

How has the Market Capitalization of J-REITs Changed in Four Years ?

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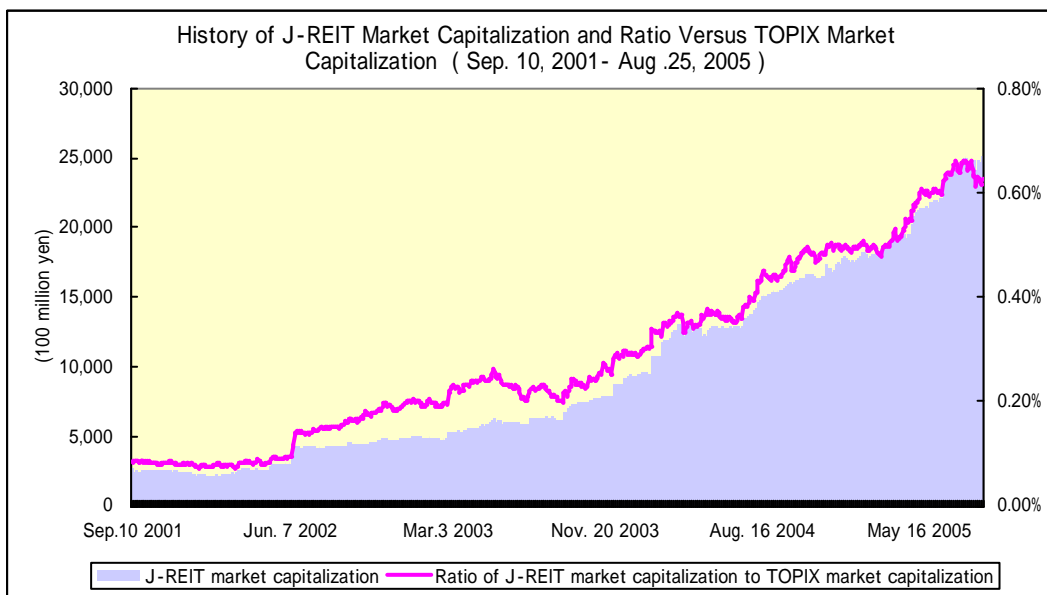
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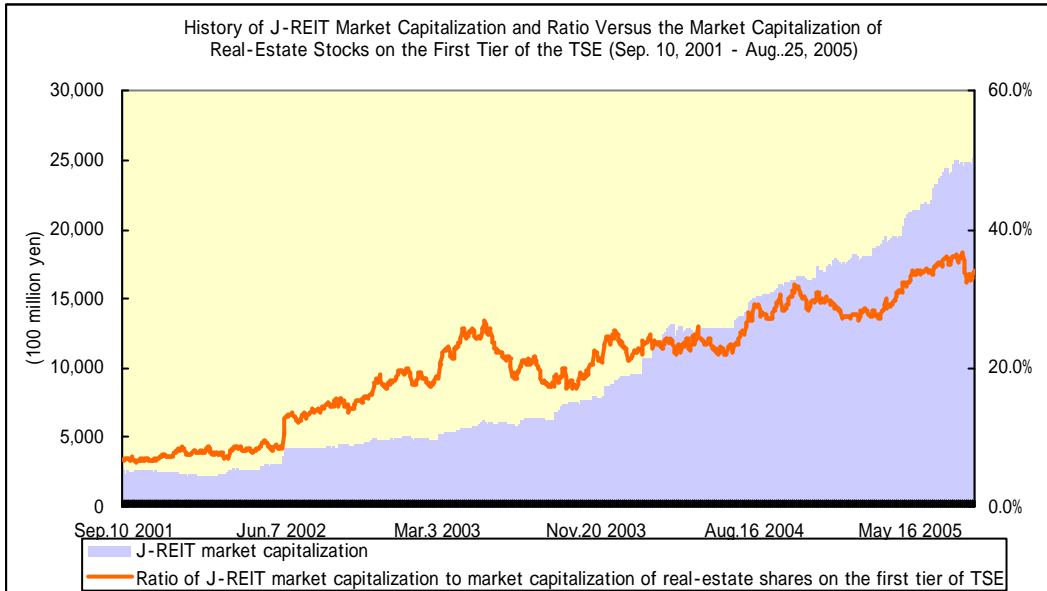
At its start the listed J-REIT market of two issues on September 10, 2001 had a market capitalization of about 260 billion yen. Since then, the market capitalization has expanded to about 9.6 times the original size in only about four years and reached about 2.5 trillion yen at the end of August 2005. As of the end of August 2005, the market capitalization of J-REITs accounted for about 0.6% of the TOPIX market capitalization and had reached about 34% of the market capitalization for first tier Tokyo Stock Exchange real estate businesses (Figures 1 and 2). Clearly their presence in the market is increasing in significance.

(Figure 1) History of J-REIT Market Capitalization and Ratio of It Versus TOPIX Market Capitalization



(Remarks) The J-REIT market capitalization was calculated by totaling the market capitalization of already listed J-REITs (including TSE and OSE).

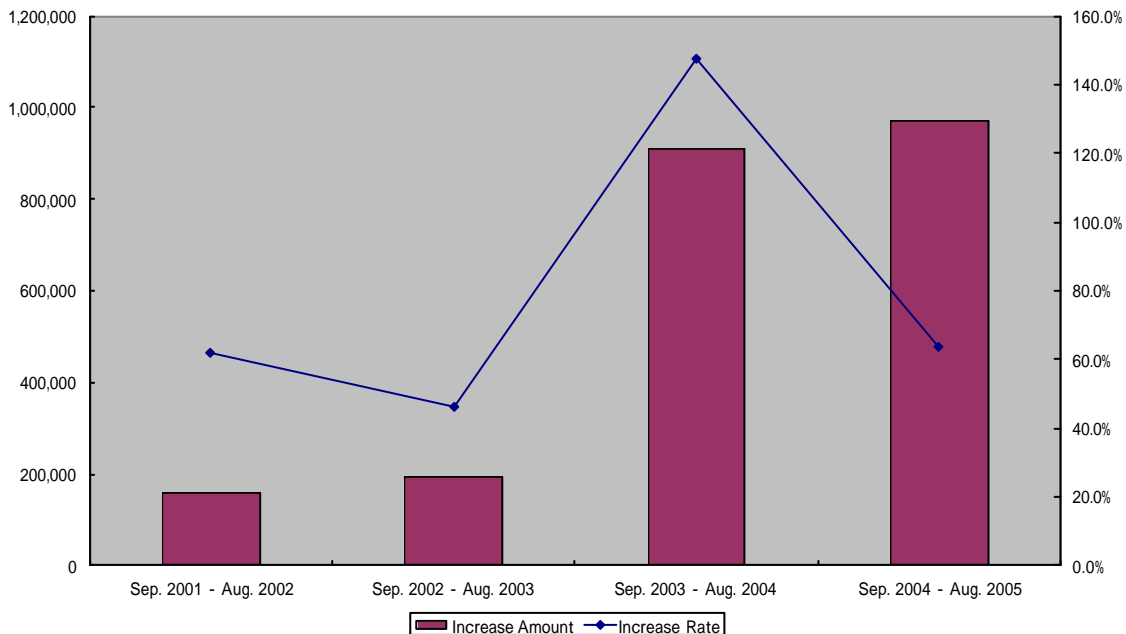
(Figure 2) History of J-REIT Market Capitalization and Ratio of It Versus the Market Capitalization of Real-Estate Stocks on the First Tier of the TSE



(Remarks) The J-REIT market capitalization was calculated by totaling the market capitalization of already listed J-REITs (including TSE and OSE).

However, as Figure 3 shows, there is a big disparity in the increase amount and rate of market capitalization depending on the timing.

Figure 3 History of J-REIT Total Market Capitalization Increase Amount and Rate



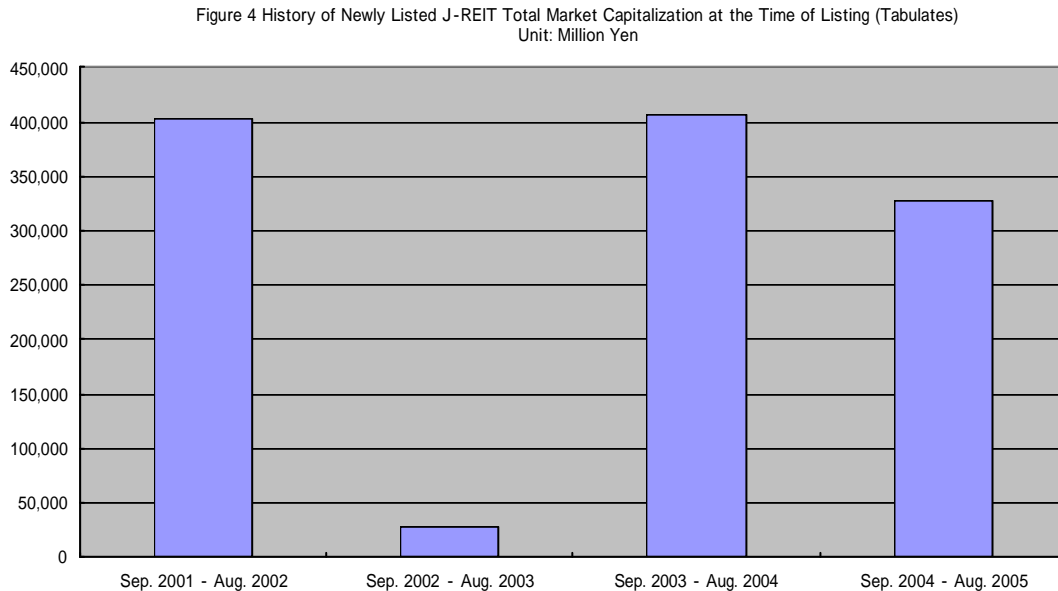
The method of expansion in the market capitalization differs depending on the period.

This report has studied the types of differences according to period in the expansion of the market capitalization as a means to delve into how the market capitalization of J-REITs has expanded over the past four years. Consequently, this report analyzes the increase factors of J-REIT market capitalization by dividing the factors into 1) Listing of new issues, 2) Expansion of asset portfolios after the listing of each issue, and 3) Increases in prices of investment units. The analysis will look at the influences these factors had on increasing the market value.

1. Impact of New J-REIT Listings on Market Capitalization

(1) Annual History

Figure 4 indicates the market capitalization at the time of IPO for each issue and tabulates these according to their listing periods.



The increase amount of the market capitalization at the time of listing between September 2002 and August 2003 has remarkably slumped. Furthermore, the market capitalization increase amount generated by IPOs slumped again in September 2004 to August 2005 compared to the preceding year. The increase in market capitalization generated by IPOs has a tremendous skew depending on the period.

This skew can be explained by the variation in market capitalization per issue at the time of new IPO and the number of new IPOs. The following analyzes the respective fluctuations. (2) Number of Listed J-REITs and History of Market Capitalization upon Listing of New J-REITs

The J-REIT market began with two issues on September 10, 2001 and has reached 22 issues as of the end of August 2005 (Figure 5).

(Figure 5) Listed J-REITs

Name	Nippon Building Fund, Inc.	Japan Real Estate Investment Corporation	Japan Retail Fund Investment Corporation	ORIX JREIT Inc.	Japan Prime Realty Investment Corporation	Premier Investment Corporation
Abbrev.	NBF	JRE	JRF	OJR	JPR	PIC
Code	8951(TSE)	8952 (TSE)	8953 (TSE)	8954 (TSE)	8955 (TSE)	8956 (TSE)
Characteristic	Office building management (Centered on five major Tokyo wards)	Office building management	Commercial facility management	Focused on Tokyo metropolitan area (managed assets are comprehensive)	Nationally distributed properties (managed assets are offices and commercial facilities)	Focused on Tokyo metropolitan area (managed assets are compound office buildings and residential)
Address	2-7-2 Yaesu, Chuo Ward, Tokyo	3-3-1 Marunouchi, Chiyoda Ward, Tokyo	Izumikan Kioicho Building, 4-3 Kioicho, Chiyoda Ward, Tokyo	2-4-1 Hamamatsucho, Minato Ward, Tokyo	1-9-9 Yaesu, Chuo Ward, Tokyo	1-2-7 Nishi Azabu, Minato Ward, Tokyo
Manager	Nippon Building Fund Management Ltd.	Japan Real Estate Asset Management Co., Ltd.	Mitsubishi Corp.-UBS Realty Inc.	ORIX Asset Management Corporation	Tokyo Realty Investment Management, Inc.	Premier Reit Advisors Co., Ltd.
Date	16-Mar-01	11-May-01	14-Sep-01	10-Sep-01	14-Sep-01	2-May-02
Listed date	10-Sep-01	10-Sep-01	12-Mar-02	12-Jun-02	14-Jun-02	10-Sep-02
Fiscal Period	End of June and December	End of March and September	End of February and August	End of February and August	End of June and December	End of April and October
Major Properties	JFE Building, Shiba NBF Tower, Nihonbashi Muromachi Center Building	Shibuya Cross Tower, Mitsubishi Soken Building, Ginza Sanwa Bldg	NaRa Family, AEON Yamato Shopping Center, Esquisse Omotesando	CROSS GATE, Landic Akasaka Bldg, ORIX Ikebukuro building	Kanematsu Building, JPR Umeda Loft Bldg., JPR Shibuya Tower Record Bldg	Rokubancho Building, Landic Shimbashi Bldg, 2. Kanagawa Science Park's R&D center
Primary Shareholders of manager	Mitsui Fudosan Co., Ltd. Sumitomo Life Insurance Company	Mitsubishi Estate Co., Ltd. Tokyo M&F Inc. The Dai-ichi Mutual Life Insurance Mitsui & Co., Ltd.	Mitsubishi Corporation UBS AG	Orix Corp.	Tokyo Tatemono Co., Ltd. Meiji Yasuda life Insurance Company Taisei Corporation Yasuda Real Estate Co., Ltd. Sampo Japan Insurance Inc.	Ken Corporation Ltd. Nikko Building Co., Ltd. Chuo Mitsui Asset Management Co., Mitsui Sumitomo Insurance Co., Ltd.

Name	TOKYU REIT, Inc.	Global One Real Estate Investment Corp.	Nomura Real Estate Office Fund, Inc.	United Urban Investment Corporation	MORI TRUST Sogo Reit, Inc.	Nippon Residential Investment Corp.
Abbrev.	Tokyu RE	GO	NOF	UUR	Mori Trust	Ni Residence
Code	8957 (TSE)	8958 (TSE)	8959 (TSE)	8960 (TSE)	8961 (TSE)	8962 (TSE)
Characteristic	Dedicated to Tokyo metropolitan area (managed assets are office buildings and commercial facilities)	Office building management (3 major metropolises)	Office building management (Tokyo city center, Tokyo metropolitan area, etc.)	Comprehensive (commercial, hotels, office buildings, residential)	Comprehensive (commercial, hotels, office buildings, residential)	Focused on residential
Address	1-12-1 Dogenzaka, Shibuya Ward, Tokyo	4-1 Kojimachi, Chiyoda Ward, Tokyo	8-5-1 Nishi Shinjuku, Shinjuku Ward, Tokyo	4-3-1 Toranomon, Minato Ward, Tokyo	1-25-5 Toranomon, Minato Ward, Tokyo	2-11-1 Nagatacho, Chiyoda Ward, Tokyo
Manager	Tokyu Real Estate Investment Management Inc.	Global Alliance Realty Co., Ltd.	Nomura Real Estate Asset Management Co., Ltd.	Japan REIT Advisors Co., Ltd.	MORI TRUST Asset Management Co., Ltd.	Pacific Investment Advisors Corporation
Date	20-Jun-03	16-Apr-03	7-Aug-03	4-Nov-03	2-Oct-01	6-Dec-02
Listed date	10-Sep-03	25-Sep-03	4-Dec-03	22-Dec-03	13-Feb-04	2-Mar-04
Fiscal Period	End of January and July	End of March and September	End of April and October	End of May and November	End of March and September	End of May and November
Major Properties	Resona Maruha Building, Setagaya Business Square, QFRONT	Otemachi First Square, Sphere Tower Tennoz, Kintetsu Shinnagoya Bldg	Shinjuku Nomura Building, JAL Building, Itopia Nihonbashi Honcho Bldg	Shin-Osaka Central Tower, Shinjuku Washington Hotel's Main Building, Kawasaki-Toshiba Building	Hitachi Head Office Building, Nissan Motor Head Office Building, New Tower, Mita MT Building	Moto-Azabu Place, Apartments Nishi-Azabu, Sorcie Mejiro
Primary Shareholders of manager	Tokyu Corporation Tokyu Land Corporation	GMAC Commercial Mortgage Japan Kintetsu Corporation Meiji Yasuda Life Insurance Company Bank of Tokyo-Mitsubishi Mitsubishi Trust and Banking Corporation	Nomura Real Estate Development Co., Ltd.	Trinity Investment Trust LLC Marubeni Corporation Credit Suisse First Boston Principal Investments Limited. Tokyo Branch Kyokuto Securities Co. Ltd. Yamato Life Insurance Co.	MORI Trust Co., Ltd. Parco Co., Ltd. Sompo Japan Sumitomo-Mitsui Banking Corporation UFJ Bank Mizuho Corporate Bank	Pacific Management Corporation Dai-ichi Life Insurance Morgan Stanley Properties Japan Bank of Tokyo-Mitsubishi Trust Bank Sumitomo Corporation Odakyu Real Estate Co., Ltd.

Name	TGR Investment Inc.	Frontier Real Estate Investment Corporation	New City Residence Investment Corporation	CRESCENDO Investment Corporation	Japan Logistics Fund, Inc.	Fukuoka REIT Corporation
Abbrev.	TGR	FRI	NCR	CIC	JLF	FRC
Code	8963 (OSE)	8964 (TSE)	8965 (TSE)	8966 (TSE)	8967 (TSE)	8968 (TSE and FSE)
Characteristic	managed assets are com	Commercial facility management	Focused on Residential (Centered on Tokyo metropolitan area)	Tokyo metropolitan area, compound (office buildings and residential)	Focused on distribution facilities	Focused on Fukuoka and Kyushu region (Comprehensive centered on commercial facilities)
Address	6-8-1 Nishi Shinjuku, Shinjuku Ward, Tokyo	2-17-22 Akasaka, Minato Ward, Tokyo	1-10-6 Roppongi, Minato Ward, Tokyo	2-5-1 Atago, Minato Ward, Tokyo	3-5-1 Kanda Nishikicho, Chiyoda Ward, Tokyo	1-2-25 Sumiyoshi, Hakata Ward, Fukuoka City
Manager	Power Investment Co., Ltd.	Frontier REIT Management Inc.	CBRE Residential Management K.K.	Canal Investment Trust Co., Ltd.	Mitsui & Co., Logistics Partners Ltd.	Fukuoka Realty Corporation Limited
Date	18-Jan-02	12-May-04	27-Sep-04	31-Jan-02	22-Feb-05	2-Jul-04
Listed date	17-May-04	9-Aug-04	15-Dec-04	8-Mar-05	9-May-05	21-Jun-05
Fiscal Period	End of June and December	End of June and December	End of February and August	End of May and November	End of January and July	End of February and August
Major Properties	Nihonbashi Dai-2 Bldg, Park Villa Yakumo, Ueno Toso Bldg	AEON Shinagawa Seaside Shopping Center, MYCAL Ibaraki, Joyful Town Okayama	NCR Yokohama East, NCR Meguro Mita, NCR Minami Aoyama	Ebisu Square, M's Harajuku, Mirumu Wakabayashi Koen	Funabashi Logistics Center, Daito Logistics Center, Osaka Fukuzaki Logistics Center	Canal City Hakata, Park Place Oita, Canal City Business Center Bldg.
Primary Shareholders of manager	Tokyo REIT Co., Ltd. HS Securities Co., Ltd. Power Management Co., Ltd.	Japan Tobacco Inc.	CB Richard Ellis Investors K.K. NCC Holdings (Delaware) LLC, CSK Corporation	Mitsuhiro Utata (President of Canal Investment Trust) Heiwa Real Estate Co., Ltd. AKIYAMA HOLDINGS & FINANCE S.A. INVOICE INC ITOCHU Finance Corporation	Mitsui & Co., Ltd. Chuo Mitsui Trust and Banking Co., Ltd. MTB LEASING CO., LTD Kenedix, Inc.	Fukuoka Jisho Co., Ltd. FJ Urban Design & Development Co., Ltd. (This Company no longer exists) Kyushu Electric Power Co., Inc. Royal Co., Ltd.

Name	Prospect Residential Investment Corporation	Japan Single-residence REIT Inc.	Kenedix Realty Investment Corporation	Joint Reit Investment Corporation
Abbrev.	PRC	JSR	KRI	JCR
Code	8869 (TSE)	8970 (TSE)	8972 (TSE)	8973 (TSE)
Characteristic	Focused on residential (Centered on Tokyo metropolitan area)	Focused on residential (for single, including hotels dedicated to accommodation)	Comprehensive (Centered on office buildings and residential Tokyo metropolitan area)	Comprehensive (Centered on residential and commercial facilities; Tokyo metropolitan area)
Address	2-2-1 Marunouchi, Chiyoda Ward, Tokyo	Kamijicho Sankei Building 9th Floor, 1-7-2 Azabudai, Minato Ward, Tokyo	2-6-2 Marunouchi, Chiyoda Ward, Tokyo	2-10-11 Meguro, Meguro Ward, Tokyo
Manager	Prospect Residential Advisors Co., Ltd.	Japan Single-residence Asset Management Corp.	Kenedix REIT Management, Inc.	Joint Capital Partners Co., Ltd.
Date	22-Apr-05	16-Feb-05	6-May-05	20-Apr-05
Listed date	12-Jul-05	13-Jul-05	21-Jul-05	28-Jul-05
Fiscal Period	End of January and July	End of January and July	End of April and October	End of March and September
Major Properties	TK Flats Shibuya Prospect Shinjimbashi Prospect Kyosumi Teien	TOUR JALINE Komazawa-koen, Maison de Ville UMEDA, Grand Bleu Hiroo	Jinnan-zaka Frame, Nishinbashi 313 Building, Sogo Hirakawacho Building	Hamamatsu Plaza, SPACIA GINZA, Rinku Hagiwazaki Plaza
Primary Shareholders of manager	KK Prospect	DARWIN INC. Lehman Brothers Investments Japan Inc. CREED Corporation	Kenedix, Inc.	JOINT Asset Management Co., Ltd. JOINT Corporation

Figure 6 shows the changes in the number of listed JREITs. In the year from September 2002, there were six listed J-REITs and no new IPOs. Since September 2003, there has been a consistent increase in the number of listed J-REITs and in July 2005 there were four J-REIT IPOs in a single month for the first time ever. This is clearly representative of the large change in the number of new IPOs, which has generated a different impact on the increase in market capitalization of new IPOs.

Figure 6 Historical Change in Listed J-REIT Quantities

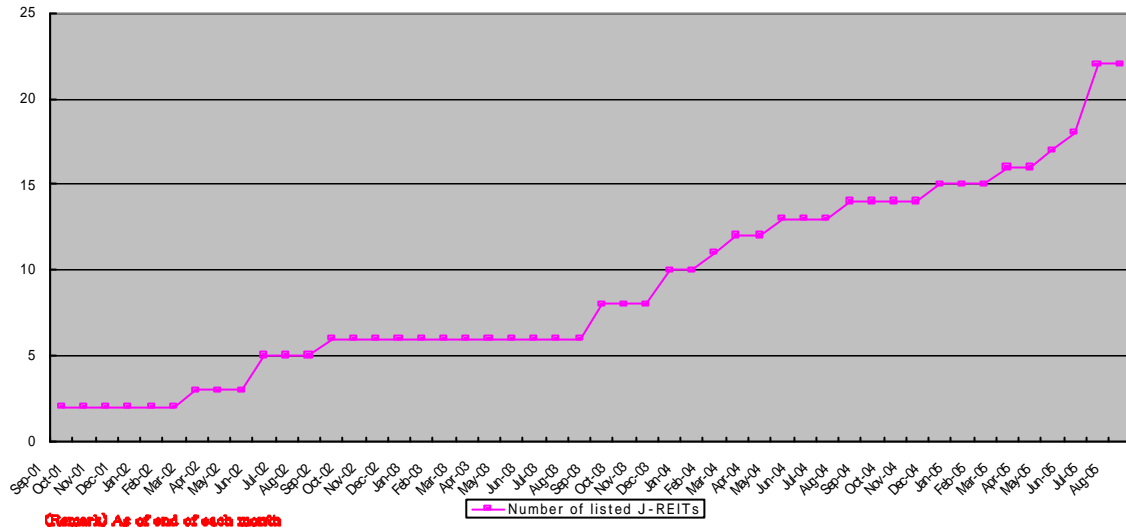
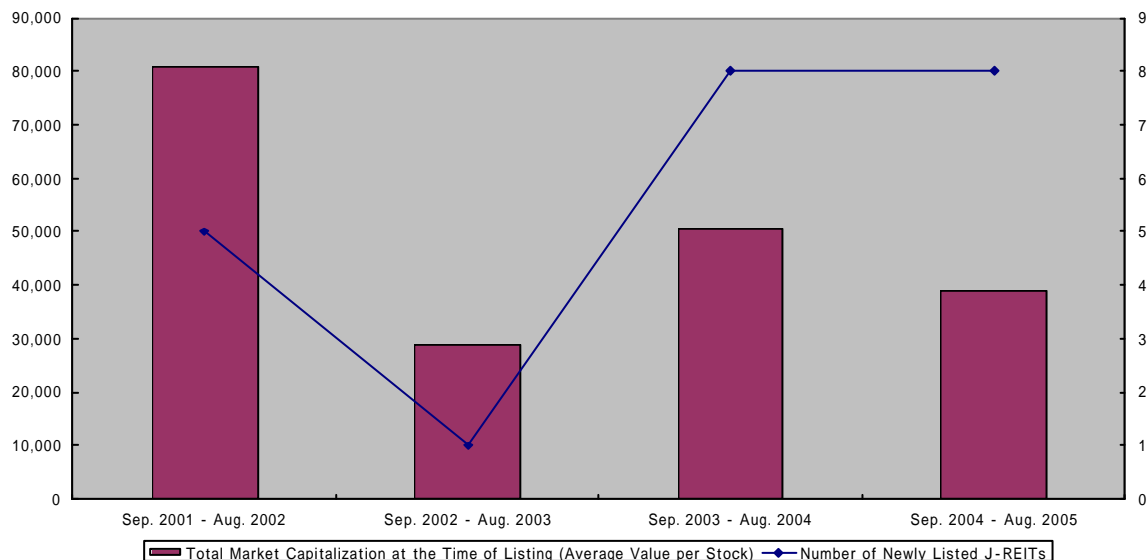


Figure 7 indicates the annual change in the number of new IPOs and the total market capitalization at the time of listing of new IPOs (average value per J-REIT) in annual units. This clearly shows the difference per year.

Figure 7 History of Newly Listed J-REITs' Amount and Total Market Capitalization at the Time of Listing (Average Value per Stock)



In the year from September 2002 to August 2003, there was a tremendous reduction in new IPOs with only one IPO. The total market capitalization at IPO per J-REIT also shrunk. As a result of these two factors, there was a tremendous slump in the increase in total market capitalization caused by the IPO.

On the other hand, during the year from September 2004 to August 2005, there were eight new J-REITs, the same number as the preceding year. On the other hand, the total market capitalization at the time of IPO per J-REIT shrunk. During this period, the increase in total market capitalization at the time of IPO slumped not because of a decrease in the number of listed J-REITs but because of smaller market capitalizations for the new J-REITs.

According to reports, etc., there are additionally ten new J-REITs working towards a listing during fiscal 2005. In the case of these potential new J-REITs, a sum total of the asset portfolio (targeted value) at the time of IPO will be between 500-600 billion yen.

The average asset portfolio size per new J-REIT will be 50-60 billion yen and based on the hypothesis that half of these funds will be procured through equity (issuing of investment units), the total market value at the time of IPO per J-REIT will be 25-30 billion yen. This is smaller than the total market capitalization per J-REIT at the time of IPO in the past as shown in Figure 7. The J-REIT listing plans that have reported to date indicate that there will be a continuing run of comparatively small IPOs.

On the other hand, the IPO of new J-REITs doesn't always follow the originally intended schedule. Therefore, it is difficult to predict the number of new IPOs. However, since the present planned number of IPOs is very large, there is a strong possibility that the number of new IPOs in the next year will be the greatest ever.

2. The Impact of Asset Portfolio Expansion After Each J-REIT's Listing on Increases in Market Capitalization

(1) Why Asset Portfolio Expansion Causes an Increase in J-REIT Market Capitalization

The expansion of asset portfolios owned by J-REITs after their IPOs contributes to an

increase in the total market capitalization of J-REITs. This is because the J-REITs must depend on procurement of capital from outside sources to continue acquiring assets and this makes it necessary to additionally issue investment units within a certain period.

The reason why external sources of capital must be depended upon is because of the requirement that for a J-REIT to be able to lighten their corporation taxes as a result of being able to include distributions in expenses the J-REIT must distribute more than 90% of profits that can be paid as dividends each fiscal period. J-REITs distribute almost all of the profits that can be distributed as dividends each fiscal period, meaning they have almost no internal reserves. Consequently, it is difficult to depend on retained earnings as capital for acquiring assets.

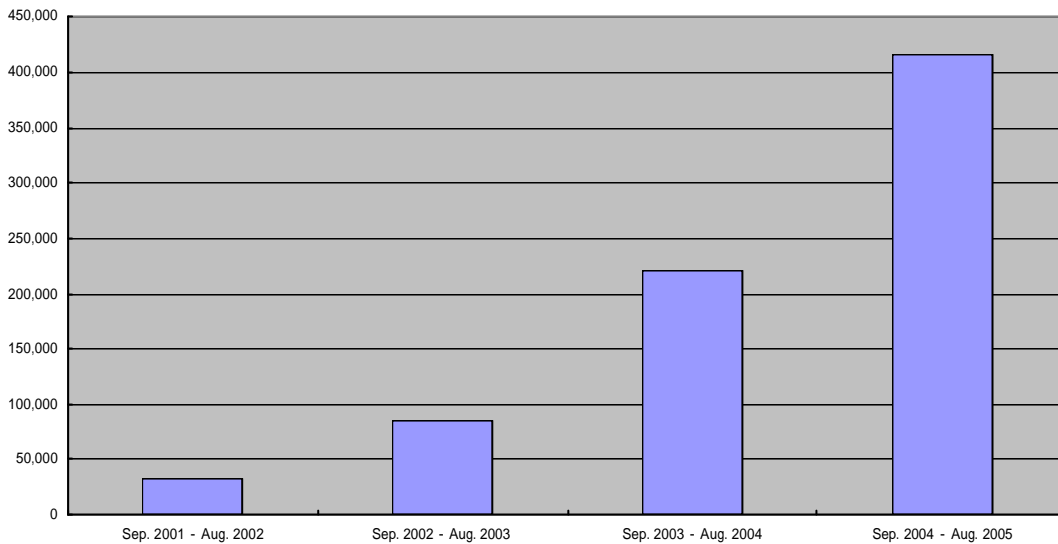
On the other hand, each J-REIT has a designated ceiling for their debt ratios within their financial strategies. When an increase in borrowings causes the debt ratio to become excessively high, the J-REIT is forced to issue new investment units to reduce the debt ratio and adjust the numbers.

Therefore since the situation is such that liabilities and retained reserves cannot be depended on for the majority of funds to procure capital, the additional issuance of investment units is indispensable. The additional issuance of investment units to do so means an increase in the total market capitalization.

(2) History of Increase in Total Market Capitalization of J-REITs Caused by Additional Issuance of Investment Units

Figure 8 indicates the tabulation results by period for the market values when at the time of issuance when additionally issuing new investment units.

Figure 8 History of Newly Listed J-REITs' Total Market Capitalization at the time of Listing (Tabulates) Unit: Million Yen



It is clear that the increase in total market capitalization caused by the additional issuance of investment units is expanding steadily each year. This is in direct contrast to the increase in total market capitalization generated by IPOs indicated in Figure 4. A major characteristic, in particular, of the most recent year from September 2004 to August 2005 is that the increase in total market capitalization resulting from additional issues of investment units outpaced the increased in total market capitalization resulting from IPOs (Figures 4 and 8). In other words, during the most recent year from September 2004 to August 2005, additional issues of investment units after listing contributed more to raising the total market capitalization of J-REITs than IPOs of new J-REITs.

(3) Status of Asset Portfolio Expansion

As Figure 8 indicates, the increase in total market capitalization generated by additional issues of investment units is expanding annually. The additional issue of investment units after listing aims to procure capital to acquire assets for J-REITs. In other words, the additional issues represent an annual increase in the acquisition of assets after listing.

Expansion of the asset portfolio includes the merits of reducing the variable earnings risk of the overall portfolio and the costs per property among others. Due to these merits, many of the J-REITs established programs for expanding asset portfolios after their listing from early on and have acquired assets in correlation with their programs. For example, the following J-REITs established these targets for expanding their asset portfolios and acquired assets in line with these: 500 billion yen by the end of March 2006 by Nippon Building Fund, 300 billion yen by March 2006 for Japan Real Estate Investment Corporation and 400 billion yen by the end of March 2007 for Japan Retail Fund Investment Corporation. (Japan Real Estate Investment Corporation reached its 300 billion yen objective for expanding its assets in March 2005, a year earlier than planned.). This was a period during which it was easy to indicate the asset size goal to investors in advance and expand asset portfolios in line with these objectives.

(4) Change in Treatment of Acquisition Objectives

However, the treatment of acquisition objectives of J-REITs has been changing in recent years. For example, cases have been emerging where J-REITs haven't met their announced asset acquisition objectives by the period they indicated in advance. In addition, there are many cases where once the J-REITs meet their initial asset acquisition objectives they don't indicate their new objectives. This may be because of the judgment that it is not a good opportunity for expanding assets.

Behind this is a situation that the entry of many private funds and J-REITs has intensified the competition to acquire blue chip properties. J-REITs must obtain properties that meet the investment policy they indicated to their investors in advance. Furthermore, they cannot obtain properties that have a price level that exceeds a price calculated using anticipated future cash flow garnered through certain conditions. Why? They cannot because acquisition of a premium priced property or a property that has the high possibility that it cannot maintain competitiveness for the future means that the quality of the real estate portfolio will deteriorate and such investment will damage the profit of investors who have invested in the J-REIT.

Under present conditions in which the competition over acquiring properties is intensifying, there is a tendency for the price of blue-chip properties to be expensive due

to the concentration of demand. Even if a property is found that doesn't have a premium price, there are many cases where the properties don't match the investment policy or it is highly possible that the property will not be competitive in the future. Therefore, it has become difficult to realize the expansion of asset portfolio without reducing the quality of the real estate portfolio.

Under these conditions, there are increasing cases of acquiring properties before the completion of construction as a method for not being caught up in competition to acquire assets (Figure 9).

Figure 9 Cases J-REITs Announced Acquiring Properties Before Completion

Name of the J-REIT	Name of the building	Structure	Completion date	Acquired price (million yen)	Acquired date	Usage	Announced date
Nippon Building Fund Inc.	Toranomon Kotohira Tower	Steel frame, SRC, flat roof	Nov.30, 2004	6,043.00	Nov.30, 2004	Office, shrine (exclusive space to be acquired will be used as an office)	Sep.17, 2004
Nippon Building Fund Inc.	NBF Higashi Ginza Square	Steel frame, SRC, flat roof	Feb.28, 2005	5,200.00	Mar.28, 2005	Office, store, parking area	Aug. 12, 2004
Nippon Building Fund Inc.	Sapporo L-Plaza	Steel frame, SRC	Mar.7, 2003	3,434.41	Nov. 5, 2003 Mar. 5, 2004 Nov.30, 2004	Office, store, complex public facility	Dec. 24, 2002
Nippon Building Fund Inc.	NBF Platinum Tower (Business facility of type 1 urban redevelopment project for Higashi chiku, Shirokane 1chome) (planned to be acquired on Mar.31, 2006)	Steel frame, partially SRC	Planned at Nov. 2005	27,600.00	Planned on Mar. 31, 2006	Office, store	Sep. 29, 2003
Japan Real Estate Investment Corporation	Higashi Gotanda 1Chome Building	Steel frame	Jul.30, 2004	5,500	Nov. 1, 2004	Office, store	Jun. 30, 2004
Japan Real Estate Investment Corporation	Yoyogi 1Chome Building	Steel frame, SRC, flat roof	Oct. 31, 2003	8,700	Apr. 1, 2004	Office	Sep. 9, 2003
Japan Real Estate Investment Corporation	(Tentative name) Harumi Center Building	Steel frame	Planned to be completed at Nov. 2006	1,270	Mar.29, 2005 Nov.24, 2005 Nov.24, 2005	Office, store, parking area	Mar. 23, 2005
Japan Retail Fund Investment Corporation	8953 Kita Aoyama Building (Acquired on Feb.1, 2005)	RC, flat roof	Jan.1, 2005	989	Feb.1, 2005	Store	Dec. 24, 2004
Japan Retail Fund Investment Corporation	(Tentative name) Diamond City Tsurumi Shopping Center	-	Planned to be completed at Jan. 2006	840	Mar.28, 2005	Store, parking area	Mar. 24, 2005
Japan Retail Fund Investment Corporation	8953 Jiyugaoka Building Jiyugaoka NEXT	RC	Mar. 1, 2005	2,100	Mar.31, 2005	Store	Feb. 1, 2005

It is a fact that J-REITs are seeking to achieve their asset acquisition objectives through these steps. However, recently the status might be that the J-REITs are seeking to secure the quality of their real estate portfolios more than attaining the objectives they have for their asset sizes.

Also as indicated in Figure 10, recently J-REITs have started to move towards selling properties. This is another indication that the quality of the portfolio is being emphasized more than expansion of the portfolio by J-REITs.

Figure 10 Examples of J-REITs Acquiring Properties

Name of the J-REIT	Name of the building	Usage	Address	Sold date	Sold price (million yen)	Purchaser
Nippon Building Fund Inc.	Shinjuku Yocho-machi Bldg.	Office, parking area	10-10 Yocho-machi, Shinjuku Ward, Tokyo	Jul. 30, 2004	2,700	Simplex Investment Advisors, Inc.
Nippon Building Fund Inc.	Inage Kaigan Bldg.	Office, gymnasium, store, parking area	3-23-2 Takasu, Mihama Ward, Chiba City, Chiba	Jul. 30, 2004	2,100	Simplex Investment Advisors, Inc.
Nippon Building Fund Inc.	Hamamatsu City Bldg.	Office	312-32 Tema-cho, Hamamatsu City, Shizuoka	Jul. 30, 2004	1,400	Simplex Investment Advisors, Inc.
Nippon Building Fund Inc.	Kyomachibori Center Bldg.	Office	1-17-16 Kyomachibori, Nishi Ward, Osaka City, Osaka	Jul. 30, 2004	900	Simplex Investment Advisors, Inc.
ORIX J-REIT Inc.	Nikko Kagurazaka Building	Office, parking area	18 Iwato-cho, Shinjuku Ward, Tokyo	Dec. 17, 2004	1,627	AIG Edison Life Insurance Company
ORIX J-REIT Inc.	West Side Gotanda	Office	6-2-7 Nishi Gotanda, Shinagawa Ward, Tokyo	Dec. 17, 2004	578	AIG Edison Life Insurance Company
ORIX J-REIT Inc.	Landic Gotanda Building	Office, parking area	1-21-13 Higashi Gotanda, Shinagawa Ward, Tokyo	Dec. 17, 2004	2,135	AIG Edison Life Insurance Company
ORIX J-REIT Inc.	OX Gifu building	Office	3-3-1 Nagazumi-cho, Gifu City, Gifu	Jun. 15, 2005	620	ACROSS Co., Ltd.
ORIX J-REIT Inc.	VX Kayabacho building	Office, garage	2-16-3 Kayabacho, Nihonbashi, Chuo Ward, Tokyo	Jun. 16, 2005	1,040	TACT MEDICAL INC., Keiichi Yamagishi (Individual)
Japan Prime Realty Investment Corporation	Yasuda-Life Tenroku Bldg.	Office	12-24 Naniwacho, Kita-ku, Osaka City, Osaka	Sep. 3, 2003	600	SOKEN CO., LTD.
Japan Prime Realty Investment Corporation	JPR Square Hakata East West	Office	2-2-1 Sumiyoshi, Hakata Ward, Fukuoka City, Fukuoka	Mar. 16, 2005	2,923	Gokokuji Holding TMK
Japan Prime Realty Investment Corporation	JPR Ikebukuro Building	Office	1-34-5 Higashi Ikebukuro, Toshima Ward, Tokyo	Mar. 16, 2005	3,345	Gokokuji Holding TMK
Japan Prime Realty Investment Corporation	JPR Park West Takamatsu Building	Office	1-2-5 Kotobuki-cho, Takamatsu City, Kagawa	Mar. 16, 2005	842	Gokokuji Holding TMK
Global One Real Estate Investment	Kintetsu Onori Build.	Office	6-21-12 Minami-Oi, Shinagawa Ward, Tokyo	Oct. 1, 2004	5,600	Big Forest Capital, Ltd.
Nippon Residential Investment Corp.	Manoa Saginuma	Residence, parking area	1-3-23 Saginuma, Miyanae-ku, Kawasaki City, Kanagawa	Jan. 28, 2005	450	Yamada Corp.
Nippon Residential Investment Corp.	Veil Kohinata	Condominium	2-30-6 Kohinata, Bunkyo Ward, Tokyo	Jan. 28, 2005	345	-
TGR Investment Inc.	Jade House	Condominium, parking area	1-20-16 Koenji Minami, Suginami Ward, Tokyo	Jan. 7, 2005	282	-
TGR Investment Inc.	Turkeys Denenchofu No.2	Condominium	57-8 Denenchofu Honcho, Ota ward, Tokyo	Mar. 15, 2005	263	-
TGR Investment Inc.	Mansion Hakujo	Condominium, parking area	2-9-14 Higashi Tabata, Kita Ward, Tokyo	Apr. 22, 2005	740	-
TGR Investment Inc.	Sejour Tamachi	Condominium, office, parking area	2-14-13 Shibaura, Minato Ward, Tokyo	May 26, 2005	667	-

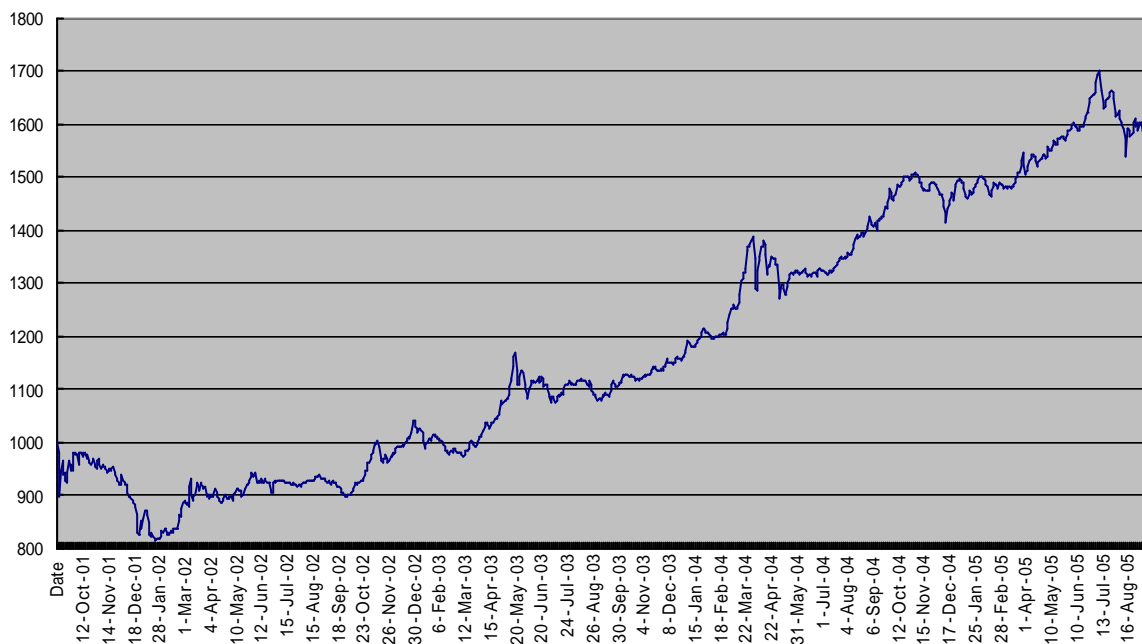
Considering the present change in attitude of J-REITs concerning the objective of asset expansion, it is not a foregone conclusion that the additional issuance of investment units for acquiring assets will continue into the future. Future trends will be dramatically impacted by changes in the market conditions for actual real estate and what kind of property acquisition policies will be adopted by J-REITs in line with these changes.

3. The Influence J-REIT Prices have on J-REIT Total Market Capitalization

(1) History of J-REIT Prices

Figure 11 indicates the history of J-REIT price levels. This indicates the change in values of J-REIT price levels that have been indexed with the levels on September 10, 2001 (the day the first two J-REIT issues listed) established as 1,000.

Figure 11 Pricing History of J-REIT Price Index



The following calculation method was used to calculate the business day's index value in indexing the J-REIT price level.

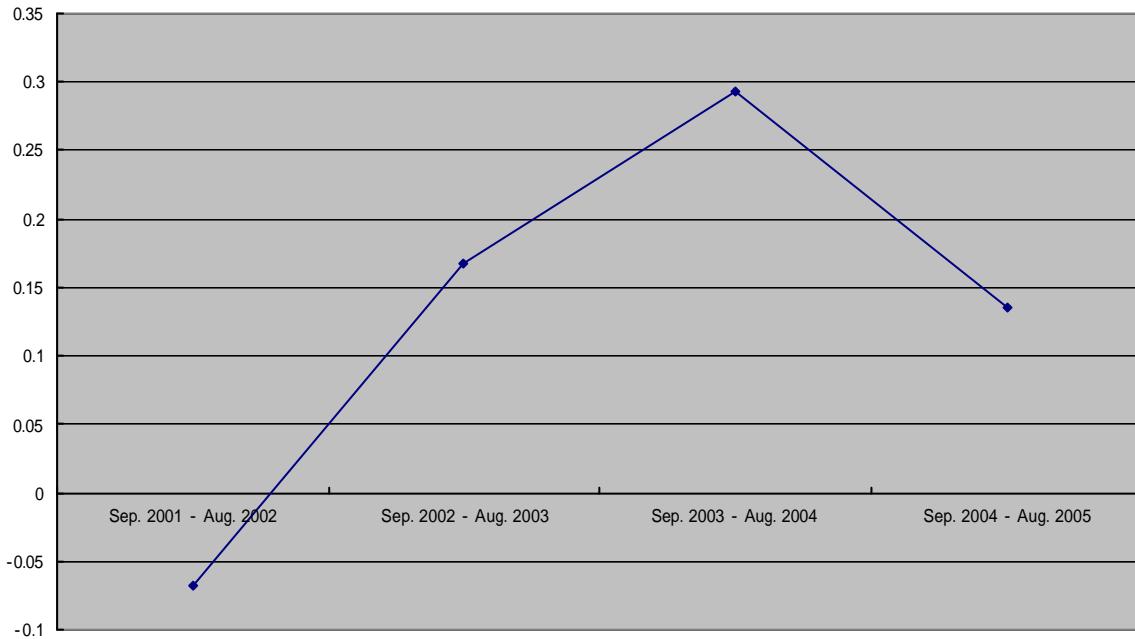
(Business day's indexed value)

= (Previous business day's indexed value) × (Weighted average value if of percentage change from previous business day to the business day of each J-REIT by previous business day's market capitalization of each J-REIT)

Figure 11 reveals that the price level dropped through February 2002 and then reached the initial level in November 2002 after which the price levels of J-REITs have continued an increase trend.

Figure 12 is a representation of the changes in the roughly annual increase rates for the J-REIT price index indicated in Figure 11.

Figure 12 History of J-REIT Price Index Growth Rate



The increase rate in the J-REIT price index indicated in Figure 12 are representative of the effect of the price increase on contributing to the total market capitalization of J-REITs. This is because generally the total market capitalization equals investment unit price multiplied by the outstanding number of investment units. Therefore, hypothesizing that the investment unit price level rose X% and that other conditions are unchanging, the total market capitalization should also rise by the same X%. A dramatic increase in the J-REIT price will thus increase the total market capitalization of J-REITs dramatically. Then why did the price of J-REITs continue to rise. This report analyzes that below from a number of perspectives.

(2) Cash Flow from Investment into J-REITs

The first matter that should be studied when analyzing J-REIT prices is the change in cash flow gained from investing in J-REITs. This is because investments in J-REITs have the meaning of securing rights to obtain future cash flows and the value of J-REITs can be considered to be the value of future cash flow.

If the cash flow anticipated from an investment in a J-REIT were to increase with other conditions set to be level, the price of the J-REIT will increase. The following specifically examines whether a price increase of J-REITs results from an increase in expected cash flow gained from J-REIT investments.

The cash flow from investments into J-REITs are distributions paid each fiscal period. Therefore, the issue is whether or not the distribution expected in the future increased or not. Figures 13-18 indicates the history of distributions per unit for J-REITs that have had at least five fiscal periods after listing.

Figure 13 Price History of Dividends per Unit (Nippon Building Fund Inc.)

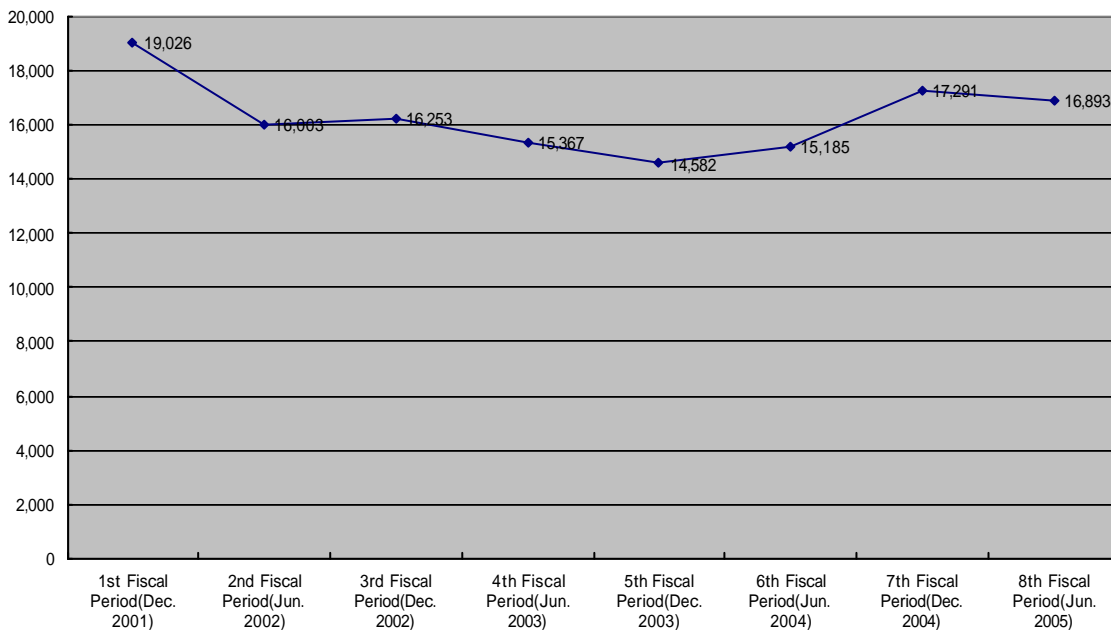


Figure 14 Price History of Dividends per Unit (Japan Real Estate Investment Corporation)

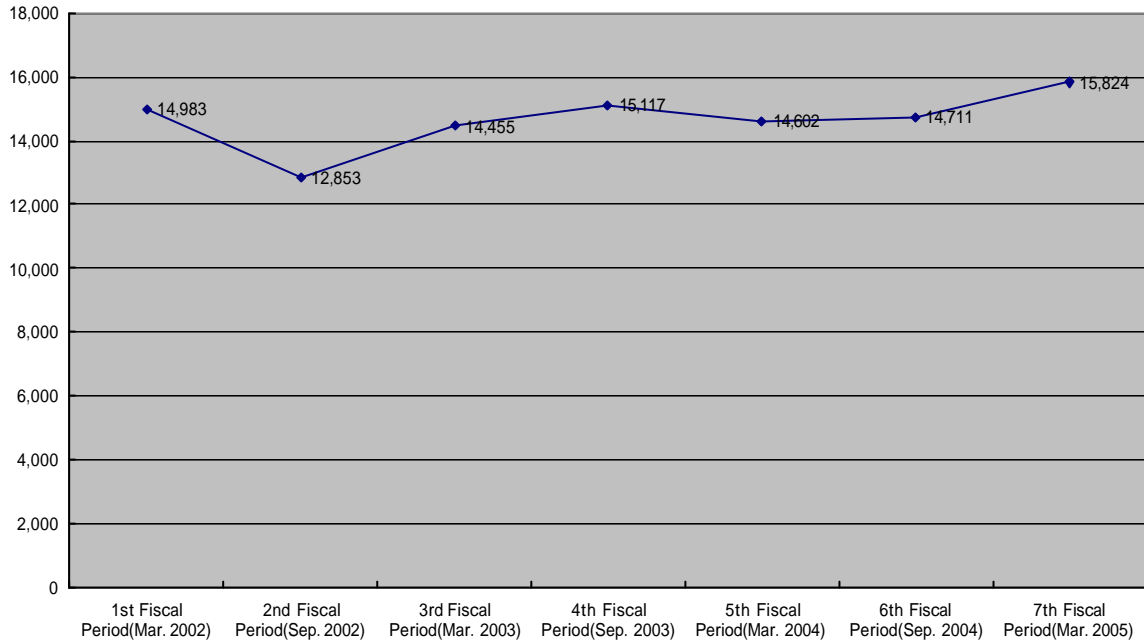


Figure 15 Price History of Dividends per Unit (Japan Retail Fund Investment Corporation)

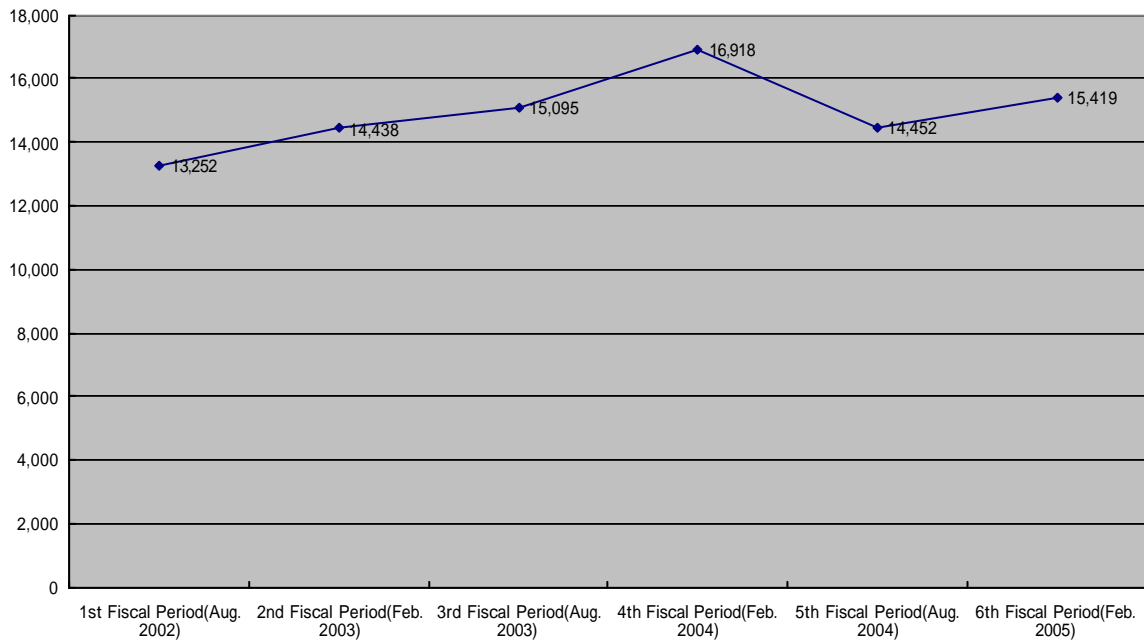


Figure 16 Price History of Dividends per Unit (ORIX JRIET Inc.)

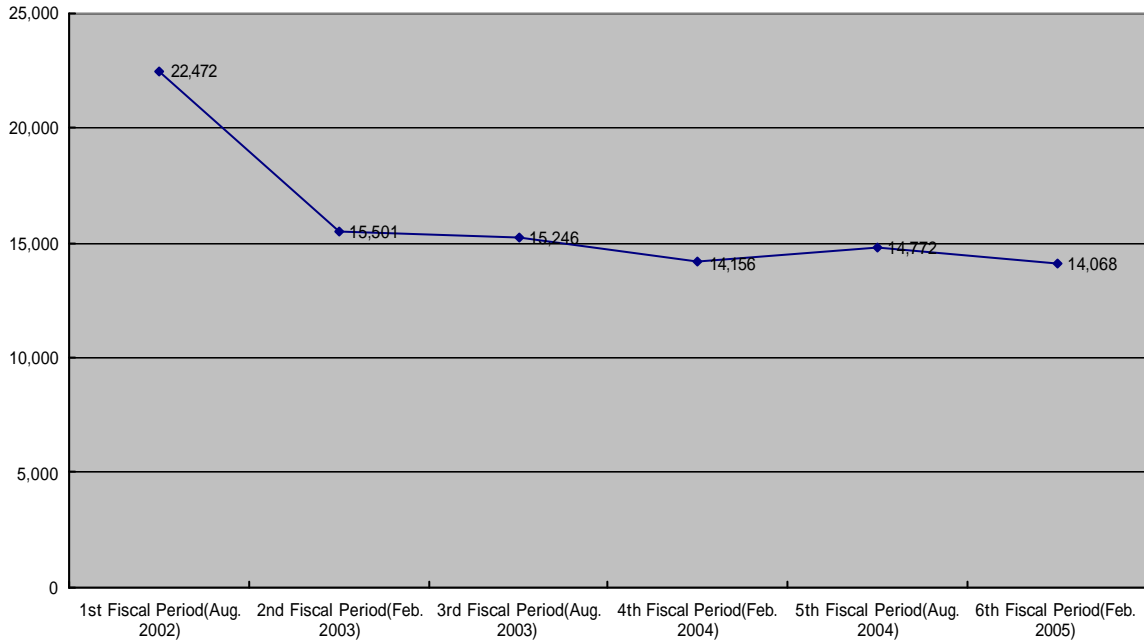


Figure 17 Price History of Dividends per Unit (Japan Prime Realty Investment Corporation)

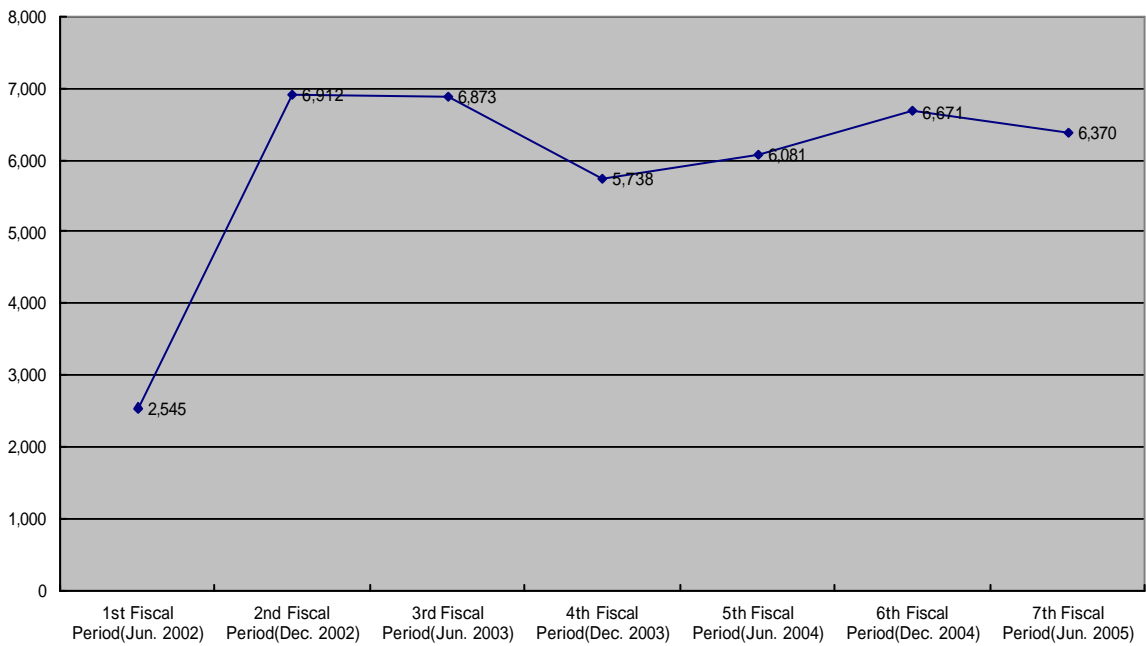
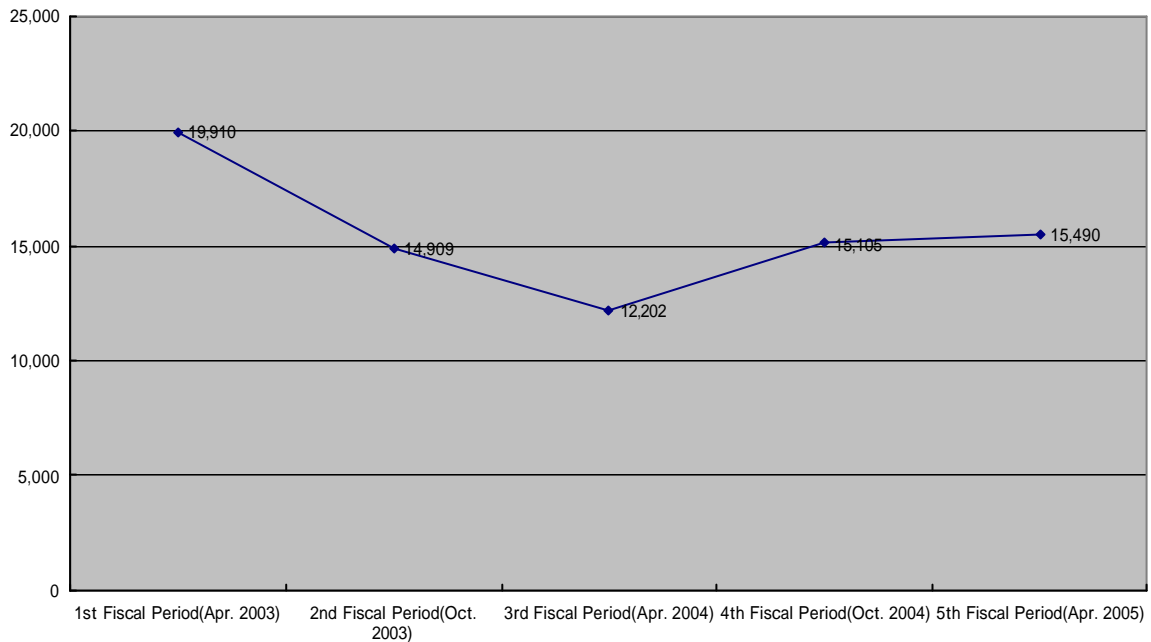


Figure 18 Price History of Dividends per Unit (Premier Investment Corporation)



Generally, the level of first fiscal period distributions are unique because of extraordinary factors such as management periods (length) differing from the ordinary lengths of fiscal periods. Therefore, a focus on the changes from the second fiscal period and after show that in general all the J-REITs have provided steady dividends. At the very least, there has also been no dramatic increase in the distributions to date.

In addition, it is difficult to forecast a rapid increase in distributions in the future. This is because no dramatic rise can be expected under present market conditions and because there is a limit on the reductions of management fees, etc. Moreover, there is a chance that interest rates will increase in the future considering that they are presently very low, which is a factor that will rather lower the distributions. In other words, distributions have not dramatically risen to date and the chance they will do so in the future is low. Consequently, the J-REIT prices rose without a relationship to expected increases in cash flow.

(3) Price Increases Resulting from the Elimination of Excessive Assessments of Investment Risks in J-REITs

Then why have the prices of J-REITs risen even though an increase in the cash flows cannot be expected? The first reason is thought to be that the investment risk for J-REITs was excessively valued in the period soon after J-REITs appeared. When J-REITs newly appeared, they had little established performance and no reasoning for backing up the future levels of J-REIT distributions. It was also a period when there were fears that the multiple new major buildings being completed in 2003 would lead to deterioration in real estate market conditions. It is a sufficiently possible that there were concerns over the future levels of cash flow for J-REITs.

Thereafter, the J-REITs have established financial performances over several fiscal periods and their distribution performance continued to surpass projected values. In addition, distributions have maintained steady levels and this as a result may have eliminated the excessive valuation of the investment risk for J-REITs. This is one factor behind the rise in J-REIT prices and can be said differently to be “the recognition of J-REITs as a safer asset.”

This report will look at the excessive valuation of investment risk into J-REITs when they initially appeared from a J-REIT risk return perspective. In accordance with a common finance theory method, the daily earnings rate for an index with dividends included was calculated with the following formula and the standard deviation of the daily earnings rate has been treated as the risk and the average value as the average return.

[Calculation Method for Daily Earnings Rate]

(Daily earnings rate for the business day compared to the previous business day) = $\log(\text{Indexed value for the business day}) - \log(\text{Indexed value for previous business day})$

(Note 1) “log” is a natural logarithm

(Note 2) “Indexed value” is the value for an index with dividends included

(Note 3) The daily earnings rate calculated using the above is equivalent to the earnings rate based on continuously-compounded interest rate indicated with daily rates.

REIT Index (with dividend), TOPIX (with dividend) and TOPIX real estate stock index (with dividend). This correlates to the risk indicated above.

Figure 19 indicates the transition of the average value (rolling data) calculated from data on the past 120 business days for the daily earnings rate concerning the TSE REIT Index (with dividend), TOPIX (with dividend) and TOPIX real estate stock index (with dividend). This correlates to the average return indicated above.

Figure 19 History of Standard Deviation for the Past 120 Business Days of the Daily Rate of returns

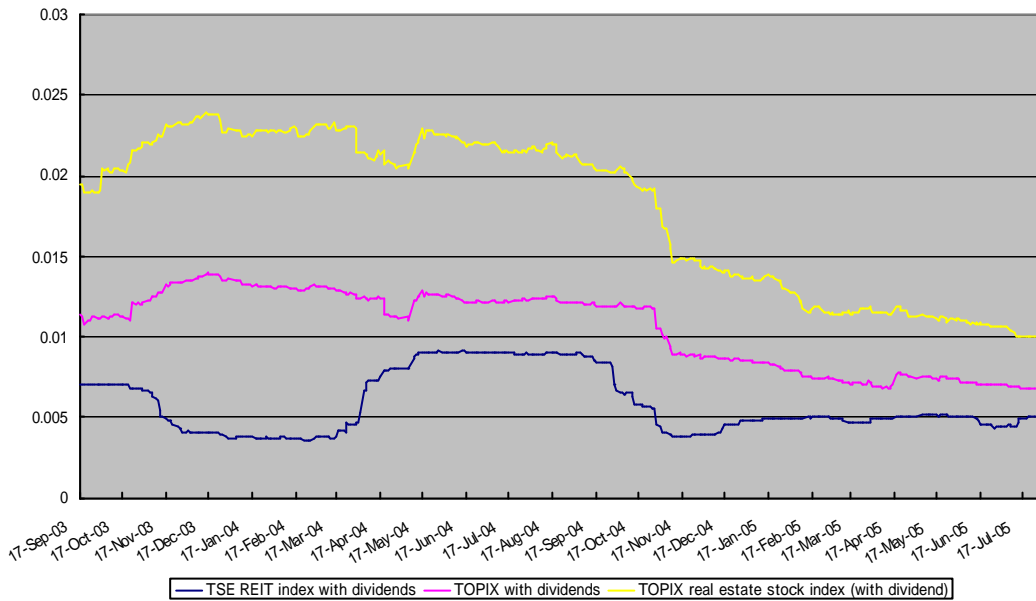


Figure 20 History of Average Value for the Past 120 Business Days of the Daily Rate of Returns

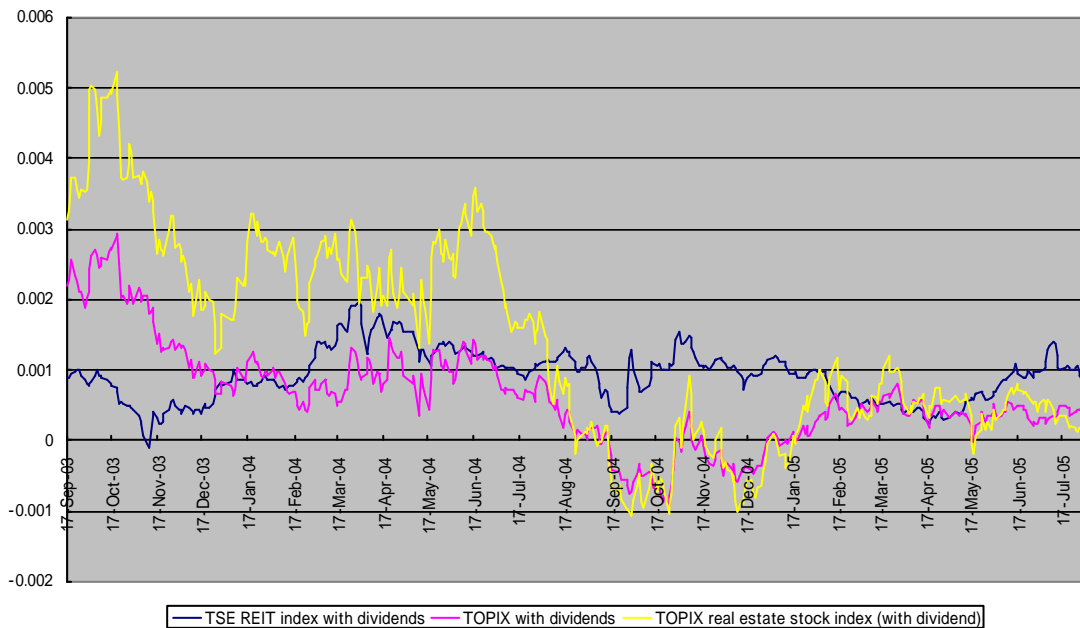


Figure 19 indicates that the standard deviation of the TSE REIT index (with dividend) is the lowest. Therefore, it has been confirmed that the risk of J-REITs is continually the lowest compared to stocks included in TOPIX and stocks included in TOPIX real

estate stocks. Generally, the risk and return has a positive correlation and the return should be lower the lower the risk. However, an analysis of Figure 20 indicates that the period when the return of the TOPIX REIT index (with dividend) is lowest is limited to a very short period. In other words, in a majority of the time the risk of J-REITs is low while their returns have been high.

When J-REITs are compared to other financial products, they had been generating high returns for their risks. This can be interpreted to be a result of an excessive assessment of the investment risk for J-REITs that initially led to a “discounted” transition in J-REIT prices.

(4) Rise in Prices with the Heightened J-REIT Purchasing Motivation Among Financial Institutions

The second reason behind the rise in J-REIT prices can be said to be the heightening of the motivation to purchase J-REITs among financial institutions. This is because financial institutions have continued to purchase J-REITs as their prices continue to increase.

For example, Figures 21-26 indicate changes in the ratio of the investment composition based on the number of investment units for J-REITs that have registered at least five fiscal periods since their IPO (based on values indicated in their semi-annual reports). However, since 2003 the ratio comprised by individuals, foreign corporations and foreigners has continually dropped while the rate held by the financial institutions has risen.

Figure 21 History of Composition Ratio of Investors (Based on Number of Invested Units) Nippon Building Fund Inc.

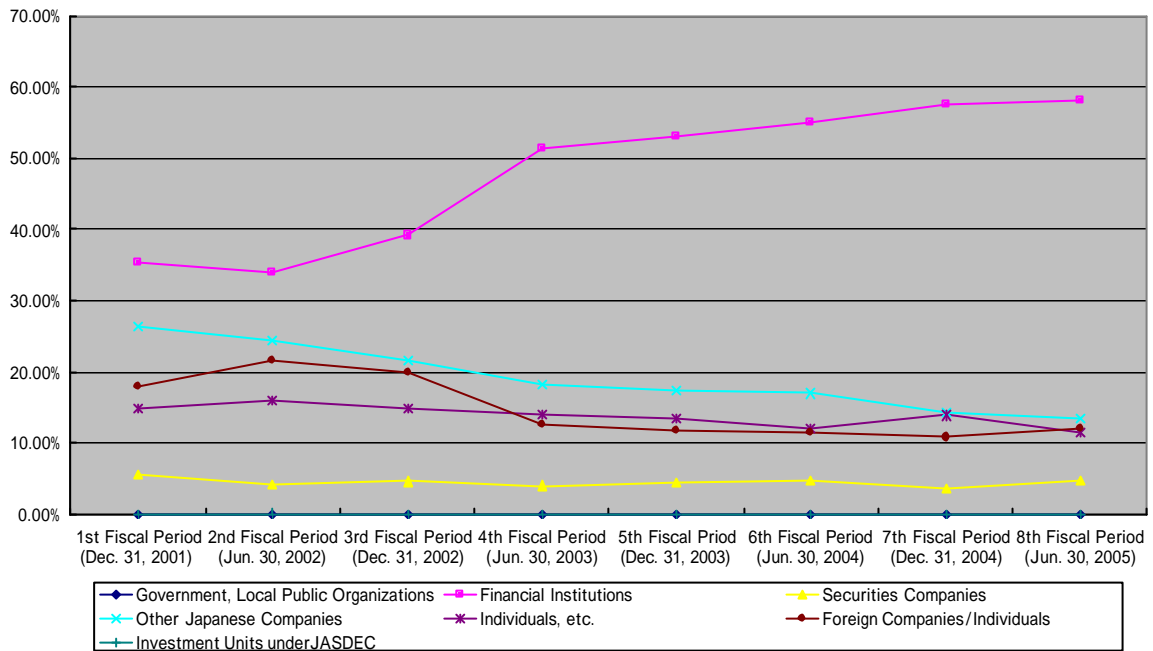
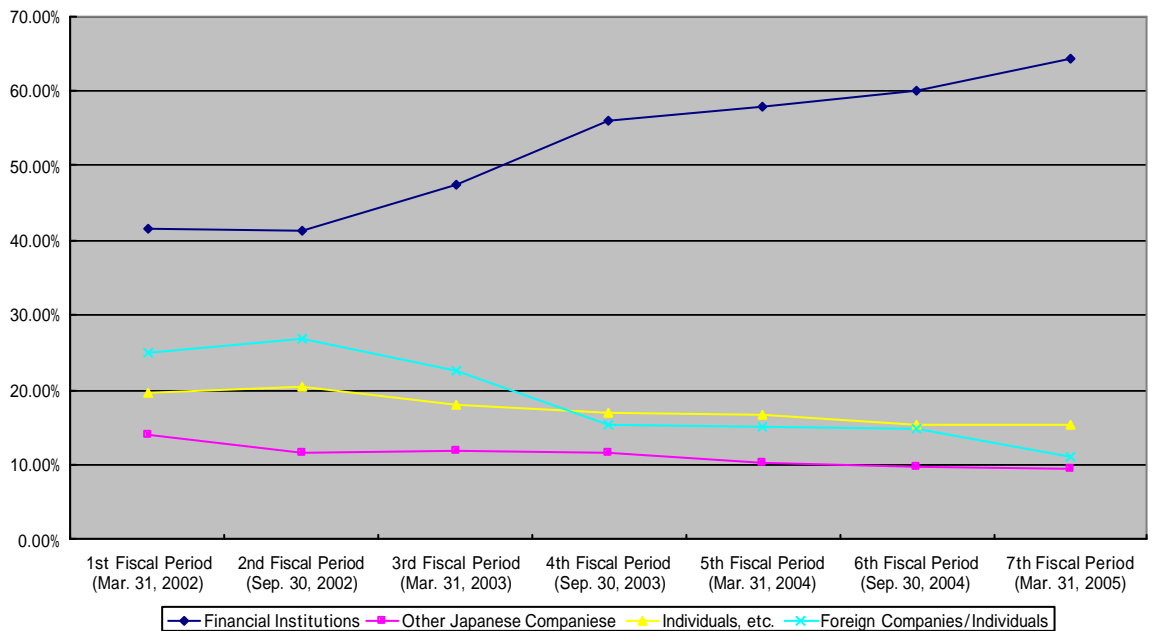


Figure 22 History of Composition Ratio of Investors (Based on Number of Invested Units) Japan Real Estate Investment Corporation



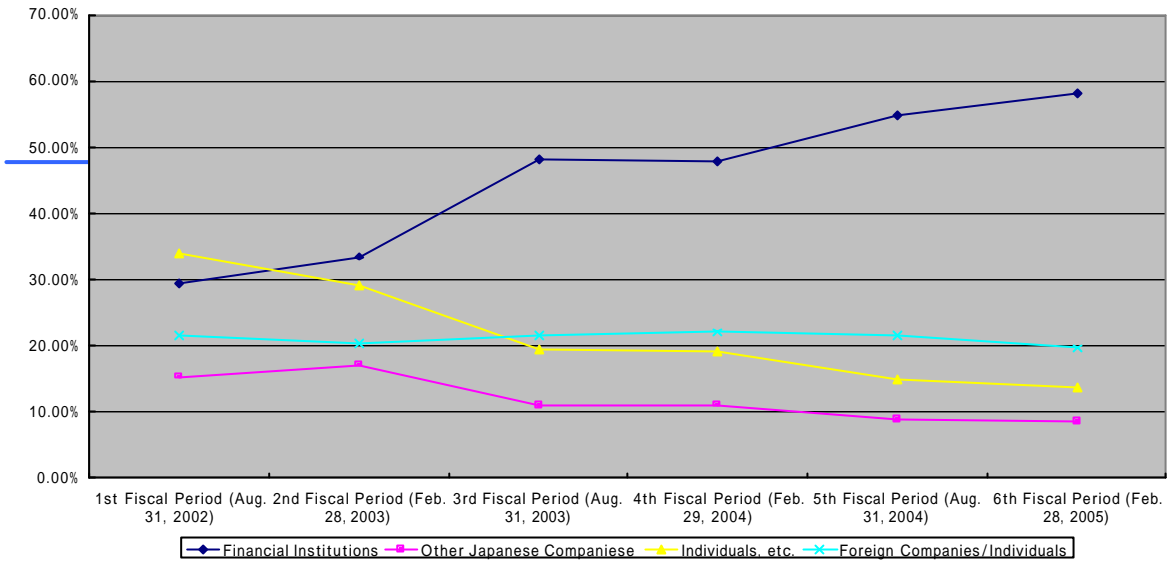


Figure 24 History of Composition Ratio of Investors (Based on Number of Invested Units) ORIX JREIT Inc.

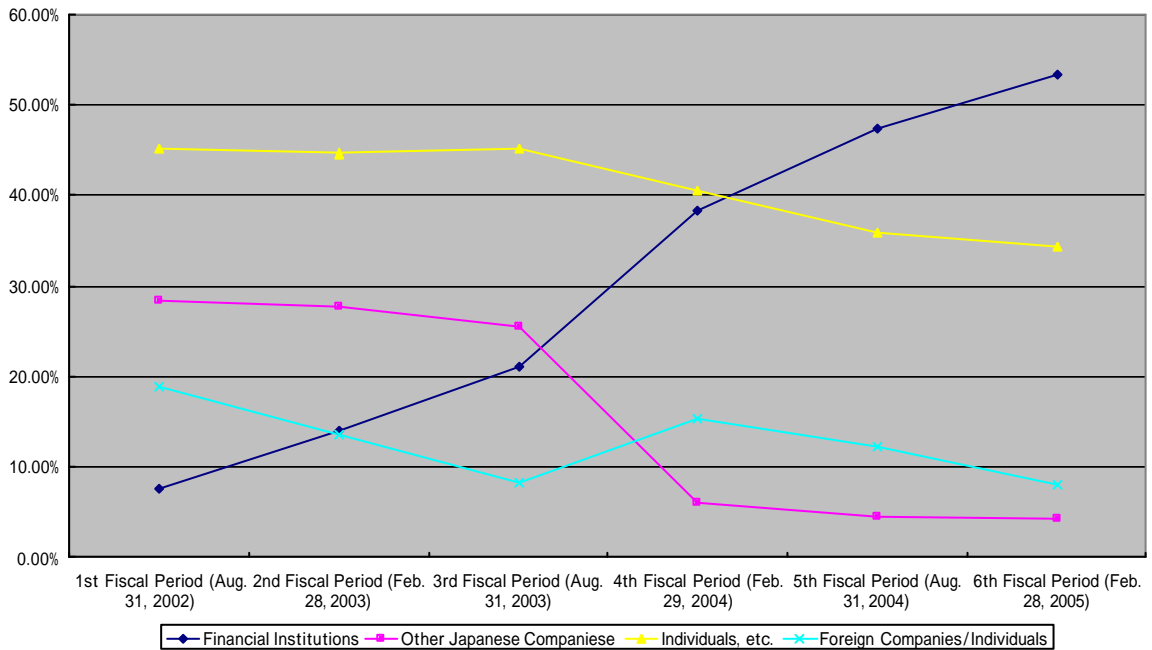


Figure 25 History of Composition Ratio of Investors (Based on Number of Invested Units) Japan Prime Realty Investment Corporation

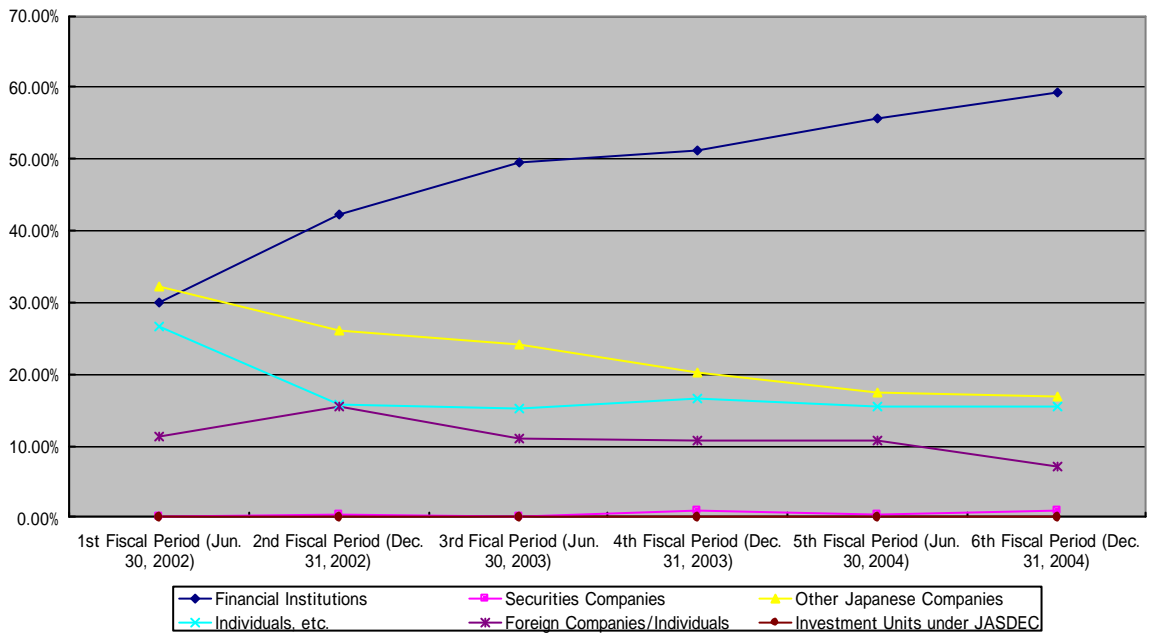
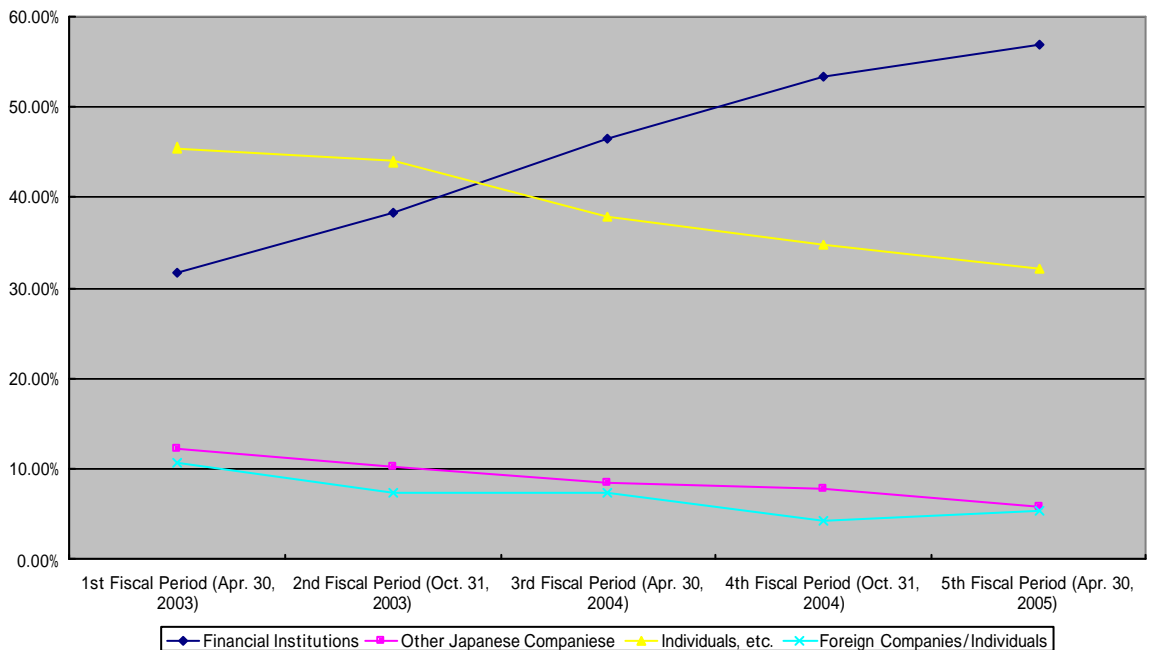


Figure 26 History of Composition Ratio of Investors (Based on Number of Invested Units) Premier Investment Corporation



In addition, the same trend can be interpreted from the data on “Trading Volume by Investor Type (Real Estate Investment Trust” that is announced monthly by the Tokyo Stock Exchange (Figures 27 and 28).

Figure 27 History of Transaction Condition by Investment Sector (Based on Net Purchased Amount and Price)

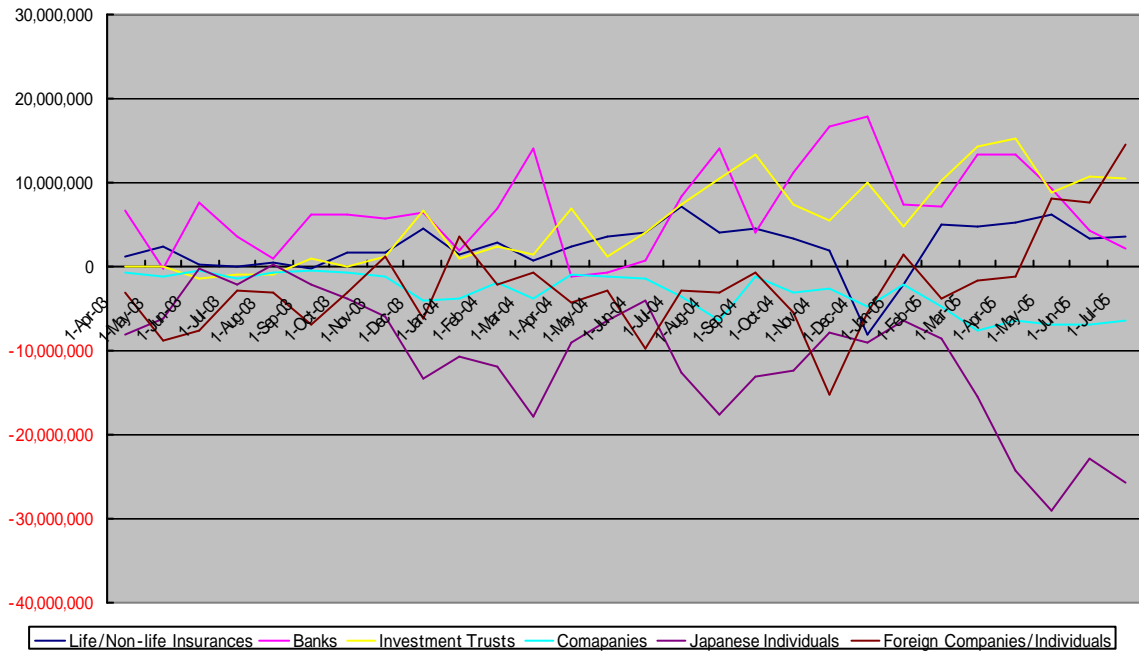
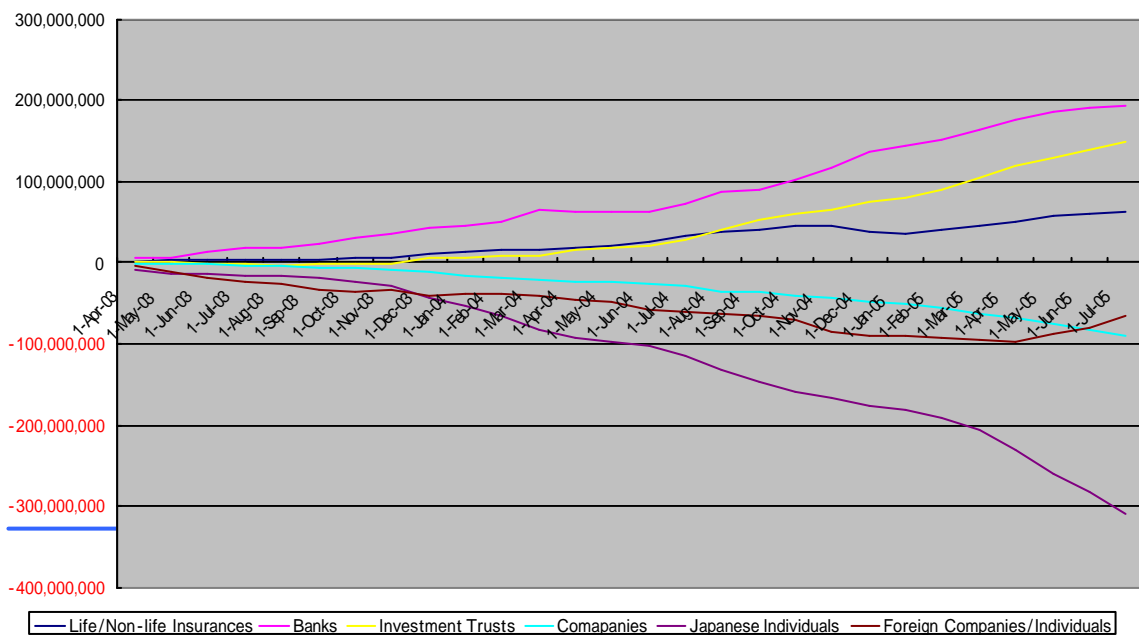


Figure 28 History of Accumulated Amounts for Transaction Condition by Investment Sectors (Based on Net Purchased Amount and Price)



Financial institutions are investing in JREITs because they feel that JREITs are attractive compared to other destinations for money management. Moreover, the policy on processing of accounting for management earnings from J-REITs was indicated for member banks of the Japanese Bankers Association in December 2002. With the clarification of the recording of net operational earnings, the purchasing by financial institutions dramatically increased.

However, the acquisition of J-REITs by financial institutions requires caution because it includes acquisitions to manage funds of funds. The removal of voluntary rules by the Investment Trusts Association Japan in July 2003 made it possible to establish funds of funds that invest a majority of their funds into REITs and since then the number of funds of funds has rapidly increased. Funds of Funds are not limited to investments in only J-REITs and can invest in REITs the world over. Consequently, their characteristic is the configuration of products that are very diverse (Figure 29).

Figure 29 Fund of Funds that Place J-REITs as Investment Target

	Name	Investment Trusts	Arranged Date Commencement Date of Trust Period	Trust End Date	Standard Value (Aug. 1) (¥bn)	Total Net Assets (Aug. 1) (Million Yen)	Number of Account Settlement (per year)	Trust Fee (Tax Included)	Purchasing Fee (For Reference) (Tax Included)
1	World REIT Selection (United States)	Japan Investment Trust Management Co., Ltd.	30-Sep-03	---	11,171	26,240	12	1.90%	3.15%
2	GS US REIT Fund A (distribution hedge for every month)	Goldman Sachs Asset Management	27-Oct-03	---	13,110	22,300	12	1.55%	2.10%
3	GS US REIT Fund B (no distribution hedge for every month)	Goldman Sachs Asset Management	27-Oct-03	---	13,874	81,288	12	1.55%	2.10%
4	DKA J-REIT Index F (Monthly Settled Type)	Dai-ichi Kangyo Asset Management Co., Ltd.	30-Oct-03	---	14,346	37,017	12	0.69%	1.05%
5	Daiwa J-REIT Open	Co.Ltd.	14-Nov-03	16-Dec-13	13,684	15,796	4	0.76%	1.05%
6	Fidelity US-REIT A (Currency hedged)	Fidelity Investments Japan Ltd.	9-Dec-03	---	13,413	2,117	12	1.58%	2.10%
7	Fidelity US-REIT B (not currency hedged)	Fidelity Investments Japan Ltd.	9-Dec-03	---	14,399	7,559	12	1.58%	2.10%
8	Mizuho J-REIT Fund	Dai-ichi Kangyo Asset Management Co., Ltd.	18-Dec-03	---	13,874	30,284	12	1.06%	2.10%
9	DIAM J-REIT Open (Monthly Settlement Course)	DLIBJ ASSET MANAGEMENT CO., LTD.	25-Dec-03	---	12,985	6,762	12	1.05%	1.05%
10	Nikko AMP Global REIT (Monthly Dividend Payment Type)	Nikko Asset Management Co., Ltd.	27-Jan-04	---	12,852	145,865	12	1.58%	3.15%
11	Nikko AMP Global REIT (Monthly Dividend Payment Type)	Nikko Asset Management Co., Ltd.	27-Jan-04	---	12,867	146,285	12	1.58%	3.15%
12	Nomura US-REITOpen A Course	Nomura Asset Management Co.Ltd.	29-Jan-04	5-Mar-14	13,225	1,007	2	1.58%	2.10%
13	Nomura US-REITOpen B Course	Nomura Asset Management Co. Ltd.	29-Jan-04	5-Mar-14	14,136	2,625	2	1.58%	2.10%
14	Nomura US-REITOpen C Course (Monthly Dividend Payment Type)	Nomura Asset Management Co.Ltd.	29-Jan-04	5-Mar-14	11,029	462	12	1.58%	2.10%
15	Nomura US-REITOpen D Course (Monthly Dividend Payment Type)	Nomura Asset Management Co.Ltd.	29-Jan-04	5-Mar-14	11,099	3,616	12	1.58%	2.10%
16	Sumitomo Mitsui Global REIT Open	Sumitomo Mitsui Asset Management Company, Limited	30-Jan-04	---	13,590	88,141	12	1.67%	3.15%
17	AIG US-REIT Income Fund A Course	AIG Global Investment Corp. (Japan)	23-Feb-04	---	11,183	2,528	12	1.84%	2.10%
18	AIG US-REIT Income Fund B Course	AIG Global Investment Corp. (Japan)	23-Feb-04	---	11,749	1,423	12	1.84%	2.10%
19	DIAM J-REIT Open (2 Month Course)	DLIBJ ASSET MANAGEMENT CO., LTD.	27-Feb-04	---	12,467	3,811	6	1.05%	2.63%
20	LaSalle Global REIT (Monthly Dividend Payment Type)	Nikko Asset Management Co., Ltd.	26-Mar-04	---	12,747	31,212	12	1.58%	3.15%
21	J-REIT Package	Shinko Investment Trust Management Co., Ltd.	12-Apr-04	---	11,755	1,120	12	0.69%	2.10%
22	J-REIT Package	Shinko Investment Trust Management Co., Ltd.	12-Apr-04	---	11,707	1,116	12	0.69%	2.10%
23	DIAM World REIT Income (Monthly Settlement)	DLIBJ ASSET MANAGEMENT CO., LTD.	23-Apr-04	---	11,463	70,734	12	1.66%	2.10%
24	Shinko J-REIT Open	Shinko Investment Trust Management Co., Ltd.	23-Apr-04	---	11,936	19,638	12	0.69%	1.05%
25	Nomura Japan-US REIT Fund (Monthly Dividend Payment Type)	Nomura Asset Management Co.Ltd.	30-Apr-04	6-Apr-14	13,501	5,314	12	1.58%	2.10%
26	Nikko World REIT Fund	Ltd.	11-May-04	---	14,039	3,641	2	1.37%	2.63%
27	Daiwa J-REIT Open (Monthly Dividend Payment Type)	Daiwa Asset Management Co.Ltd.	18-May-04	15-May-14	12,287	33,206	12	0.76%	1.58%
28	Daiwa US-REIT Fund (Monthly Dividend Payment Type)	Daiwa Asset Management Co.Ltd.	20-May-04	15-May-14	13,120	8,498	12	1.60%	3.15%
29	J-REIT Active Open Monthly Settlement Course	Fuji Investment Management Co., Ltd.	4-Jun-04	---	12,910	5,743	12	1.05%	2.10%
30	Sumitomo Mitsui Global REIT (3 Month Settlement Type)	Sumitomo Mitsui Asset Management Company, Limited	18-Jun-04	---	13,368	5,124	4	1.68%	3.15%
31	DKA J-REIT Index Fund	Dai-ichi Kangyo Asset Management Co., Ltd.	21-Jun-04	---	12,531	264	1	0.69%	---
32	Mitsubishi J-REIT Open (Quarterly Dividend Type)	Co.Ltd. (Presently, it's Mitsubishi UFJ Asset Management Co., Ltd.)	22-Jun-04	---	11,525	109,632	4	1.05%	2.10%
33	Nissay/AEW US-REIT A Course Hedged	Nissay Asset Management Corporation	30-Jun-04	15-Apr-14	13,149	778	12	1.75%	2.63%
34	Nissay/AEW US-REIT B Course Non Hedged	Nissay Asset Management Corporation	30-Jun-04	15-Apr-14	13,887	959	12	1.75%	2.63%
35	Nikko ING Global Income REIT Fund	Ltd.	30-Jun-04	---	11,851	2,160	2	1.04%	1.05%
36	Nikko AMP Global REIT (Semiannual Settlement Type)	Nikko Asset Management Co., Ltd.	1-Jul-04	---	13,304	1,015	2	1.58%	3.15%
37	Nikko AMP Global REIT (Semiannual Settlement Type)	Nikko Asset Management Co., Ltd.	1-Jul-04	---	13,319	1,016	2	1.58%	3.15%
38	World REIT Open (Monthly Dividend Tpe)	Kokusai Asset Management Co., Ltd.	2-Jul-04	---	12,662	69,463	12	1.64%	2.63%
39	Daiwa US-REIT (Monthly Settlement)A Exchange Hedge	Daiwa Asset Management Co.Ltd.	21-Jul-04	---	12,163	1,678	12	1.60%	3.15%
40	Daiwa US-REIT (Monthly Settlement)B Non-Exchange Hedge	Daiwa Asset Management Co.Ltd.	21-Jul-04	---	12,610	9,410	12	1.60%	3.15%
41	Chuo Mitsui J-REIT Fund	Chuo Mitsui Asset Management Company, Limited	31-Aug-04	---	11,521	8,493	12	0.79%	2.63%
42	DC Daiwa J-REIT Open	Co.Ltd.	31-Aug-04	---	11,672	296	1	0.76%	---
43	US Real Estate Investment Trust High Income (Monthly Dividend Type)	Nomura Asset Management Co.Ltd.	1-Sep-04	12-Sep-14	11,132	30,246	12	1.63%	2.63%
44	Shinko US-REIT Open	Shinko Investment Trust Management Co., Ltd.	30-Sep-04	30-Sep-14	12,028	23,467	12	1.61%	3.15%
45	Index Fund J-REIT	Ltd.	22-Oct-04	---	10,812	2,730	4	0.69%	2.10%
46	Australia REIT Open (Monthly Dividend Payout)	Management Co.,Ltd. (Presently, it's Mitsubishi UFJ Asset Management Co., Ltd.)	19-Nov-04	---	11,017	15,983	12	1.05%	2.63%
47	Nippon J-REIT Open (Monthly Dividend)	Japan Investment Trust Management Co., Ltd.	16-Dec-04	---	11,275	6,541	12	1.00%	3.15%

The investment amount of funds of funds into J-REITs comprises about 10% of the total market capitalization of all J-REITs. Although this is equivalent to the purchase by financial institutions when seen directly, this is originally because individuals were attracted to investments into funds of funds that are small lot and diversified. The heightening of demand in J-REITs among individuals via funds of funds have materialized as the acquisition by financial institutions and as a result heightened the price levels of J-REITs.

4. Conclusion

This report analyzes the increase factors of the total market capitalization of J-REITs from the perspective of the three factors of 1) Increase in the number of IPOs, 2) Expansion in the asset portfolios of J-REITs after they list, and 3) Increase in investment unit price. The report studied how these respectively contributed to the increase in total market capitalization and examined the effects from a number of perspectives.

The following estimate the effects of these three factors on the increase in total market capitalization in accordance with various periods.

The results of the estimates have generated Figures 30 and 31.

Figure 30 Estimated Figures within Market Capitalization Due to Each Factors

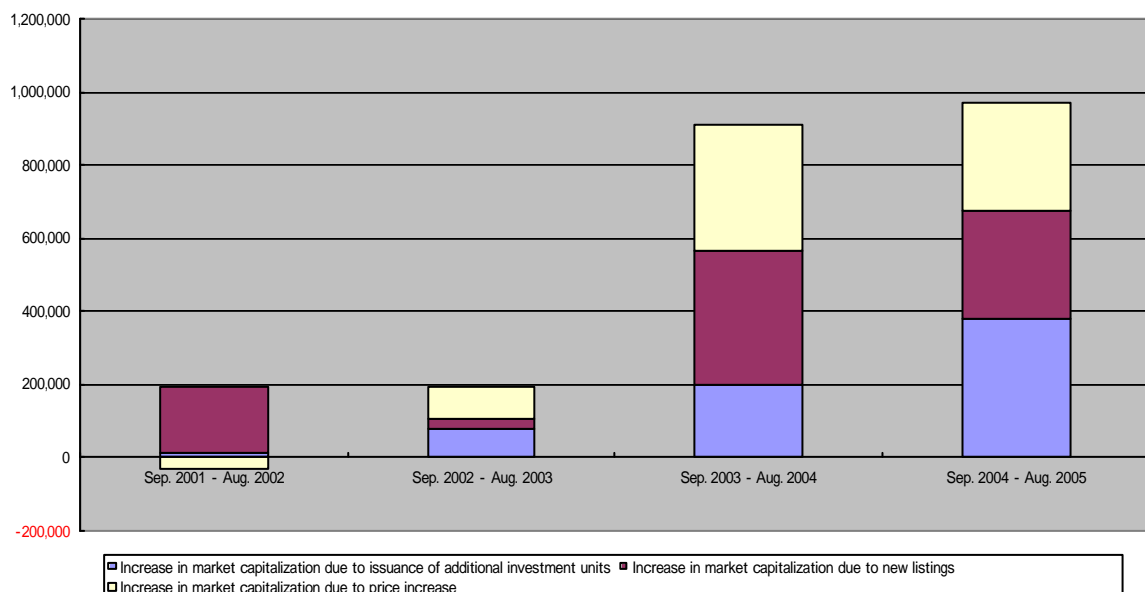


Figure 31 Each Factor's Contribution Level in Market Capitalization Increase (Estimated Figures)

	Effect of price increase	Effect of new listings	Effect of issuance of additional investment units	Total
Sep. 2001 - Aug. 2002	-10.2%	102.0%	8.2%	100.0%
Sep. 2002 - Aug. 2003	39.6%	15.1%	45.2%	100.0%
Sep. 2003 - Aug. 2004	24.3%	49.0%	26.7%	100.0%
Sep. 2004 - Aug. 2005	23.5%	33.7%	42.8%	100.0%

Figure 30 indicates the estimate total market capitalization increase values generated by each factor and divides the total market capitalization increase amounts for each period indicated in Figure 3 into three by each factor. In addition, Figure 31 compares the ratio of the total market capitalization value generated by each factor in the increase in total market capitalization generated in each period.

The first characteristic is that despite the price dropping slightly in the first year, it continued to increase in the second year and after and greatly contributed to the increase in total market capitalization. In particular, the growth in total market capitalization was stunted by the almost absence of new IPOs, but this stunting was somewhat limited by the climb in price levels. In the third and fourth years, the contribution rate of the price increase to an increase in the total market capitalization dropped but continued to comprise more than 20% of the increase in total market capitalization. Therefore, the impact of price increase continues to be great. The factors generating these price increases did not result from expected increases in cash flow but by the review of the initial excessive assessment of risk at the time of the J-REITs' appearance and recognition as a safe asset and the attractive appearance of J-REITs compared to other financial products for financial institutions and individual investors. This position is presented in Figures 11-29.

The second characteristic is that the effect with the price increase effect removed, in other words the effect of additional investment unit issuance and the effect of new IPOs on increasing total market capitalization, greatly decreased in the second year and continued thereafter to increase. This point was studied by dividing the effect into that generated by IPOs and that generated by additional issuances of investment units.

The effect of new IPOs has changed dramatically annually as indicated in Figure 4. This variation factor is explained by the change in total listed market capitalization per issue and the total number of listed J-REITs. The change in these two categories is indicated in Figure 7. In addition, when the planned IPO plans that have been

reported are considered the total market capitalization upon IPO per listed J-REIT will become smaller. It is also important to indicate that the number of listed J-REITs is expected to become the greatest level ever in its fifth year.

On the other hand, the increase in total market capitalization generated by additional issues of investment units steadily increased as indicated in Figure 8. This is because each J-REIT sought to expand its asset portfolio and steadily increased its assets through fund procurement caused by the issuance of investment units. However, the number of entrants in the market has presently increased and the attitude, as indicated earlier, has changed concerning the object of expanding asset portfolios. The change in the increase of total market capitalization caused by the additional issuance of investment units will be dramatically affected by the strategy of each J-REIT to acquire properties in the future.

This report analyzed the factors as a means to study how the total market capitalization of J-REITs increased. The results confirmed that there were different factors behind the past increase in total market capitalization.

We will continue to watch how the J-REIT market increases and the factors behind any increase in total market capitalization.

Addition

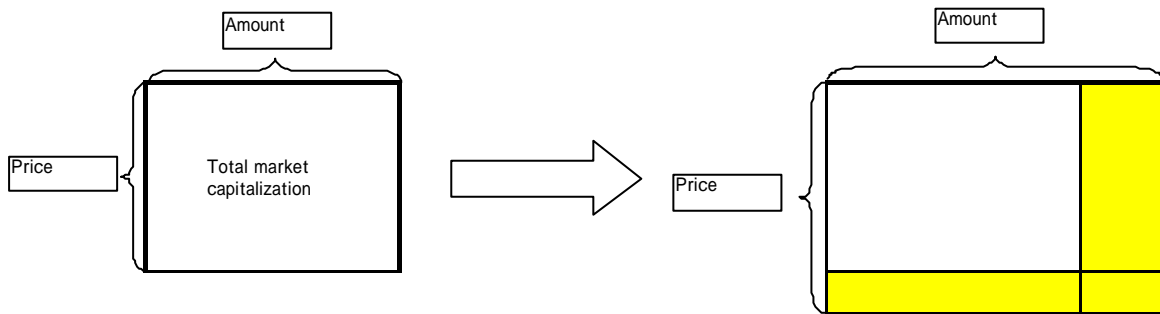
Method used to estimate the increase in market capitalization generated by the three factors

The following indicates the method used to calculate the estimate for the increase in market capitalization generated by the three factors demonstrated in this report. Please note in advance that this is just one of the estimate methods, and is based on certain assumptions.

(1) Calculation of increases in market capitalization caused by the price increase and increase in market capitalization caused by quantity increase

Market capitalization is calculated by price x quantity.

Accordingly, an increase in market capitalization can be described using the following diagram:



An increase in quantity equals the sum of an increase in market capitalization due to IPO and an increase in market capitalization generated by an additional offering of investment units.

The increased portion of market capitalization may be divided into the following I, II and III.

- I: Increase in market capitalization due to a price increase
- II. Increase in market capitalization due to an increase in quantity
- III. Increase in market capitalization due to both a price and quantity increase

These values can be calculated by:

$$\begin{aligned}
 &= \text{"market capitalization at the end of the most recent period"} \times \text{" price increase rate " } \\
 &= \text{"market capitalization at the end of the most recent period"} \times \text{" quantity increase rate " } \\
 &= \text{"market capitalization at the end of the most recent period"} \\
 &\quad - \text{"market capitalization at the end of the most recent period"} \\
 &\quad - \text{"(I+II)"}
 \end{aligned}$$

Please note, however, that:

For the price increase rate, the increase rate of the J-REIT price index (see Figure 12) was used, while the quantity increase rate was calculated using the following formula.

$$\begin{aligned}
 &(1 + \text{market capitalization increase rate}) \\
 &= (1 + \text{price increase rate}) (1 + \text{quantity increase rate})
 \end{aligned}$$

In this regard, we assume for convenience that:

The increase in market capitalization due to price increase: Increase in market capitalization due to quantity increase = I : II

Then, the following equations can be obtained.

Increased value of market capitalization due to price increase

$$= \text{Increased value of market capitalization (total)} \times \frac{\quad}{\quad + \quad} \cdots$$

Increased value of market capitalization due to quantity increase

$$= \text{Increased value of market capitalization (total)} \times \frac{\quad}{\quad + \quad} \dots$$

(2) Calculation of increased values in market capitalization caused by IPOs and in market capitalization by additional offering of investment units

The increased value of market capitalization caused by IPOs and of market capitalization caused by additional offerings of investment units are equivalent to the increased value of market capitalization caused by the quantity increase as calculated above.

Moreover, from the viewpoint that the increased value of market capitalization caused by IPOs and the increased value of market capitalization caused by additional offerings of investment units are the actual performance figures indicated in Figure 4 and Figure 8 respectively, the following calculations can be attained:

Increased value of market capitalization caused by IPOs

$$= \text{Increased value of market capitalization caused by quantity increase} \\ \times \frac{\text{Actual value indicated in Figure 4}}{\text{Actual Value indicated in Figure 4} + \text{Actual Value indicated in Figure 8}} \dots$$

Increased value of market capitalization caused by additional offering of investment units

$$= \text{Increased value of market capitalization caused by quantity increase} \\ \times \frac{\text{Actual value indicated in Figure 8}}{\text{Actual Value indicated in Figure 4} + \text{Actual Value indicated in Figure 8}} \dots$$

(Note 1) The increased value of market capitalization caused by quantity increase is equivalent to the value calculated by formula above.

(Note 2) Figure 30 shows the graphs of values calculated via , and , while Figure 31 shows their ratios.