

J-REIT Monthly

October 2016

For your information only



Sumitomo Mitsui Asset Management

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

In September 2016, TSE REIT Index (with dividends) softened prior to the Bank of Japan (BoJ)'s monetary policy meeting, however the index rallied after the announcement of the central bank. It eventually ended the month with 0.3% of positive returns.

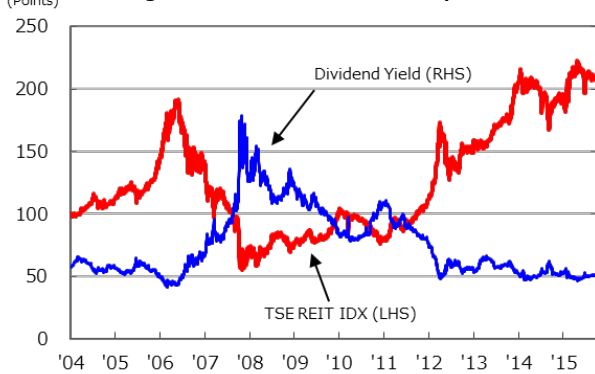
The J-REIT index started the month with a soft undertone before the BoJ's policy meeting held on September 20th and 21st. After conducting a comprehensive review of its policy framework, BoJ indicated to guide the 10-year JGB yield around at 0% and to maintain its stance on the monetary easing toward achieving the price stability target of 2% without a time deadline. Investors reacted positively to the decisions on expectation that long-lasting stability of long-term yields would offer a reassurance to the J-REIT market. Accordingly, the index gained toward the month end.

August office vacancy rate in Tokyo five central wards improved to 3.9%. Additionally, growth rate of standard land prices as of 1 July 2016 in three major business areas, where a number of J-REIT properties are located, accelerated on a YoY basis.

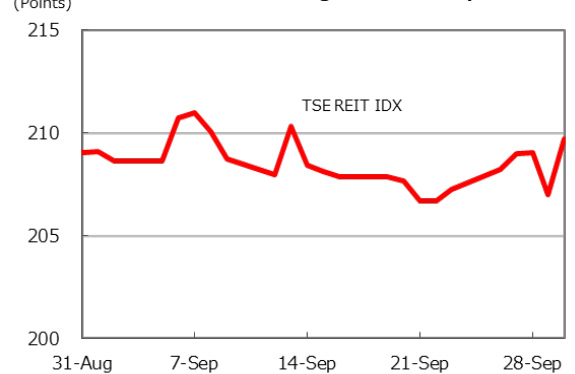
In September, BoJ bought JPY4.8 bn worth of J-REITs, by four time purchases.

2. TSE REIT Index (with dividends)

[Long-term: end Dec '04 - end Sep '16]



[Short-term: end Aug '16 - end Sep '16]



TSE REIT Index	As of	1week ago	1month ago	3months ago	6months ago	1year ago	3years ago
	30-Sep-16	23-Sep-16	31-Aug-16	30-Jun-16	31-Mar-16	30-Sep-15	30-Sep-13
Index	3,336.34	3,297.37	3,325.60	3,340.35	3,409.88	2,964.58	2,491.82
%change	-	1.2%	0.3%	-0.1%	-2.2%	12.5%	33.9%

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.

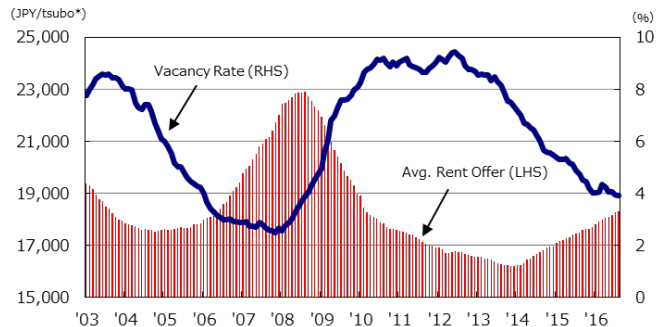
3. Top 10 REIT Constituents in J-REIT

(# of TSE REIT Index Components: 55)

	REIT	CODE	Weight
1	NIPPON BUILDING FUND	J8951	7.7%
2	JAPAN REAL ESTATE INV.	J8952	6.7%
3	NOMURA RLST.MASTER FUND	J3462	6.0%
4	JAPAN RET.FD.INV.	J8953	5.4%
5	UNITED URB.INV.	J8960	4.6%
6	NIPPON PROLOGIS REIT	J3283	4.0%
7	DAIWA HOUSE RESIDENTIAL	J8984	3.9%
8	ORIX JREIT	J8954	3.8%
9	JAPAN PRIME REALTY INV.	J8955	3.4%
10	ADVANCE RESIDENCE INV.	J3269	3.3%
	Others		51.1%
	Total		100.0%

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

4. Tokyo Office Rents and Vacancy Rates



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

Global REIT Monthly

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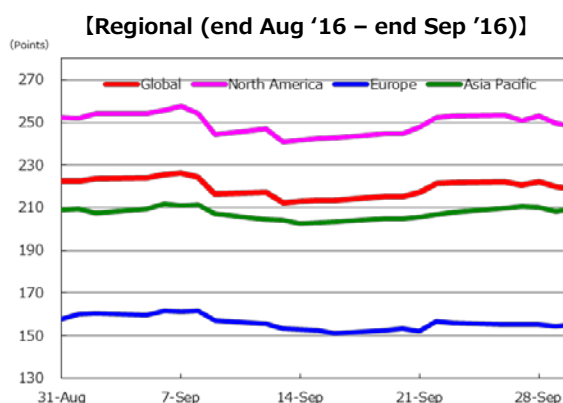
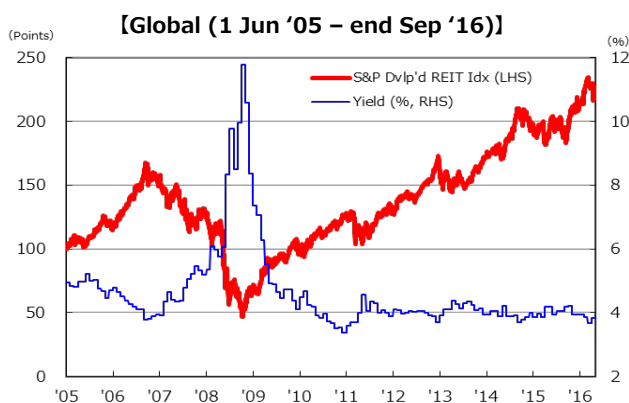
1. Global REIT Market Monthly Review (for September 2016)

The S&P Developed REIT Index (ex-Japan, with dividends, USD base) slid 1.7% in September. On a local currency basis, Global REIT return posted a 1.8% loss though slightly offset by the currency factor of a 0.2% gain.

Looking at each REIT market, the US REIT market lost. A recovery of the US REIT was dull on concerns over next rate hike even though the Federal Reserve Bank (FRB) left interest rates unchanged this month. Regarding Europe, the markets dropped on anxieties about Deutsche Bank AG and uncertainties over market situation by Brexit. The A-REIT market also fell as the Reserve Bank of Australia was unlikely to implement additional rate cut in the short term and investors preferred to natural resource-related stocks on the back of a commodity market recovery.

Regarding the forex factor, the USD was weak on growing views that FRB could raise US interest rates moderately after September FOMC meeting.

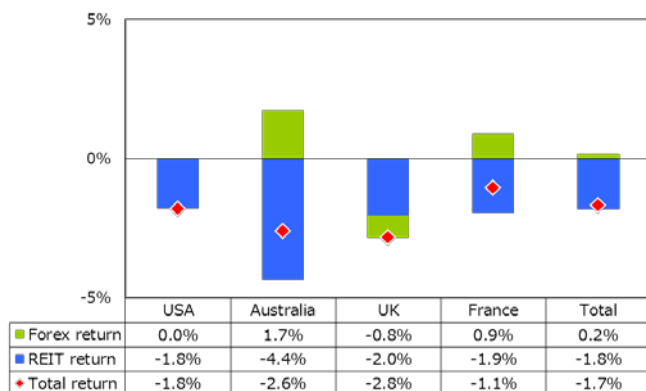
2. Global REIT Index (in USD)



As of 30 September 2016	1week ago 23-Sep-16	1month ago 31-Aug-16	3months ago 30-Jun-16	6months ago 31-Mar-16	1year ago 30-Sep-15	3years ago 30-Sep-13
Global	-1.4%	-1.7%	-0.1%	4.6%	17.2%	40.0%
North America	-2.0%	-1.8%	-1.4%	5.2%	19.5%	46.5%
Europe	-0.3%	-1.5%	-4.7%	-4.2%	-6.3%	15.7%
Asia Pacific	0.8%	-1.3%	2.7%	9.5%	30.9%	33.3%

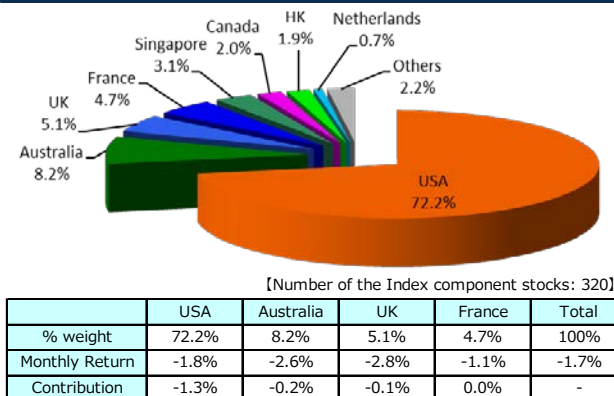
Note:
(1) Global index: S&P Developed REIT Index (ex-Japan, in USD)
Regional indexes are components of S&P Developed REIT Index.
(2) 6/1/05=100 for both charts
(3) % figures in the table indicate returns for each period
Source: FactSet, compiled by SMAM.

3. Return Contribution by Factors (Sep '16)



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 (Sep '16)



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.

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