NEWS RELEASE

Survey on Privately Placed Real Estate Funds 2007 – Results

February 19th 2008

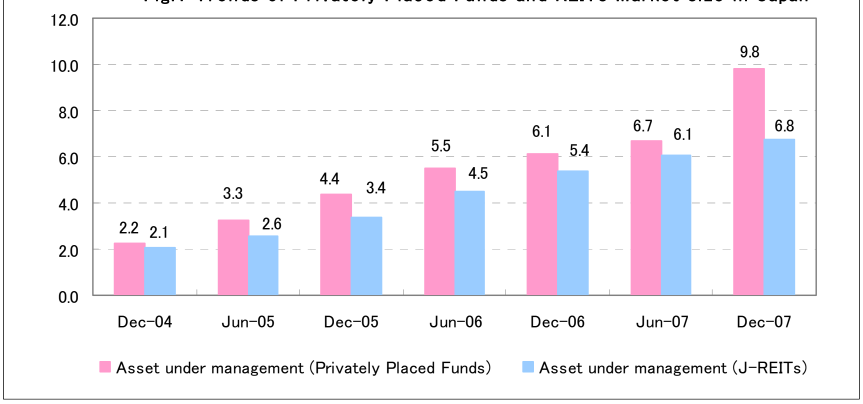
STB Research Institute Co., Ltd.

- Starting in 2003, STB Research Institute Co., Ltd. has conducted the "Survey on Privately Placed Real Estate Funds" as part of its research activities concerning real estate investment markets. This is the fifth such survey based on responses to questionnaires received from 45 real estate investment management companies.
  - Survey subject: Real estate investment management companies that originate and manage privately placed real estate funds which are focused on domestic real estate
  - Number of companies to which questionnaires were sent: 148 (of which 18 overlapped in the same group companies)
  - Number of companies responded: 45 (ratio of valid responses: 34.6% after deduction of group companies doubly responded)
  - Time of survey: December 2007
  - Survey method: Distribution and collection of questionnaires by mail
- Based on the results of the foregoing questionnaire survey as well as hearings and published information, we estimated the market size of privately placed real estate funds (on invested asset basis) as of the end of December 2007 to be 9.8 trillion yen. This represents an increase of 3.1 trillion yen, compared to the results of the previous survey (June 2007). This increase is partly attributable to enlarged coverage due to an increased number of companies which have responded to the questionnaire. However, even if we exclude the impact due to this coverage enlargement factor, the increase in market size from the previous survey amounts to 1.5 trillion yen (up 23.7% from the previous survey), and we consider that the market expanded at a faster pace in the latter half of 2007.

<Market size of privately placed real estate funds is 9.8 trillion yen, and it reaches 13.0 trillion yen when combined with global funds>

- The market size of privately placed real estate funds (invested assets basis) as of the end of December 2007 was about 9.8 trillion yen according to the estimate by the STB Research Institute, which has been trying to grasp the market size since 2007 based on questionnaires, hearings and published information from asset management companies as well as various kinds of published data and information from the media. This level is 3.0 trillion yen higher than the market size of J-REITs (invested assets basis) with the balance of invested assets of J-REITs and private funds which totals 16.6 trillion yen.
- Both the balances of the privately placed real estate funds and J-REITs have shown a continuous rising trend, and the balance of the privately placed real estate funds was 9.8 trillion yen in the latter half of 2007. Although both groups witnessed a slowing pace of increase in the first half of 2007, the privately placed funds have shown a markedly higher rate of increase in the latter half even when taking into account of the coverage enlarged factor. This may be attributable to the following factors: (1) There were privately placed funds preparing or waiting for their REIT listings. (2) Though a large number of funds launched in 2003 and 2004 were redeemed, other privately placed funds acquired their properties, thus resulting in no decrease in invested asset.
- The market size of 9.8 trillion yen (invested assets basis) does not include global funds. (Note) It is estimated at 13.0 trillion yen if we include the balance of domestic real estate under management of global fund, according to our survey.

Fig.1 Trends of Privately Placed Funds and REITs Market size in Japan



(Note) Global funds: defined by us meaning the funds managed by foreign-based asset-management companies of which major investment targets include foreign real estate.

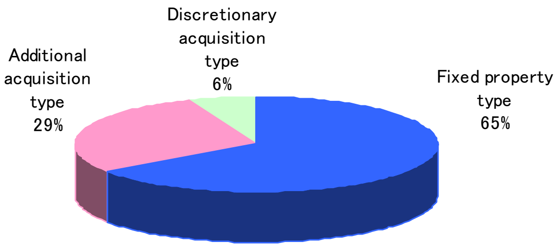
<Survey on Privately Placed Real Estate Funds 2007 - Summary of Questionnaire Survey Results>

1. Status of Funds Currently under Management and Funds Scheduled to Be Launched

- In this year's survey, privately placed real estate funds were grouped into "commingle funds" for multiple investors and "separate accounts" for single investors, and the outstanding balance of invested assets for each group was surveyed. The aggregate outstanding balance of commingle funds of all respondent companies totaled 3.53 trillion yen, showing that commingle funds are the predominant style of management. On the other hand, separate- accounts totaled 620 billion yen, representing a sizable volume.
- The number of commingle funds currently under management totaled 194 funds (number of companies responded: 36) with the average number being 5.4 funds per company. In previous year's survey, which did not segregate commingle fund and separate account, the total number was 203 funds (number of companies responded: 33) with the average being 6.2 funds per company.
- A breakdown of funds under management by management style showed that "fixed property type" funds represented 65%, "additional acquisition type" 29%, and "discretionary investment type" 6%, respectively. Clearly, the fixed property-type was the predominant style of management in privately placed funds managed domestically.

Fig.2: Breakdown of Funds Currently Under Management by Management Style

(Number of companies responded: 36; total number of funds 194)



※ The following are the outlines of major funds managed by respondent companies.

1) Number of Funds by Type: The ratio of the number of core funds dropped in 2007, whereas the ratio of value-added funds rose again. The bottoming out of cap rate is generally recognized in the market and it seems difficult to expect high return of investment brought by further contraction of cap rate. Thus it appears that the trend to seek higher returns by adopting a value-added approach was strengthened.

Fig. 3: Trends of the Number of Funds by Type

(Figures for 2008 represent the number of funds by type scheduled to be launched within one year from now)

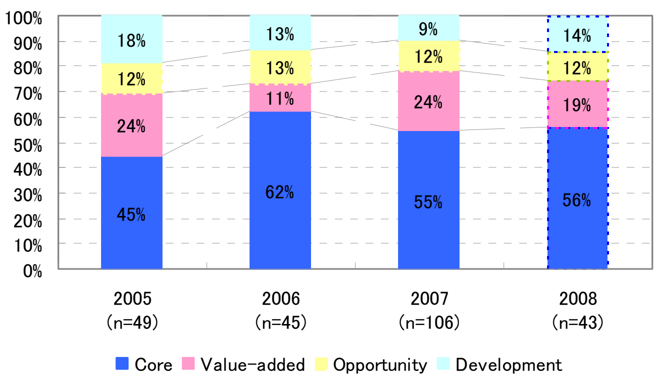
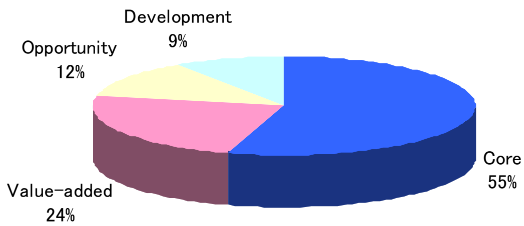
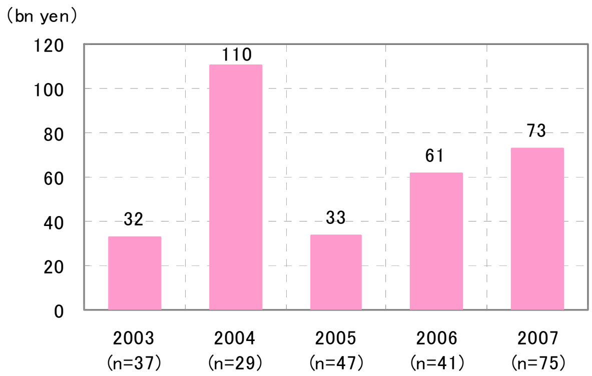


Fig. 4 Ratio of the Number of Funds by Type (2007)



2）**Target Asset Size:** The average target asset size rose from 61.4 billion yen in previous year's survey to 72.9 billion yen. This is attributable, among others, to the presence of super-large-sized funds as in previous year's survey and the increased number of responses from asset management companies managing larger funds.

Fig. 5: Trends of Average Target Asset Size



3）**LTV Level:** The average LTV level of representative funds currently under management was 70.9%, almost on the same level with 71.0% in previous year's survey. The average LTV level of the funds scheduled to be launched within one year from now dropped slightly from previous year's 72.1% to 70.2%, somewhat reflecting the difficulties of financing environments discussed below.

Fig. 6: Trends of Average LTV (for Funds Currently under Management)

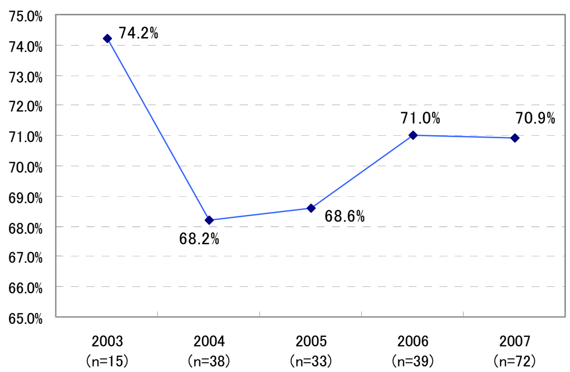
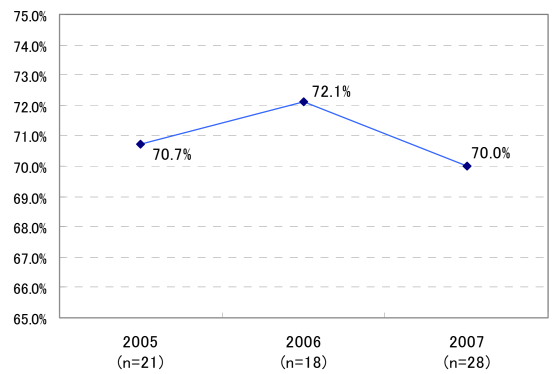
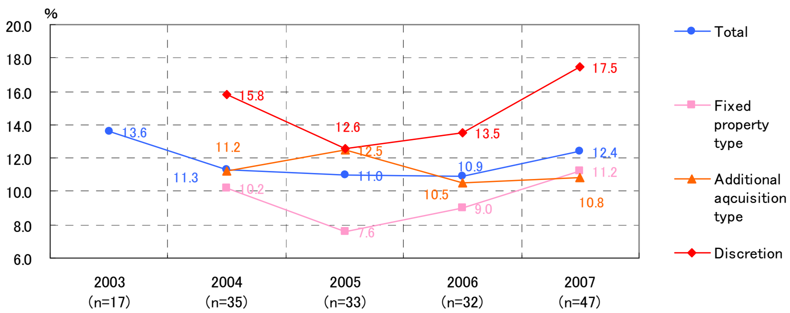


Fig. 7: Trends of Average LTV (for Funds Scheduled to be Launched)



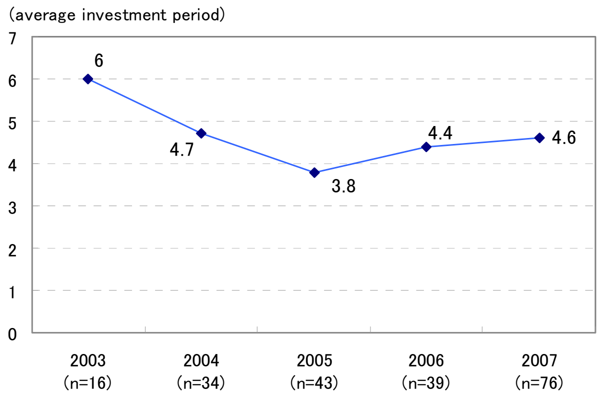
4）**Target IRR Level:** Starting in 2003, the average of target IRRs had followed a downward trend and stood at 10.9% in previous year's survey, but rose to 12.4% in this survey. This is attributable to such factors as a decline in the ratio of core funds and an increase in the ratio of value-added funds to the total funds under management; and high target IRR contained in some responses from discretionary-type funds. The averages by management style were as follows: 17.5% for discretionary type funds, 10.8% for additional acquisition type funds, and 11.2% for fixed property type funds.

Figure 8: Trends of Average Target IRR



5) Target Investment Period: The average target investment period was 4.6 years, 0.2 years longer than the previous year's survey. This may be attributable to the participation of long term investors. Please note, however, that these figures represent the investment period planned at the time of origination, and actual investment periods will be terminated earlier or extended, depending on funds.

Fig. 9: Trends of Average Target Investment Period



6) Property Types for Investment: Office and residential properties together represented 65% of total funds in previous year's survey, but they declined to 56% of total funds in this survey, while other property types such as retail, industrial and hotel properties increased. In line with a broadening of target assets, operational assets which are largely influenced by management capabilities such as retail and hotel, as well as industrial properties are becoming established as target assets.

Fig 10: Trends of Property Types for Investment

※1: Figures for 2008 represent the figures of funds scheduled to be launched within one year from now.

※2: In 2004 through 2006, Industrial and hotel properties were included in "other properties"

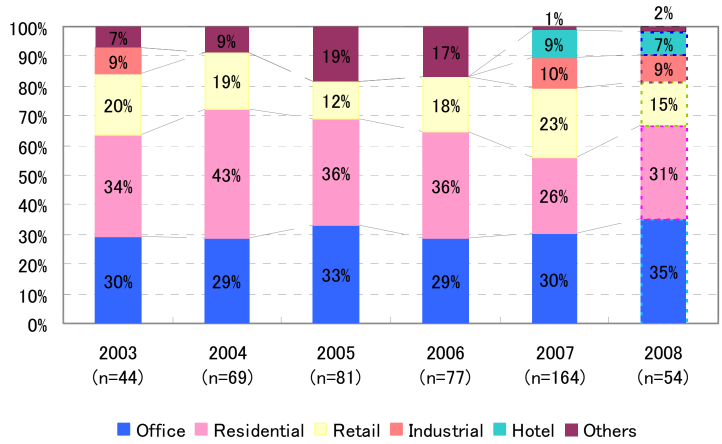
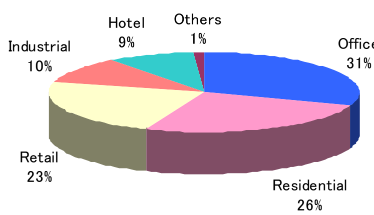


Fig 11: Ratio of Property Types for Investment 2007



7) Investment Areas: Tokyo, which represented 8% in previous year's survey, regained its share back to 24%, clearly showing a trend of returning to central Tokyo. This may be attributable to supplies of central Tokyo properties from the funds which had reached exit timing. As for local areas, the ratio of areas other than Osaka increased, with Nagoya representing 46% of such increase.

Fig.12: Trends of Investment Areas

※1: Figures for 2008 represent the figures for funds scheduled to be launched within one year from now.
※2: In 2003, the Osaka and Nagoya areas were included in the local area, whereas in 2004 through 2006, the Nagoya area was included in the local area.

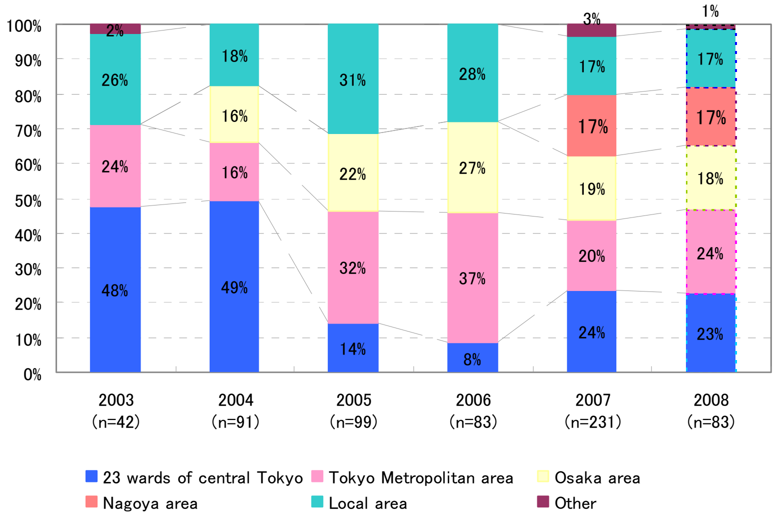
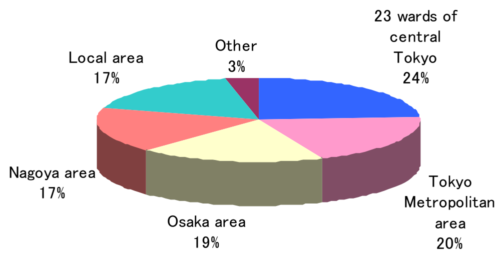


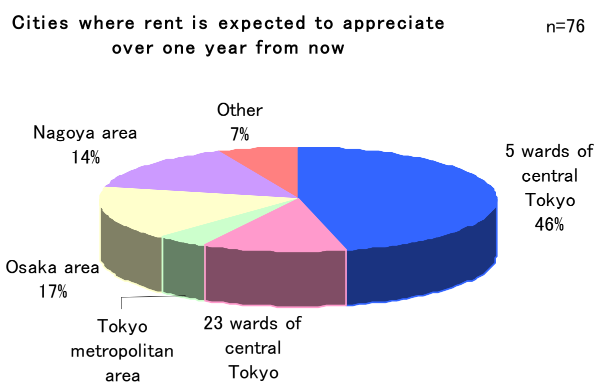
Fig. 13: Ratios of Investment Areas (2007)

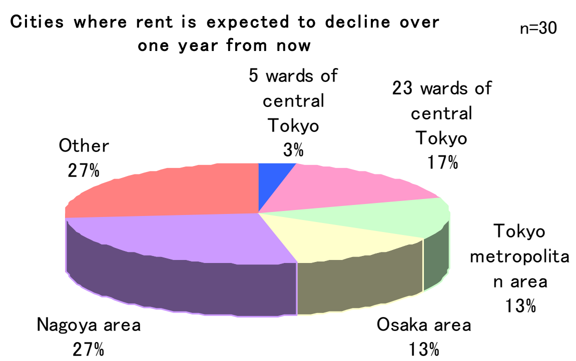


2. Market Outlook

1) Outlook on Rent Rise/Decline: The largest number of responses projected rent rise in the five central wards of Tokyo, followed by those projecting rent rise in the Osaka area and Nagoya area, indicating a prevailing view that central cities in the three major metropolitan areas and the central wards of Tokyo are going to see higher rent rise than other areas. On the other hand, the large number of responses expected decline in rent in the Nagoya area, thus completely dividing the outlook concerning the Nagoya area. The ratio of responses expecting the rent decline in the five wards of central Tokyo was low, while 17% of responses expected rent decline in the 23 wards of Tokyo excepting the five wards of central Tokyo.

Fig. 14: Expected Rents over One Year from Now (Appreciating Areas and Declining Areas)





2) Cap rates: The number of responses viewing the cap rate rising for A-class offices in central Tokyo increased, indicating market participants feel that the market is approaching a turning point. In other metropolitan areas, 55% to 73% of responses expected the rate would remain unchanged, with the ratios of those expecting appreciation and decline equally at around 20%, indicating that market participants view the cap rate is hovering at its bottom level.

Fig. 15: Trends of Expected Cap Rate for A-CLASS Offices

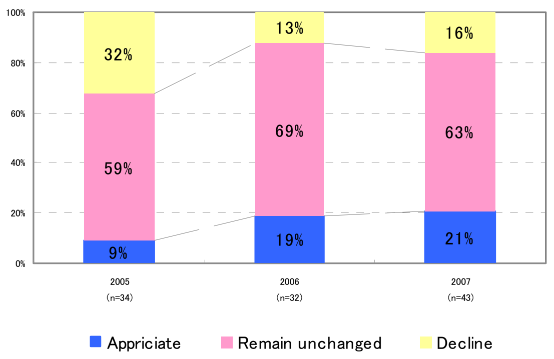
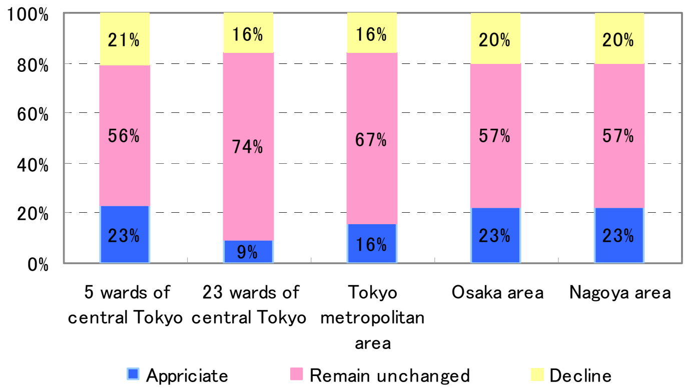


Fig. 16: Outlook on Cap Rates for Offices in Respective Metropolitan Areas



3. Future Business Environment, etc.

1) Financing: The ratio of responses viewing that equity investors' willingness to invest "has been rising" rose sharply from 9% in previous year's survey to 24% in this year's survey, indicating an aggressive stance of equity investors. On the other hand, as for the stance of non-recourse lenders, the ratio viewing their stance "has become negative" rose sharply from 29% in previous year's survey to 73% in this year's survey, indicating that debt-financing became increasingly difficult.

Fig. 17: Equity Investors' Willingness to Invest

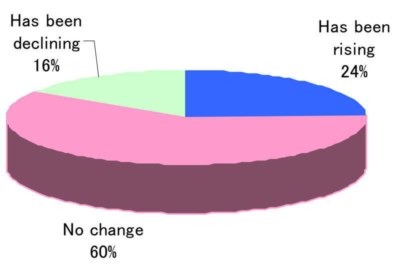
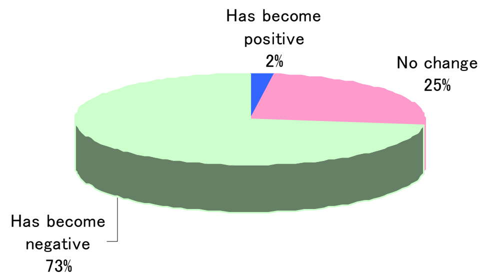
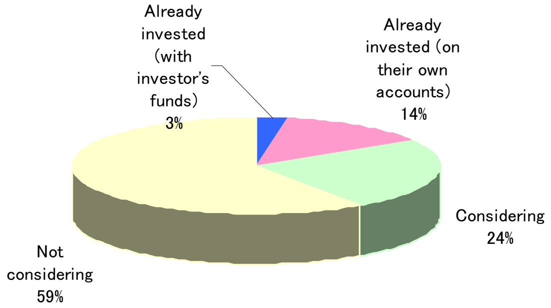


Fig. 18: Lending Stance of Loan Lenders



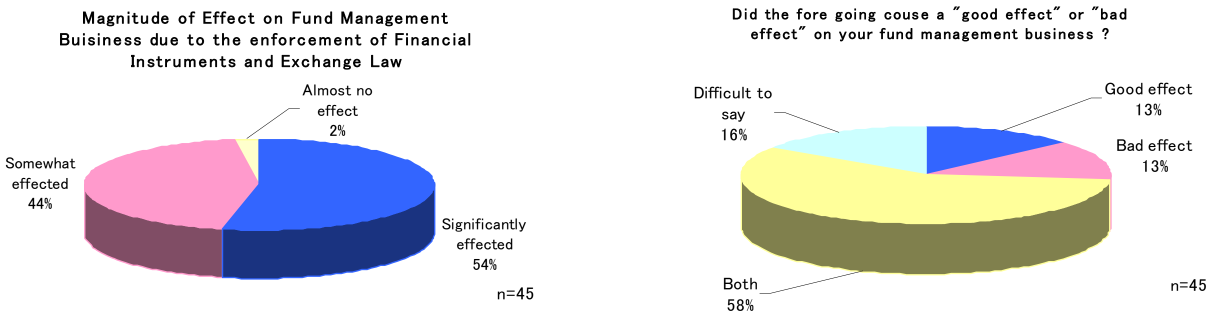
2) Investments in Overseas Real Estate: Regarding overseas real estate, the combined ratio of those that had "already invested with investors' funds" and those that had "already invested on their own accounts" amounted to 17%, and when those that were "considering" are added, this ratio reached 41%. This may be attributable to such factors as difficult domestic investment environments, pursuit of business expansion by exploring overseas investment and investors' need to geographically diversify their investments.

Fig. 19: Consideration of Overseas Real Estate Investments



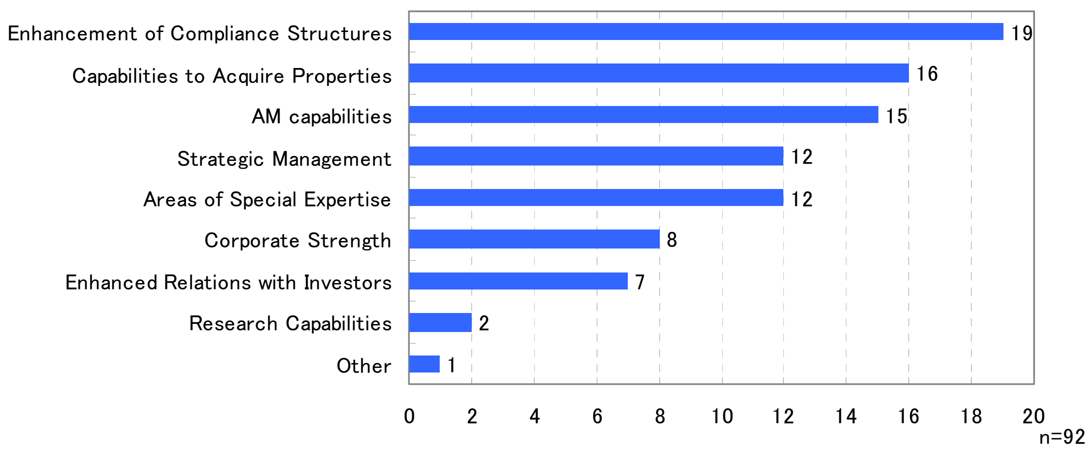
3) Effect of the Financial Instruments and Exchange Law: The ratio of responses saying that the "effect was significant" was 18% previous year, but this ratio sharply rose to 54% in 2007, highlighting the magnitude of impact caused by the enforcement of the said law. The ratio of responses viewing "good effect" and "negative effect" are even, while the ratio of those viewing "mixed effect" represented 58% of responses. It is costly to build up a structure in compliance with the law, but the survey suggests a good opportunity for asset management companies with a solid foundation and capability cope with the burdens, to grow by enhancing investor's confidence.

Fig. 20: Effect of the Financial Instruments and Exchange Law



4) Conditions and Strategies for Sustainability and Growth: Enhancement of compliance structure drew the largest number of responses, evidencing an increased awareness for addressing the Financial Instruments and Exchange Law. Enhancement of capabilities to acquire properties received the second largest number of responses.

Fig. 21: Conditions for Sustainability and Growth of Asset Management Companies



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