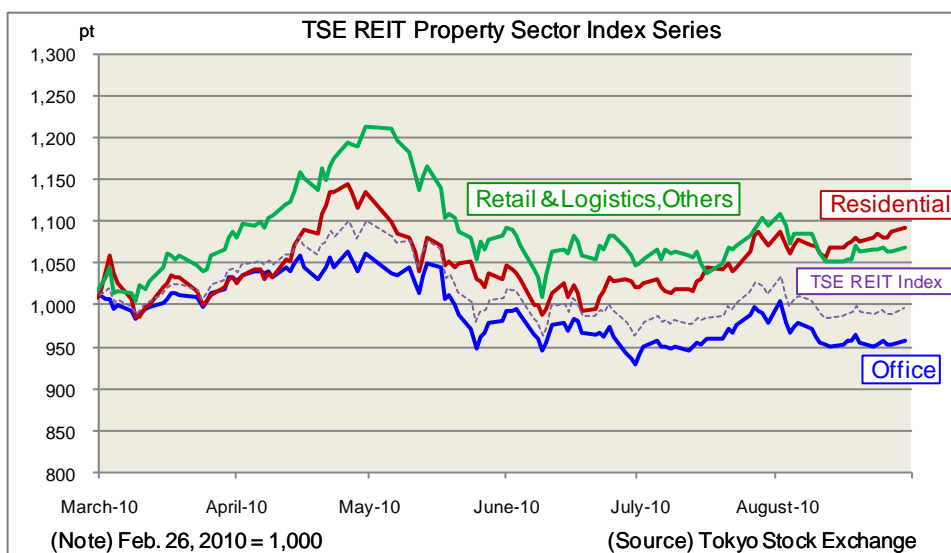
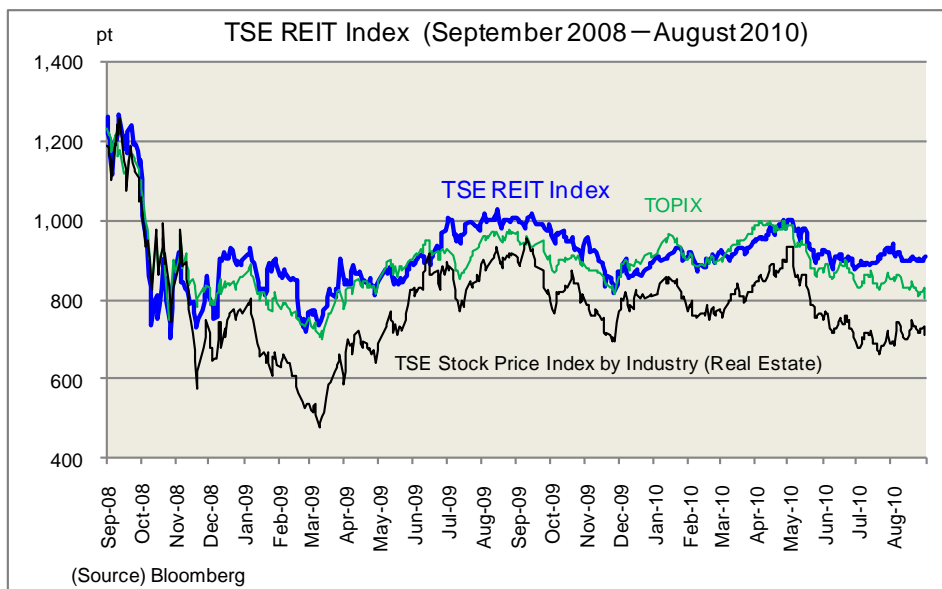


# ARES J-REIT REPORT September 2010

[ Abridged Translation Edition ]



## J-REIT Market | August



### J-REIT Market Indices

|                                      | End of Aug. 2010 | 1-month  | 6-month | 1-year  |
|--------------------------------------|------------------|--|---------|---------|
| TSE REIT Index (excluding dividends) | 906.27           | - 1.4%   | - 0.2%  | - 10.0% |
| TSE REIT Index (including dividends) | 1281.47          | - 1.0%   | + 2.5%  | - 4.2%  |
| Market cap (bn yen)                  | 2,967.2          | (Note) The dividend yield is a weighted average of the market cap based on dividend forecasts by respective J-REITs. |         |         |
| Average dividend yield               | 5.5%             |  |         |         |

### Stock Market (Reference)

|                 | End of Aug. 2010 | 1-month | 6-month | 1-year  |
|-----------------|------------------|---------|---------|---------|
| TOPIX           | 804.67           | - 5.3%  | - 10.0% | - 16.7% |
| NIKKEI 225      | 8,824.06         | - 7.5%  | - 12.9% | - 15.9% |
| TSE Real Estate | 712.33           | + 3.1%  | - 7.3%  | - 21.6% |

### TSE REIT Property Sector Index Series

|                            | End of Aug. 2010 | 1-month | 6-month | 1-year |
|----------------------------|------------------|---------|---------|--------|
| Office                     | 957.37           | - 2.1%  | - 4.3%  | N/A    |
| Residential                | 1,094.15         | + 2.2%  | + 9.4%  | N/A    |
| Retail & Logistics, Others | 1077.77          | - 1.4%  | + 7.8%  | N/A    |

## Topics | August

### Daiwa PI Partners purchases 60,000 investment units of Daiwa Office from Columbus

Daiwa PI Partners Co. Ltd. (“Daiwa PIP”), a consolidated subsidiary of Daiwa Securities Group, purchased 60,000 investment units of [Daiwa Office Investment Corporation](#) (former DA Office) from K.K. Columbus on August 16. The acquisition price was JPY 12.0 billion. After the transaction Daiwa PIP holds 15.16% of the total issued and outstanding investment units of Daiwa Office, meaning Daiwa Securities Group de facto the largest unitholder group of the REIT.

Aside from the investment units transfer, Columbus, a wholly owned subsidiary of daVinci Holdings, has agreed to sell 10,000 investment units of Daiwa Office to a third party.

|                        | Before the Investment Units Transfer     |   | After the Investment Units Transfer      |   | Number of Investment Units Increased/Decreased (unit) |
|------------------------|--|---|--|---|---|
|                        | Number of Investment Units Ow ned (unit) | Share to the Total Number of Outstanding Investment Units (%) | Number of Investment Units Ow ned (unit) | Share to the Total Number of Outstanding Investment Units (%) |   |
| Columbus               | 138,905                                  | 35.09   | 68,905                                   | 17.41   | -70,000   |
| Daiwa PIP              | 0  | 0   | 60,000                                   | 15.16   | 60,000  |
| Daiwa Securities Group | 51,893                                   | 13.11   | 51,893                                   | 13.11   | ±0  |
|                        | The total of Daiwa Securities Group      |   | 111,893                                  | 28.27   |   |

For details, please refer to the following press releases;

- [“Notice concerning Sale of Investment Units Owned by Major Unitholder”](#) (Daiwa Office/August 16, 2010)
- [“Notice Regarding Daiwa PI Partners Co. Ltd. purchase of the investment units of DA Office Investment Corporation”](#) (Daiwa Securities Group Inc. and Daiwa PI Partners Co. Ltd./August 16, 2010)

### Japan Logistics Fund issues new investment units to acquire “Ichikawa Logistics Center II” for JPY 17.4 billion.

On August 12, [Japan Logistics Fund, Inc.](#) (“JLF”) launched a public offering 16,700 investment units, including 700 units of underwriter’s overallotment option. With the unit price of JPY 627,590, the net proceeds for the REIT will be JPY 10.1 billion. The logistics sector REIT plans to use the capital to finance the acquisition of the 90% joint co-ownership interest of trust beneficial right of “Ichikawa Logistics Center II” for JPY 17.4 billion from the affiliate of ProLogis K.K.

Ichikawa Logistics Center II is located at Ichikawa Area (Chiba Prefecture) where offers excellent access to the Tokyo Metropolitan Area and major coastal gateways. Tenants of the large-scale facility are TOMY Company, Ltd., one of the leading toy manufacturers, and JR East Logistics Co., Ltd., a logistics subsidiary of East Japan Railway Company.

For details, please refer to the following press releases;

- [“Notice Concerning the Additional Issue of New Investment Units and a Secondary Offering”](#)
- [“Notice Concerning the Acquisition of the Interest of Trust Beneficial Right”](#) (JLF/August 12, 2010)

### Japan Retail Fund to Sell 18 Non-core Office and Residential Properties for JPY 33.2 billion.

[Japan Retail Fund Investment Corporation](#) (“JRF”) announced that it has decided to sell all of the 18 office and residential properties (“Non-core properties”) which JRF assumed in the merger with LaSalle Japan REIT Inc.

(“LJR”). The Total sale price is JPY 33.2 billion. JRF will allocate the proceeds from the transfer of the assets to the repayment of debt, mainly that assumed from LJR, improving its LTV from about 58% to about 55%. JRF, a REIT specializing in retail facilities, merged with LJR on March 1, 2010. JRF had endeavored to sell the Non-core properties at an early stage.

The transfer date is scheduled on September 3, 2010. The buyer is a real estate fund investment corporation created by Kenedix Group.

<Before transfer 18 properties >

|                                    | Number of properties | Acquisition price (million yen) | Percentage |
|------------------------------------|----------------------|---------------------------------|------------|
| Retail facilities                  | 59                   | 624,254                         | 95.1%      |
| Office                             | 10                   | 18,350                          | 2.8%       |
| Residential(with retail component) | 8                    | 13,927                          | 2.1%       |
| Total                              | 77                   | 656,531                         | 100.0%     |



<After transfer 18 properties >

|                                    | Number of properties | Acquisition price (million yen) | Percentage |
|------------------------------------|----------------------|---------------------------------|------------|
| Retail facilities                  | 59                   | 624,254                         | 100.0%     |
| Office                             | 0                    | —                               | 0.0%       |
| Residential(with retail component) | 0                    | —                               | 0.0%       |
| Total                              | 59                   | 624,254                         | 100.0%     |

For details, please refer to the following press release;

- [“Japan Retail Fund to Sell 18 Non-core Office and Residential Properties”](#)(JRF/August 19, 2010)

## ORIX JREIT Announces Investment Policy Amendment

On August 25, ORIX Asset Management Corporation, an asset manager of [ORIX JREIT Inc.](#) (“OJR”) informed that it has decided to revise the investment policy of OJR.

Under the revisions, the investment ratio, previously “approximately 80% or more” in office-use real estate and “approximately 20% or less” in non-office-use real estate, will be changed to “approximately 60% or more” and “approximately 40% or less,” respectively. In conjunction with the investment ratio change, a recommencement in residential properties investment is planned.

OJR has built up a portfolio primarily focusing on offices. ORIX Asset Management says, however, that today’s office rental market has remained difficult, and OJR’s portfolio of office-use real estate has been affected by rising vacancy rates and falling rental rates.

For details, please refer to the following press release;

- [“ORIX JREIT Announces Partial Revision of Asset Management Company’s Internal Regulations”](#)  
(OJR/ August 17, 2010)

## Other News

[Global One Real Estate Investment Corp.](#) (“GOR”), an office REIT, announced that it concluded a new lease agreement for 11,972.69 sqm of “TK Minami - Aoyama Building” (Minato-ku, Tokyo) with World Co., Ltd., a major apparel company on August 26. World will be the top of GOR’s major tenants.

For details, please refer to the following press release;

- [“Conclusion of Lease Agreement with New Tenant \(TK Minami - Aoyama Building\)”](#)  
(GOR/ August 26, 2010)

[Industrial & Infrastructure Fund Investment Corporation](#) (“IIF”) informed that it decided to sign an agreement of change of lease contract signed with Japan Airlines International Co., Ltd. (“JAL”), a tenant of IIF Haneda Airport Maintenance Center, Tokyo. According to IIF, the national flag carrier now in Chapter 11 reorganization will continue to use the property based on the long-term stable rent income by extending the remaining term of the lease contract from roughly seven years and seven months to roughly fifteen years and five months and changing to the new style leasehold contract with a covenant that prohibits JAL from terminating the contract or requesting a rent decrease. Meanwhile, they agreed to reduce a part of the rent

JAL pays to IIF for a limited period starting from January 1, 2011.

For details, please refer to the following press release;

- [“Notice Concerning Change the Lease Contract of IIF Haneda Airport Maintenance Center, Tokyo”](#)  
(IIF/ August 9, 2010)

## Financial Results

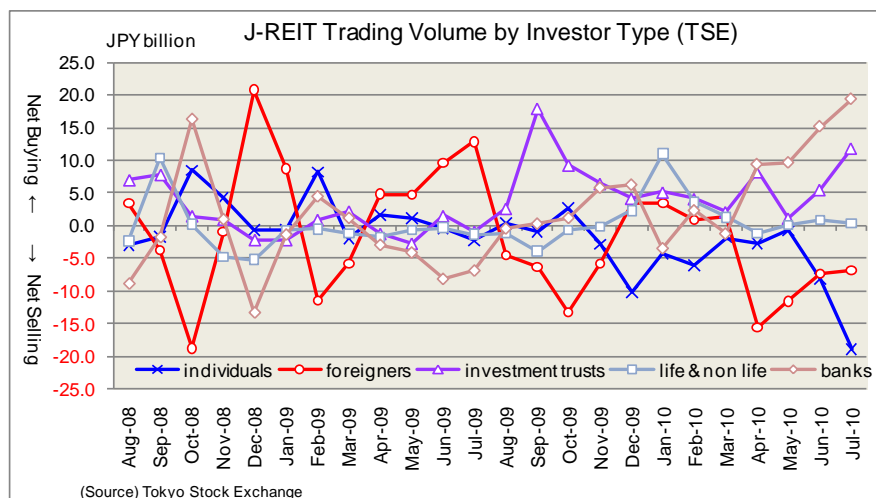
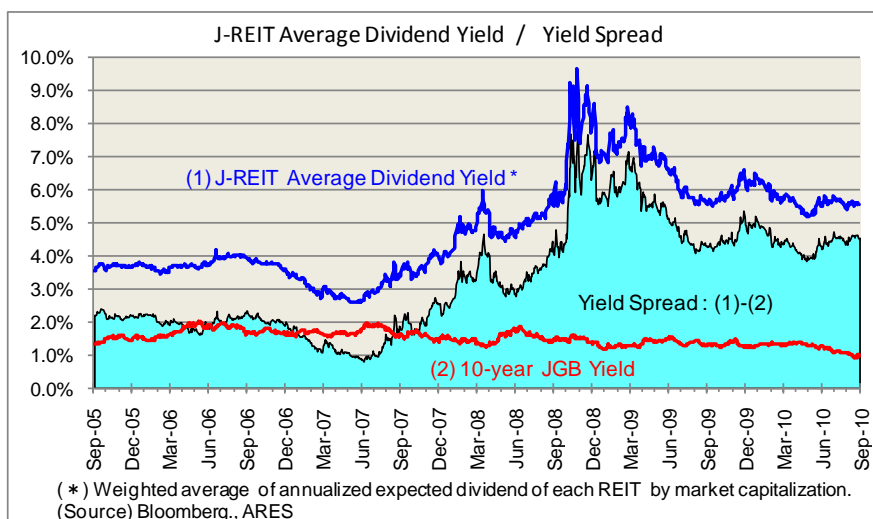
### Highlights of Financial Results (period ending June 2010)

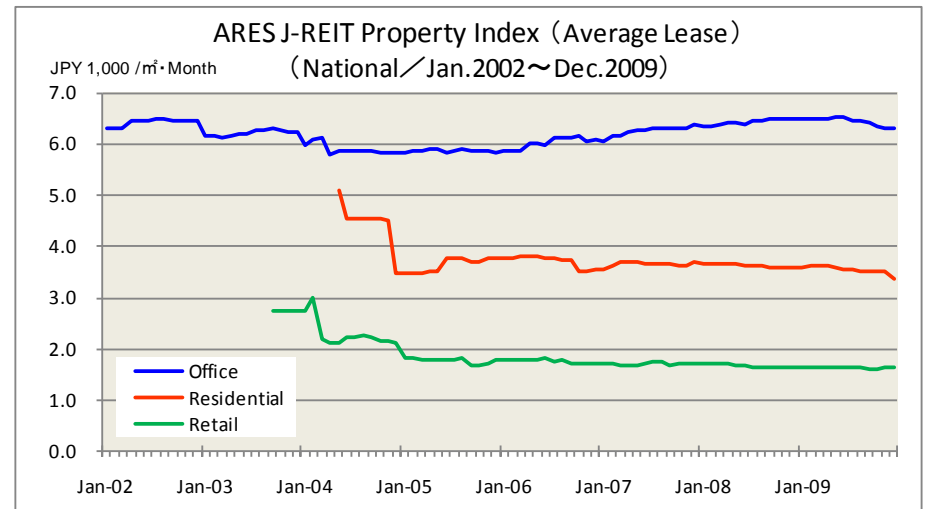
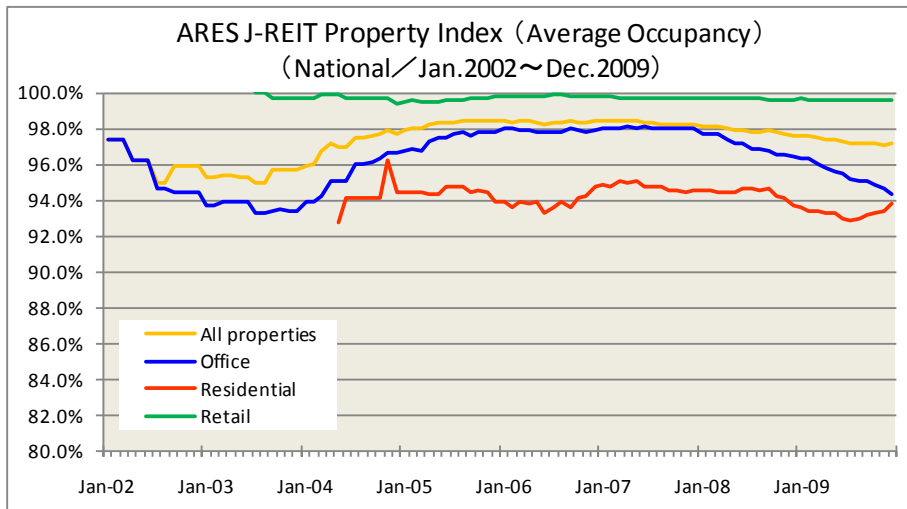
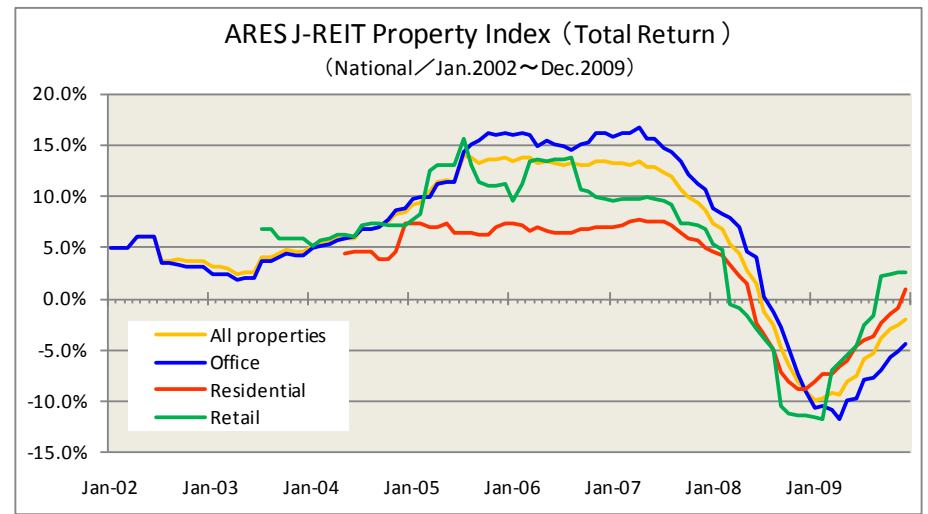
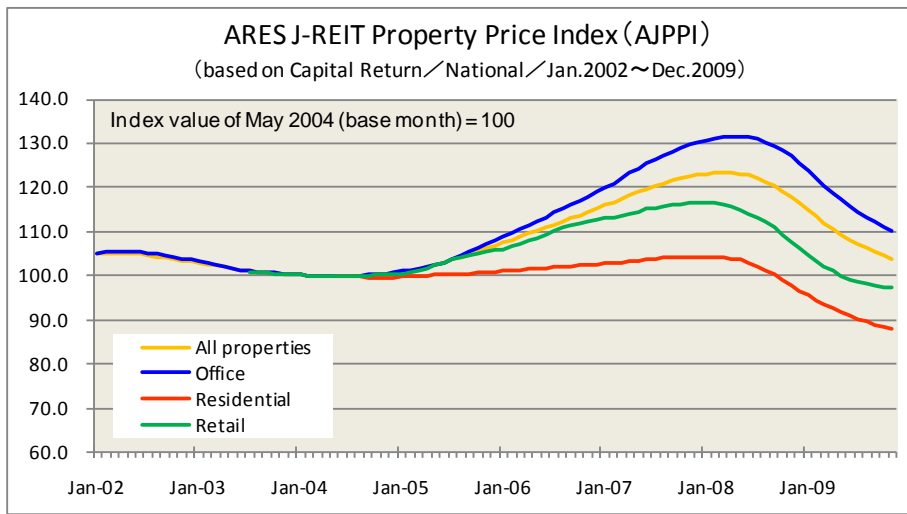
Figures in parentheses show percentage of increase/decrease from the previous period.

| Code | REIT                             | Operating Revenue |        | Operating Income |         | Ordinary Income |         | Net Income    |         | Dividend per Unit (JPY) |              |
|------|----------------------------------|-------------------|--------|------------------|---------|-----------------|---------|---------------|---------|-------------------------|--------------|
|      |                                  | (JPY million)     | (%)    | (JPY million)    | (%)     | (JPY million)   | (%)     | (JPY million) | (%)     | Current period          | Next period* |
| 3249 | Industrial & Infrastructure Fund | 3,440             | (12.3) | 1,863            | (29.9)  | 1,284           | (56.9)  | 1,283         | (57.0)  | 16,235                  | 10,036       |
| 8955 | Japan Prime Realty               | 12,314            | ( 7.1) | 6,484            | ( 11.3) | 4,964           | ( 14.6) | 4,963         | (14.6)  | 6,770                   | 5,750        |
| 8951 | Nippon Building Fund             | 28,340            | (-5.3) | 12,171           | (-10.0) | 9,282           | (-12.9) | 9,281         | (-12.9) | 17,125                  | 15,100       |
| 8987 | Japan Excellent                  | 7,302             | (-2.6) | 3,252            | (-2.9)  | 2,367           | (-4.8)  | 2,366         | (-4.8)  | 15,315                  | 14,000       |
| 3227 | MID REIT                         | 6,012             | (-4.4) | 2,413            | (-6.9)  | 1,520           | (-13.2) | 1,518         | (-13.2) | 8,269                   | 7,056        |
| 8964 | Frontier Real Estate             | 6,364             | ( 2.1) | 3,332            | (-0.1)  | 2,975           | (-0.8)  | 2,974         | (-0.8)  | 18,588                  | 17,900       |

\*Estimate

## Appendix





**AJPPi** (ARES J-REIT Property Price Index) (based on capital return) is a price index calculated based on the return on real estate owned by J-REITs. An index value of 100 equals the May 2004 level of average trend in real estate prices in Japan. The calculation method of return on real estate used to calculate AJPPi follows the calculation method of NCREIF Property Index, which is an index used widely in the U.S.

**AJPI** (ARES J-REIT Property Index) is one of the few real estate investment indices in Japan that is calculated using the return on real estate investment owned by J-REITs. It is an index which represents the monthly return on real estate investment (value when converted to annual rate). It is comprised of (1) income return based on NOI (Net operating income), (2) capital return based on real estate prices and (3) total return, which is the total of income return and capital return. It is calculated according to a method that follows the calculation method of the NCREIF Property Index, which is an index used widely in the U.S.

For details, please refer to "[ARES J-REIT Property Database.](#)"

## Lineup of J-REITs (market capitalization order)

As of August 31, 2010

| REIT                             | Ticker<br>(Bloomberg) | Unit Price<br>(JPY, Aug.31) | Performance(Capital Return) |         |         | Market Cap<br>(JPY billion<br>Aug.31) | Portfolio                   |                         |                          |
|----------------------------------|-----------------------|-----------------------------|-----------------------------|---------|---------|---------------------------------------|-----------------------------|-------------------------|--------------------------|
|                                  |                       |                             | 1-month                     | 6-month | 1-year  |                                       | Asset size<br>(JPY billion) | Number of<br>Properties | Property Type            |
| Nippon Building Fund             | 8951 JP Equity        | 712,000                     | - 3.3%                      | - 9.5%  | - 13.2% | 385.9                                 | 779.5                       | 59                      | Office                   |
| Japan Real Estate                | 8952 JP Equity        | 746,000                     | - 2.5%                      | - 2.7%  | - 1.6%  | 364.9                                 | 643.9                       | 55                      | Office                   |
| Japan Retail Fund                | 8953 JP Equity        | 112,600                     | + 1.2%                      | + 6.8%  | - 9.2%  | 190.1                                 | 656.5                       | 77                      | Retail                   |
| MORI TRUST Sogo Reit             | 8961 JP Equity        | 695,000                     | + 2.2%                      | - 11.4% | - 7.3%  | 168.2                                 | 283.0                       | 13                      | Office/Retail etc.       |
| Japan Prime Realty               | 8955 JP Equity        | 187,300                     | - 3.9%                      | - 4.3%  | - 15.8% | 133.9                                 | 334.6                       | 55                      | Office/Retail            |
| Advance Residence                | 3269 JP Equity        | 131,000                     | + 5.9%                      | N/A     | N/A     | 128.4                                 | 346.7                       | 183                     | Residential              |
| Nomura Real Estate Office Fund   | 8959 JP Equity        | 417,000                     | - 8.6%                      | - 20.0% | - 35.3% | 127.2                                 | 378.6                       | 51                      | Office                   |
| Frontier Real Estate             | 8964 JP Equity        | 655,000                     | + 5.1%                      | - 1.4%  | - 1.4%  | 127.1                                 | 206.8                       | 22                      | Retail                   |
| United Urban                     | 8960 JP Equity        | 544,000                     | - 5.2%                      | + 13.8% | + 4.8%  | 109.5                                 | 219.9                       | 50                      | Retail/Office etc.       |
| ORIX JREIT                       | 8954 JP Equity        | 396,500                     | - 6.4%                      | - 7.1%  | - 18.1% | 99.8                                  | 300.9                       | 52                      | Office/Logistics etc.    |
| Japan Logistics Fund             | 8967 JP Equity        | 636,000                     | - 10.3%                     | - 2.9%  | + 0.2%  | 93.7                                  | 125.8                       | 27                      | Logistics                |
| Daiva Office (former DA Office)  | 8976 JP Equity        | 229,100                     | + 7.6%                      | + 23.5% | - 22.3% | 90.7                                  | 274.2                       | 32                      | Office                   |
| TOKYU REIT                       | 8957 JP Equity        | 457,000                     | - 4.3%                      | + 4.8%  | - 13.1% | 77.4                                  | 186.1                       | 23                      | Retail/Office            |
| Nippon Accommodations Fund       | 3226 JP Equity        | 488,000                     | + 2.0%                      | + 5.9%  | - 4.7%  | 76.2                                  | 187.0                       | 63                      | Residential              |
| TOP REIT                         | 8982 JP Equity        | 450,500                     | - 1.9%                      | + 11.0% | + 16.4% | 69.8                                  | 175.0                       | 15                      | Office/Retail etc.       |
| Kenedix Realty                   | 8972 JP Equity        | 294,000                     | + 3.6%                      | + 21.2% | - 15.8% | 68.7                                  | 235.8                       | 70                      | Office/Retail etc.       |
| Japan Excellent                  | 8987 JP Equity        | 402,000                     | - 5.1%                      | + 1.9%  | - 11.5% | 62.1                                  | 181.0                       | 18                      | Office                   |
| Global One Real Estate           | 8958 JP Equity        | 639,000                     | - 1.1%                      | - 2.7%  | - 7.8%  | 61.9                                  | 130.3                       | 7                       | Office                   |
| Fukuoka REIT                     | 8968 JP Equity        | 537,000                     | - 1.6%                      | + 9.4%  | + 8.7%  | 57.5                                  | 120.9                       | 16                      | Retail/Office etc.       |
| BLife                            | 8984 JP Equity        | 437,000                     | - 0.2%                      | - 0.6%  | + 14.7% | 51.9                                  | 192.6                       | 127                     | Residential              |
| Premier                          | 8956 JP Equity        | 364,000                     | + 9.3%                      | + 23.9% | - 7.1%  | 51.0                                  | 146.1                       | 46                      | Office/Residential       |
| NOMURA REAL ESTATE RESIDENTIAL   | 3240 JP Equity        | 352,000                     | + 1.7%                      | - 3.2%  | - 17.6% | 44.2                                  | 133.4                       | 144                     | Residential              |
| MORI HILLS REIT                  | 3234 JP Equity        | 170,000                     | - 4.1%                      | - 35.3% | - 52.4% | 39.4                                  | 211.9                       | 11                      | Office/Residential       |
| Japan Rental Housing             | 8986 JP Equity        | 28,800                      | - 6.6%                      | - 10.8% | + 11.3% | 38.3                                  | 158.4                       | 186                     | Residential              |
| Sekisui House SI                 | 8973 JP Equity        | 299,600                     | + 5.9%                      | + 28.4% | + 21.3% | 34.5                                  | 99.9                        | 53                      | Residential/Retail       |
| MID REIT                         | 3227 JP Equity        | 181,100                     | + 1.4%                      | - 2.3%  | - 12.3% | 33.3                                  | 161.2                       | 12                      | Office/Retail            |
| Hankyu REIT                      | 8977 JP Equity        | 362,000                     | + 2.3%                      | + 4.2%  | - 16.2% | 30.9                                  | 121.3                       | 15                      | Retail/Office etc.       |
| Industrial & Infrastructure Fund | 3249 JP Equity        | 302,500                     | - 12.3%                     | + 31.1% | + 12.5% | 23.9                                  | 95.8                        | 10                      | Logistics/Infrastructure |
| Nippon Commercial                | 3229 JP Equity        | 86,600                      | - 8.6%                      | - 22.7% | - 48.2% | 22.3                                  | 241.8                       | 37                      | Office/Retail            |
| CRESCEND                         | 8966 JP Equity        | 163,000                     | + 1.3%                      | + 36.4% | + 5.2%  | 21.5                                  | 96.9                        | 47                      | Office/Residential       |
| Japan Hotel and Resort           | 8981 JP Equity        | 193,000                     | + 0.0%                      | + 48.2% | + 38.2% | 20.4                                  | 85.1                        | 8                       | Hotel                    |
| JAPAN OFFICE                     | 8983 JP Equity        | 80,600                      | + 1.4%                      | - 6.5%  | - 20.6% | 16.5                                  | 115.6                       | 53                      | Office etc.              |
| Starts Proceed                   | 8979 JP Equity        | 106,500                     | + 13.8%                     | + 27.5% | + 2.0%  | 11.5                                  | 38.3                        | 76                      | Residential              |
| Nippon Hotel Fund                | 8985 JP Equity        | 252,800                     | + 15.1%                     | + 73.4% | + 50.4% | 10.7                                  | 37.4                        | 17                      | Hotel                    |
| Invincible                       | 8963 JP Equity        | 15,230                      | + 9.6%                      | - 3.6%  | - 31.0% | 9.7                                   | 70.5                        | 55                      | Residential/Office etc.  |
| FC Residential                   | 8975 JP Equity        | 236,800                     | + 3.0%                      | + 29.3% | + 13.4% | 7.7                                   | 23.4                        | 19                      | Residential              |
| Japan Single-residence REIT      | 8970 JP Equity        | 118,000                     | + 1.5%                      | + 27.0% | + 14.5% | 6.6                                   | 56.6                        | 43                      | Residential/Hotel        |
| TOTAL                            |                       |                             |                             |         |         | 2,967.2                               | 7,852.5                     | 1,847                   |                          |

[Disclaimer] This report is provided to inform readers about the J-REIT market, and is not intended to solicit investments. Information in this report is not necessarily up-to-date, and ARES does not guarantee its correctness or completeness. Information in this report is subject to change or revisions without prior notice.

E-mail: [research@ares.or.jp](mailto:research@ares.or.jp)