

News Release

A08-042

April 30, 2008

The Association for Real Estate Securitization

3rd Survey on Members Regarding Actual
Condition of Private Equity Funds
【Public Release Edition】

ARES

社団法人 不動産証券化協会
THE ASSOCIATION FOR REAL ESTATE SECURITIZATION

Results of the Survey Results

The association for real estate securitization (ARES) has conducted its “Third Survey on Members Regarding Actual Condition of Private Equity Funds,” targeting regular and supporting members of ARES (Chairman: Hiromichi Iwasa, who is also President and CEO of Mitsui Fudosan Co., Ltd.) excluding law firms, accounting firms, appraisal firms, certified tax accountant firms, etc. The survey was sent to 245 members (Response rate: 100%).

As of December 31, 2007, the total value of assets under management (AUM) for real estate private equity funds that are managed by members was 11.8 trillion yen (8.2 trillion yen the previous year), which is an increase from the previous year. On the other hand, as of December 31, 2007, the total AUM for J-REIT was 6.6 trillion yen, which means that our nation’s real estate private equity fund market greatly exceeds the J-REIT market in size.

If we total the AUM of J-REITs and real estate private equity funds, it was 13.6 trillion yen as of December 31, 2006, but grew to 18.4 trillion yen as of December 31, 2007, or by 1.4 times in just a year. This shows that the real estate securitization market is growing at a steady pace.

■ Main Points of the Survey’s Results

The expanding real estate private equity fund market

In terms of the management results for private equity funds, total AUM equaled 11.8 trillion yen¹ (8.2 trillion yen the previous year), the number of funds totaled 704² (596 funds the previous year), and the number of owned properties was 3,592³ (3,427 owned the previous year). All categories resulted in an increase compared to the previous year.

¹ This is the total of 88 member companies that are conducting management of private equity funds out of the 245 companies that were surveyed.

² This is the total of 82 companies that responded out of the 88 member companies that are conducting management of private equity funds.

³ This is the total of 82 companies that responded out of the 88 member companies that are conducting management of private equity funds.

Figure 1:

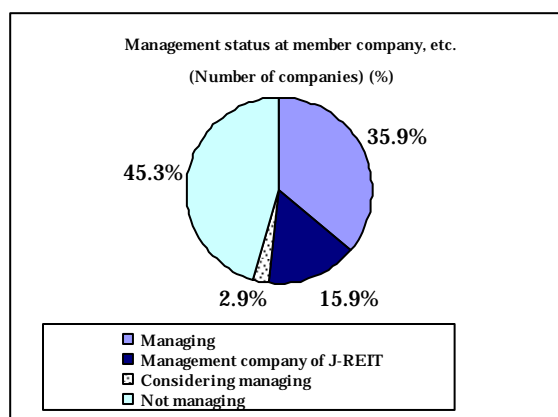
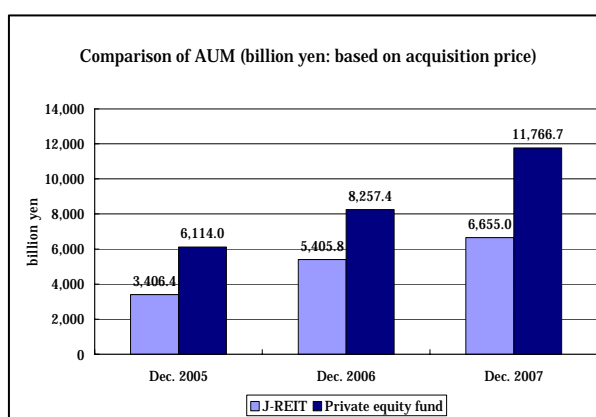


Figure 2:

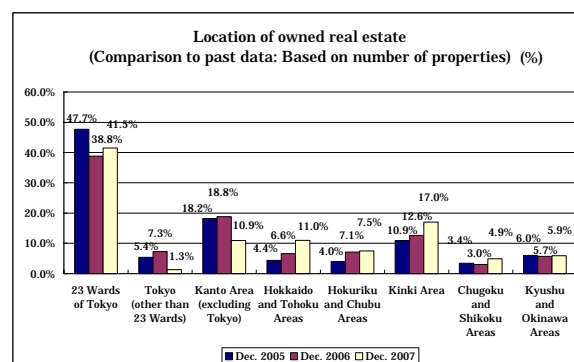
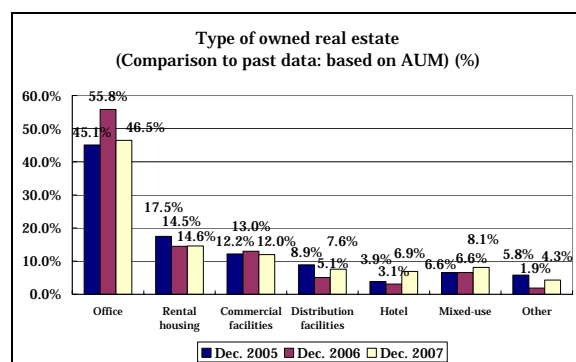


Diversification of type of property

The top three responses as regards to the type of property of owned real estate were “offices” (46.5%) “rental housing” (14.6%) and “commercial facilities,” (12.0%) respectively. These three categories put together account for three fourths of the total (based on AUM). When compared with the previous survey, “offices,” “rental housing” and “commercial facilities” were either the same in terms of shares or the percentage had decreased. On the other hand, the shares of “distribution facilities,” “hotel” and “mixed-use (facilities)” had increased, indicating a progression in diversification of types of properties.

Increase in the share of the number of properties outside of the Kanto region

As for location of owned real estate (investment target area), “23 Wards of Tokyo” comprises about 40% based on the number of properties and therefore comprises a large portion of the total. The shares of “Hokkaido and Tohoku Areas,” “Hokuriku and Chubu Areas,” “Kinki Area,” “Chugoku and Shikoku Areas,” and “Kyushu and Okinawa Areas” have increased based on number of properties, indicating that the investment target area is further dispersing across the nation.



Other

- The average AUM per company was 109.2 billion yen two years ago, 118 billion yen the previous year and 133.7 billion yen this year, indicating that the scale of investment is increasing.
- The most popular vehicle used was “GK-TK (limited liability company - anonymous association)”

(includes former YK-TK) which comprised about 75%, a large majority.

- In terms of exit strategy, “sale to other private equity fund” was chosen by half of the respondents, the same as the previous year. On the other hand, “sale to J-REIT” significantly declined from 20% the previous year to 7% this year.

*Please see the material following right after this section for other questions asked during the survey as well as for further details.

This release was distributed to the press clubs within Tokyo Stock Exchange (Kabuto Club) and the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), as well as the press club for construction trade newspapers within MLIT. The original has not been released anywhere else. Thank you for your understanding.

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ARES http://www.ares.or.jp/en/index_en.html

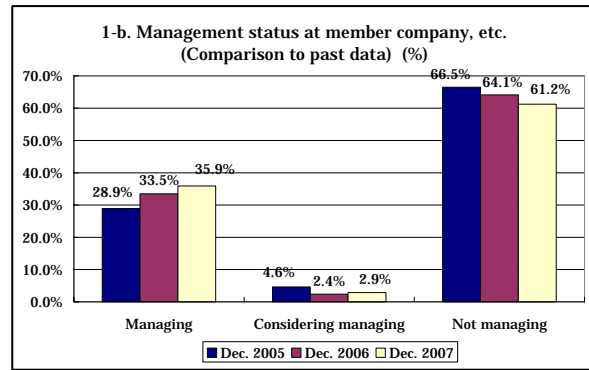
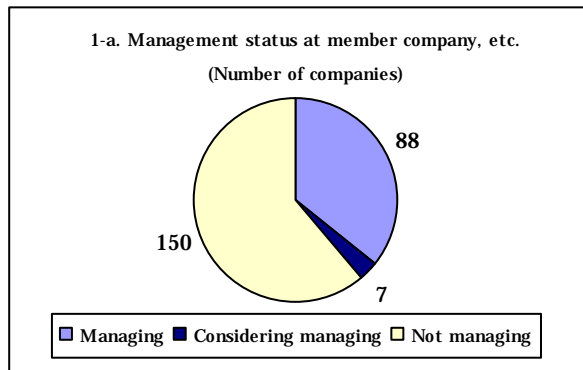
Overview of the Survey

Survey organization:	The Association for Real Estate Securitization (ARES)
Survey target (entity):	Among the regular and supporting members of ARES (as of December 31, 2007), 245 companies excluding law firms, accounting firms, appraisal firms, certified tax accountant firms, etc.
Survey target (fund):	The target of this survey is “private equity funds (asset management type) managed by” members of ARES (regular and supporting members) or their group companies. *Not applicable as target of the survey are listed J-REIT and products stipulated under the Real Estate Syndication Business Law/Real estate Specified Joint Enterprise Law. Details are listed later.
Survey method:	Entry of response on survey sheets (mail)
Survey time:	As of the end of December 2007
Survey period:	February ~ March 2008
Valid responses:	245 companies (Response rate: 100%)

Tabulation Results

1. Private equity fund management status at 245 companies among regular members and supporting members of ARES or their group companies (hereafter, “Member companies, etc.”) excluding law firms, accounting firms, certified tax accountant firms, appraisal firms, etc. (Valid responses: 245 companies, 100%)

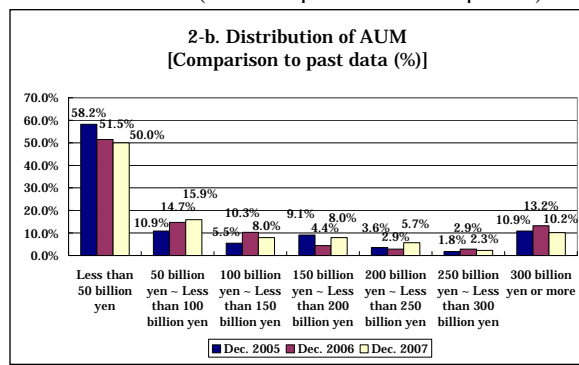
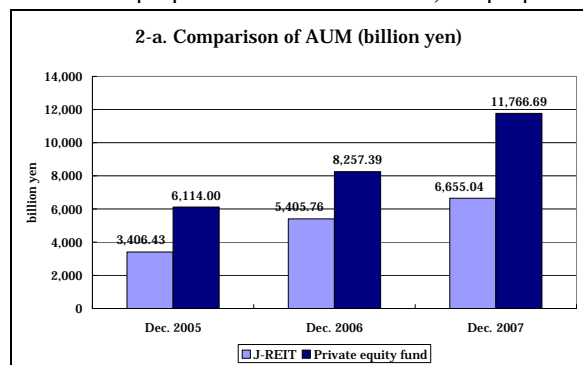
- Managing 88 companies (35.9%: Ratio among valid responses, same hereafter)
- Considering managing 7 companies (2.9%)
- Not managing 150 companies (61.2%)



[Comments] About 36% of ARES members (including group companies, same hereafter) are managing private equity funds, a slight increase from the previous year. When including member companies that are considering management, about 38% of member companies are either managing or considering private equity funds. In addition, if the 39 member companies that were conducting management of listed J-REITs at the time of the survey are included, it would result in a total of 127 member companies that manage real estate funds when public offering and private offering are combined. This means that more than half of the surveyed member companies are actually managing real estate funds.

2. Actual Conditions of Private Equity Fund Management at Member Companies, etc.

- Total AUM 11,766.69 billion yen⁴ (Valid responses: 88 companies)
- Total # of funds 704 funds (Valid responses: 82 companies)
- Total # of properties owned 3,592 properties (Valid responses: 82 companies)

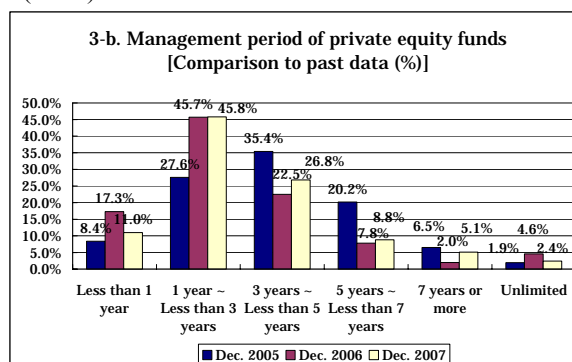
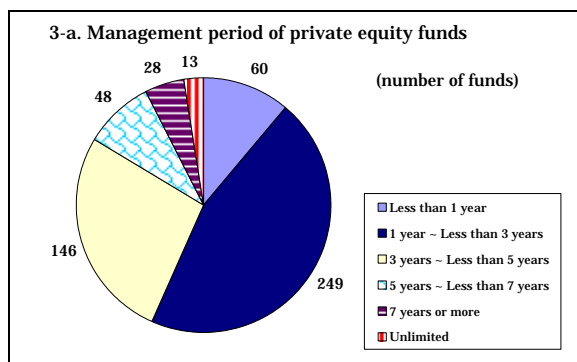


⁴ In this survey, target companies increased by 36 companies due to the increase in member companies. The total AUM of the same target companies as those in the previous survey is 10,781.9 billion yen.

[Comments] The total AUM for private equity funds at 88 management companies was 11.8 trillion yen. This is a difference of about 5.2 trillion yen of AUM by J-REIT at the same point in time, and so the gap has widened compared to the previous year's gap of 2.8 trillion yen. It can be said that the growth of the private equity fund market far outpaces the growth of the J-REIT market. Also, while the majority of AUM at individual management companies is less than 50 billion yen, which is the same situation as the previous year, the number of management companies with large scales of AUM is steadily growing. The average AUM per company was 133.7 billion yen this year, 118 billion yen the previous year and 109.2 billion yen two years ago, showing that the scale is increasing. Furthermore, funds totaled 704 and the number of properties reached 3,592.

3. Management period for private equity funds at member companies, etc. (Valid responses: 544 funds)

■ Less than 1 year	60 funds	(11.0%)
■ 1 year ~ Less than 3 years	249 funds	(45.8%)
■ 3 years ~ Less than 5 years	146 funds	(26.8%)
■ 5 years ~ Less than 7 years	48 funds	(8.8%)
■ 7 years or more	28 funds	(5.1%)
■ Unlimited	13 funds	(2.4%)

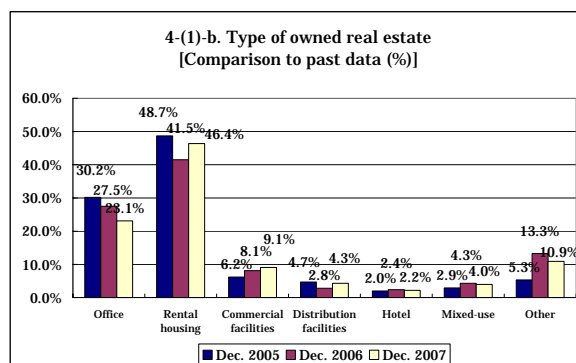
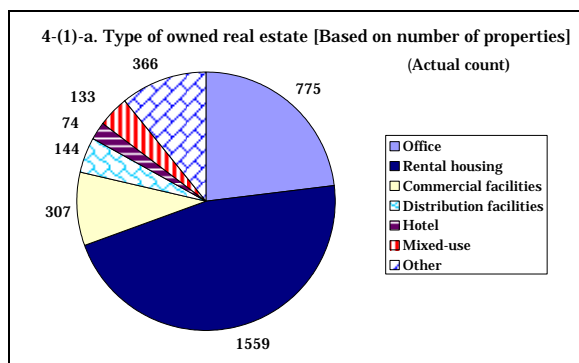


[Comment] In terms of management periods, almost half of the funds, or 249 funds (45.8%) responded “1 year ~ Less than 3 years,” which was the top choice. Furthermore, those responding “Less than 1 year” of management decreased to 11.0%, while those responding “3 years ~ Less than 5 years” and those responding “7 years or more” increased to 26.8% and 5.1%, respectively. This shows that in contrast to the previous year, plans for management are being prolonged. Only, there is no change from the previous year to the situation where about 85% of the total respondents responded that their fund management period as being less than 5 years.

4. Type of real estate owned by private equity funds at member companies, etc. (Valid responses: 3,358 properties)

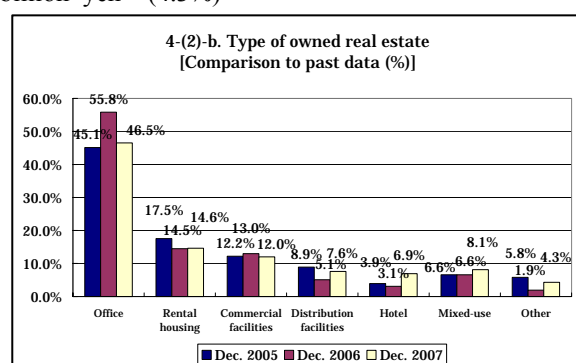
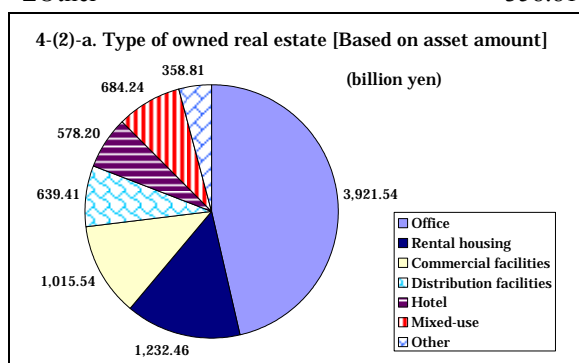
(1) Based on number of properties owned

■ Office	775	(23.1%)
■ Rental housing	1,559	(46.4%)
■ Commercial facilities	307	(9.1%)
■ Distribution facilities	144	(4.3%)
■ Hotel	74	(2.2%)
■ Mixed-use	133	(4.0%)
■ Other	366	(10.9%)



(2) Based on AUM (AUM of valid responses: 8,430.2 billion yen)

■ Office	3,921.54 billion yen	(46.5%)
■ Rental housing	1,232.46 billion yen	(14.6%)
■ Commercial facilities	1,015.54 billion yen	(12.0%)
■ Distribution facilities	639.41 billion yen	(7.6%)
■ Hotel	578.20 billion yen	(6.9%)
■ Mixed-use	684.24 billion yen	(8.1%)
■ Other	358.81 billion yen	(4.3%)



【Comment】 Observing the type of real estate owned in terms of number of properties, “rental housing” totals 1,559, comprising almost half of the total, or a growth from 1,254 properties the previous year. On the other hand, “offices” decreased from 832 properties the previous year to 775 this year, meaning that the gap between the two categories has increased. Furthermore, the number of “commercial facilities” and “distribution facilities” increased compared to the previous year, indicating that there is a progression in diversification of types of properties.

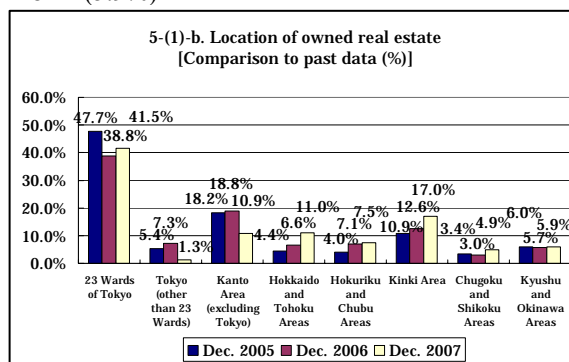
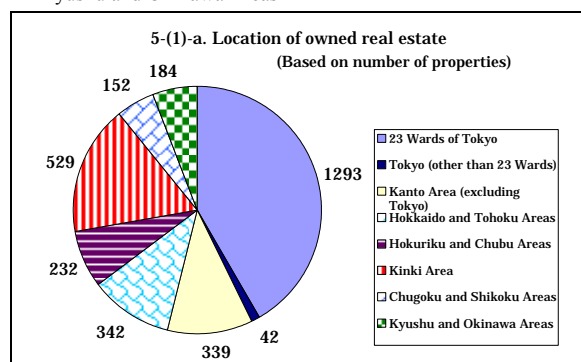
In terms of AUM, “offices” grew from 3.4 trillion yen the previous year to 3.9 trillion yen this year in terms of value, but decreased from 56% to 47% in terms of shares. On the other hand, the shares of “distribution facilities,” “hotels” and “mixed-use (facilities)” are increasing and thus one can see that diversification of types of properties is also progressing in terms of AUM.

5. Location of real estate owned by private equity fund at member companies, etc. (Valid responses: 3,113 properties)

(1) Based on number of properties owned

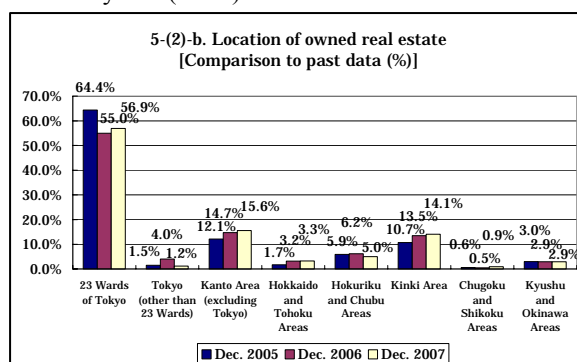
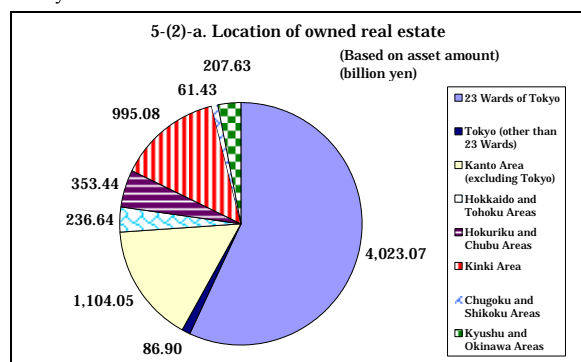
■ 23 Wards of Tokyo	1,293	(41.5%)
■ Tokyo (excluding 23 Wards)	42	(1.3%)
■ Kanto area (excluding Tokyo)	339	(10.9%)
■ Hokkaido and Tohoku Areas	342	(11.0%)

■ Hokuriku and Chubu Areas	232 (7.5%)
■ Kinki Area	529 (17.0%)
■ Chugoku and Shikoku Areas	152 (4.9%)
■ Kyushu and Okinawa Areas	184 (5.9%)



(2) Based on AUM (equivalent value for valid responses: 7,068.24 billion yen)

■ 23 Wards of Tokyo	4,023.07 billion yen (56.9%)
■ Tokyo (excluding 23 Wards)	86.90 billion yen (1.2%)
■ Kanto area (excluding Tokyo)	1,104.05 billion yen (15.6%)
■ Hokkaido and Tohoku Areas	236.64 billion yen (3.3%)
■ Hokuriku and Chubu Areas	353.44 billion yen (5.0%)
■ Kinki Area	995.08 billion yen (14.1%)
■ Chugoku and Shikoku Areas	61.43 billion yen (0.9%)
■ Kyushu and Okinawa Areas	207.63 billion yen (2.9%)

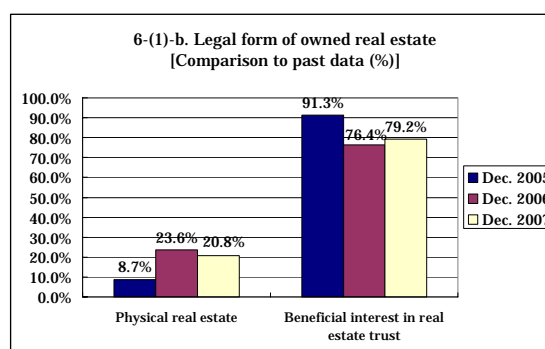
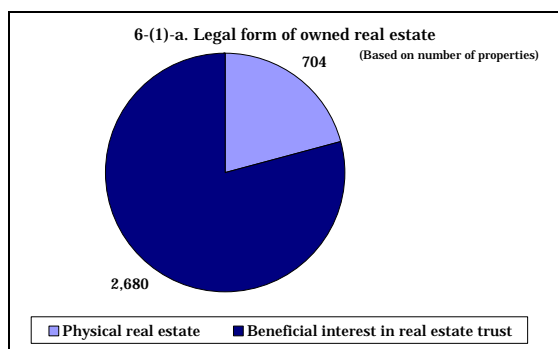


【Comments】 As for location of owned real estate (investment target area), the trend from the previous year in terms of percentage is unchanged in that the “23 Wards of Tokyo” comprise about 40% of the number of properties and about 60% of AUM, a majority. In contrast, in regards to the shares of investment in other areas, “Kinki Area” ranked second place (17%) in the number of properties and the “Hokkaido and Tohoku Areas” ranked third at 11%, indicating that during the past year, fund investment in regional areas has expanded at a steady pace and that the investment target area is further dispersing across the nation.

6. Legal form of private equity funds at member companies, etc. (Valid responses: 3,384 properties)

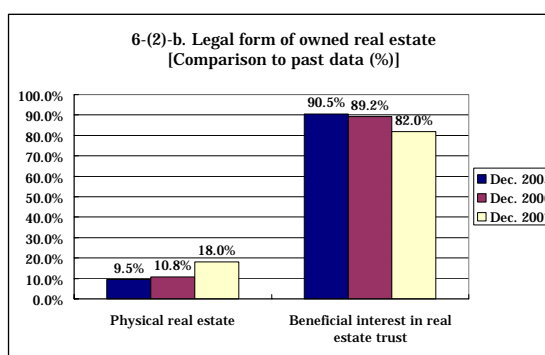
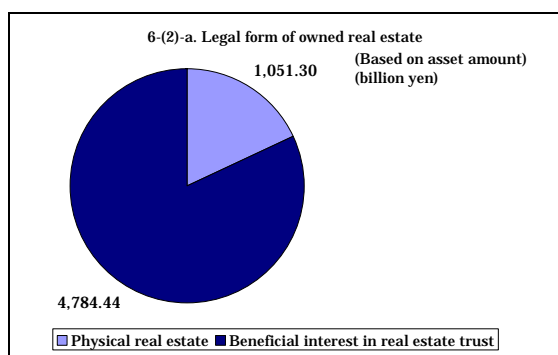
(1) Based on number of properties owned

■ Physical real estate	704 (20.8%)
■ Beneficial interest in trust	2,680 (79.2%)



(2) Based on AUM (equivalent value for valid responses: 5,835.74 billion yen)

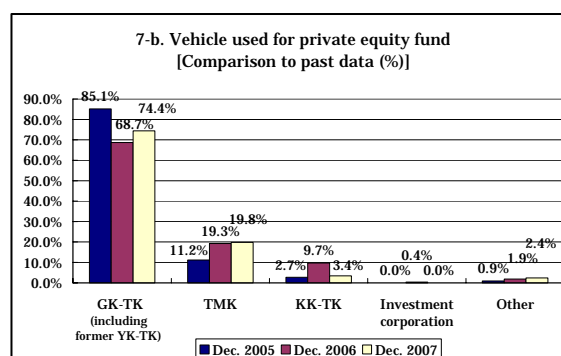
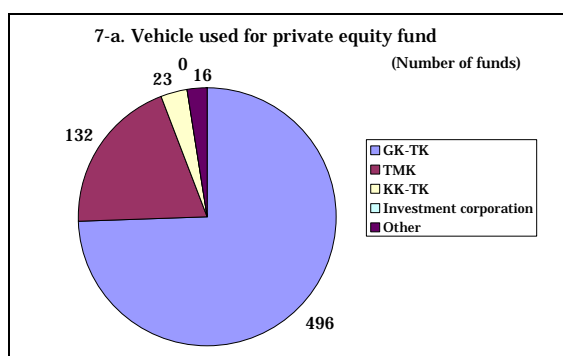
- Physical real estate 1,051.30 billion yen (18.0%)
- Beneficial interest in trust 4,784.44 billion yen (82.0%)



【Comments】 As for the legal form of real estate owned by private equity funds, “beneficial interest in real estate trust” comprises a large majority and is about 80% of the total in terms of both number of properties and AUM. In terms of average AUM per property, the difference between “physical real estate” and “beneficial interest in real estate trust” is decreasing when compared to the previous year.

7. Vehicle used in private equity funds at member companies, etc. (Valid responses: 667 funds)

- GK-TK 496 funds (74.4%)
- TMK 132 funds (19.8%)
- KK-TK 23 funds (3.4%)
- Investment 0 funds (0.0%)
- Other 16 funds (2.4%)



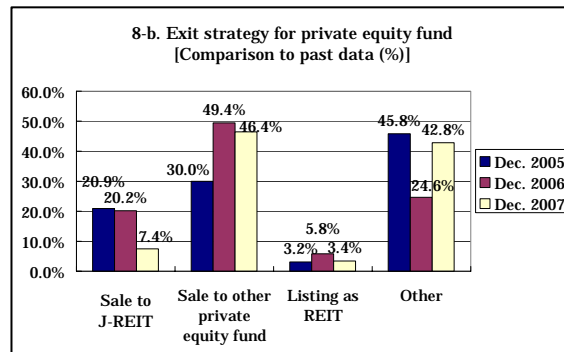
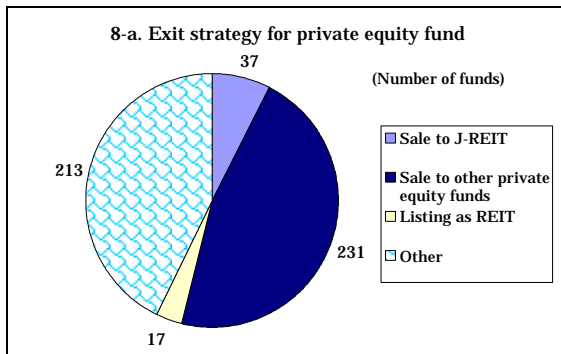
【 Comments 】 “GK-TK” including former YK-TK are used as vehicles for 496 funds, or three-fourths of the total, a majority, followed by “TMK” for 132 funds, or 20%. Both combined comprise most of the total.

8. Exit strategy for private equity fund at member companies, etc. (Valid responses: 498 funds)

■ Sale to J-REIT	37 funds	(7.4%)
■ Sale to other private equity fund	231 funds	(46.4%)
■ Listing as REIT	17 funds	(3.4%)
■ Other	213 funds	(42.8%)

[Other strategies]

· Undecided · Depending on the market · Sale to individual investors · Sale to investors, including J-REIT and private equity funds · Sale to other private equity funds that are originated and managed by our company · Sale to developer · Sale to business corporation · Refinance



【 Comments 】 As for exit strategies, “sale to other private equity funds” comprise the majority, was similar to the previous year. On the other hand, “Sale to J-REIT” comprised 7% of the total, a large decrease from the previous year (20%). At the same time, the shares of other strategies greatly increased, indicating that with the current changes occurring in the market, companies are undecided about which exit strategies they should take.

Target of the Survey

The target of this survey is “private equity funds (asset management type)” managed by members of ARES (regular and supporting members) or its group companies.

【Not applicable as target of the survey】

- Publicly offered products [Soliciting application to obtain securities newly issued to unspecified and many (50 people or more) parties]
- Listed J-REIT
- Products stipulated under the Act on Securitization of Assets whose purpose is securitization of assets (If vehicles such as TMK are used for the purpose of asset management, they are subject to this survey)
- Products stipulated under the Real Estate Syndication Business Law/Real estate Specified Joint Enterprise Law
- CMBS, RMBS
- Company-owned real estate, etc. are set up as securities or real estate equities for the purpose of off-balance sheet financing
- (Ex) Procure funds through disposal of core asset such as headquarters building as a formality
- (Ex) Convenient utilization of SPC, etc. for the purpose of temporary fund procurement

Definitions of terms for this survey

(1) “Private equity fund”

“Private equity fund,” which is the target of this survey, refers to private offered type products whose purpose is asset management and are applicable to the following conditions:

- (a) Among real estate securitization products, a product in which financing from investors through vehicles is conducted through private offering
- (b) The definition of “real estate securitization” is financing through a vehicle conducted by a structure of securities issuance under the Securities and Exchange Law, as well as a structure involving forms other than securities issuance, such as non-recourse loans. An example of this is GK-TK scheme (including former YK-TK scheme).
- (c) In addition to “private offering” under the Securities and Exchange Law (limited number private offering, qualified investor private offering), a placement in which financing such as loans received through bilateral loans, or from specific and limited number of investors, is included.
- (d) In principle, assets owned by the fund (vehicle) are physical real estate or beneficial interest in real estate trust. CMBS and RMBS are not subject to this questionnaire survey.
- (e) Fund (vehicle) must be domestic.

(2) “Management”

“Management” in this survey indicates operating and managing of the fund (vehicle) (asset management). For example, the following players are considered fund managers.

- (a) Fund manager of Tokumei Kumiai (TK, anonymous association) under GK-TK Scheme (including former YK-TK scheme) [for the so-called Double SPC Format, vehicle for receiving TK investment from investors]
- (b) Investment trust managers (unlisted real estate investment trusts), etc. in investment corporation scheme under the Act on Securities Investment Trust and Securities Investment Corporations

(3) “Form of private equity fund”

“Discretionary type”: Fund manager has discretion over management

“Additional property acquisition type”: Some properties are specified at time of establishing the fund and soliciting investors, and additional properties are acquired by additional contributions by investors

“Specified property type”: Real estate owned by fund is specified throughout the period of the fund

(4) “Private equity fund management strategy”

“Core-type”: Fund that acquires relatively superior properties and focuses on income revenue, aiming for stable management. As a guide, a fund whose target return is about 3~8%.

“Opportunity type”: Acquisition targets are focused on inferior real estate such as those linked to bad loans. Fund aimed at capital gain, such as through sale after problems on the real estate are improved through control of rights, large-scale repair, etc. As a guide, a fund whose target return is 12% or more.

“Value-added type”: Fund that is in the middle of “core-type” and “opportunity-type.” As a guide, a fund whose target return is about 8~12%.

- In conducting this survey, preliminary interviews, etc. were conducted, and question items were limited to information disclosed by respective companies through press releases, etc. In addition, the survey takes a format in which respondents only need to answer items they can respond to, and does not go into specific details of individual funds. Therefore, the number of valid responses varies by question. Please take note that data other than this tabulation result is not disclosed.
- Information obtained through this survey has been tabulated and analyzed by two members of ARES’ secretariat (proper staff) under strict management. Response sheet originals and tabulated data, etc. are safely stored to ensure that responses from respective companies are not disclosed to external parties.