NEWS RELEASE

Market Size of Privately Placed Real Estate Funds
－First Half of 2007－

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STB Research Institute Co., Ltd.

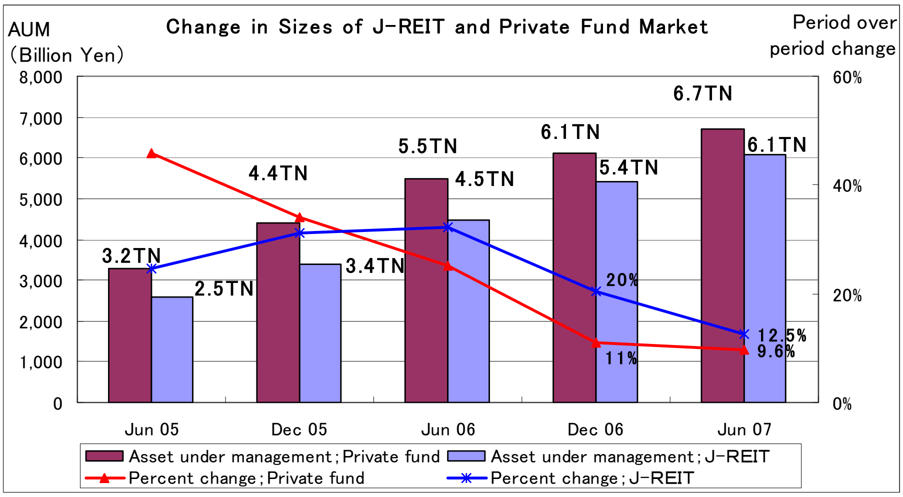
＜Summary＞

- STB Research Institute Co., Ltd. estimates that the market size of privately placed real estate funds reached 6.7 trillion yen (on asset under management basis) at the end of June 2007. Although the market keeps growing, its pace shows a trend of somewhat slowing down. However, with the balance of global funds (Note) included, the market size has reached 10.2 trillion yen.
- In terms of the "Target IRR" and "LTV level", the average specification of funds remained almost unchanged in the first half of 2007, compared with those in 2005 and 2006. The "Investment period" in the first half of 2007 further shortened by 0.6 year while it had shortened by 0.5 year in 2006. The main reason for this trend is attributable to the fact that a number of Pre-REIT funds (i.e., short-period private funds aiming at IPO in the REIT market) are included there. Although the number of mega-sized funds such as those seen in the previous year is limited in 2007, the average "Target assets size" was twice as much as 2006.
- With respect to property types of investment, we see an increase in number of funds targeting logistic facilities as well as such operational assets as hotels and health care.

<Market size of privately placed real estate funds is 6.7 trillion yen and it exceeds 10 trillion yen when global funds are included >

- The market size of privately placed real estate funds as of the end of June 2007 was about 6.7 trillion yen (on asset under management basis) according to the estimate by the STB Research Institute, which has been trying to grasp its size since 2003 by way of hearings from asset management companies and monitoring published data and media information. This market size is 600 billion yen higher than that of J-REITs (on asset under management basis), and the aggregate balance of private funds and J-REITs totals 12.8 trillion yen.
- Although both the balances of the total of private funds and J-REITs have shown a continuous rising trend, their rates of increase are declining. The major reason for this trend is considered to be the difficulty in acquiring properties due to the tight supply-demand situation in the real estate market.
- The market size of 6.7 trillion yen does not include global funds. (Note) We estimate that the total market size including the global funds is 10.2 trillion yen, according to our survey as mentioned above.

(Note) Global funds: We define them as the funds managed by foreign-based asset management companies which include foreign real estate for their major investment targets.



Source: Figures estimated by STB Research Institute based on surveys, interviews and announced data, etc.

※ AUM (asset under management) of private funds is sum of the total acquisition value of real estate properties owned by funds or AUM amounts published by asset management companies.

※ Private funds exclude global funds (Note) and publicly offered funds targeting retail investors.

<No significant changes are found in target IRR and LTV levels, but investment terms are shortened due to the impact of Pre-REIT funds.>

- A comparison of average specifications of the funds originated in the first half year (January to June) of 2005, 2006, and 2007 reveals that the "LTV level" stayed almost the same for the past 3 years and the "Target IRR" has declined a little, while the "Investment period" shortened and the "Target assets size" of 2007 significantly decreased from 2006, though it shows an increase in comparison with 2005.
- The previous year's survey showed the average "Target asset size" of over 70 billion yen due to the particular impact of mega-sized funds, however, such impact is not much found in this year's survey. The target asset size of majority of funds ranges from 10 to 20 billion yen, and the average size is 34.6 billion yen including a few large blind-pool funds over 100 billion yen.
- The average "Target IRR" was in the range from 7% to 8% for the fixed properties funds, and from 10% to 15% for the blind-pool funds. The average "Target IRR" in total has been declining a little in the range of 10%.
- The "LTV level" remained at almost the same level. However, when calculated including a few global funds originated in 2007, the average is 68.8%, slightly lower level as these global funds were around 50% LTV level.
- The average "Investment period" is in a shortening trend. This trend is due to origination of Pre-REIT funds (i.e., short period private funds aiming at IPO in the REIT market). Also, it seems that some funds shortened their investment periods to take advantage of lower funding cost of shorter loan period. On the other hand, the long-term investment funds setting 7 or 10 years for the investment period were found in this year's survey. We see "bi-polarization"of investment periods evolving in the market.

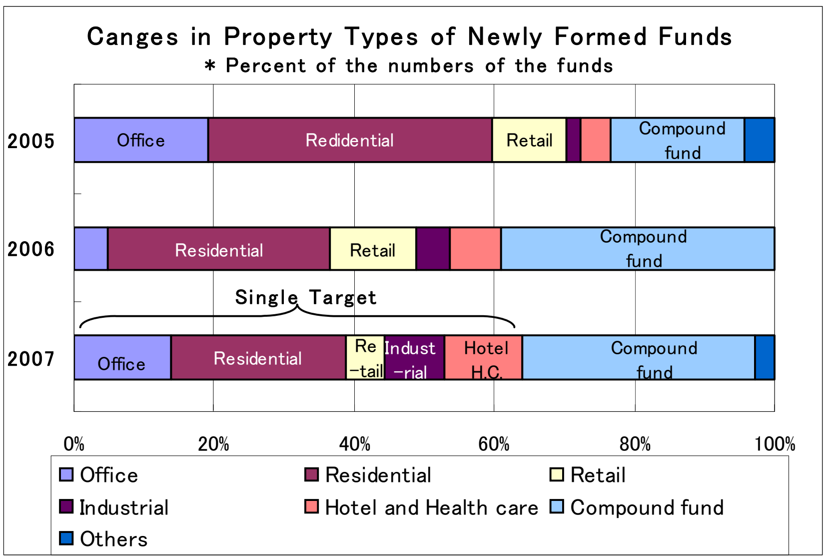
Changes in the Specification of Newly Formed Funds

	2004	2005	2006
Target Asset Size	16.8 billion yen	70.7 billion yen	34.6 billion yen
Target IRR	10.3%	9.9%	9.8%
LTV	70.6%	71.1%	70.6%
Fund Period	5.0 years	4.5 years	3.9 years

※ Includes newly formed funds made public between January and June in each year.

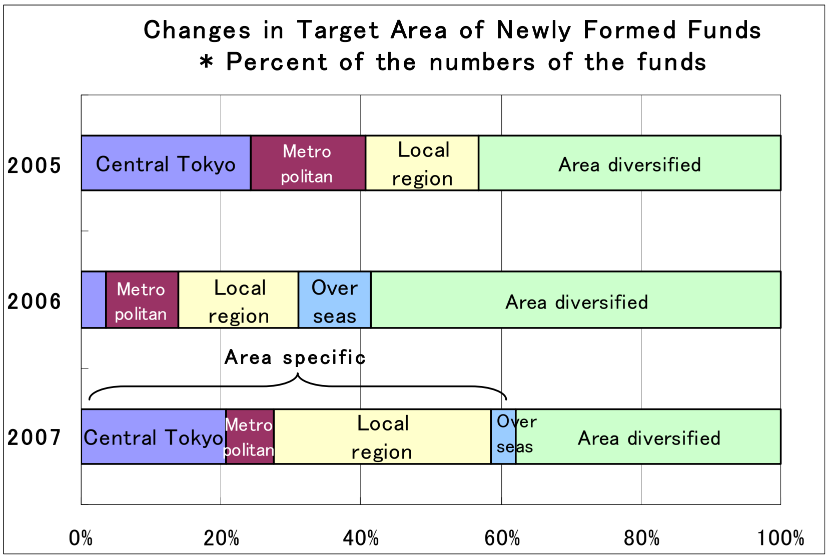
<Regarding to the type of targeted properties, offices showed increase and operational assets are increasing their presence.>

- The following chart reveals the proportion of the number of funds by types of investment properties originated during the first half of 2007. “Residential type”, “commercial type” and “mixed type” funds decreased and “office type” funds increased again compared with the previous year.
- The proportion of the number of the “office type” funds which was below 5% in 2006 shows over 19% in 2007. (It should be noted that the “mixed type” funds include office properties and others in them.) Although the “mixed type” funds increased their share in 2006 due to the difficulty in acquiring office properties, the “office type” funds are focused again in 2007, because the increase of income is more expected in office properties than the residential and commercial properties.
- “Logistics” funds have been in a rising trend for the past 3 periods. The number of players in this type of fund is limited, and some of the funds are managed by the same managers.
- The number of funds in the hotels and health care sector is also increasing. The track record of funds in this sector is not sufficient since it is a new investment field and heavily depending on the operational performance. However, its presence is gradually being recognized as the origination of funds in this sector started to be publicized since the beginning of this year.



<Funds specializing in central Tokyo and regional urban area increased>

- The chart below shows the proportion of the number of funds by target area of investment in the first half of 2007. While the proportion of the "diversified type" funds decreased, that of funds focusing on central Tokyo and regional urban areas increased.
- In the previous year, the number of funds specializing in central Tokyo decreased due to the intensified competition of asset acquisition, however, it recovered its share in 2007 reflecting the active rallies in the investment market which are sustained by the favorable leasing market. Investments in central Tokyo will continue because of the anticipation for increase in rent income.
- The main target areas of the funds specialized in regional urban areas are: the Kinki, Nagoya, Fukuoka and Chugoku/Shikoku area. The reason for the increase in funds of this type is considered to be the recognition by investors of the investment strategy of asset managers who have developed relationship with the networks of local players.
- In the previous year, because of the intensified acquisition rallies, there were often cases in extending the target areas in the form of the "diversified type" funds, but the proportion of the "diversified type" decreased this year due to increase in the number of funds specialized in area as mentioned above.



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