high Kaku are a member of Keiretsu and are occupied by the large scale manufacturers, traditional financial institutions, real estate, and construction companies. Additionally, most class-A office buildings in the Tokyo CBD are owned by high-Kaku companies due to their long histories. While the Keiretsu solidarity has recently been weakened by a lot of mergers of financial institutions beyond Keiretsu, the notion of Kaku is still dominating the high business society. There is no indication of Kaku like the S&P rating, but it gives credibility to the company in the Japanese business society. As a result, transactions of class-A office buildings are often determined among top executives of these high-Kaku companies beyond Keiretsu in great secrecy.

In spite of these arguments, not all foreign investors could buy properties in Japan. Rather, some

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<sup>107</sup> Research and Study Department, Japan Real Estate Institute, "*The Japanese Real Estate Investor Survey No. 11*," 2004, Japan Real Estate Institute

<sup>108</sup> In Japan, the disposal announcement of an old big company is often considered to signal for the financial difficulties of the company.

<sup>109</sup> The Meiji era began 1868, following the Edo era.

foreign investors play an outstanding role in Japan. This point will be examined in the next chapter.

#### 4.4.6 Low Property Yield

Only one fund pointed it out. This fund has a policy that currency hedge gains and appreciation returns are not included in the assumed return by the acquisition and requires the target return from the initial year. Thus, this fund is almost giving up finding properties in Japan in spite of other attractiveness and has decided to invest in growing markets. The strategy difference is which risks a fund takes, namely financial risks or country risks, but this depends fully on the preference of each fund, so there is nothing to mention to this point.

As discussed in Section 4.4.5, the expected property yield is greatly different between the publicly available and the non-available transactions. Therefore, some funds mentioned that they want to access off-market transactions.

#### 4.4.7 Short-term Lease

The typical office leasing contract in Japan expires in two years and is automatically renewed unless the tenant submits a written notice to end the contract. Generally speaking, the regulation concerning leasing contracts, “Shakuchi Shakuya Ho,” compels conditions unfavorable to the landlord. For example, regardless of the maturity period of the leasing contract, the tenant has the right to stay in the leased building, unless the tenant makes a significant default. If the landlord wants to finish the leasing contract, the landlord has to pay eviction compensation to the tenants along with a “due reason.” In order to avoid such absurdity, the regulation was revised and “the fixed-term leasing contract” was introduced, while the old-type leasing contract is still available. Although the newly permitted contract type allows owners to have rights equal to those of the tenant, it is not prevailing yet because of the weak office leasing market.

Only one fund considers the 2-year leasing period convention in Japan as a risk factor and demands a risk premium on it. However, most funds think that they should “do in Rome as Romans do.” An exceptionally unfavorable contract condition in comparison with the local market convention is not acceptable for them, but otherwise they do not think of the short leasing contract period as a risk. On the contrary, a fund manager said that the short-term contract period would be beneficial to the landlords in a recovering leasing market like Japan, because it provides landlords with opportunities to negotiate the rent with the tenants.

#### 4.4.8 Expected New Building Supply

Despite the reference from a fund manager, the new office space supply in Tokyo is likely to be limited (Section 3.2.1). It is true that a huge supply is expected in 2006 and 2007 from the completion of Tokyo Midtown Project in the Roppongi area (Appendix G), but this supply level will be much lower than that of 2003, which was called “2003 problem.” During the “2003 problem,” class-A and large scale office buildings suffered a significant increase in the vacancy rate, but while the vacancy rate for the large-scale office buildings did not easily improve, that for the class-A office buildings recovered quickly to the level before the crisis until the end of 2003 and the absorption exceeded the new supply in the next year. Therefore, even if the same thing happens in 2006, the influence would last only a limited period of time.

On the other hand, the fear of a sharp decrease of the work force because of the retirement of the baby boomer generations between 2007 and 2010 can be avoided by the extension of the retirement age forced by a regulation (Section 3.2.4). Additionally, continuing migrants to the Tokyo area enticed by the dropped land price, still small office working space per person, and the existence of unutilized work forces may produce additional demands for spaces in the Tokyo office market. (Section 3.2.3 and 3.2.4)

#### 4.4.9 High Property Price

Despite the argument in Section 4.3.11, one fund thinks that the property price for class-A office buildings in Tokyo is too high for the return from such a single building to influence the fund whole performance. This concern may vary among funds by their total asset volume.

### 4.5 Conclusion of This Chapter

Many German open-ended funds set their target allocation to the Asian market as 10% to 30% of their portfolios. In the Asian market, Tokyo is the main target because of its market size, the diversification effect, the market cycle, the market stability, the yield gap between the property yield and the interest rate, currency hedge gains, and so on. The fact that German open-ended funds are conservative long-term income-oriented investors tends to emphasize the perspectives of the stability of the Japanese market as enumerated above. Additionally, because yen is the only currency which produces hedge gains through the currency risk hedge, the investment in Japan would contribute to hold the enlargement of the currency risk exposure, which has to keep below 30% of the fund total asset.

Despite such advantages, the activities of German open-ended funds have not been successful in Japan. Only four properties were bought by two management companies. Several reasons, including the geographical distance, the lack of historical and comparable data and so forth, were enumerated through the interviews, but the largest reason seems to be the difficulty to access deal flows.

In the next chapter, how German open-ended funds can successfully enter the Japanese market is examined. This discussion will deal with not only the method to access transaction availability but also an alternative way.

## **5. Prescriptions**

### **5.1 Acquisition of Existing Class-A Office Buildings**

#### **5.1.1 Is the Japanese Investment Market Really Inaccessible?**

Section 4.4.2 and 4.4.5 described two points: 1) many real estate transactions, particularly prime office buildings, are conducted outside of the public market and 2) the publicly offered transactions tend to be much more expensive because of the limited number of such transactions. In truth, more than 70% of private funds think that the acquisition of the large-scale office buildings in Tokyo is difficult (Figure 3-1-15 in Section 3.1.5). However, if this is thought in reverse, the other 30% of private funds do not recognize the difficulty. From what does this difference derive? The most possible answer is that most funds experiencing a hard time may be new established fund managing companies without a connection to the closed real estate community. Actually, the largest number of the private fund management companies were established in 2003, most of which are not affiliated with the leading real estate companies. In Japan, many class-A office buildings are traded within a high business society (Section 4.4.5) and therefore the competition for acquiring the limited number of properties which come to the public market is heated (Section 4.4.2).

However, this fact does not necessarily mean that foreign investors have no chance to enter the Japanese market. Some foreign investors are participating in class-A office building trades in Tokyo (Appendix H).

#### **5.1.2 Who Are the Successful Foreign Investors?**

Judging from the transaction data, there are likely to be two ways for foreign investors to participate in class-A office building transactions in Japan (Appendix H). First, some US investment banks and salvage investors have acquired several reputable properties through independent activities. The common characteristics of these properties were that they were sold by their owners in financial

difficulties. Buildings bought by Morgan Stanley and Loan Star Group are typical examples (No. 1, 2, 5, and 6 in Appendix H). These investors hire brilliant staffs in Japan with high salaries and are looking for opportunities every day. However, most German open-ended funds would have no intention to have their own branch in Tokyo, so this strategy is not applicable for them. Second, core investors with a long-term investment horizon are successfully doing business in cooperation with the leading real estate firms, for instance, the Government of Singapore Investment Corporation (GIC) (No. 4 in Appendix H) and an investor from Abu Dhabi of UAE (No. 8 in Appendix H.) GIC also owns a newly constructed office building with 43 floors in Shiodome, one of the Tokyo CBD areas. GIC invested in this project from the development stage after the introduction from Mitsui Fudosan. Also according to the Nikkei Fudosan Market, Mitsui Fudosan is an asset manager for the Abu Dhabi investor as well. These examples of GIC and Abu Dhabi investors may be model cases for German funds when they want to acquire existing class-A buildings in the Tokyo market.

### 5.1.3 Collaboration with Japanese Leading Real Estate Companies

Some fund managers are concerned about a conflict of interest of leading real estate companies between their outside clients and their affiliated J-REITs, but there is no tool to examine this problem. However, even if these leading real estate companies were apt to introduce superior properties to their affiliated J-REITs preferentially, this may change for some companies, because their affiliated J-REITs will fulfill the target asset volume soon (Table 5-1-1). Japan Real Estate (Mitsubishi Estate group) has already reached its target. Nippon Building Fund (Mitsui Fudosan group) and Tokyu REIT (Tokyu group) are very close to the target.

On the other hand, since the determination to introduce the asset impairment accounting rule, Japanese real estate companies have been continuously trying to detach real estate from their balance sheets, especially for non-core properties, which are not located in their dominant area such as Nihonbashi

for Mitsui Fudosan and Marunouchi for Mitsubishi Estate. In short, they are now changing business models from owning a prime office into contracting management business from silent owners including financial institutions and J-REITs.

Table 5-1-1 Target Asset Volume of J-REITs Investing in Big Office Properties

Fund	Current Volume (mil. Yen)	Target Volume (mil. yen)	Potential Office Demand* (mil. yen)	Main Shareholders of the Management Company
Nippon Building Fund	462,542	500,000	37,458	Mitsui Fudosan Co., Ltd.
Japan Real Estate Investment Corporation	317,211	300,000	-17,211	mitsubishiestate CO., LTD.
Japan Prime Realty Investment Corporation	199,752	300,000	78,193	Tokyo Tatemono Co., Ltd.
Premier Investment Corporation	91,299	300,000	125,221	Ken Corporation Ltd.
TOKYU REIT, Inc.	157,860	200,000	24,863	TOKYU CORPORATION, and TOKYU LAND CORPORATION
Global One Real Estate Investment Corp.	70,711			GMAC Commercial Mortgage Japan, K.K.
Nomura Real Estate Office Fund, Inc.	199,170	500,000	300,830	Nomura Real Estate Development Co., Ltd.
MORI TRUST Sogo Reit, Inc.	130,420	400,000	204,881	MORI TRUST CO., LTD.

\* Potential office demand: (the difference between the target volume and current volume) \* (current portion to the office sector)

For German funds, the cooperation with these leading real estate companies may be the best way to acquire existing class-A buildings. The contact to these leading companies through an advisory firm which has a close relationship with such leading firms may also be an alternative. At any rate, leading real



estate companies have a lot of properties and information. However, the problem lies in the fact that many investors, both domestic and international, want to do business with them, so they can select clients. I think that German investors are preferred investors for the leading real estate companies because of their credit, long-term investment stance, possibly long-lasting business relationship, and so forth, but still there are many competitors.

#### 5.1.4 Collaboration with Private Funds

While private funds have accumulated properties at the same pace as J-REITs (Figure 3-1-13 in Section 3.1.5), they normally mature after 3 to 5 years operating period (Appendix I). Therefore, many properties owned by private funds need an exit in the near future.

STB Research Institute surveyed the expected exit for funds by type<sup>110</sup> (Figure 5-1-1). “Comprehensive” fund management companies are generally established by big leading Japanese real estate companies including Mitsui Fudosan and Mitsubishi Estate. “Specialized” fund management companies are established by middle-class real estate companies. Most of them specialize their activities in a limited field, typically in the condominium development. “Independent” fund management companies are established by non-real estate companies such as trading companies, non-banking financial institutions, and individuals. “Foreign” fund management companies are established by foreign financial institutions and real estate advisory firms.

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<sup>110</sup> Inoue, Junji, Real Estate Investment Consulting Group, Research Division, STB Research Institute, “*Real Realities of Real Estate Private Funds based on Questionnaires to Management Companies*,” March, 2004, STR Research Institute

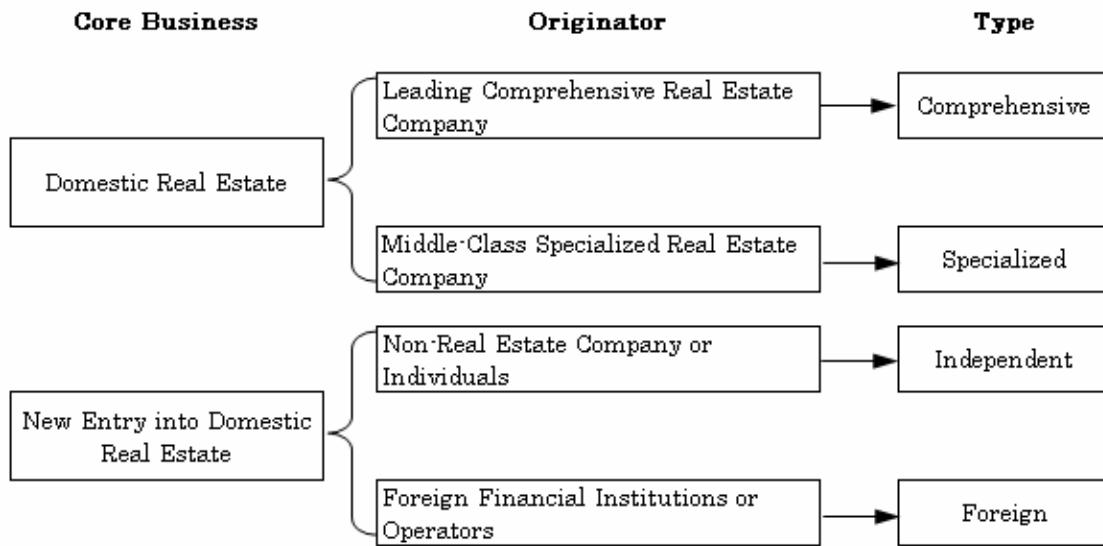


Figure 5-1-1 Private Fund Type

According to the results of the STB Research, “transfer to the next fund” or “transformation to J-REITs” seems to be a probable exit for foreign investors (Figure 5-1-2). Actually, Morgan Stanley, the most outstanding foreign player in the Japanese real estate market (Appendix H), is a shareholder of the management company of a J-REIT and is planning to establish to three other J-REITs (Appendix J). Also, Kennedix, formerly Kennedy Wilson Japan, made its J-REIT public in July of 2005 and all properties included in the Kennedix J-REIT were transferred from its private funds. Thus, strong foreign real estate players are trying to benefit both from private funds and from J-REITs. Concerning the independent funds, there is a discrepancy between the survey conducted by STB Research Institute and Appendix J, whose data are derived from Nikkei Real Estate Market Information. While the survey illustrates that all independent funds intend to sell the fund properties to a third party at the maturity, Appendix J shows that some independent fund management companies such as Mitsubishi Corporation (different company from Mitsubishi Estate), Marubeni Corporation and Itochu Corporation have or will have a J-REIT. Maybe the fact that the survey is one year older than Appendix J is the reason for the difference. In short, the J-REIT as an exit for a private fund is often an affiliated J-REIT and if so, the possibility that the properties

included in such funds will be sold to third party investors would be limited.

Additionally, probably because of the difficulties to access office market transactions, such funds are mainly investing in alternative sectors like the residential sector and do not have a big volume. The same thing goes for the funds operated by “specialized” management companies. Most of their originated companies are condominium developers, for example Joint Corporation, so the main fund properties are comprised of residential properties.

Only the comprehensive type of funds may include many prime office buildings in their portfolio since these funds are operated by leading real estate companies or their affiliated advisory firms. Thus, its basic disposition strategy would be determined by the mother real estate company discussed in the previous section.

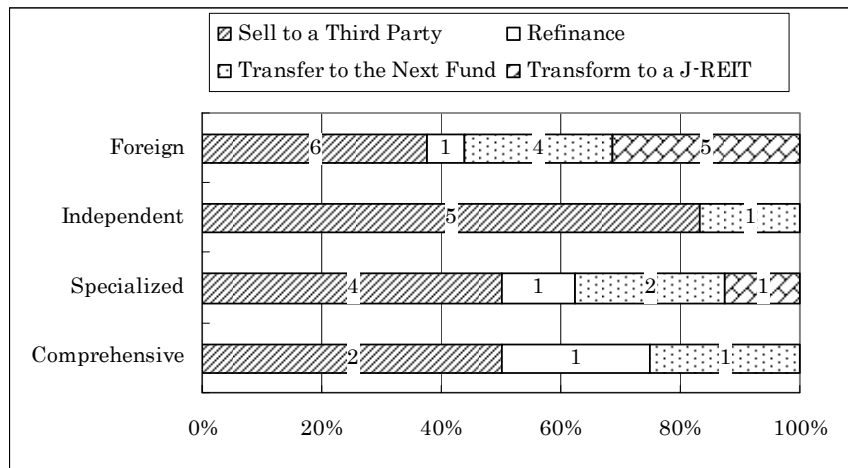


Figure 5-1-2 Possible Exit of the Private Funds

In conclusion, foreign funds may be a good source of property acquisition for German investors, but some of them are trying to keep properties in their group, namely transfer from private funds into J-REITs or another succeeding fund. Thus, to judge which foreign investor needs to find a third party buyer is crucial. Comprehensive funds would have nice properties, so in order to access the deal flows

about the properties owned by them, a close relation to the leading real estate companies would be necessary. Independent and specialized types of funds may not have properties targeted by German funds because of the different investment strategies.

## **5.2 Investment in Shopping Centers**

### **5.2.1 J-REIT Activities**

Influenced by the low capitalization rate of the Tokyo office market, some J-REITs are looking for investment opportunities in the retail and residential sector. The residential sector is out of the target for German open-ended funds (Section 2.1.4), so the possibility to invest in the retail sector is examined. Different from that of an office building, the value driver of a retail building is the purchase power of its commercial radius, which is mainly determined by the popularity of its key tenant and the number of residents in the area. Therefore, the location of retail facilities worth investing in is not only the major cities but also the suburb or even in the rural area. Also, the retail product type varies widely from a small brand shop such as CHANEL along a main street to a big shopping center in the wide farmland. Additionally, some retail leasing contracts are the sales percentage contract, but others are not. This incoherent variety of types is not suitable to be analyzed as a market, so this paper has not dealt with the retail sector. Then how do J-REITs overcome such problems?

If the property type bought by J-REITs is checked, this makes distinct how J-REITs are trying to avoid such problems of the unclear market. They are mainly buying shopping centers with a high credit key tenant such as AEON<sup>111</sup>, Ito Yokado<sup>112</sup>, and so on (Appendix K), especially for properties above ¥5 billion. In addition, the leasing contracts last long, namely more than 10 years and often do not include the sales percentage clause. The advantages of these shopping centers are not limited to these points. Most of their capitalization rates are above 5.5% and their property prices are over ¥5 billion: both the

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<sup>111</sup> Rating: A- (Standard & Poor's) and Baa3 (Moody's)

<sup>112</sup> Rating: AA (Standard & Poor's) and Aa3 (Moody's)

capitalization rates and the property prices satisfy German funds' criteria.

### 5.2.2 Shopping Center Sector

The total sales amount of the shopping center sector is about 26 trillion yen or 20.5% of the total sales of the retail industry as a whole. There are 2660 shopping centers in Japan as of the end of 2004, among which 62 shopping centers were newly developed in 2004 (Appendix L)<sup>113</sup>. Almost half of them have a chain shopping center operator like JUSCO, Ito Yokado, APITA, and so on as a key tenant. In many cases, these chain shopping center operators developed their shopping centers by themselves. The proportion of the shopping center sector in the total retail sector is continuously increasing (Figure 5-2-1<sup>114</sup>), but the number of new developed shopping centers are dull since 2001 (Figure 5-2-2<sup>115</sup>). This may be caused by newly introduced “Law on Large Retail Store Location” in 2000 and the sluggish macro-economy in Japan.

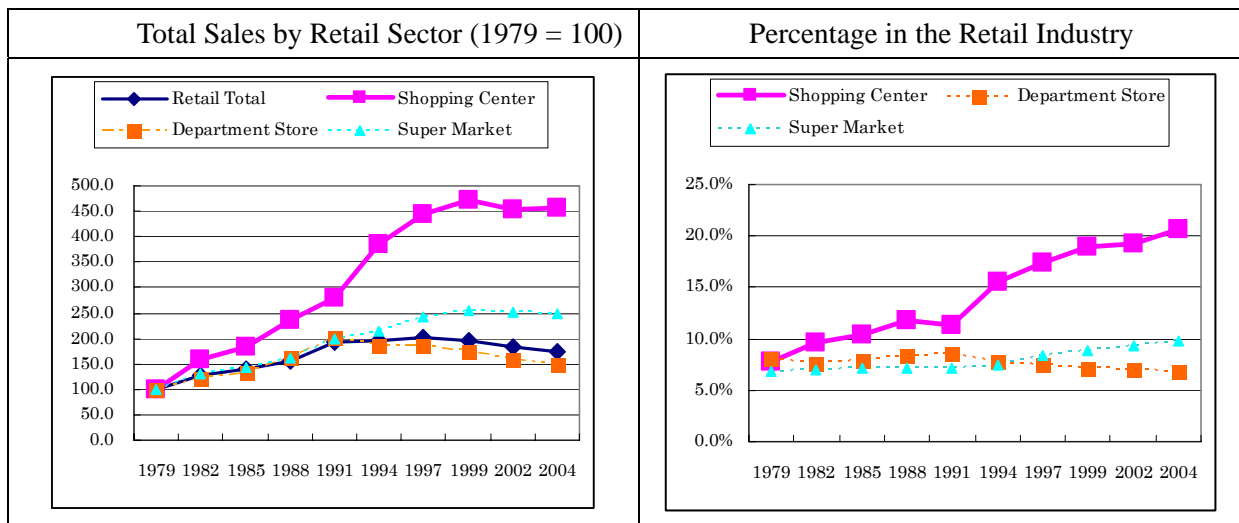


Figure 5-2-1 Presence in the Retail Industry by Sector

<sup>113</sup> Data Source: Japan Council of Shopping Centers

<sup>114</sup> Data Source: Japan Council of Shopping Centers

<sup>115</sup> Mitsubishi Corp.-UBS Realty Inc., “Presentation Paper for the 6th Fiscal Term (every half year) at the Analyst Meeting,” April 2005, Japan Retail Fund Investment Corporation

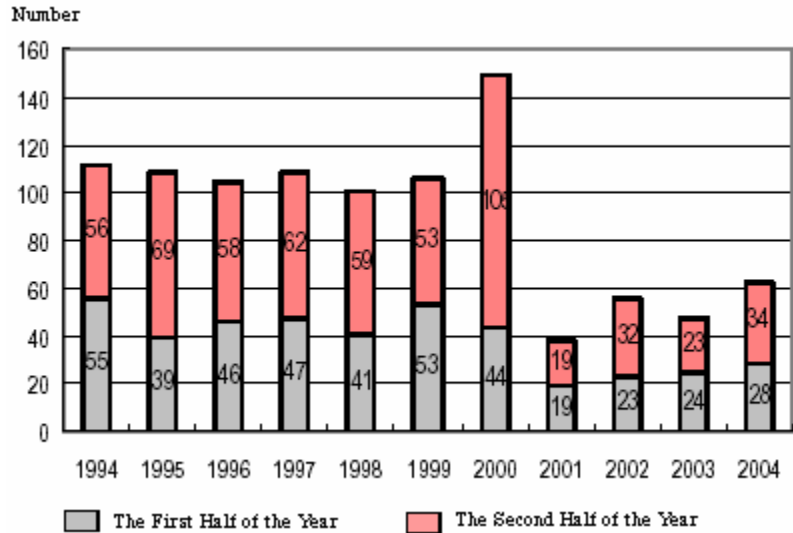


Figure 5-2-2 Number of New Established Shopping Centers

### 5.2.3 Investment Risks for Investing in Shopping Center

Despite the long-term leasing contract with chain shopping operators, the greatest risk to invest in shopping centers is the leasing renewal risk with the existing operator. Since the shopping center building involves many particular specifications, it is hard to convert the building into another use. On the other hand, the sales from the existing shopping centers sometimes have a negative growth, so the engine for a shopping center operator is “the scrap-and-build strategy.” Therefore, there is a large possibility that the leasing contract may not be renewed.

In case of Ito Yokado<sup>116</sup>, for example, the sales growth rate of the company always exceeds that of the existing shops (Figure 5-2-3), whereas the number of shopping centers is almost stable: 181 in 2002, 177 in 2003, 177 in 2004, and 181 in 2005 (as of February). Therefore, this difference of the sales growth is created by the scrap-and-build strategy. Additionally, it is rare that the growth rate of existing shopping centers results in positive. In short, as the time passes after a new opening, the earning power of the shopping center is expected to decrease. Actually, Ito Yokado has closed as many shopping centers as it has opened (Figure 5-2-4).

<sup>116</sup> Data Source: Financial Reports issued by Ito Yokado Co., Ltd.

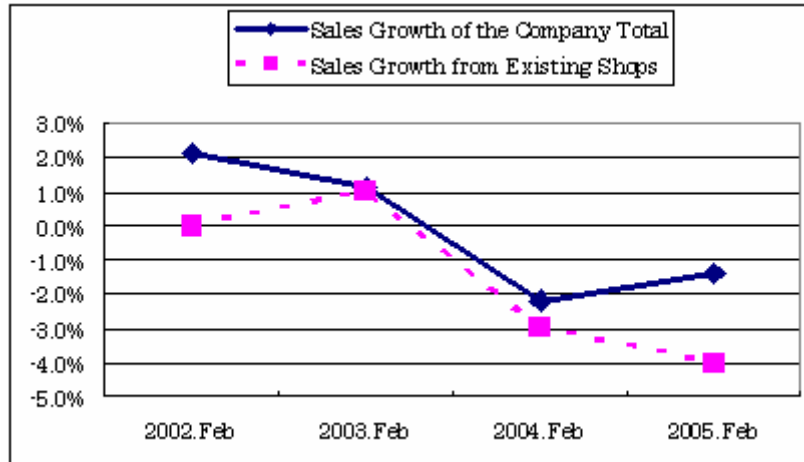


Figure 5-2-3 Sales Growth of the Company Level and the Existing Shops

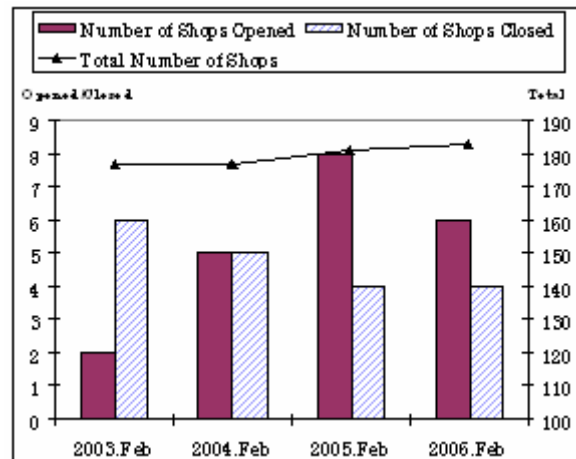


Figure 5-2-4 Scrap and Build by Ito Yokado

### 5.3 Investment in Development Projects

#### 5.3.1 Who Sells the Project in Its Development Stage?

Because of the difficulties to acquire existing buildings, J-REITs began to try to keep properties from the development stage. Nevertheless, J-REITs are not allowed to put money in development projects<sup>117</sup>, so they commit the purchase of the project with a suspensive condition after the completion.

<sup>117</sup> Law on Investment Trust Article 193 Clause 1 (6) and Enforcement Ordinance on Investment Trust and Investment Legal Entity Article 95

While the product type, the price range, and the property yield targeted by German open-ended funds are similar to those of some J-REITs, this point is a powerful advantage for German open-ended funds which are allowed to invest in a development project. For most private funds, other competitors for German funds, the investment in an ongoing project would be difficult generally. First, they normally mature within five years, so big development projects, which normally take more than three years until completion, are not fit for their operating period including the searching period of a buyer (Appendix I). Second, not a few funds are operated by non-development companies, sometime non-real estate companies, so they do not have skills to carry out a development project.

On the other hand, Japanese major developers are reluctant to sell on-going projects (Appendix M). In case of Mitsui Fudosan (No. 1), the transaction was to propel the Tokyo Station Yaesu Project. Mitsui Fudosan acquired the land leasing right held by Kokusai Kanko Kaikan in exchange for selling the building floor ownership of the expected project. Also, the transaction of ORIX Real Estate was the transfer to the affiliated J-REIT (No. 10). There was no other ongoing project sold by a leading real estate developer. Among the transactions of on-going projects, the activities of construction companies as a seller are outstanding. There were three transactions in which the seller was a construction company, namely Obayashi Corporation (No. 2), Taisei Corporation (No. 3), and Kajima Corporation (No. 13).

### 5.3.2 Japanese Construction Companies

Why do construction companies sell ongoing projects? Why do they have properties? Before answering these questions, the peculiarity of the business of Japanese big construction companies must be explained. In Japan, there are five dominant construction companies, Shimizu Corporation (Shimizu), Kajima Corporation (Kajima), Takenaka Corporation (Takenaka), Taisei Corporation (Taisei), and Obayashi Corporation (Obayashi). All of them have a corporate history over 100 years and the approximately ¥1.5 trillion turnover per annum, respectively. Because the business style is to contract all



construction related business with a lump-sum contract price, they are called “super Zenekons,” which means “the general contractor with a super power.” Other than these big five, roughly 100 Zenekons are publicly listed on the stock exchanges. Zenekons’ business area includes not only construction management but also investment advising, tenant leasing, introducing developable lands to their clients, negotiating with local authorities, building design, and others. In short, they do everything necessary to construct a building except paying construction costs. However, the severe competition in the construction market since the collapse of the bubble economy drives them to expand their business to the real estate industry, in which they can expect the profits both from the construction and from the real estate development. Nevertheless, this is not their first expansion to the real estate business. In the last stage of the bubble economy as well, most Zenekons invested huge amount of money in the real estate business, and suffered immense losses from the land price fall in the burst of the bubble economy. Many middle class Zenekons applied the Company Rehabilitation Law to absolve their debt in exchange for cutting off their non-core business areas. Super Zenekons were not cornered so much, but suffered over ¥2 billion losses and spent more than 10 years to recover.

Owing to the progress of the recovery from damages of the bubble economy, the Super Zenekons started to enter the real estate business again. However, because of self-examination from the failures during the bubble economy, they care about the exit of the project at the time of the investment decision. For instance, Kajima established a private fund in March 2005 and Taisei participated in the establishment of a J-REIT, Japan Prime Realty Investment Corporation.

In short, severe competition in the domestic construction market attracts big construction companies to expand into real estate development. However, the lessons from the bubble economy make them avoid holding properties for a long period of time, since real estate ownership is not their core business. These are the reasons that such five Super Zenekons are willing to sell new developed or ongoing projects.

### 5.3.3 Real Estate Developed by Construction Companies

The investment strategy applied by the five Super Zenekons has two types. Shimizu and Kajima tend to create the project by themselves from its infancy stage. Therefore, projects developed by them are often full-ownership projects, planned as an investment product for investors (No. 98 in Appendix D and No. 11 and 19 in Appendix G). On the other hand, Taisei and Obayashi tend to invest in some portion of a project, in which such investment plays a crucial role to receive the whole construction business. Therefore, the properties invested in by them tend to be a partial ownership<sup>118</sup> (No. 136, 145, and 174 in Appendix D and No. 36 and 37 in Appendix G).

### 5.3.4 Pipeline Projects of Shimizu Corporation

In the course of the research of this thesis, Shimizu Corporation showed a great interest in cooperation with German open-ended funds and provided information about their representative projects in progress for the paper (Appendix N).

It is not certain whether the projects listed in the Appendix N are all they are now working on or not, but there are 15 projects which Shimizu developed or is working on: 7 office projects, 3 retail projects, 4 residential projects and a hotel project. Six projects are joint projects, so the investment may be motivated by the construction works. However, the rest are full ownership projects, so they would be the projects created by Shimizu from their beginning. The most remarkable point is that Shimizu has already worked together with foreign investors (No. 3, 8 and 13). Some foreign investors have already begun to make a contact with big construction companies like Shimizu Corporation in order to invest in a development project. At the same time, this means that a big construction company would have know-how about the real estate development business with foreign investors.

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<sup>118</sup> Because ongoing projects are difficult to know, this tendency was reasoned out from the past records.

### 5.3.5 Pros and Cons of Cooperation with Construction Company

The biggest advantage for German open-ended funds to co-work with large construction companies is that they do not have any conflict in real estate investment between German funds. The main purpose of the construction companies to invest in a real estate project is to get construction business. The profit from the development should be secondary. Additionally, they do not have a strong desire to own the developed project for a long time. Therefore, they would sell the ongoing projects or newly developed projects when the construction costs are sufficiently covered. That is, German investors may have an advantage to buy ongoing project from them, because it is impossible or difficult for J-REITs and private funds to put their money in the development projects (Section 5.3.1).

In addition, the risks of the completion, the completion delay, and the construction cost over-run are easily transferred to the developer, the construction company because these risks are their own responsibilities. Also, such risks are historically very low in the case of big Japanese construction companies, so they would undertake such risks easily.

There are two negatives: First, they do not have as much development information as leading real estate companies. Thus, they may not be able to supply projects enough to meet the demand from investors. Second, they have no motivation to restrict the construction costs, so the construction costs may be higher, unless a careful examination of the costs by the investor is made.

### 5.3.6 Preferred Specification of the Office Building

Mori Building researched intensively on the potential demand for office space in Tokyo in November of 2004<sup>119</sup>. Mori Building sent a questionnaire to the top 10,000 companies in terms of capital in Tokyo's 23-wards and received 19.1% answers. The following data are sourced by this research.

First, almost 20% of the companies in Tokyo are considering the new office lease (both transfer

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<sup>119</sup> Hashimoto, Moichiro and Murata, Tomio, Property Management Planning Division, Mori Building Co., Ltd., "Survey on Large-scale Office Market in Tokyo 23-Wards (December, 2004)," May 10, 2005, Mori Building Co., Ltd.

and expansion) within five years (Figure 5-3-1). The expected year of the new office leases is scattered equally in every year.

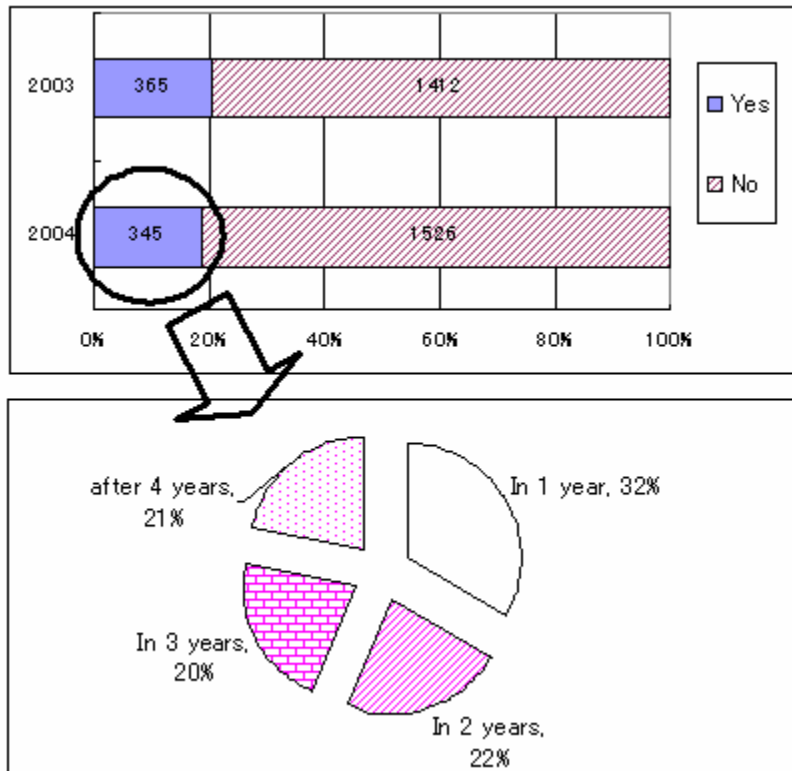


Figure 5-3-1 Plan of New Office Lease within Five Years

The preferred location is concentrated on Tokyo's central three wards: Chiyoda-ku, Chuo-ku, and Minato-ku. Over 60% of the companies desire to move in to this area (Figure 5-3-2). This may be affected by the fact that the rent level in this area has fallen to a reasonable level for them (Figure 3-1-4 in Section 3.1.1). Thus, the office space demand in this area can be regarded as being strong.

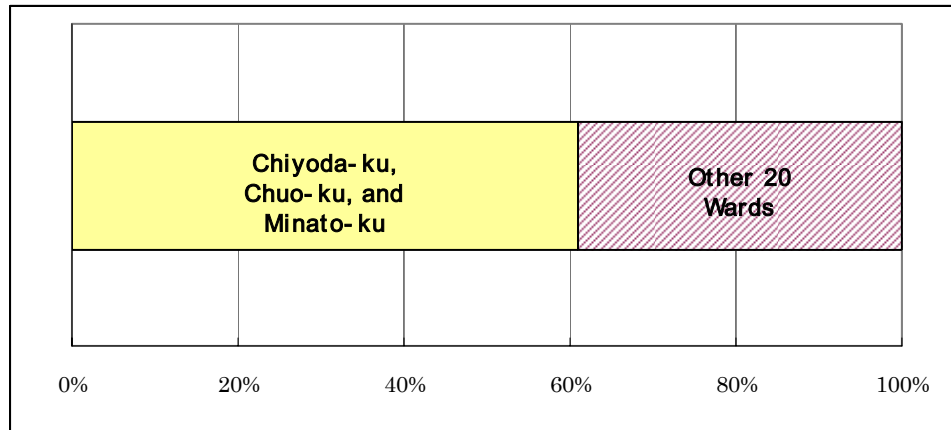


Figure 5-3-2 Desired Next Location

The desired product type changed from 2003. While the rent level as a reason for the move-out or the space reduction is quickly decreasing (Figure 5-3-4), concerns about crime preservation are powerfully increasing (Figure 5-3-3 and 5-3-4). The largest motivation of changing the office is the expansion of the core business, which would be closely related to the rapid recovery of a company's profits after the long restructuring period. Also, the rent level, the available area per floor, equipment grade, and location are still important.

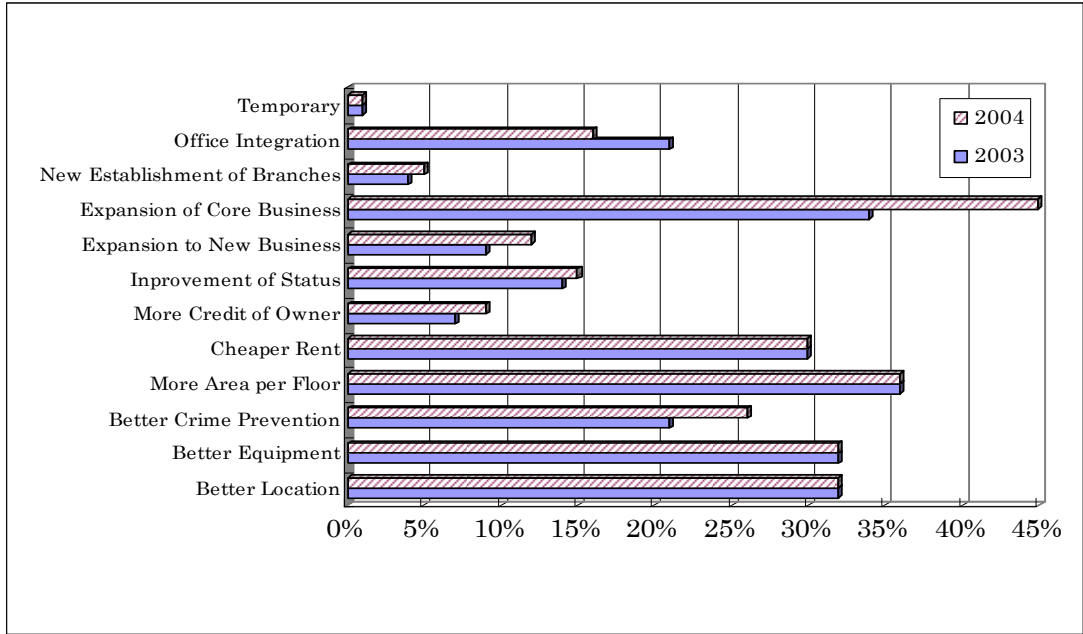


Figure 5-3-3 Reasons for New Office Contract

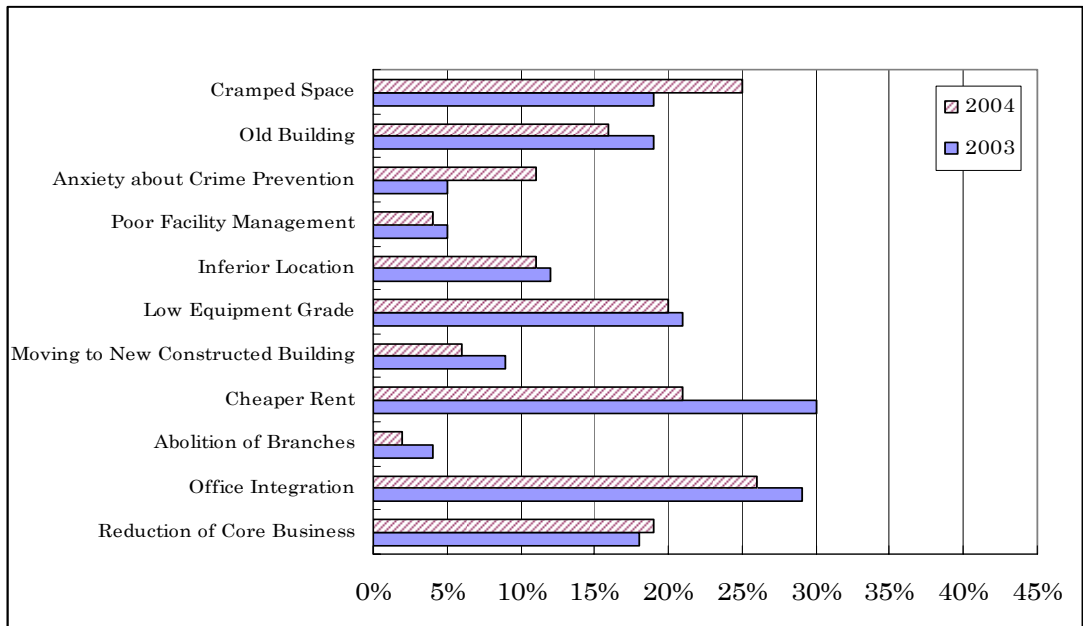


Figure 5-3-4 Reasons for Move-out or Space Reduction

From these points of view, the competitive building can be assumed as follows:

- 1) Is located in the Tokyo CBD, especially Chiyoda-ku, Chup-ku, and Minato-ku.

- 2) Has a large enough floor area to absorb the expansion demand
- 3) Has high grade equipment. Particularly, the security system is becoming gradually more important
- 4) Does not focus too much on the rent. The rent level is still an important factor, but less important than the items above.

## **5.4 Investment in PFI Projects**

### **5.4.1 What is PFI?**

Project Finance Initiative (PFI) is the public policy newly introduced in 2000<sup>120</sup>. The main purpose of this policy is to utilize funds and management know-how from the private sector to construct, maintain, and operate a public facility. Pushed by the financial deficit of the public sectors, 203 PFI projects have been executed or publicly announced (Appendix O)<sup>121</sup>.

The project scheme of PFI is not new: BOT (Build, Operate, and Transfer) or BTO (Build, Transfer and Operate), mainly. However, it has strong characteristics as an installment payment of the facility construction price through rents or operational fees paid by the public sector, so the main PFI products are governmental offices, housing for public employees, schools, and so forth. In these projects, the leasing price paid by the government to the developer is predetermined at the time of bidding, and the operational risks levied on the developer are limited.

In order to participate in the bidding process, some companies make up a consortium. For example, a construction company and a facility management company build a team for a governmental office PFI project. In order to enjoy stable operation, the government requires the credibility of the consortium members and the responsibility to operate the project until the maturing date. Concretely speaking, the successful consortium members are required to establish a SPV controlled by Japanese law to operate the project and they are not allowed to leave the consortium during the operational period.

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<sup>120</sup> “Low on the Promotion of Public Facility Supply by Utilizing the Private Funds” in 1999 and related “Basic Policy” determined by the prime minister in 2000

<sup>121</sup> Data Source: PFI Promotion Committee, Cabinet of the Government

Furthermore, the original consortium members normally must own the majority of the SPC shares. In short, not only the offering construction and management prices but also the company's credit and the skill are important factors to be selected in a PFI project.

#### 5.4.2 Advantages of Investing in PFI

The largest attractiveness of PFI is the security of the money source. Both the periodical income stream and the property transfer price, including the inflation adjustments, are normally predetermined in the contract. Additionally, the payer is government, so the default risk is almost zero.

Second, the operational structure is also secured. The construction and the operation companies which are included in the consortium have a high credit generally. This is one important criterion for the consortium to be selected.

Third, the expected Equity IRR is said to be around 5%, although the real figures are not publicly announced. Since inflation risks are generally levied on the government, this IRR represents the real term. This level of return would not be bad if the low cash flow risks, the visible exit, and the isolation from inflation risks are taken into consideration.

Lastly, the PFI equity investment is a niche market. First, there is a potential desire to sell some PFI shares among original companies. In general, all SPC shares in PFI projects are held by original consortium members, which have interests in the PFI projects other than as investors, including construction, facility management, and others, so the SPC shares are gradually accumulated in these companies. Because their main purpose for participating in a PFI project is the business related to the PFI operation, not the investment return, they do not want to lay away money as an unutilized capital until the end of the project. In order to entice the third party investors to acquire SPC shares up to the level acceptable for the government, namely 50% generally, the original consortium members may try to enhance the equity yield. Second, currently there is no third party investor who wants to invest in SPC



equity in a PFI project. Financial institutions prefer to finance for a PFI project as a lender because of the secured money source and the higher interest rate resulting from the non-recourse loan. Also for private funds, the PFI project period has too long a horizon to invest in. While their expected operational period is normally set three to five years, many PFI projects last more than 15 years. In short, both financial institutions and private funds, the equity investment in a PFI project is not suitable for their investment policy. Maybe, only German open-ended funds can invest in such a long-term investment product with a secured yield, because they sometimes hold a property more than 30 years.

#### 5.4.3 Disadvantages of Investing in PFI

However, the investment in a PFI project by German open-ended funds has a great disadvantage, too. The problem is that the SPC normally uses very high LTV, sometimes over 90% of the property value thanks to the secured cash flows. On the other hand, one great attractiveness of the Japanese market is that German funds do not need to use the debt finance by using the hedge gains. However, this advantage does not work in PFI projects. For German funds, how to balance the LTV limitation (below 50% of the total property value) and the currency risk exposure limitation (below 30% of the total fund value) is a crucial point to manage an international fund. Thus, such a high LTV of the SPC in a PFI projects may break the subtle balance.

## 6. Conclusion

The German open-ended funds have been encouraged to invest globally by their individual investors. Tokyo is indispensable for their global strategy because of the following main reasons:

- Currency Hedge gains: Probably the most important point. Only the yen creates gains through the forward exchange transaction against the euro, which is used with the purpose of a currency hedge for the equity portion of the acquired property. German real estate open-ended funds are restrained to

keep the LTV to the total property value below 50%, so they can enhance the LTV in other countries like the US in exchange for the lowered LTV in Japan.

- **Stability:** German real estate open-ended funds have strong characteristics of a long-term conservative investor, who prefers the stable income market. The Tokyo office market is the most stable market among major cities in terms of the vacancy rate and the rent level.
- **Market size:** Large real estate market offers liquidity. Tokyo is the largest single office market in the world. Also, from the fund sales viewpoint, no fund can be called a “global” fund that does not include the largest real estate market in the portfolio.
- **Diversification:** According to the quantitative analysis based on the portfolio theory, approximately 15% of the portfolio should be occupied by Japanese properties to optimize the portfolio at 7% expected return.
- **Market cycle:** The Tokyo leasing market, namely the vacancy rate and the rent level, is now quickly improving. The investment market may be a little bit heated, but this current level seems to be at a plateau, at which some investors like J-REITs and private funds begin to sell their properties or shift from the office market into other products like residential and retail properties, while still there are strong demands. Thus, the market cycle of Tokyo can be judged as in the recovery stage.

On the other hand, German funds seem to be facing difficulties in buying Japanese properties. The main reason is the difficulty to access deal flows. Many real estate transactions, especially prime office buildings, are traded within a closed real estate communities. As a result, the limited numbers of the properties which are traded on the market are priced well below (price is high) the market consensus capitalization rate.

In order to resolve this problem four alternatives are proposed:

- **Cooperation with local leading real estate companies:** While local leading real estate companies have many properties and much information, some German funds have apprehensions about a conflict of

interest between their affiliated J-REITs and clients. However, even if this concern is justified, some J-REITs which are affiliated with leading real estate companies have almost attained the target fund volume, so the parent companies will try to sell properties to their clients.

- Investment in the retail sector: The shopping centers master-leased by big shopping center chains provide a stable income, a long-term leasing period, and a relatively high property yield. Thus, many J-REITs are buying these properties. However, there is also a risk. In many cases, the leasing contracts are not renewed after the expiration, while the building is difficult to convert to other uses.
- Investment in the development project: J-REITs are not allowed to put money in development projects, so German open-ended funds are advantageous in this point. The main seller of development projects is big construction companies. Actually, some foreign investors have begun to approach such big construction companies to keep properties. The problems of such construction companies are the small amount of information in comparison to leading real estate companies and no incentive to save on construction costs.
- Investment in the PFI project: Because of the super long-term investment period, there is no third party investor to invest in PFI projects as an equity investor, despite the almost secured income stream and around 5% equity IRR. Nevertheless, the problem for German funds is that the SPC established for the execution of the PFI projects normally has very high LTV, around 90%, because of the safe money source. Balancing LTV among international markets is a crucial point for the fund management, so such a high LTV may not be acceptable for German open-ended funds.

All alternatives above include advantages and disadvantages. However, there is a common important factor in these alternatives. That is, the close relationship with the related companies is necessary. In order to enter the Japanese market, building a reliable relationship is vital.

## Appendix A: German Public Real Estate Open-Ended Funds

Fund	Deka-ImmobilienEuropa	Deka-ImmobilienGlobal	Deka-ImmobilienFonds	Grundbesitz-invest	Grundbesitz-global	Grundwert Fonds
Management Company	Deka Immobilien Investment GmbH	Deka Immobilien Investment GmbH	Deka Immobilien Investment GmbH	DB Real Estate GmbH	DB Real Estate GmbH	DEGI Deutsche Gesellschaft für Immobilien mbH
Type	International	International	Domestic	Domestic	International	Domestic
Established in	1997	2002	1967	1970	2000	1972
Data As of	9/30/04	9/30/04	9/30/04	9/30/04	3/31/05	9/30/04
<b>-Financial Data-</b>						
<b>Balance Sheet</b>						
<b>Asset</b>	<b>11,157,518,959</b>	<b>2,626,125,066</b>	<b>6,625,231,055</b>	<b>8,899,682,954</b>	<b>3,762,791,766</b>	<b>6,998,961,907</b>
Properties	5,524,893,397	1,140,261,511	5,141,774,728	6,897,535,027	1,461,891,464	5,393,372,296
Commercial properties	5,351,004,365	1,114,661,511	4,833,029,139	6,894,115,027	1,461,891,464	5,393,372,296
Undeveloped / under construction	173,889,031	25,600,000	308,745,589	3,420,000	0	0
Equity holdings in real estate companies	955,023,020	315,051,492	732,501,409	202,632,941	710,126,991	167,648,888
Liquid investments	3,966,780,637	974,923,262	337,990,449	1,494,120,453	1,367,547,632	1,264,388,206
Others	710,821,906	197,908,801	412,964,469	305,394,534	223,225,679	173,352,517
<b>Liabilities</b>	<b>1,282,460,612</b>	<b>553,793,903</b>	<b>1,084,294,627</b>	<b>1,098,018,465</b>	<b>413,699,515</b>	<b>894,708,984</b>
Loan	1,048,048,476	515,764,058	902,324,813	801,406,389	300,665,115	608,466,977
Site Purchase and building projects	98,751,269	20,108,267	28,780,830	27,418,736	3,950,884	1,275,363
Site Management	74,264,548	10,829,316	86,684,817	102,139,399	33,467,377	130,494,055
Others	19,874,370	2,168,299	24,054,243	29,939,898	7,992,863	38,075,250
<b>Provisions</b>	<b>41,521,949</b>	<b>4,923,963</b>	<b>42,449,924</b>	<b>137,114,043</b>	<b>67,623,276</b>	<b>116,396,839</b>
<b>Fund Net Asset</b>	<b>9,875,058,347</b>	<b>2,072,331,163</b>	<b>5,540,936,429</b>	<b>7,801,664,489</b>	<b>3,349,092,252</b>	<b>6,104,252,923</b>
<b>Indicator</b>						
LTV (Loan/Properties)	16.2%	35.3%	15.4%	11.3%	13.8%	10.9%
LTV (Loan/Assets)	10.0%	21.2%	14.5%	9.3%	8.5%	8.9%
Liquidity Level	35.6%	37.1%	5.1%	16.8%	36.3%	18.1%
<b>-Property Data-</b>						
<b>: Geographical Allocation</b>						
<b>Europe</b>	<b>89.0%</b>	<b>73.2%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>76.6%</b>	<b>100.0%</b>
Germany	24.5%	8.5%	69.1%	65.4%	0.0%	81.7%
France	15.0%	17.1%	3.4%	9.4%	25.1%	
Spain	5.8%	4.9%	5.1%	2.2%	0.9%	
Netherlands	6.9%	2.6%	3.2%	2.4%		6.4%
Italy		7.6%		1.2%	1.4%	2.4%
UK	20.5%	17.5%	17.9%	19.4%	19.0%	9.5%
Austria	6.1%				3.8%	
Sweden	4.6%	5.6%			16.3%	
Belgium	3.7%	3.8%	0.4%		1.1%	
Luxemburg	1.2%	4.4%				
Hungary	0.7%				3.2%	
Czech		1.2%			2.7%	
Portugal						
Denmark			0.9%			
Poland					3.1%	
Switzerland						
Other Europe						
<b>North America</b>	<b>5.9%</b>	<b>3.0%</b>			<b>14.3%</b>	
USA	5.9%	3.0%			14.3%	
Canada						
<b>Asia and Oceania</b>	<b>5.1%</b>	<b>23.8%</b>			<b>9.1%</b>	
Japan	1.3%	4.5%			2.6%	
Australia	3.8%	14.8%				
South Korea		4.5%			6.5%	
<b>: Property Type Allocation</b>						
Office	77.6%	87.5%	61.6%	67.6%	85.8%	74.0%
Retail	14.5%	8.5%	27.3%	17.1%	3.7%	14.1%
Residential				0.4%		
Warehouse	1.5%	0.8%	3.0%	3.5%	2.5%	2.7%
Industrial						
Hotel	2.8%	0.5%	0.6%	6.5%	1.4%	3.2%
Others	3.6%	2.7%	7.5%	4.9%	6.6%	6.0%
<b>-Profit Components-</b>						
Rental income *1	6.4%	6.6%	5.4%	5.9%	5.8%	7.6%
Net income *1	5.1%	5.6%	4.4%	4.9%	4.9%	5.4%
Valuation results *1	-0.2%	0.5%	-2.1%	-1.6%	1.1%	-2.5%
RE return before loan interest *1	4.9%	6.1%	2.3%	3.3%	6.0%	2.9%
RE return after loan interest *2	5.1%	7.0%	2.0%	3.1%	5.9%	2.9%
Currency changes *2	-0.5%	-0.9%	-0.3%	0.6%	0.1%	-0.1%
Real estate return total *2				3.7%		2.8%
Return on RE companies *3				0.9%		6.1%
<b>Overall return on property</b>	<b>4.6%</b>	<b>6.1%</b>	<b>1.7%</b>	<b>3.6%</b>	<b>6.0%</b>	<b>2.9%</b>
Liquidity return *4	2.2%	2.2%	2.2%	2.5%	2.5%	2.3%
Fund return before deduction of fund costs *5	3.6%	3.7%	1.8%	3.3%	4.6%	2.8%
<b>Fund return after deduction of fund costs *5</b>	<b>2.9%</b>	<b>2.9%</b>	<b>1.1%</b>	<b>2.7%</b>	<b>4.0%</b>	<b>2.1%</b>

\*1 In relation to average property assets, \*2 In relation to average assets after deduction of external funds, \*3 In relation to property fund assets, \*4 In relation to average fund assets tied in liquid investments, and \*5 In relation to average fund assets

Fund	DEGI International	hausInvest europa	hausInvest global	AXA Immoselect	SEB ImmoInvest	SEB ImmoPortfolio Target Return Fund
Management Company	DEGI Deutsche Gesellschaft für Immobilien mbH	Commerz Grundbesitz Investmentgesellschaft mbH	Commerz Grundbesitz Investmentgesellschaft mbH	AXA Investment Managers Deutschland GmbH	SEB Immobilien-Investment GmbH	SEB Immobilien-Investment GmbH
Type	Europe	Europe	International	Europe	International	
Established in	2003	1972	2004	2002	1989	2004
Data As of	12/31/04	3/31/05	3/31/05	4/30/04	3/31/05	12/31/05
<b>-Financial Data-</b>						
<b>Balance Sheet</b>						
<b>Asset</b>	<b>1,284,471,301</b>	<b>13,483,369,186</b>	<b>1,539,102,381</b>	<b>494,568,345</b>	<b>6,114,712,268</b>	
Properties	767,795,540	10,333,878,931	0	263,145,000	3,523,584,096	
Commercial properties	767,795,540	8,630,990,662	0	263,145,000	3,367,222,461	
Undeveloped / under construction	0	1,702,888,269	0	0	156,361,635	
Equity holdings in real estate companies	158,212,146	1,220,567,846	507,192,661	15,824,288	212,829,160	
Liquid investments	329,745,643	1,338,005,617	854,556,707	189,274,041	1,845,327,029	
Others	28,717,972	390,916,792	177,353,012	26,325,016	532,971,984	
<b>Liabilities</b>	<b>424,959,332</b>	<b>3,402,470,561</b>	<b>136,076,536</b>	<b>77,361,414</b>	<b>982,860,924</b>	
Loan	397,468,382	2,335,694,209	0	68,917,500	775,805,288	
Site Purchase and building projects	0	377,147,542	0	0	56,808,202	
Site Management	9,560,577	158,918,650	0	4,080,096	62,557,140	
Others	6,937,272	145,501,528	124,773,487	1,052,054	14,106,018	
<b>Provisions</b>	<b>10,993,101</b>	<b>385,208,632</b>	<b>11,303,049</b>	<b>3,311,764</b>	<b>73,584,276</b>	
<b>Fund Net Asset</b>	<b>859,511,969</b>	<b>10,080,898,625</b>	<b>1,403,025,845</b>	<b>417,206,930</b>	<b>5,131,851,344</b>	
<b>Indicator</b>						
LTV (Loan/Properties)	42.9%	20.2%	0.0%	24.7%	20.8%	
LTV (Loan/Assets)	31.7%	18.1%	0.0%	14.7%	13.9%	
Liquidity Level	25.7%	9.9%	55.5%	38.3%	30.2%	
<b>-Property Data-</b>						
<b>: Geographical Allocation</b>						
<b>Europe</b>	<b>100.0%</b>	<b>76.9%</b>	<b>10.4%</b>	<b>100.0%</b>	<b>85.2%</b>	
Germany		20.9%		16.2%	43.6%	
France	46.7%	23.8%		8.0%	16.3%	
Spain		0.8%			2.7%	
Netherlands		15.7%		25.6%	3.0%	
Italy	9.7%	3.9%		25.6%	11.4%	
UK	53.4%					
Austria		1.4%		2.9%		
Sweden	8.1%	4.0%				
Belgium	2.1%	1.5%		21.7%	4.2%	
Luxembourg					1.0%	
Hungary					1.3%	
Czech			10.4%			
Portugal		4.9%				
Denmark						
Poland						
Switzerland						
Other Europa					1.7%	
<b>North America</b>			<b>89.6%</b>		<b>14.8%</b>	
USA			47.5%		14.8%	
Canada			42.1%			
<b>Asia and Oceania</b>						
Japan						
Australia						
South Korea						
<b>: Property Type Allocation</b>						
Office	92.9%	73.1%	39.1%	65.0%	75.9%	
Retail	4.3%	19.8%	58.8%	14.7%	11.4%	
Residential					0.0%	
Warehouse				11.7%		
Industrial		1.3%			3.6%	
Hotel		0.8%	2.1%	8.6%	1.0%	
Others	2.8%	5.0%			8.0%	
<b>-Profit Components-</b>						
Rental income *1	7.0%	6.1%		6.7%	7.0%	
Net income *1	5.5%	4.4%		5.7%	5.4%	
Valuation results *1	-0.8%	-0.7%		3.7%	0.2%	
RE return before loan interest *1	6.2%	3.8%		9.4%	5.6%	
RE return after loan interest *2	7.1%	3.2%		11.5%	6.0%	
Currency changes *2	-0.4%	-0.8%			0.0%	
Real estate return total *2						
Return on RE companies *3						
<b>Overall return on property</b>	<b>6.7%</b>	<b>2.4%</b>		<b>11.5%</b>	<b>6.0%</b>	
Liquidity return *4	2.2%	3.0%		1.9%	2.8%	
Fund return before deduction of fund costs *5	5.1%	2.5%		6.2%	4.7%	
<b>Fund return after deduction of fund costs *5</b>	<b>4.0%</b>	<b>1.9%</b>		<b>5.3%</b>	<b>4.3%</b>	

\*1 In relation to average property assets, \*2 In relation to average assets after deduction of external funds, \*3 In relation to property fund assets, \*4 In relation to average fund assets tied in liquid investments, and \*5 In relation to average fund assets

Fund	KanAm grundinvest Fonds	KanAm US-grundinvest Fonds	SKAG 3 Kontinente	SKAG Euroinvest Immobilien	WestInvest 1	WestInvest InterSelect
Management Company	KanAm Grund Kapitalanlagegesellschaft mbH	KanAm Grund Kapitalanlagegesellschaft mbH	Siemens Kapitalanlagegesellschaft mbH	Siemens Kapitalanlagegesellschaft mbH	WestInvest Gesellschaft für investmentfonds mbH	WestInvest Gesellschaft für investmentfonds mbH
Type	International	International	International	International	Domestic	Europe
Established in	2001	2003	2003	1999	1989	2000
Data As of	6/30/04	3/31/04	4/30/04	3/31/04	9/30/04	9/30/04
<b>-Financial Data-</b>						
<b>Balance Sheet</b>						
<b>Asset</b>	<b>2,239,835,548</b>	<b>312,105,300</b>	<b>90,372,353</b>	<b>2,433,134,587</b>	<b>3,562,586,853</b>	<b>2,095,196,295</b>
Properties	1,729,824,394	78,615,600	23,650,000	1,557,893,971	2,434,000,390	1,429,126,542
Commercial properties	1,729,824,394	78,615,600	23,650,000	1,495,414,078	2,366,184,228	1,326,813,637
Undeveloped / under construction	0	0	0	62,479,893	67,816,163	102,312,905
Equity holdings in real estate companies	37,028,592	186,179,600	23,952,266	293,527,263	38,840,000	102,182,000
Liquid investments	392,419,883	44,439,300	42,602,830	478,093,176	984,440,578	487,489,728
Others	80,562,679	2,870,800	167,257	103,620,176	105,305,884	76,448,025
<b>Liabilities</b>	<b>776,924,366</b>	<b>33,257,376</b>	<b>1,669,357</b>	<b>675,605,129</b>	<b>253,378,122</b>	<b>354,487,083</b>
Loan	715,431,159	23,965,049	0	591,349,873	167,514,569	291,877,012
Site Purchase and building projects	8,922,853	3,033,048	125,895	857,094	21,360,265	21,073,212
Site Management	9,297,207	1,697,403	17,164	25,826,835	37,305,258	17,930,379
Others	33,712,718	3,000,276	545,392	11,211,574	10,410,742	11,195,958
<b>Provisions</b>	<b>9,560,429</b>	<b>1,561,600</b>	<b>980,906</b>	<b>46,359,953</b>	<b>16,787,289</b>	<b>12,410,522</b>
<b>Fund Net Asset</b>	<b>1,462,911,182</b>	<b>278,847,924</b>	<b>88,702,996</b>	<b>1,757,529,457</b>	<b>3,309,208,731</b>	<b>1,740,709,212</b>
<b>Indicator</b>						
LTV (Loan/Properties)	40.5%	9.1%	0.0%	31.9%	6.8%	19.1%
LTV (Loan/Assets)	33.1%	7.7%	0.0%	25.4%	4.8%	14.5%
Liquidity Level	17.5%	14.2%	47.1%	19.6%	27.6%	23.3%
<b>-Property Data-</b>						
<b>: Geographical Allocation</b>						
<b>Europe</b>	<b>94.1%</b>	<b>0.0%</b>	<b>49.7%</b>	<b>92.6%</b>	<b>100.0%</b>	<b>100.0%</b>
Germany			49.7%	63.0%	81.6%	41.0%
France				14.3%	10.3%	23.2%
Spain				4.0%		4.7%
Netherlands				4.7%	6.2%	11.7%
Italy				2.4%		5.2%
UK						
Austria					0.1%	5.0%
Sweden						
Belgium				0.3%	1.8%	9.2%
Luxemburg						
Hungary						
Czech						
Portugal				1.2%		
Denmark						
Poland						
Switzerland					2.8%	
Other Europa	94.1%					
<b>North America</b>	<b>5.9%</b>	<b>100.0%</b>	<b>50.3%</b>	<b>7.5%</b>		
USA	5.9%	100%	50.3%	7.5%		
Canada						
<b>Asia and Oceania</b>						
Japan						
Australia						
South Korea						
<b>: Property Type Allocation</b>						
Office	88.6%	43.7%	97.2%	84%	74.3%	74.6%
Retail	5.4%	51.1%	1.1%	3%	3.9%	9.8%
Residential				0%	0.2%	0.5%
Warehouse	1.8%		1.7%	7%	10.6%	1.6%
Industrial						
Hotel					5.2%	8.7%
Others	4.2%	5.2%		5.60%	5.8%	4.8%
<b>-Profit Components-</b>						
Rental income *1	7.5%	6.9%			6.2%	6.1%
Net income *1	7.2%	6.2%			5.3%	5.3%
Valuation results *1	3.1%	2.2%			-0.6%	1.4%
RE return before loan interest *1	10.4%	8.4%			4.7%	6.7%
RE return after loan interest *2	13.2%	8.4%			4.7%	7.2%
Currency changes *2		0.0%				
Real estate return total *2						
Return on RE companies *3	3.2%	14.2%				
<b>Overall return on property</b>	<b>13.4%</b>	<b>8.4%</b>			<b>4.7%</b>	<b>7.2%</b>
Liquidity return *4	2.0%	0.9%			2.2%	2.3%
Fund return before deduction of fund costs *5	8.0%	8.1%			3.8%	5.3%
<b>Fund return after deduction of fund costs *5</b>	<b>7.0%</b>	<b>6.5%</b>			<b>3.0%</b>	<b>4.5%</b>

\*1 In relation to average property assets, \*2 In relation to average assets after deduction of external funds, \*3 In relation to property fund assets, \*4 In relation to average fund assets tied in liquid investments, and \*5 In relation to average fund assets

Fund	WestInvest ImmoValue	CS EUROREAL	DIFA-Fonds Nr. 1	DIFA-Grund	DIFA-Global	Hansainmobilia
Management Company	WestInvest Gesellschaft für investmentfonds mbH	CREDIT SUISSE ASSET MANAGEMENT Immobilien Kapitalanlagegesellschaft mbH	Deutsche Immobilien Fonds AG	Deutsche Immobilien Fonds AG	Deutsche Immobilien Fonds AG	HANSAINVEST Hanseatische Investment-GrbH
Type	Europe	Europe	Domestic	International	International	Europe
Established in	2003	1992	1966	1985	2004	1988
Data As of	3/31/05	9/30/04	3/31/05	9/30/04	3/31/05	10/31/04
<b>-Financial Data-</b>						
<b>Balance Sheet</b>						
<b>Asset</b>	<b>2,698,521,058</b>	<b>6,007,052,076</b>	<b>8,492,977,576</b>	<b>7,504,664,370</b>	<b>617,672,572</b>	<b>632,384,709</b>
Properties	1,780,284,133	3,230,978,551	6,485,824,841	3,876,663,918	290,359,158	536,388,655
Commercial properties	1,590,793,000	2,861,988,582	6,070,492,168	3,675,261,877	253,247,000	519,788,655
Undeveloped / under construction	189,491,133	368,989,969	415,332,673	201,402,042	37,112,158	16,600,000
Equity holdings in real estate companies	197,249,072	301,802,738	543,328,654	586,764,158	73,379,784	6,276,774
Liquid investments	515,649,414	2,122,640,447	1,311,703,043	2,774,739,238	229,905,507	78,871,834
Others	205,339,240	351,630,340	152,121,038	266,497,056	24,028,123	10,847,426
<b>Liabilities</b>	<b>414,809,539</b>	<b>784,797,411</b>	<b>1,085,837,266</b>	<b>1,033,087,852</b>	<b>79,765,890</b>	<b>132,951,182</b>
Loan	355,740,295	603,688,060	839,004,681	799,250,359	69,252,876	120,792,853
Site Purchase and building projects	12,067,414	53,370,384	6,417,124	5,862,513	350,000	1,108,987
Site Management	20,303,286	48,975,333	110,041,322	70,275,461	1,716,243	7,967,554
Others	12,742,691	17,979,557	9,437,969	14,613,529	1,990,264	1,701,815
<b>Provisions</b>	<b>13,955,853</b>	<b>60,784,076</b>	<b>120,936,170</b>	<b>143,086,191</b>	<b>6,456,507</b>	<b>1,379,972</b>
<b>Fund Net Asset</b>	<b>2,283,712,319</b>	<b>5,222,254,665</b>	<b>7,407,140,310</b>	<b>6,471,576,519</b>	<b>537,906,682</b>	<b>499,433,527</b>
<b>Indicator</b>						
LTV (Loan/Properties)	18.0%	17.1%	11.9%	17.9%	19.0%	22.3%
LTV (Loan/Assets)	14.3%	10.7%	10.1%	11.0%	11.7%	19.4%
Liquidity Level	19.1%	35.3%	15.4%	37.0%	37.2%	12.5%
<b>-Property Data-</b>						
<b>Geographical Allocation</b>						
<b>Europe</b>	<b>100.0%</b>	<b>100.0%</b>	<b>99.8%</b>	<b>89.9%</b>	<b>94.0%</b>	<b>100.0%</b>
Germany	34.0%	30.4%	71.8%	30.0%	51.6%	53.6%
France	27.1%	13.0%	10.4%	22.0%	27.3%	5.4%
Spain	4.4%	6.1%		2.4%		
Netherlands	8.9%	11.4%				5.6%
Italy	7.2%	3.6%				
UK		9.7%	15.1%	8.4%	10.2%	16.5%
Austria	3.7%					
Sweden						
Belgium	14.7%	4.9%	2.5%	7.1%		12.0%
Luxemburg						6.9%
Hungary						
Czech					4.9%	
Portugal		0.9%				
Denmark						
Poland						
Switzerland						
Other Europa						
<b>North America</b>				<b>10.1%</b>	<b>6.1%</b>	
USA				10.1%	6.1%	
Canada						
<b>Asia and Oceania</b>						
Japan						
Australia						
South Korea						
<b>Property Type Allocation</b>						
Office	78.0%	73.0%	64.6%	72.3%	84.6%	82.1%
Retail	7.7%	18.5%	19.7%	8.9%	15.4%	2.5%
Residential	0.5%	0.1%				
Warehouse		3.1%				14.8%
Industrial	1.4%		3.2%	10.2%		
Hotel	8.1%		12.5%	8.6%		
Others	4.3%	5.3%				0.6%
<b>-Profit Components-</b>						
Rental income *1	5.3%	5.6%	5.6%	6.3%	6.2%	7.2%
Net income *1	4.4%	5.2%	4.7%	5.8%	6.0%	6.1%
Valuation results *1	1.0%	1.6%	-2.8%	-0.3%	2.4%	-3.4%
RE return before loan interest *1	5.4%	6.8%	1.9%	5.2%	8.4%	2.7%
RE return after loan interest *2	5.4%	6.9%	1.5%	5.0%	9.7%	1.9%
Currency changes *2		-0.1%	-0.2%	-0.3%	0.0%	-0.4%
Real estate return total *2						
Return on RE companies *3						
<b>Overall return on property</b>	<b>5.4%</b>	<b>6.8%</b>	<b>1.3%</b>	<b>4.7%</b>	<b>9.7%</b>	<b>1.5%</b>
Liquidity return *4	2.2%	2.3%	3.4%	3.4%	4.0%	5.0%
Fund return before deduction of fund costs *5	5.0%	4.8%	1.3%	4.4%	4.8%	2.2%
<b>Fund return after deduction of fund costs *5</b>	<b>4.3%</b>	<b>4.1%</b>	<b>0.6%</b>	<b>3.7%</b>	<b>3.9%</b>	<b>1.6%</b>

\*1 In relation to average property assets, \*2 In relation to average assets after deduction of external funds, \*3 In relation to property fund assets, \*4 In relation to average fund assets tied in liquid investments, and \*5 In relation to average fund assets

Fund	iii-Fonds Nr. 3	EURO ImmoProfil
Management Company	Internationales Immobilien-Institut GmbH	Internationales Immobilien-Institut GmbH
Type	Europe	Domestic
Established in	1998	1965
Data As of	9/30/04	12/31/04
<b>-Financial Data-</b>		
<b>Balance Sheet</b>		
<b>Asset</b>	<b>1,432,278,031</b>	<b>1,453,892,098</b>
Properties	862,300,050	1,366,118,088
Commercial properties	805,441,995	1,366,118,088
Undeveloped / under construction	56,858,055	0
Equity holdings in real estate companies	43,894,082	0
Liquid investments	437,140,414	70,456,802
Others	88,943,485	17,317,208
<b>Liabilities</b>	<b>289,337,608</b>	<b>326,002,263</b>
Loan	260,015,128	297,087,605
Site Purchase and building projects	126,334	148,293
Site Management	8,325,004	15,593,672
Others	7,190,573	10,682,878
<b>Provisions</b>	<b>13,680,569</b>	<b>2,489,816</b>
<b>Fund Net Asset</b>	<b>1,142,940,424</b>	<b>1,127,889,835</b>
<b>Indicator</b>		
LTV (Loan/Properties)	28.7%	21.7%
LTV (Loan/Assets)	19.4%	20.7%
Liquidity Level	30.5%	4.8%
<b>-Property Data-</b>		
<b>: Geographical Allocation</b>		
<b>Europe</b>	<b>100.0%</b>	<b>100.0%</b>
Germany	28.1%	94.8%
France	7.0%	
Spain		
Netherlands	7.6%	
Italy	2.5%	
UK	27.5%	
Austria		
Sweden	11.3%	
Belgium	8.6%	
Luxemburg		
Hungary		
Czech		
Portugal		
Denmark		
Poland		
Switzerland	7.4%	
Other Europa		5.2%
<b>North America</b>		
USA		
Canada		
<b>Asia and Oceania</b>		
Japan		
Australia		
South Korea		
<b>: Property Type Allocation</b>		
Office	79.3%	87.2%
Retail	12.3%	9.3%
Residential		
Warehouse	5.6%	2.9%
Industrial		
Hotel		
Others	2.6%	0.6%
<b>-Profit Components-</b>		
Rental income *1	5.7%	5.7%
Net income *1	5.3%	4.8%
Valuation results *1	0.1%	-1.8%
RE return before loan interest *1	5.4%	3.0%
RE return after loan interest *2	5.5%	2.9%
Currency changes *2	-0.2%	-0.1%
Real estate return total *2	5.3%	
Return on RE companies *3	-0.5%	
<b>Overall return on property</b>	<b>4.6%</b>	<b>2.8%</b>
Liquidity return *4	2.8%	2.3%
Fund return before deduction of fund costs *5	3.8%	2.8%
<b>Fund return after deduction of fund costs *5</b>	<b>3.3%</b>	<b>2.2%</b>

\*1 In relation to average property assets, \*2 In relation to average assets after deduction of external funds, \*3 In relation to property fund assets, \*4 In relation to average fund assets tied in liquid investments, and \*5 In relation to average fund assets

Data Source: Publicly announced information by the German public real estate open-ended funds



## Appendix B Interviews

German public real estate open-ended fund: 8 funds

German Special Fund: 1 fund

Bank: 4 banks

German banks: 2 banks

Japanese bank: 1 bank

Tokyo branch of a German bank: 1 bank

Advisory Firms: 4 firms

Tokyo branch of a foreign firm: 3 firms

US firm: 1 firm

Japanese firm: 1 firm

Lawyer: 1 German Law Firm

Appendix C: Transactions of Office Buildings above 30,000 m<sup>2</sup> in Tokyo CBD and the Central Tokyo Area since 2004

Building	Buyer	Buyer's relation to the seller	Seller	Location	Price (mil. Yen)	Transacted FA (m <sup>2</sup> )	Building TFA (m <sup>2</sup> )	Completion	Date	CAP Rate	Source **
1 Roppongi Hills Mori Tower	Nichiro Akebono Shoikai*	Affiliated	NICHIRO CORPORATION	Minato-ku	1,660	1,061	380,105	2003	2005	3	
2 Tokyo Station Yeasu Project East Tower	KOKUSAI KANKO KAIKAN CO., Ltd	Non-affiliated, but the project partner of this building	Mitsui Fudosan Co., Ltd	Chiyoda-ku	10,827	52,577	216,543	2007	2004	8	
3 Arch Mori Building	Japan External Trade Organization	Non-affiliated, Building Tenant	MORI BUILDING CO., LTD.	Minato-ku		17,253	181,900	1986			
4 Shinjuku Sumitomo Building	Prime Quest 3* (TMK of Sumitomo Realty & Development Co., Ltd.)	Affiliated	Sumitomo Realty & Development Co., Ltd.	Shinjuku-ku	90,000	106,480	177,467	1974	2005	6	
5 Shinagawa Mitsubishi Building	Otenachi Holding/TMK* (TMK of Mongan Stanley)	Non-affiliated	Mitsubishi Corporation and Mitsubishi Motors Corporation	Minato-ku	140,178	158,242	158,242	2003	2004	12	
6 Kokusai Akasaka Building (3 buildings)	Loan Star Group	Non-affiliated	Kokusai motoren Co., Ltd.	Minato-ku	117,000	143,271	143,271		2004	9	
7 Mizuhō Bank Headquarter Building	(Y) First You (SFC of The DAI-ICHI MUTUAL LIFE INSURANCE COMPANY)*	Legally non-affiliated, but Kenetsu	Mizuho Bank, Ltd.	Chiyoda-ku	105,000	133,195	133,195	1980	2004	2	6.1% b
8 Harumi Island Triton Square Office Tower Y	(Y) Grand Tower* (SFC of an investment fund established by The Bank of Tokyo-Mitsubishi Ltd. and Mitsubishi Securities Co., Ltd.)	Non-affiliated	Sumitomo Corporation	Chuo-ku	86,000	49,617	119,506	2001	2005	3	
9 Cerulean Tower	(Y) CT Realty (SFC of TOKYU CORPORATION)*	Affiliated	TOKYU CORPORATION	Shibuya-ku	40,200	104,154	104,154	2001	2004	3	
10 Toyosu Center Building	(Y) TCB Funding (SFC of Ishikawajima-Harima Heavy Industries Co., Ltd.)*	Affiliated	Ishikawajima-Harima Heavy Industries Co., Ltd.	Koto-ku	30,000	99,608	99,608	1992	2004	3	8.1% b
11 Nihonbashi I-chome Building	Mitsui Fudosan Co., Ltd.	Non-affiliated, but the project partner of this building	TOKYU CORPORATION	Chuo-ku	4,738	29,419	98,064	2004	2004	2	
12 Shinjuku MINES Tower	(Y) Neen* (SFC of K.K. akVinci Advisors)	Non-affiliated	Sumitomo Life Insurance Company, Dai-ichi Mutual Life Insurance Company, and Nippon Life Insurance Company	Shibuya-ku	46,000	41,991	97,979	1995	2005	3	
13 Shiba Park Building	Sendagaya Holding TMK* (SFC of Mongan Stanley)	Non-affiliated	Shure*	Minato-ku		96,442	97,294	1982	2005	3	
14 UFJ Tokyo Building	(Y) MEC Asset Holding (SFC of MITSUBISHIESTATE CO., LTD.)	Non-affiliated	UFJ Bank Limited	Chiyoda-ku	145,000	92,722	92,722	1973	2005	3	
15 Shinagawa Seaside East and West Towers	The Government of Singapore Investment Corporation Pte Ltd.	Non-affiliated	Kajima Corporation	Shinagawa-ku	42,500	83,020	83,020	2004	2004	8	
16 JAL Building	Nomura Real Estate Office Fund, Inc.	Non-affiliated	Global Building* (A subsidiary of Japan Airlines)	Shinagawa-ku	65,000	82,602	82,602	1996	2005	3	4.7% a
17 Trade Pier Odoba Building	(Y) Battery Investment* (SFC of MITSUBISHI ESTATE CO. LTD.)	Non-affiliated	Sojitz Holdings Corporation	Minato-ku	26,100	81,137	81,137	2001	2005	3	

Building	Buyer	Buyer's relation to the seller	Seller	Location	Price (mil. Yen)	Transacted FA (m <sup>2</sup> )	Building TFA (m <sup>2</sup> )	Completion	Date	CAP Rate	Source **
18 Mizuho Bank Ootemachi Head Office Building	(Y) Tokyo Prime Stage (SPC of TAISEI Corporation & Tokyo Tatemono)*	Legally non-affiliated, but Keiretsu	Mizuho Bank Ltd.	Chiyoda-ku	91,000	79,899	79,899	1966	2004	2	
19 Shinjuku Square Tower	Japan Prime Realty Investment Corporation	Non-affiliated	Shinjuku Square Tower TMK	Shinjuku-ku	10,000	10,766	78,796	1994	2004	6	a
20 Harmony Tower	Japan Real Estate Investment Corporation	Non-affiliated, but Keiretsu (Mitsubishi Group)	Ryoshin Building*	Nakano-ku	8,500	21,276	72,729	1997	2005	2	
21 Kioi-cho Dai-26 Building	Kagurazaka Holding TMK (TMK of Morgan Stanley Group)	Non-affiliated	En Estate ("DAIKYO INCORPORATED" group)	Chiyoda-ku	36,000	24,231	62,531	1989	2004	3	
22 Nban-cho Garden	Japan Real Estate Investment Corporation	Affiliated	MITSUBISHIESTATE CO., LTD.	Chiyoda-ku	14,700	11,002	57,031	2004	2005	4	
23 Mita NN Building	Nippon Life Insurance Company	Non-affiliated	Sojitz Holdings Corporation	Minato-ku	31,000	43,300	55,753	1995	2005	3	
24 J Tower	Simplex Investment Advisors, Inc.	Non-affiliated	The Japn Steel Works, LTD.	Fuchu-shi	20,500	53,686	53,686	1992	2004	9	
25 Ootemachi Financial Center	(Y) Tokyo Prime Stage (SPC of TAISEI Corporation & Tokyo Tatemono)*	Legally non-affiliated, but Keiretsu	Mizuho Bank, Ltd. & SONFO JAPAN INSURANCE INC.	Chiyoda-ku	54,000	51,530	51,530	1992	2004	2	
26 Temozu First Tower	Yoyogi Holding TMK* (TMK of Morgan Stanley)	Non-affiliated	Matsuyoshi Kaishu*	Shinagawa-ku	20,000	47,249	47,249	1991	2004	11	
27 Temozu Park Side Building	Nomura Real Estate Office Fund, Inc.	Affiliated	NOMURA REAL ESTATE DEVELOPMENT Co., Ltd.	Shinagawa-ku	14,800	17,587	45,213	1995	2004	2	a
28 Shuwa Kaniya-cho Building	Nihonbaishi Holding TMK* (SPC of Morgan Stanley)	Non-affiliated	Shuwa*	Minato-ku		39,855	39,855	1985	2005	3	
30 Toranomon Shosen Mitsui Building	DAIBIRU Corporation	Affiliated	Mitsui O. S. K. Lines	Minato-ku	17,300	34,655	34,655	1979	2005	3	
31 Asakusa Tobu Building	TOBU RAILWAY CO., LTD.	Affiliated	Tobu Department Store Co., Ltd.	Taito-ku		34,452	34,452	1931	2004	2	
32 Sanno Grand Building	Japan Real Estate Investment Corporation	Non-affiliated, but Keiretsu (Mitsubishi Group)	Ryoshin Building*	Chiyoda-ku	10,200	16,938	33,876	1966	2005	1	
33 Tanashi Center Building	Neopas SH TMK* (TMK of NIPPON TOCHI-TATEMONO Co., Ltd.)	Affiliated	NIPPON TOCHI-TATEMONO Co., Ltd.	Minato-ku	3,740	2,022	32,456	1994	2004	10	
35 Toranomon Kotohira Tower	Nippon Building Fund	Non-affiliated, but the project partner of this building	Toranomon Kotohira Kaikan Building*	Minato-ku	6,043	1,256	29,828	2004	2004	9	a

Data Source: "Nikkei Fudoshan Market" by Nikkei Business Publications, Inc. and other various news

TMK means "Tokutei Mokuteki Kaisha", a special purpose company based on "Law on Asset Fluctuation".

\* Company names translated by the author

\*\* a. researched or calculated by author and b. sourced from "Nikkei Fudoshan Market", Nikkei Business Publications, Inc.

Appendix D: Transactions of Office and Retail Buildings over ¥1 Billion since 2004

Building	Type	Buyer	Buyer's relation to the seller	Seller	Location	Price (mil. Yen)	Transacted FA (㎡)	Building TPA (㎡)	Floors	Completed (Year)	Trans. action	GAFA	Source **	Remarks	
1 Kanba Inawato-cho Toei Building	Office	Nomura Real Estate Office Fund, Inc.	Non-affiliated	Toei Fudisan Co., Ltd.	Tokyo CBD Tokyo	3,080	4,699	4,699	01	1988	2004	1	7.1%	a	
2 Taisho Industries Headquarters Building	Office	The Japan General Estate Co. Ltd.	Non-affiliated	Taisho Industries Co., Ltd.	Tokyo CBD Tokyo	1,271	3,838	3,838	3	1971	2004	1	7.6%	b	
3 3rd Hall	Office	Success Factory International	Non-affiliated	Asahi Broadcasting Corporation	Tokyo CBD Tokyo	3,650	11,900	11,900	2	1975	2004	1	7.3%	b	
4 Utsunomiyama Building	Office	AWI* (SPC of ATRIUM CO., LTD.)	Non-affiliated	Ken*	Tokyo CBD Tokyo	2,100	3,015	3,015	2	1987	2004	1	5.7%	b	
5 Hasegawa FACE Building	Retail, Office	Japan Retail Fund Investment Corporation	Non-affiliated	(Y) Koyas* (SPC of K. K. daVinci Address)*	Tokyo CBD Tokyo	2,770	1,575	1,575	1	1985	2004	1	5.6%	a	
6 AEON Kushikuma Shopping Center	Retail	Japan Retail Fund Investment Corporation	Non-affiliated	EFJ*	Local Metropolitan Osaka	13,300	102,936	102,936	0	2003	2004	1	6.2%	a	
7 AEON Higashina Shopping Center	Retail	Japan Retail Fund Investment Corporation	Non-affiliated	Century Leasing System, Inc.	Local City Osaka	6,700	100,438	100,438	0	2001	2004	1	6.3%	a	
8 Asahi Broadcasting Headquarters Building	Office	Kindnet Fudisan*, ORIX Real Estate Corporation, and Tachibana Corporation	Non-affiliated	Asahi Broadcasting Corporation	Local Metropolitan Osaka	4,700					2004	1			
9 Dojima F Building	Office	Japan Prime Realty Investment Corporation	Non-affiliated	NHONBAASHI KOYOYO Co., Ltd.	Local Metropolitan Osaka	2,140	5,696	5,696	2	1993	2004	1	7.3%	a	
10 AEON Sepporo Nishio	Retail	Japan Retail Fund Investment Corporation	Affiliated	Higashi-Nishio Shopping Center TMK* (SPC of Mitsubishi Corporation)	Local Metropolitan Hokkaido	9,260	66,639	66,639	0	5	2004	1	6.2%	a	
11 Sunagasaki Plaza Building	Office	Nomura Real Estate Office Fund, Inc.	Non-affiliated	Tozai Tochi Tetsudomo*	Tokyo CBD Tokyo	5,130	5,782	5,782	1	1997	2004	2	5.9%	a	
12 Ootemachi Financial Center	Office	(Y) Tokyo Prime Step (SPC of TAISEI Corporation & Tokyo Tetsudomo)*	Legally non-affiliated, but Keiretsu	Mitsubishi Bank, Ltd. & SANFORD JAPAN INSURANCE INC.	Tokyo CBD Tokyo	54,000	51,530	51,530	4	24	1992	2004	2		Price is presumed by the author
13 Mizuho Bank Otemachi Head Office Building	Office	(Y) Tokyo Prime Step (SPC of TAISEI Corporation & Tokyo Tetsudomo)*	Legally non-affiliated, but Keiretsu	Mitsubishi Bank, Ltd.	Tokyo CBD Tokyo	91,000	79,899	79,899	4	16	1966	2004	2		Price is presumed by the author
14 Mizuho Bank Headquarter Building	Office	(Y) First Yon (SPC of The DAICHI MUTUAL LIFE INSURANCE COMPANY)*	Legally non-affiliated, but Keiretsu	Mitsubishi Bank, Ltd.	Tokyo CBD Tokyo	105,000	135,195	135,195	4	33	1980	2004	2	6.1%	b
15 Rokuban-cho Building	Office	Prime Investment Corporation	Non-affiliated	Nomura Urban Properties (SPC of SECUM General Insurance Co., Ltd.) TOKYU CORPORATION	Tokyo CBD Tokyo	7,860	9,339	9,339	1	7	1987	2004	2	6.0%	a
16 Nishiohashi 1-chome Building	Office	Mitsui Fudisan Co., Ltd.	Non-affiliated	Mitsui Fudisan Co., Ltd.	Tokyo CBD Tokyo	4,738	29,419	29,419	4	20	2004	2004	2		Built on the leased land, transaction of a partial ownership
17 Nishiohashi Dava Building	Office	(Y) Member (SPC of K. K. daVinci Address)*	Non-affiliated	Dava Jakesha Korea (K*)	Tokyo CBD Tokyo	2,906	10,237	10,237	1	10	1983	2004	2	8.3%	b
18 Tanzen Park Side Building	Office, Retail	Nomura Real Estate Office Fund, Inc.	Affiliated	NOMURA REAL ESTATE DEVELOPMENT Co., Ltd.	Central Tokyo	14,800	17,587	45,213	2	21	1995	2004	2	7.1%	a
19 SEF Building	Office, Retail	Japan Prime Realty Investment Corporation	Non-affiliated	Dava Building Ltd.	Central Tokyo	3,250	3,490	3,490	1	8	1992	2004	2	6.5%	a
20 Tachikawa TM Building	Retail	Tachikawa Development Co., Ltd.	Affiliated	Tachikawa Co., Ltd.	Tokyo Satoh	8,400	33,836	33,836	3	10	1994	2004	2		Partial ownership
21 Kawaguchi Center Building	Office	Japan Prime Realty Investment Corporation	Non-affiliated	Kubagawa TMK	Tokyo Satoh	8,100	15,701	28,420	2	15	1994	2004	2	7.1%	a
22 Guaza Seako Building	Office	(Y) Member (SPC of K. K. daVinci Address)*	Non-affiliated	Seakobah*	Tokyo CBD Tokyo	2,000	4,771	4,771	2	11	1962	2004	2	6.8%	b
23 Fukanabe Tokyo Building	Office	FT Communications Co., Ltd.	Non-affiliated	Prudential Life Insurance Company*	Tokyo CBD Tokyo	1,310	3,133	3,133			1974	2004	2	5.2%	b
24 Cerubian Tower	Office	(Y) CT Realty (SPC of TOKYU CORPORATION)	Affiliated	TOKYU CORPORATION	Tokyo CBD Tokyo	40,200	104,154	104,154	6	41	2001	2004	3		
25 Toyoko Center Building	Office	(Y) TOB Realty (SPC of Takahashiwa Heima Heavy Industries Co., Ltd.)*	Affiliated	Takahashiwa Heima Heavy Industries Co., Ltd.	Central Tokyo	30,000	99,608	99,608	2	37	1992	2004	3	8.1%	b
26 Raona Osaka Building	Office	APA*	Non-affiliated	Raona Bank Limited	Local Metropolitan Osaka	3,121	22,752	22,752	2	8	1971	2004	3		
27 Kishi-cho Dae-26 Building	Office	Kumagai Holdings TMK (TMK of Kumagai Shabury Group)	Non-affiliated	Emi Estate ("DAIKYO INCORPORATED" group)	Tokyo CBD Tokyo	36,000	24,231	62,531	4	26	1989	2004	3		Partial ownership
28 Marumori Kojima Building	Office	United Urban Investment Corporation	Non-affiliated	Ken Plus One*	Tokyo CBD Tokyo	2,300	3,244	5,219	1	9	1989	2004	3	7.0%	a
29 NK Shiro Building	Office	Sogo jushin Co., Ltd.	Non-affiliated	Megan Construction Co., Ltd.	Tokyo CBD Tokyo	1,315	1,762	1,762	1	9	1993	2004	3	6.6%	b
30 Rokuban-cho K Building	Office	United Urban Investment Corporation	Non-affiliated	KOKUSAI KOYOYO CO., LTD.	Tokyo CBD Tokyo	2,150	4,031	4,031	1	7	1988	2004	3	6.7%	a
31 Fumabara Building	Office	(Y) F Properties (SPC of SHIMIZU CORPORATION)*	Non-affiliated	FURUKAWA CO., LTD.	Tokyo CBD Tokyo	9,000	18,133	18,133	2	8	1939	2004	3	6.3%	b
32 Inara Shiba Building	Office	Nomura Real Estate Office Fund, Inc.	Non-affiliated	(Y) Turf Investment*	Tokyo CBD Tokyo	10,000	11,425	11,425	1	7	1991	2004	3	5.2%	a
33 CHIBE Daibayama	Retail	ORIX IREIT Inc.	Non-affiliated	Suban Properties*	Tokyo CBD Tokyo	2,483	900	900	0	2	2003	2004	3	5.4%	a
34 ESQUISSE Onotomado	Retail	Japan Retail Fund Investment Corporation	Affiliated	MC Onotomado (SPC of Mitsubishi Corporation and Balcok & Brown Japan Holdings Ltd)*	Tokyo CBD Tokyo	14,000	7,257	7,257	2	5	1982	2004	3	4.5%	a

Building	Type	Buyer	Buyer's relation to the seller	Seller	Location	Price (mln. Yen)	Transacted FA (m <sup>2</sup> )	Building TFA (m <sup>2</sup> )	Floors	Completion	Time action	CHP	Source **	Remarks
35 Landc Shibuya Building	Retail	Shida Foundation*	Non-affiliated	(Y) Jinnai Retail Property	Tokyo CBD Tokyo	10,000	8,414	8,414	1	9	1991	2004	3	Rough Price
36 Nippon Brunschwic Building	Office	Japan Real Estate Investment Corporation	Affiliated	The Sumitomo Trust & Banking Co., Ltd. (The trustee is a SPC of MITSUBISHI STATE CO., LTD. and MITSUI & CO., LTD.)	Tokyo CBD Tokyo	6,670	11,957	11,957	2	9	1974	2004	3	5.9% b
37 SACOS Headquarter Building	Office	Nishio Kaitetsu*	Affiliated	SACOS CORPORATION	Central Tokyo	1,209	3,121	3,121	2	9	1992	2004	3	6.7% b
38 A shopping mall in Hamamatsu	Retail	PACIFIC MANAGEMENT CORPORATION	Non-affiliated	Osakaya Electric Railway	Local City Shizuoka	1,000	23,170	23,170	0	4	2004	2004	3	
39 Himeji Toy Building	Office	Nippon Building Fund	Non-affiliated	Toei*	Local Metropolis Aichi	5,406	11,202	11,202	2	9	2004	2004	3	5.9% a
40 Kyoto Hotel Okura	Hotel	Sapporo Fuyo Building*	Non-affiliated	Nichian Shoji*	Local Metropolis Kyoto	9,000	43,656	43,656	3	2004	2004	2004	3	
41 Kumoto Construction Industry Headquarters Building	Office	SK*	Non-affiliated	Kumoto Construction Industry, Ltd.	Local Metropolis Osaka	2,700	12,813	12,813	1	12	2004	2004	3	
42 Proute Marumizu Oeka No.1	Retail	Promote Marumizu Corporation	Non-affiliated	TOYO PROPERTY CO., LTD.	Local Metropolis Osaka	5,000	31,370	31,370	1	12	2004	2004	3	
43 NHK Hoshima Hoso Center Building	Office	Japan Real Estate Investment Corporation	Affiliated	Dai-ichi Mutual Life Insurance Company	Local Metropolis Hiroshima	1,230	9,539	33,127	2	23	1994	2004	3	Partial ownership
44 PLAZA246	Retail	(Y) Fine Investment Corporation* (SPC of PACIFIC MANAGEMENT CORPORATION)	Non-affiliated	(Y) Plaza 246*	Tokyo CBD Tokyo	5,100	4,616	4,616	3	7	1977	2004	3	5.4% b
45 Daichisho Headquarters Building	Office	DK Finance*	Affiliated	DAICHIKOSHO CO., LTD.	Central Tokyo	1,230	4,174	4,174	2	9	2004	2004	3	7.2% b
46 Daichisho Nakano Building	Office	DK Finance*	Affiliated	DAICHIKOSHO CO., LTD.	Central Tokyo	1,655	1,838	1,838	0	3	2004	2004	3	4.1% b
47 Diamond Hotel Main Building & Plaza Building	Hotel	(Y) Diamond Property*	Non-affiliated	DIAMOND HOTEL	Tokyo CBD Tokyo	8,900	19,225	19,225	2	9	1962	2004	3	
48 Higashi-Yasen MF Building	Office	A.T.M.C. established by Mitsui Fubaseu Co., Ltd.	Non-affiliated	Urban Corporation	Tokyo CBD Tokyo	3,000	6,595	6,595	1	8	1993	2004	3	5.8% b
49 Mitsui Building	Office	Sea Capital* (Subsidiary of SEI CREST CO. LTD.)	Non-affiliated	Individual	Tokyo CBD Tokyo	1,400	2,548	2,548	0	8	1991	2004	3	6.1% b
50 Retail Building of Life Corporation	Retail	COMSEN	Non-affiliated	LIFE CORPORATION	Central Tokyo	1,700	2,372	2,372	1	2	2004	2004	3	
51 Himeji Toy Building	Office	Nippon Building Fund	Non-affiliated	Toei*	Local Metropolis Aichi	5,406	11,202	11,202	2	9	2000	2004	3	5.9% a
52 Executive Kawasaki	Office	ORIX FRET Inc.	Non-affiliated	The Chuo Mitsui Trust and Banking Company, Limited	Tokyo Kanagawa	4,130	8,135	8,135	1	10	1993	2004	4	9.0% a
53 Washington Palace	Retail	ES*	Non-affiliated	Individual	Tokyo CBD Tokyo	1,389	3,341	5,341	3	10	1969	2004	4	
54 Himeji Main Building and Annex	Office	Sea Capital* (Subsidiary of SEI CREST CO. LTD.)	Non-affiliated	HEIWAIDO & CO.	Tokyo CBD Tokyo	3,000	6,126	6,126	0	10	1972	2004	4	
55 Nishinohashi Da-2 Building	Office	TOB Investment Inc.	Non-affiliated	(Y) Pte-Real*	Tokyo CBD Tokyo	2,930	6,332	6,469	1	10	1993	2004	5	4.8% a
56 Kenwa Building	Office, Retail, Residential	Japan Prime Realty Investment Corporation	Non-affiliated	Seskin Co., Ltd.	Tokyo CBD Tokyo	5,100	5,889	5,889	1	9	1989	2004	5	5.4% a
57 Shiba A Building	Office, Residential	Nippon Building Fund	Non-affiliated	(Y) CB Richard Ellis Investor Japan Office Fund One*	Tokyo CBD Tokyo	6,770	11,602	11,602	2	12	1990	2004	5	5.7% a
58 Shinjuku Yocho-mochi Building	Office	Simplex Investment Advisors, Inc.	Non-affiliated	Nippon Building Fund	Tokyo CBD Tokyo	2,700	7,185	7,185	1	7	1989	2004	5	5.1% a
59 Ebue CS Building	Office	Nippon Building Fund	Non-affiliated	CALFIS Service*	Tokyo CBD Tokyo	1,000	2,129	2,129	1	4	1991	2004	5	7.8% a
60 Oval Court Meat West	Office	Japan Prime Realty Investment Corporation	Non-affiliated	NORI INE Y. K.	Central Tokyo	3,200	4,088	28,576	2	17	2001	2004	5	6.6% a
61 Isehikano TG Homest Building	Office	Nippon Building Fund	Affiliated	Takami Investment Trust* (SPC of Mitsui Fubaseu Co., Ltd.)	Central Tokyo	4,428	6,747	6,747	1	9	1993	2004	5	5.7% a
62 NBF Ategi Building	Office, Retail	Nippon Building Fund	Affiliated	Mitsui Fubaseu Co., Ltd.	Tokyo Suburb Kanagawa	2,300	6,718	6,718	0	9	1991	2004	5	7.4% a
63 Inage Kagura Building	Office, Retail	Simplex Investment Advisors, Inc.	Non-affiliated	Nippon Building Fund	Tokyo Suburb Saitama	2,100	7,175	7,175	0	7	1992	2004	5	6.6% a
64 Hamanashi City Building	Office	Simplex Investment Advisors, Inc.	Non-affiliated	Nippon Building Fund	Tokyo Chiba	1,400	6,921	6,921	0	9	1990	2004	5	6.3% a
65 A shopping center in Uji	Retail	PACIFIC MANAGEMENT CORPORATION	Non-affiliated	Urban Renaissance Agency	Local City Kyoto	2,400	35,007	35,007	2	4	2004	2004	5	
66 Eco-Headquarter Building of Urban Renaissance Agency	Office	Tokyo University of Science	Non-affiliated	Reon Properties* (SPC of Mitsui Fubaseu Co., Ltd.)	Tokyo CBD Tokyo	14,400	13,791	13,791	2	7	1960	2004	6	3.2% b
67 Das Tenomoon building	Office	Nippon Building Fund	Affiliated	MF Minami-Aoyama Property* (SPC of Mitsui Fubaseu Co., Ltd.)	Tokyo CBD Tokyo	13,337	18,082	18,082	5	9	1963	2004	6	6.2% a
68 ALLIANCE	Office, Retail	Nippon Building Fund	Affiliated	MF Minami-Aoyama Property* (SPC of Mitsui Fubaseu Co., Ltd.)	Tokyo CBD Tokyo	9,126	6,215	6,215	1	5	1989	2004	6	4.8% a

Building	Type	Buyer	Buyer's relation to the seller	Seller	Location	Price (mln. Yen)	Transacted FA (m <sup>2</sup> )	Building FTA (m <sup>2</sup> )	Floors	Completion	Transaction	Source	Remarks		
69 Shinjuku Square Tower	Office	Japan Prime Realty Investment Corporation	Non-affiliated	Shinjuku Square Tower TMK	Tokyo CBD	10,000	10,766	78,796	41	1994	2004	6	4.3% a	Partial ownership	
70 Sawa Shinjuku Building	Office, Retail	Nomura Real Estate Office Fund, Inc.	Non-affiliated	Ono Tokai*	Tokyo CBD	2,280	3,160	3,160	1	1986	2004	6	6.7% a		
71 Dai-Ichibanku Building	Office	Nippon Building Fund	Affiliated	Reon Properties* (SPC of Mitsui Fubase Co., Ltd.)	Central Tokyo	4,695	7,982	7,982	0	1993	2004	6	5.8% a		
72 Ito Yokado Tsunashima	Retail	Japan Retail Fund Investment Corporation	Non-affiliated	NICE COMMUNITY*	Tokyo Kanagawa Suburb	5,000	16,530	16,530	1	1983	2004	6	6.1% a		
73 Tsunashima Kowa Building	Office, Retail	Nippon Building Fund	Affiliated	Reon Properties* (SPC of Mitsui Fubase Co., Ltd.)	Local Metropolitan	1,944	7,000	7,000	1	1993	2004	6	9.6% a		
74 Aqua Dajima East Annex	Office, Retail	Nippon Building Fund	Affiliated	Reon Properties* (SPC of Mitsui Fubase Co., Ltd.)	Local Metropolitan	1,914	3,160	24,126	2	1993	2004	6	6.9% a	Partial ownership	
75 Saeba Fabrika Building	Office	Japan Prime Realty Investment Corporation	Non-affiliated	Yugen Kaisha BKT Realty One	Local Metropolitan	1,920	3,875	3,875	0	1993	2004	6	7.2% a		
76 Omiya Ujuya Building	Retail	TKY*	Non-affiliated	JUIIYA Co., Ltd.	Tokyo Suburb	1,000	4,089	4,089	0	1967	2004	6			
77 Nishi Intech Kanda Building	Office	(Y) Fun Investment Corporation* (SPC of PACIFIC MANAGEMENT CORPORATION)	Non-affiliated	(Y) CB Richard Ellis Investors Japan Office Fund One*	Tokyo CBD	2,000	2,622	2,622	1	1990	2004	6	4.7% b		
78 Giza Pet Building	Retail	SWATCH AG	Non-affiliated	SURUGA CORPORATION	Tokyo CBD	13,000	5,387	5,387	3	2004	2004	6			
79 TK Shinjuku Building	Office, Retail	Deka Immobilien Investment TMK (TMK of Deka Immobilien Investment GmbH)	Non-affiliated	Chuo Properties TMK* (TMK of Lionair Group)	Tokyo CBD	5,000	7,144	7,144	2	1998	2004	6			
80 Kyokyo Building	Office	Nicochisu Building TMF*	Non-affiliated	(Y) EPF* (SPC of Enlight Real Estate Japan)*	Tokyo CBD	3,300	5,673	5,673	2	1964	2004	6		Rough price	
81 Higashi-Gotanda 1-chome Building	Office, Retail	Japan Real Estate Investment Corporation	Non-affiliated	UFJ Trust Bank Limited	Tokyo	5,300	6,462	6,462	0	2004	2004	7	4.5% b		
82 Banyu's New York Yohohama	Retail	TOKYU REIT, Inc.	Affiliated	Japan Capital Corporation* (SPC of TOKYU LAND CORPORATION)	Tokyo Kanagawa Suburb	5,000	8,384	8,384	2	1993	2004	7	7.2% a		
83 Beacon Hill Plaza	Retail	TOKYU REIT, Inc.	Affiliated	Leo Capital Corporation* (SPC of TOKYU LAND CORPORATION)	Tokyo Kanagawa Suburb	9,320	46,388	46,388	2	1998	2004	7	5.0% a		
84 AEON Shinagawa Seaside Shopping Center	Retail	Frontier Real Estate Investment Corporation	Affiliated	Japan Tobacco Inc.	Central Tokyo	20,100	75,048	283,791	2	10	2002	2004	7	6.6% a	Partial ownership
85 Kamabishi Tokyo Store	Retail	Frontier Real Estate Investment Corporation	Affiliated	Japan Tobacco Inc.	Central Tokyo	1,490	6,517	6,517	0	4	2003	2004	7	6.3% a	
86 Joyful Town Habano	Retail	Frontier Real Estate Investment Corporation	Affiliated	Japan Tobacco Inc.	Tokyo Suburb	9,300	71,656	71,656	0	4	1993	2004	7	6.8% a	
87 Ito Yokado Shin-Urayasu	Retail	MORI TRUST Sogp Reti, Inc.	Non-affiliated	Ito Yokado Co., Ltd.	Tokyo Chiba	12,150	57,621	57,621	0	5	2000	2004	7	5.3% a	
88 A building in Minami Saeba	Office	Jichido CO., LTD.	Non-affiliated		Local Metropolitan	1,000	2,864	2,864	1	9	2004	7			
89 MYCAL Iwasaki	Retail	Frontier Real Estate Investment Corporation	Affiliated	Japan Tobacco Inc.	Local City	18,100	146,196	146,196	1	5	2000	2004	7	7.1% a	
90 Joyfull Town Okayama	Retail	Frontier Real Estate Investment Corporation	Affiliated	Japan Tobacco Inc.	Local City	11,000	55,835	55,835	1	5	1998	2004	7	7.7% a	
91 PAPHILLON-PLAZA	Retail, Office	Frontier Real Estate Investment Corporation	Affiliated	Japan Tobacco Inc.	Local Metropolitan	4,810	17,148	17,148	0	1	1993	2004	7	8.0% a	
92 Sogo Hazomon Building	Office	Tanewebaw Japan Commercial One TMK* of an investor in Abu Dhabi of UAE	Non-affiliated	Roan Properties TMK* of Merrill Lynch and Lord Lease	Tokyo CBD	11,000	13,229	13,229	3	12	1987	2004	7	4.2% b	Rough price, Asset Manager: Mitsui Fubase
93 Jun A Building	Office, Retail	(Y) Owa* (SPC of K. K. akWaba Advaco)	Non-affiliated	Zao Urban Properties (SPC of SECOM General Insurance Co., Ltd.)	Tokyo CBD	4,200	9,771	9,771	4	11	1991	2004	7	5.7% b	Rough Price
94 Shinjuku Ito Building	Office	(Y) Zao Property*	Non-affiliated	Individual	Tokyo CBD	1,330	3,726	3,726	2	5	1992	2004	7	6.4% b	
95 Ichibanku Don Quixote Building	Retail	Deka Immobilien Investment GmbH	Non-affiliated	Ichibanku Don Quixote Building	Tokyo CBD	9,812	8,282	8,282	1	8	1984	2004	7		
96 Shin-Hitokuchinaka Building	Office	Hosei University	Non-affiliated	Individual	Tokyo CBD	1,986	4,457	4,457	1	6	1987	2004	7		
97 Dai-3 Sun Building	Office	retc consultants	Non-affiliated	Rosetta Seaballs Asset* (SPC of Babcock & Brown)	Tokyo CBD	2,300	3,399	3,399	2	9	1961	2004	7		Price is between 22 and 24 Oia Yen
98 Shinagawa Seaside East and West Towers	Office, Retail	The Government of Singapore Investment Corporation Pte Ltd	Non-affiliated	Kojima Corporation	Central Tokyo	42,300	83,020	83,020	1	23	2004	2004	8		Under construction (Agent, 2004), two buildings total
99 Ichibanku YS Building	Office	Japan Real Estate Investment Corporation	Non-affiliated	(Y) Prime Capital*	Central Tokyo	4,300	7,465	7,465	1	8	1989	2004	8	5.9% a	Partial ownership, Before construction, Swap the land leasing right and the building ownership
100 Tokyo Station Teenu Project East Tower	Office, Retail	KOKUSAI KANKO KAIKAN CO., Ltd	Non-affiliated	Mitsui Fubase Co., Ltd.	Tokyo CBD	10,827	216,548	216,548	4	43	2007	2004	8		
101 S-INO OMIYA North Wing	Office	Nippon Building Fund	Non-affiliated	Japan Railway, Transport and Post Agency	Tokyo Suburb	11,236	13,332	30,613	1	20	2004	2004	8	5.0% a	Partial ownership

Building	Type	Buyer	Buyer's relation to the seller	Seller	Location	Price (mil. Yen)	Transacted FA (m <sup>2</sup> )	Building TFA (m <sup>2</sup> )	Floors	Completion	Transaction	CAP	Source **	Remarks
102 Nagoya Tokyu Hotel	Hotel	NK Realty		TH Properties (a subsidiary of TOKYU CORPORATION)	Local Metropolis	10,379	59,954	59,954	2/ 16	2004	2004	8		
103 Kyoto Tokyu Hotel	Hotel	NK Realty		TH Properties (a subsidiary of TOKYU CORPORATION)	Local Metropolis	3,221	30,490	30,490	2/ 7	2004	2004	8		
104 Aqua Dejima Daiwa Djinna Building	Office, Retail	Nippon Building Fund	Affiliated	Reion Properties* (SPC of Mitsui Fubank Co., Ltd.)	Local Metropolis	17,810	35,913	35,913	2/ 19	1996	2004	8	6.4%	a
105 Gaishi Headquarters Building	Office	Kanamoto Co., Ltd.	Affiliated	Kaika Corporation	Local Metropolis	1,700	9,129	9,129		2004	2004	8		
106 Tokyo Kuesho Ihaba	Retail	(Y)Kishi-cho Property (SPC of 4-Lux Corporation)	Non-affiliated	meserifusion Corporation	Metropolis Tokyo CBD	2,000	1,585	1,585	0/ 2	2003	2004	8		
107 Nichinan Building	Office	(Y) SIA Gold No.2* (SPC of Simplex Investment Advisors, Inc.)	Non-affiliated	Meguro Kikaku* (Subsidiary of Nichian Pharmaceutical Co., Ltd.)	Central Tokyo	1,620	3,464	3,464	1/ 8	1985	2004	8	5.7%	b
108 IKB Hongo	Office	Taken Leben CO., LTD.	Non-affiliated	IKE, Individual	Central Tokyo	1,226	3,933	3,933	1/ 6	1992	2004	8	8.4%	b
109 Tore Hoshia Building	Office	JOINT Corporation	Non-affiliated	Tore*	Tokyo Gomaba	1,210	3,805	3,805	0/ 8	1968	2004	8		
110 KY Tamaki Building	Office	Budge Engineering*	Non-affiliated	Katsunaga Tamaki Building	Tokyo Gomaba	2,200	3,160	3,160	1/ 8	1972	2004	8		Price is middle 20s Old Yen under construction
111 Hamamatsu-cho 1-chome Project	Office	(Y) Hamamatsu Tower Corporation	Non-affiliated	TC Properties (a subsidiary of TOKYU CORPORATION)	Tokyo CBD	21,400	23,933	23,933	1/ 20	2004	2004	9	4.6%	b
112 Shima Building	Office	Japan Real Estate Investment Corporation	Non-affiliated	Mizuki Trust & Banking Co., Ltd. (Trustee is a SPC of Eihasei)	Tokyo CBD	7,830	8,292	8,292	1/ 10	1989	2004	9	4.6%	b
113 Tomononori Koolans Tower	Office	Nippon Building Fund	Non-affiliated	Tomononori Koolans Kaban Building*	Tokyo CBD	6,045	1,236	29,828	3/ 26	2004	2004	9	4.9%	a
114 Seba Shinyokohama Shibuya Building	Office	Nomura Real Estate Office Fund, Inc.	Non-affiliated	SEBU SINKIN BANK	Tokyo CBD	12,000	5,339	5,339	2/ 8	1987	2004	9	4.5%	a
115 Re-LAND Shopping Center	Retail	United Urban Investment Corporation	Non-affiliated	Re-Land Corporation	Tokyo Suburb	5,200	12,945	12,945	2/ 5	1998	2004	9	6.9%	a
116 Hamamatsu Plaza East and West	Retail	A SPC of JOINT Corporation	Non-affiliated	Tomon Group*	Local City Shizuoka	15,000	79,230	79,230		2004	2004	9		
117 Mitsui Group Headquarters Building	Office	(Y) Hankawa-cho Asset Funding* (SPC of MIRAI GROUP CO., LTD.)	Non-affiliated	MIRAI GROUP CO., LTD.	Tokyo CBD	2,000	5,511	3,511	2/ 9	1991	2004	9		
118 Roppongi Square Building	Retail	(Y) Malinda Investment Corporation	Non-affiliated	Nasat*	Tokyo CBD	4,000	4,749	4,749	2/ 10	1974	2004	9		
119 SS Daikanyama	Retail	Japan Prime Realty Investment Corporation	Non-affiliated	K. K. Shoko Shokai	Tokyo CBD	2,160	668	668	2/ 2	2002	2004	9	4.5%	a
120 BIG CAMERA Tachikawa	Retail	Japan Retail Fund Investment Corporation	Non-affiliated	ISETAN Co., Ltd.	Tokyo Suburb	11,920	20,983	20,983	2/ 8	1970	2004	9	5.5%	a
121 J Tower	Office	Simplex Investment Advisors, Inc.	Non-affiliated	The Japa Steel Works, LTD.	Tokyo Suburb	20,300	53,686	53,686	2/ 18	1992	2004	9		
122 Shibaushi Aoyama Tokyu-Jan South Building	Hotel	TH Properties (a subsidiary of TOKYU CORPORATION)	Affiliated	TOKYU CORPORATION	Tokyo CBD	2,610	7,384	7,384	1/ 12	2004	2004	9		
123 Kiba Ocean Building	Office	Yamada Corp.	Non-affiliated	Sea Capital (Subsidiary of SEI CREST CO. LTD.)	Central Tokyo	1,330	2,980	2,980	0/ 5	1992	2004	9		
124 Kichijoji Station Building	Retail	Kaco Electric Railway Co., Ltd.	Non-affiliated	An investment fund	Tokyo Suburb	12,000	21,516	21,516	2/ 8	2004	2004	9		Rough price
125 Yokohama Excel Hotel Tokyu	Hotel	(Y) Tokai Hotel (a subsidiary of TOKYU CORPORATION)	Affiliated	TOKYU CORPORATION	Tokyo Suburb	6,030	15,165	15,165	2/ 9	2004	2004	9		
126 Asahi Life Sanku Honcho Building	Office	Shoet Co., Ltd.	Non-affiliated	Cherry Willow	Local Metropolis	3,865	13,330	13,330	1/ 12	1994	2004	9	8.8%	b
127 Koban Tokyu Building	Hotel	TH Properties (a subsidiary of TOKYU CORPORATION)	Affiliated	TOKYU CORPORATION	Local Metropolis	1,400	8,100	8,100	0/ 13	2004	2004	9		
128 Higashi Kyushu-cho Building	Office	(Y) KWO Trust* (SPC of KENNEDY/Kennedy Wilson Japan)	Non-affiliated	Mary TMC*	Tokyo CBD	4,000	5,917	5,917	1/ 9	1987	2004	9	6.0%	b
129 Kyobashi K-1 Building	Office, Retail	ZEPPER CO., LTD.	Non-affiliated	Koshin Tamano*	Tokyo CBD	6,400	6,088	6,088	2/ 9	1981	2004	9	5.0%	b
130 Taketani Park Plaza	Office	(Y) Datsun in Prest*	Non-affiliated	FEJ*	Tokyo Suburb	3,300	22,680	22,680	1/ 7	1994	2004	9		Rough price
131 TK Minami Aoyama Building	Office	(Y) Grand Building* (SPC of an investment related to Mitsubishi Tokyo Financial Group, Inc.)	Non-affiliated	Chest Properties TMC* (TMC of Louetta Group)	Tokyo CBD	30,000	20,939	20,939	2/ 17	2003	2004	9		Rough price
132 Koban Akaoka Building (3 buildings)	Office	Loan Star Group	Non-affiliated	Koban notonara Co., Ltd.	Tokyo CBD	117,000	143,271	143,271	3/ 25	2004	2004	9		
133 BYOS Shinjuku Building	Office, Retail	Japan Prime Realty Investment Corporation	Non-affiliated	PENTA-OCEAN CONSTRUCTION CO., LTD.	Tokyo CBD	2,000	6,433	25,733	2/ 14	1983	2004	10	6.3%	a
134 Kinokuni Onoz Building	Office	Big Forest Capital Company* (SPC of Sher Co., Ltd.)	Non-affiliated	Global One Real Estate Investment Corp	Central Tokyo	5,600	10,442	10,442	1/ 13	2002	2004	10	5.7%	a
135 Hakone Seigohabara Prince Hotel	Hotel	NISSAN MOTOR CO., LTD.	Non-affiliated	KOKUDO	Local City Kanagawa	3,000				2004	2004	10		

Building	Type	Buyer	Buyer's relation to the seller	Seller	Location	Price (mln. Yen)	Transacted FA (m <sup>2</sup> )	Building TFA (m <sup>2</sup> )	Floors	Completion	Time action	ChP	Source **	Remarks	
136 SANO-OMIYA	Office	Nippon Building Fund	Non-affiliated	TAISEI Corporation	Tokyo Suburb	5,580	7,512	30,613	11	20	2004	10	6.3%	a	
137 Omiya Center Building	Office	(Y) Chugang Property* (SPC of The Changfa Group) (TMK of NIPPON TOCHU TOCHI-TATEMONO Co., Ltd.)	Non-affiliated		Saitama Suburb	10,000	23,570	23,570	11	14	1993	2004	10		
138 Tawashi Center Building	Office	Nippon TOCHU TOCHI-TATEMONO Co., Ltd.	Affiliated		Tokyo CBD	3,740	2,022	32,456	3	15	1994	2004	10	Partial ownership	
139 Nitcho Habata Building	Office	Nippon TOCHU TOCHI-TATEMONO Co., Ltd.	Affiliated		Fukuoka Local	2,000	6,328	6,328	0	12	2003	2004	10		
140 Tenmori First Tower	Office	Yoyogi Holding TMK* (TMK established by Morgan Stanley)	Non-affiliated	Metropolis Kallast*	Tokyo Central	20,000	47,249	47,249	21	27	1991	2004	11	Rough price	
141 Nagasakiya Hechoji	Retail	NIPPON TOCHU-TATEMONO Co., Ltd.	Non-affiliated, but Kenetsu (Buyer is the largest stockholder)	TOKYO LEASING Corporation	Tokyo Suburb	3,400	13,700	13,700	1	8	2004	11			
142 Nagasakiya Koganei	Retail	NIPPON TOCHU-TATEMONO Co., Ltd.	Non-affiliated, but Kenetsu (Buyer is the largest stockholder)	TOKYO LEASING Corporation	Tokyo Suburb	2,944	15,428	15,428	1	7	2004	11			
143 Nagasakiya Mechia	Retail	NIPPON TOCHU-TATEMONO Co., Ltd.	Non-affiliated, but Kenetsu (Buyer is the largest stockholder)	TOKYO LEASING Corporation	Tokyo Suburb	4,006	18,081	18,081	1	7	2004	11			
144 Kawasaki Tohoku Building	R&D	United Urban Investment Corporation	Non-affiliated	Keningsaki Holding TMK*	Tokyo Suburb	19,200	51,254	51,254	2	14	1987	2004	11	7.4%	a
145 Kympo La Main Building	Retail	Japan Prime Realty Investment Corporation	Affiliated	TAISEI Corporation	Tokyo Suburb	2,100	5,943	49,287	1	8	2006	2004	11	6.5%	a
146 Kyoto Kohseu Hotel	Hotel	Ishikawa Holding TMK* (TMK of Morgan Stanley)	Non-affiliated	FUJITA KONKO INC.	Local Metropolis	2,391	23,909	23,909			2004	11			
147 Sakurabashi Toyo Building	Office	(Y) SIA King Nait* (SPC of Simplex Investment Advisors, Inc.)	Non-affiliated	The Nishin Fire & Marine Insurance Co. Ltd.	Local Metropolis	1,700	2,669		4	9	2004	11		Partial ownership	
148 DIA Building Fukuoka Aesaba	Office	(Y) Fukuoka Holdings*	Non-affiliated	DIA KENSETSU CO., LTD.	Local Metropolis	2,422	6,539	6,539	0	7	2004	11			
149 NTF Tateshiba Building	Office	(Y) KAW Property* (SPC of KENREIX(Kenshū Wilson Japan))	Non-affiliated	NIPPON TYPE INDUSTRIAL CO., LTD.	Tokyo CBD	2,000	3,319	3,319	2	9	1993	2004	11		
150 Dai-Hyaku Life Shinyaku Building	Office	Cresend Investment Corporation	Affiliated	(Y) CRE* (SPC of CANAL INVESTMENT TRUST Co., Ltd.)	Tokyo CBD	1,400	2,652	2,652	2	9	1988	2004	11		
151 EMS Haayaku	Retail	Cresend Investment Corporation	Affiliated	(Y) CRE* (SPC of CANAL INVESTMENT TRUST Co., Ltd.)	Tokyo CBD	4,760	1,465	1,465	1	5	1970	2004	11	5.2%	b
152 Asahi Life Onomichi Building	Office	Cresend Investment Corporation	Affiliated	(Y) Onomichi*	Local Metropolis	1,290	2,922	2,922	2	9	1980	2004	11		
153 Canal City Hakata	Retail	Fukuoka REIT Corporation	Affiliated	FUJITA Design & Development Co. Ltd. (Subsidiary of FUKUOKAISHO CO., LTD.)	Local Metropolis	32,000	51,483	225,899	2	13	1996	2004	11	6.0%	a
154 Park Place Oita	Retail	Fukuoka REIT Corporation	Affiliated	FUJITA Design & Development Co. Ltd. (Subsidiary of FUKUOKAISHO CO., LTD.)	Local City	15,700	73,433	73,433	0	4	2002	2004	11	6.3%	a
155 Canal City Business Center Building	Office	Fukuoka REIT Corporation	Affiliated	FUJITA Design & Development Co. Ltd. (Subsidiary of FUKUOKAISHO CO., LTD.)	Local Metropolis	14,600	32,733	225,899	2	13	1996	2004	11	6.0%	a
156 Ootaha-machi Business Center	Office	Fukuoka REIT Corporation	Non-affiliated	(Y) OBC*	Local Metropolis	11,200	27,949	27,949	1	10	2003	2004	11	6.2%	a
157 The Westin Tokyo	Hotel	Oniza Holding TMK* (TMK of Morgan Stanley)	Non-affiliated	YESSU GARDEN PLACE (a subsidiary of SAPPORO HOLDINGS LTD.)	Local City	44,255	71,464	71,464	5	23	1994	2004	12		
158 Diamond City Kumamoto Shopping Center	Retail	United Urban Investment Corporation	Affiliated	TM Kumamoto Investments* (SPC of Marubeni Corporation and Tamiy Investment Trust LLC)	Local City	11,100	63,033	63,033	0	2	1997	2004	12	7.2%	a
159 Shin-Osaka Central Tower	Office, Hotel, Retail	United Urban Investment Corporation	Affiliated	MC Mits Investments* (SPC of Marubeni Corporation and Tamiy Investment Trust LLC)	Local Metropolis	24,000	58,883	58,883	1	23	1989	2004	12	6.6%	a
160 PFR Square Hakata East & West Building	Office	Golekaji Holding TMK* (TMK of Morgan Stanley)	Non-affiliated	Japan Prime Realty Investment Corporation	Local Metropolis	2,293	11,407	11,407	1	10	1984	2004	12	6.9%	a
161 Nipponbashi Muro-machi Center Building	Office	Nippon Building Fund	Non-affiliated	Shoera Ashu Co., Ltd.	Tokyo CBD	14,000	8,622	23,019	1	12	1996	2004	12	5.3%	a



Buiding	Type	Buyer	Buyer's relation to the seller	Seller	Location	Price (mln. Yen)	Transacted FA (sqm)	Building FPA (sqm)	Floors	Completion	Time section	CAP	Source	Remarks	
163 Fujita Kaoh Toranomon Building	Office, Retail	TOKYU REIT, Inc.	Non-affiliated	FUJITA KANKO INC	Tokyo CBD, Tokyo	8,630	9,679	15,344	2	1988	2004; 12	5.6%	a	Partial ownership	
165 Shingawa Mirabashi Building	Office, Retail	Oreochi Holdings(TMK* (TMK of Morgan Stanley)	Non-affiliated	Mirabashi Corporation and Mirabashi Orix REIT Inc.	Tokyo CBD, Tokyo	140,178	158,242	158,242	3	2003	2004; 12				
164 Nihko Kagurazaka Building	Office	AIG Edison Life Insurance*	Non-affiliated	ORIX REIT Inc.	Tokyo CBD, Tokyo	1,627	3,262	3,262	1	1992	2004; 12				
165 Teichikawa Bldg Shinjuku Building	Office	TOSHIN Co., Ltd.	Non-affiliated	TACHIKAWA CORPORATION	Tokyo CBD, Tokyo	1,650	1,968	1,968	0	1976	2004; 12				
166 Laaido Gotanda	Office	AIG Edison Life Insurance*	Non-affiliated	ORIX REIT Inc.	Central Tokyo	2,135	3,396	3,396	0	1997	2004; 12				
167 Nakano Sun Plaza	Retail, Office	(K) Marubeni Nakano (Nakano Municipal Government related company)	Non-affiliated	Employment and Human Resource Development Organization of Japan	Central Tokyo	5,200	51,000	51,000	2	1973	2004; 12				
168 JFR Heiwa Building	Office	Gokushu Holdings(TMK* (TMK of Morgan Stanley)	Non-affiliated	Japan Prime Realty Investment Corporation	Central Tokyo	3,345	6,468	6,468	1	1980	2004; 12	4.3%	a	Rough price	
169 Inokashi SATY	Retail	Japan Retail Fund Investment Corporation	Non-affiliated	(Y) Court Land Street*	Central Tokyo	12,400	32,851	63,617	1	2000	2004; 12	5.4%	a	Partial ownership	
170 Teitoku Research Center	R&D	HASEKO Corporation	Non-affiliated	AINOMOTO CO., INC.	Tokyo Suburb	11,101	9,044	9,044	0	5	2004; 12				
171 Kanagawa Mirabashi Fuso Jibashi Headquarter Building	Office	MORIMOTO Co., LTD.	Non-affiliated	Kanagawa Mirabashi Fuso Jibashi Headq*	Tokyo Suburb	7,023	4,047	4,047	0	6	2004; 12				
172 A. Iwase center in Nishi-Hoshimoto	Retail	Rising Star I TMK* (TMK of Mirabashi Corporation)	Non-affiliated	Kohsan Sugi Co., Ltd.	Tokyo Suburb	6,200	41,697	41,697	0	4	2003	2004; 12			
173 AEON Yamato Shopping Center	Retail	Japan Retail Fund Investment Corporation	Non-affiliated	AEONMALL Co., Ltd. & Century Leasing System, Inc.	Tokyo Suburb	16,823	83,227	83,227	1	5	2001	2004; 12	5.5%	a	Under construction, Rough price
174 Urawa PARCO	Retail	Japan Retail Fund Investment Corporation	Non-affiliated	(Y) Urawa Stream* (SPC of OKAYASHI CORPORATION)	Tokyo Suburb	27,200	56,304	108,174	4	10	2007	2004; 12	5.0%	a	Under construction, Partial ownership
175 Kohabashi Building	Office	wite consultants	Non-affiliated	H. I. S. Co., Ltd.	Tokyo CBD, Tokyo	4,310	6,239	6,239	2	10	2004; 12				
176 Shin-Roppo Building	Office	(Y) Merge Roppo (SPC of NIPPON TOUCHI-TATEKONO Co., Ltd.)	Non-affiliated		Tokyo CBD, Tokyo	7,300	7,484	7,484	1	9	1978	2004; 12			
177 Shisei Ichiban-cho	Retail	Japan Prime Realty Investment Corporation	Non-affiliated	(Y) Milky Way Properties*	Local Metropolis	4,200	3,446	3,446	1	8	2002	2004; 12	5.3%	a	Rough price
178 Giza Southern Building	Office	SunFrontier Fudasan Co., Ltd.	Non-affiliated	NA Lease	Tokyo CBD, Tokyo	1,000	1,156	1,156	1	8	1980	2004; 12			
179 Dai-2 Musashino Building	Retail	(Y) Shinjuku Oz* (SPC of FRESA (Investor))	Non-affiliated	MUSASHINO KOGYO CO., LTD.	Tokyo CBD, Tokyo	8,444	6,317	6,317	2	8	1992	2004; 12			
180 Jozeppi Park Building	Office	Japan Real Estate Investment Corporation	Non-affiliated, but Kenishi (Mirabashi Group)	Ryoshin Building*	Local Metropolis	1,000	3,824	7,648	1	8	1993	2005; 1			
181 Snow Crystal Building	Office	(Y) Sapphire Real Estate*	Non-affiliated, but Kenishi (Mirabashi Group)	Snow Brand Nishi-Umesa Kakuin*	Local Metropolis	8,600					2005; 1				
182 Sano Grand Building	Office	Japan Real Estate Investment Corporation	Non-affiliated, but Kenishi (Mirabashi Group)	Ryoshin Building*	Tokyo CBD, Tokyo	10,200	16,928	33,876	3	10	1966	2005; 1			
183 Nippon Express Akibara Ex-headquarter Building	Office	Sumitomo Realty & Development Co., Ltd.	Non-affiliated	NIPPON EXPRESS	Tokyo CBD, Tokyo	16,800	25,787	25,787	3	11	1962	2005; 1			
184 These A Mita Building	Office	TACHIKAWA CORPORATION	Non-affiliated	(Y) Manabu (SPC of K. K. Advant Advize)*	Tokyo CBD, Tokyo	2,229	4,392	4,392	1	8	1989	2005; 1			
185 Tokyo Kaikan	Retail	MITSUBISHI ESTATE CO., LTD.	Non-affiliated	Tokyo Kaikan	Tokyo CBD, Tokyo	2,211	1,994				2005; 2				
186 Toyoko Inn Shingawa Station Takawawa-Okie	Hotel	United Urban Investment Corporation	Non-affiliated	Morgan Trust Bank*	Tokyo CBD, Tokyo	1,824	2,929	2,929	0	14	1999	2005; 2	5.6%	a	
187 Shibuya Tokyo Plaza	Retail	(Y) Shibuya Tokyo Plaza* (SPC of TOKYU LAND CORPORATION)	Affiliated	TOKYU LAND CORPORATION	Tokyo CBD, Tokyo	29,400	25,908	25,908	2	9	1963	2005; 2			
188 Ueno Toso Building	Office	TGR Investment Inc.	Affiliated	(Y) Power Solution*	Central Tokyo	1,625	2,600	2,600	0	10	1981	2005; 2			
189 Jyugouka 8953 Building	Retail	Japan Retail Fund Investment Corporation	Non-affiliated	(Y) Sano Holdings* (SPC of KENNEDY(Kennedy Wilson Japan))	Central Tokyo	2,700	1,967	1,967	1	3	2003	2005; 2	5.2%	a	Under construction
190 Etc. Negoya Factory Redevelopment Project	Retail	Frontier Real Estate Investment Corporation	Affiliated	Japan Tobacco Inc.	Local Metropolis	24,100	154,288	154,288	0	5	2006	2005; 2	5.6%	a	Under construction
194 Chuga Ro. Headquarter Building	Office	SEKISUI HOUSE, LIMITED	Non-affiliated	Chuga Ro. Co., Ltd.	Local Metropolis	2,520	12,745	12,745			2005; 2				
192 Akiba Sano Square	Office	Nippon Building Fund	Affiliated	(Y) Takami Investment Trust* (SPC of Mitsui Fudasan Co., Ltd.)	Tokyo CBD, Tokyo	6,250	7,428	7,428	1	8	1989	2005; 2	5.0%	a	
193 Tononon Tolo Building	Office	Toke Co., Ltd.	Affiliated	TOHO REAL ESTATE CO., LTD.	Tokyo CBD, Tokyo	1,300	1,621	1,621	1	9	1991	2005; 2			
194 Hamony Tower	Office, Retail	Japan Real Estate Investment Corporation	Non-affiliated, but Kenishi (Mirabashi Group)	Ryoshin Building*	Tokyo CBD, Tokyo	8,300	21,276	72,729	2	29	1997	2005; 2			
195 SEGA World Shibuhara	Retail	SHOGWA TATEKONO INC.	Individual	Individual	Tokyo	1,250	2,348				2005; 2				

Building	Type	Buyer	Buyer's relation to the seller	Seller	Location	Price (mil. Yen)	Transacted FA (sqm)	Building FTA (sqm)	Floors	Completion	Time action	CAPEX	Source	Remarks
196 Fuji Electric Construction Headquarter Building	Office	HASEKO Corporation	Non-affiliated	Fuji Electric Construction Co., Ltd. Ashi Hoken Investment	Kanagawa Yokohama-shi Tsurumi-ku	3,300	10,000	10,000			2005	2		
197 Izumiya Hinakita	Retail	CapitalLand Japan	Non-affiliated		Osaka Hirakata-shi	7,300	18,000	18,000	0	2	2005	2		
198 NBF Higashi Giza Square	Office, Retail	Nippon Building Fund	Non-affiliated	MORIMOTO Co., LTD. & Shinko Real Estate*	Tokyo Chuo-ku	5,200	7,212	7,212	1	9	2005	3	5.4%	a
199 IAL Building	Office	Nomura Real Estate Office Fund, Inc.	Non-affiliated	Global Building* (A subsidiary of Japan Athletes)	Tokyo Shinjuku-ku	65,000	82,602	82,602	2	26	1996	3	4.7%	a
200 Maruoto Building 3	Office, Retail	ORIX J-REIT Inc.	Non-affiliated	Maruoto Tochtaiyemomo*	Osaka Matsuyama-ku	13,600	25,483	25,483	2	14	1996	3	4.7%	a
201 Giza First Building	Office, Retail	Global One Real Estate Investment Corp.	Non-affiliated	(Y) First Place	Tokyo Chuo-ku	12,282	9,836	12,479	3	11	1998	3	4.7%	a
202 Suisenji Heiwa Building	Office	Cassand Investment Corporation	Affiliated	HEIWA REAL ESTATE CO., LTD.	Tokyo Chuo-ku	1,530	2,178	2,178	0	9	1991	3		
203 Baza Square	Office	Cassand Investment Corporation	Affiliated	(Y) Chaites*	Tokyo Shibuya-ku	7,030	8,644	8,644	1	7	1994	3		
204 UFJ Central Leasing Headquarter Building	Office	Japan Prime Realty Investment Corporation	Non-affiliated	UFJ CENTRAL LEASING CO., LTD.	Aichi Nagoya-shi Naka-ku	4,137	10,201	10,201			2005	3	6.1%	a
205 Giza Saawa Building	Office	Japan Real Estate Investment Corporation	Non-affiliated	Imabishi Real Estate Co., Ltd. & Toyo Real Estate Corporation	Tokyo Chuo-ku	16,830	4,329	8,831	2	9	1982	3		Partial ownership
206 Tomonon Shosen Mitani Building	Office	DAIBURU Corporation	Affiliated	Mitsui O.S.K. Lines	Tokyo Mitato-ku	17,300	34,655	34,655	3	16	1979	3		
207 PICASSO 347	Retail	TOKYU REIT, Inc.	Non-affiliated	Yagin Kaisha BIT FIRST	Tokyo Shibuya-ku	24,300	11,848	11,848	2	12	2004	3	4.2%	a
208 NBF Utsunomiya Building	Office	Nippon Building Fund	Non-affiliated	TOYOTA WOODYOU HOME	Local City Tochigi	2,453	8,592	8,592	0	8	1996	3	7.0%	a
209 Wonder City	Retail	Japan Real Fund Investment Corporation	Affiliated	(K) AITECHS* (Subsidiary of Mitsubishi Corporation)	Local Metropolis Aichi	15,900	74,365	74,365	0	5	2005	3	6.3%	a
210 Inokasa Shopping Center	Retail	(Y) Rocky Mountains Investment 2	Non-affiliated	Techao Sage*	Local City Aichi	2,450	19,077	19,077			2005	3		
211 Maruzen Kawana-machi Building	Retail	Japan Prime Realty Investment Corporation	Non-affiliated	MARUZEN CO., LTD.	Local Metropolis Kyoto	2,969	4,982	4,982	1	8	1993	3		
212 Benetton Shinai-ishi Building	Retail, Office	Nippon Building Fund	Non-affiliated	Individual	Local Metropolis Osaka	5,490	5,153	5,153	2	10	2003	3	4.0%	a
213 Subaraji Hon-cho Center Building	Office	Nippon Building Fund	Affiliated	Sunstone Life Insurance Company	Local Metropolis Osaka	6,300	32,990	32,990	1	16	1991	3	6.3%	a
214 Tsumabi Tenban Ojutsu Nishi-Nippon Branch Building	Office	(Y) Pacific Growth Realty (SPC of PACIFIC MANAGEMENT CORPORATION)	Non-affiliated	TSUZUKI TSUSHIN GIUTSU CO., LTD.	Local Metropolis Osaka	1,165	3,196	3,196	1	8	2002	3		
215 JUSCO CITY Takatsuki	Retail	Japan Real Fund Investment Corporation	Non-affiliated	Taisano*, Nippon Concrete Ekogyo*, (Y) MC Tohoku* (SPC of Mitsubishi Corporation)	Local City Osaka	11,700	59,507	59,507	0	4	1994	3	6.0%	a
216 Toketa SKY	Retail	Japan Real Fund Investment Corporation	Affiliated	LoXX Tomonow* (Subsidiary of LoXX Co., Ltd.)	Local Metropolis Fukuoka	6,200	93,239	93,239	0	5	1999	3	6.6%	a
217 Tomonow Building	Retail	(Y) Sames* (SPC of K. K. abjuzi)	Non-affiliated	LoXX Tomonow* (Subsidiary of LoXX Co., Ltd.)	Tokyo Chiyoda-ku	4,653	5,544	5,544	1	9	1999	3		
218 Saba Headquarter Building	Office	(Y) Apollo Capital I (SPC of Tosei Fudousan Co., Ltd.)	Non-affiliated	YAKINIKUYA SAKAI CO., LTD.	Tokyo Chiyoda-ku	1,755	2,092	2,092	1	9	2002	3		
219 UFJ Tokyo Building	Office	(Y) MEC Asset Holding (SPC of MITSUBISHI REAL ESTATE CO., LTD.)	Non-affiliated	UFJ Bank Limited	Tokyo Chiyoda-ku	145,000	93,722	93,722	5	26	1973	3		
220 Funakawa Chiyoda Building	Office	(Y) Uchikawa 2-home Investment (SPC of Tokyo Telemo Co., Ltd.)	Non-affiliated	FURUKAWA CO., LTD.	Tokyo Chiyoda-ku	6,530	11,871	11,871	2	9	1963	3		
221 Kinoo Construction Headquarter Annex and South Building	Office	St. Grandee co., Ltd.	Non-affiliated	KITANO CONSTRUCTION CORP.	Tokyo Chuo-ku	6,300	9,400	9,400	2	9	2005	3		
222 Ryojin Giza East Mirror Building	Office	Japan Real Estate Investment Corporation	Non-affiliated, but Mitsubishi Group	Ryojin Building*	Tokyo Chuo-ku	5,554	4,105	4,105	1	8	1998	3		
223 MIXI Giza Building	Office	(Y) 61 Giza Building	Non-affiliated	Sojitz Holdings Corporation	Tokyo Chuo-ku	1,700	1,116	1,116	1	8	2001	3		
224 Kana Building 5	Office	Cosmo Holding*	Non-affiliated	Kana Kogyo*	Tokyo Chuo-ku	3,361	1,403	1,403	1	9	1971	3		
225 Tokyo Nisan Mitato Building & Shop	Office, Retail	TOKYU LAND CORPORATION	Non-affiliated	Tonchi Cattle Group Corporation	Tokyo Mitato-ku	11,220	10,105	10,105	1	11	1987	3		
226 Mitsun Building	Office	Nippon Life Insurance Company	Non-affiliated	Sojitz Holdings Corporation	Tokyo Mitato-ku	31,000	45,300	55,753	3	24	1995	3		Partial ownership

Building	Type	Buyer	Buyer's relation to the seller	Seller	Location	Price (mil Yen)	Transacted FTA (sq)	Building FTA (sq)	Floors	Completed	Trans active	CAP	Source **	Remarks
227 Trade Pier Osaka Building	Offices, Retail	(Y) Battery Investment* (SFC of MITSUBISHI REAL ESTATE CO., LTD.)	Non-affiliated	Sojitz Holdings Corporation	Tokyo CBD Tokyo	26,100	81,137	81,137	2: 24	2001	2005	3		
228 BYOS Shinjuku Building	Offices, Retail	Japan Prime Realty Investment Corporation	Affiliated	Mizuho Trust & Banking Co., Ltd. (Trustee is Real Estate Capital TMK of Meiji Yasuda Life Insurance Company and TAISEI CORPORATION)	Tokyo CBD Tokyo	8,821	12,867	25,733	2: 14	1995	2005	3	a	Partial ownership. Additional acquisition
229 Mitsui Building 2	Offices	(Y) GSP* (SFC of MEIWAJISHO)	Affiliated	MEIWAJISHO	Tokyo CBD Tokyo	4,000	7,542	7,542	1: 9	1992	2005	3		
230 Round Cross Shinjuku	Offices, Retail	ORIX JREIT Inc.	Affiliated	ORIX Real Estate Corporation	Tokyo CBD Tokyo	8,020	6,426	6,426	2: 9	2005	2005	3	a	Under construction
231 Oeaki MT Building	Offices	MORI TRUST Sogo Real, Inc.	Affiliated	MORI TRUST CO., LTD.	Central Tokyo Tokyo	7,870	15,944	26,981	3: 14	1994	2005	3	a	Partial ownership
232 NY Tomonaka Building	Offices	Crescent Investment Corporation	Non-affiliated	(Y) Aichi Kosei*	Central Tokyo Tokyo	2,300	4,538	2,300	0: 8	1990	2005	3		
233 Hachioji Daiichi Life Building	Offices, Retail	Japan Real Estate Investment Corporation	Affiliated	Dai-ichi Mutual Life Insurance Company	Tokyo Suburb Tokyo	3,300	9,286	18,330	1: 12	1996	2005	3		Partial ownership
234 SEIYU Hongancho	Retail	Japan Retail Fund Investment Corporation	Affiliated	(Y) Laidlaw* (SFC of Mitsubishi Corporation)	Tokyo Suburb Tokyo	6,100	19,071	19,071	1: 6	1988	2005	3	a	
235 Nito Mall	Retail	Dai-ichi Realty Management Inc. (Subsidiary of Mitsubishi Corporation)	Non-affiliated	Nito Toshi Kaisha Co., Ltd.	Tokyo Suburb Saitama	4,000	34,840	34,840	0: 5	1979	2005	3		Rough price
236 Ahasaka Tokyo Plaza	Hotel	(Y) Shijima* (SFC of TOKYU LAND CORPORATION)	Affiliated	TOKYU LAND CORPORATION	Tokyo CBD Tokyo	20,000	50,799	50,799	2: 14	1969	2005	3		
237 Harumi Island Triton Square Office Tower Y	Offices	(Y) Grand Tower (SFC of an investment fund of The Bank of Tokyo-Mitsubishi Ltd. and Mitsubishi Securities Co., Ltd.)	Non-affiliated	Sumitomo Corporation	Tokyo CBD Tokyo	86,000	49,617	119,206	4: 40	2001	2005	3		Partial ownership
238 Shinjuku MINEs Tower	Offices	(Y) Meiji* (SFC established by K.K. da Vinci Advisors)	Non-affiliated	Swireone Life Insurance Company, Dai-ichi Mutual Life Insurance Company and Nippon Life Insurance Company	Tokyo CBD Tokyo	46,000	41,991	97,979	3: 34	1995	2005	3		Partial ownership
239 Business Hotel Great Main Building and Annex	Hotel	Ariepco Co., Ltd.	Non-affiliated	JYOMCO CO., LTD.	Tokyo Suburb Tokyo	1,100	4,101	4,104	1: 8	1989	2005	3		Rough price
240 Yokosuka Prince Hotel	Hotel	(Y) Frontier First* (SFC established by Mitsui Fudosan Co., Ltd.)	Non-affiliated	SEBU Railway Co., Ltd.	Tokyo Suburb Tokyo	1,700	16,882	16,882	3: 21	2003	2005	3		Partial ownership
241 Miyajima Building	Offices, Retail	(Y) Jingubashi Building*	Non-affiliated	Individual	Tokyo CBD Tokyo	3,000	2,050	2,050	1: 10	1981	2005	3	b	Rough price
242 Enfa Ahasaka Building	Offices	CREED CORPORATION	Non-affiliated	KOWA REAL ESTATE CO., LTD., HASEKO Corporation, Inc. and others	Tokyo CBD Tokyo	1,600	2,075	2,075	3: 3	1990	2005	3		Rough Price
243 SAKYA Headquarter Building	Offices	Tokyo Telemaco Co., Ltd.	Non-affiliated	SAXA, Inc.	Central Tokyo Tokyo	6,220	13,380	13,380	1: 8	1970	2005	3		
244 SAKYA Nakasubo Branch	Offices	Tokyo Telemaco Co., Ltd.	Non-affiliated	SAXA, Inc.	Central Tokyo Tokyo	3,780	6,916	6,916	1: 3	1988	2005	3		
245 Roppongi Hills Mori Tower	Offices	Nishino Akabono Shokai*	Affiliated	NICHIRO CORPORATION	Tokyo CBD Tokyo	1,660	1,061	380,105	6: 54	2003	2005	3		Partial ownership
246 World Plaza Building	Offices, Retail	Cosmo Holdings*	Self-holding	Kasa Kogyo*	Tokyo CBD Tokyo	3,361	1,403	1,403	1: 9	1971	2005	3		
247 Gunza 1-clome Building	Offices, Retail	(Y) Kolner* (SFC of GIMAC Commercial Mortgage)	Non-affiliated	GOLD CREST CO., LTD.	Tokyo CBD Tokyo	4,300	4,539	4,539	1: 13	2003	2005	3		
248 Shin Kawasamachi Building	Offices	ORIX Real Estate Corporation	Non-affiliated	Utaha Realty	Local Metropolitan Osaka	2,400	9,601	9,601	0: 8	1979	2005	4		
249 Nban-cho Garden	Offices, Residential	Japan Real Estate Investment Corporation	Affiliated	MIYUBISHIESTATE CO., LTD.	Tokyo CBD Tokyo	14,700	11,002	57,031	2: 14	2004	2005	4		Partial ownership
250 Asahi Life Yoghana Nishiguchi Building	Offices	Norman Real Estate Office Fund, Inc.	Affiliated	(Y) Cwo Investment Second* (Subsidiary of NOMURA REAL ESTATE DEVELOPMENT Co., LTD.)	Tokyo Suburb Tokyo	5,000	10,055	10,055	1: 9	1985	2005	4	a	
251 ORIX Konaneshi Building	Offices	ORIX JREIT Inc.	Affiliated	Orix Real Estate Corporation	Local Metropolitan Osaka	5,263	9,478	9,478	1: 8	2004	2005	4	a	
252 ORE Nagoya Fushimi Building	Offices	ORIX JREIT Inc.	Affiliated	Orix Real Estate Corporation	Local Metropolitan Aichi	10,040	15,817	15,817	1: 11	2004	2005	4	a	
253 Osaka Tokyo Hotel	Hotel	Urban Corporation	Non-affiliated	TC Properties (a subsidiary of TOKYU CORPORATION)	Local Metropolitan Osaka	6,300	15,881	15,881	1: 12	1979	2005	4		Rough price
254 Fubacho Building	Offices	Japan Prime Realty Investment Corporation	Non-affiliated	Asahi Kogyo*	Tokyo CBD Tokyo	1,120	717	11,028	2: 10	1990	2005	4	a	Partial ownership. Additional acquisition
255 Kobe Bay Shenton Hotel & Towers	Hotel	Loan Star Group	Non-affiliated	JTB Corp.	Local Metropolitan Hyogo	3,000	28,845	28,845	1: 21	1992	2005	4		Rough Price including business right
256 Hamamatsu-cho SS Building	Offices	Crescent Investment Corporation	Non-affiliated	GE Real Estate Japan*	Tokyo CBD Tokyo	1,530	2,185	2,185	0: 10	1991	2005	4	a	
257 Mita-koji Osaka Branch	Retail	HASEKO Corporation	Non-affiliated	MIYUBISHIESTATE CO., LTD.	Local Metropolitan Osaka	9,230	20,349	20,349		2005	2005	5		

Building	Type	Buyer	Buyer's relation to the seller	Seller	Location	Price (mln. Yen)	Transacted FA (m <sup>2</sup> )	Building TFA (m <sup>2</sup> )	Floors	Completion	Time action	CAIP	Source	Remarks
258 TANGO 33 Building	Office, Retail	Sumitomo Fudosan Co., Ltd.	Non-affiliated	Toko Architect Office*	Tokyo CBD Tokyo	2,200	2,603	2,603	11	7	1992	2005	5	
259 HOTEL Kayo	Hotel	(Y) Replus Road 5* (SFC of RePlus)	Non-affiliated	Japanese Foundation for the Promotion of Maritime Science	Tokyo CBD Tokyo	9,000	39,504	39,504	41	22	1992	2005	5	Rough price
260 Es-Morgan Onza Building	Retail	(Y) Hite Project* (SFC of S1, Onzab co. (R))	Non-affiliated	GSI Cross corporation	Tokyo CBD Tokyo	3,332	542	542	0	1	2005	2005	5	
261 Musashino Building	Retail	(Y) M&E Investment* (SFC of FUSA REIT (SFC of M&E))	Non-affiliated	MUSASHINO KOGYO CO., LTD.	Tokyo CBD Tokyo	13,000	11,512	11,512	4	8	1969	2005	5	Rough price
262 La Meribia Grand Pacific Tokyo	Hotel	Kanai Electric Express Railway Co., Ltd.	Non-affiliated	Nippon Life Insurance Company	Tokyo CBD Tokyo	33,000	123,229	123,229	21	29	1995	2005	5	
263 Ebisu Techno-Serve Building	Office	(Y) Air WING (SFC of urban asset management Co., Ltd.)	Non-affiliated	EBARA TECHNO-SERVE CO., LTD.	Central Tokyo	2,400	5,340	5,340	0	5	2001	2005	5	
264 Ogino Building	Office	Prusier Investment Corporation	Non-affiliated	PPA Investment 4	Tokyo CBD Tokyo	1,796	2,776	2,776	1	8	1988	2005	5	5.3% a
265 Tenjin Crystal Building	Office, Retail	Japan Real Estate Investment Corporation	Affiliated	UFJ Trust Bank Limited	Local Metropolis	5,000	10,432	10,432	11	14	1993	2005	5	
266 JUSCO CITY Yagoto	Retail	Japan Retail Fund Investment Corporation	Non-affiliated	Funahwa Tochi Tatemono* and individual	Local Metropolis	3,700	18,725	55,978	3	4	1993	2005	6	7.0% a
267 YX Koyoko-cho Building	Office	Test Iryo (R)* and individual	Non-affiliated	ORIX REIT Inc.	Tokyo CBD Tokyo	1,040	2,086	2,086	2	7	1991	2005	6	
268 Nishin Culture Center Building	Office	Simple Investment Advisors, Inc.	Non-affiliated	Itabashi Government	Tokyo CBD Tokyo	9,000	7,567	14,787	2	12	2005	2005	6	Partial ownership, under construction
269 Shinjuku Sumitomo Building	Office, Retail	Prime Quest 3* (TMK of Sumitomo Realty & Development Co., Ltd.)	Affiliated	Sumitomo Realty & Development Co., Ltd.	Tokyo CBD Tokyo	90,000	106,480	177,467	41	52	1974	2005	6	Partial ownership
270 Sogo Hinokawa-cho Building	Office	KENEDIX Realty Investment Corporation	Affiliated	(Y) T South Capital* (SFC of Kenedix, Inc.)	Tokyo CBD Tokyo	5,180	8,003	8,003	3	10	1988	2005	6	5.0% a
271 Kanda Kihon Building	Office	KENEDIX Realty Investment Corporation	Affiliated	(Y) KDX One* (SFC of Kenedix, Inc.)	Tokyo CBD Tokyo	1,950	2,394	2,394	1	8	1993	2005	6	5.1% a
272 Nipponbashi 313 Building	Office	KENEDIX Realty Investment Corporation	Affiliated	(Y) T South Capital* (SFC of Kenedix, Inc.)	Tokyo CBD Tokyo	5,940	8,613	8,613	2	9	1974	2005	6	5.2% a
273 Higashi-Koyoko-cho Yunko Building	Office	KENEDIX Realty Investment Corporation	Affiliated	(Y) KWO Thirt* (SFC of Kenedix, Inc.)	Tokyo CBD Tokyo	4,430	5,916	5,916	1	19	1987	2005	6	5.3% a
274 Near Hachibon	Office	KENEDIX Realty Investment Corporation	Affiliated	(Y) T South Capital* (SFC of Kenedix, Inc.)	Tokyo CBD Tokyo	3,680	4,800	4,800	1	8	1993	2005	6	5.1% a
275 FIK Minami-Aoyama Building	Office	KENEDIX Realty Investment Corporation	Affiliated	(Y) KW Office* (SFC of Kenedix, Inc.)	Tokyo CBD Tokyo	2,770	1,894	1,894	1	9	1988	2005	6	5.6% a
276 NKK Building	Office	KENEDIX Realty Investment Corporation	Affiliated	(Y) KW Office* (SFC of Kenedix, Inc.)	Tokyo CBD Tokyo	1,610	2,595	2,595	0	9	1992	2005	6	5.8% a
277 Haiyaka FF Building	Office	KENEDIX Realty Investment Corporation	Affiliated	(Y) KW Office* (SFC of Kenedix, Inc.)	Tokyo CBD Tokyo	2,430	3,812	3,812	0	11	1982	2005	6	5.7% a
278 K&Y Building	Office	KENEDIX Realty Investment Corporation	Affiliated	(Y) KDX One* (SFC of Kenedix, Inc.)	Central Tokyo	2,333	6,399	6,399	1	11	1992	2005	6	5.3% a
279 Habets Ebi-mae Building No. 2	Office	KENEDIX Realty Investment Corporation	Affiliated	(Y) KWO Thirt* (SFC of Kenedix, Inc.)	Local Metropolis	1,430	4,846	4,846	0	9	1984	2005	6	6.8% a
280 Hinematsuba Frame	Retail	KENEDIX Realty Investment Corporation	Affiliated	(Y) KWR Thirt* (SFC of Kenedix, Inc.)	Tokyo CBD Tokyo	9,900	6,303	6,303	2	7	2005	2005	6	5.3% a
281 JUSCO Naha	Retail	Japan Retail Fund Investment Corporation	Non-affiliated	(R) Town Create	Local City	10,700	72,997	72,997	0	7	1993	2005	6	6.1% a
282 Kawasaki East-Gate Sueshio Building	Office, Retail	Nonuma Real Estate Office Fund, Inc.	Non-affiliated	Developer Sueshio CO., LTD.	Tokyo Kanagawa	9,700	10,870	10,870	11	12	1988	2005	6	5.5% a
283 Hanamitsu Plaza	Retail	Joint Reit Investment Corporation	Affiliated	(Y) Earth Capital Partners	Local City	15,360	73,220	73,220	0	4	2000	2005	6	6.0% a
284 b-town Jingo-mae II	Retail	Joint Reit Investment Corporation	Affiliated	L Kabae Corporation	Tokyo CBD Tokyo	1,043	500	500	1	2	2005	2005	6	4.7% a
285 Rishi Hakuzaki Plaza	Retail	Joint Reit Investment Corporation	Affiliated	(Y) Earth Capital Partners	Local City	4,697					2005	2005	6	6.0% a
286 SUNLIVE City Kokura	Retail	Fukuoka REIT Corporation	Non-affiliated	SUNLIVE	Local Metropolis	6,630	38,462	38,462	0	4	2005	2005	7	6.6% a
287 Ball Town Tansuguchi Ekimae	Retail	Frontier Real Estate Investment Corporation	Affiliated	Japan Tobacco Inc.	Local Metropolis	2,130	11,176	11,176	0	4	2005	2005	9	7.1% a
288 Onza Downs Building	Office	Babcock & Brown Japan Property Trust (Austrian REIT)	Non-affiliated		Tokyo CBD Tokyo	7,400	8,427	8,427	1	9	1974			5.3% a
289 Sun Building	Office	Babcock & Brown Japan Property Trust (Austrian REIT)	Non-affiliated		Tokyo CBD Tokyo	3,300	3,673	3,673			1974			6.4% a
290 Fomen Kita Aoyama	Office	Babcock & Brown Japan Property Trust (Austrian REIT)	Non-affiliated		Tokyo CBD Tokyo	1,200	862	862			1991			5.5% a
291 Shinjuku Sees Building	Office	Babcock & Brown Japan Property Trust (Austrian REIT)	Non-affiliated		Tokyo CBD Tokyo	8,300	6,344	20,874			1979			5.7% a

Building	Type	Buyer	Buyer's relation to the seller	Seller	Location	Floor	Price (mil. Yen)	Transacted FA (bnF)	Building PFA (bnF)	Floor	Completion	Time taken	CAP	Source **	Remarks
292 Haiyaku Bell Pier	Retail	Babcock & Brown Japan Property Trust (Australian REIT)			Tokyo CBD Tokyo	1	2,100		766	1	3	2004	4.3%	a	
293 Motomachi Building	Retail	Babcock & Brown Japan Property Trust (Australian REIT)			Tokyo Suburb Kanagawa		2,100		1,335			1992	6.1%	a	
294 Higashi-Totsuda Building	Office	Babcock & Brown Japan Property Trust (Australian REIT)			Tokyo Suburb Kanagawa		2,200		5,671			1993	8.0%	a	
295 Kawasaki Dice	Retail	Babcock & Brown Japan Property Trust (Australian REIT)	Non-affiliated	Tokyo Tatemono Co., Ltd.	Tokyo Suburb Kanagawa	3	8,000	27,281	39,000	11	11	2003	5.1%	a	Partial ownership
296 Konan House Center Ichikawa	Retail	Babcock & Brown Japan Property Trust (Australian REIT)		Kohsan Shoji Co., Ltd.	Tokyo Suburb Chiba		10,300	49,907	48,319	0	2	2005	5.6%	a	Under construction

\* Translated by the author

\*\* a: researched or calculated by author and b: sourced from "Nikkei Fudoshan Market", Nikkei Business Publications, Inc.

Data Source: Nikkei Fudoshan Market since April 2004

Appendix E: J-REIT List

J-REIT		Management Company		Characteristics		Publicly listed in	Volume when listed	Current Volume	Current Volume Number of Asset	Target Volume	Main Shareholders of the Management Company					
		Property Type	Region	Property Type	Region						1	2	3	4	5	6
Nippon Building Fund	Nippon Building Fund Management Ltd.	Office	Mainly Tokyo	9	2001	226,383	462,542	51	500,000	Mitsui Fudosan Co., Ltd.	Sumitomo Life Insurance Company					
Japan Real Estate Investment Corporation	Japan Real Estate Asset Management Co., Ltd.	Office	Mainly Tokyo	9	2001	95,695	317,211	49	300,000	MITSUBISHI STATE CO., LTD.	Tokyo Marine & Nichido Fire Insurance Co., Ltd.	THE DAI-ICHI MUTUAL LIFE INSURANCE COMPANY	MITSUI & CO., LTD.			
Japan Retail Fund Investment Corporation	Mitsubishi Corp.-UBS Realty Inc.	Retail	Diversified	3	2002	40,917	270,998	29	400,000	UBS						
ORIX JREIT Inc.	ORIX Asset Management Corporation	Mainly Office	Mainly Tokyo	6	2002	99,615	184,125	47	200,000	ORIX Corporation						
Japan Prime Realty Investment Corporation	Tokyo Realty Investment Management, Inc.	Mainly Office	Diversified	6	2002	92,180	199,232	43	300,000	Tokyo Tatemono Co., Ltd.	Meiji Yasuda Life Insurance Company	TAISEI Corporation	Yasuda Real Estate Co., Ltd.	SOMPO JAPAN INSURANCE INC.		
Premier Investment Corporation	Premier Real Advisors Co., Ltd.	Office, Resid.	Mainly Tokyo CBD	9	2002	46,111	91,299	31	300,000	Ken Corporation Ltd.	The Nikko Building Co., Ltd.	Chuo Mitsui Asset Management	Mitsui Sumitomo Insurance Company, Limited			
TOKYU REIT, Inc.	Tokyo Real Estate Investment Management Inc.	Office, Retail	Mainly Tokyo	9	2003	80,300	157,860	17	200,000	TOKYU CORPORATION						
Global One Real Estate Investment Corp.	Global Alliance Realty Co., Ltd.	Office	Mainly Tokyo	9	2003	63,248	70,711	4		GMAC Commercial Mortgage Japan, K.K.	Kinetsu Corporation	Meiji Yasuda Life Insurance Company	The Bank of Tokyo-Mitsubishi Ltd.	THE MITSUBISHI TRUST AND BANKING CORPORATION		
Nomura Real Estate Office Fund, Inc.	Nomura Real Estate Asset Management Co., LTD	Office	Mainly Tokyo	12	2003	104,230	189,670	20	500,000	Nomura Real Estate Development Co., LTD.						
United Urban Investment Corporation	Japan REIT Advisors Co., Ltd.	Comprehensive	Mainly Tokyo	12	2003	60,186	134,946	23	200,000	Trinity Investments Trust LLC	Marbeam Corporation	Credit Suisse First Boston Principal Investments Limited Tokyo Branch*	KYOKUTO SECURITIES CO., LTD	Yanato Life Insurance Co.		
MORI TRUST Sego Reit, Inc.	MORI TRUST Asset Management Co., Ltd.	Mainly Office	Mainly Greater Tokyo	2	2004	107,200	130,420	10	400,000	MOBI TRUST CO., LTD.	PARCO CO., LTD.	SOMPO JAPAN INSURANCE INC.	Sumitomo Mitsui Banking Corporation	UFJ Bank Limited	Mizuho Corporate Bank Ltd.	
Nippon Residential Investment Corporation	Pacific Investment Advisors Corporation	Retail	Mainly Tokyo	3	2004	39,256	109,568	78		PACIFIC MANAGEMENT CORPORATION	THE DAI-ICHI MUTUAL LIFE INSURANCE COMPANY	Morgan Stanley Properties Japan*	The Bank of Tokyo-Mitsubishi Ltd.	THE MITSUBISHI TRUST AND BANKING CORPORATION	Sumitomo Corporation	
TOR Investment Inc.	Power Investment, Ltd.	Office, Resid.	Mainly Greater Tokyo	5	2004	11,693	21,010	32	50,000	TOKYU REIT Co., Ltd.	H. S. SECURITIES Co., Ltd.	Power Management*				
Frontier Real Estate Investment Corporation	Frontier REIT Management Inc.	Retail	Diversified	8	2004	64,800	91,030	8	200,000	Japan Tobacco Inc.						
New City Residence Investment Corporation	CBRE Residential Management K. K.	Resid.	Mainly Greater Tokyo	12	2004	60,983	77,018	62		CB RICHARD ELLIS INVESTORS, LLC	NCC Holding Delaware LLC*	CSK CORPORATION				
Crescent Investment Corporation	CANAL INVESTMENT TRUST Co., Ltd.	Comprehensive	Mainly Tokyo	3	2005	41,400	41,400	28		HEIWA REAL ESTATE CO., LTD.	AKIYAMA HOLDINGS & FINANCE S.A.	INVOICE INC.	ITOCHU Finance Corporation			



J-REIT	Management Company	Characteristics		Publicly listed in	Volume when listed	Current Volume	Target Volume	Main Shareholders of the Management Company						
		Property Type	Region					1	2	3	4	5	6	
Japan Logistics Fund, Inc.	Mitsui & Co., Logistics Partners Ltd.	Warehouse	Greater Tokyo and Kinki	5/2005	25,986	25,986		MITSUI & CO., LTD.	The Chuo Mitem Trust and Banking Company, Limited	MTB LEASING CO., LTD.	KENEDIX			
Fukuoka REIT Corporation	Fukuoka Realty Corporation Limited	Office, Retail	Kyushu	6/2005	80,130	80,130		FUKUOKAISHO CO.,LTD.	KYUSHU ELECTRIC POWER CO., INC.	ROYAL CO., LTD.	Nishi-Nippon Railroad Co., Ltd.			
Prospect Residential Investment Corporation	Prospect Residential Advisors Co., Ltd.	Resid.	Mainly Tokyo	7/2005	45,394	45,394		KK Prospect						
Japan Single-residence REIT Inc.	Japan Single-residence Asset Management Corp.	Mainly Resid.	Diversified	7/2005	26,494	26,494		CREED CORPORATION	DARWIN INC.	Lehman Brothers Investments Japan*				
KENEDIX Realty Investment Corporation	Kenedix REIT Management Inc.	Convensi vs.	Mainly Tokyo CBD	7/2005	61,083	61,083		Kenedix, Inc						
Joint Reit Investment Corporation	Joint Capital Partners Co., Ltd.	Resid., Retail, Office	Mainly Tokyo	7/2005	41,392	41,392		JOINT Asset Management Co., Ltd.	JOINT Corporation					

<J-REITs in Pipeline>

J-REIT	Management Company	Characteristics		Expected Listing Date	Volume when listed	Current Volume	Target Volume	Main Shareholders of the Management Company						
		Property Type	Region					1	2	3	4	5	6	
Hankyu REIT*	Hankyu REIT Asset Management	Mainly Retail	Kansai					Hankyu Corporation						
Tokyo Office Building REIT*	Sumitomo Real Estate Investment Advisors Inc.	Office						Sumitomo Realty & Development Co., Ltd.						
An office REIT	Creed REIT Advisors, Inc.	Middle or small office		5/2006				CREED CORPORATION	ITOCHU Corporation	The Chuo Mitsui Trust and Banking Company, Limited	Sumitomo Mitsui Banking Corporation	Morgan Stanley Properties Japan*		
A residential REIT	STARTS Asset Management Investment Trust Co., Ltd.	Residential		2005			40,000	Starts Amenity Co., Ltd.	STARTS CORPORATION					
A residential REIT	FC REIT ADVISERS Co., Ltd.	Residential	Mainly central Tokyo	7/2005				FUND CREATION CO., LTD.						
A diversified REIT	Asset Realty Managers Co., Ltd.	Diversified	Mainly Greater Tokyo	3/2006				Asset Managers Co., Ltd.	Asset Investors Co., Ltd.	eBANK Corporation	KAJIMA CORPORATION	ES-CON JAPAN Ltd.	Mitsui Trust & Banking Co., Ltd.	
A residential & retail REIT	MORIMOTO ASSET MANAGEMENT Co., Ltd.	Residential, Retail		Summer 2005			30,000-50,000 m <sup>2</sup> annually	MORIMOTO Co., LTD.	DAIWA HOUSE INDUSTRY CO., LTD	Morgan Stanley Properties Japan*				
A logistics REIT		Logistics						Mitsubishi Corporation						
A logistics REIT		Logistics						AMB Blackpine						



J-REIT	Ratio by Property Type						Ratio by Region						Acquisition: Tokyo CBD Office			Acquisition: Central Tokyo Office			Acquisition: Data Retail									
	Office	Residential	Retail	Hotel	Ware-house	others	Tokyo CBD	Central Tokyo	Kanto	Chubu	Kansai	Kinki	Chugoku	Kyushu	# of Asset	Avg. Price	Min. Price	Max. Price	# of Asset	Avg. Price	Min. Price	Max. Price	# of Asset	Avg. Price	Min. Price	Max. Price	as of	
Japan Logistics Fund, Inc.	0%	0%	0%	0%	100%	0%	0%	55%	0%	45%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0	0	0	0	0	Mar. 2005
Fukuda REIT Corporation	32%	0%	68%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0	0	0	0	0	0	0	0	3	18,110	6,630	32,000	0	Jun. 2005	
Prospect Residential Investment Corporation	0%	100%	0%	0%	0%	0%	42%	7%	0%	6%	0%	0%	0%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Jul. 2005
Japan Single-residence REIT Inc.	0%	91%	0%	8%	0%	0%	38%	0%	1%	24%	0%	9%	0%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Jul. 2005
KENNEDIX Realty Investment Corporation	54%	30%	16%	0%	0%	0%	82%	2%	0%	1%	2%	2%	2%	8	3,441	1,610	5,930	2	1,619	704	2,533	1	9,900	9,900	9,900	0	Jul. 2005	
Joint Reit Investment Corporation	0%	49%	51%	0%	0%	0%	63%	8%	0%	11%	38%	0%	0%	0	0	0	0	0	0	0	0	3	7,033	15,360	1,043	0	Jul. 2005	

Data Source: Association for Real Estate Securitization, Publicly announced J-REIT data, Nikkei Real Estate Market Information, and other various news sources

J-REIT	Management Company	Characteristics		Publicly listed in	Volume when listed	Current Volume		Target Volume	Main Shareholders of the Management Company						
		Property Type	Region			Current Volume	Number of Asset		1	2	3	4	5	6	
Japan Hotel REIT*	Japan Hotel REIT Advisors*	Hotel		Fall 2005				100,000	Creative Renovation Group Japan Co., Ltd.,	Kyokuto Maintenance Co., Ltd.	Kyokuto Securities Co., Ltd.	Capital Advisors Co., Ltd.	Ken Corporation Ltd.		
Top REIT*	Top REIT Asset Management*	Diversified	Tokyo, Osaka, Nagoya	3/2006	50,000			300,000	Nippon Steel City Prodata, Inc.	Oji Real Estate Co., Ltd.	The Sumitomo Trust & Banking Co., Ltd.				
A residential REIT	The LCP REIT Advisors Co., Ltd.	Mainly residential	Whole Japan	Fall 2005	40,000			100,000	Longington Corporate Properties Trust	Kyokuto Securities Co., Ltd.	SECS Real Estate Investment Advisors	Nissahn Fudosen	YAHAGI CONSTRUCTION CO., LTD.	DIK KUROKI Advertising Inc.	
A retail REIT		Retail		2005					ITOCHU Corporation						
A logistics REIT		Logistics				10,000			ITOCHU Corporation						
A residential REIT	Ecology Asset Management Co., Ltd.	Mainly residential	Diversified	4/2006		6,500		100,000	Mesho Enterprise Co., Ltd.	HASEKO Corporation, Inc.	Rakuten Asset Management*	Developer Saishin CO., LTD.	seaco-real.co.ltd.		
A residential REIT	Replus REIT Management**	Resid.		2006					re-plus inc.						
daVinci Office REIT*	daVinci Select*	Office		12/2005	50,000				K.K. daVinci Advisors						
A residential REIT	daVinci Residential REIT*	Residential		2006					K.K. daVinci Advisors						
A hotel REIT	daVinci Hotel REIT*	Hotel		2007					K.K. daVinci Advisors						
A retail REIT	daVinci Retail REIT*	Retail		2007					K.K. daVinci Advisors						
A hotel REIT	Japan Hotel and Resort*	Hotel							Goldman Sachs						
A diversified REIT	Simplex REIT Advisors*	Diversified		3/2006				100,000	Simplex Investment Advisors Inc.						
An office and residential REIT		Office, Residential		2007	30,000				Tesei Fudosen Co., Ltd.						
An office and retail REIT	Japan Excellent Asset Management*	Office, Retail	Tokyo	9/2006	100,000			300,000	KOWA REAL ESTATE CO., LTD.	THE DAI-ICHI MUTUAL LIFE INSURANCE COMPANY	Sekisui House, Ltd.	Morgan Stanley Properties Japan*	THE DAI-ICHI BUILDING CO., LTD.	Mizuho Corporate Bank Ltd.	

Data Source: Association for Real Estate Securitization, Publicly announced J-REIT data, NIKKEI Real Estate Market Information, and other various news sources

Appendix F: J-REIT Acquisitions since 2004

J-REIT	Transaction Date	Acquisition Date	Building Name*	Type	Floor	Construction	Location	Price (mil Yen)	CAP rate	Remarks	Seller	Relation to the buyer
ORIX JREIT Inc.	March, 2005	April, 2006	Round Cross Shinjuku Building	Office, Retail	2 - 9	2006	Tokyo CBD	8,020	4.8%	Under construction	Orix Real Estate Corporation	Affiliated company
ORIX JREIT Inc.	April, 2005	April, 2005	ORIX Korabashi Building	Office	1 - 8	2004	Local Metropolis	5,560	5.6%		Orix Real Estate Corporation	Affiliated company
ORIX JREIT Inc.	April, 2005	May, 2005	ORE Negoya Fushimi Building	Office	1 - 11	2004	Local Metropolis	10,040	5.9%		Orix Real Estate Corporation	Affiliated company
ORIX JREIT Inc.	December, 2004	March, 2005	Matsutoyo Building 3	Office, Retail	2 - 14	1986	Local Metropolis	13,600	4.7%		Matsutoyo Tochirytenono*	Non affiliated company
ORIX JREIT Inc.	March, 2004	April, 2004	Excellent Kawasaki	Office	1 - 10	1993	Tokyo Suburb	4,130	9.0%		The Chuo Mitsui Trust and Banking Company, Limited	?
ORIX JREIT Inc.	March, 2004	March, 2004	CUBE Daikanyama	Retail	0 - 2	2003	Tokyo CBD	2,435	5.4%		Sakura Properties*	Non affiliated company
ORIX JREIT Inc.	December, 2003	March, 2004	Aoyama 246 Building	Office	1 - 10	1990	Tokyo CBD	5,200	5.3%		Aoyama 246 Building Management*	Non affiliated company
Global One Real Estate Investment Corp.	December, 2004	March, 2005	Ginza First Building	Office, Retail	3 - 11	1998	Tokyo CBD	12,282	4.7%		First Place Company, Limited*	?
Japan Real Estate Investment Corporation	May, 2005	May, 2005	Tenjin Crystal Building	Office, Retail	1 - 14	1993	Local Metropolis	5,000			UFJ Trust Bank Limited	?
Japan Real Estate Investment Corporation	March, 2005	March, 2005	Hachioji Daichi Life Building	Office, Retail	1 - 12	1996	Tokyo Suburb	3,300			Dai-ichi Mutual Life Insurance Company	Affiliated company
Japan Real Estate Investment Corporation	March, 2005	April, 2005	Niban-cho Garden	Office, Residential	2 - 14	2004	Tokyo CBD	14,700		31.345% ownership	MITSUBISHIESTATE CO., LTD	Affiliated company
Japan Real Estate Investment Corporation	March, 2005	March, 2005	Ryoshin Ginza East Mirror Building	Office	1 - 8	1998	Tokyo CBD	5,354			Ryoshin Building*	Non affiliated company, but Mitsubishi Group
Japan Real Estate Investment Corporation	March, 2005	March, 2005	Ginza Sanwa Building	Office, Retail	2 - 9	1982	Tokyo CBD	16,830		70.95% ownership	Inabashi Real Estate Co., Ltd. & Toyo Estate Corporation	Non affiliated company
Japan Real Estate Investment Corporation	February, 2005	February, 2005	Harmony Tower	Office, Retail	2 - 29	1997	Central Tokyo	8,500		29.253% ownership	Ryoshin Building*	Non affiliated company, but Mitsubishi Group
Japan Real Estate Investment Corporation	January, 2005	January, 2005	Sanno Grand Building	Office	3 - 10	1966	Tokyo CBD	10,200		50% ownership	Ryoshin Building*	Non affiliated company, but Mitsubishi Group
Japan Real Estate Investment Corporation	January, 2005	January, 2005	Jozenji Park Building	Office	1 - 8	1993	Local Metropolis	1,000		50% ownership	Ryoshin Building*	Non affiliated company, but Mitsubishi Group

J-REIT	Transaction Date	Acquisition Date	Building Name*	Type	Floor	Construction	Location	Price (mil Yen)	CAP rate	Remarks	Seller	Relation to the buyer
Japan Real Estate Investment Corporation	August, 2004	September, 2004	Shinwa Building	Office	1 - 10	1989	Tokyo CBD	7,830			Mizuho Trust & Banking Co., Ltd. (Trustee is a SFC of Ethos)	Non-affiliated
Japan Real Estate Investment Corporation	July, 2004	August, 2004	Ikebukuro YS Building	Office	1 - 8	1980	Central Tokyo	4,500			Prime Capital	?
Japan Real Estate Investment Corporation	June, 2004	November, 2004	Higashi-Gotanda 1-chome Building	Office, Retail	0 - 8	2004	Central Tokyo	5,500		Under construction	UFJ Trust Bank Limited	Non-affiliated
Japan Real Estate Investment Corporation	September, 2003	April, 2004	Yoyogi Iochome Building	Office	1 - 14	2003	Tokyo CBD	8,700		Under construction	Mizuho Trust & Banking Co., Ltd.	Non-affiliated
Japan Real Estate Investment Corporation	March, 2004	March, 2004	NHK Hiroshima Hoso Center Building	Office	2 - 23	1994	Local Metropolis	1,320		27.083% ownership	Dai-ichi Mutual Life Insurance Company	Affiliated company
Japan Real Estate Investment Corporation	March, 2004	March, 2004	Nippon Brunswick Building	Office	2 - 9	1974	Tokyo CBD	6,670			The Sumitomo Trust & Banking Co., Ltd.	Fiduciary, Affiliated
Japan Real Estate Investment Corporation	March, 2004	April, 2004	Ebisu Neomart	Office	2 - 18	1994	Tokyo CBD	360			JACCS CO., LTD.	Non affiliated company, Additional acquisition
Premier Investment Corporation	May, 2005	June, 2005	Ogaku Building	Office	1 - 8	1988	Tokyo CBD	1,796	5.3%		PRA Investment 4	?
Premier Investment Corporation	February, 2004	March, 2004	Rokuban-cho Building	Office	1 - 7	1987	Tokyo CBD	7,860	6.0%		Norikura Urban Properties (SFC of SECOM General Insurance Co., Ltd.)	Non affiliated company
Frontier Real Estate Investment Corporation	April, 2005	September, 2005	Bell Town Taraguchi Ekimae	Retail	0 - 4	2005	Local Metropolis	2,130	7.1%	Under construction	Japan Tobacco Inc.	Affiliated company
Frontier Real Estate Investment Corporation	February, 2005	March, 2006	Ex-Nagoya Factory Redevelopment Project	Retail	0 - 5	2006	Local Metropolis	24,100	5.6%	Under construction	Japan Tobacco Inc.	Affiliated company
Frontier Real Estate Investment Corporation	August, 2004	August, 2004	AEON Shinagawa Seaside Shopping Center	Retail	2 - 10	2002	Central Tokyo	20,100	6.6%	31.15% ownership, Original Properties at Establishment	Japan Tobacco Inc.	Affiliated company
Frontier Real Estate Investment Corporation	August, 2004	August, 2004	MYCAL Ibaraki	Retail	1 - 5	2000	Local City	18,100	7.1%		Japan Tobacco Inc.	Affiliated company
Frontier Real Estate Investment Corporation	August, 2004	August, 2004	Joyful Town Okayama	Retail	1 - 5	1998	Local City	11,000	7.7%		Japan Tobacco Inc.	Affiliated company

J-REIT	Transaction Date	Acquisition Date	Building Name*	Type	Floor	Construction	Location	Price (mil Yen)	CAP rate	Remarks	Seller	Relation to the buyer
Frontier Real Estate Investment Corporation	August, 2004	August, 2004	PAYLLON-PLAZA	Retail, Office	0 - 1	1993	Local Metropolis	4,810	8.0%		Japan Tobacco Inc.	Affiliated company
Frontier Real Estate Investment Corporation	August, 2004	August, 2004	Joyful Town Hadano	Retail	0 - 4	1995	Local City	9,300	6.8%		Japan Tobacco Inc.	Affiliated company
Frontier Real Estate Investment Corporation	August, 2004	August, 2004	Karukiedai Tokyu Store	Retail	0 - 4	2002	Central Tokyo	1,490	6.3%		Japan Tobacco Inc.	Affiliated company
United Urban Investment Corporation	February, 2005	February, 2005	Joyko-Inn Shinagawa-Station Takanawa-Gate	Hotel	0 - 14	1999	Central Tokyo	1,884	5.6%		Morgan Trust Bank*	?
United Urban Investment Corporation	November, 2004	December, 2004	Diamond City Kumamoto Shopping Center	Retail	0 - 2	1997	Local City	11,100	7.2%		TM Kumamoto Investments* (SPC of Marubeni Corporation and Trinity Investments Trust LLC)	SFC, Affiliated company
United Urban Investment Corporation	November, 2004	December, 2004	Shin-Osaka Central Tower	Office, Hotel, Retail	1 - 23	1989	Local Metropolis	24,000	6.6%		MC Mita Investments* (SPC of Marubeni Corporation and Trinity Investments Trust LLC)	SFC, Affiliated company
United Urban Investment Corporation	November, 2004	December, 2004	Kawasaki Toshiba Building	R&D	2 - 14	1987	Tokyo Suburb	19,200	7.4%		Kasumigasaki Holding TMK*	Non-affiliated company
United Urban Investment Corporation	September, 2004	September, 2004	Re-LAND Shopping Center	Retail	2 - 5	1998	Tokyo Suburb	5,200	6.9%		Re-Land Corporation	Non-affiliated company
United Urban Investment Corporation	March, 2004	March, 2004	Marumaru Kojimachi Building	Office	1 - 9	1989	Tokyo CBD	2,350	7.0%		Ken Plus One*	Non-affiliated company
United Urban Investment Corporation	March, 2004	March, 2004	Rokuban-cho K Building	Office	1 - 7	1988	Tokyo CBD	2,150	6.7%		KOKUSAI KOGYU CO., LTD.	Non-affiliated company
Nippon Building Fund	March, 2005	March, 2005	Sakaesuji Hon-cho Center Building	Office	1 - 16	1991	Local Metropolis	6,500	6.3%	46.53% ownership	Sunimoto Life Insurance Company	Affiliated company
Nippon Building Fund	August, 2004	March, 2005	NBF Higashi-Ginza Square	Office, Retail	1 - 9	2005	Tokyo CBD	5,200	5.4%	Under construction	MORIMOTO Co., LTD. & Shinko Real Estate*	Non-affiliated company
Nippon Building Fund	March, 2005	March, 2005	NBF Utsunomiya Building	Office	0 - 8	1996	Local City	2,435	7.0%		TOYOTA WOODYOU HOME (Y) Takumi Investment Third* (SPC of Mitui Fudosan Co., Ltd.)	Non-affiliated company
Nippon Building Fund	February, 2005	February, 2005	Akasaka Sanno Square	Office	1 - 8	1989	Tokyo CBD	6,250	5.0%			Affiliated company

J-REIT	Transaction Date	Acquisition Date	Building Name*	Type	Floor	Construction	Location	Price (mil Yen)	CAP rate	Remarks	Seller	Relation to the buyer
Nippon Building Fund	December, 2004	December, 2004	Nipponbashi Muro-machi Center Building	Office	1 - 12	1986	Tokyo CBD	14,000	5.3%	54.89% ownership	Showa Jisho Co., Ltd.	Non affiliated company
Nippon Building Fund	November, 2004	November, 2004	Sapporo L Plaza	Office, Retail	2 - 13	2003	Local Metropolis	239	7.9%	2.43% ownership	Suniseki Contec* & TC Properties*	Non affiliated company, Additional acquisition
Nippon Building Fund	October, 2004	November, 2004	S-INO OMIYA	Office	1 - 20	2004	Tokyo Suburb	5,580	6.3%	35.65% ownership	TAISEI Corporation	Non affiliated company, Additional acquisition
Nippon Building Fund	September, 2004	November, 2004	Toranomon Kotohira Tower	Office	2 - 26	2004	Tokyo CBD	6,043	4.9%	Under construction, 27.29% ownership	Toranomon Kotohira Kaikan Building*	Non affiliated company, but Mitrusi Fudosan is included in the developer
Nippon Building Fund	August, 2004	September, 2004	Aqua Dojima Daiva Dojima Building	Office, Retail	2 - 19	1996	Local Metropolis	17,810	6.4%		Reson Properties*	Affiliated company
Nippon Building Fund	June, 2004	June, 2004	Dais Toranomon Building	Office	5 - 9	1963	Tokyo CBD	13,337	6.2%		Reson Properties*	Affiliated company
Nippon Building Fund	June, 2004	June, 2004	Dais Ikebukuro Building	Office	0 - 13	1993	Central Tokyo	4,695	5.8%		Reson Properties*	Affiliated company
Nippon Building Fund	June, 2004	June, 2004	Tani-machi Kowa Building	Office, Retail	1 - 9	1993	Local Metropolis	1,944	9.6%		Reson Properties*	Affiliated company
Nippon Building Fund	June, 2004	June, 2004	Aqua Dojima East Annex	Office, Retail	2 - 19	1993	Local Metropolis	1,914	6.9%	Partial Ownership	Reson Properties*	Affiliated company
Nippon Building Fund	June, 2004	July, 2004	ALLIANCE	Office, Retail	1 - 5	1990	Tokyo CBD	9,126	4.8%		MF Mihara-Aoyama Property*	Affiliated company
Nippon Building Fund	August, 2004	November, 2004	S-INO OMIYA North Wing	Office	1 - 20	2004	Tokyo Suburb	11,236	5.0%	Partial Ownership	Japan Railway, Transport and Technology Agency	Non affiliated company
Nippon Building Fund	May, 2004	June, 2004	Shiba A Building	Office, Residential	2 - 12	1990	Tokyo CBD	6,770	5.7%		CB Richard Ellis Investors Japan Office Fund One*	Non affiliated company
Nippon Building Fund	May, 2004	May, 2004	NBF Atsugi Building	Office, Retail	0 - 9	1991	Tokyo Suburb	2,300	7.4%		Mitsui Fudosan Co., Ltd.	Affiliated company
Nippon Building Fund	May, 2004	May, 2004	Ebisu CS Building	Office	1 - 4	1991	Tokyo CBD	1,000	7.8%		CALPIS Service*	Non affiliated company
Nippon Building Fund	May, 2004	May, 2004	Ikebukuro TG Homest Building	Office	1 - 9	1993	Central Tokyo	4,428	5.7%		Takumi Investment Third*	Affiliated company

J-REIT	Transaction Date	Acquisition Date	Building Name*	Type	Floor	Construction	Location	Price (mil Yen)	CAP rate	Remarks	Seller	Relation to the buyer
Nippon Building Fund	March, 2004	March, 2004	Hirokoji Toei Building	Office	2 - 9	2000	Local Metropolis	5,406	5.9%		Toei*	Non affiliated company
Japan Prime Realty Investment Corporation	April, 2005	April, 2005	Fukuoka Building	Office	2 - 10	1990	Tokyo CBD	1,120	12.9%	9.33% ownership	Asahi Kogyo*	Non affiliated company, Additional acquisition
Japan Prime Realty Investment Corporation	March, 2005	April, 2005	BYGS Shinjuku Building	Office, Retail	2 - 14	1985	Tokyo CBD	8,921	6.6%	50% ownership	Mizuho Trust & Banking Co., Ltd.	Affiliated company, Additional acquisition
Japan Prime Realty Investment Corporation	March, 2005	May, 2005	Benetton Shitasei-bashi Building	Retail, Office	2 - 10	2003	Local Metropolis	5,430	4.0%		Individual	Non affiliated company
Japan Prime Realty Investment Corporation	March, 2005	March, 2005	UFI Central Leasing Headquarters Building	Office	1 - 9	1991	Local Metropolis	4,137	6.1%		UFJ CENTRAL LEASING CO., LTD.	Non affiliated company
Japan Prime Realty Investment Corporation	December, 2004	February, 2005	Strasse Ichiban-cho	Retail	1 - 8	2002	Local Metropolis	4,200	5.3%		(Y) Mulky Way Properties*	Non affiliated company
Japan Prime Realty Investment Corporation	November, 2004	November, 2004	Across Shinkawa Annex	Office	2 - 10	1994	Tokyo CBD	710	6.6%	30.47% ownership	ZECS CORPORATION	Non affiliated company
Japan Prime Realty Investment Corporation	November, 2004	March, 2006	Kyupo La Main Building	Retail	2 - 8	2006	Tokyo Suburb	2,100	6.5%	Under Construction, 16.74% ownership	TAISEI Corporation	Affiliated company
Japan Prime Realty Investment Corporation	November, 2004	November, 2004	Shin-Kojimachi Building	Office	1 - 9	1984	Tokyo CBD	200	7.0%	7.27% ownership	Individual	Non affiliated company, Additional acquisition
Japan Prime Realty Investment Corporation	November, 2004	November, 2004	BYGS Shinjuku Building	Office, Retail	2 - 14	1985	Tokyo CBD	2,900	6.3%	25% ownership	PENTA-OCEAN CONSTRUCTION CO., LTD	Non affiliated company
Japan Prime Realty Investment Corporation	September, 2004	October, 2004	SS Daikanyama	Retail	2 - 2	2002	Tokyo CBD	2,160	4.5%		K. K. Shoko Shokai	Non affiliated company
Japan Prime Realty Investment Corporation	June, 2004	July, 2004	Shinjuku Square Tower	Office	4 - 30	1994	Tokyo CBD	10,000	4.3%	39.3076% ownership	Shinjuku Square Tower TMK	Non affiliated company
Japan Prime Realty Investment Corporation	June, 2004	June, 2004	Senba Fukuoka Building	Office	0 - 8	1993	Local Metropolis	1,920	7.2%		Yugen Kaisha BKT Realty One	Non affiliated company
Japan Prime Realty Investment Corporation	May, 2004	June, 2004	Oval Court Mark West	Office	2 - 17	2001	Central Tokyo	3,500	6.6%	23.93% ownership	NCRI INE Y. K.	Non affiliated company
Japan Prime Realty Investment Corporation	May, 2004	May, 2004	Kemwa Building	Office, Retail, Residential	1 - 9	1989	Tokyo CBD	5,100	5.4%		Seishin Co., Ltd.	Non affiliated company

J-REIT	Transaction Date	Acquisition Date	Building Name*	Type	Floor	Construction	Location	Price (mil Yen)	CAP rate	Remarks	Seller	Relation to the buyer
Japan Prime Realty Investment Corporation	February, 2004	February, 2004	Kawaguchi Center Building	Office	2 - 15	1994	Tokyo Suburb	8,100	7.1%	86.5% ownership	Kudangawa TMK*	Non affiliated company
Japan Prime Realty Investment Corporation	February, 2004	March, 2004	SEF Building	Office, Retail	1 - 8	1992	Central Tokyo	3,250	6.5%		Denyu Building Ltd.	Non affiliated company
Japan Prime Realty Investment Corporation	January, 2004	January, 2004	Doujima F Building	Office	2 - 9	1993	Local Metropolis	2,140	7.3%		NIHONBASHI KOGYO Co., Ltd.	Non affiliated company
Japan Retail Fund Investment Corporation	June, 2005	June, 2005	JUSCO Naia	Retail	0 - 7	1993	Local City	10,700	6.1%		(K) Town Create	Non-affiliated
Japan Retail Fund Investment Corporation	June, 2005	June, 2005	JUSCO CITY Yagoto	Retail	3 - 4	1993	Local Metropolis	3,700	7.0%	33.45% ownership	Furukawa Tochi Tatenono* and individual	Non affiliated company
Japan Retail Fund Investment Corporation	February, 2005	March, 2005	Wonder City	Retail	0 - 5		Local Metropolis	15,900	6.5%		(K) AITECHS* (Subsidiary of Mitsubishi Corporation)	Affiliated company
Japan Retail Fund Investment Corporation	March, 2005	March, 2005	JUSCO CITY Takatsuki	Retail	0 - 4		Local City	11,700	6.0%		Tatsumo*, Nippon Concrete Kogyo*, Individual	Non affiliated company
Japan Retail Fund Investment Corporation	February, 2005	March, 2005	SEIYU Hbansoaka	Retail	1 - 6		Tokyo Suburb	6,100	7.6%		(Y) Larkhall* (SPC of Mitsubishi Corporation)	Affiliated company
Japan Retail Fund Investment Corporation	February, 2005	March, 2005	Tobata SATY	Retail	0 - 6		Local Metropolis	6,290	6.6%		(Y) MC Tobata* (SPC of Mitsubishi Corporation)	Affiliated company
Japan Retail Fund Investment Corporation	February, 2005	March, 2005	Jyngsoaka 8953 Building	Retail	1 - 3	2005	Central Tokyo	2,700	5.2%	Under construction, partially existing building	(Y) Sanno Holdings* (SPC of KENEDIX(Kennedy Wilson Japan))	Non affiliated company
Japan Retail Fund Investment Corporation	December, 2004	February, 2005	Kita-Aoyama 8953 Building	Retail	1 - 2	2005	Tokyo CBD	989	5.4%	Under construction	OFFICE MITSUKI*	Non affiliated company
Japan Retail Fund Investment Corporation	December, 2004	December, 2007	Urawa PARCO	Retail	4 - 10	2007	Tokyo Suburb	27,320	5.0%	Under construction, 52.05% ownership	(Y) Urawa Stream* (SPC of OBAYASHI CORPORATION)	Non affiliated company
Japan Retail Fund Investment Corporation	December, 2004	December, 2004	Itabashi SATY	Retail	1 - 8	2000	Central Tokyo	12,400	5.4%	51.64% ownership	(Y) Court Land Street*	Non affiliated company
Japan Retail Fund Investment Corporation	December, 2004	February, 2005	AEON Yamato Shopping Center	Retail	1 - 5	2001	Tokyo Suburb	16,823	5.5%		AEONMALL Co., Ltd. & Century Leasing System, Inc.	Non affiliated company
Japan Retail Fund Investment Corporation	September, 2004	September, 2004	BIG CAMERA Tachikawa	Retail	1 - 9	1970	Tokyo Suburb	11,920	5.5%		ISETAN Co., Ltd	Non affiliated company
Japan Retail Fund Investment Corporation	June, 2004	June, 2004	Ito Yokado Tsumashima	Retail	1 - 4	1982	Tokyo Suburb	5,000	6.1%		NICE COMMUNITY*	Non affiliated company



J-REIT	Transaction Date	Acquisition Date	Building Name*	Type	Floor	Construction	Location	Price (mil Yen)	CAP rate	Remarks	Seller	Relation to the buyer
Japan Retail Fund Investment Corporation	April, 2004	April, 2004	ESQUISSE Omotesando Annex	Retail, Office	1: - 3	1997	Tokyo CBD	860	5.5%		Spring Properties*	Non affiliated company
Japan Retail Fund Investment Corporation	January, 2004	March, 2004	ESQUISSE Omotesando	Retail	2: - 5		Tokyo CBD	14,500	4.5%		MC Omotesando*	Affiliated company
Japan Retail Fund Investment Corporation	January, 2004	March, 2004	AEON Sapporo Naeo Shopping Center	Retail	0: - 5		Local Metropolis	9,260	6.2%		Higashi-Naeo Shopping Center TMK*	Affiliated company
Japan Retail Fund Investment Corporation	January, 2004	January, 2004	AEON Kashihama Shopping Center	Retail	0: - 4	2003	Local Metropolis	13,300	6.2%		EFJ*	Non affiliated company
Japan Retail Fund Investment Corporation	January, 2004	January, 2004	AEON Higashina Shopping Center	Retail	0: - 4	2001	Local City	6,700	6.3%		Century Leasing System, Inc.	Non affiliated company
Japan Retail Fund Investment Corporation	January, 2004	January, 2004	Harajuku FACE Building	Retail, Office	1: - 6	1985	Tokyo CBD	2,770	5.6%		(Y) Koyo* (SPC of K. K. daVinci Advisors)	Non affiliated company
TOKYU REIT, Inc.	March, 2005	April, 2005	PICASSO 347	Retail	2: - 12	2004	Tokyo CBD	14,700	4.2%	60% ownership	Yugen Kaisha BIT FIRST	Non affiliated company
TOKYU REIT, Inc.	December, 2004	December, 2004	Fujita Kanko Toranomon Building	Office, Retail	2: - 9	1988	Tokyo CBD	8,630	5.6%	73.585% ownership	FUJITA KANKO INC	Non affiliated company
TOKYU REIT, Inc.	July, 2004	August, 2004	Bany's New York Yokohama	Retail	2: - 7	1993	Tokyo Suburb	5,050	7.2%		Jemmi Capital Corporation*	Affiliated company
TOKYU REIT, Inc.	July, 2004	August, 2004	Beacon Hill Plaza	Retail	2: - 4	1998	Tokyo Suburb	9,520	5.0%		Leo Capital Corporation*	Affiliated company
TOKYU REIT, Inc.	December, 2003	January, 2004	Risona Maruha Building	Office	2: - 25	1978	Tokyo CBD	23,260	3.3%	27% ownership	Just Capital, Y. K.	Non affiliated company
TOKYU REIT, Inc.	December, 2003	March, 2004	TOKYU REIT Shibuya Udagawacho Square	Retail	0: - 3	1998	Tokyo CBD	6,600	4.4%		TC PROPERTIES CO., LTD.	Affiliated company
MORI TRUST Sego Reit, Inc.	March, 2005	March, 2005	Osaki MIT Building	Office	3: - 14	1994	Central Tokyo	7,870	5.4%		MORI TRUST CO., LTD.	Affiliated company
MORI TRUST Sego Reit, Inc.	July, 2004	July, 2004	Ito Yokado Shuh-Urayasu	Retail	0: - 5	2000	Tokyo Suburb	12,150	5.3%		Ito Yokado Co., Ltd.	Non affiliated company
NOMURA REAL ESTATE OFFICE FUND, Inc.	June, 2005	June, 2005	Kawasaki East-Gate Sanshin Building	Office, Retail	1: - 12	1988	Tokyo Suburb	9,500	5.5%		Developer Sanshin CO., LTD.	Non-affiliated

J-REIT	Transaction Date	Acquisition Date	Building Name*	Type	Floor	Construction	Location	Price (mil Yen)	CAP rate	Remarks	Seller	Relation to the buyer
Nomura Real Estate Office Fund, Inc.	April, 2005	May, 2005	Asahi Life Yokohama Nishiguchi Building	Office	1 - 9	1985	Tokyo Suburb	5,050	7.1%		(Y) Creo Investment Second* (Subsidiary of NOMURA REAL ESTATE DEVELOPMENT Co., LTD.)	Affiliated company
Nomura Real Estate Office Fund, Inc.	December, 2004	March, 2005	JAL Building	Office	2 - 26	1996	Central Tokyo	33,080	4.7%	50.89619% ownership	Global Building* (A subsidiary of Japan Airlines)	Non affiliated company
Nomura Real Estate Office Fund, Inc.	September, 2004	September, 2004	Seibu Shinjuku Shobuya Building	Office	2 - 8	1987	Tokyo CBD	12,000	4.5%		SEIBU SINKIN BANK	Non affiliated company
Nomura Real Estate Office Fund, Inc.	June, 2004	June, 2004	Seiwa Shinjuku Building	Office, Retail	1 - 8	1986	Tokyo CBD	2,280	6.7%		Creo Kobe*	Non affiliated company
Nomura Real Estate Office Fund, Inc.	March, 2004	May, 2004	Isuzu Shiba Building	Office	1 - 7	1991	Tokyo CBD	10,000	5.2%		Turf Investment*	Non affiliated company
Nomura Real Estate Office Fund, Inc.	February, 2004	February, 2004	Tenozo Park Side Building	Office, Retail	2 - 21	1995	Central Tokyo	14,800	7.1%		NOMURA REAL ESTATE DEVELOPMENT Co., Ltd.	Affiliated company
Nomura Real Estate Office Fund, Inc.	February, 2004	February, 2004	Surugadai Plaza Building	Office	1 - 8	1997	Tokyo CBD	5,150	5.9%		Tozai Tochi Tatenono*	Non affiliated company
Nomura Real Estate Office Fund, Inc.	January, 2004	February, 2004	Kanda Iwanoto-cho Tosai Building	Office	0 - 9	1988	Tokyo CBD	3,080	7.1%		Tosei Fudosan Co., Ltd.	Non affiliated company
Crescend Investment Corporation	April, 2005		Hamamatsu-cho SS Building	Office	0 - 10	1991	Tokyo CBD	1,530	4.9%		GE Real Estate Japan*	Non affiliated company
Crescend Investment Corporation	March, 2005		Suitengu Heiwa building	Office	0 - 9	1991	Tokyo CBD	1,550			HEIWA REAL ESTATE CO., LTD.	Affiliated company
Crescend Investment Corporation	November, 2004		Kibun Dai-1 Building	Office	1 - 7	1993	Tokyo CBD	950			(Y) CRG* (SPC of CANAL INVESTMENT TRUST Co., Ltd.)	Affiliated company
Crescend Investment Corporation	November, 2004		Dai-Hyaku Life Shinjuku Building	Office	2 - 9	1988	Tokyo CBD	1,400			(Y) CRG* (SPC of CANAL INVESTMENT TRUST Co., Ltd.)	Affiliated company
Crescend Investment Corporation	March, 2005		Ebisu Square	Office	1 - 7	1994	Tokyo CBD	7,050			(Y) Charities*	?
Crescend Investment Corporation	November, 2004		EMS Harajuku	Retail	1 - 5	1970	Tokyo CBD	4,760	5.2%		(Y) CRG* (SPC of CANAL INVESTMENT TRUST Co., Ltd.)	Affiliated company

J-REIT	Transaction Date	Acquisition Date	Building Name*	Type	Floor	Construction	Location	Price (mil Yen)	CAP rate	Remarks	Seller	Relation to the buyer
Crescend Investment Corporation	November, 2004		Asahi Life Gotanda Building	Office	2: - 9	1980	Central Tokyo	1,290			(Y) Concord*	?
Crescend Investment Corporation	March, 2005		NV Tomioka Building	Office	0: - 8	1990	Central Tokyo	2,500			(Y) Adachi Kosan*	Non affiliated company
TGR Investment Inc.	January, 2005	February, 2005	Ueno Toso Building	Office	0: - 10	1981	Central Tokyo	1,625			(Y) Power Solution*	Legally non-affiliated, but actually affiliated
TGR Investment Inc.	January, 2005	February, 2005	Imperial Higashi-Kurume Building D	Retail	0: - 2	1989	Tokyo Suburb	349			(Y) Power Solution*	Legally non-affiliated, but actually affiliated
TGR Investment Inc.	May, 2005	May, 2005	IWATA Building	Office	0: - 8	1991	Tokyo Suburb	890			(Y) Power Solution*	Legally non-affiliated, but actually affiliated
TGR Investment Inc.	April, 2004	April, 2004	Wakore Honancho Building	Retail, Office	0: - 7	1992	Central Tokyo	650	6.5%		(Y) Reserve Capital 3	?
TGR Investment Inc.	May, 2004	May, 2004	Nishiobashi Dai-2 Building	Office	1: - 10	1993	Tokyo CBD	2,950	4.8%		(Y) Pre REIT* (Subsidiary of TOKYO REIT Co., Ltd.)	Affiliated company
TGR Investment Inc.	May, 2004	May, 2004	Nakano NK Building	Office	0: - 11	1986	Central Tokyo	913	6.3%		Japan Realty Investors* and Shoei CO., Ltd.	?
TGR Investment Inc.	April, 2004	April, 2004	Asahi Building	Office	1: - 10	1988	Central Tokyo	443	6.5%		(Y) Asahi Fudosan*	Non affiliated company
Fukuoka REIT Investment Co., Ltd.*		November, 2004	Canal City Hakata	Retail	2: - 13	1996	Local Metropolis	32,000	6.0%		FJ Urban Design & Development Co., Ltd. (Subsidiary of FUKUOKAJISHO CO.,LTD.)	Affiliated
Fukuoka REIT Investment Co., Ltd.*		November, 2004	Park Place Oita	Retail	0: - 4	2002	Local City	15,700	6.3%		FJ Real Estate* and Oita City Development* (Subsidiaries of FUKUOKAJISHO CO.,LTD.)	Affiliated
Fukuoka REIT Investment Co., Ltd.*		November, 2004	Canal City Business Center Building	Office	2: - 13	1996	Local Metropolis	14,600	6.0%		FJ Urban Design & Development Co., Ltd. (Subsidiary of FUKUOKAJISHO CO.,LTD.)	Affiliated
Fukuoka REIT Investment Co., Ltd.*		November, 2004	Gofuku-machi Business Center	Office	1: - 10	2003	Local Metropolis	11,200	6.2%		(Y) GBC*	Non-affiliated

J-REIT	Transaction Date	Acquisition Date	Building Name*	Type	Floor	Construction	Location	Price (mil Yen)	CAP rate	Remarks	Seller	Relation to the buyer
Fukuoka REIT Investment Co., Ltd.*	April, 2005	July, 2005	SUNLIVE City Kokura	Retail	0 - 4	2005	Local Metropolis	6,630	6.6%		SUNLIVE	Non-affiliated
KENEDIX Realty Investment Corporation	June, 2005	July, 2005	Sogo Hirakawa-cho Building	Office	3 - 10	1988	Tokyo CBD	5,180	5.0%		(Y) T Smith Capital* (SPC of Kenedix, Inc.)	Affiliated
KENEDIX Realty Investment Corporation	June, 2005	July, 2005	Kanda Kihara Building	Office	1 - 8	1993	Tokyo CBD	1,930	5.1%		(Y) KDX One* (SPC of Kenedix, Inc.)	Affiliated
KENEDIX Realty Investment Corporation	June, 2005	July, 2005	Nippombashi 313 Building	Office	2 - 9	1974	Tokyo CBD	5,940	5.2%		(Y) T Smith Capital* (SPC of Kenedix, Inc.)	Affiliated
KENEDIX Realty Investment Corporation	June, 2005	July, 2005	Higashi-Kayabacho Yuraku Building	Office	1 - 9	1987	Tokyo CBD	4,450	5.5%		(Y) KWO Third* (SPC of Kenedix, Inc.)	Affiliated
KENEDIX Realty Investment Corporation	June, 2005	July, 2005	Nishi Hachobori	Office	1 - 8	1993	Tokyo CBD	3,680	5.1%		(Y) T Smith Capital* (SPC of Kenedix, Inc.)	Affiliated
KENEDIX Realty Investment Corporation	June, 2005	July, 2005	FIK Minami-Aoyama Building	Office	1 - 9	1988	Tokyo CBD	2,270	5.6%		(Y) KW Office* (SPC of Kenedix, Inc.)	Affiliated
KENEDIX Realty Investment Corporation	June, 2005	July, 2005	NNK Building	Office	0 - 9	1992	Tokyo CBD	1,610	5.8%		(Y) KW Office* (SPC of Kenedix, Inc.)	Affiliated
KENEDIX Realty Investment Corporation	June, 2005	July, 2005	Hanzuku FF Building	Office	0 - 11	1985	Tokyo CBD	2,450	5.7%		(Y) KW Office* (SPC of Kenedix, Inc.)	Affiliated
KENEDIX Realty Investment Corporation	June, 2005	July, 2005	Koishikawa Yoshiida Building	Office	1 - 9	1992	Central Tokyo	704	6.0%		(Y) KWO Third* (SPC of Kenedix, Inc.)	Affiliated
KENEDIX Realty Investment Corporation	June, 2005	July, 2005	K&Y Building	Office	1 - 11	1992	Central Tokyo	2,533	5.3%		(Y) KDX One* (SPC of Kenedix, Inc.)	Affiliated
KENEDIX Realty Investment Corporation	June, 2005	July, 2005	Hakata Eki-mae Building No. 2	Office	0 - 9	1984	Local Metropolis	1,430	6.8%		(Y) KWO Third* (SPC of Kenedix, Inc.)	Affiliated
KENEDIX Realty Investment Corporation	June, 2005	July, 2005	Jinnanzaka Frame	Retail	2 - 7	2005	Tokyo CBD	9,900	5.3%		(Y) KWR Third* (SPC of Kenedix, Inc.)	Affiliated
Joint Reit Investment Corporation	June, 2005	July, 2005	Hamamatsu Plaza	Retail	4 - 0	2000	Local City	15,360	6.0%		(Y) Earth Capital Partners	Affiliated
Joint Reit Investment Corporation	June, 2005	July, 2005	b-town Jingu-mae II	Retail	1 - 2	2005	Tokyo CBD	1,043	4.7%		L Kakuei Corporation	Affiliated
Joint Reit Investment Corporation	June, 2005	July, 2005	Rinku Hakuzaki Plaza	Retail			Local City	4,697	6.0%		(Y) Earth Capital Partners	Affiliated

\* Translated by the author

Data Source: Publicly announced information by J-REITs

Appendix G: Expected Big Projects in Tokyo (Building Floor Area is above 30,000m<sup>2</sup>)

	Completion	Project	Location	Floors	TFA (m <sup>2</sup> )	Developer
1	2005 1	Tokyo Shiodome Building	Minato-ku	4 - 37	190,257	MORI TRUST CO.,LTD. and Sumitomo Realty & Development Co.,Ltd.
2	2005 1	Suntory Headquater Building	Minato-ku	2 - 12	34,490	Suntory Limited
3	2005 2	Akasaka Inter City	Minato-ku	3 - 29	74,593	KOWA REAL ESTATE CO.,LTD.
4	2005 3	Akihabara Dai Building	Chiyoda-ku	2 - 31	50,290	DAIBIRU Corporation
5	2005 4	Canon Shimo-Maruko R&D Center	Ota-ku	2 - 6	42,903	Canon Inc.
6	2005 7	Nihonbashi Mitsui Tower	Chuo-ku	4 - 39	133,856	Mitsui Fudosan Co.,Ltd. and Sembikiya-Sohonten, Ltd.
7	2005 9	Tomare Nihonbashi-Hama-cho Office Building	Chuo-ku	2 - 18	98,440	Redevelopment Association (Yasuda Real Estate Co., Ltd.)
8	2005 10	Tokyo Building*	Chiyoda-ku	4 - 33	150,000	MITSUBISHIESTATE CO., LTD., The Bank of Tokyo-Mitsubishi, Ltd., and East Japan Railway Company
9	2005 10	Ginza 8-chome Project*	Chuo-ku	2 - 24	50,253	Mitsui Fudosan Co.,Ltd.
10	2005 11	NBF Platinum Tower	Minato-ku	2 - 26	50,631	Redevelopment Association (Mitsui Fudosan Co., Ltd.)
11	2006 1	TX Building*	Koto-ku	2 - 25	89,557	TMK (Shimizu Corporation)
12	2006 2	Kudan North Project*	Chiyoda-ku	2 - 26	58,900	SPC (MITSUBISHIESTATE CO., LTD., TOKYU LAND CORPORATION and Deutsche Bank Group)
13	2006 2	Akasaka Garden City	Minato-ku	2 - 20	48,312	Sekisui House, Ltd.
14	2006 3	UDX Building*	Chiyoda-ku	3 - 22	161,676	TMK (Kajima Corporation and NTT Urban Development Co.)
15	2006 3	Mitsubishi Corporation Marunouchi Office Building	Chiyoda-ku	3 - 21	61,000	Mitsubishi Corporation
16	2006 3	G Project*	Shijuku-ku	2 - 25	48,102	Dai Nippon Printing Co., Ltd.
17	2006 Sp	Tokyo Redesign Project Office Building*	Sumida-ku	2 - 31	72,957	Tokyo Tatemono Co., Ltd., MITSUI & CO., LTD., and Shoei Co., Ltd.
18	2006 6	Iino Nittochi Kyodo Building*	Minato-ku	3 - 21	34,836	IINO KAIUN KAISHA, LTD. and NIPPON TOCHI-TATEMONO Co., Ltd.
19	2006 8	TA Building*	Koto-ku	2 - 33	105,284	Ishikawajima-Harima Heavy Industries Co., Ltd.
20	2006 Su	TOC Ariake Project*	Koto-ku	1 - 21	111,524	TOC Co., Ltd.
21	2006 9	Tora 4 Project Office Building*	Minato-ku	3 - 23	59,742	Kajima Corporation
22	2006 10	Mita 3-chome Project*	Minato-ku	2 - 24	98,503	TMK (Sumitomo Realty & Development Co., Ltd.)
23	2006 Fa	Shin-Shibaura Development Project*	Minato-ku	2 - 20	163,745	Sony Life Insurance Co.,Ltd.
24	2006	SF Shibaura 4-chome Building*	Minato-ku	1 - 17	35,149	TMK (Sumitomo Realty & Development Co., Ltd.)
25	2007 1	Osaki East Gate Area 3 Redevelopment Project Office Building*	Sumida-ku	1 - 22	82,451	Redevelopment Association(Obayashi Corporation)
26	2007 1	Fuji Soft ABC Akihabara Building*	Chiyoda-ku	2 - 31	58,740	Rail City East Development (East Japan Railway)
27	2007 1	Higashi-Ikebukuro 4-chome Redevelopment Project*	Toshima-ku	2 - 15	37,596	Redevelopment Association
28	2007 2	Kudan National Government Office and Chiyoda Ward Government Office Building*	Chiyoda-ku	3 - 23	60,000	SPC (Shimizu Corporation, ORIX Corporation, Dai-ichi Kenchiku Service, Harvest, and Nippon Telegraph and Telephone East Corporation)
29	2007 3	East Japan Railway Tokyo Station Nihonbashi Gate Building*	Chiyoda-ku	4 - 35	79,200	East Japan Railway Company
30	2007 3	Jingu-mae Project*	Shijuku-ku	3 - 24	43,936	K.K. daVinci Advisors
31	2007 3	Fukagawa Gatharia N Tower*	Koto-ku	2 - 22	43,100	Nomura Real Estate Development Co., Ltd.
32	2007 4	Shin-Marunouchi Building*	Chiyoda-ku	4 - 38	195,000	MITSUBISHIESTATE CO., LTD.
33	2007 Sp	Mid-Town Tower A*	Minato-ku	5 - 54	247,000	Mitsui Fudosan Co.,Ltd., The National Mutual Insurance Federation of Agricultural Cooperatives, and Meiji Yasuda Life Insurance Company
34	2007 Sp	Mid-Town Tower B*	Minato-ku	4 - 25	117,000	Mitsui Fudosan Co.,Ltd., The National Mutual Insurance Federation of Agricultural Cooperatives, and Meiji Yasuda Life Insurance Company
35	2007 Sp	Mid-Town Tower E*	Minato-ku	3 - 13	56,000	Mitsui Fudosan Co.,Ltd., The National Mutual Insurance Federation of Agricultural Cooperatives, and Meiji Yasuda Life Insurance Company
36	2007 8	Tokyo Station Yaesu Gate Development Project North Building*	Chiyoda-ku	4 - 43	216,543	East Japan Railway Company, Mitsui Fudosan Corporation, and KOKUSAI KANKO KAIKAN CO., Ltd.
37	2007 8	Tokyo Station Yaesu Gate Development Project South Building*	Chiyoda-ku	4 - 42	140,168	East Japan Railway Company, Kajima Yaesu Development (Kajima Corporation), and Nippon Oil Corporation
38	2007 8	Think Park Tower	Sumida-ku	2 - 30	152,000	MEIDENSHA CORPORATION and World Trade Center Building, Inc.
39	2007 9	Kasumigaseki R7 Project Governmental Building*	Chiyoda-ku	2 - 33	187,194	SPC(NIPPON STEEL CORPORATION, TAISEI CORPORATION, Tokyo Tatemono Co., Ltd., NIPPON TOCHI-TATEMONO Co., Ltd., Kokyo Tatemono Co., Ltd., and Toyota Tsusho Corporation)

	Completion	Project	Location	Floors	TFA (m <sup>2</sup> )	Developer
40	2007 9	Kasumigaseki R7 Project Governmental and Non-Governmental Building*	Chiyoda-ku	3 - 38	132,253	SPC(NIPPON STEEL CORPORATION, TAISEI CORPORATION, Tokyo Tatemono Co., Ltd., NIPPON TOCHI-TATEMONO Co., Ltd., Kokyo Tatemono Co., Ltd., and Toyota Tsusho Corporation)
41	2007 9	Yuraku-cho Station Front Area 1 Redevelopment Project*	Chiyoda-ku	4 - 21	75,874	Redevelopment Association
42	2007 9	Yaesu 1-chome Project*	Chuo-ku	3 - 20	45,400	Mitsui Simitomo Insurance Co., Ltd and Shinkin Central Bank
43	2008 1	Akasaka 5-chome TBS Development Project Office and Commercial Building*	Minato-ku	3 - 39	187,194	Tokyo Broadcasting System, Inc.
44	2008 3	Marunouchi Trust Tower Main Building*	Chiyoda-ku	4 - 37	115,000	MORI TRUST CO.,LTD.
45	2008 Sp	Shiodome I-2 Area Project*	Minato-ku	2 - 24	118,700	MITSUBISHIESTATE CO., LTD. and TOKYU LAND CORPORATION
46	2008	Nishi-Shinjuku 8-chom Naruko Area Redevelopment Project Skyscraper building*	Shijuku-ku	4 - 42	172,000	Redevelopment Association (Sumitomo Realty & Development Co., Ltd.)
47	2009 3	Futako-Tamagawa East Area Redevelopment I Area Office & Hotel Building*	Setagaya-ku	- 18	168,700	Redevelopment Association (TOKYU CORPORATION and TOKYU LAND CORPORATION)
48	2009 3	Futako-Tamagawa East Area Redevelopment I Area Office Building*	Setagaya-ku	- 31	99,200	Redevelopment Association (TOKYU CORPORATION and TOKYU LAND CORPORATION)
49	2009	Marunouchi Rebuilding Project (Mitsubishi Corporation Building, Furukawa Building, and Marunouchi-Yaesu Building)*	Chiyoda-ku	-	200,000	MITSUBISHIESTATE CO., LTD.

\* The project name is tentative

TMK means "Tokutei Mokuteki Kaisha", a special purpose company based on "Law on Asset Fluidization".

Data Source: Various news

Appendix H: Transactions of Office Buildings above 10,000 m<sup>2</sup> in Tokyo CBD and the Central Tokyo Area by Foreign Investors since 2004

Building	Buyer	Buyer's relation to the seller	Seller	Location	Price (mil. Yen)	Transacted FA (m <sup>2</sup> )	Building TFA (m <sup>2</sup> )	Completion	Date
1 Shinagawa Mitsubishi Building	Otenachi Holding TMK* (TMK of Morgan Stanley)	Non-affiliated	Mitsubishi Corporation and Mitsubishi Motors Corporation	Minato-ku	140,178	158,242	158,242	2003	2004: 12
2 Kokusai Akasaka Building (3 buildings)	Loan Star Group	Non-affiliated	Kokusai motorears Co., Ltd.	Minato-ku	117,000	143,271	143,271	1995	2004: 9
3 Shinjuku MINES Tower	(Y) Neer* (SFC of K.K. daVinci Advisors)	Non-affiliated	Suntonno Life Insurance Company, Dai-ichi Mutual Life Insurance Company, and Nippon Life Insurance Company	Shibuya-ku	46,000	41,991	97,979	1999	2005: 3
4 Shinagawa Seaside East and West Towers	The Government of Singapore Investment Corporation Pte Ltd	Non-affiliated	Kajima Corporation	Shinagawa-ku	42,500	83,020	83,020	2004	2004: 8
5 Kioi-cho Dai-26 Building	Kaguzaka Holding TMK (TMK of Morgan Stanley Group)	Non-affiliated	Em Estate ("DAIKYO INCORPORATED" group)	Chiyoda-ku	36,000	24,231	62,331	1989	2004: 3
6 Tennozu First Tower	Yoyogi Holding TMK* (TMK of Morgan Stanley)	Non-affiliated	Matayoshi Kaihatsu*	Shinagawa-ku	20,000	47,249	47,249	1991	2004: 11
7 Omiya Center Building	(Y) Chogetsu Property* (SFC of The Carlyle Group)	Non-affiliated		Saitama-shi Omiya-ku	10,000	23,570	23,570	1993	2004: 10
8 Sogo Harzontom Building	Tanwaleview Japan Commercial One TMK* (TMK of an investor in Abu Dhabi of UAE)	Non-affiliated	Roum Properties TMK* (TMK of Merrill Lynch and Leas Lease)	Chiyoda-ku	11,000	13,229	13,229	1987	2004: 7
9 Nihonbasia Daewa Building	(Y) Marubasu (SFC of K. K. daVinci Advisors)*	Non-affiliated	Daewa Jidosha Kotsu (K)*	Chuo-ku	2,906	10,237	10,237	1963	2004: 2

\* Company names translated by the author  
Data Source: "Nikkei Foreign Market" by Nikkei Business Publications, Inc. and other various news

Appendix I: Private Funds

Managing Company	Fund	Product Type						Area	Asset Amount (¥00,000,000)	Investor	Begin	Term (Year)
		OF	RS	RT	W	H	L					
AIG Global Real Estate Investment Japan Corp.	AIG Japan Real Estate	x	x	x			Mainly Tokyo	Currently	Domestic institutional investors	2003	3	8
AIG Global Real Estate Investment Japan Corp.	AIG Japan Real Estate	x	x	x			Mainly Tokyo	Target		2005		5
TFP Real Estate Consulting Co.,Ltd	Plato Real Estate Fund					x	Greater Tokyo area	Target		2005	3	2
Urban Asset Management Co., Ltd	Urban Value-Up Fund No. 1	x	x	x			Tokyo and local metropolis	Currently	Non-financial firms	2004	4	3
Urban Asset Management Co., Ltd	Development Fund No.1 - No. 14						Tokyo and local metropolis	Currently	Non-financial firms, financial institutions	2004	4	2
Urban Asset Management Co., Ltd	Urban Value-Up Fund No. 2	x	x	x			Tokyo and local metropolis	Currently	Non-financial firms, financial institutions	2004	6	5
Urban Asset Management Co., Ltd	Income Fund No. 2						Local metropolis	Currently	Non-financial firms	2004	9	5
Urban Asset Management Co., Ltd	Income Fund No. 1						Local metropolis	Currently	Financial institutions	2004	11	5
Urban Asset Management Co., Ltd	Income Fund No. 3						Tokyo and local metropolis	Currently	Non-financial firms, financial institutions	2005	4	5
Urban Asset Management Co., Ltd	OPP Development Fund				x		Local city	Currently		2005	6	5
URBAN REC co.	Mike Investment Fund		x				Shikoku, Chugoku	Target	Individuals	2004	12	5
Agility Asset Advisors	AAA Residential Fund I		x				Whole Japan	Target	Individuals, non-financial firms	2005	3	5
Asset Managers Co.,Ltd	PIT Fund	x	x				Mainly Tokyo	Target	Non-financial firms, financial institutions	2000	4	10
Asset Managers Co.,Ltd	SARIE200406Fund	x					Tokyo and local metropolis		Domestic institutional investors	2004	6	3
Apamanshopp Network Co., Ltd.	Apamanshopp & JA TMK Alpha		x				Tokyo, Chiba	Currently	Individuals	2004	10	2
AMMS INTERNATIONAL	Tokutei Kyodo Jigyo Real Estate Fund		x				Tokyo	Currently	Individuals, non-financial firms	2005	1	3
Alpha Investment Partners Limited.	Asia Number One Fund		x	x			Greater Tokyo area	Target	Foreign investors	2004	11	5
Alpha Investment Partners Limited.	Core Plus Fund	x	x	x			Greater Tokyo area	Target	Foreign investors	2005	3	10
ITOCHU Corporation	Rental Housing Holding Fund I		x				Mainly Tokyo	Target	Domestic institutional investors	2003		5
ITOCHU Corporation	Rental Housing Development Fund I		x				Tokyo	Target	Domestic institutional investors	2003		3
ITOCHU Corporation	Rental Housing Development Fund II		x				Mainly Tokyo	Target	Foreign investors	2004		3
ITOCHU Corporation	Rental Housing Development Fund III		x				Tokyo	Target	Domestic institutional investors	2004		3



Managing Company	Fund	Product Type										Area	Asset Amount (¥00,000,000)	Investor	Begin	Term (Year)
		OF	RS	RT	W	H	L	OT								
ITOCHU Corporation	Rental Housing Holding Fund II											Mainly Osaka	Target	Domestic institutional investors	2004	3
ITOCHU Corporation	Logistics Facility Fund											Whole Japan	Target	Domestic institutional investors	2004	3
West Village Capital												Mainly Tokyo	Target	Financial institutions	2004	10
AMI Capital, Inc.	AMI Real Estate Fund											Great Tokyo area	Currently	Individuals	2001	None
A.D. Works corporation	ADC Dream Fund No. 1											Tokyo	Target	US pension funds	2002	6
Ethos Japan	Ethos Capital Asia Fund											Whole Japan	Target	Non-financial firms, financial institutions	2002	8
ORIX Corporation												Kansai	Target			
ORIX Corporation	OUP Fund I												Currently		2004	11
ORIX Corporation	OUP Fund II											Whole Japan	Currently		2005	5
Kajima Corporation	Kajima Real Estate Fund											Tokyo, Nagoya	Currently		2005	5
The Carlyle Group												Tokyo and local metropolis	Target		2004	
CREED CORPORATION	Fund A											Greater Tokyo area, Kansai	Currently	Foreign investors	2002	3
CREED CORPORATION	Creed Real Estate Renaissance Fund I											Greater Tokyo area, Kansai	Currently	Domestic institutional investors, non-financial firms	2003	10
CREED CORPORATION	Creed Real Estate Renaissance Fund II											Greater Tokyo area, Kansai	Currently	Domestic institutional investors, non-financial firms	2004	2
CREED CORPORATION	Fund B											Greater Tokyo area, Kansai	Currently	Non-financial firms	2004	2
CREED CORPORATION	Artemis											Greater Tokyo area, Kansai	Currently	Non-financial firms	2004	11
CREED CORPORATION	Other funds											Greater Tokyo area, Kansai	Currently			
Global Asset Management Co., Ltd.	Multi-Residential Fund											Tokyo and local metropolis	Target		2004	5
GFS co.,ltd.	HOPE α3											Greater Tokyo area	Currently	Individuals	2005	5
GFS co.,ltd.	HOPE α2											Greater Tokyo area	Target	Individuals	2005	5
GFS co.,ltd.	Leisure Hotel Operation Investment Fund No. 1											Greater Tokyo area	Target	Individuals	2005	5
GFS co.,ltd.	Leisure Hotel Operation Investment Fund No. 2											Whole Japan	Target	Individuals	2005	5
GFS co.,ltd.	Leisure Hotel Operation Investment Fund No. 3											Whole Japan	Target	Individuals	2005	5

Managing Company	Fund	Product Type										Area		Asset Amount (¥00,000,000)	Investor	Begin	Term (Year)
		OF	RS	RT	W	H	L	OT									
GFS co., Ltd.	Leisure Hotel Operation Investment Fund No. 4				x							Whole Japan	Target	20 Individuals	2005	10	5
GFS co., Ltd.	Leisure Hotel Operation Investment Fund No. 5				x							Whole Japan	Target	20 Individuals	2005	12	5
Kenedix, Inc.	Domestic Pension Fund	x	x									Tokyo and local metropolises	Currently	770 Domestic pension funds	2003	11	5
Kenedix, Inc.	Foreign Investor Fund	x	x	x	x	x	x	x	x	x		Whole Japan	Currently	440 Foreign investors	2000	3	3
Kenedix, Inc.	Logistics Fund				x							Whole Japan	Currently	Trading companies, financial institutions, pension funds			
Kenedix, Inc.	Domestic Institutional Investor Fund	x	x									Mainly Greater Tokyo area	Currently	820 Financial institutions			
Commercial RE Co.	HWP			x	x							Greater Tokyo area, Fukuoka	Currently	50 Non-financial firms, financial institutions	2004	3	5
Commercial RE Co.	Commercial Mall Tsukushi-Ton			x								Fukuoka	Target	Real estate companies, financial institutions	2004	9	1
Commercial RE Co.	CRE ONE	x	x	x	x					x		Greater Tokyo area, Fukuoka	Target	150 Non-financial firms, educational institutions, financial institutions	2005	3	5
Ciber Firm Inc.	CFI Fund			x								Local city	Target	100	2004	11	5
SUBLEASE Inc.	Integral I											Tokyo	Currently	1	2004	4	5
SUBLEASE Inc.	SL Investment											Tokyo	Target	100	2004	9	5
SAMTY Co., Ltd.	Samty Fund	x	x									Osaka	Currently	26.5 Non-financial firms, financial institutions	2002	9	6
SAMTY Co., Ltd.	Samty Residential Fund			x								Osaka	Currently	55 Individuals, non-financial firms, financial institutions	2004	4	4
SAMTY Co., Ltd.	Nishi-Azabu Residential Fund			x								Tokyo	Currently	21 Non-financial firms, financial institutions	2004	11	1
SAMTY Co., Ltd.	New Constructed Residential Fund Specialized in Kansai Area			x								Osaka	Target	50 Non-financial firms, financial institutions	2004	12	4
SunFrontier Fudosan Co., Ltd.		x	x									Tokyo	Currently	20 Investment Companies	2004	12	4
Sea Capital Co., Ltd.	Lagoon Investment Fund Series 1	x	x	x								Tokyo and local metropolises		Individuals	2003	11	5
Sea Capital Co., Ltd.	Lagoon Investment Fund Series 2	x	x	x								Tokyo and local metropolises		Individuals	2004	6	5
JOINT Corporation	I			x								Tokyo	Currently	76	2004	3	
JOINT Corporation	II			x	x							Local metropolis	Currently	230	2004	9	
JOINT Corporation	III			x								Greater Tokyo area	Currently	40	2004	9	
Shoet Asset Management Co., Ltd.	Shoet Fund No. 1	x									x	Central Tokyo, Yokohama	Target	100 Local banks	2005	5	5

Managing Company	Fund	Product Type										Area	Asset Amount (¥00,000,000)	Investor	Begin	Term (Year)	
		OF	RS	RT	W	H	L	OT									
Simplex Investment Advisors Inc.	Simplex Pre-REIT Fund	x										Mainly Tokyo	Currently	1682		2003	
Secured Capital Japan Co., Ltd.	SCJ REP I Fund	x	x	x								Mainly Tokyo	Target	600	US pension funds, US insurance companies	2004	3
Secured Capital Japan Co., Ltd.	SCJ REP I Fund	x	x	x								Greater Tokyo area	Target	700	US pension funds, US insurance companies	2005	4
Secured Capital Japan Co., Ltd.	Secured Capital Japan Residential Fund I		x									Greater Tokyo area	Target	800	Domestic pension funds, domestic institutional investors	2004	5
SOFTBANK INVESTMENT CORPORATION	Quartely Distribution SBI Real Estate Investment Anonymous Association	x	x	x								Whole Japan	Target	100	Non-financial firms, institutional investors	2005	4
Dynacity Asset Management Corporation	Dynacity Fund I												Target	60	Non-financial firms	2004	8
Diamond Realty Management Inc.	Austra Fund			x								Tokyo and local metropolis	Target	530	Pension funds from Australia and the Netherlands	2004	9
K.K. daVinci Advisors	DJREP I & II	x								x		Tokyo and local metropolis	Currently	1290	Institutional investors, pension funds	2002	11
K.K. daVinci Advisors	Pre-REIT Funds (5 funds)	x										Tokyo, Yokohama, Osaka	Currently	594	Domestic institutional investors, pension funds	2003	11
K.K. daVinci Advisors	DJREP III	x	x	x						x		Tokyo and local metropolis	Target	4000	Institutional investors, pension funds	2004	12
DeLead inc.	Espace Fund No. 1		x									Tokyo	Target	20.5		2004	7
DeLead inc.	Espace Fund No. 2		x									Greater Tokyo area, Kansai, Fukuoka	Target	30	Institutional investors	2005	9
TLDB Partners Limited	Japan Value-Add Fund One	x										Great Tokyo	Currently	290	Institutional investors, non-financial firms	2004	6
DIX KUROKI	Central Residential Investment		x									Tokyo, Fukuoka	Currently	30	Domestic institutional investors	2004	3
TOKYU LAND CORPORATION	Comforia Residential Fund		x									Tokyo	Target	300		2004	3
TOKYU LAND CORPORATION	Arcadia Prime Retail Fund		x									Tokyo, Chukyo	Target	225	Domestic institutional investors	2005	5
Tokyo Property Advisors Co., Ltd.	Across Fund No. 1		x									Tokyo				2003	6
Tokyo Property Advisors Co., Ltd.	Across Fund No. 2		x									Tokyo				2004	5
Tosei Corporation	Poseidon Fund	x	x									Tokyo	Target	500	Security Companies	2003	11
Tosei Corporation	Argo Fund II		x									Tokyo	Currently	8.2	Individuals, financial institutions	2004	7
Tosei Corporation	Pegasus Fund	x	x									Tokyo			Individuals, institutional investors	2005	5

Managing Company	Fund	Product Type										Area	Asset Amount (¥00,000,000)	Investor	Begin	Term (Year)		
		OF	RS	RT	W	H	L	OT										
Tossei Corporation	Apollo Fund	x														2005		
Toraimon Capital Ltd.	Highside Investment	x	x	x	x	x	x	x						10	Foreign institutional investors	2004	10	3
Toraimon Capital Ltd.	Highside Two	x	x	x	x	x	x	x							Foreign institutional investors	2005	2	3
Toraimon Capital Ltd.	Highside Three	x	x	x	x	x	x	x							Foreign institutional investors	2005	3	3
NIPPON KANZAI Co.,Ltd.	A	x		x										211	Institutional investors	2003	2	5
NIPPON KANZAI Co.,Ltd.	B	x		x										17	Non-financial firms	2003	2	5
NIPPON KANZAI Co.,Ltd.	C	x												36	Institutional investors	2003	5	5
NIPPON KANZAI Co.,Ltd.	D			x										61	Institutional investors	2004	5	5
NIPPON KANZAI Co.,Ltd.	E	x												111	Institutional investors	2004	7	5
NIPPON TOCHI - TATEMONO Co., Ltd.	Neopus Aries Fund	x												100	Non-financial firms, financial institutions	2004	3	5
NIPPON TOCHI - TATEMONO Co., Ltd.	Neopus Real Estate Securitization Private Fund 04-10	x								x				62	Individuals	2004	10	5.4
NIPPON TOCHI - TATEMONO Co., Ltd.	Neopus Pension Fund 04-12	x												75	Pension funds	2004	12	5
Heart Asset Partners Co., Ltd.	EI Hotel Yokohama Fund									x				9.2	Individuals	2004	12	6
Heart Asset Partners Co., Ltd.	EI Court Kasama Fund									x				6	Individuals	2004	12	6
PACIFIC MANAGEMENT CORPORATION	Residential Private Fund (Condo) No. 1													100	Individuals	2000	7	5
PACIFIC MANAGEMENT CORPORATION	Residential Private Fund (Condo) No. 2													100	Individuals	2001	11	5
PACIFIC MANAGEMENT CORPORATION	PMC Superior Office Fund I	x												130	Pension funds, financial institutions	2003	11	5
PACIFIC MANAGEMENT CORPORATION	Residential Private Fund (Condo) No. 4													50	Individuals	2004	2	5
PACIFIC MANAGEMENT CORPORATION	PMC Superior Office Fund II	x												120	Financial institutions	2004	8	5
PACIFIC MANAGEMENT CORPORATION	Opportunity Fund	x												33	Domestic financial institutions, domestic investment funds	2004	8	8
PACIFIC MANAGEMENT CORPORATION	PUOREF (PMC Superior Office Fund III)	x												120	Pension funds	2004	9	5
PACIFIC MANAGEMENT CORPORATION	Mixed-use Private Fund	x												33	Financial institutions	2004	11	
Pacific Retail Management	Retail Facility Fund													100		2005	5	5

Managing Company	Fund	Product Type										Area	Asset Amount (¥00,000,000)	Investor	Begin	Term (Year)
		OF	RS	RT	W	H	L	OT								
Power Management												Greater Tokyo area	Target	Domestic institutional investors	2003	5
Power Management		x										Greater Tokyo area	Target	Foreign institutional investors	2003	None
Power Management		x	x									Whole Japan	Target	Non-financial firms	2004	5
Power Management												Greater Tokyo area	Target	Individuals	2004	5
Hinet Inc.	Hinet New Frontier Fund	x	x									Greater Tokyo area		Individuals	2002	3
Fund Creation	FC-Fund Resit Real Estate Securities Investment Trust											Greater Tokyo area		Individuals	2003	11
Fund Creation	JE Grand Real Estate Securities Investment Trust											Tokyo and local metropolis		Individuals	2004	12
F.L.E.G. INTERNATIONAL CO., LTD.	F. Fund											Tokyo			2003	4
F.L.E.G. INTERNATIONAL CO., LTD.	F. Value Fund											Tokyo			2004	5
KK Prospect	Prospect Residential Fund											Tokyo	Target	Domestic financial institutions	2004	2
ProLogis Japan	ProLogis Japan Properties Fund											Whole Japan	Target	Institutional investors	2002	
MARKS TRUST, Inc.	MRD Toranomon											Tokyo	Currently	Individuals	2004	11
MARKS TRUST, Inc.	PBA Development No.1											Tokyo	Currently	Individuals	2004	11
MARKS TRUST, Inc.	MRD Roppongi											Tokyo	Target	Individuals	2005	1
Marubeni Corporation	T&G Real Estate Investment Fund	x	x									Tokyo	Target	Domestic financial institutions	2004	7
Maryama Komuten	You Me Life Fund No. 1											Greater Tokyo area	Currently	Individuals	2002	12
Maryama Komuten	You Me Life Fund No. 3	x	x									Greater Tokyo area	Currently	Individuals	2003	11
Maryama Komuten	You Me Life Fund No. 4											Greater Tokyo area	Currently	Non-financial firms	2004	1
Maryama Komuten	You Me Life Fund No. 2											Greater Tokyo area	Currently	Individuals	2004	3
Maryama Komuten	You Me Life Fund No. 6											Greater Tokyo area	Currently	Non-financial firms	2004	10
Mitsui Fudosan Co.,Ltd.	Mitsui Jamestone Fund I	x										Tokyo, local cities	Target	Domestic institutional investors, pension funds	2004	4
Mitsui Fudosan Co.,Ltd.	Mitsui Jamestone Fund I	x										Tokyo, local cities	Target	Pension funds, institutional investors	2005	3
Mitsui Fudosan Co.,Ltd.	Hospitality Residence Fund											Greater Tokyo area, Chukyo, Kansai	Target	Domestic institutional investors, financial institutions	2005	4
Mitsubishi Jisho Investment Advisors, Inc.	MJ Retail Fund											Tokyo	Target	Domestic institutional investors	2004	3
Mitsubishi Jisho Investment Advisors, Inc.												Mainly Tokyo	Target	Domestic financial institutions	2004	3
Mitsubishi Corporation												Tokyo, local cities	Currently			

Managing Company	Fund	Product Type								Area	Asset Amount (#'00,000,000)	Investor	Begin	Term (Year)		
		OF	RS	RT	W	H	L	Ot								
Millea Real Estate Risk Management	Premier Office Property Fund	x								Tokyo	Currently	240	Domestic institutional investors, pension funds	2003	9	5
Millea Real Estate Risk Management	Fitness First Properties		x							Greater Tokyo area	Currently	50	Domestic institutional investors, pension funds	2005	3	5
Morgan Stanley Properties Japan		x	x	x						Tokyo			Pension funds	2004	3	
RISA Partners, Inc.		x	x	x	x	x	x	x	x	Whole Japan	Target	1000	Foreign investors	2004		
RePlus	Pension Fund No. 1		x							Tokyo	Target	53	Domestic pension funds	2004	6	
RePlus	Pension Fund No. 2		x										Domestic pension funds	2005	3	
REICOF Investment Advisors	Residential One		x										Individuals	2003	6	
Wise Real Estate Investment Advisors	Auction Fund II								x	Tokyo	Target	3	Individuals	2003	12	None

OF: Office, RS: Residential, RT: Retail, W: Warehouse, H: Hotel, L: Land and Ot: Others

Data Source: Nikkei Real Estate Market Information and various news sources

## Appendix J: Private Funds and J-REITs

Managing Company	Fund	RE Type							Asset Amount (¥00,000,000)		J-REIT
		OF	RS	RT	W	H	L	Ot			
AIG Global Real Estate Investment Japan Corp.	AIG Japan Real Estate	x	x	x					Currently	700	
	AIG Japan Real Estate	x	x	x					Target	700	
TFP Real Estate Consulting Co.,Ltd	Plato Real Estate Fund							x	Target	3	
Urban Asset Management Co., Ltd	Urban Value-Up Fund No. 1	x	x	x					Currently	170	
	Development Fund No.1 - No. 14								Currently	800	
	Urban Value-Up Fund No. 2	x	x	x					Currently	60	
	Income Fund No. 2								Currently	43	
	Income Fund No. 1								Currently	62	
	Income Fund No. 3								Currently	100	
	OPP Development Fund					x			Currently	7	
URBAN REC co.	Mike Investment Fund		x						Target	23	
Agility Asset Advisors	AAA Residential Fund I		x						Target	1000	
Asset Managers Co.,Ltd.	PIT Fund	x	x						Target	200	A diversified REIT
	SARIE200406Fund	x									
Apamanshopp Network Co., Ltd.	Apamanshop & JA TMK Alpha		x						Currently	16	
AMMS INTERNATIONAL	Tokutei Kyodo Jigyo Real Estate Fund		x						Currently	22	
Alpha Investment Partners Limited.	Asia Number One Fund		x	x					Target	150	
	Core Plus Fund	x	x	x					Target	250	
ITOCHU Corporation	Rental Housing Holding Fund I		x						Target	100	An office REIT, a retail REIT, and a logistics REIT
	Rental Housing Development Fund I		x						Target	120	
	Rental Housing Development Fund II		x						Target	150	
	Rental Housing Development Fund III		x						Target	100	
	Rental Housing Holding Fund II		x						Target	50	
	Logistics Facility Fund				x				Target	300	
West Village Capital		x	x	x	x	x	x	x	Target	2000	
AMI Capital, Inc.	AMI Real Estate Fund		x								
A.D.Works corporation	ADC Dream Fund No. 1					x			Currently	5.5	
Ethos Japan	Ethos Capital Asia Fund	x	x			x		x	Target	4000	
ORIX Corporation			x						Target	50	ORIX JREIT Inc.
	OUP Fund I								Currently	100	
	OUP Fund II	x	x						Currently	70	
Kajima Corporation	Kajima Real Estate Fund	x							Currently	305	A diversified REIT
The Carlyle Group		x	x	x		x		x	Target	1000	
CREED CORPORATION	Fund A	x							Currently	135	Japan Single-residence REIT Inc. and an office REIT
	Creed Real Estate Renaissance Fund I	x	x					x	Currently	195	
	Creed Real Estate Renaissance Fund II	x	x					x	Currently	150	
	Fund B	x	x					x	Currently	60	
	Artemis	x	x					x	Currently	120	
	Other funds	x	x					x	Currently	300	
Global Asset Management Co., Ltd.	Multi-Residential Fund		x						Target	200	

Managing Company	Fund	RE Type							Asset Amount (¥ 00,000,000)		J-REIT
		OF	RS	RT	W	H	L	Ot			
AIG Global Real Estate Investment Japan Corp.	AIG Japan Real Estate	x	x	x					Currently	700	
	AIG Japan Real Estate	x	x	x					Target	700	
TFP Real Estate Consulting Co.,Ltd	Plato Real Estate Fund							x	Target	3	
Urban Asset Management Co., Ltd	Urban Value-Up Fund No. 1	x	x	x					Currently	170	
	Development Fund No.1 - No. 14								Currently	800	
	Urban Value-Up Fund No. 2	x	x	x					Currently	60	
	Income Fund No. 2								Currently	43	
	Income Fund No. 1								Currently	62	
	Income Fund No. 3								Currently	100	
	OPP Development Fund					x			Currently	7	
URBAN REC co.	Mike Investment Fund		x						Target	23	
Agility Asset Advisors	AAA Residential Fund I		x						Target	1000	
Asset Managers Co.,Ltd.	PIT Fund	x	x						Target	200	A diversified REIT
	SARIE200406Fund	x									
Apamanshopp Network Co., Ltd.	Apamanshop & JA TMK Alpha		x						Currently	16	
AMMS INTERNATIONAL	Tokutei Kyodo Jigyo Real Estate Fund		x						Currently	22	
Alpha Investment Partners Limited.	Asia Number One Fund		x	x					Target	150	
	Core Plus Fund	x	x	x					Target	250	
ITOCHU Corporation	Rental Housing Holding Fund I		x						Target	100	An office REIT, a retail REIT, and a logistics REIT
	Rental Housing Development Fund I		x						Target	120	
	Rental Housing Development Fund II		x						Target	150	
	Rental Housing Development Fund III		x						Target	100	
	Rental Housing Holding Fund II		x						Target	50	
	Logistics Facility Fund				x				Target	300	
West Village Capital		x	x	x	x	x	x	x	Target	2000	
AMI Capital, Inc.	AMI Real Estate Fund		x								
A.D.Works corporation	ADC Dream Fund No. 1					x			Currently	5.5	
Ethos Japan	Ethos Capital Asia Fund	x	x			x		x	Target	4000	
ORIX Corporation			x						Target	50	ORIX JREIT Inc.
	OUP Fund I								Currently	100	
	OUP Fund II	x	x						Currently	70	
Kajima Corporation	Kajima Real Estate Fund	x							Currently	305	A diversified REIT
The Carlyle Group		x	x	x		x		x	Target	1000	
CREED CORPORATION	Fund A	x							Currently	135	Japan Single-residence REIT Inc. and an office REIT
	Creed Real Estate Renasissance Fund I	x	x					x	Currently	195	
	Creed Real Estate Renasissance Fund II	x	x					x	Currently	150	
	Fund B	x	x					x	Currently	60	
	Artemis	x	x					x	Currently	120	
	Other funds	x	x					x	Currently	300	
Global Asset Management Co., Ltd.	Multi-Residential Fund		x						Target	200	



Managing Company	Fund	RE Type								Asset Amount (¥00,000,000)		J-REIT
		OF	RS	RT	W	H	L	Ot				
AIG Global Real Estate Investment Japan Corp.	AIG Japan Real Estate	x	x	x						Currently	700	
	AIG Japan Real Estate	x	x	x						Target	700	
TFP Real Estate Consulting Co.,Ltd	Plato Real Estate Fund							x		Target	3	
Urban Asset Management Co., Ltd	Urban Value-Up Fund No. 1	x	x	x						Currently	170	
	Development Fund No.1 - No. 14									Currently	800	
	Urban Value-Up Fund No. 2	x	x	x						Currently	60	
	Income Fund No. 2									Currently	43	
	Income Fund No. 1									Currently	62	
	Income Fund No. 3									Currently	100	
	OPP Development Fund					x				Currently	7	
URBAN REC co.	Mike Investment Fund		x							Target	23	
Agility Asset Advisors	AAA Residential Fund I		x							Target	1000	
Asset Managers Co.,Ltd.	PIT Fund	x	x							Target	200	A diversified REIT
	SARIE200406Fund	x										
Apamanshopp Network Co., Ltd.	Apamanshop & JA TMK Alpha		x							Currently	16	
AMMS INTERNATIONAL	Tokutei Kyodo Jigyo Real Estate Fund		x							Currently	22	
Alpha Investment Partners Limited.	Asia Number One Fund		x	x						Target	150	
	Core Plus Fund	x	x	x						Target	250	
ITOCHU Corporation	Rental Housing Holding Fund I		x							Target	100	An office REIT, a retail REIT, and a logistics REIT
	Rental Housing Development Fund I		x							Target	120	
	Rental Housing Development Fund II		x							Target	150	
	Rental Housing Development Fund III		x							Target	100	
	Rental Housing Holding Fund II		x							Target	50	
	Logistics Facility Fund				x					Target	300	
West Village Capital		x	x	x	x	x	x	x		Target	2000	
AMI Capital, Inc.	AMI Real Estate Fund		x									
A.D.Works corporation	ADC Dream Fund No. 1					x				Currently	5.5	
Ethos Japan	Ethos Capital Asia Fund	x	x			x		x		Target	4000	
ORIX Corporation			x							Target	50	ORIX JREIT Inc.
	OUP Fund I									Currently	100	
	OUP Fund II	x	x							Currently	70	
Kajima Corporation	Kajima Real Estate Fund	x								Currently	305	A diversified REIT
The Carlyle Group		x	x	x		x		x		Target	1000	
CREED CORPORATION	Fund A	x								Currently	135	Japan Single-residence REIT Inc. and an office REIT
	Creed Real Estate Renaissance Fund I	x	x					x		Currently	195	
	Creed Real Estate Renaissance Fund II	x	x					x		Currently	150	
	Fund B	x	x					x		Currently	60	
	Artemis	x	x					x		Currently	120	
	Other funds	x	x					x		Currently	300	
Global Asset Management Co., Ltd.	Multi-Residential Fund		x							Target	200	

Managing Company	Fund	RE Type							Asset Amount (¥00,000,000)		J-REIT
		OF	RS	RT	W	H	L	Ot			
F.L.E.G. INTERNATIONAL CO., LTD.	F. Fund		x	x							
	F. Value Fund		x	x							
KK Prospect	Prospect Residential Fund		x						Target	500	Prospect Residential Investment Corporation
ProLogis Japan	ProLogis Japan Properties Fund				x				Target	1000	
MARKS TRUST, Inc.	MRD Toranomon							x	Currently	2	
	PBA Development No.1		x						Currently	0.6	
	MRD Roppongi							x	Target	3	
Marubeni Corporation	T&G Real Estate Investment Fund	x	x	x					Target	300	United Urban Investment Corporation
Maruyama Komuten	You Me Life Fund No. 1		x						Currently	2.7	
	You Me Life Fund No. 3	x	x	x					Currently	4.2	
	You Me Life Fund No. 4							x	Currently	12.6	
	You Me Life Fund No. 2							x	Currently	10	
	You Me Life Fund No. 6							x	Currently	3.1	
Mitsui Fudosan Co.,Ltd.	Mitsui Jamestone Fund I	x							Target	340	
	Mitsui Jamestone Fund I	x		x					Target	380	Nippon Building Fund
	Hospitality Residence Fund		x						Target	100	
Mitsubishi Jisho Investment Advisors, Inc.	MJ Retail Fund			x					Target	700	Japan Real Estate Investment Corporation
			x						Target	100	
Mitsubishi Corporation					x				Currently	300	Japan Retail Fund Investment Corporation and a logistics REIT
Millea Real Estate Risk Management	Premier Office Property Fund	x							Currently	240	
	Finess First Properties		x						Currently	50	
Morgan Stanley Properties Japan		x	x	x							NIPPON RESIDENTIAL INVESTMENT CORPORATION, a residential & retail REIT, and an office & retail REIT
RISA Partners, Inc.		x	x	x	x	x	x	x	Target	1000	
RePlus	Pension Fund No. 1		x						Target	53	A residential REIT
	Pension Fund No. 2		x								
REICOF Investment Advisors	Residential One		x								
Wise Real Estate Investment Advisors	Auction Fund II							x	Target	3	

OF: Office, RS: Residential, RT: Retail, W: Warehouse, H: Hotel, L: Land and Ot: Others

Data Source: Nikkei Real Estate Market Information and various news sources

Appendix K: J-REIT Retail Transactions since 2004

J-REIT	Transaction	Building Name	Type	Const ruction	Location	Address	Price (mil Yen)	CAP rate	Leasing Period of Key Tenant
Fukuoka REIT Investments Co., Ltd.	April, 2005	Canal City Hakata	Urban Mall	1996	Local Metropolis	Fukuoka-shi Hakata-ku Fukuoka	32,000	6.0%	
Japan Retail Fund Investment Corporation	December, 2004	Urawa PARCO	Department Store	2007	Tokyo Suburb	Saitama-shi Urawa-ku Saitama	27,320	5.0%	20
Frontier Real Estate Investment Corporation	February, 2005	Ex-Nagoya Factory Redevelopment Project	Shopping Center	2006	Local Metropolis	Nagoya-shi Higashi-ku Aichi	24,100	5.6%	20
Frontier Real Estate Investment Corporation	August, 2004	AEON Shinagawa Seaside Shopping Center	Shopping Center	2002	Central Tokyo	Shinagawa-ku Tokyo	20,100	6.6%	20
Frontier Real Estate Investment Corporation	August, 2004	MVICAL Ibaraki	Shopping Center	2000	Local City	Ibaraki-shi Osaka	18,100	7.1%	20
Japan Retail Fund Investment Corporation	December, 2004	AEON Yamato Shopping Center	Shopping Center	2001	Tokyo Suburb	Yamato-shi Kanagawa	16,823	5.5%	20
Japan Retail Fund Investment Corporation	February, 2005	Wonder City	Shopping Center		Local Metropolis	Nagoya-shi Nishi-ku Aichi	15,900	6.5%	
Fukuoka REIT Investments Co., Ltd.	April, 2005	Park Place Oita	Shopping Center	2002	Local City	Oita-shi Oita	15,700	6.3%	20
Joint Reit Investment Corporation	June, 2005	Hamamatsu Plaza	Shopping Center	2000	Local City	Hamamatsu-shi Shizuoka	15,360	6.0%	20
TOKYU REIT, Inc.	March, 2005	PICASSO 347	Urban Mall	2004	Tokyo CBD	Shibuya-ku Tokyo	14,700	4.2%	
Japan Retail Fund Investment Corporation	January, 2004	ESQUISSE Omotesando	Retail Building		Tokyo CBD	Shibuya-ku Tokyo	14,500	4.5%	
Japan Retail Fund Investment Corporation	January, 2004	AEON Kasuihama Shopping Center	Shopping Center	2003	Local Metropolis	Fukuoka-shi Higashi-ku Fukuoka	13,300	6.2%	20
Japan Retail Fund Investment Corporation	December, 2004	Itabashi SATY	Shopping Center	2000	Central Tokyo	Itabashi-ku Tokyo	12,400	5.4%	12
MORI TRUST Sogo Reit, Inc.	July, 2004	Ito Yokado Shim-Urayasu	Shopping Center	2000	Tokyo Suburb	Chiba-shi Urayasu-shi Chiba	12,150	5.3%	16
Japan Retail Fund Investment Corporation	September, 2004	BIG CAMERA Tachikawa	Retail Building	1970	Tokyo Suburb	Tachikawa-shi Tokyo	11,920	5.5%	10
Japan Retail Fund Investment Corporation	March, 2005	JUSCO CITY Takatsuki	Shopping Center		Local City	Takatsuki-shi Osaka	11,700	6.0%	21
United Urban Investment Corporation	November, 2004	Diamond City Kumamoto Shopping Center	Shopping Center	1997	Rural	Kumamoto-shi Shimomotsuki-gun Kumamoto	11,100	7.2%	

J-REIT	Transaction	Building Name	Type	Const ruction	Location	Address	Price (mil Yen)	CAP rate	Leasing Period of Key Tenant
Frontier Real Estate Investment 20 Corporation	August, 2004	Joyful Town Okayama	Shopping Center	1998	Local City	Okayama Okayama-shi	11,000	7.7%	20
Japan Retail Fund Investment 21 Corporation	June, 2005	JUSCO Naha	Shopping Center	1993	Local City	Okinawa Naha-shi	10,700	6.1%	10
KENEDIX Realty Investment 24 Corporation	June, 2005	Jinmazaka Frame	Retail Building	2005	Tokyo CBD	Tokyo Shibuya-ku	9,900	5.3%	20
25 TOKYU REIT, Inc.	July, 2004	Beacon Hill Plaza	Shopping Center	1998	Tokyo Suburb	Yokohama-shi Kanazawa-ku	9,520	5.0%	20
Frontier Real Estate Investment 27 Corporation	August, 2004	Joyful Town Hadano	Shopping Center	1995	Local City	Kanagawa Hadano-shi	9,300	6.8%	20
Japan Retail Fund Investment 28 Corporation	January, 2004	AEON Sapporo Maehi Shopping Center	Shopping Center		Local Metropolis	Sapporo-shi Higashi-ku	9,260	6.2%	30
Japan Retail Fund Investment 29 Corporation	January, 2004	AEON Higashiura Shopping Center	Shopping Center	2001	Rural	Aichi Chita-gun	6,700	6.3%	27
Fukuoka REIT Investments Co., 30 Ltd.	April, 2005	SUNLIVE City Kokura	Shopping Center	2005	Local Metropolis	Kita-Kyushu-shi Kokura-Minami-ku	6,630	6.6%	20
Japan Retail Fund Investment 31 Corporation	February, 2005	Tobata SATY	Shopping Center		Local Metropolis	Kita-kyushu-shi Tobata-ku	6,290	6.6%	20
Japan Retail Fund Investment 32 Corporation	February, 2005	SEIYU Hibangaoaka	Super Market		Tokyo Suburb	Tokyo Nishi-Tokyo-shi	6,100	7.6%	30
Japan Prime Realty Investment 33 Corporation	March, 2005	Benetton Shinsai-bashi Building	Retail Building	2003	Local Metropolis	Osaka Osaka-shi Chuo-ku	5,430	4.0%	30
United Urban Investment 34 Corporation	September, 2004	Re-LAND Shopping Center	Super Market	1998	Tokyo Suburb	Chiba Funabashi-shi	5,200	6.9%	20
25 TOKYU REIT, Inc.	July, 2004	Barny's New York Yokohama	Retail Building	1993	Tokyo Suburb	Kanagawa Yokohama-shi Naka-ku	5,050	7.2%	20
Japan Retail Fund Investment 36 Corporation	June, 2004	Ito Yokado Tsunashima	Shopping Center	1982	Tokyo Suburb	Kanagawa Yokohama-shi Kohoku-ku	5,000	6.1%	10
Frontier Real Estate Investment 37 Corporation	August, 2004	PAPILLON-PLAZA	Shopping Center	1993	Local Metropolis	Fukuoka-shi Hakata-ku	4,810	8.0%	
38 Crescend Investment Corporation	November, 2004	EMS Harajuku	Retail Building	1970	Tokyo CBD	Tokyo Shibuya-ku	4,760	5.2%	
Joint Reit Investment 39 Corporation	June, 2005	Rinku Hakuzakaki Plaza	Shopping Center		Local City	Osaka Tajiri-machi	4,697	6.0%	20

J-REIT	Transaction	Building Name	Type	Const ruction	Location	Address	Price (mil Yen)	CAP rate	Leasing Period of Key Tenant
40 Japan Prime Realty Investment Corporation	December, 2004	Strasse Ichiban-cho	Retail Building	2002	Local Metropolis	Miyagi Sendai-shi Aoba-ku	4,200	5.3%	10
41 Japan Retail Fund Investment Corporation	June, 2005	JUSCO CITY Yagoto	Shopping Center	1993	Local Metropolis	Aichi Nagoya-shi Showa-ku	3,700	7.0%	20
42 Japan Retail Fund Investment Corporation	January, 2004	Hansjuku FACE Building	Retail Building	1985	Tokyo CBD	Tokyo Shibuya-ku	2,770	5.6%	2-3
43 Japan Retail Fund Investment Corporation	February, 2005	Jiyugaoka 8953 Building	Retail Building	2005	Central Tokyo	Tokyo Meguro-ku	2,700	5.2%	10 and 2-3
44 ORIX JREIT Inc.	March, 2004	CUBE Daikanyama	Retail Building	2003	Tokyo CBD	Tokyo Shibuya-ku	2,435	5.4%	6
45 Japan Prime Realty Investment Corporation	September, 2004	SS Daikanyama	Retail Building	2002	Tokyo CBD	Tokyo Shibuya-ku	2,160	4.5%	
46 Frontier Real Estate Investment Corporation	April, 2005	Bell Town Tsuruguchi Ekimae	Shopping Center	2005	Local Metropolis	Kyoto Shimokyo-ku	2,130	7.1%	20
47 Japan Prime Realty Investment Corporation	November, 2004	Kyupo La Main Building	Super Market	2006	Tokyo Suburb	Saitama Kawaguchi-shi	2,100	6.5%	20
48 Frontier Real Estate Investment Corporation	August, 2004	Karuikegai Tokyu Store	Super Market	2002	Central Tokyo	Tokyo Ota-ku	1,490	6.3%	
49 Joint Reit Investment Corporation	June, 2005	b-town Jingu-mae II	Retail Building	2005	Tokyo CBD	Tokyo Shibuya-ku	1,043	4.7%	6
50 Japan Retail Fund Investment Corporation	December, 2004	Kita-Aoyama 8953 Building	Retail Building	2005	Tokyo CBD	Tokyo Minato-ku	989	5.4%	5
51 Japan Retail Fund Investment Corporation	April, 2004	ESQUISSE Omotesando Annex	Retail Building	1997	Tokyo CBD	Tokyo Shibuya-ku	860	5.5%	3
52 TGR Investment Inc.	April, 2004	Wakore Honan-cho Building	Retail Building	1992	Central Tokyo	Tokyo Suginami-ku	650	6.5%	
53 TGR Investment Inc.	January, 2005	Impenal Higashi-Kurume Building D	Retail Building	1989	Tokyo Suburb	Tokyo Higashi-Kurume-shi	349		

Data Source: Publicly Announced Information by the J-REITs

Appendix L: New Developed Shopping Centers in 2004

Open	Shopping Center	Location	Developer	Total Floor Area (m <sup>2</sup> )	Key Tenant	Type
1 Feb	Cent City Kitakyushu	Fukuoka	Kita-Kyushu Metropolitan Development*	46,282	ISETAN	Department Store
2 Feb	ACT AMORE	Osaka	ACT AMORE Administrative Association*	16,505	Heiwado	Super Market
3 Mar	DIAMOND CITY Hana	Kyoto	DIAMOND CITY CO., Ltd	29,000	JUSCO	Shopping Center
4 Mar	Miyakonono Damam Center Mall	Miyagi	Oura*	6,700		
5 Mar	AEON Ujina Shopping Center	Hiroshima	AEON Co., Ltd.	31,533	JUSCO	Shopping Center
6 Mar	Tosu Premium Outlet R.	Saga	CHELSEA JAPAN CO., LTD.	18,400		
7 Mar	Outlet Concert Nagae	Chiba	Nagae Shopping Resort*	14,417		
8 Mar	LALA Garden Tsukuba	Ibaraki	Mitsui Fudosan Co., Ltd.	17,854		
9 Mar	amagotta	Hyogo	Mori Timber Industry*	11,000	Le Halle	Super Market
10 Mar	DIAMOND CITY SOLEIL	Hiroshima	DIAMOND CITY CO., Ltd	64,500	JUSCO	Shopping Center
11 Mar	COREDO Nihonbashi	Tokyo	Mitsui Fudosan Co., Ltd.	10,300		
12 Mar	MARITIME PLAZA Takamatsu	Kagawa	Symbol Tower Development*	6,027		
13 Apr	Stellar Town	Saitama	Mitsui Fudosan Co., Ltd.	53,700	Ito Yokado	Shopping Center
14 Apr	DIAMOND CITY ARURU	Nara	DIAMOND CITY CO., Ltd	36,000	JUSCO	Shopping Center
15 Apr	FEURE Chitose	Hokkaido	Hokkaido Airport Terminal Co., Ltd.	3,250		
16 Apr	AEON Kanagaya Shopping Center	Chiba	AEON Co., Ltd.	26,777	JUSCO	
17 Apr	YuuSui/Chi Sankitei	Kanagawa	TOKYU CORPORATION	3,120		
18 Apr	LALA Terrace Minami-Senju	Tokyo	Mitsui Fudosan Co., Ltd.	9,202	Keisei Store	Super Market
19 Apr	Revel Oji	Nara	Oji Urban Development*	12,496	SEIYU	Super Market
20 Apr	SEIYU Fussa	Tokyo	The SEIYU Co., Ltd.	19,646	SEIYU	Super Market
21 Apr	Ito Yokado Tsukumo	Osaka	Ito Yokado Co., Ltd.	19,500	Ito Yokado	Shopping Center
22 Apr	APITA Yamato Koriyama	Nara	UNY Co., Ltd.	33,068	APITA	Shopping Center
23 Apr	AEON Asahikawa-Nishi Shopping Center	Hokkaido	AEON Co., Ltd.	61,343	JUSCO	Shopping Center
24 May	AEON Town Minami-Kazahara Shopping Center	Okinawa	Ryukyu JUSCO Co., Ltd.	29,564	JUSCO	Shopping Center
25 Jun	DIAMOND CITY LUCLE	Fukuoka	DIAMOND CITY CO., Ltd	55,400	JUSCO	Shopping Center
26 Jun	Yume Town Hikarino Mori	Kumamoto	IZUMI Co., Ltd.	44,473	Yume Town	Shopping Center
27 Jun	DIAMOND CITY KIRJO	Aichi	DIAMOND CITY CO., Ltd	48,500	JUSCO	Shopping Center
28 Jun	Wakaba Walk	Saitama	YAKO Co., Ltd.	29,764	Yaoko	Super Market
29 Jul	MALLAGE Kasuwa	Chiba	Sojitz Corporation	47,000		
30 Jul	Green Marche	Tokyo	Human Eco*	10,800		
29 Jul	MALLAGE Kasuwa	Chiba	Sojitz Corporation	47,000		

	Open	Shopping Center	Location		Developer	Total Floor Area (m <sup>2</sup> )	Key Tenant	Type
30	Jul	Green Marche	Tokyo	Koto-ku	Human Eco*	10,800		
31	Aug	AEON Ueda Shopping Center	Nagano	Ueda-shi	AEON Co., Ltd.	29,474	JUSCO	Shopping Center
32	Aug	AEON Shitoto Shopping Center	Shizuoka	Hamamatsu-shi	AEON Mall Co., Ltd.	65,322	JUSCO	Shopping Center
33	Sep	Yume Town Kure	Hiroshima	Kure-shi	IZUMI Co., Ltd.	25,508	Yume Town	Shopping Center
34	Sep	Marunouchi Oazo	Tokyo	Chiyoda-ku	MITSUBISHIESTATE CO., LTD.	15,400		
35	Sep	AMU Plaza Kagoshima	Kagoshima	Kagoshima-shi	Kagoshima Terminal Building*	32,400		
36	Sep	Ito Yokado Akashi	Hyogo	Akashi-shi	Ito Yokado Co., Ltd.	31,000	Ito Yokado	Shopping Center
37	Sep	COCOON Shin-Toshin	Saitama	Saitama-shi Omiya-ku	KATAKURA INDUSTRIES CO., LTD.	23,000		
38	Sep	Marunouchi My Plaza	Tokyo	Chiyoda-ku	Meiji Yasuda Life Insurance Company	6,102		
39	Sep	BiVi Fukuoka	Fukuoka	Fukuoka-shi Chuo-ku	DAIWA KOSHO LEASE CO., LTD.	27,742		
40	Sep	Lavista Shin-Sugita	Kanagawa	Yokohama-shi Isogo-ku	Shin-Sugita Urban Development*	15,764	SUZUKIYA CO., LTD.	Super Market
41	Oct	FUJI GRAND Midori	Hiroshima	Hiroshima-shi Asa-Minami-ku	FUJI Co., Ltd	26,670	Grand Fuji	Shopping Center
42	Oct	Bell Mall	Tochigi	Utsunomiya-shi	Suzunao*	56,800	Ito Yokado	Shopping Center
43	Oct	Hilton Plaza West	Osaka	Osaka-shi Kita-ku	Yoshimoto Dai-ri Building	17,963		
44	Oct	Clefy Saunomiya	Hyogo	Kobe-shi Chuo-ku	Yasuda Real Estate Co., Ltd.	4,510		
45	Oct	FICASSO 347	Tokyo	Shibuya-ku	Unimatrelaty co., ltd.	8,467		
46	Oct	DIAMOND CITY prou	Osaka	Sakai-shi	DIAMOND CITY CO., ltd	55,000	JUSCO and Hanyu Department Store	Shopping Center
47	Nov	Posful Iwamizawa	Hokkaido	Iwamizawa-shi	Posful CORP.	18,500	Posful	Shopping Center
48	Nov	HERBIS PLAZA ENT	Osaka	Osaka-shi Kita-ku	Hanshin Electric Railway Co., Ltd.	51,000		
49	Nov	AEON Rinku Sennan Shopping Center	Osaka	Osaka-shi Sennan-ku	AEON Mall Co., Ltd.	77,026	JUSCO	Shopping Center
50	Nov	AEON Higashi-Narashino Shopping Center	Chiba	Narashino-shi	AEON Co., Ltd.	11,317	MAX Value	Super Market
51	Nov	Hamamatsu Plaza FRESPO	Shizuoka	Hamamatsu-shi	DAIWA KOSHO LEASE CO., LTD.	11,200		
52	Nov	tira 21	Saitama	Kunagaya-shi	tira 21*	8,130		
53	Nov	LaLaport Koshien	Hyogo	Nishinomiya-shi	Mitsui Fudosan Co., Ltd.	46,398	Ito Yokado	Shopping Center
54	Nov	APITA Naruni	Aichi	Nagoya-shi Midori-ku	UNY Co., Ltd.	22,270	APITA	Shopping Center
55	Nov	APITA Hida Takayama	Gifu	Yoshiki-gun Kokufu-cho	UNY Co., Ltd.	17,904	APITA	Shopping Center
56	Nov	AEON Yatsushiro Shopping Center	Kumamoto	Yatsushiro-shi	AEON Kyushu Co., Ltd.	27,755	JUSCO	Shopping Center
57	Dec	Vivit Square	Chiba	Funabashi-shi	Pacific Malls KK	52,800		
58	Dec	Tokyo International Airport (Haneda) Terminal 2	Tokyo	Ota-ku	Japan Airport Terminal Co., Ltd.	8,100		

	Open	Shopping Center	Location		Developer	Total Floor Area (m <sup>2</sup> )	Key Tenant	Type
59	Dec	Ito Yokado Kokuryo	Tokyo	Chofu-shi	IY Real Estate*	12,570	Ito Yokado	Shopping Center
60	Dec	AEON Himeji Otsu Shopping Center	Hyogo	Himeji-shi	AEON Co., Ltd.	48,119	JUSCO	Shopping Center
61	Dec	Ito Yokado Omori	Tokyo	Ota-ku	Ito Yokado Co., Ltd.	14,980	Ito Yokado	Shopping Center
62	Dec	AEON Yono Shopping Center	Saitama	Saitama-shi Chuo-ku	AEON Co., Ltd.	52,205	JUSCO	Shopping Center

\* Developer name translated by the author

Data Source: Japan Council of Shopping Centers



Appendix M: Transactions of Buildings before Completion since 2004

Building	Type	Buyer	Buyer's relation to the seller	Seller	City	Price (mil Yen)	Floor		Completion	NOI Return
							1	2		
1 Tokyo Station Yaesu Project East Tower	Office, Retail	KOKUSAI KANKO KAIKAN CO., Ltd	Project Partner	Mitsui Fudosan Co., Ltd.	Tokyo	10,827	4	43	2007	
2 Urawa PARCO	Retail	Japan Retail Fund Investment Corporation	Non-affiliated	(Y) Urawa Stream* (SFC of OBAYASHI CORPORATION)	Saitama	27,320	4	10	2007	5.0%
3 Kyropo La Main Building	Retail	Japan Prime Realty Investment Corporation	Affiliated	TAISEI Corporation	Saitama	2,100	1	8	2006	6.5%
4 Ex-Nagoya Factory Redevelopment Project	Retail	Frontier Real Estate Investment Corporation	Affiliated	Japan Tobacco Inc.	Aichi	24,100	0	5	2006	5.6%
5 NEF Higashi Ginza Square	Office, Retail	Nippon Building Fund	Non-affiliated	MORIMOTO Co., LTD. & Shinko Real Estate*	Tokyo	5,200	1	9	2005	5.4%
6 A home center in Nishi-Hashimoto	Retail	Rising Star 1 TMK* (TMK of Mitsubishi Corporation)	Non-affiliated	Kohman Shoji Co., Ltd.	Kanagawa	6,200	0	4	2005	
7 Jiyugaoka 8953 Building	Retail	Japan Retail Fund Investment Corporation	Non-affiliated	(Y) Sanno Holdings* (SFC of KENEDIX/Kennedy Wilson Japan))	Tokyo	2,700	1	3	2005	5.2%
8 Konan Home Center Ichikawa	Retail	Beecock & Brown Japan Property Trust (Austrian REIT)	Non-affiliated	Kohman Shoji Co., Ltd.	Chiba	10,300	0	2	2005	5.6%
9 Beal Town Tanpaguehi Ekmae	Retail	Frontier Real Estate Investment Corporation	Affiliated	Japan Tobacco Inc.	Kyoto	2,130	0	4	2005	7.1%
10 Round Cross Shinjuku	Office, Retail	ORIX JREIT Inc.	Affiliated	ORIX Real Estate Corporation	Tokyo	8,020	2	9	2005	4.8%
11 SUNLIVE City Kokura	Retail	Fukuoka REIT Corporation	Non-affiliated	SUNLIVE	Fukuoka	6,630	0	4	2005	6.6%
12 Italian Culture Center Building	Office	Simplex Investment Advisors, Inc.	Non-affiliated	Italian Government	Tokyo	9,000	2	12	2005	
13 Shinagawa Seaside East and West Towers	Office, Retail	The Government of Singapore Investment Corporation Pte Ltd	Non-affiliated	Kajima Corporation	Tokyo	42,500	1	23	2004	
14 Hamanatsu-cho 1-clone Project	Office	(Y) Hamanatsubo Tower		TC Properties (a subsidiary of TOKYU CORPORATION)	Tokyo	21,400	1	20	2004	4.6%
15 Toranomon Kotohira Tower	Office	Nippon Building Fund	Non-affiliated	Toranomon Kotohira Kaikan Building*	Tokyo	6,043	3	26	2004	4.9%

Data Source: Nikkei Fudosan Market Information and various news  
 \* a. researched or calculated by the author and b. sourced from "Nikkei Business Market", Nikkei Business Publications, Inc.

Appendix N: Recent Projects by Shimizu Corporation since 2004

Project	Location	Usage	Total Floor Area*	(Expected) Completion	(Expected) Buyer	(Expected) Price (Yen)	Disposition Through	Remarks
1 Toyosu IST Building	Central Tokyo	Office	A	Sep. 2004	J-REITs or others	Below 50 billion	Bid after the operational period less than one year	The key tenant: IBM Japan
2 Toyosu TX Building	Central Tokyo	Office	A	Dec. 2005	Unsettled	Unsettled	Unsettled	The key tenant: Ishikawajima-Harima Heavy Industries (Publicly traded company at the Tokyo Stock Exchange)
3 USJ Hotel	Osaka	Hotel	A	Jul. 2005	Unsettled	Unsettled	Unsettled	Joint Project with CITI Lease, 600 rooms, Operator: MITSUI KANKO DEVELOPMENT CO.,LTD.
4 Sakuragaoka Condominium	Central Tokyo	Residential	C	Apr. 2004	Condo developer	Between 1 and 3 billion	Bid before the commencement of the construction	
5 Roppongi Rental Apartment	Tokyo CBD	Residential	A	Feb. 2006	Condo developer	Between 5 and 10 billion	Bid before the commencement of the construction	
6 Shinjuku Rental Apartment	Tokyo CBD	Residential	B	Sep. 2007	Unsettled	Unsettled	Unsettled, but will be sold after the 5-year operation	
7 Makuhari New-Metropolis H2 Block	Tokyo Suburb	Residential	A	Mar. 2007	Individuals	N/A	Individual condo owners	Joint project with Mitsui Fudosan
8 Shopping Mall Project A	Hokkaido	Retail	B	Mar. 2005	Unsettled	Unsettled	Unsettled	Joint investment with a foreign investor
9 Office Project A	Tokyo CBD	Office	A	Aug. 2008	Unsettled	Unsettled	Unsettled	Joint project with a Japanese developer
10 Office Project B	Tokyo Suburb	Office	B	Dec. 2007	Unsettled	Unsettled	Unsettled	Partial ownership. The key tenant has already determined.
11 Office Project C	Central Tokyo	Office		unsettled	Unsettled	Unsettled	Unsettled	
12 Office Project D	Tokyo CBD	Office	C	May. 2007	N/A	N/A	N/A	Long-term hold by Shimizu
13 Office Project E	Tokyo CBD	Office	B	Oct. 2007	SFC established by a foreign investor	Between 5 and 10 billion	Private contract	Purchase commitment from a foreign investor after the completion
14 Shopping Mall Project B	Osaka	Retail	A	Dec. 2006	J-REIT	Unsettled	Unsettled	Master-leased by a shopping mall developer
15 Retail Building Project A	Sendai	Retail	B	Sep. 2008	Unsettled	Unsettled	Unsettled	Partial ownership. The key tenant has already determined.

\* A: more than 30,000 m<sup>2</sup>, B: 10,000 - 30,000 m<sup>2</sup>, and C: below 10,000 m<sup>2</sup>

## Appendix O: PFI Projects

Project	Government	Location		Type*	Representative Company	Construction Company	Construction Period	Operational Period	Price (mil Yen)**
Chita & Other Four Filtration Plant Waste Water System	Prefecture	Aichi	Chita-shi etc.	BTO			2006 4 - 2008 1	2008 2 - 2026 3	
Toyokawa Takarai Sanitary Association Funeral Hall	Toyokawa Takarai Sanitary	Aichi	Mitsu-machi	BOT	Toenec	Toa	2004 4 - 2006 3	2006 4 - 2025 3	5,363
Nakata & Chigusa-Higashi Public Official's Apartment	National	Aichi	Nagoya-shi	BTO	Nippon Steel	Konoike	2003 12 - 2005 11	2005 12 - 2013 3	7,085
Nagoya Harbor Garden Pier East Green Zone	Nagoya Harbor Administraion Association	Aichi	Nagoya-shi	BTO/ BOT/ ROT	Cest la vie Resort		2004 6 - 2005 3	2005 4 - 2020 3	
Aichi Forest Park Golf Course	Prefecture	Aichi	Nagoya-shi	BOT	Wood Friends	Dainippon-Doboku	2005 4 - 2007 3	2007 4 - 2027 3	
Narumi Factory	Municipal	Aichi	Nagoya-shi	BTO	Nippon Steel	Nippon Steel	2005 4 - 2009 6	2009 7 - 2029 6	42,950
Okazaki Genki Town Hall	Municipal	Aichi	Okazaki-shi	BTO			2006 6 - 2008 1	2008 3 - 2033 3	
Takahama New Type Care House	Municipal	Aichi	Takahama-shi	BTO	Asahi Sun Clean		2003 6 - 2004 3	2004 4 - 2024 3	238
New Recycle Center	Municipal	Aichi	Tawara-shi/Atsumi-machi	BOT	Nihon Garasu Kogyo	Taisei	2003 4 -	- 2020 3	5,933
Togo-machi New Elementary School	Municipal	Aichi	Togo-machi	BTO	Daiwa Kosho Lease	Matsui	2005 8 - 2007 3	2007 4 - 2022 3	2,744
Toyohashi Recycle Center Waste Heat Utilizing Facility	Municipal	Aichi	Toyohashi-shi	BTO			2005 12 - 2007 9	2007 10 - 2022 9	
Odate Waste Disposal Facility	Odate Region Municipal	Akita	Odate-shi	BOO	Hitachi Zosen	Hitachi Zosen	2003 10 - 2005 5	2005 6 - 2023 5	
Juvenile Naturing Camp	Municipal	Chiba	Chiba-shi	BTO	Itochu		2003 1 - 2005 2	2005 4 - 2020 3	11,735
Chiba Cosumer Life Center	Municipal	Chiba	Chiba-shi	BOT	Maeda	Maeda	2001 10 - 2002 8	2002 9 - 2031 9	2,222
Chiba Police Headquarters	Prefecture	Chiba	Chiba-shi	BTO			2006 4 - 2009 5	2009 6 - 2029 3	
Oomiyama School Lunch Center	Municipal	Chiba	Chiba-shi	BOT	Kajima	Kajima	2004 4 - 2005 1	2005 4 - 2020 3	8,477
Ichikawa Junior High School No. 7	Municipal	Chiba	Ichikawa-shi	BTO	Taisei	Taisei	2003 3 - 2004 12	2004 9 - 2021 3	3,414
Ichikawa Clean Center Waste Heat Utilizing Facility	Municipal	Chiba	Ichikawa-shi	BOT	Daiwa Kosho Lease		2003 12 - 2005 10	2005 11 - 2020 10	2,700
Ichikawa Care House	Municipal	Chiba	Ichikawa-shi	BTO	Taisei	Taisei	2003 3 - 2004 12	2005 1 - 2020 3	1,006
Kashiwa Hospital	Municipal	Chiba	Kashiwa-shi	BTO			2005 12 - 2008 1	2008 2 - 2028 3	
The University of Tokyo, Kashiwa Environment Studies Research Center	University	Chiba	Kashiwa-shi	BTO	Taisei	Taisei	2003 7 - 2005 12	2006 4 - 2018 3	5,926
Edogawa Filtration Plant Waste Water System	Prefecture	Chiba	Matsudo-shi	BTO	Fuji Elecyric Systems	Maeda	2005 3 - 2007 9	2007 10 - 2027 9	8,941
Shin-Urayasu Station-Front Complex Building	Municipal	Chiba	Urayasu-shi	BTO	Nishimatsu	Nishimatsu	-	-	6,194
Chidori School Lunch Center	Municipal	Chiba	Urayasu-shi	BTO	Toyo Foods	Kajima	2005 4 - 2006 1	2006 4 - 2021 3	9,451
Kayata Elementary School	Municipal	Chiba	Yachiyo-shi	BTO			2005 10 - 2007 2	2007 3 - 2022 3	
Japanese Embassy In Egypt	National	Egypt	Cairo	BTO	Taisei	Taisei	2005 3 - 2007 2	2007 3 - 2025 3	4,400
National Hospital Organization Shikoku Cancer Center Employee's Apartment	National Hospital	Ehime	Matsuyama	BTO	Toda	Toda	2004 12 - 2006 12	2006 4 - 2026 3	1,185
Oi-machi Cultural Exchange Center	Municipal	Fukui	Oi-machi	BTO			2005 9 - 2008 3	2008 4 - 2023 3	
Sabae Cultural Exchange Center	Municipal	Fukui	Sabae-shi	BTO			-	-	
Sabae-Station Parking Space	Municipal	Fukui	Sabae-shi	BOT	AMS		2003 1 - 2003 3	2003 4 -	
Sabae Care House	Municipal	Fukui	Sabae-shi	BTO			-	-	
Fukuoka Waterfront Factory Waste Heat Utilizing Facility	Municipal	Fukuoka	Fukuoka-shi	BOT	Ooki	Ooki	2001 2 - 2002 3	2002 4 - 2017 3	1,190
Kyushu University, Motooka Life Support Center	University	Fukuoka	Fukuoka-shi	BTO	Mitsubishi Corp.	Nishimatsu	2005 5 - 2006 7	2006 4 - 2019 3	2,250
Kyushu University, Maidashi Research Center	University	Fukuoka	Fukuoka-shi	RO/ BTO/ BOO	Obayashi	Obayashi	2005 5 - 2008 4	2005 8 - 2019 3	3,869
Kyushu University, Motooka Research & Educational Center	University	Fukuoka	Fukuoka-shi	BTO	Mitsubishi Corp.	Nishimatsu	2003 6 - 2006 5	2006 6 - 2018 3	13,589
Hibiki Container Terminal	Municipal	Fukuoka	Kita-Kyushu-shi	BOT	PSA		2003 -	- 2029 3	
New-Kita-Kyushu Airport Parking Sapce	National	Fukuoka	Kita-Kyushu-shi	BOT	Toneri Planning		2005 6 - 2006 1	2006 3 - 2021 3	
Koharu Septic Tanks	Municipal	Fukuoka	Koharu-cho	BTO	Matsumura Sangyo	Matsumura Sangyo	2004 4 - 2011 3	2004 4 - 2014 3	
Iwaki Cultural Exchange Center	Municipal	Fukushima	Iwaki-shi	BTO	Shimizu	Shimizu	2005 1 - 2008 3	2008 4 - 2023 3	17,349
Gifu University Research Center	University	Gifu	Gifu-shi	BTO	Konoike	Konoike	2003 7 - 2005 1	2005 4 - 2018 3	2,709

Project	Government	Location		Type*	Representative Company	Construction Company	Construction Period	Operational Period	Price (mil Yen)**
Hadori Citizen Pool	Municipal	Gifu	Hadori-shi	BOT	Dolfin		-	2002 7 - 2012 6	
Kani School Lunch Center	Municipal	Gifu	Kani-shi	BTO	Toa	Toa	2005 4 - 2007 3	2007 4 - 2020 3	2,427
Funairi Public Official's Apartment	National	Hiroshima	Hiroshima-shi	BTO	Hiroshima PFI Investment &	Tokai Kogyo	2005 1 - 2007 1	2007 2 - 2014 3	1,706
Kishima Area Boat Park	Prefecture	Hiroshima	Hiroshima-shi	BOT			2005 9 - 2007 9	2007 10 - 2027 9	
Kaniyasu Rental Apartments	Prefecture	Hiroshima	Hiroshima-shi	BTO	Mitsui & Co	Fujita	2003 7 - 2005 7	2005 8 -	
Kabe High School Transference	Prefecture	Hiroshima	Hiroshima-shi	BTO			2006 1 - 2007 12	2008 4 - 2028 3	
Kure Funeral Hall	Municipal	Hiroshima	Kure-shi	BTO	Obayashi	Obayashi	2004 4 - 2006 7	2006 4 - 2026 3	4,520
Marine Defence Force Kure History Museum	National	Hiroshima	Kure-shi	BTO	Hitachi	Kajima & Onogi Kenkou	2005 4 - 2007 3	2007 4 - 2014 3	3,028
Otake Bicycle Parking Space	Municipal	Hiroshima	Otake-shi	BOT	Rezevelopment Promotion	Muramoto	2004 12 - 2005 3	2005 4 -	
Saka Area Apartment	Municipal	Hiroshima	Saka-machi	BTO	Fujita	Fujita	2005 2 - 2006 3	2006 4 - 2026 3	1,988
Rumoi General Waste Disposal Facility	Municipal	Hokkaido	Rumoi-cho	BOT	Taisei	Taisei & Ito Doken	2002 8 - 2004 3	2004 4 - 2021 4	2,485
Sapporo Funeral Hall No.2	Municipal	Hokkaido	Sapporo-shi	BOT	Toa	Toa	2003 4 - 2006 3	2006 4 - 2026 3	18,549
Horokita Public Official's Apartment	National	Hokkaido	Sapporo-shi	BTO	Shimizu	Shimizu	2004 12 - 2007 1	2007 2 - 2014 3	5,169
Hokkaido University, Environment Science Bio-Science Research Center	University	Hokkaido	Sapporo-shi	RO	Taisei	Taisei & Ito Doken	2005 4 - 2018 9	2006 5 - 2019 3	6,196
Sobetsu Septic Tanks	Municipal	Hokkaido	Sobetsu-cho	BTO	Takahashi Sanitary		2005 4 - 2011 12	2005 4 - 2014 3	
Tomakomai District Legal Affairs Bureau	National	Hokkaido	Tomakomai-shi	BTO	Iwakura	Iwakura	2004 - 2006 9	2006 10 - 2019 3	12,084
Wakkanai Waste Final Disposal Center	Municipal	Hokkaido	Wakkanai-shi	BTO	Obayashi	Obayashi	2005 10 - 2007 9	2007 10 - 2019 9	2,676
Volcano Bay Panorama Park Visitor Center	Prefecture	Hokkaido	Yagumo-machi	BTO/ BPT	Shimizu	Shimizu & Miyasaka	2004 7 - 2006 3	2006 4 - 2031 3	2,910
Amagasaki no Mori Central Green Zone Sports Facility	Prefecture	Hyogo	Amagasaki-shi	BTO	Kinki Ryoju	Karatani Komuten	2003 12 - 2006 5	2006 5 - 2023 3	8,974
Kakogawa Gymnasium	Municipal	Hyogo	Kakogawa-shi	BTO	Kobe Steel	Kajima	2003 1 - 2005 3	2005 3 - 2025 3	8,860
Kobe Central Wholesale Market	Municipal	Hyogo	Kobe-shi	BTO	Diamond Lease	Yoikami Kensetsu	2005 1 - 2009 3	2009 4 - 2034 3	16,838
Marinpier Kobe Fisheries	Municipal	Hyogo	Kobe-shi	BOO	Yamaha	Yamaha	2001 7 - 2001 9	2001 10 - 2022 3	
Maya Lodge	Municipal	Hyogo	Kobe-shi	RO/ BTO	Kajima	Kajima	2000 11 - 2001 3	2001 3 - 2019 3	
Kobe University, Parking Building for Medical Department Hospital	University	Hyogo	Kobe-shi	BOT	Maeda	Maeda	2004 4 - 2004 11	2004 12 - 2019 3	
Kobe University, Rokkodai Research Center	University	Hyogo	Kobe-shi	RTO			2006 4 - 2007 12	2007 1 - 2020 3	
Togayama Hot Spring Facility	Municipal	Hyogo	Yofu-shi	BTO	Kitai Sekkei	Tannan	2002 3 - 2002 11	2002 12 - 2017 11	
Michi No Eki Youka	Municipal	Hyogo	Yoka-shi	BTO			2006 3 - 2006 8	2006 9 - 2021 8	
Hitachi-Naka North Pier Public Container Terminal	Prefecture	Ibaraki	Tokai-mura	BOT	FSA	Uegumi	2000 5 -	-	15,700
University of Tsukuba, Life Science Animal Resource Center	University	Ibaraki	Tsukuba-shi	BTO	Hitachi	Kajima	2003 9 - 2006 3	2005 4 - 2018 3	3,985
Kanazawa Horse Race Stadium Energy Saving Equipment	Prefecture	Ishikawa	Kanazawa-shi	BTO	Sanki Kogyo	Sanki Kogyo & Yonezawa Denki Koji	2002 1 - 2002 3	2002 4 - 2011 3	40
Kanazawa University, Kakuma II Library	University	Ishikawa	Kanazawa-shi	BTO	Taisei	Taisei	2003 7 - 2005 2	2005 4 - 2018 3	3,443
Kanazawa University, Takara-machi Research Center	University	Ishikawa	Kanazawa-shi	BTO/ BOT/ RO	Shimizu	Shimizu & Asanuma	2005 6 - 2008 5	2006 4 - 2019 3	6,582
Clean Center No. 2	Prefecture	Iwate	Kunohe-mura	BOO			2006 7 - 2009	2009 - 2030	
Shibanami Septic Tanks	Municipal	Iwate	Shibanami-cho	BTO			2006 4 - 2011 3	2006 4 - 2016 3	
Information Technology Science Museum	Prefecture	Kagawa	Takamatsu-shi	BOT	Toppan Printing	Taisei	2003 4 - 2004 3	2004 4 - 2014 3	4,126
Ibusuki Cultural Exchange Hall	Prefecture	Kagoshima	Ibusuki-shi	BTO	Ooki	Ooki	2003 12 - 2004 7	2004 10 - 2019 9	365
Kagoshima University, Koorimoto Environment Bio Research Center	University	Kagoshima	Kagoshima-shi	RO	Tekken	Tekken & Taisei	2005 7 - 2008 2	2006 1 - 2019 3	4,632
Kanagawa Hygienic Laboratory	Prefecture	Kanagawa	Chigasaki-shi	BOT	Mitsubishi Corp.	Takenaka	2001 4 - 2003 3	2003 4 - 2033 3	21,948
Fujisawa Organic Matter Recycle Center	Municipal	Kanagawa	Fujisawa-shi	BTO	Okumura	Okumura	2005 4 - 2006 7	2006 8 - 2021 7	1,050
Marine Culture Experimental Education Facility	Prefecture	Kanagawa	Fujisawa-shi	BTO/ BOO	Orix	Taisei Service and Taisei Setsubi	2001 12 - 2004 7	2004 7 - 2034 3	2,191
Kanagawa Modern Art Museum New Building	Prefecture	Kanagawa	Hayama-machi	BOT	Itochu	Toda	- 2003 3	2003 4 - 2033 3	12,488
Yamazaki Area Indoor Warm Swimming Pool	Municipal	Kanagawa	Kamakura-shi	BOT	Okumura	Okumura	2004 -	- 2019	1,233
Kurokawa Area New Elementary & Junior High School	Municipal	Kanagawa	Kawasaki-shi	BTO			2006 7 - 2008 2	2008 4 - 2023 3	
Sanukawa Filtration Plant Waste Water System	Prefecture	Kanagawa	Sanukawa-machi	BTO/ RO	Tsukishima Kikai	Hitachi Zosen	2003 12 - 2006 3	2006 4 - 2026 3	14,965
Yokohama Sewerage Reformed Soil Plant	Municipal	Kanagawa	Yokohama-shi	BTO	Okutama Kogyo	Okutama Kogyo	2003 7 - 2003	2003 - 2014	414

Project	Government	Location		Type*	Representative Company	Construction Company	Construction Period	Operational Period	Price (mil Yen)**
Yokohama North Sewage Disposal Gas Power Generation Equipment	Municipal	Kanagawa	Yokohama-shi	BTO	JFE Engineering	JFE Engineering	2005 - 2007	2007 - 2027	
Totsuka Station West Urban Redevelopment	Municipal	Kanagawa	Yokohama-shi	BTO	Nishimatsu	Nishimatsu	2002 10 - 2003 10	2003 11 - 2007 4	1,929
Tokaichiba Elementary School	Municipal	Kanagawa	Yokohama-shi	BTO	Taisei	Taisei & Toshida	2005 9 - 2007 2	2007 4 - 2020 3	2,738
Yokohama Science Technology High School	Municipal	Kanagawa	Yokohama-shi	BTO			2006 2 - 2008 12	2009 4 - 2021 3	
Nagai Uminote Park	Municipal	Kanagawa	Yokosuka-shi	BTO/ BOT	Fam	Kajima	2004 4 - 2005 3	2005 4 - 2015 3	7,597
Mobile Telecommunications Test Center	Organization of National Institute of Information and Communications Technology	Kanagawa	Yokosuka-shi	BOO	Keihin Electric Express Railway		2002 7 - 2002 11	2002 12 - 2006 3	430
Kochi Medical Center	Kochi Hospital Association	Kochi	Kochi-shi	BTO/ BOT	ORIX	Takenaka, Taisei, and Fudo	2001 - 2004	2004 - 2031	25,930
Koshigaya Regional Funeral Hall	Municipal	Koshigaya	Koshigaya-shi	BTO	Obayashi	Obayashi	2003 9 - 2005 3	2005 3 - 2024	7,427
Maeshima Area Development Project	Municipal	Kumamoto	Kani-Amakusa-shi	BTO/ BOT			-	-	
Kumamoto University, Developmental Medical Research Center	University	Kumamoto	Kumamoto-shi	BTO	Obayashi	Obayashi	2003 10 - 2005 6	2005 7 - 2018 3	2,165
Kumamoto University, Kuokami-Minami Engineering Department School	University	Kumamoto	Kumamoto-shi	RO	Taisei	Taisei & Hazama	2005 4 - 2018 2	2006 2 - 2019 3	4,910
Comprehensive Health and Welfare Center	Municipal	Kumamoto	Kumamoto-shi	BTO			2006 4 - 2008 2	2008 4 - 2028 3	
Air Conditioner Installation in Schools in Kyoto-shi	Municipal	Kyoto	Kyoto-shi	BTO			- 2006 8	2006 8 - 2019 3	
Miike Junio High School	Municipal	Kyoto	Kyoto-shi	BTO	Diamond Lease	Takenaka	2004 6 - 2006 3	2006 4 - 2021 3	6,320
Earth Environment Research Center	University	Kyoto	Kyoto-shi	BTO	Nishimatsu	Nishimatsu	2003 7 - 2005 12	2006 4 - 2018 3	5,741
Kyoto University, Katsura Comprehensive Research Center V	University	Kyoto	Kyoto-shi	BTO	Diamond Lease	Takenaka	2003 8 -	2005 4 - 2018 3	10,897
Kyoto University, Naibu Research Center	University	Kyoto	Kyoto-shi	BTO	Shimizu	Shimizu	2003 6 -	2005 4 - 2018 3	2,120
Kyoto University, Agricultural Department Research Center	University	Kyoto	Kyoto-shi	RTO	Konoike	Konoike	2005 4 - 2009 3	2006 5 - 2019 3	9,448
Tsune Rental Apartments	Prefecture	Kyoto	Maizuru-shi	BTO	Toa	Toa	2005 7 - 2007	2007 8 - 2028 3	1,733
Kuwana Library	Municipal	Mie	Kuwana-shi	BOT	Kajima	Kajima	2002 8 - 2004 10	2004 10 - 2034 10	11,640
Yokkaichi Elementary & Junior High School	Municipal	Mie	Yokkaichi-shi	BTO	Taisei	Taisei	2004 6 - 2006 8	2005 11 - 2027 3	6,535
Furukawa Minami Junior High School	Municipal	Miyagi	Furukawa-shi	BTO	Sankei Building	Tokyu	2004 6 - 2006 1	2006 4 - 2021 3	2,656
Ishinomaki Fire Fighting Headquarters	Ishinomaki Regional Administration Association	Miyagi	Ishinomaki-shi	BTO			2006 1 - 2007 3	2007 4 - 2027 3	
Miyagino Cultural Center	Municipal	Miyagi	Sendai-shi	BTO			2006 6 - 2009 2	2009 3 - 2029 3	
Kameoka Public Official's Apartment	National	Miyagi	Sendai-shi	BTO			2006 2 - 2008 3	2008 3 - 2015 3	
Sandai New Astronomical Observatory	Municipal	Miyagi	Sandai-shi	BOT	Itochu	Toda	2005 6 - 2007 12	2008 7 - 2038 3	19,980
Citizen's Facility at Matsumori Factory	Municipal	Miyagi	Sandai-shi	BOT	Senken Kogyo	Senken Kogyo	2003 12 - 2005 3	2005 4 - 2020 3	3,630
Hohoku University, Sanjo Dormitory	University	Miyagi	Sandai-shi	BTO	Konoike	Konoike	2005 3 - 2007 2	2007 3 - 2019 3	2,490
Onyu Area Hot Spring Facility	Municipal	Nagano	Nagano-shi	BTO	Takizawa Kensetsu	Takizawa Kensetsu	2005 3 - 2006 3	2006 4 - 2021 3	2,186
Nagasaki Municipal Library	Municipal	Nagasaki	Nagasaki-shi	BTO	Kajima	Kajima	2005 6 - 2007 9	2008 1 - 2022 12	10,337
Nagaoka Indoor Pool	Prefecture	Niigata	Nagaoka-shi	BTO	Obayashi	Obayashi	2005 7 - 2008 6	2008 7 - 2023 3	11,300
Senior Center Shimanu	Municipal	Niigata	Nagaoka-shi	BOT	Meister Japan	Honma	2003 - 2004	2004 - 2023	1,095
Niigata Ryokufu-en	Prefecture	Niigata	Shibata-shi	BOO			2004 7 - 2006 3	2006 4 - 2016 3	
Oita Women & Consumer Life Center	Prefecture	Oita	Oita-shi	BOT	Nippon Steel City Produce		2002 1 - 2002 9	2002 10 - 2032 9	
Oita Tsurasaki Civil Administration Center	Municipal	Oita	Oita-shi	BTO	Kyudenko	Umeda	2004 4 - 2005 10	2005 11 - 2024 3	2,861
Oita Ueta Civil Administration Center	Municipal	Oita	Oita-shi	BTO	Kyudenko	Umeda	2004 4 - 2005 10	2005 11 - 2024 3	3,075
Comprehensive Learning Center	Prefecture	Okayama	Kibi-Chuo-machi	BTO	Toda	Toda	2004 4 - 2005 12	2006 4 - 2026 3	4,684
Kurashiki Recycling Waste Disposal Facility	Municipal	Okayama	Kurashiki-shi	BOO	Kawasaki Steel	Kawasaki Steel	2002 4 - 2005 3	2005 4 - 2025 3	
Okayama Research Park Incubation Center	Prefecture	Okayama	Okayama-shi	BTO	Obayashi	Obayashi	2002 4 - 2003 3	2003 4 - 2018 3	2,825
Toshinden Environment Center Waste Heat Utilizing Facility	Municipal	Okayama	Okayama-shi	BOT	Obayashi	Obayashi	2003 6 - 2004 3	2004 4 - 2019 3	1,966
Okayama East Waste Heat Utilizing Health Care Facility	Municipal	Okayama	Okayama-shi	BOT	Okayama Sports Kaikan	Hachiya Industry	2003 6 - 2004 7	2004 8 - 2019 7	
Comprehensive Welfare, Volunteer, & NPO Center	Prefecture	Okayama	Okayama-shi	RO	Diamond Lease	Takenaka	2003 6 - 2005	2005 - 2020 3	5,392
Higashi-Osaka Naka Fire Station	Municipal	Osaka	Higashi-Osaka	BTO			2005 1 - 2006 6	2006 7 - 2026 6	
Hirakata Public Official's Apartment	National	Osaka	Hirakata-shi	BTO	Obayashi	Obayashi	2004 1 - 2006 1	2006 2 - 2013 3	3,919
Ebisu Elementary School	Municipal	Osaka	Izumi-Otsu-shi	BTO	Obayashi	Obayashi	2004 6 - 2006 3	2006 4 - 2036 3	2,300
Healthy City with Water and Green Project	Prefecture	Osaka	Mino-shi	BTO/ BT/ BOO	Obayashi	Obayashi	2005 10 - 2007 9	2007 4 - 2016 3	13,212
Neyagawa Police Officer's Apartment	Prefecture	Osaka	Nayagawa-shi	BTO	Obayashi	Obayashi	2005 3 - 2010 9	2008 4 - 2038 3	13,767
Tsumori Sewage Disposal Gas Power Generation Equipment	Municipal	Osaka	Osaka-shi	BTO			2006 - 2007	2007 4 - 2017 3	
Sakai Recycling Waste Disposal Facility	Municipal	Osaka	Sakai-shi	BTO			2007 12 - 2011 3	2011 3 - 2031 3	
Esaka-Station South Parking Building	Prefecture	Osaka	Suita-shi	BOO	Nishimatsu	Nishimatsu	2002 7 - 2002 12	2002 12 -	
Tondabayashi Shibanami Septic Tanks	Municipal	Osaka	Tondabayashi-shi	BTO			2006 1 - 2011 3	2006 1 - 2016 3	
Osaka University, Ishibashi Student Cultural Exchange Center	University	Osaka	Toyonaka-shi	BTO			2003 7 - 2004 12	2005 4 - 2018 3	
Yao Municipal Hospital	Municipal	Osaka	Yao-shi	BOT	Mitsubishi Corp.		2003 7 - 2004 3	2004 4 - 2019 3	40,740
Osaka University, Suita 1 Research Center	University	Osaka	Suita-shi	RTO/ BOT	Shimizu	Shimizu & Odakyu	2005 5 - 2008 6	2006 4 - 2019 3	5,788

Project	Government	Location		Type*	Representative Company	Construction Company	Construction Period	Operational Period	Price (mil Yen)**
Imari School Lunch Center	Municipal	Saga	Imari-shi	BTO	Toa	Toa	2005 10 - 2006 8	2006 9 - 2021 8	1,966
Saitama Comprehensive Rehabilitation Center	Prefecture	Saitama	Ageo-shi	BOT	Energy Advance	Ebara	2003 8 - 2004 3	2004 4 - 2017 3	
Asaka Public Official's Apartment	National	Saitama	Asaka-shi	BTO			2006 3 - 2008 12	2009 1 - 2015 3	
Okubo Filtration Plant Waste Water System	Prefecture	Saitama	Saitama-shi	BTO			-	-	
Plaza North Project	Municipal	Saitama	Saitama-shi	BTO	Kajima	Kajima	2005 9 - 2008 3	2008 4 - 2023 3	14,948
Urawa Regional Governmental Office	Prefecture	Saitama	Saitama-shi	BOT	UFJ Central Leasing	Yamatake	2004 8 - 2005 3	2005 4 - 2014 3	
Lifelong Learning Center	Municipal	Saitama	Sugito-cho	BTO	Taisei	Taisei	2003 7 - 2005 10	2006 3 - 2026 3	
Ayanokuni Resource Recycling Factory	Prefecture	Saitama	Yorii-machi	BTO/BOO	ORIX Environment	Shimizu & UDK	2003 10 - 2006 9	2004 10 - 2023 10	
Asaka Filtration Plant & Misono Filtration Plant Regular Power Generation Equipment	Prefecture	Saitama/Tokyo	Asaka-shi / Itabashi-ku	BOO	Hitachi	Hitachi	2002 12 - 2004 12	2004 12 - 2024 12	53,940
Omi-Hachiman Citizen Hospital	Municipal	Shiga	Omi-Hachiman-shi	BOT	Obayashi	Obayashi	2003 1 - 2005 9	2005 10 - 2035 9	
Shiga 21 Hall	Prefecture	Shiga	Otsu-shi	BOT	Obayashi	Obayashi	2002 7 - 2004 3	2004 4 - 2034 3	8,153
Yasu Elementary School & Kindergarten	Municipal	Shiga	Yasu-shi	BTO	Daiwa Kosho Lease		2002 6 - 2003 1	2003 2 - 2023 1	3,622
Shimane Asahi Social Rejoinder Promotion Center	National	Shimane	Asahi-machi	BOT			2006 6 - 2008 3	2008 4 - 2026 3	
Shimane Mental Care Center	Prefecture	Shimane	Izumo-shi	BTO	Nakasuji-gumi	Nakasuji-gumi	2005 4 - 2007 9	2008 1 - 2023 1	8,850
Masuda Regional Clean Center	Masuda Region Municipal Governments Association	Shimane	Masuda-shi	BOT	Mitsubishi Heavy Industries	Mitsubishi Heavy Industries	2005 5 - 2008 3	2008 4 - 2023 3	8,000
Yakumo-mura School Lunch Center	Municipal	Shimane	Matsue-shi	BTO	Taisei	Taisei and Matsue Doken	2002 12 - 2002 8	2002 9 - 2032 8	989
Saien Area New High School	Prefecture	Shizuoka	Hamamatsu-shi	BTO	Shimizu	Shimizu	2004 10 - 2006 1	2006 2 - 2026 3	3,722
Hamamatsu New Waste Disposal Factory	Municipal	Shizuoka	Hamamatsu-shi	DBO/BOO			2006 7 - 2009	2009 - 2028	
Honeymoon Couple Apartment	Municipal	Shizuoka	Kabahara-machi	BTO/BOT			2005 6 - 2007 3	2007 4 - 2036 3	
Nagaizumi General Waste Disposal Facility	Municipal	Shizuoka	Nagaizumi-cho	BOT	Takuma	Asanuma	2004 4 - 2006 3	2006 4 - 2021 3	2,739
Chubu Driving Licence Center	Prefecture	Shizuoka	Shizuoka-shi	BTO			2006 4 - 2010 1	2010 5 - 2031 3	
Shizuoka Science Technology High School	Prefecture	Shizuoka	Shizuoka-shi	BTO			2006 8 - 2008 1	2008 1 - 2028 3	
Takenotsuka West Bicycle Parking Space	Municipal	Tokyo	Adachi-ku	BOT			2002 4 - 2003 3	2003 4 - 2004 4	
Central Joint Governmental Office No. 7	National	Tokyo	Chiyoda-ku	BTO	Nippon Steel	Taisei	2004 - 2007 9	2008 1 - 2034	88,271
Kudan Joint Governmental Office	National/Municipal	Tokyo	Chiyoda-ku	BTO	Shimizu	Shimizu	2004 - 2006	2006 - 2021 3	22,197
Diet Member's Office for the House of Representatives	National	Tokyo	Chiyoda-ku	BTO			2005 - 2012	2012 - 2030	
Diet Member's Office for the House of Councilors	National	Tokyo	Chiyoda-ku	BTO			2005 - 2012	2012 - 2030	
Chowa Elementary School	Municipal	Tokyo	Chofu-shi	BTO	Mitsui & Co	Kajima, Hazama and Hayashi	- 2002 7	2002 8 - 2039 3	4,379
Group Home for Senile Dementia	Municipal	Tokyo	Chuo-ku	BTO	Japan Care Service		2002 12 - 2003 12	2005 3 - 2025 3	
Fuchu Town Hall and Library	Municipal	Tokyo	Fuchu-shi	BTO			2005 12 - 2007 10	2007 10 - 2022 9	
Tama Regional Medical Center	Prefecture	Tokyo	Fuchu-shi	BTO			2006 9 - 2010 2	2010 3 - 2025 3	
Tama Regional Youth Plaza	Prefecture	Tokyo	Hachioji-shi	RO	Keio		2003 7 - 2005 3	2005 4 - 2015 3	6,449
Inagi Central Library	Municipal	Tokyo	Inagi-shi	BTO	NTT Data	Kumagai	2004 9 - 2006 6	2006 7 - 2026	3,892
Shimizu-machi Public Official's Apartment	National	Tokyo	Itabashi-ku	BTO			2005 12 - 2008 3	2008 3 - 2015 3	
Akabane Public Official's Apartment	National	Tokyo	Kita-ku	BTO	Nippon Steel	Fudo	2002 12 - 2004 11	2004 12 - 2012 3	
Ward Area Youth Plaza	Prefecture	Tokyo	Koto-ku	BOT	Obayashi	Obayashi	2002 12 - 2004 2	2004 3 - 2024 3	16,288
Akasaka Diet Member's Quarter	National	Tokyo	Minato-ku	BTO	Kajima	Kajima	2003 4 - 2006	2006 5 - 2032 3	33,393
National Graduate Institute for Policy Studies	University	Tokyo	Minato-ku	BTO	Obayashi	Obayashi	2003 6 - 2005 3	2005 3 - 2018 3	11,350
Egata no Mori	Municipal	Tokyo	Nakano-ku	BOO	Southern TOHOKU Social Welfare Foundation		2005 9 - 2006 12	2007 2 - 2037 1	
Morigasaki Sewerage Center Regular Power Generation System	Prefecture	Tokyo	Ota-ku	BTO	Tokyo Electric Power		2002 - 2004	2004 - 2024	9,670
Tokyo International Airport Terminal Building	National	Tokyo	Ota-ku	BOT			2006 6 - 2009 11	2009 12 - 2038 3	
Tokyo International Airport Freight Terminal Building	National	Tokyo	Ota-ku	BOT			2006 6 - 2009 11	2009 12 - 2039 3	
Tokyo International Airport Ramp	National	Tokyo	Ota-ku	BOT			2006 3 - 2009 9	2009 12 - 2035 3	
Mishuku Public Official's Apartment	National	Tokyo	Setagaya-ku	BTO	Shimizu	Shimizu	2003 12 - 2005 12	2006 1 - 2013 3	3,676
The University of Tokyo, Earthquake Research Center Building	University	Tokyo	Setagaya-ku	BTO	Shimizu	Shimizu	2003 7 - 2005 7	2005 11 - 2018 3	2,219
The University of Tokyo Komaba Open Laboratory	University	Tokyo	Setagaya-ku	BTO	Nippon Steel	Tekken	2003 7 - 2005 1	2005 4 - 2018 3	1,690
Tokyo University, Komaba Communication Plaza	University	Tokyo	Setagaya-ku	BTO/BOT	Kajima	Kajima	2005 2 - 2006 9	2006 4 - 2019 3	3,117
Komazawa & Ikejiri Public Official's Apartment	National	Tokyo	Setagaya-ku/Meguro-ku	BTO	Obayashi	Obayashi	2002 12 - 2004 11	2004 12 - 2012 3	7,370
Jingu-mae Revitalization Project	Prefecture	Tokyo	Shibuya-ku	BTO			2005 12 - 2009 3	2009 4 - 2024 3	
Suginami Town Hall	Municipal	Tokyo	Suginami-ku	BOT	Obayashi	Obayashi	2003 4 - 2006 6	2006 7 - 2036 3	25,852
Suginami New Type Care House	Municipal	Tokyo	Suginami-ku	BTO	Benesse Care		2002 10 - 2004 2	2004 3 - 2024 2	398
Igusa Care House, Nursing Intensified Type	Municipal	Tokyo	Suginami-ku	BTO	Nichi Gakkan		2004 10 - 2006 2	2006 3 - 2026 2	
Sunada Summary Court	National	Tokyo	Sunada-ku	BTO	Tekken	Tekken	2005 6 - 2007 8	2007 9 - 2017 3	
Tachikawa Public Official's Apartment	National	Tokyo	Tachikawa-shi	BTO	Obayashi	Obayashi	2004 3 - 2007 2	2005 11 - 2013 3	3,998
Toyama Police Academy	National	Toyama	Toyama-shi	BTO	Nippon Steel	Kawata Kogyo & Tobishima	2004 - 2007 9	2007 10 - 2019 3	2,761
Shibazono Elementary & Junior High School	Municipal	Toyama	Toyama-shi	BTO			2006 3 - 2008 1	2008 2 - 2023 3	
Three Elementary Schools Unification	Municipal	Toyama	Toyama-shi	BTO			2006 3 - 2008 1	2008 2 - 2023 3	

Project	Government	Location		Type*	Representative Company	Construction Company	Construction Period	Operational Period	Price (mil Yen) **
Higashine Fire Station	Municipal	Yamagata	Higashine-shi	BTO			2006 5 - 2007 3	2007 4 - 2022 3	
Kanuyama School Lunch Center	Municipal	Yamagata	Kanuyama-shi	BTO	Ooki	Ooki	-	- 2025 3	1,320
Matsuzakai-Sumiyoshi Apartment	Prefecture/Municipal	Yamagata	Sakata-shi	BTO/ BT			2006 1 - 2007 6	2007 7 - 2027 6	
Suzukawa Rental Apartments Rebuilding	Prefecture	Yamagata	Yamagata-shi	BTO	Yamagata Kensetsu	Yamagata Kensetsu	2004 7 - 2005 11	2005 12 - 2025 11	
Miya Social Rejoirement Promotion Center	National	Yamaguchi	Miya-shi	BOT	SECOM	Shimizu	2005 5 - 2007 3	2007 4 - 2025 3	49,274
Shimonoseki New Museum	Municipal	Yamaguchi	Shimonoseki	BTO	Plan House	Saiki & Nakatsu Komuten	2005 3 - 2007 3	2007 4 - 2027 3	
Sanyo New Type Care House	Municipal	Yamaguchi	Sanyo-cho	BTO	Koeikai	Shimizu	2004 6 - 2005 9	2005 10 - 2025 3	
Yamanashi Central Hospital Parking Space	Prefecture	Yamanashi	Kofu-shi	BTO			2005 10 - 2007 3	2006 7 - 2021 6	

\* BTO: Build, Transfer and Operate, BOT: Build, Operate, and Transfer, BOO: Build, Own, and Operate, and R: Rehabilitate

\*\* The price includes construction costs, rents, facility management fees, and related interests paid by the governmental sector

Data Source: PFI Promotion Committee, Cabinet Office, Government of Japan

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