

## Market Summary

### ➤ Sekisui House and Spring Investment new sponsors of Joint Reit

It was decided that, as announced on February 19, Sekisui House and Spring Investment (former Babcock & Brown) become the new sponsors of Joint Reit Investment Corporation (JOR, securities code: 8973). The two companies will acquire all shares (75% held by Sekisui House and 25% by Spring Investment) in Joint Capital Partners, the asset manager of JOR, from Joint Corporation, which has filed for protection under the Corporate Rehabilitation Law. In addition, JOR will issue new investment units (10,400 units, or 9.9% of the total outstanding investment units) by way of a third-party allotment to the new sponsors to procure approximately 1.8 billion yen, which will be used to repay borrowings.

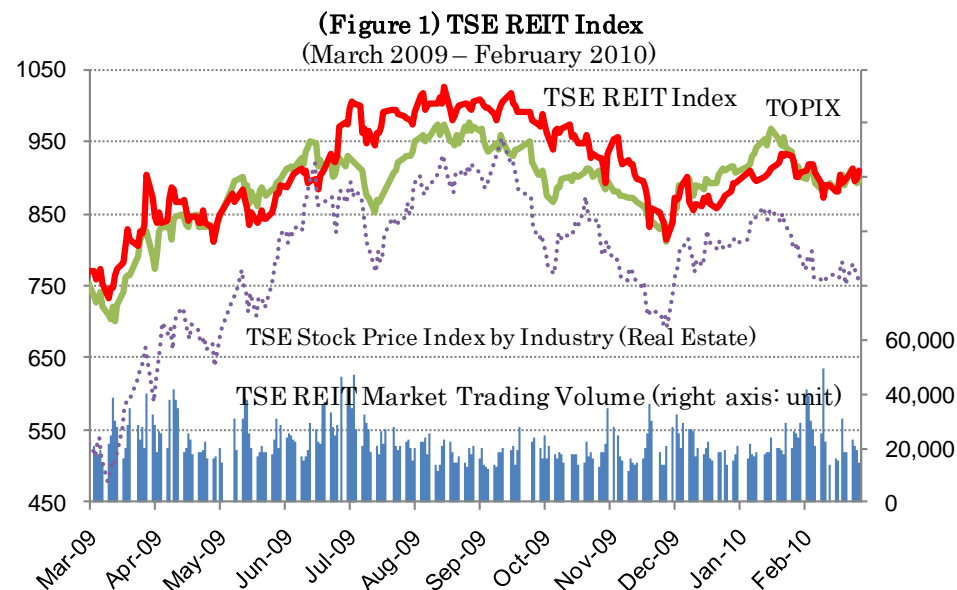
JOR plans to conclude a pipeline support agreement with the new sponsors, and is expected to conduct a shift in the future to a portfolio focused on residential properties. Furthermore, Sekisui House holds a stake of 15% in the asset manager of Japan Excellent, Inc. (securities code: 8987).

The investment unit price of JOR showed a significant rise in February, increasing by 36.5% through the month.

### ➤ Japan Rental Housing and Prospect Reit reach basic agreement to merge

On February 26, Japan Rental Housing Investments, Inc. (JRH, securities code: 8986) and Prospect Reit Investment Corporation (PRI, securities code: 8969) reached a basic agreement to merge in July 2010. When realized, it will be the fifth merger between J-REITs, following the merger between BLife Investment Corporation (BLI, securities code: 8984) and New City Residence Investment Corporation (NCR) scheduled for April.

According to the announcements made by the two REITs, they will aim to expand the portfolio size through the merger as a REIT specialized in residential properties while pursuing such endeavors as effective use of negative goodwill and stabilized financial operations. The merger is planned to be an absorption type, with JRH designated as the surviving entity. The asset managers of the two REITs will also merge. The merger ratio is planned to be 0.75 investment units in PRI for each investment unit in JRH. Furthermore, prior to the merger, JRH will issue new investments units by way of a third-party allotment (43,035 units, or 18.4% of the total outstanding investment units) at the end of June this year. The subscribers will include AppleRingo Holdings, a major sponsor of JRH, and parties designated by Prospect, the sponsor of PRI.



Note: Index excludes dividends.

Source: Prepared by ARES based on information from Bloomberg

**(Figure 2) Performance of the TSE REIT Index**

	End of Feb. 2010	1-month	6-month	1-year
TSE REIT Index (excluding dividends)	<b>908.23</b>	+0.3%	-9.8%	+17.9%

Source: Prepared by ARES based on data from the Tokyo Stock Exchange

➤ **Two mergers completed, making ADR the largest residential REIT and JRF the second largest among J-REITs after NBF**

The mergers between Advance Residence Investment Corporation (ADR) and Nippon Residential Investment Corporation (NRI) and between Japan Retail Fund Investment Corporation (JRF, securities code: 8953) and LaSalle Japan REIT Inc. were completed on March 1. The former merger created a new investment corporation (Advance Residence Investment Corporation, securities code: 3269), which was listed on the Tokyo Stock Exchange on March 2. The latter was an absorption-type merger, setting JRF as the surviving entity. In terms of the portfolio size (on an acquisition price basis) after the mergers, ADR has become the largest residential J-REIT with 188 properties totaling 349.0 billion yen (Note), and JRF now owns 71 properties totaling 659.0 billion yen, the second largest in size among J-REITs after Nippon Building Fund Inc. (securities code: 8951), which has a size equivalent to 783.1 billion yen.

With these two mergers, the number of listed J-REITs is 38. Other mergers among J-REITs are also scheduled for April (BLI and NCR) and July (JRH and PRI).

(Note) For the portfolio size of ADR after the merger, appraisal values as of the end of November 2009 have been used as provisional acquisition prices for the assets of the former NRI. Eventually, the appraisal values as of the end of February 2010 will be set as the acquisition prices

➤ **TSE starts calculating the new “Tokyo Stock Exchange Dividend Focus 100 Index”; 10 REITs included as constituents**

The Tokyo Stock Exchange will calculate and publish “Tokyo Stock Exchange Dividend Focus 100 Index,” a new index focused on dividend yield, starting March 8. The index will be comprised of the top 100 issues (90 stocks, 10 REITs) that have both large market caps and high estimated dividend yields from constituent issues of the TOPIX 1000 and Tokyo Stock Exchange REIT Index. The new index is expected to help draw greater attention to REITs with high dividend (distribution) yields. Moreover, if ETFs and investment trusts (mutual funds) interlocked with the new index are commercialized, they will serve as a new channel through which funds are directed at REITs included in them.

Figure 3 indicates the REITs included in the new index as of the date when its calculation begins. However, constituent issues are replaced twice a year (in January and July). Moreover, the method of determining the ratio of constituent issues for the new index differs from that of TOPIX or the TSE REIT Index, which indicate trends in market cap, as the ratio in the new index is determined on an individual issue basis at times of regular replacements.

**(Figure 3) Initial Constituent Stocks of the TSE Dividend Focus 100 Index (REIT)**

8951	Nippon Building Fund	8964	Frontier Real Estate
8952	Japan Real Estate	8973	Joint Reit
8955	Japan Prime Realty	8986	Japan Rental Housing
8958	Global One Real Estate	8987	Japan Excellent
8961	MORI TRUST Sogo Reit	3227	MID REIT

Source: Prepared by ARES based on materials disclosed by the Tokyo Stock Exchange

➤ **<Fund Procurement> Japan Logistics Fund conducts public offering (up to 5.4 billion yen);  
ORIX JREIT to publicly issue investment corporation bonds (12 billion yen)**

On February 4, Japan Logistics Fund, Inc. (securities code: 8967) announced the issue of new investment units through a public offering, totaling up to a maximum of 5.4 billion yen. (The amount is based on its announcement of February 16 when the issue price was determined. The number of newly issued units is 9,000, or 7.4% of the total outstanding units, with both including the portion of the third-party allotment associated with an over-allotment.) The procured funds will be used to acquire new properties.

ORIX JREIT Inc. (OJR, securities code: 8954) announced a public offering to issue investment corporation bonds on February 18. The bonds, totaling 12.0 billion yen and maturing in three years with an annual interest rate of 2.08%, have acquired ratings of A+ (from R&I) and A- (from S&P). This marks the second public offering to issue investment corporation bonds by a J-REIT following the restart by Nippon Building Fund Inc. (NBF, securities code: 8951), which issued bonds in January of this year for the first time among J-REITs in one year and eight months – public offerings by J-REITs to issue investment corporation bonds had been suspended since the outbreak of the financial crisis. The procured funds will be used to acquire new properties.

On February 19, Joint Reit Investment Corporation (securities code: 8973) announced issue of new investment units totaling 1.8 billion yen through a third-party allotment, with Sekisui House and a subsidiary of Spring Investment as subscribers. Sekisui House and Spring Investment will be the new sponsors. (Refer to page 1.) Payment will be made on April 2, and the proceeds will be used to repay borrowings planned to be procured as funds for the redemption of investment corporation bonds that are maturing in March.

➤ **<Financial Results> J-REITs announce financial results for second half of 2009**

Financial results of J-REITs for fiscal periods ended December 2009 were announced (Figure 4), completing the announcements of all J-REITs of financial results for the second half of 2009.

Figure 5 shows the combined results of all J-REITs. As a whole, J-REITs posted a period-on-period decrease of 2.1% in net income.

**(Figure 4) Highlights of Financial Results (period ended December 2009)**

Figures in parentheses ( ) are the percentage of increase/decrease from the previous period.

Code	Investment Corporation	Financial Period	Operating Revenue (mm yen)	Operating Income		Ordinary Income		Net Income		Dividend per Unit (yen)		
				(mm yen)	(%)	(mm yen)	(%)	(mm yen)	(%)	Current period	Next period	
8951	Nippon Building Fund	17th	29,927	(-2.7)	13,523	(-5.4)	10,663	(-9.1)	10,662	(-9.7)	19,672	16,300
8978	Advance Residence	8th	2,796	(-2.3)	1,443	(-5.6)	924	(-9.7)	923	(-9.6)	12,155	(Note1) 2,700
8987	Japan Excellent	7th	7,494	(-0.7)	3,349	(2.1)	2,486	(1.8)	2,485	(1.8)	16,085	15,000
3227	MID REIT	7th	6,289	(-1.7)	2,593	(-6.2)	1,750	(-15.8)	1,748	(-15.8)	9,524	8,716
3249	Industrial & Infrastructure Fund	7th	3,064	(-4.2)	1,434	(-4.4)	818	(-6.7)	817	(-6.7)	10,342	10,880
8964	Frontier Real Estate	11th	6,233	(1.1)	3,336	(2.4)	2,998	(1.0)	2,997	(1.0)	18,737	18,500
8955	Japan Prime Realty	16th	11,493	(-19.8)	5,827	(-11.3)	4,333	(-22.2)	4,332	(85.8)	6,933	6,600
8963	Invincible (former TGR)	14th	1,531	(-5.2)	565	(-6.6)	267	(-25.4)	265	(-25.6)	4,928	(Note2) 300

(Note 1) Irregular fiscal period (two months) associated with merger (Note 2) Irregular fiscal period (12 months) associated with merger \*

(Source) Prepared by ARES based on the financial results of each J-REIT

**(Figure 5) Performance of J-REITs in Second Half of 2009** (Unit: mm yen)

Fiscal Period	Operating Revenue	Operating Income	Ordinary Income	Net Income
Second half of 2009	267,989 (-1.8%)	124,473 (-1.6%)	89,807 (-5.2%)	89,504 (-2.1%)
Decrease ← (Increase/Decrease in Income from Previous Period) → Increase				
Under -15%	From -15% to -5%	From -5% to +5%	From +5% to +15%	Over +15%
11 REITs	8 REITs	16 REITs	2 REITs	3 REITs

Note: Total of listed REITs excluding JHR (8981) with fiscal periods of 12 months.

Figures in parentheses ( ) are the increase/decrease from the previous period.

Source: Prepared by ARES based on financial materials of each J-REIT

- <Property Transactions> Japan Real Estate acquires additional interest in Tokyo Opera City Building
- Kenedix Realty acquires Pacific Marks Nishi-Shinjuku from Nippon Commercial
- Invincible announces sale of 13 properties (parking lots, etc.)

**(Figure 6) Properties Acquired in February 2010**

Acquisition Date	Code	Investment Corporation	Property Name	Location	Property Type	Acquisition Price (mm yen)	Seller
Feb. 12	8955	Japan Prime Realty	Tokyo Tatemono Kyobashi Building	Chuo-ku, Tokyo	Office	5,250	Tokyo Tatemono
Feb. 16	3249	Industrial & Infrastructure Fund	IIF Narashino Logistics Center (land with leasehold interest)	Narashino City, Chiba	Logistics	1,190	ORIX
Feb. 18	8972	Kenedix Realty	Pacific Marks Nishi-Shinjuku	Shinjuku-ku, Tokyo	Office	6,800	Nippon Commercial Investment Corporation
TOTAL						13,240	

**(Figure 7) Properties Planned for Acquisition in March 2010 and After**

Planned Acquisition Date	Code	Investment Corporation	Property Name	Location	Property Type	Acquisition Price (mm yen)	Seller
Mar. 1	8953	Japan Retail Fund	Land Adjacent to AEON Hassamu Shopping Center	Nishi-ku, Sapporo City	Retail	384	Kabushikikaisha Sekino Mokkohin Seisakusho
Mar. 2	3967	Japan Logistics Fund	Narashino Logistics Center II	Narashino City, Chiba	Logistics	7,875	Narashino Three Special Purpose Company
Mar. 24	8952	Japan Real Estate	Tokyo Opera City Building (additional interest)	Shinjuku-ku, Tokyo	Office	22,426	Odakyu Electric Railway
Apr. 30	8951	Nippon Building Fund	NBF Ueno Bldg.	Taito-ku, Tokyo	Office	11,175	SHIMIZU CORPORATION
May	8955	Japan Prime Realty	JPR Sendagaya Bldg.	Shibuya-ku, Tokyo	Office	15,050	Sendagaya Kaihatsu Tokutei Mokuteki Kaisha
July	3249	Industrial & Infrastructure Fund	IIF Shinsuna Data Center	Koto-ku, Tokyo	Other	15,100	Godo Kaisha Industrial Shinsuna
TOTAL						72,010	

**(Figure 8) Properties Transferred in February 2010**

Transfer Date	Code	Investment Corporation	Property Name	Location	Property Type	Transfer Price (mm yen)	Buyer
Feb. 18	3229	Nippon Commercial	Pacific Marks Nishi-Shinjuku	Shinjuku-ku, Tokyo	Office	6,800	Kenedix Realty Investment Corporation
Feb. 19	8963	Invincible	PEIT Fukushima Jimbacho 1st	Fukushima City, Fukushima	Parking lot	40	Domestic corporation
Feb. 22	8963	Invincible	Towa City Coop Asukayama-Koen	Kita-ku, Tokyo	Residence	400	Star Mica
Feb. 22	8963	Invincible	Stop Parking Chiba-Chuo	Chuo-ku, Chiba	Parking lot	73	Domestic corporation
Feb. 23	8963	Invincible	Stop Parking Kurihama 1st	Yokosuka City, Kanagawa	Parking lot	45	Domestic corporation
Feb. 24	8963	Invincible	Stop Parking Shin-Tokorozawa 1st	Tokorozawa City, Saitama	Parking lot	48	Domestic corporation
Feb. 24	8963	Invincible	Stop Parking Shin-Tokorozawa 2nd	Tokorozawa City, Saitama	Parking lot	32	Domestic corporation
Feb. 24	3226	Nippon Accommodations Fund	Park Axis Ichigaya	Shinjuku-ku, Tokyo	Residence	3,100	Dai Nippon Printing
Feb. 25	8963	Invincible	PEIT Naka-Gofukumachi 1st	Hakata-ku, Fukuoka City	Parking lot	19	TRUST PARK
Feb. 26	8963	Invincible	PEIT Ikegami	Ota-ku, Tokyo	Parking lot	62	Domestic corporation
Feb. 26	8963	Invincible	PEIT Ueno 3-chome 1st	Taito-ku, Tokyo	Parking lot	76	Domestic corporation
TOTAL						10,695	

**(Figure 9) Properties Planned for Transfer in March and After**

Planned Transfer Date	Code	Investment Corporation	Property Name	Location	Property Type	Transfer Price (mm yen)	Buyer
Mar. 2	8963	Invincible	PEIT Uchi-Kanda	Chiyoda-ku, Tokyo	Parking lot	114	Individual
Mar. 8	8963	Invincible	PEIT Komagata 1st	Taito-ku, Tokyo	Parking lot	62	Yaokinsyouji
Mar. 10	8963	Invincible	Montserrat Yotsuya	Shinjuku-ku, Tokyo	Residence	356	Domestic corporation
Mar. 11	8963	Invincible	Homest Ikejiri	Setagaya-ku, Tokyo	Residence	552	Domestic corporation
Until Mar. 31	8955	Japan Prime Realty	A portion of land of JPR Jingumae 432	Shibuya-ku, Tokyo	Other	301	Tokyo Prefecture
Until Mar. 31	8955	Japan Prime Realty	JPR Nagoya Sakae Building	Naka-ku, Nagoya City	Office	4,937	Domestic general operating company
TOTAL						6,322	

Note: As of the end of February 2010; the shadowed section shows announcements made in February.

Source: Prepared by ARES based on disclosed materials of each J-REIT

**[DISCLAIMER]**

This report is provided to inform readers about the J-REIT market, and is not intended to solicit investments. Information in this report is not necessarily up-to-date, and ARES does not guarantee its correctness or completeness. Information in this report is subject to change or revisions without prior notice.