

# J-REIT Monthly

August 2017

For your information only



Sumitomo Mitsui Asset Management

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## 1. J-REIT Market Monthly Review (for July 2017)

In July 2017, the TSE REIT Index (with dividends) gained 1.2% MOM. Although the market declined in mid-July due to negative reaction towards supply and demand trend, it rebounded in the end of the month and ended positive from the previous month.

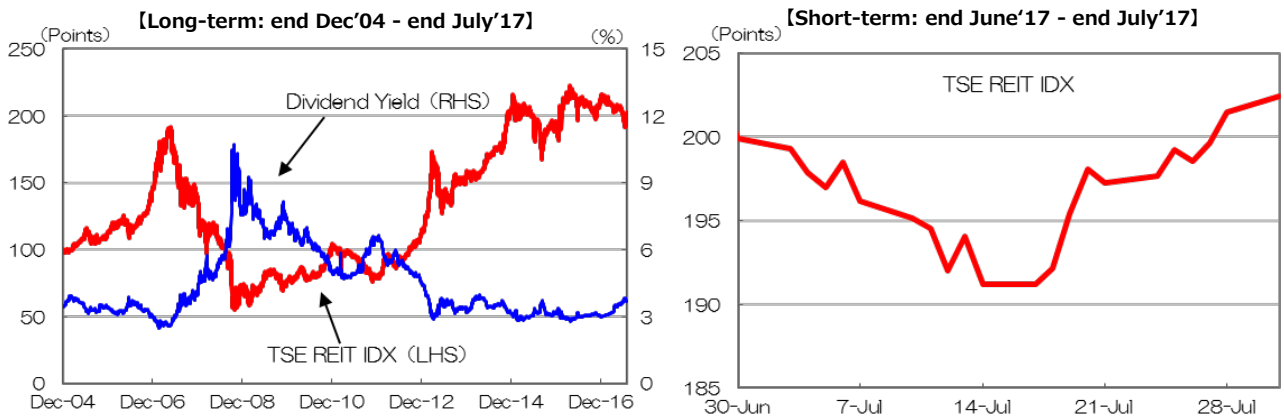
The J-REIT market sharply decreased in the first half of the month because of (i) selling led by cash outflow from investment trusts and (ii) the impact of rise in long term interest rates in US and Europe on the Japan market. In the latter half of the month, the market turned upwards after these negative factors were priced in and the market weighted average of dividend yields over 4% was revalued in the market.

By sector, residential sector underperformed and all the other sectors outperformed.

June office vacancy rate in Tokyo five central wards slightly improved to 3.26%. Meanwhile, rent is continuously rising and robust business environment remain unchanged.

In July, BOJ bought JPY7.2 bn worth of J-REITs, by six time purchases mainly in the first half of the month.

## 2. TSE REIT Index (with dividends)



TSE REIT Index	As of 31-Jul-17	1week ago 24-Jul-17	1month ago 30-Jun-17	3months ago 30-Apr-17	6months ago 31-Jan-17	1year ago 31-Jul-16	3years ago 31-Jul-14
Index	3,220.02	3,144.17	3,180.48	3,234.60	3,407.69	3,394.01	2,749.06
%change	-	2.4%	1.2%	-0.5%	-5.5%	-5.1%	17.1%

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: SMAM, based on Datastream.

## 3. Top 10 REIT Constituents in J-REIT

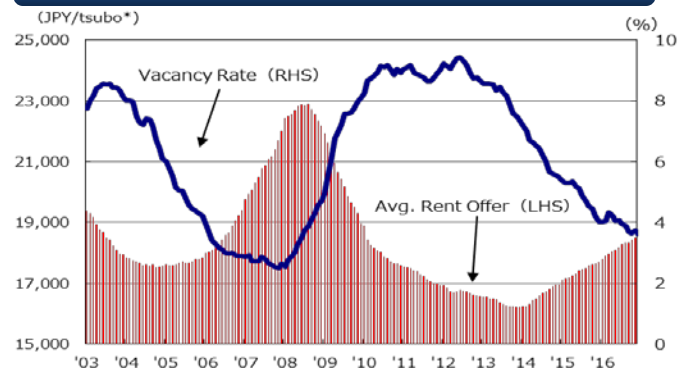
(# of TSE REIT Index Components:58)

REIT	CODE	Weight (%)
1 NIPPON BUILDING FUND	J8951	7.5
2 JAPAN REAL ESTATE INV.	J8952	7.1
3 NOMURA RLST.MASTER FUND	J3462	5.9
4 JAPAN RET.FD.INV.	J8953	5.3
5 UNITED URB.INV.	J8960	4.7
6 ORIX JREIT	J8954	4.2
7 DAIWA HOUSE REIT INV.	J8984	3.7
8 NIPPON PROLOGIS REIT	J3283	3.6
9 JAPAN PRIME REALTY INV.	J8955	3.4
10 ADVANCE RESIDENCE INV.	J3269	3.3
Others		51.3

Source: SMAM, based on Datastream.

(As of the end of July 2017)

## 4. Tokyo Office Rent and Vacancy Rate



Notes: (1) Covering a period from January 2003 to June 2017 (monthly basis).  
(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: SMAM, based on Datastream.

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## 1. Global REIT Market Monthly Review (for July 2017)

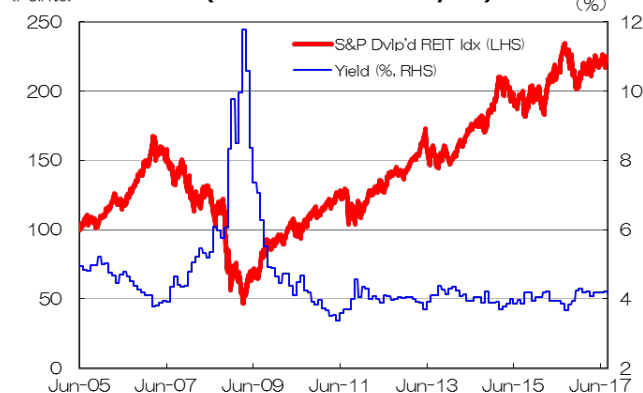
The S&P Developed REIT Index (ex-Japan, with dividends, USD base) gained 1.8% in July. On a local currency basis, the REIT return rose 1.0% and the Forex return improved 0.8%.

The US REIT market advanced as (i) long term yields declined and (ii) US stock market moved on a solid trend after US Fed Chair Janet Yellen suggested continuous interest rate rise at a moderate pace. The European REIT markets remained almost flat. The UK REIT market rose in favor of decline in long term interest rates led by receded expectation for interest rate hike. As for the Asian REIT market, Singapore and Hong Kong REIT markets went up as both of their stock markets moved on a firm tone. However, the Australian REIT market showed little change.

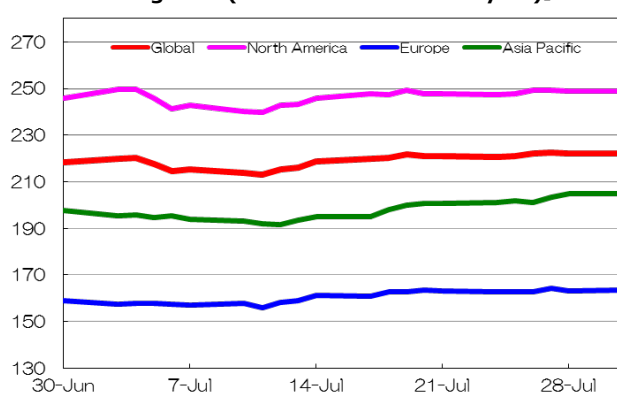
Regarding the Forex factor, EUR, CAD and AUD advanced against JPY, while USD and GBP declined against JPY.

## 2. Global REIT Index (in USD)

**[Global (1 June'05 – end July'17)]**



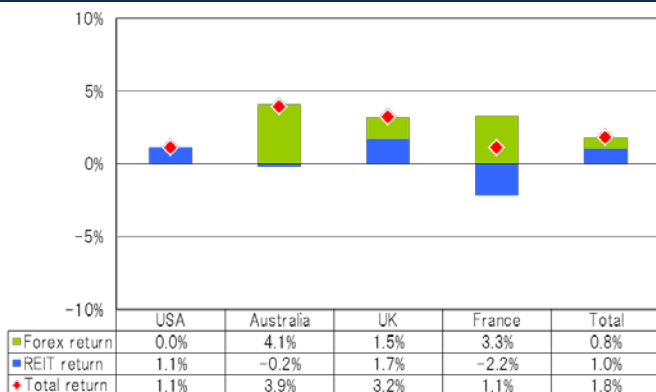
**[Regional (end June'17 – end July'17)]**



As of 31 July 2017	1 week ago 24-Jul-17	1 month ago 30-Jun-17	3 months ago 28-Apr-17	6 months ago 31-Jan-17	1 year ago 29-Jul-16	3 years ago 31-Jul-14
Global	0.7%	1.8%	3.4%	6.3%	-3.3%	21.9%
North America	0.7%	1.2%	2.7%	3.6%	-5.2%	26.3%
Europe	0.6%	2.9%	5.4%	17.4%	3.5%	1.6%
Asia Pacific	1.2%	4.2%	5.0%	11.1%	0.8%	21.1%

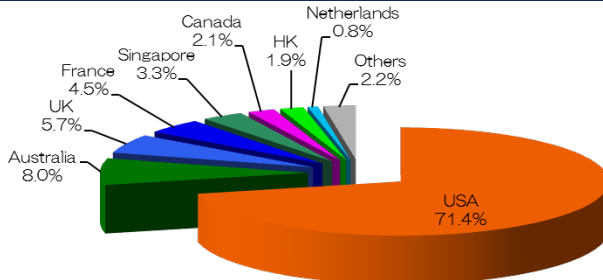
Note:  
(1) Global index: S&P Developed REIT Index (ex-Japan, in USD)  
Regional indexes are components of S&P Developed REIT Index.  
(2) 6/1/05=100 for both charts  
(3) % figures in the table indicate returns for each period  
Source: SMAM, based on FactSet data.

## 3. Return Contribution by Factors (July'17)



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

## 4. Global % Weight by Markets (July'17)



	USA	Australia	UK	France	Total
% weight	71.4%	8.0%	5.7%	4.5%	100%
Monthly Return Contribution	1.1%	3.9%	3.2%	1.1%	1.8%
Contribution	0.8%	0.3%	0.2%	0.0%	-

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: SMAM, based on FactSet data.