

J-REIT Monthly

September 2018

For your information only



Sumitomo Mitsui Asset Management

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1. J-REIT Market Monthly Review (for August 2018)

In August, the TSE REIT Index (with dividends) dropped 0.32% from the previous month.

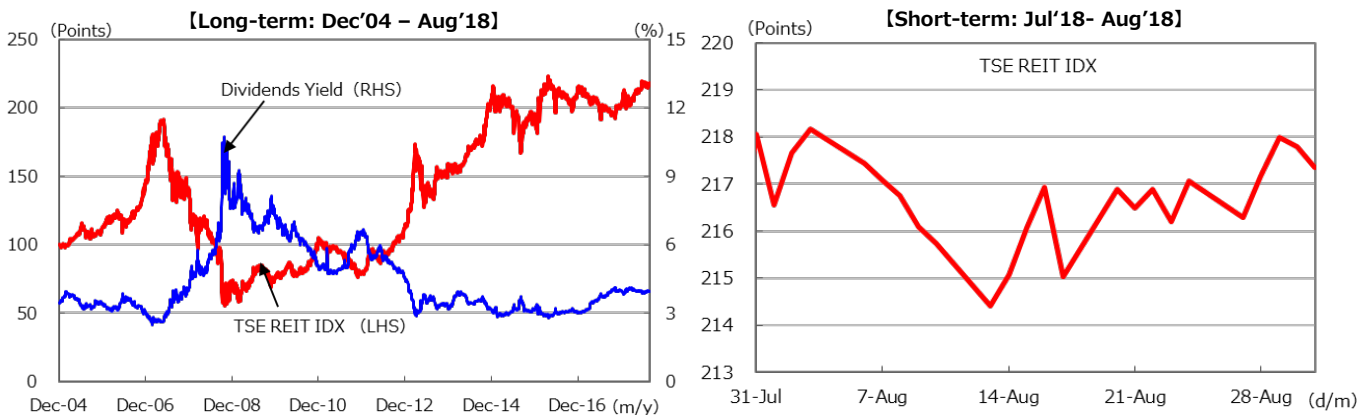
In the beginning of the month, the J-REIT market moved on a weak tone as long term interest rates expanded range of fluctuation affected by BOJ's official release of partial adjustment in monetary policy in the end of July. Also, concerns over weakening of supply and demand of J-REITs on the back of announcements of several public offerings during the month, put pressure on the REIT market. From mid-August, the market remained firm and traded within a boxed range, as long term interest rates stabilized and some REITs showed efficient replacement of assets that raised their quality.

By sector of TSE REIT Index, only office sector outperformed. Commercial logistics sector underperformed for eight months in a row since the beginning of the year.

The Japan property market remains firm as July office vacancy rate in Tokyo five central wards remained almost flat at 2.58% with rents continuously increasing.

In August, BOJ bought JPY2.4bn worth of J-REITs, by buying twice.

2. TSE REIT Index (with dividends)



TSE REIT Index	As of	1 week ago	1 month ago	3 months ago	6 months ago	1 year ago	3 years ago
	2018/8/31	2018/8/24	2018/7/31	2018/5/31	2018/2/28	2017/8/31	2015/8/31
Index	3,457.71	3,453.13	3,468.88	3,379.45	3,291.44	3,188.63	2,881.06
% Change	-	0.1%	-0.3%	2.3%	5.1%	8.4%	20.0%

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 data.

3. Top 10 REIT Constituents in J-REIT

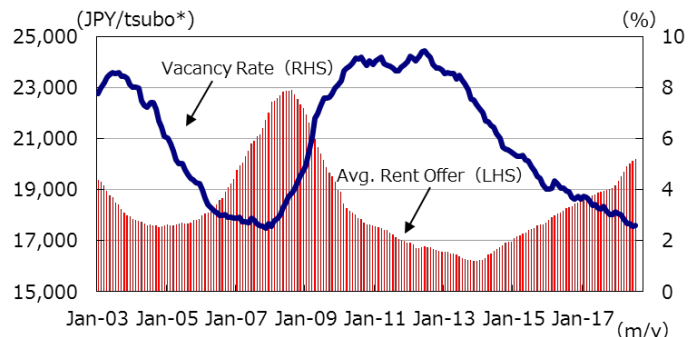
(# of TSE REIT Index Components:60)

	REIT	CODE	Weight (%)
1	NIPPON BUILDING FUND	J8951	7.4%
2	JAPAN REAL ESTATE INV.	J8952	7.0%
3	NOMURA RLST. MASETER FUND	J3462	5.4%
4	UNITED URB. INV.	J8960	4.6%
5	JAPAN RET. FD. INV.	J8953	4.5%
6	ORIX JREIT	J8954	4.1%
7	DAIWA HOUSE REIT INV.	J8984	3.8%
8	NIPPON PROLOGIS REIT	J3283	3.4%
9	ADVANCE RESIDENCE INV.	J3269	3.3%
10	JAPAN PRIME REALTY INV.	J8955	3.0%
	Others		53.5%
	Total		100.0%

Source: SMAM, based on Datastream data.

(As of the end of Aug 2018)

4. Tokyo Office Rent and Vacancy Rate



Notes: (1) Covering a period from January 2003 to Jul 2018 (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 data.

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1. Global REIT Market Monthly Review (for August 2018)

In August, the S&P Developed REIT Index (ex-Japan, with dividends, USD base) rose 2.0%. On a local currency basis, the REIT return increased 2.3% and the Forex return declined 0.3%.

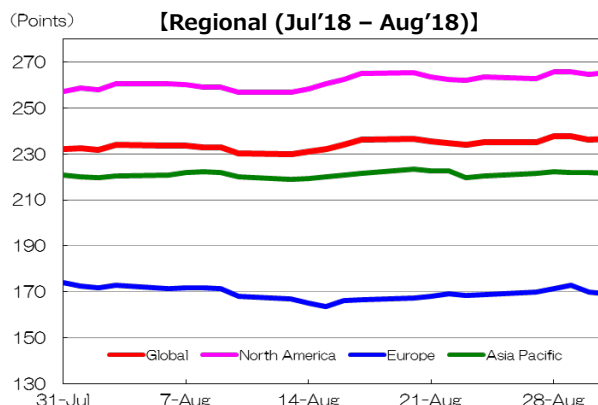
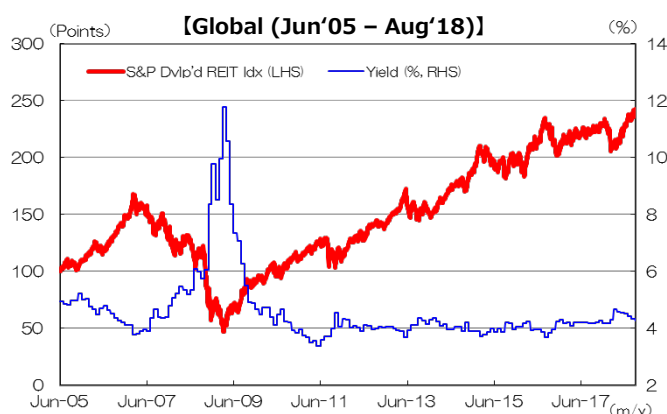
The US REIT market advanced in favor of (i) solid earnings results of major US REITs, as well as (ii) rise in the US stock market due to strong corporate earnings of US companies.

The European REIT market declined negatively reacting to (i) worries over effect on European financial institutions holding monetary claims against Turkey as Turkish Lira plunged and also, (ii) conflict between US and China over additional tariffs imposed on their imported goods.

The Australian REIT market went up positive on (i) strong earnings results of major REITs and (ii) solid retail sales above market expectations.

Regarding the Forex factor, EUR, GBP, CAD, AUD and SGD all weakened against USD.

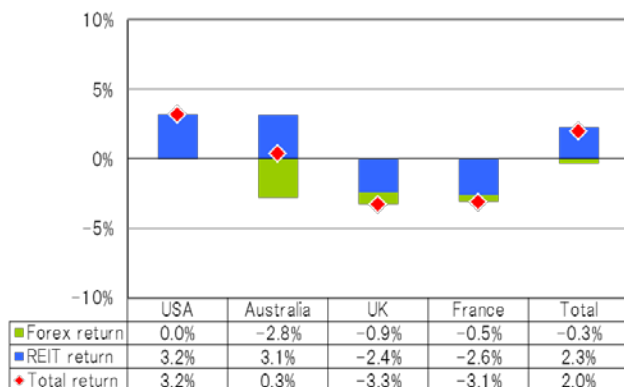
2. Global REIT Index (in USD)



As of 31 Aug 2018	1 week ago	1 month ago	3 months ago	6 months ago	1 year ago	3 years ago
	2018/8/24	2018/7/31	2018/5/31	2018/2/28	2017/8/31	2015/8/31
Global	0.6%	2.0%	6.0%	14.2%	6.7%	29.4%
North America	0.8%	3.2%	8.2%	18.8%	7.0%	31.8%
Europe	0.1%	-2.8%	-2.7%	0.2%	3.1%	2.0%
Asia Pacific	0.4%	0.1%	2.8%	5.7%	8.1%	47.6%

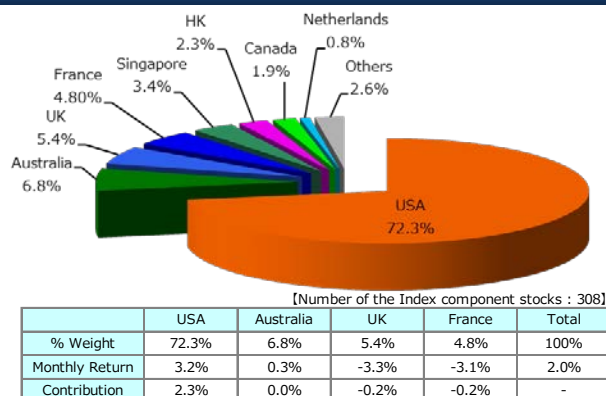
Note:
(1) Global index: S&P Developed REIT Index (ex-Japan, in USD)
Regional indexes are components of S&P Developed REIT Index.
(2) 6/1/05=100 for both charts
(3) % figures in the table indicate returns for each period
Source: SMAM, based on FactSet data.

3. Return Contribution by Factors (Aug'18)



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 (Aug'18)



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.

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