

J-REIT Monthly

April 2017

For your information only



Sumitomo Mitsui Asset Management

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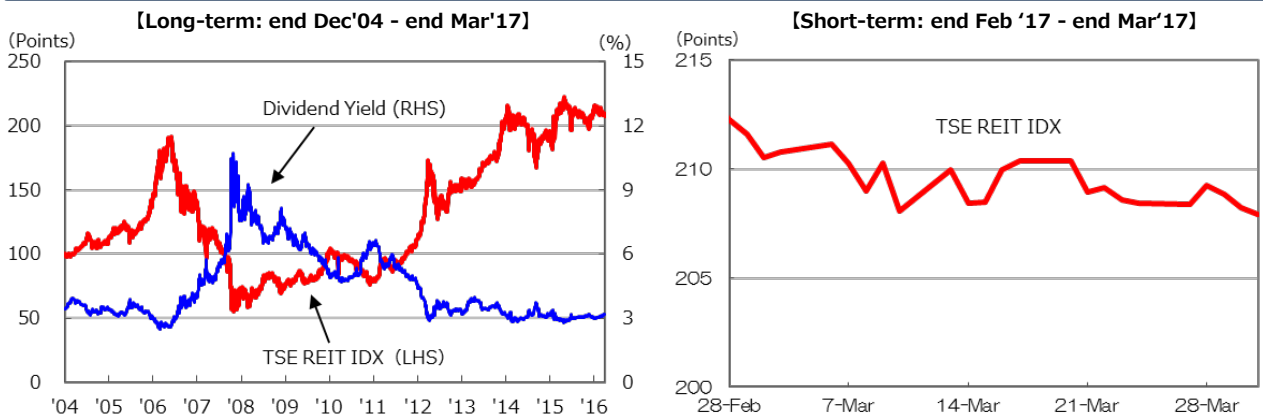
1. J-REIT Market Monthly Review (for March 2017)

In March 2017, the TSE REIT Index (with dividends) dropped 2.04% MOM, as expectations over rise in long-term Japanese bond yields lingered in the market.

The J-REIT market moved on a weak tone since long-term JGB yields had been rising from the beginning of the month. Also, despite the downturn of long-term JGB yields led by BoJ's decision to stick to its current course of monetary policy on 16th March, reaction of the J-REIT market was limited. Furthermore, the J-REIT market ended plunging to its lowest level this year as sellers became dominant toward the end of the month, because most of the institutional investors tend to sell their financial assets such as REITs for profit taking at the end of their fiscal year ending in March.

February office vacancy rate in Tokyo five central wards improved to 3.70% and rents are continuously increasing. Also, the official land prices as of January 1st, 2017 were announced on 21st March and the results showed solid upward trend of the property market. In particular, the land price increase accelerated in commercial districts of three major metropolitan areas and regional urban centers, where J-REITs hold majority of their properties. However, we did not see active buying in the J-REIT market.

2. TSE REIT Index (with dividends)



TSE REIT Index	As of 31-Mar-17	1week ago 24-Mar-17	1month ago 28-Feb-17	3months ago 31-Dec-16	6months ago 30-Sep-16	1year ago 31-Mar-16	3years ago 31-Mar-14
Index	3,307.66	3,316.12	3,376.46	3,422.06	3,336.34	3,409.88	2,464.98
%change	-	-0.3%	-2.0%	-3.3%	-0.9%	-3.0%	34.2%

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: DataStream, compiled by SMAM.

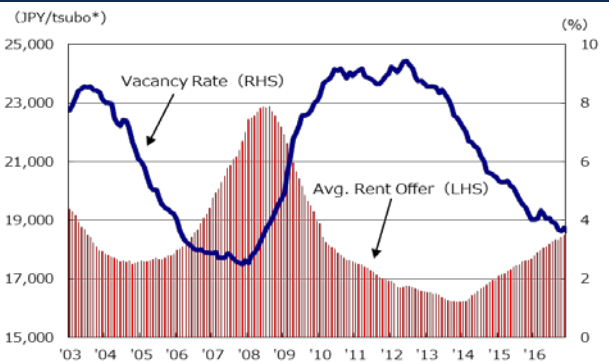
3. Top 10 REIT Constituents in J-REIT

REIT	CODE	Weight (%)
1 NIPPON BUILDING FUND	J8951	7.4
2 JAPAN REAL ESTATE INV.	J8952	6.8
3 NOMURA RLST.MASTER FUND	J3462	6.2
4 JAPAN RET.FD.INV.	J8953	5.1
5 UNITED URB.INV.	J8960	4.6
6 ORIX JREIT	J8954	4.2
7 DAIWA HOUSE REIT INV.	J8984	3.9
8 NIPPON PROLOGIS REIT	J3283	3.7
9 ADVANCE RESIDENCE INV.	J3269	3.5
10 JAPAN PRIME REALTY INV.	J8955	3.4
Others		51.1
Total		100.0

Source: DataStream, compiled by SMAM

(As of the end of March 2017)

4. Tokyo Office Rents and Vacancy Rates



Notes: (1) Based on a monthly basis, covering a period from January 2003 to February 2017
(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: DataStream, compiled by SMAM.

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1. Global REIT Market Monthly Review (for March 2017)

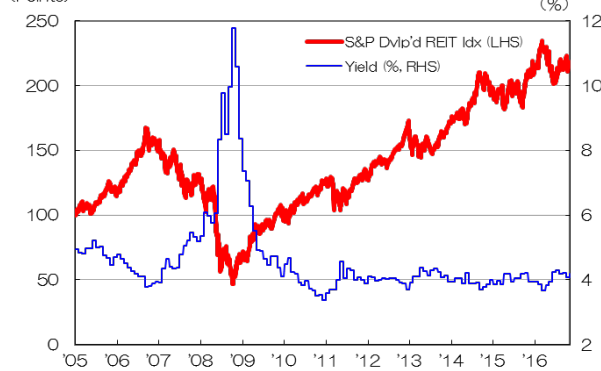
The S&P Developed REIT Index (ex-Japan, with dividends, USD base) fell 1.7% in March. On a local currency basis, the REIT return declined 1.7% whereas the Forex return was neutral.

Over the month, the US REIT market moved downward due to worries over rise in US long-term treasury yields in the first half of the month, led by hawkish remarks (prefers relatively high interest rates to control inflation) repeatedly heard from the board members of FRB. The European REIT markets advanced thanks to (i) recovery of business sentiment in the eurozone, (ii) victory of the incumbent ruling party that defeated the far-right political party in the Dutch general election 2017 and (iii) recent projections that Marine Le Pen, the leader of the National Front (FN), the far-right political party in France, is unlikely to go to runoff after first round of voting in the 2017 French Presidential Election in April. The UK REIT market remained generally flat as the UK officially started the Brexit process.

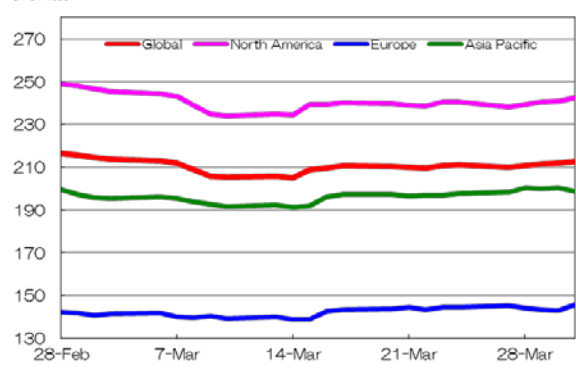
Regarding the Forex factor, EUR advanced against JPY, while Australian dollar and US dollar weakened against the JPY.

2. Global REIT Index (in USD)

[Global (1 Jun'05 – end Mar'17)]



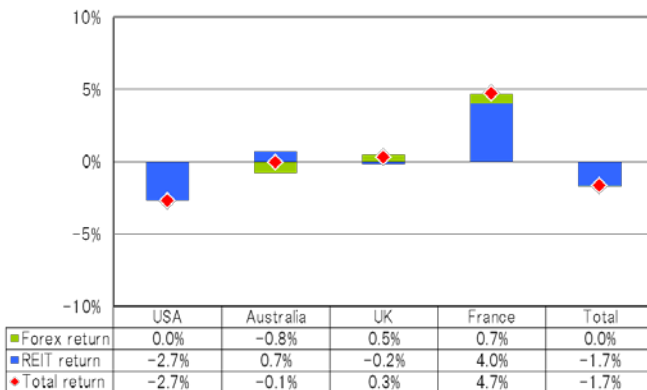
[Regional (end Feb '17 – end Mar '17)]



As of 31 March 2017	1week ago 24-Mar-17	1month ago 28-Feb-17	3month ago 30-Dec-16	6month ago 30-Sep-16	1year ago 31-Mar-16	3years ago 31-Mar-14
Global	0.9%	-1.7%	1.6%	-2.7%	1.8%	26.3%
North America	0.8%	-2.6%	0.7%	-2.3%	2.8%	31.5%
Europe	0.6%	2.2%	1.6%	-6.3%	-10.3%	-2.3%
Asia Pacific	1.5%	0.5%	6.9%	-1.7%	7.7%	29.6%

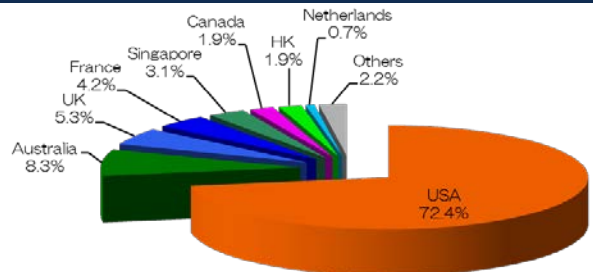
Note:
(1) Global index: S&P Developed REIT Index (ex-Japan, in USD)
Regional indexes are components of S&P Developed REIT Index.
(2) 6/1/05=100 for both charts
(3) % figures in the table indicate returns for each period
Source: FactSet, compiled by SMAM.

3. Return Contribution by Factors (Mar'17)



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

4. Global % Weight by Markets (Mar'17)



[Number of the Index component stocks:325]

	USA	Australia	UK	France	Total
% weight	72.4%	8.3%	5.3%	4.2%	100%
Monthly Return	-2.7%	-0.1%	0.3%	4.7%	-1.7%
Contribution	-2.0%	0.0%	0.0%	0.2%	

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: FactSet, compiled by SMAM.