NEWS RELEASE

Survey on Privately Placed Real Estate Funds in Japan January 2009– Results

February 23rd 2009

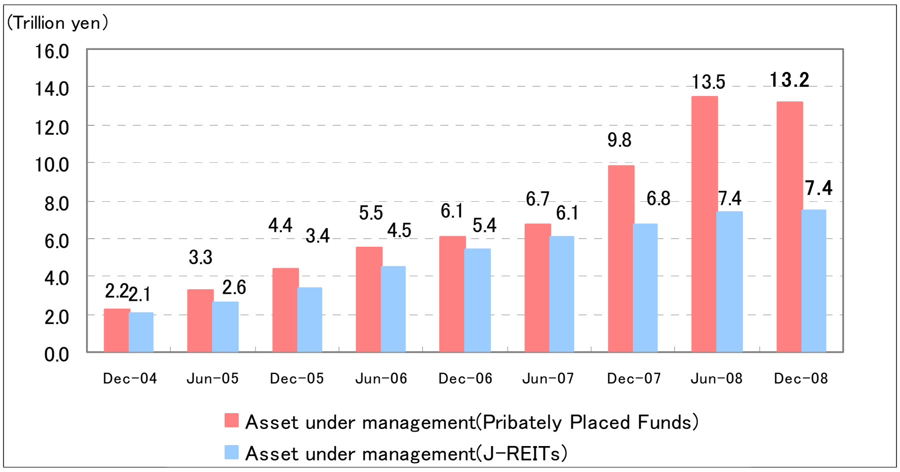
STB Research Institute Co., Ltd

- Starting in 2003, STB Research Institute Co., Ltd. has conducted the "Survey on Privately Placed Real Estate Funds" as part of its research activities concerning real estate investment markets. This is the seventh such survey based on responses to questionnaires received from 51 real estate investment management companies.
  - Survey subject: Real estate investment management companies that originate and manage privately placed real estate funds which are focused on domestic real estate
  - Number of companies to which questionnaires were sent: 147
  - Number of companies responded: 51 (ratio of valid responses: 34.7%)
  - Time of survey: January 2009
  - Survey method: Distribution and collection of questionnaires by post and e-mail
- Based on the results of this survey, hearings and published information, we estimated the market size of privately placed real estate funds (on invested asset basis) as of the end of December 2008 to be 13.2 trillion yen. This amount includes assets under management of 734.7 billion yen managed by the real estate management companies that have filed for court protection under the Civil Rehabilitation Law or the Corporate Rehabilitation Law, and are currently undergoing corporate restructuring. The market size declined by approximately 300 billion yen from the 13.5 trillion yen (revised since the previous release), of the June 2008 survey. The market size may fall further depending on developments in such corporate restructuring.

Market size of privately placed real estate funds is 13.2 trillion yen, and it reaches 15.8 trillion yen when combined with global funds

- The STB Research Institute has been conducting estimates of the market size of privately placed real estate funds since 2003 based on questionnaires and hearings from investment management companies (hereafter called "investment managers" or "managers") as well as published information. As of the end of December 2008, it is estimated the size of this particular market (invested assets basis) was 13.2 trillion yen. The market size of J-REITs (invested assets basis) for the same period was 7.4 trillion yen, and the total market size of J-REITs and privately placed real estate funds stood at 20.6 trillion yen, almost unchanged from 20.9 trillion yen（revised since the previous release）of the June 2008 survey.
- The stagnant financial market has exacerbated the difficulty of obtaining debts for new acquisition, resulting in a significant drop in the volume of real estate transactions. Such circumstances prevented the market size of privately placed real estate funds from growing.
- The market size of 13.2 trillion yen (invested assets basis) does not include global funds. (Note) We estimate from this survey that the total market size is 15.8 trillion yen, when combined with the balance of domestic real estate assets managed by global funds. This represented a decline of 100 billion yen from 15.9 trillion yen of the June 2008 survey. It suggests that the sluggish situation also prevails in global funds managed by foreign asset managers to acquire domestic real estate.

Trends of Market Size of Privately Placed Funds and J-REITs



source: STB Research Institute

(Note) Global funds: defined by us meaning the funds managed by foreign-based asset-management companies of which major investment targets include foreign real estate.

"Survey on Privately Placed Real Estate Funds" January 2009-Results>

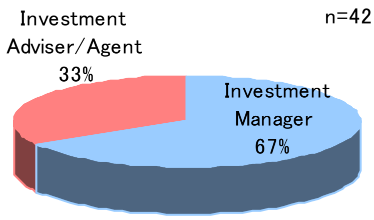
(Note) [n] shown in the graph indicates the number of effective responses.

1. Status Quo of Real Estate Investment Management Business

1) Status of Registration of Licenses:

When comparing the number of managers that are registered as investment managers (an aggregate of those registered only as investment managers and those registered as both investment managers and investment advisors/agents) and the number of managers that are registered only as investment advisors/agents, the former's share is 67%, and rose sharply from 46% of the December 2007 survey. The registration for investment manager appears to have become main stream in the privately placed funds management business.

Fig. 1: Registered License under the Law

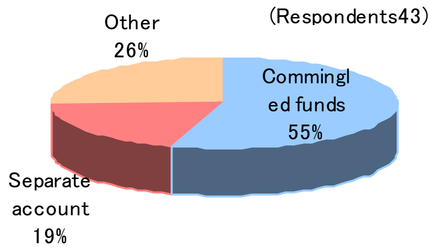


2) Type of Funds Currently Under Management:

Breakdown of Commingled Funds and Separate Accounts:

This survey categorized privately placed funds into "commingled funds" that are managed for multiple investors, and "separate accounts" managed for single investors. The total assets under management of the commingled funds managed by companies replied to the survey stood at 4.7 trillion yen, while the separate accounts amounted to 1.6 trillion yen. Although the commingled funds are the main investment vehicles, the separate accounts also hold a modest share, which increased to 19% of the total funds from 11% of the December 2007 survey.

Fig. 2: Breakdown of Commingled Funds and Separate Accounts



3) Type of Funds Currently Under Management: Breakdown of fund types and management styles:

In terms of the categories of fund types, the fixed property type accounted for 82%, the additional acquisition type accounted for 13%, and the discretionary acquisition type accounted for 5% on a basis of the number of funds. The majority of privately placed funds in Japan has been the fixed property type. The latest survey shows that the popularity of the fixed property type has become even more apparent, as its share in the total funds rose by 17% from the December 2007 survey. The reasons for this rise are considered that (i) in the rapidly changing market environment, investors took a cautious approach to the discretionary investment type and additional acquisition type, in which they have to entrust their investment to discretion of managers, (ii) given the decline in the volume of transactions due to the difficulty in debt financing, most newly launched investment funds contained only properties that had been warehoused by managers' affiliates. By management style, the Core accounted for the majority, while the Value-added and the Opportunity/Development equally shared the balance. Compared with the previous survey as of December 2007, the above ratio remained almost unchanged.

Fig. 3: Breakdown of Funds by Type

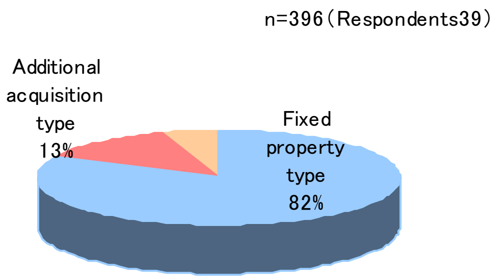
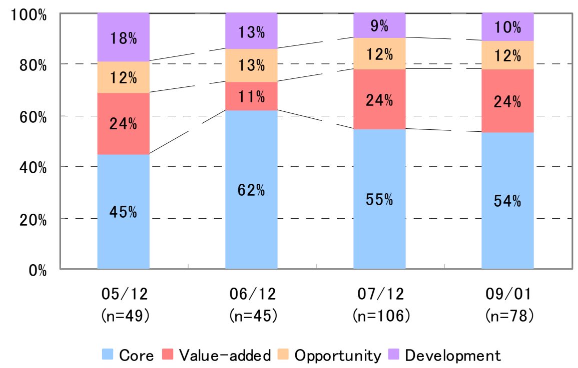


Fig. 4: Breakdown of Funds by Management Style



*Please refer to the「Definitions of Terms」of Page10 about fixed property type, additional acquisition types, discretionary acquisition type, Core, Value-added, Opportunity

4) LTV Level: The average LTV of funds currently under management stood at 72.3% in this January 2009 survey, remaining almost unchanged with a slight rise from 70.9% of the December 2007 survey. Meanwhile, the average LTV for funds scheduled to be launched over the next year was 57.6%, significantly lower than the 70% range in the past surveys. This reflects anticipations of many managers that the difficult debt financing conditions in terms of the development and management of funds would continue through the next year.

Fig. 5: Trends of Average LTV (for Funds Currently under Management)

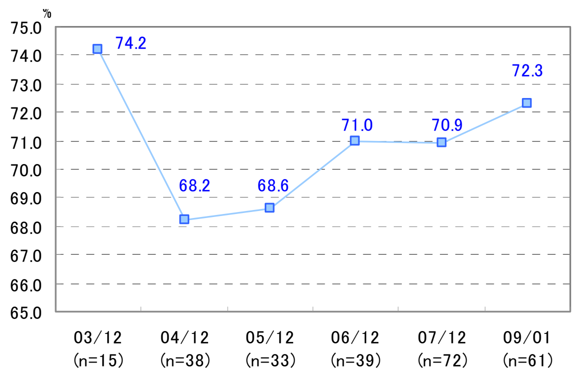
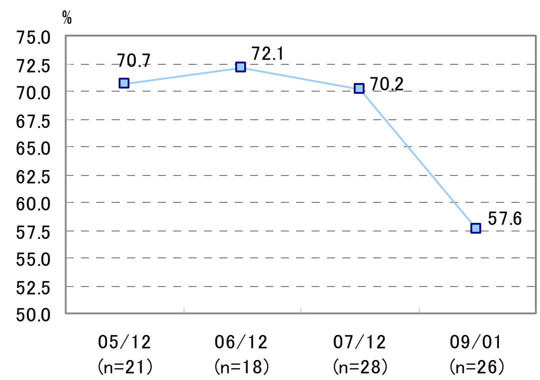


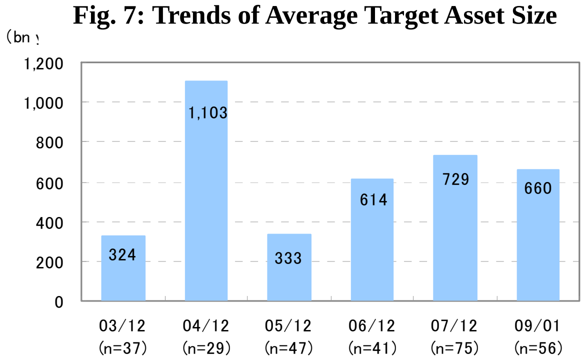
Fig. 6: Trends of Average LTV (for Funds Scheduled to be Launched)



5) Target Asset Size:

The target asset size currently under management declined to 66 billion yen per fund from 72.9 billion yen of the December 2007 survey. There was no particular announcement about the large-scale fund in 2008. Consequently, the target asset size has remained between 60 billion yen and 75 billion yen since the December 2006 survey.

Fig. 7: Trends of Average Target Asset Size



6) Target IRR Level、Target Investment Period:

The average target IRR, which had been contracting since 2003, has been rising since the December 2006 survey. In the January 2009 survey, the average target IRR (gross basis, before the deduction of management fees) stood at 15.2%, exceeding the 12.4% of the December 2007 survey. The target investment period has been gradually getting longer since the December 2006 survey. It stood at 4.8 years in the January 2009 survey, an extension of 0.2 years from the December 2007 survey.

Fig. 8： Trends of Average Target IRR

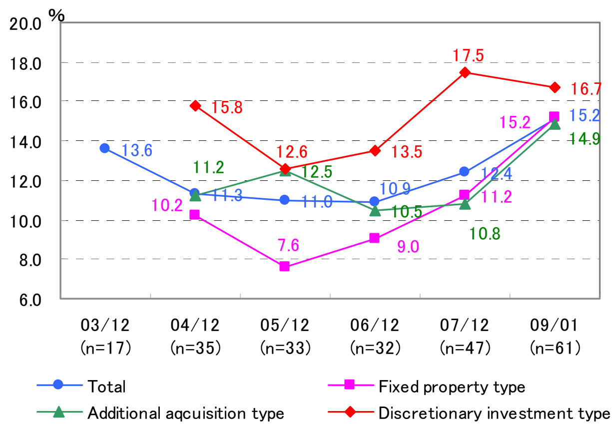
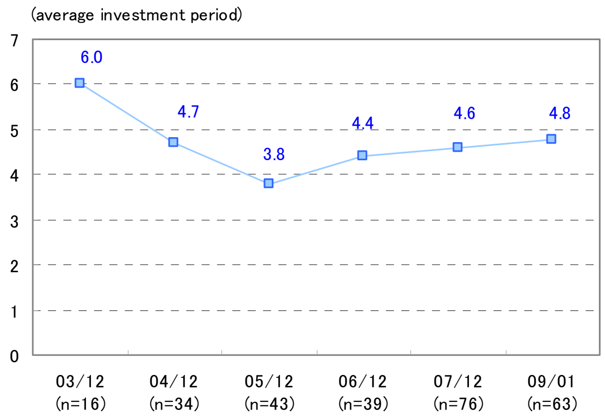


Fig. 9： Trends of Average Target Investment Period

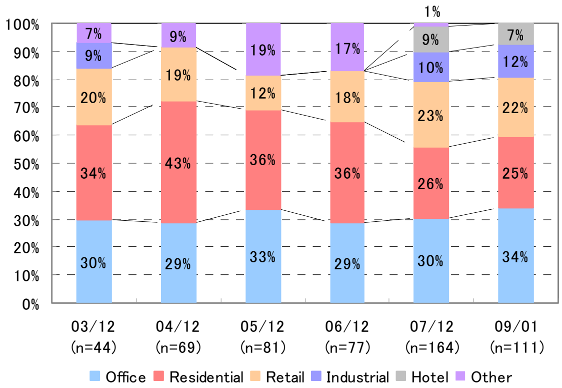


7) Property Types for Investment: Property types and Areas

In the December 2007 survey, the share in residential properties fell by 10% year on year, and the share in retail properties rose by 5%. In this January 2009 survey, shares in the residential properties and retail properties remained almost unchanged, while those in offices and industrial rose slightly. By investment areas, shares in the 23 wards of Tokyo and the Tokyo metropolitan area rose, while those in the Nagoya area and the Osaka area declined.

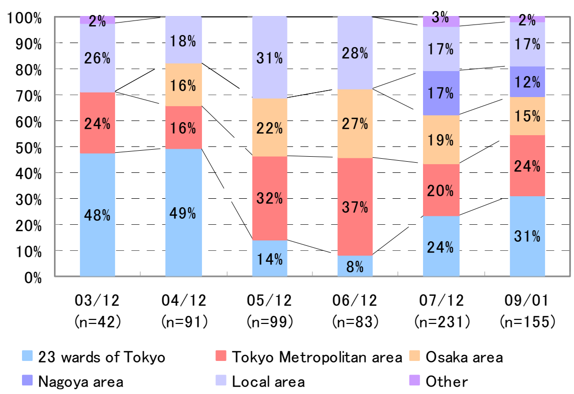
* Investment property types and areas of each funds presented in this item were collected through questionnaires, in which multiple answers were allowed.

Fig. 10： Trends of Property Types for Investment



* In 04/12 through 06/12, Industrial and Hotel properties were included in "other properties"

Fig. 11： Trends of Investment Areas



* In 03/12, the Osaka and Nagoya areas were included in the Local area, whereas in 04/12 through 06/12, the Nagoya area was included in the Local area.

2. Real Estate Market Outlook

1) Outlook on Rent : Most asset managers expected that contract rents in all cities would fall over the next year, while a small number of managers answered that the 5 wards of central Tokyo and the 23 wards of Tokyo would likely rise. These answers were contrary to those of the December 2007 survey. In particular, a large number of managers anticipated falls of contract rents in the areas of Nagoya, Osaka, and Tokyo metropolitan (excluding the 23 wards of Tokyo).

Fig.12: Cities where office rent is expected to rise

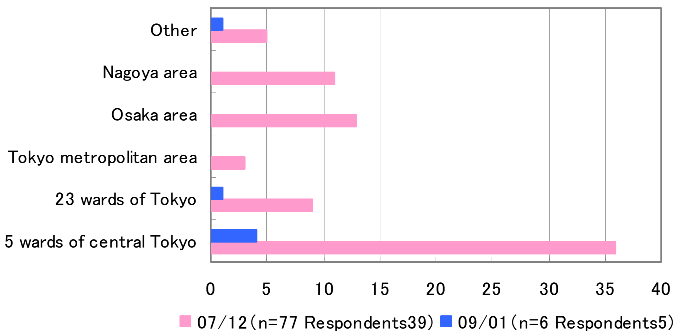
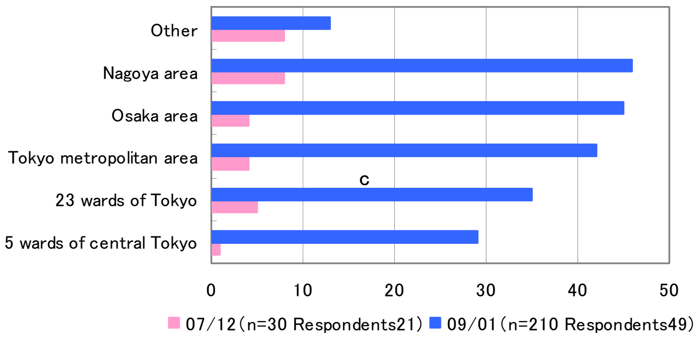


Fig. 13: Cities where office rent is expected to decline



2) Outlook on Cap rates over One Year from Now

With respect to the outlook for the cap rate of the A-class office in the central Tokyo area (Marunouchi) over the next year, answers for "Rise" accounted for 32%, a significant increase. With respect to the Osaka and Nagoya areas, answers for "Significantly rise" accounted for more than 25%.

Fig. 14: Outlook of Expected Cap Rates for A-CLASS Offices of Central Tokyo

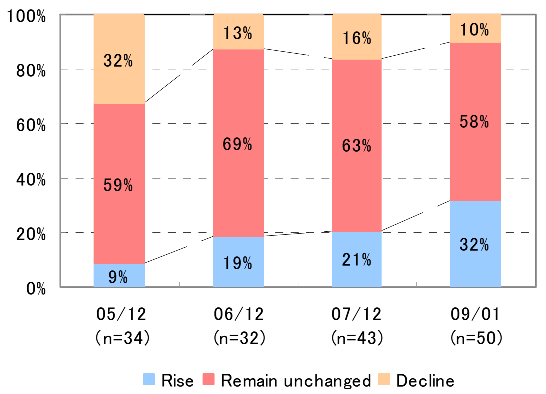
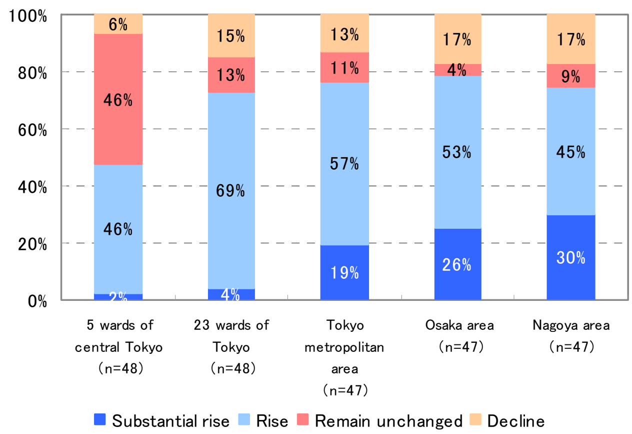


Fig. 15: Outlook of Expected Cap Rates for Offices in Respective Metropolitan Areas



3. Business Environment and the Future Outlook of Real Estate Investment Management

1) Circumstances of Debt Financing: The results of the survey showed that debt financing conditions remained difficult. With respect to the impact to the market, answers for "severe but it contributes to market adjustment" declined to 16% from 42% of the July 2007 survey. Most of managers answered that it was "so severe as to prolong the market stagnation". In reply to the question of how long the current circumstances would last, the majority of asset managers expected that they would last through 2009.

Fig. 16: Circumstances of Debt Financing

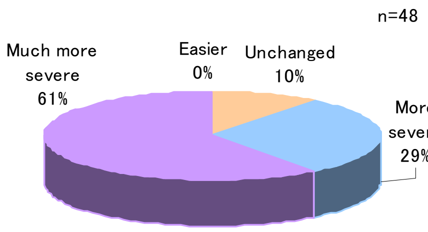


Fig. 17: Which Conditions Became More Severe?

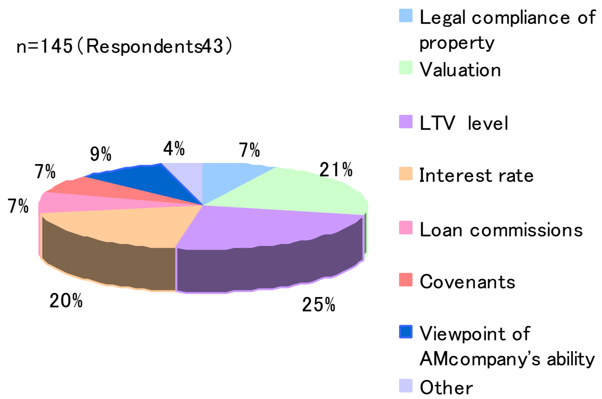


Fig.18: Effect of Circumstances of Debt Financing on the Market

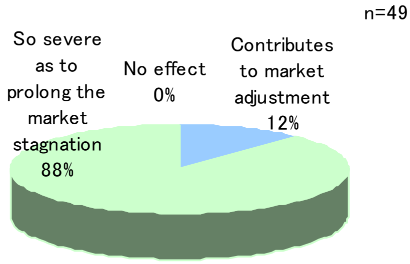
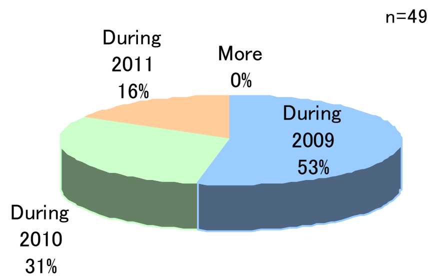


Fig.19: How Long Do You Think the Current Circumstances will Last ?



2) Willingness of Equity Investors to Invest: In this January 2009 survey, only 2% of asset managers answered that the "willingness of equity investors to invest" has been "rising", while 24% of them answered so in the December 2007 survey. On the other hand, the share of managers answered that such willingness has been "declining" significantly rose to 83%, up from 16% over the last year, clearly reflecting the dampening enthusiasm of equity investors. With respect to the expected volume of investment categorized by Japanese investors and overseas investors, 44% of asset managers expected that investments by Japanese investors would increase in the future, while 56% expected that investments by overseas investors would increase. Although the expectation for overseas investors remained higher, its share declined from 69% of the December 2007 survey.

Fig.20: Trends of Willingness of Equity Investors to Invest

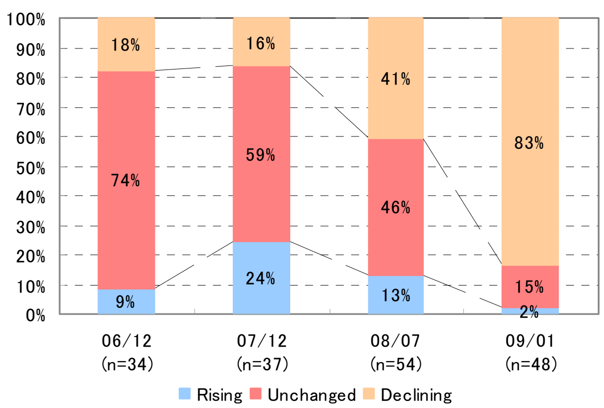
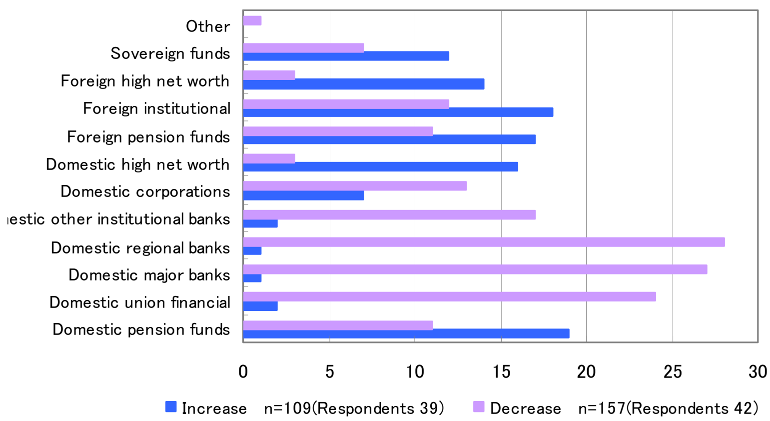
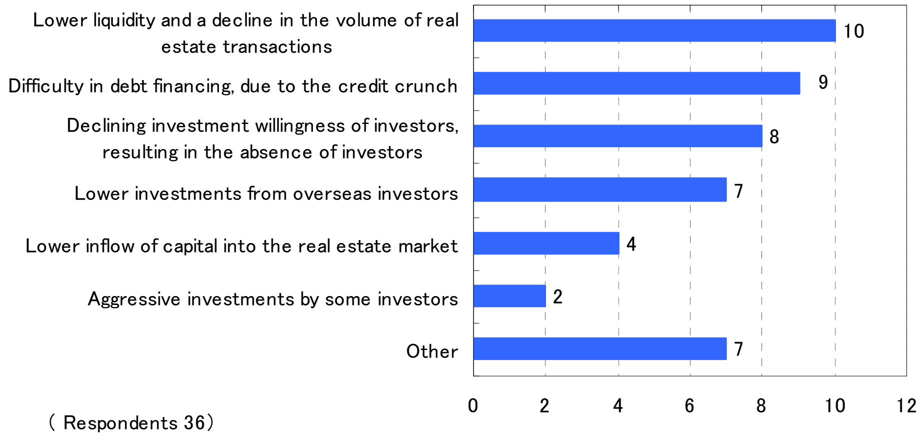


Fig.21: Investors Whose Investment Volume is Expected to Increase/Decrease Hereafter



3) Impact of the Financial Market on the Real Estate Market: With respect to the impact of the current financial market on the real estate market, the most frequent answers were for "lower liquidity and a decline in the volume of real estate transactions", followed by "difficulties in debt financing caused by the credit crunch". Both impacts significantly affect the exit strategies of privately placed funds. Although a limited number of asset managers pointed out that there were some investors who regarded the situation as an investment opportunity, the majority of respondents were concerned about the negative impacts.

Fig.22: Impact of the Financial Market on the Real Estate Market



4) Future exit strategies: With respect to sales of properties for the exit of funds, 90% of asset managers answered that the situation was "much more sever". As for options for the exit of funds in the future, "extension of holdings through refinancing" got the most answers which represented 33%, rising by 10 percent from 22% of the July 2008 survey. As financing conditions become more severe, the functions of listed REITs and privately placed funds as purchasers of exit sales have been declining. Consequently, it is assumed that asset managers are compelled to rely on refinancing or sales to third parties (such as business corporations and wealthy individuals) for exit strategies instead of sales to REITs and privately placed funds, and that they are also driven to extend the investment period of funds.

Fig.23: Circumstances of Property Sale at the Fund Exits

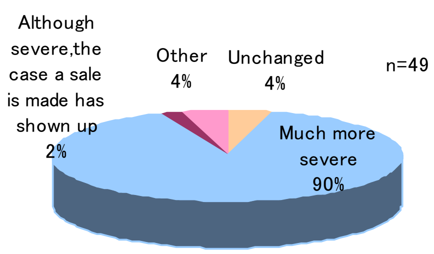
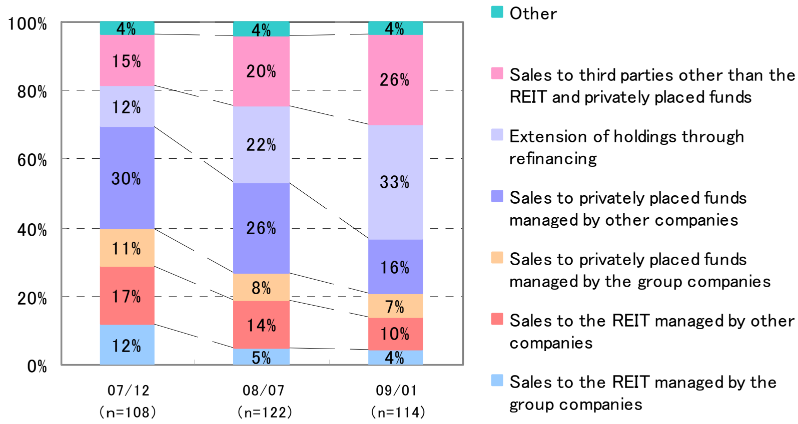
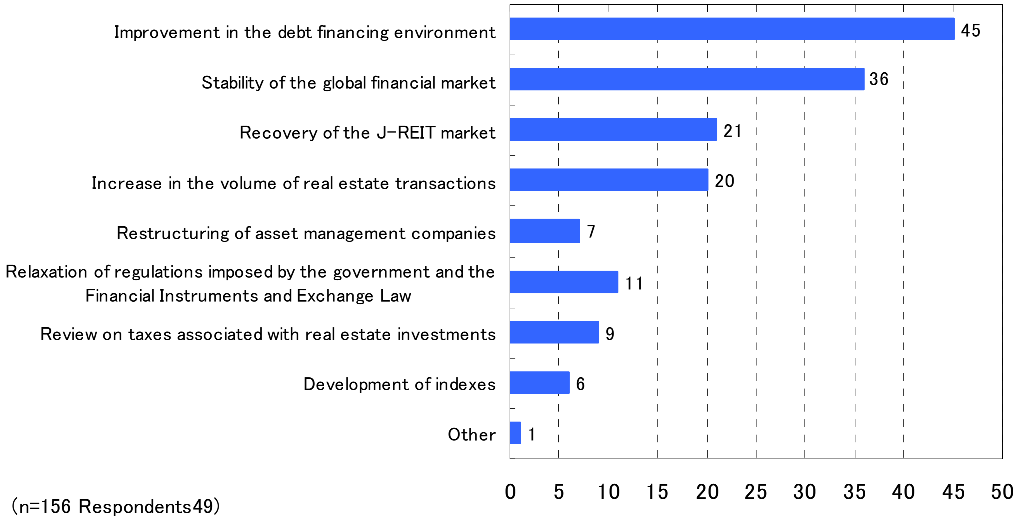


Fig.24: Method that have a high possibility as the Fund Exits



5) Necessary measures and changes: With respect to measures and changes necessary to improve the current situation of the privately placed funds market, the most frequent answer was "improvement in the debt financing environment", followed by "stability of the global financial market". There were not many answers referring to the need for deregulation or tax cut. This result suggested that asset managers considered that an improvement in market conditions was more important than other factors. In addition, many asset managers desired a recovery in the J-REIT market, one of the major instruments for exit sales, as well as the volume of real estate transactions to rise.

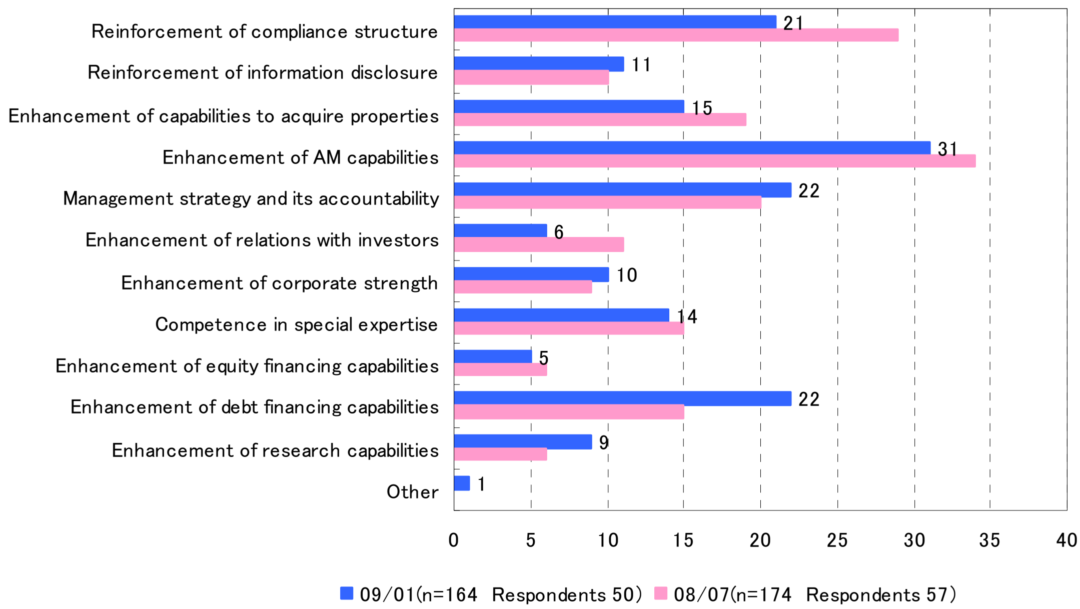
Fig.25: How measures and change is need?



6) Conditions and Strategies for Sustainability and Growth of Investment Management Companies:

The most frequent answer was a "enhancement of asset management capabilities", followed by "management strategies and its accountabilities" and "enhancement of debt financing capabilities". The results indicate that asset managers were focusing on strengthening their own abilities to overcome the present difficult situation.

Fig.26: Conditions and Strategies for Survival and Growth as Investment Management Companies



Definitions of Terms

The definitions of terms used in this survey are as follows

Privately placed real estate fund : The privately placed real estate fund is a structure under which investors' funds are managed. In this survey, in addition to a commingled fund that is designed for a number of investors, an investment program for a single investor (separate account) is also categorized as a privately placed fund.

〈Fund Type〉

Fixed property type : A type of fund in which the properties to be acquired are identified before the establishment of the relevant fund

Additional acquisition type : A type of fund in which although certain properties to be acquired are identified before the establishment of the fund, additional properties are acquired after the establishment of the fund

Discretionary acquisition type : A type of funds in which the properties to be acquired are not identified before the establishment of the relevant fund, and properties are acquired at the discretion of a manager in accordance with predetermined transaction policies and standards; Also called a blind pool type

〈Management Style〉

Core : An investment style in which stable long-term investments are made by investing in sound properties to primarily obtain income gains

Opportunity : An investment style in which investments are made in relatively unprofitable properties, and after addressing issues and improving the value of the properties, they are sold to achieve capital gains; Opportunity also includes funds that partially invest in development-type projects and corporations.

Value-added : An investment style that lies between Core and Opportunity, and aims to achieve both income gains and capital gains

Development : A fund that specializes in achieving development profits

〈Investment Area〉

Tokyo Metropolitan Area : Tokyo other than 23 wards・Saitama・Chiba・Kanagawa

Osaka Area : Osaka・Kyoto・Hyogo・Nara・Wakayama・Shiga

Nagoya Area : Gifu・Aichi・Mie

LTV（Loan To Value） : The Loan to Value (LTV) is the ratio of borrowings against the asset value. In practice, there are cases in which the acquisition value of properties is used as the asset value, and the total investment value is used as the asset value. In this survey, asset management companies were asked to specify whether the acquisition value of properties or the total investment value was adopted. If the total investment value is adopted, the total investment value is adjusted to the value based on the property acquisition value by using the ratio of expenses other than acquisition expenses against the total investment value calculated from the average of general examples.

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