

J-REIT Monthly

November 2016

For your information only



Sumitomo Mitsui Asset Management

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1. J-REIT Market Monthly Review (for October 2016)

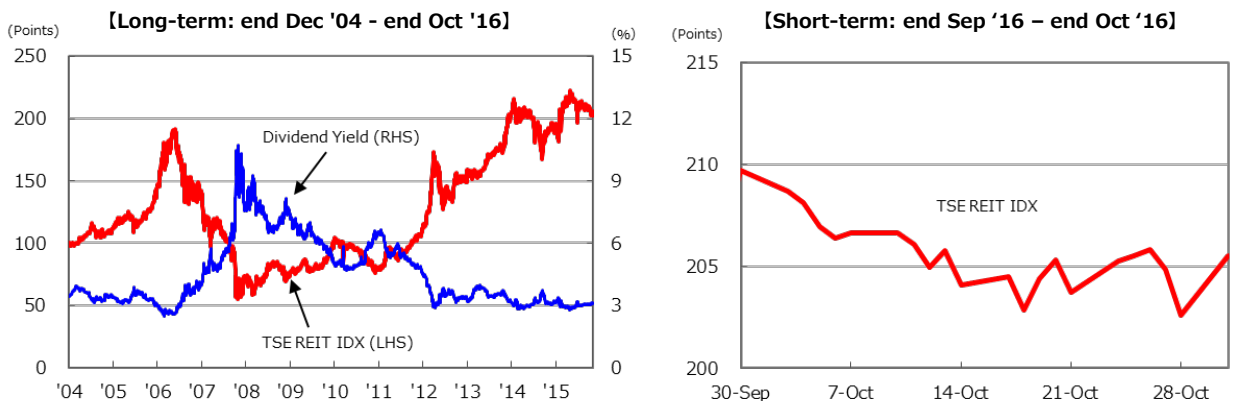
In October 2016, TSE REIT Index (with dividends) continued to soften and ended the month 2.01% lower as hopes receded for long-term bond yields' declining.

The J-REIT index started the month with a decline on long-term yields remaining at around 0% with gradually penetrated new monetary policy framework by BoJ. The stable yields strengthened the view that an additional measure for negative interest rate policy was less likely to be implemented. While the equity markets enjoyed gains thanks to yen's depreciation, investors avoided defensive J-REITs, which have low correlation with economic cycle. In the end of the month, BoJ governor Haruhiko Kuroda's warning about lowering super-long government bond yields also weighed on the market.

September office vacancy rate in Tokyo five central wards declined for 3 month in a row to 3.7%. Office property market in Tokyo's major business areas improved steadily.

In October, BoJ bought JPY7.2 bn worth of J-REITs, by six time purchases.

2. TSE REIT Index (with dividends)



TSE REIT Index	As of	1week ago	1month ago	3months ago	6months ago	1year ago	3years ago
	31-Oct-16	24-Oct-16	30-Sep-16	31-Jul-16	30-Apr-16	31-Oct-15	31-Oct-13
Index	3,269.40	3,265.23	3,336.34	3,394.01	3,465.54	3,061.58	2,437.93
%change	-	0.1%	-2.0%	-3.7%	-5.7%	6.8%	34.1%

Note: (1) TSE REIT Index (w/ dividends) of the last trading day of a month. 12/31/'04 = 100
(2) %chg: changes for each period.
Source: DataStream, compiled by SMAM.

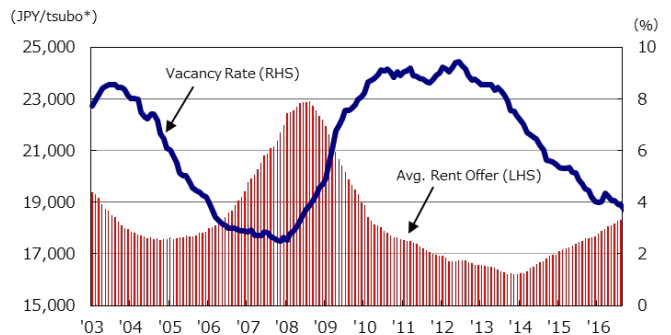
3. Top 10 REIT Constituents in J-REIT

(# of TSE REIT Index Components: 56)

REIT	CODE	Weight (%)
1 NIPPON BUILDING FUND	J8951	7.6
2 JAPAN REAL ESTATE INV.	J8952	6.9
3 NOMURA RLST.MASTER FUND	J3462	6.2
4 JAPAN RET.FD.INV.	J8953	5.3
5 UNITED URB.INV.	J8960	4.5
6 ORIX JREIT	J8954	3.9
7 NIPPON PROLOGIS REIT	J3283	3.8
8 DAIWA HOUSE REIT INV.	J8984	3.7
9 ADVANCE RESIDENCE INV.	J3269	3.4
10 JAPAN PRIME REALTY INV.	J8955	3.4
Others		51.2
Total		100.0

Source: DataStream, compiled by SMAM (As of the end of October 2016)

4. Tokyo Office Rents and Vacancy Rates



Notes: (1) Based on a monthly basis, covering a period from January 2003 to September 2016
(2) Tokyo 5 wards: Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, and Shibuya-ku.
(3) Tsubo is a Japanese traditional unit of measuring area. One tsubo represents approx. 10.76 square feet or 3.3 square meters
Source: DataStream, compiled by SMAM.

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1. Global REIT Market Monthly Review (for October 2016)

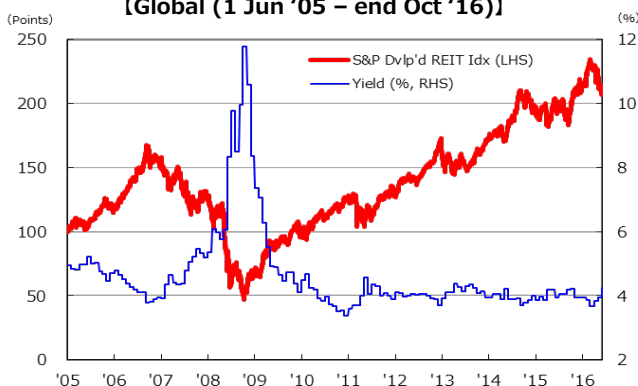
The S&P Developed REIT Index (ex-Japan, with dividends, USD base) fell 6.4% in October. On a local currency basis, both REIT and Forex returns posted negative performances with -5.7% and -0.6% respectively.

Looking at each REIT market, the US REIT market lost on concerns over increase in financing cost and declining attractiveness of REIT dividend yields as yield spreads shrank due to climbing long-term US Treasury yields. After firm macroeconomic data showed up, expectation for a next rate hike by the Federal Reserve Bank this year strengthened. Regarding Europe, the markets dropped amid fears about possible tapering of the European Central Bank's asset-purchases, triggering the gain in long-term yields. The A-REIT market also faced a sharp fall mainly due to upward trend in long-term bond yields.

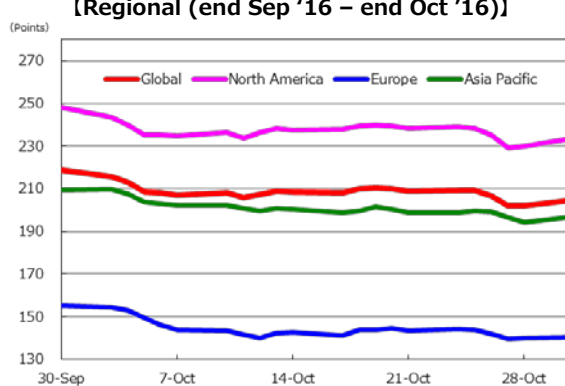
Regarding the Forex factor, the USD was slightly weak due to looming uncertainty over US Presidential election result as the Republican candidate, Donald Trump edged Hillary Clinton, the Democratic candidate.

2. Global REIT Index (in USD)

[Global (1 Jun '05 – end Oct '16)]



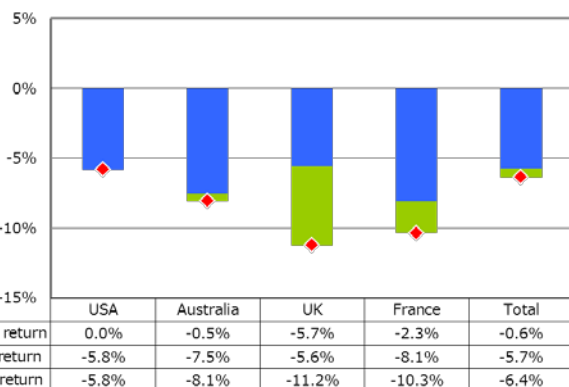
[Regional (end Sep '16 – end Oct '16)]



As of 31 October 2016	1week ago 24-Oct-16	1month ago 30-Sep-16	3months ago 29-Jul-16	6months ago 29-Apr-16	1year ago 30-Oct-15	3years ago 31-Oct-13
Global	-2.1%	-6.4%	-10.9%	-0.9%	3.5%	25.6%
North America	-2.2%	-5.8%	-11.0%	1.4%	6.7%	32.2%
Europe	-2.8%	-9.7%	-11.3%	-15.2%	-21.2%	-0.8%
Asia Pacific	-1.2%	-6.5%	-9.8%	0.2%	14.3%	20.1%

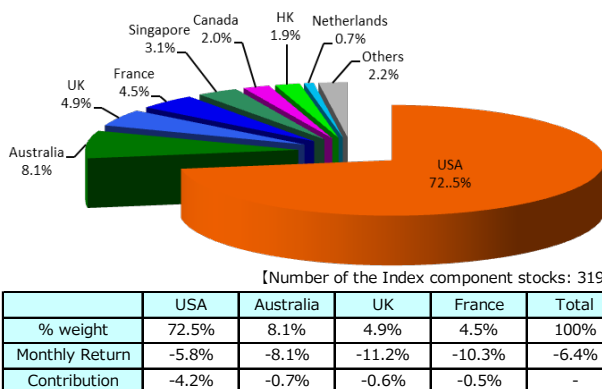
Note:
(1) Global index: S&P Developed REIT Index (ex-Japan, in USD)
Regional indexes are components of S&P Developed REIT Index.
(2) 6/1/05=100 for both charts
(3) % figures in the table indicate returns for each period
Source: FactSet, compiled by SMAM.

3. Return Contribution by Factors (Oct '16)



Note: Total-return breakdown of S&P Developed REIT Index (in USD) by forex and market factors, by countries.
Source: FactSet, compiled by SMAM.

4. Global % Weight by Markets (Oct'16)



Note: (1) S&P Developed REIT Index breakdown by country (ex-Japan, in USD).
(2) Contribution is calculated by multiplying each country's % weight by Monthly Return
Source: FactSet, compiled by SMAM.

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