

Today's

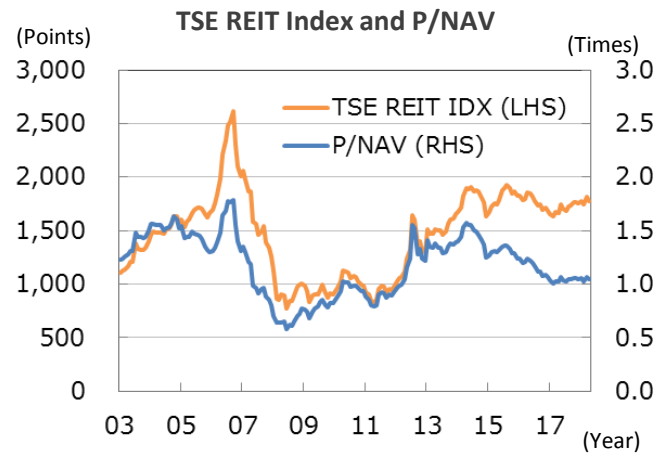
Topic

J-REIT's dividend yield rose again

Point 1

J-REIT moved in solid manner P/NAV staying at around 1 time level

- In CY2018, J-REIT market was solid as J-REIT Index rose +6.7% despite sharp correction of the stock market towards the year end due to concern over deterioration in corporate earnings and economic slowdown by US-China trade friction. J-REIT market was supported by (1) strong property market mainly driven by offices, (2) market's appreciation of J-REIT's effort to improve their profitability and (3) BoJ's purchase of J-REIT.
- P/NAV (the indicator that shows how many times the REIT price is compared to the actual value of its real estate holdings) was 1.05 times at the end of December 2018, staying at around 1 time level.



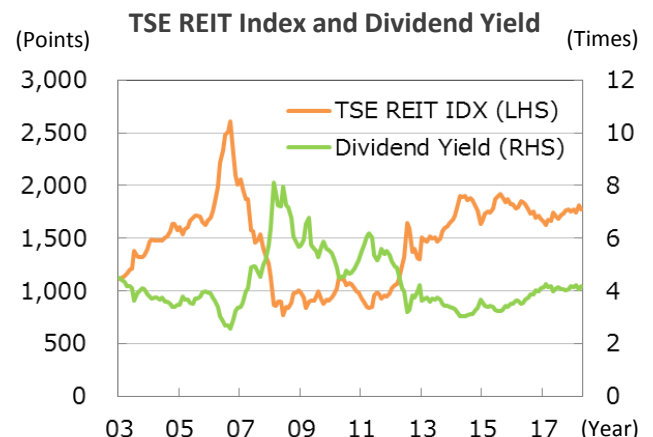
(Note) Data from Sep 2003 to Dec 2018.

(Source) SMAM, based on ARES data.

Point 2

The dividend yield rose to an attractive level

- In December, dividend yield of TSE REIT Index rose to 4.18% from 4.07% in November. The gap of dividend yield between Japanese 10-year government bond and J-REIT still remains at around 4%. It indicates that dividend yield of J-REIT is at an attractive level.
- The TSE REIT Index (with dividends) rose +11.1% in 2018.



(Note) Data from Sep 2003 to Dec 2018.

(Source) SMAM, based on ARES data.

Outlook

J-REIT would continue to be favored, however, the upside might be limited during 1H

- December office vacancy rate of Tokyo 5 central wards improved to 1.88%, revising its historical lows for 5 consecutive months since January 2002 (the oldest data available). Furthermore, average rent price has been rising for 60 consecutive months confirming its upward trend. The solid property market is likely to be a supporting factor for J-REIT.
- As REITs tend to increase their capital for property acquisition during Jan-Mar period, the upside of the REIT price might be limited temporary. However, cash inflow is expected for J-REIT market because of its stable profit, as the upside of long term interest rate is limited due to expectation of BoJ's easy monetary policy to continue.

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