J-REIT Monthly

August 2016



Sumitomo Mitsui Asset Management

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1. J-REIT Market Monthly Review (for July 2016)

In July 2016, TSE REIT Index (with dividends) gained1.6% MoM as the J-REIT market moved firmly on hopes for expansion of stimulus measures by the government and the Bank of Japan (BoJ) to underpin the economy.

Once the market sagged in the beginning of the month, it rebounded from the mid-month on the back of stronger market attention on economic measures after the ruling coalition won a victory in the Upper House election. However, in the end of the month, the upside was limited due to selling pressure to generate cash to apply for new IPOs and public offerings.

June office vacancy rate in Tokyo five central wards increased to 4.07%, rising 0.02 points from that in May. However, rents are still on an upward trend since firm demands for office buildings offset increased supply of new buildings.

In July, BoJ bought JPY4.8 bn worth of J-REITs, by four time purchases. Although this purchased amount was reduced from 7.2bn in June, the central bank continuously supported the REIT index.

TSE REIT Index (with dividends)





TSE REIT Index	As of	1week ago	1month ago	3months ago	6months ago	1year ago	3years ago
13E KEIT IIIdex	29-Jul-16	22-Jul-16	30-Jun-16	30-Apr-16	31-Jan-16	31-Jul-15	31-Jul-13
Index	3,394.01	3,375.55	3,340.35	3,465.54	3,182.12	3,100.40	2,150.68
%change	-	0.5%	1.6%	-2.1%	6.7%	9.5%	57.8%

TSE REIT Index (w/ dividends) of the last trading day of a month. 12/31/'04 = 100%chg: changes for each period

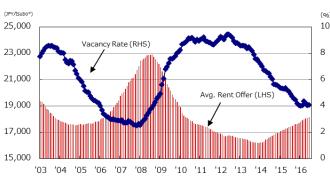
(2) %chg: changes for each pe DataStream, compiled by SMAM. Source:

Top 10 REIT Constituents in J-REIT

	(# of T	SE REIT Index Cor	nponents: 54)
	REIT	CODE	Weight
1	NIPPON BUILDING FUND	J8951	7.5%
2	JAPAN REAL ESTATE INV.	J8952	6.9%
3	JAPAN RET.FD.INV.	J8953	5.4%
4	NOMURA RLST.MASTER FUND	J3462	5.4%
5	UNITED URB.INV.	J8960	4.8%
6	NIPPON PROLOGIS REIT	J3283	4.0%
7	ORIX JREIT	J8954	3.9%
8	JAPAN PRIME REALTY INV.	J8955	3.3%
9	ADVANCE RESIDENCE INV.	J3269	3.1%
10	GLP JAPAN REIT	J3281	2.9%
	Others		52.8%
	Total		100.0%

Source: DataStream, compiled by SMAM (As of the end of July 2016)

4. Tokyo Office Rents and Vacancy Rates



- Notes:
 - (1) Based on a monthly basis, covering a period from January 2003 to June 2016 (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 meter Source: DataStream, compiled by SMAM.

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1. Global REIT Market Monthly Review (for July 2016)

The S&P Developed REIT Index (ex-Japan, with dividends, USD base) climbed 4.9% in July. On a local currency basis, Global REIT return was a 4.7% rise and the currency factor was slightly positive to the performance.

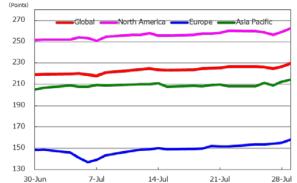
Looking at each REIT market, the indices moved firmly on receded concerns over rising long-term yields with oil prices fall as excessive risk-off mood prompted by Brexit's decision eased off. In US, higher-than-expected employment data encouraged a sense of ease to the economy. The US REIT market maintained an upward trend on growing expectation that upside of long-term yields is limited. The UK REITs also bounced back as new prime minister was appointed and the view that Bank of England would move to monetary easing as early as this August increased.

Regarding the forex factor, the total performance resulted in at +0.2%% led by rises in AUD and EUR while GBP fell marginally against USD.

Global REIT Index (in USD)



[Regional (end Jun '16 - end Jul '16)]



As of 29 July 2016	1week ago	1month ago	3months ago	6months ago	1year ago	3years ago
AS 01 29 July 2010	22-Jul-16	30-Jun-16	29-Apr-16	29-Jan-16	31-Jul-15	31-Jul-13
Global	1.3%	4.9%	11.1%	20.9%	18.1%	44.4%
North America	0.8%	4.4%	13.9%	22.8%	22.2%	48.9%
Europe	4.1%	6.6%	-4.3%	3.1%	-7.8%	21.5%
Asia Pacific	2.1%	6.6%	11.2%	28.0%	23.8%	42.6%

(1) Global index: S&P Developed REIT Index (ex-Japan, in USD) ional indexes are components of S&P Developed REIT Index 6/1/′05=100 for both charts

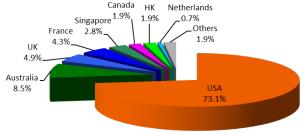
% figures in the table indicate returns for each period Source: FactSet, complied by SMAM.

Return Contribution by Factors (Jul '16)



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

Global % Weight by Markets (Jul '16)



[Number of the Index component stocks: 314]

	USA	Australia	UK	France	Total
% weight	73.1%	8.5%	4.9%	4.3%	100%
Monthly Return	4.4%	7.5%	5.2%	8.5%	4.9%
Contribution	3.2%	0.6%	0.3%	0.4%	-

(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, complied by SMAM.

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