NEWS RELEASE

Survey on Privately Placed Real Estate Funds in Japan
June 2008 – Results

August 15th 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. Although this survey is regularly conducted in December every year, we conducted urgent survey at this time of the year to ascertain the status quo and the perspective of the privately placed real estate funds market that seems to be in transition. We received 57 responses to questionnaires from 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: 140 (of which 4 represents group companies to which questionnaires were doubly sent)
  - Number of companies responded: 57 (ratio of valid responses: 41.9% after deduction of group companies doubly responded)
  - Time of survey: July 2008
  - Survey method: Distribution and collection of questionnaires by post and e-mail
- Based on the results of this survey, hearings and published information, we estimated the market size of privately placed real estate funds (on invested asset basis) as of the end of June 2008 to be 13.0 trillion yen. This represents an increase of 3.2 trillion yen, compared to the results of the previous survey (December 2007). This substantial increase is partly attributable to (i) the addition of the funds that are managed by foreign-related management companies but limit the investment target area to Japan (These funds were used to be classified as global funds and excluded from the counting.), and (ii) the expanded coverage due to an increase in the number of companies responded. However, even if these factors are discounted (the former makes 0.67 trillion yen, and the latter 0.27 trillion yen), the increase in market size from the previous survey amounts to 2.3 trillion yen (up 23.3% from the previous survey), which shows that the market size in the first half of 2008 is expanding at the similar pace as in the latter half of 2007.

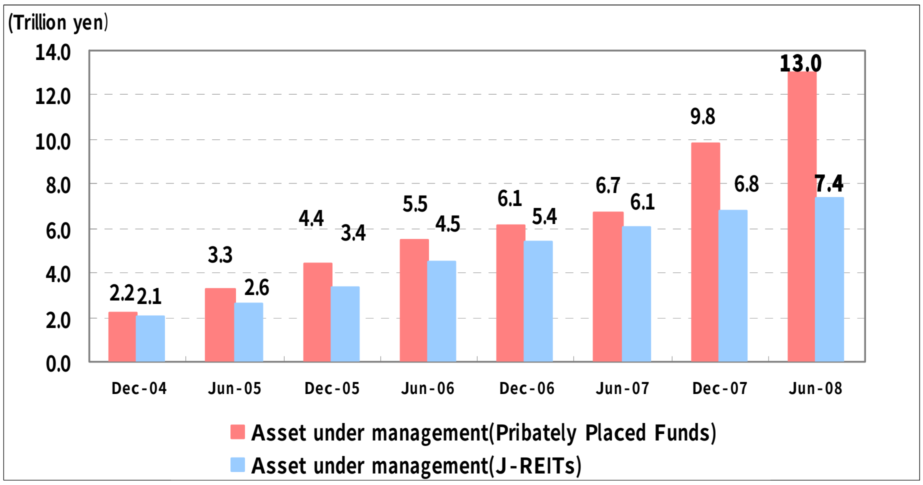
Market size of privately placed real estate funds is 13.0 trillion yen, and it reaches 15.9 trillion yen when combined with global funds

- The STB Research Institute has been conducting estimates of the market size of privately placed real estate funds since 2003 based on questionnaires and hearings from asset management companies as well as published information. This time, as of the end of June 2008, it is estimated the size of this particular market (invested assets basis) as 13.0 trillion yen. This level is 5.6 trillion yen higher than the market size of J-REITs (invested assets basis) at the same point of time, making a total balance of invested assets of J-REITs and private funds amounting to 20.4 trillion yen.
- While the growth rate of total asset investment by J-REITs is slowing down, the balance of privately placed real estate funds has reached 13.0 trillion yen at the end of June 2008; additionally, the rate of assets increase has been continuously rising from the latter half of 2007. We suppose such an increase is attributable to the following factors: (i) The number of investment management companies that place emphasis on the privately placed funds increased due to the sluggishness of the J-REIT market, thereby some investment management companies entered into the privately placed funds business on a full-scale basis immediately after their

registration as investment managers; and (ii) Properties of the funds redeemed at or before maturity were often sold to other privately placed funds, thereby not resulting in the reduction of the market size.

- The market size of 13.0 trillion yen (invested assets basis) does not include global funds. (Note) We estimate from this survey that the total market size is 15.9 trillion yen, when combined with the balance of domestic real estate assets managed by global funds.

Trends of Market Size of Privately Placed Funds and J-REITs



source: STB Research Institute

(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" Results>

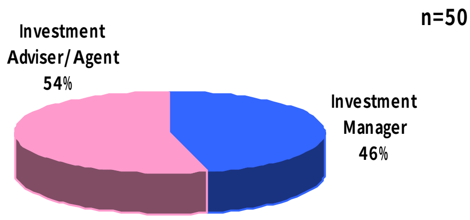
(Note) [n] shown in the graph indicates the number of effective responses.

1. Status Quo of Real Estate Investment Management Business

1) Status of Registration of Licenses:

When comparing the number of companies that are registered as investment managers (an aggregate of those companies registered only as investment managers and those registered as both investment managers and investment advisors/agents) and the number of companies that are registered only as investment advisors/agents, the latter's share is 54%—only slightly exceeding that of the former. Thus, the response to securities business registration enforced by the Financial Instruments and Exchange Law was almost divided evenly in half.

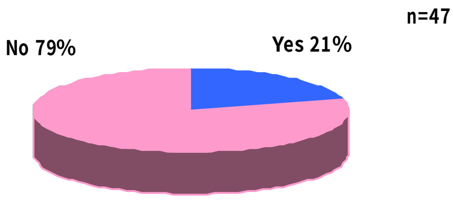
Fig. 1: Registered License Under The Law



2) Status of Funds originated from January to June 2008:

16 companies originated 23 funds since January 2008, while 10 (21%) companies answered that their scheduled originations were postponed or suspended. This result indicates that fund origination is becoming difficult.

Fig. 2: Postponement or Suspension of Fund Origination



3) Type of Funds Favored by Equity Investors: The results of favorably accepted by equity investors hereafter shows: (i) With respect to the period of investment, "5 years or more" was the largest and when aggregated with the next largest ("3 to 5 years"), the share of the top 2 turned out to be 73%. Our survey in December 2007 revealed that 4.6 years was the targeted average investment term, but it is anticipated that the funds originated hereafter will have longer investment periods reflecting investors' needs. (ii) Meanwhile, the LTV level accounted for 61% of the total amount of investment, and 65.1% of the acquisition price on average respectively. This shows a lower level compared to 70.2% of the average LTV anticipated by the funds that were scheduled to be originated within a year at the time of our survey in December 2007, and reflects the severe lending circumstances.

Fig. 3: Investment Period Favored by Investors

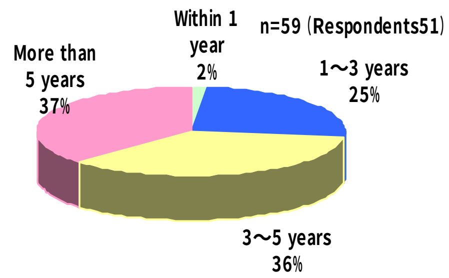


Fig. 4: LTV Level Favored by Investors (against the total amount of investment)

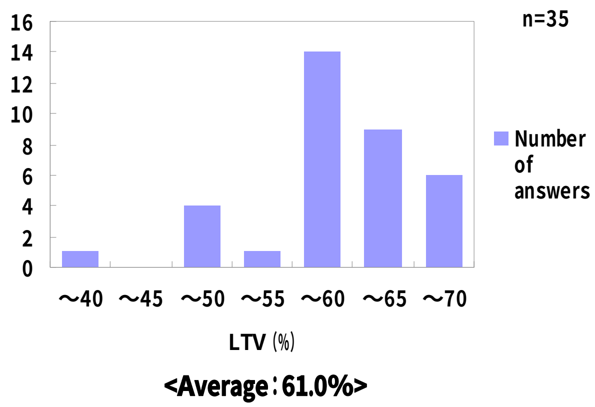
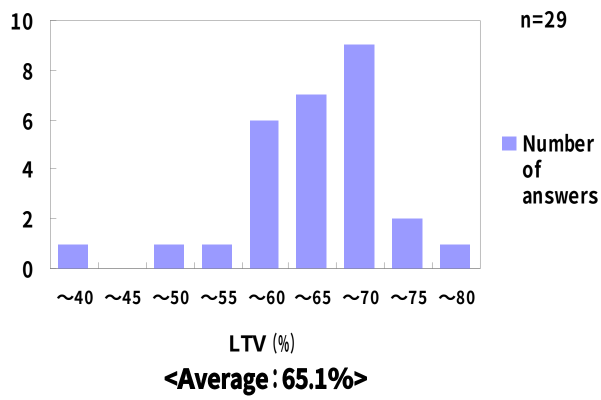


Fig. 5: LTV Level Favored by Investors (against the acquisition price)



* A total 64 responses were received; 22 companies replied to both questions regarding favorable LTV levels against the total amount of investment as well as the acquisition price.

4) Circumstances of Debt Financing: Regarding the financing condition of non-recourse loans since the beginning of 2008, those who responded that the condition "More severe" rose to 89% from 73% at the survey in December 2007, representing the increasing severity of debt financing conditions at present. Regarding the specific condition that became more severe, "LTV level", "Interest rate", and "Valuation" were 26%, 24%, and 22% respectively.

Fig. 6: Circumstances of Debt Financing in 2008

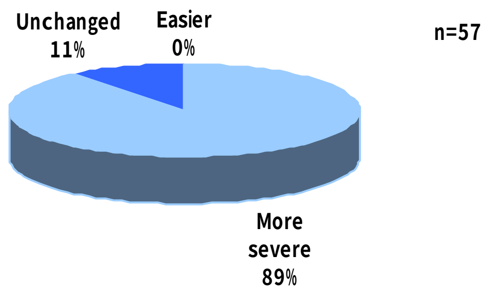
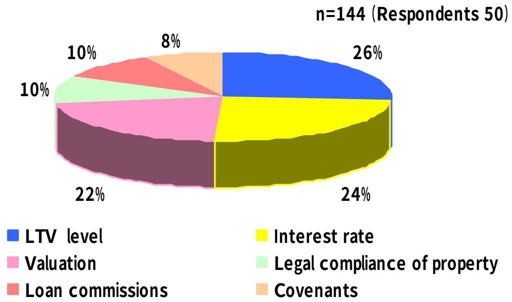


Fig. 7: Which Conditions Became More Severe?



5) Types/Areas of Properties on which Lending Conditions are Tightened: With respect to where lenders were tightening lending conditions, it was noticeable that the responses were concentrated on "Residential", "Retail" and "Hotels" regarding types of properties, and on regional cities including major cities. Many of these respondents attributed the reason for the above phenomena to a sense of uncertainty prevailing over the entire real estate market, and expressed their specific concern about the liquidity (i.e. salability) at the exits of these types/areas of properties.

Fig. 8: Types of Properties on which Lending Conditions are Tightened

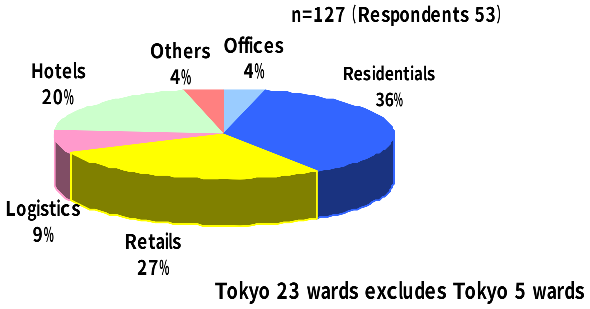
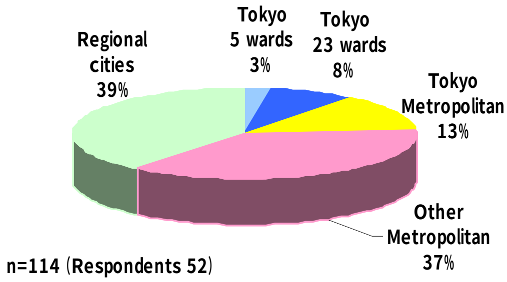


Fig. 9: Areas where Lending Conditions are Tightened



6) Types/Areas of Properties favored by Lenders: Among types of properties favorably accepted by non-recourse lenders, "Office" were the largest with 71%. Tokyo was the most favorably accepted area by lenders with 60% for the "5 central wards of Tokyo" and 23% for the "Special wards of Tokyo", adding up to 83% in total. Thus, it is expected that the concentration of the fund origination on office properties in the center of Tokyo will be further accelerated hereafter. It is noteworthy that responses to "Logistics" was the second-largest at 12%, while it remains at 9% in the types of properties on which lending conditions were tightened as shown in Fig 8. Thus, lenders are considered to be taking a more positive stance to logistics compared with types of properties other than office properties.

Fig. 10: Types of Properties Favored by Lenders

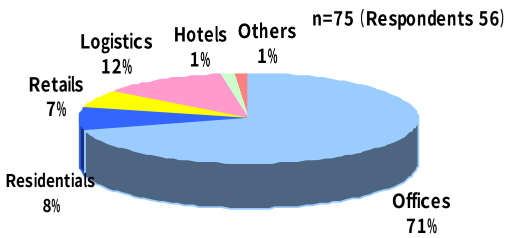
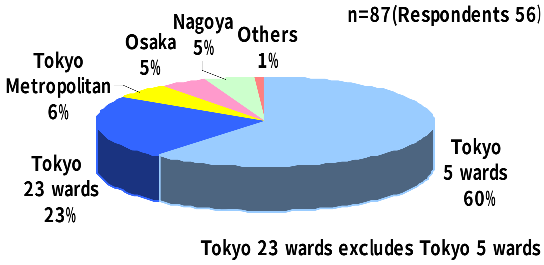


Fig. 11: Areas Favored by Lenders



7)Impact of Lending Attitudes on the Market: No one selected the response that the rigorous lending attitude has "No impact", while the response "Too rigorous and it hampers the sound growth of the market" amounted to 58%, which exceeded the number of those responding that "It will contribute to appropriate market adjustments, though rigorous." Furthermore, while 36% answered that current situation will continue toward the end of 2008 but no more, 53% forecast that it will remain unchanged for 1 or 2 years hereafter. Thus, the majority of respondents are maintaining a cautious view regarding the improvement of lending circumstances.

Fig. 12: Impact of Lenders' Attitudes on the Market

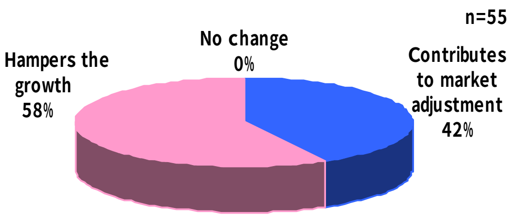
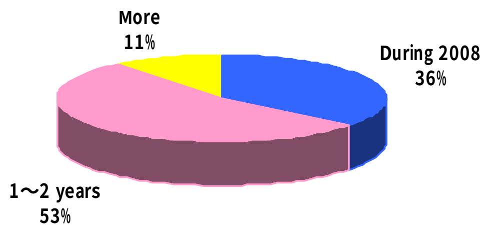


Fig. 13: How Long Do You Think the Current Lending Attitudes Will Continue?



8) Investment Appetite of Equity Investors and Future Trend: Regarding equity investors' investment appetite, the response "Declining" jumped up to 41% from 16% of the survey in December 2007, and "Rising" fell to 13% from 24% of the same survey, indicating the weakening investment appetite of equity investors at present. On the other hand, foreign investors occupied 69% of investors whose investment volume is expected to increase hereafter,, while domestic investors occupied 96% of investors whose investment volume is expected to decrease, which indicates the high anticipation of respondents for foreign investors.

Fig. 14: Investment Appetite of Equity Investors

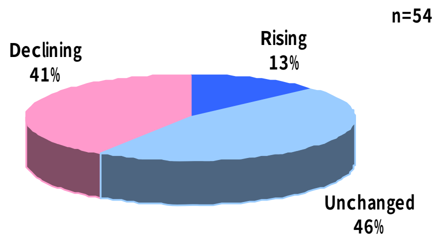
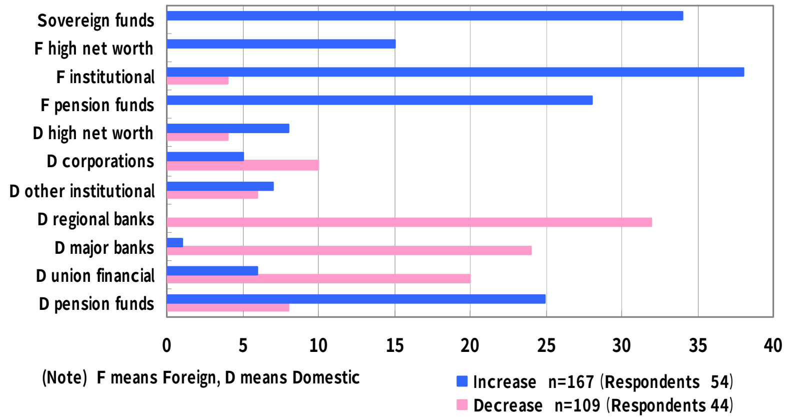


Fig. 15: Investors Whose Investment Volume is Expected to Increase/Decrease Hereafter



9) Fund Management of Foreign Investors: The presence of foreign investors are increasing in the market, as the number of companies that manage foreign investors' funds exceeds the number of companies that do not manage them. As for the reason of foreign investors' investment in Japanese real estate, "Relative attractiveness of the yield gap due to low interest rate" was 25%, and "Necessary allocation in the global portfolio" was 27%, which indicates that the principal motives of the investment in Japanese real estate by foreign investors are: (i) the yield gap is relatively large compared with other countries, and (ii) investors desire an allocation to Asian real estate. Yet, the response to "High transparency in the real estate market" was only 3%, revealing that quite a limited number of investment management companies consider at present that the enhancement of market transparency due to the enforcement of the Financial Instruments and Exchange Law has contributed to stimulate the investment motives in Japanese real estate by foreign investors.

Fig. 16: Management of Foreign Investors Funds

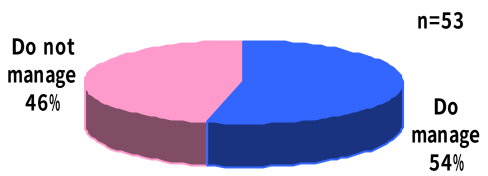
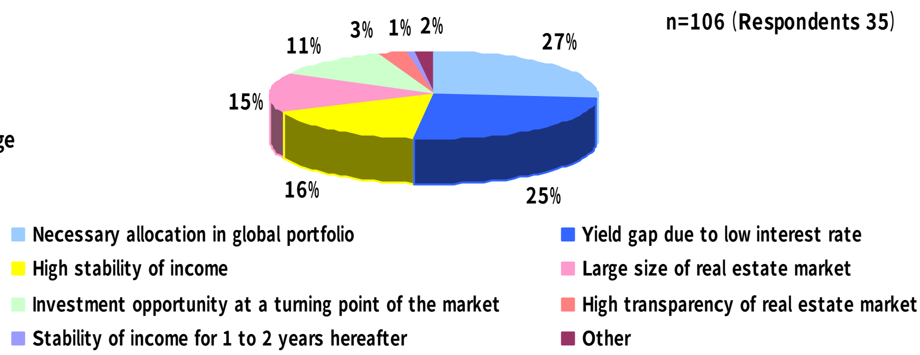


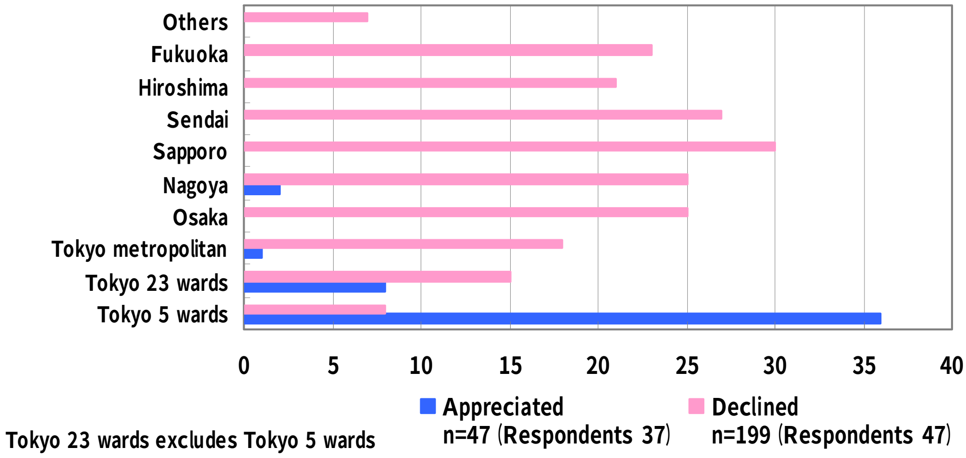
Fig. 17: Reasons for Investment in Japanese Real Estate by Foreign Investors



2. Market Circumstances and Investment Strategy

1) Office Rent during the Past 6 Months: Regarding cities where the rent went upward, the response "5 central wards of Tokyo" was the largest, and its share combined with the "Special wards of Tokyo" occupied 94%. On the other hand, "Sapporo" was the largest among the cities where the rent was considered to have been declined, followed by "Sendai", "Osaka" and "Nagoya". Regarding the "Special wards of Tokyo", while 8 companies indicated the appreciation of the rent, 15 companies suggested the decline in rent. The number of respondents who agreed on the decline of the rent in all cities other than the 5 central wards of Tokyo exceeded those who agreed on the appreciation in them.

Fig. 18: Trend of Office Rent for the Past 6 Months (Appreciated Cities/Declined Cities)



2) Cap Rate and Property Sale for the Past 6 Months: Regarding the cap rate of A-class office properties in central Tokyo (Marunouchi area), "Appreciated" was 21%, "Declined" was 6% and "Remained unchanged" was 73%. In the survey of December 2007, the forecast of the cap rate of A-class office properties over a year thereafter showed 21% of "Appreciated", 16% of "Declined", and 63% of "Remained unchanged". Thus, when comparing the result of this survey with the previous one, it is clear that the majority of the respondents consider that the cap rate has hit the bottom and is staying there at present. On the other hand, as for the circumstances of property sales, while the share of "Getting better" and "No change" were both zero, "Getting more severe" amounted to 76%, which marks a decrease in liquidity at the exits.

Fig. 19: Cap Rate of A-class Office for the Past 6 Months

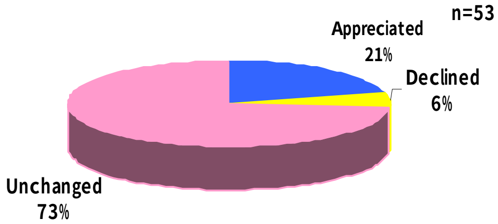
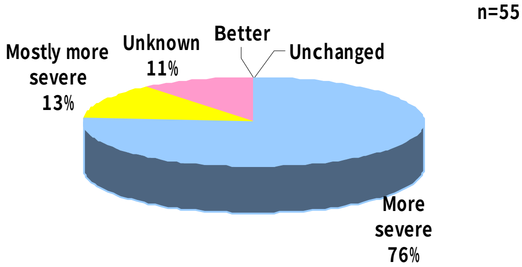


Fig. 20: Circumstances of Property Sale for the Past 6 Months



3) Attractive/Negative Property Types for Investment: The respondents who consider office properties "Attractive" as investment targets amounted to 45%. Therefore, further concentration of investment in office properties is expected. On the other hand, the respondents considering hotels as "Negative" amounted to 31%, thereby marking an about-face of the trend until last year when hotel properties had continuously expanded their share as an investment target. Regarding residentials, while the response of "Negative" was 40%, "Attractive" was 17%, showing that the view on this particular segment is divided. And for retails and logistics, "Attractive" exceeded "Negative" by a small margin.

Fig. 21: Attractive Types of Properties

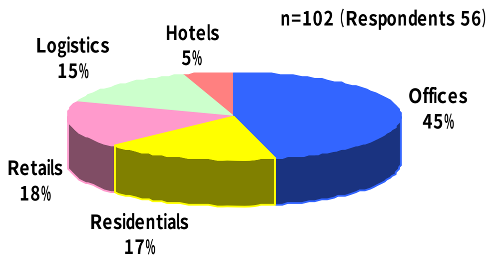
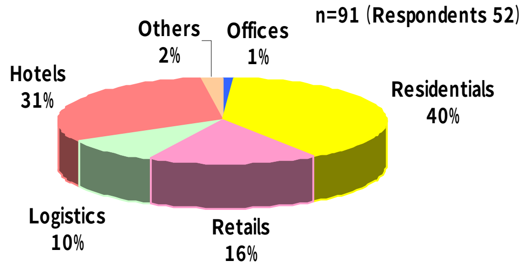


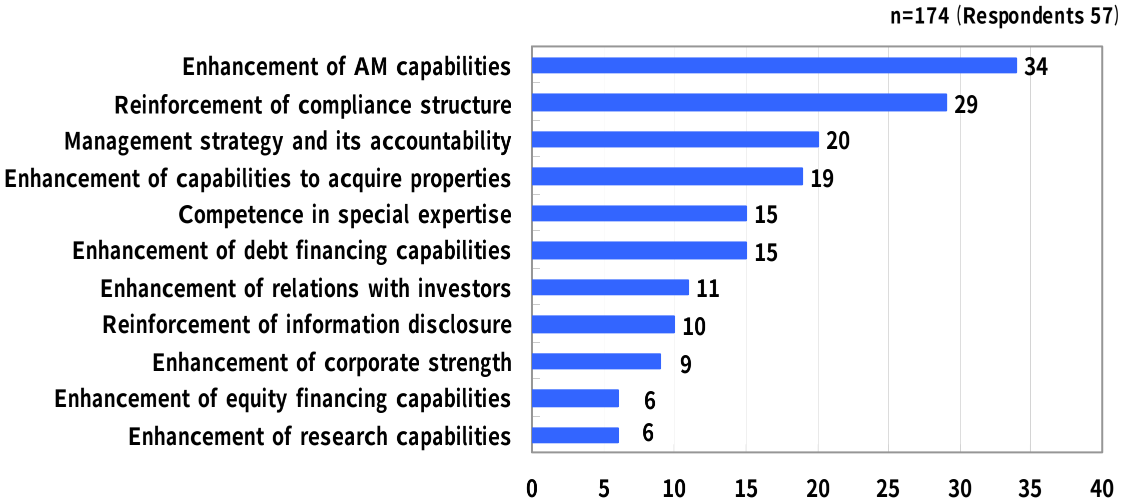
Fig. 22: Negative Types of Properties



3.Trends of Privately Placed Real Estate Fund Market and Direction of Business

・**What Investors Require of Investment Management Companies, Important Conditions / Strategies for Survival/Growth:** "Enhancement of compliance structure" (the query at this survey was changed to "Reinforcement") garnered the largest number of responses in the previous survey. Though it is continuously recognized as important, the compliance issue was exceeded by "Enhancement of AM capabilities" in this survey. The reason for this change is considered to be attributable to: (i) the development of internal control systems and the reinforcement of compliance structure have become requisites due to the enforcement of the Financial Instruments and Exchange Law, and (ii) the effort has been actually made to construct the structure in compliance with the same law, and now (iii) the strengthening of management capabilities to adapt to the changing circumstances is considered to be more important. "Management strategy and its accountability" gathered the third-largest response.

Fig. 23: Conditions for Survival and Growth as Investment Management Companies



4. Disclosure of Performance and Evaluation of Fund Assets

Questions regarding the disclosure of performance and evaluation of fund assets were asked for the first time in this survey series.

- **Disclosure of Fund Performance:** Regarding the disclosure of performance at the time of solicitation for new funds as well as in the fund management reports, the survey revealed that the total of the responses "Disclose in principle" and "Sometimes disclose" amounted to the majority, and that IRR is widely used as a performance indication. However, the time-weighted rate of return is also used in a few cases in fund management reports.
- **Evaluation of Real Estate in Possession of Funds:** Regarding the external appraisal and internal valuation of market value, the respondents who conduct both of them "Annually" were the largest (with external appraisal "Annually" amounting to 72%). When combined with the respondents who conduct external appraisal "Semi-annually" and "Quarterly", it was found that 83% are conducting external appraisal annually or on a more frequent basis. As for internal valuation of market value, "Semi-annually" and "Quarterly" amounted to 13% respectively, thereby indicating that internal valuation is conducted at higher frequency compared to external appraisal.
- **Progress of Compliance with GIPS:** Regarding the recognition of and examination of compliance with the global investment performance standards (GIPS), adopted by the Security Analysts Association of Japan in December 2005, our survey revealed that the respondents of "Examining compliance" was only 20% and "Do not yet understand the contents of the standards" amounted to 20%. Thus, it has been confirmed that the recognition of GIPS still remains at a low level among real estate investment management companies.. Regarding the "Quarterly evaluation of fair market value (internal valuation is permitted)", the prerequisite criterion of GIPS, the response "Too burdensome due to high frequency" was the largest at 46%, while "Appropriate" amounted to 20%. As for the "External appraisal every 12 months", the recommended criterion of GIPS, "Appropriate" led the responses at 71%, while the response "Too burdensome" amounted to 22%.

Fig. 24: Disclosure of Performance at the Time of Solicitation

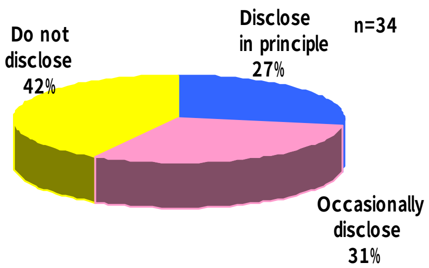


Fig. 25: Indication Used for the Performance Disclosure

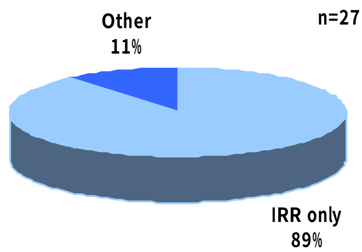


Fig. 26: Disclosure of Performance in the Management Report

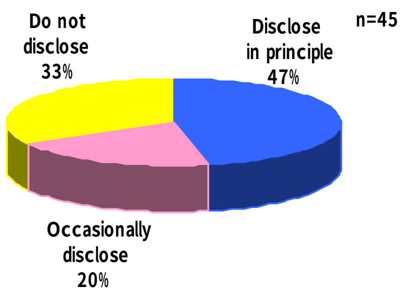


Fig 27: Indication Used for the Performance Disclosure

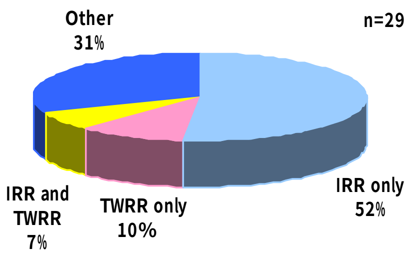


Fig 28: Frequency of External Appraisal of Fund Assets

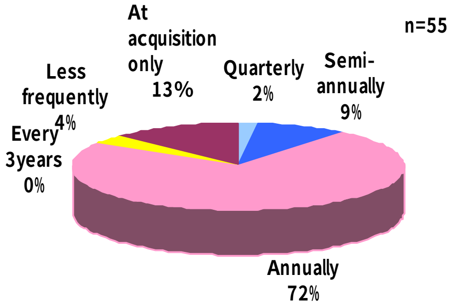


Fig 29: Frequency of Internal Valuation of Fund Assets

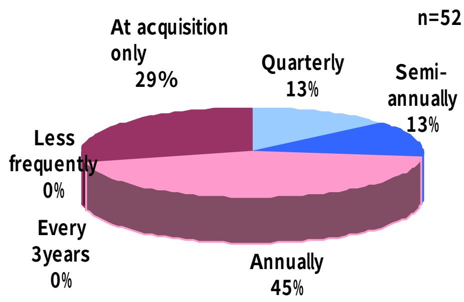


Fig 30: Status of Examination of GIPS Compliance

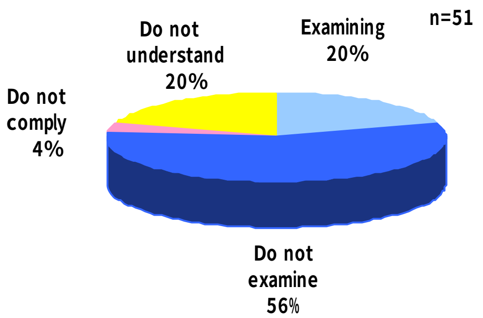


Fig 31: About Quarterly Evaluation

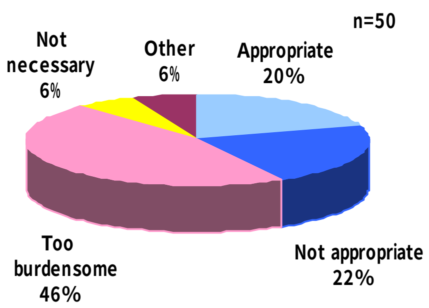


Fig 32: About External Appraisal Per 36 Months

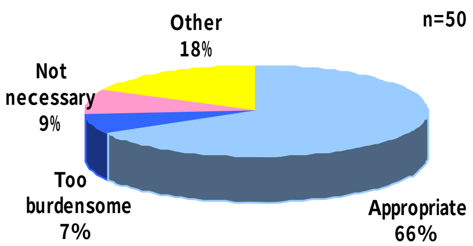
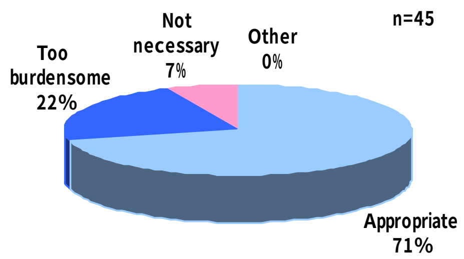


Fig 33: About External Appraisal Per 12 Months



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