

News Release

A08-256

March 12, 2009

The Association for Real Estate Securitization

Results of the 4th Survey on Members Regarding Actual Condition of Private Equity Funds

The association for real estate securitization (ARES) has conducted its “4th 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 given to 251 members, excluding some members planning to withdraw at the end of this fiscal year (Response rate: 100%).

As of December 31, 2008, the total value of assets under management (AUM) for real estate private equity funds that are managed by members was 13.2 trillion yen (11.8 trillion yen last fiscal year), which is an increase from last fiscal year. On the other hand, as of December 31, 2008, the total AUM for J-REITs was 7.6 trillion yen, which means that Japan’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, this amounted to 18.4 trillion yen as of December 31, 2007, but grew to 20.8 trillion yen as of December 31, 2008. This shows that the real estate securitization market is growing even under the current financial situation.

■ Main Points of the Survey’s Results

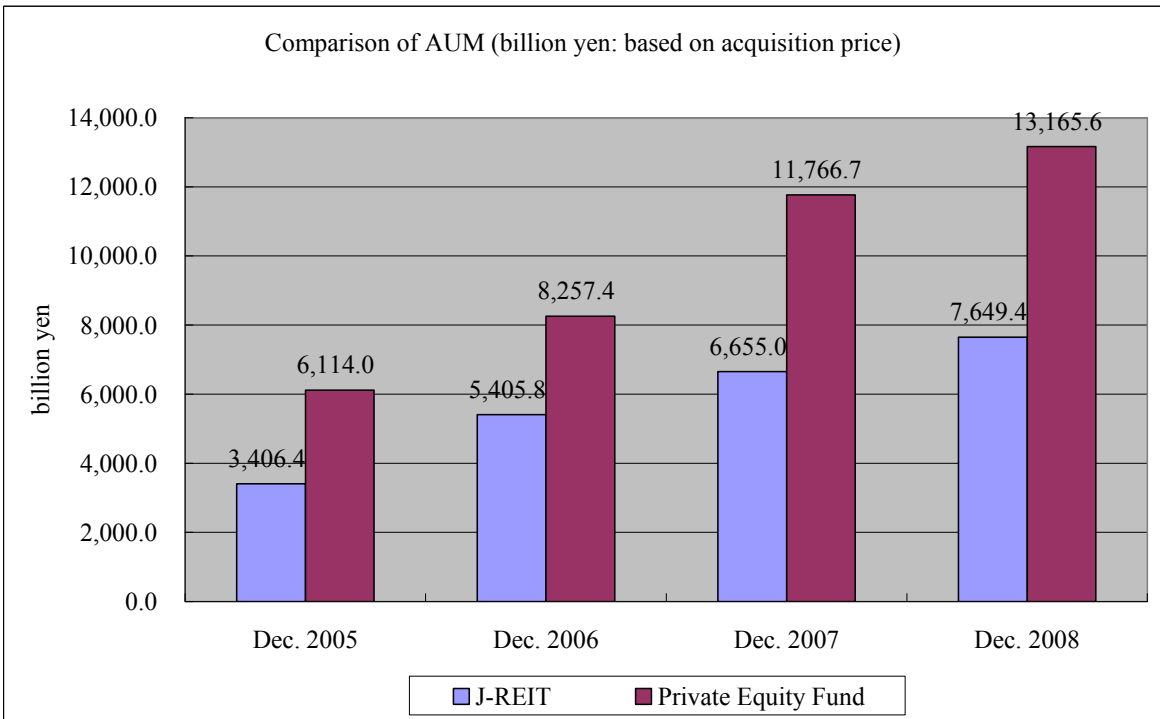
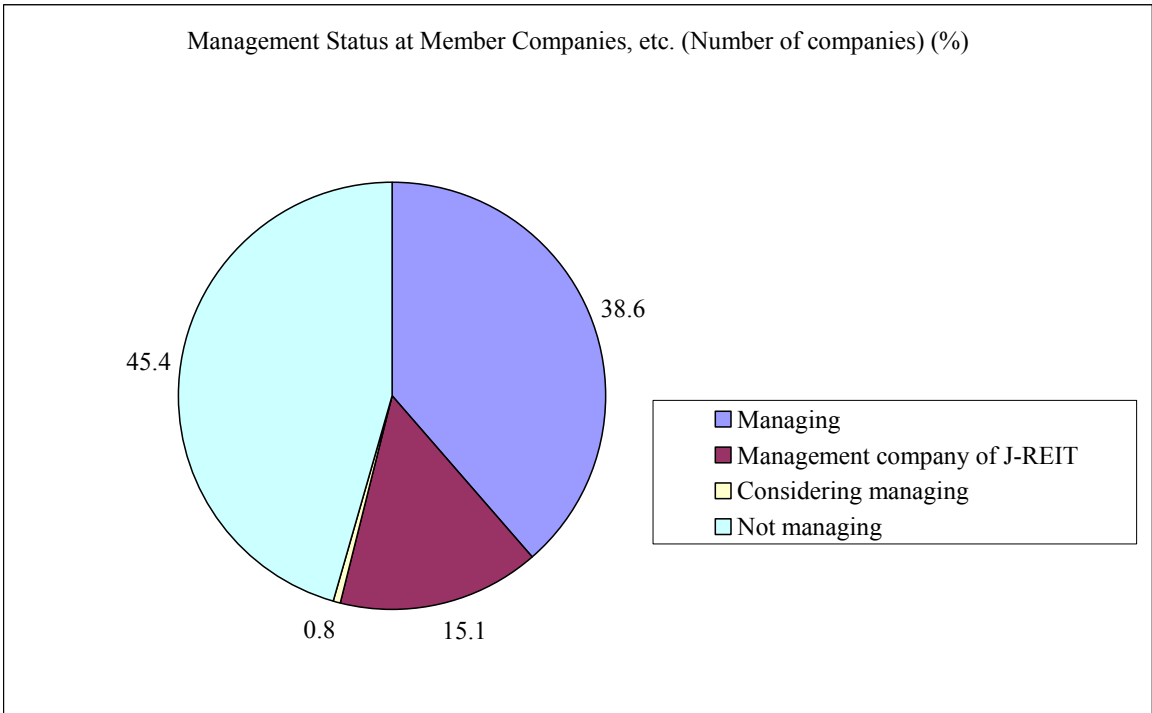
The expanding real estate private equity fund market

In terms of the management results for private equity funds, the total AUM equaled 13.2 trillion yen¹ (11.8 trillion yen last fiscal year), the number of funds totaled 790² (704 funds last fiscal year), and the number of owned properties was 3,665³ (3,592 owned last fiscal year). All categories resulted in an increase compared to last fiscal year.

¹ This is the total of 94 companies that responded out of the 97 member companies that are conducting management of private equity funds.

² This is the total of 93 companies that responded out of the 97 member companies that are conducting management of private equity funds.

³ This is the total of 92 companies that responded out of the 97 member companies that are conducting management of private equity funds.



- The top three responses regarding the property type of owned real estate were “offices” (49.4%), “commercial facilities” (18.3%), and “rental housing” (14.8%), respectively (based on AUM).
- As for the location of owned real estate (investment target area), “23 Wards of Tokyo” comprised about 60% based on AUM and therefore accounted for a large portion of the total.
- The average AUM per company was 118.0 billion yen two fiscal years ago, 133.7 billion yen last

fiscal year and 140.1 billion yen this fiscal year, indicating that the scale of investment is increasing steadily.

- The average amount of assets per fund is increasing from roughly 14.0 billion yen last year to 16.7 billion yen this year.
- The most popular vehicle used was the “GK-TK (limited liability company - anonymous association)” (includes the former YK-TK), which comprised approximately 75%, a large majority.

*Please see the material immediately following 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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4th Survey on Members Regarding Actual Condition
of Private Equity Funds
【Public Release Edition】

March 2009

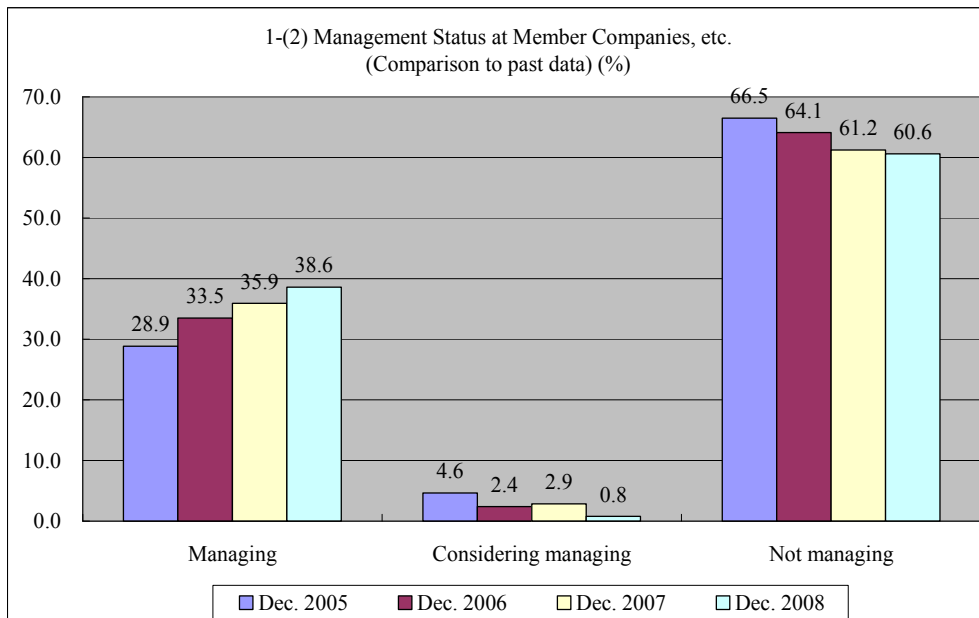
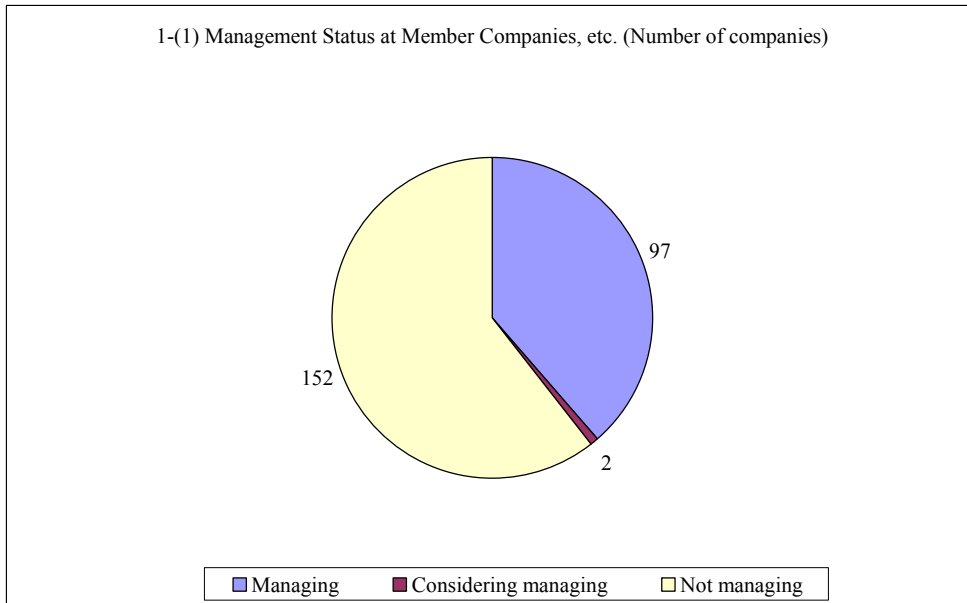
ARES

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

Tabulation Results

1. The private equity fund management status at 251 companies among regular members and supporting members of ARES (excluding some members planning to withdraw at the end of this fiscal year) or their group companies (hereafter, “Member companies, etc.”), excluding law firms, accounting firms, certified tax accountant firms, appraisal firms, etc. (Valid responses: 251 companies, 100%)

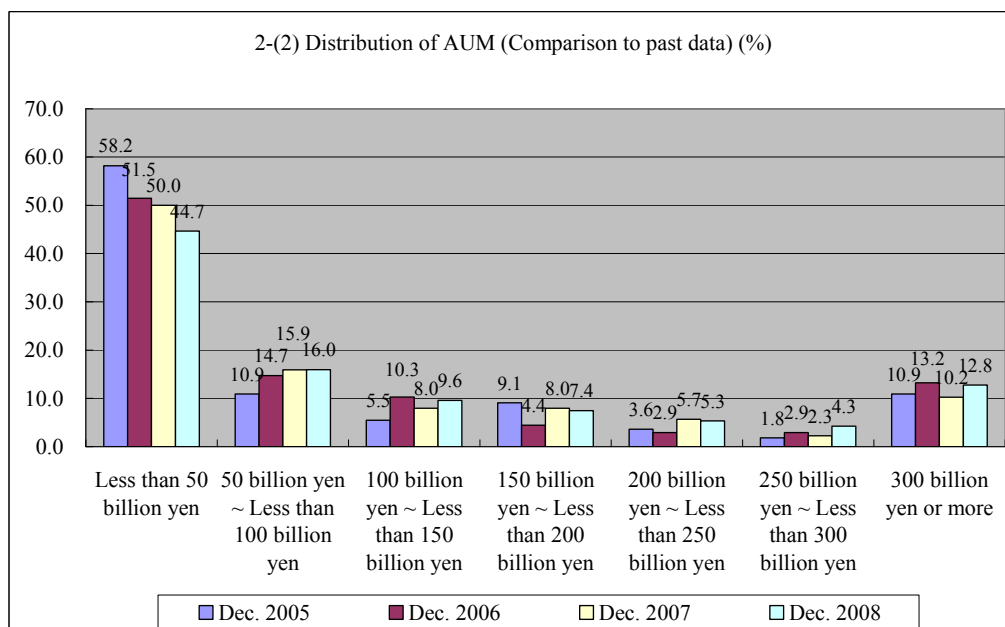
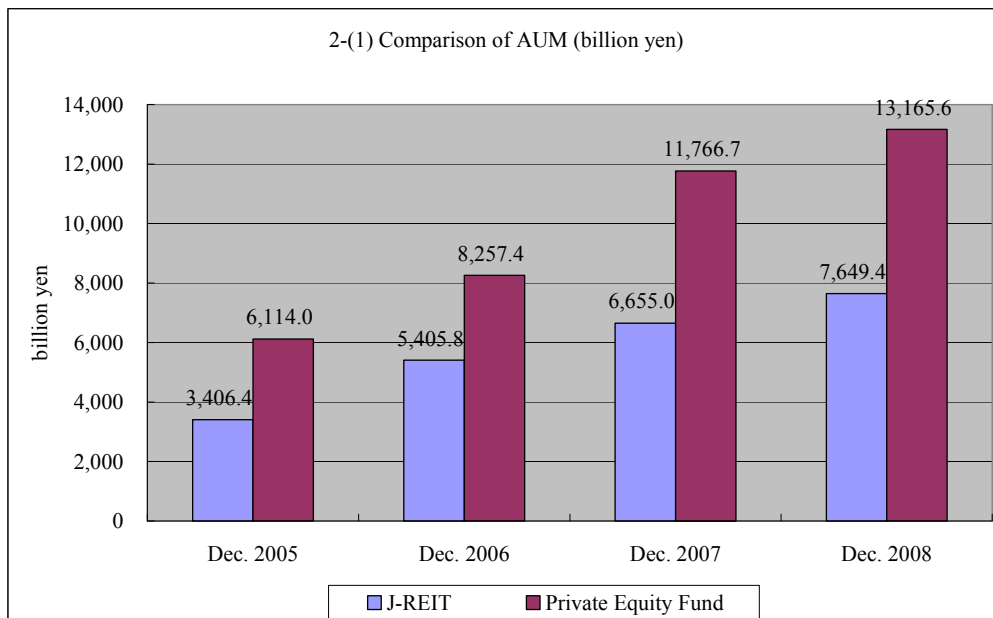
- Managing 97 companies (38.6%: Ratio among valid responses, same hereafter)
- Considering managing 2 companies (0.8%)
- Not managing 152 companies (60.6%)



[Comments] About 39% of ARES members (including group companies, same hereafter) are managing private equity funds, a slight increase from the previous year. However, member companies that are presently considering management in the future have dropped from 7 to 2. In addition, if the 38 member companies that were conducting management of listed J-REITs at the time of the survey are included, this would result in a total of 135 member companies that manage real estate funds when public offerings and private offerings 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	13,165.61 billion	(Valid responses: 94 companies)
* Average per management company	140.06 billion yen	
■ Total # of funds	790 funds	(Valid responses: 93 companies)
* Average per management company	8.5 funds	* Average per fund 16.67 billion yen
■ Total # of properties owned	3,665 properties	(Valid responses: 92 companies)
* Average per management company	39.8 properties	* Average per fund 4.6 properties



¹ The total AUM showed a net increase of 1.4 trillion yen from last year's survey (+11.9% year-on-year, same hereafter). However, the net increase in AUM will be 2.6 trillion yen (22.3%) when targeting member companies, etc. whose responses are comparable with the last survey, or by excluding increases/decreases in AUM caused by new members/withdrawn members during the year. This is greater than the net increase in AUM of J-REITs, which is 2.4 trillion yen (13.0%).

[Comments] According to the revealed management situation, the number of funds totaled 790, total AUM was 13.2 trillion yen and the total number of properties owned was 3,665. In particular, the difference between total AUM and the AUM of J-REITs at the same point in time reached roughly 5.5 trillion yen, and so the gap has widened compared to last fiscal year's gap of 5.2 trillion yen. It can be said that the growth of the private equity fund market continues to far outpace the growth of the J-REIT market.

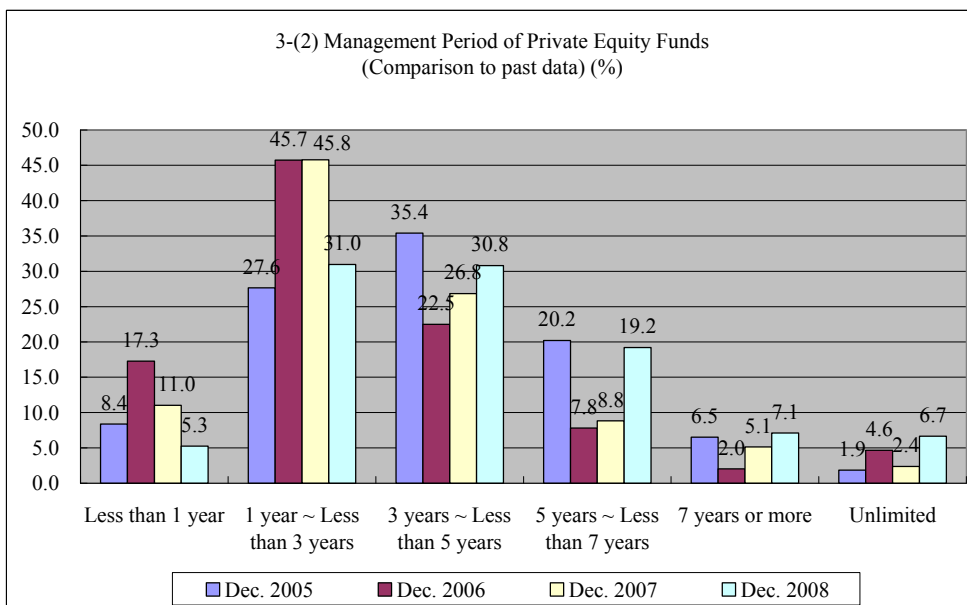
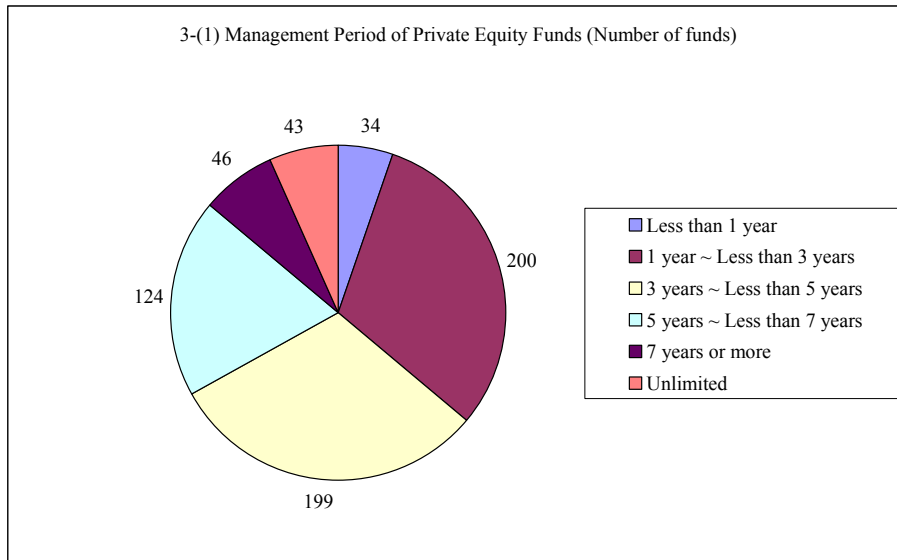
Further, management companies with AUMs of less than 50 billion yen were 45.0%, dropping below the majority, showing that the number of management companies with large scale AUMs is steadily growing. The average AUM per company is also steadily increasing in scale, with 109.2 billion yen in the 1st survey, 118.0 billion yen in the 2nd survey, 133.7 billion yen in the 3rd survey and 140.1 billion yen in this survey. The average amount of assets per fund has also expanded from that of last year, from roughly 14.0 billion yen to 16.7 billion yen this year.

Furthermore, the number of managed funds per company is stable with 7.7 in the 1st survey, 8.5 in the 2nd survey, 8.6 in the 3rd survey and 8.5 in this survey.

In addition, the survey showed properties incorporated into funds are becoming more selected and larger in scale, as the average number of properties owned per management company decreased from about 50 properties in the 1st and 2nd surveys to approximately 40 properties in the 3rd and 4th surveys. The average number of properties owned per fund is also showing a decreasing trend from about 6 properties in the 1st and 2nd surveys to approximately 5 properties in the 3rd and 4th surveys.

3. Management period for private equity funds at member companies, etc. (Valid responses: 646 funds)

■ Less than 1 year	34 funds	(5.3%)
■ 1 year ~ Less than 3 years	200 funds	(31.0%)
■ 3 years ~ Less than 5 years	199 funds	(30.8%)
■ 5 years ~ Less than 7 years	124 funds	(19.2%)
■ 7 years or more	46 funds	(7.1%)
■ Unlimited	43 funds	(6.7%)



【Comment】 In terms of management periods, those responding “1 year ~ Less than 3 years,” which accounted for nearly half of the funds until the last survey, dropped dramatically to 200 funds (31.0%), while those responding “3 years ~ Less than 5 years” increased to 199 funds (30.8%). Thus, the above became the top two choices with roughly the same percentage. Furthermore, those responding “5 years ~ Less than 7 years” doubled to 124 funds (19.2%), while “Less than 1 year” was reduced by half to 5% from 11% in the last survey. Those responding “7 years or more” and “Unlimited” also increased, showing that in contrast to last fiscal year, plans for management are being prolonged.

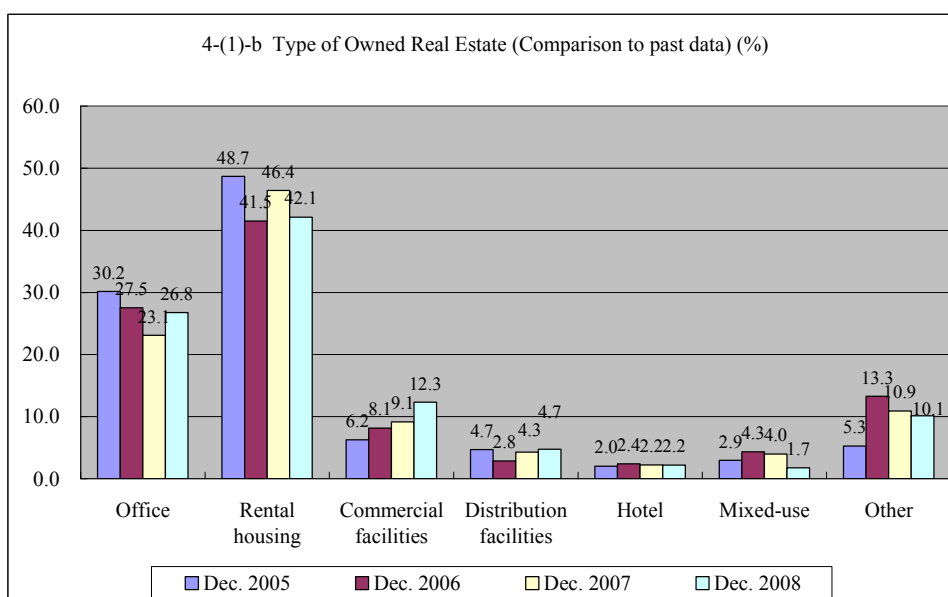
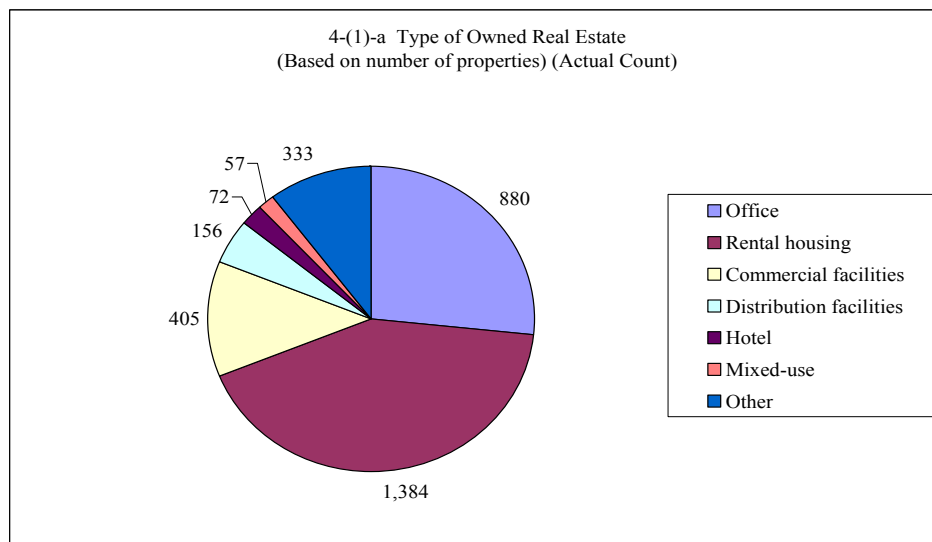
4. Type of real estate owned by private equity funds at member companies, etc. (Valid responses: 3,287 properties)

(1) Based on number of properties owned

■ Office	880	(26.8%)
■ Rental housing	1,384	(42.1%)
■ Commercial facilities	405	(12.3%)
■ Distribution facilities	156	(4.7%)
■ Hotel	72	(2.2%)
■ Mixed-use	57	(1.7%)
■ Other	333	(10.1%)

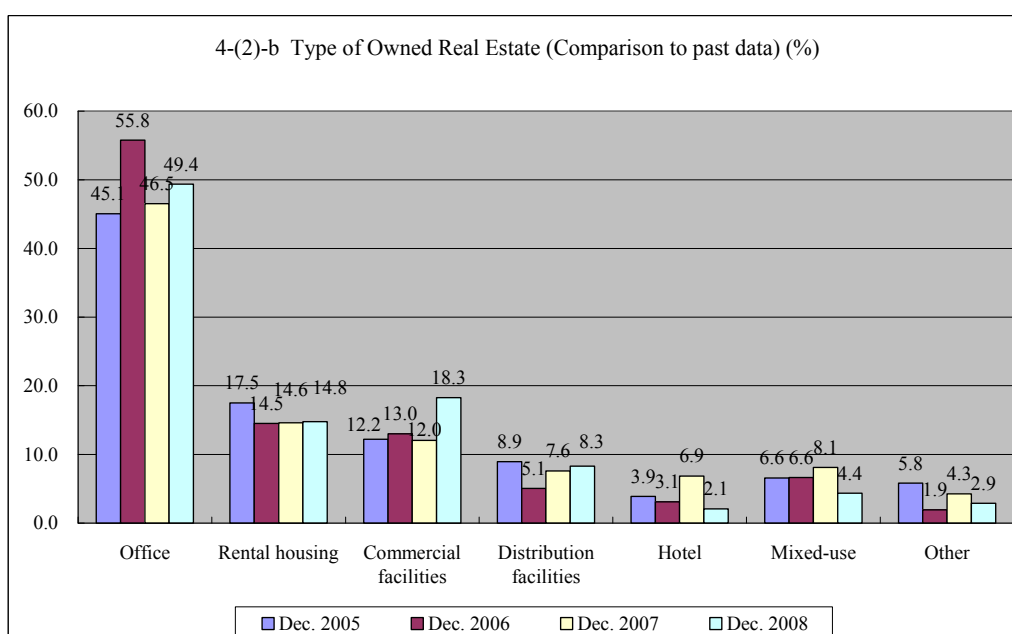
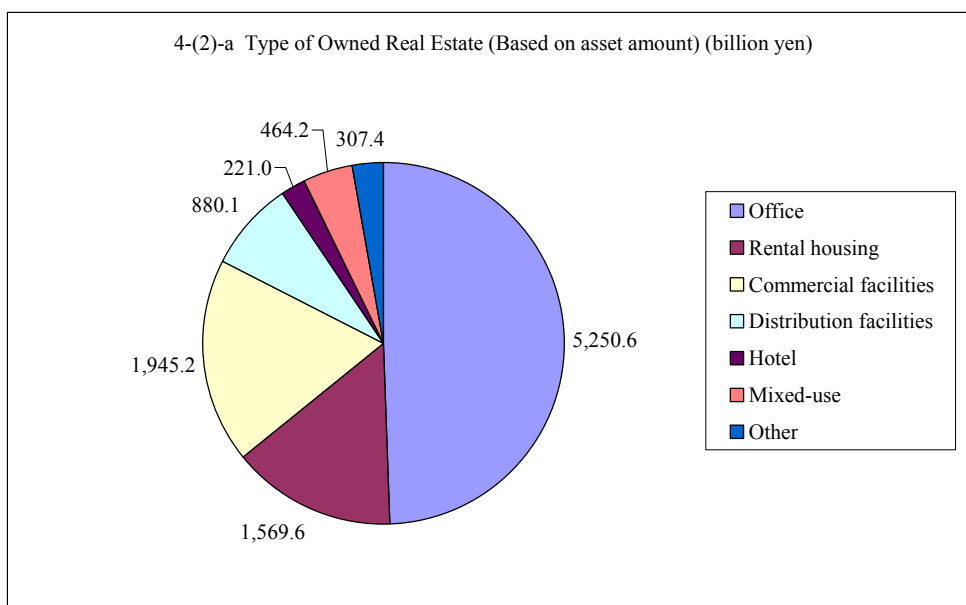
[Other uses]

Health care/aged care facilities, parking lots, exchange centers, golf courses, sports facilities, fitness gyms, nursing care homes, land ownership, leasehold rights and development sites



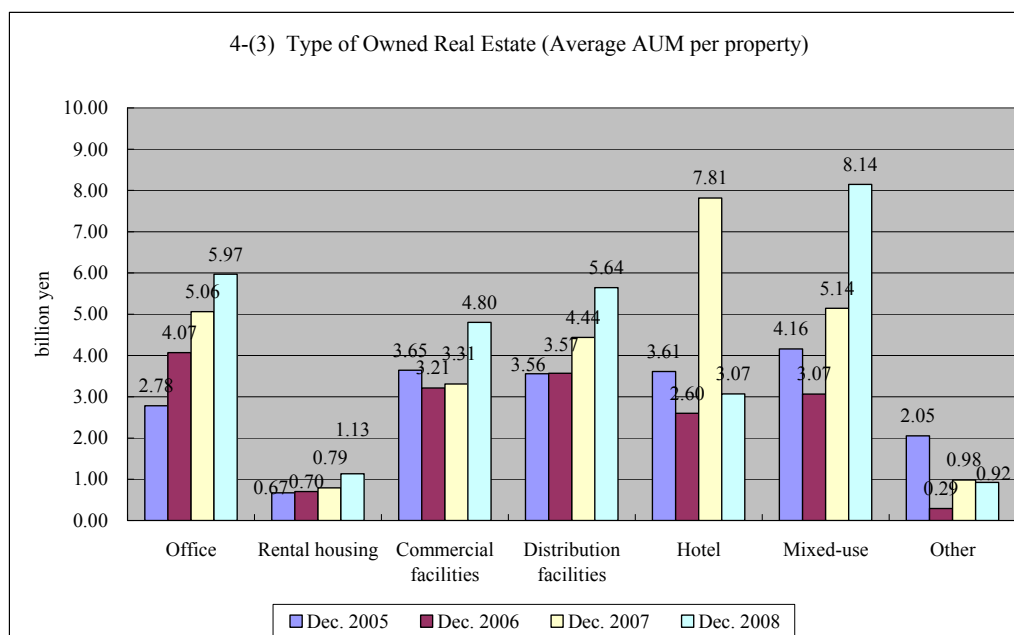
(2) Based on AUM (equivalent value for valid responses: 10,638.1 billion yen)

■ Office	5,250.6 billion yen	(49.4%)
■ Rental housing	1,569.6 billion yen	(14.8%)
■ Commercial facilities	1,945.2 billion yen	(18.3%)
■ Distribution facilities	880.1 billion yen	(8.3%)
■ Hotel	221.0 billion yen	(2.1%)
■ Mixed-use	464.2 billion yen	(4.4%)
■ Other	307.4 billion yen	(2.9%)



(3) Average AUM per property

■ Office	5.97 billion yen
■ Rental housing	1.13 billion yen
■ Commercial facilities	4.80 billion yen
■ Distribution facilities	5.64 billion yen
■ Hotel	3.07 billion yen
■ Mixed-use	8.14 billion yen
■ Other	0.92 billion yen



【Comment】 Observing the types of real estate owned in terms of the number of properties, “Rental housing” topped the list with 1,384, comprising about 40% of the total. “Office” was next with 880 properties. Furthermore, although the number of “Commercial facilities” increased compared to last fiscal year, all other uses have decreased.

On the other hand, in terms of AUM, “Office” comprised almost half of the entire AUM with 5.3 trillion yen, followed by “Commercial facilities” (1.9 trillion yen) and “Rental housing” (1.6 trillion yen).

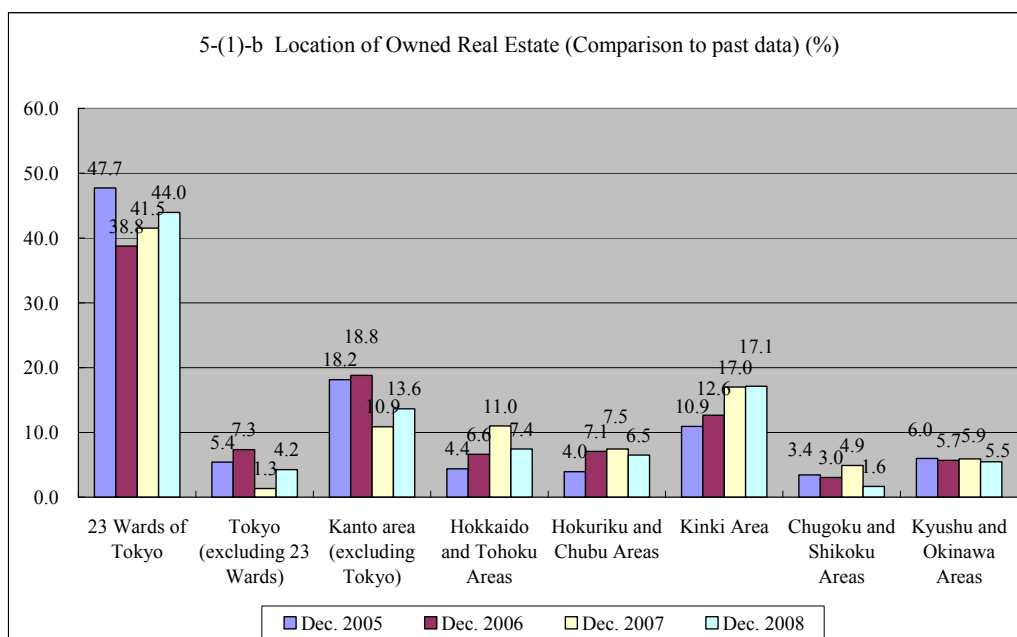
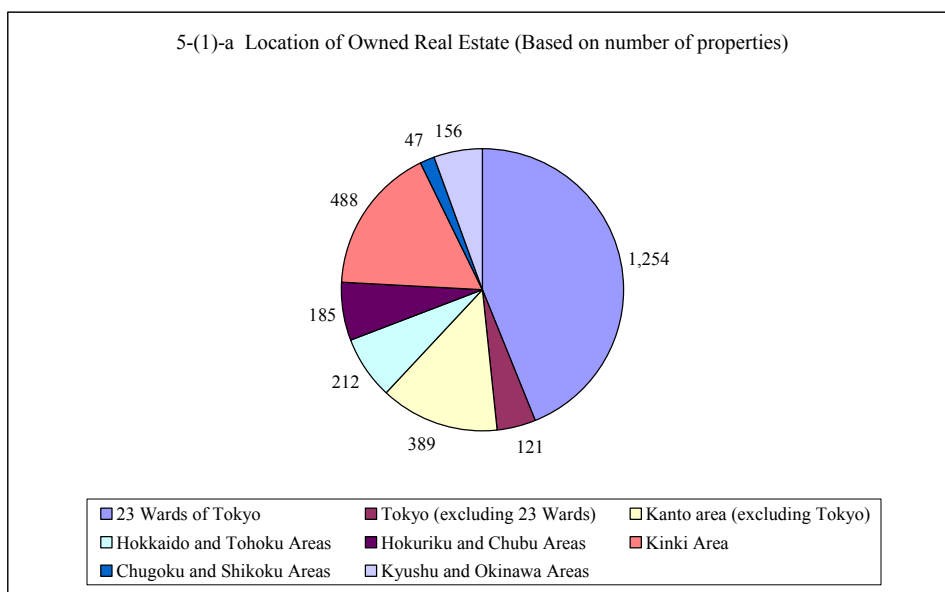
As for the average AUM per property, “Mixed-use” topped the list by greatly expanding in scale to 8.1 billion yen (5.1 billion yen last year). “Office” was next with 6.0 billion yen (5.1 billion yen last year) and “Distribution facilities” ranked third with 5.6 billion yen (4.4 billion yen last year). “Hotel,” which ranked first in last year’s survey, decreased in scale to 3.1 billion yen (7.8 billion yen last year).

The average AUM per property for “Rental housing” was 1.1 billion yen (0.8 billion yen last year), showing an increase, although the scale was smaller than that of other uses. This year’s characteristic was an increase in scale per property in all uses except “Hotel.”

5. Location of real estate owned by private equity funds at member companies, etc. (Valid responses: 2,852 properties)

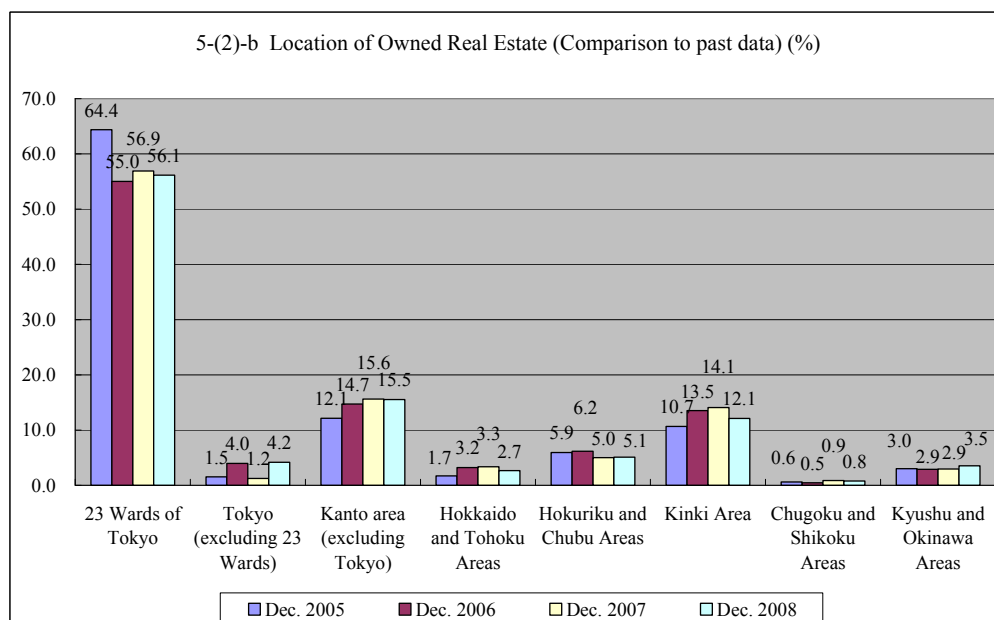
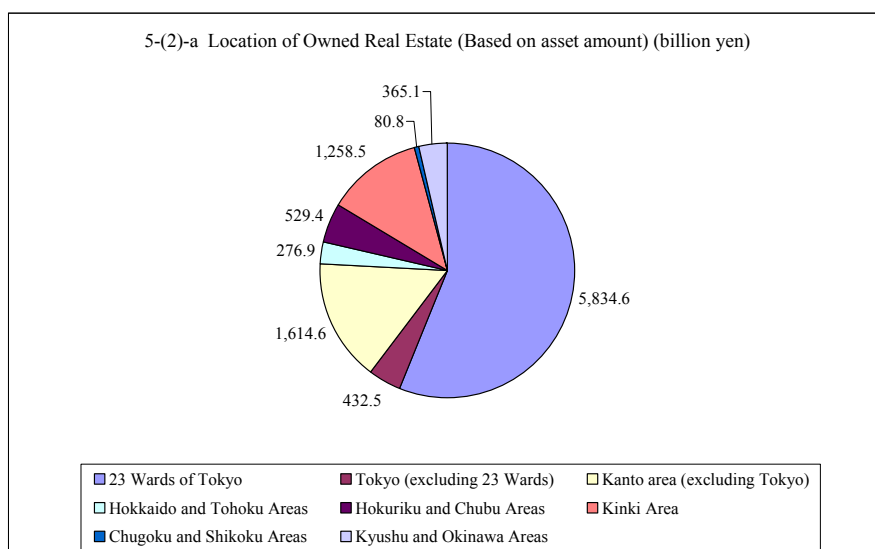
(1) Based on number of properties owned

■ 23 Wards of Tokyo	1,254	(44.0%)
■ Tokyo (excluding 23 Wards)	121	(4.2%)
■ Kanto area (excluding Tokyo)	389	(13.6%)
■ Hokkaido and Tohoku Areas	212	(7.4%)
■ Hokuriku and Chubu Areas	185	(6.5%)
■ Kinki Area	488	(17.1%)
■ Chugoku and Shikoku Areas	47	(1.6%)
■ Kyushu and Okinawa Areas	156	(5.5%)



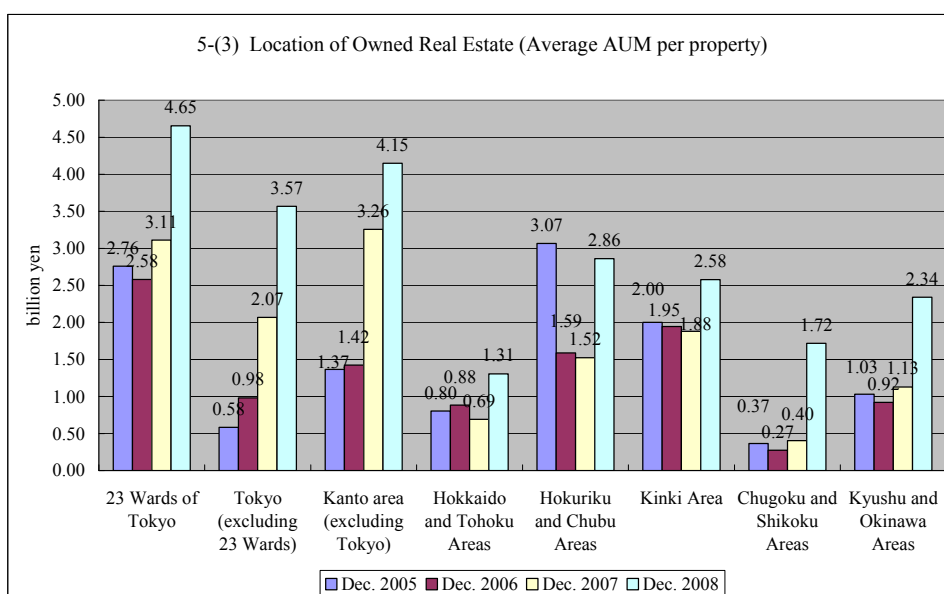
(2) Based on AUM (equivalent value for valid responses: 10,392.4 billion yen)

■ 23 Wards of Tokyo	5,834.6 billion yen	(56.1 %)
■ Tokyo (excluding 23 Wards)	432.5 billion yen	(4.2%)
■ Kanto area (excluding Tokyo)	1,614.6 billion yen	(15.5%)
■ Hokkaido and Tohoku Areas	276.9 billion yen	(2.7%)
■ Hokuriku and Chubu Areas	529.4 billion yen	(5.1%)
■ Kinki Area	1,258.5 billion yen	(12.1%)
■ Chugoku and Shikoku Areas	80.8 billion yen	(0.8%)
■ Kyushu and Okinawa Areas	365.1 billion yen	(3.5%)



(3) Average AUM per property

■ 23 Wards of Tokyo	4.65 billion yen
■ Tokyo (excluding 23 Wards)	3.57 billion yen
■ Kanto area (excluding Tokyo)	4.15 billion yen
■ Hokkaido and Tohoku Areas	1.31 billion yen
■ Hokuriku and Chubu Areas	2.86 billion yen
■ Kinki Area	2.58 billion yen
■ Chugoku and Shikoku Areas	1.72 billion yen
■ Kyushu and Okinawa Areas	2.34 billion yen

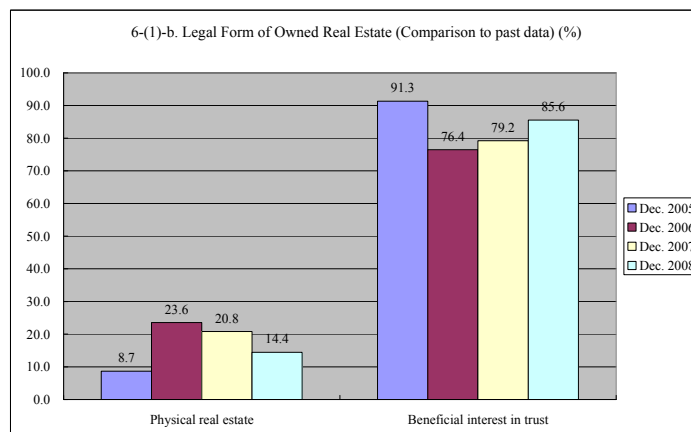
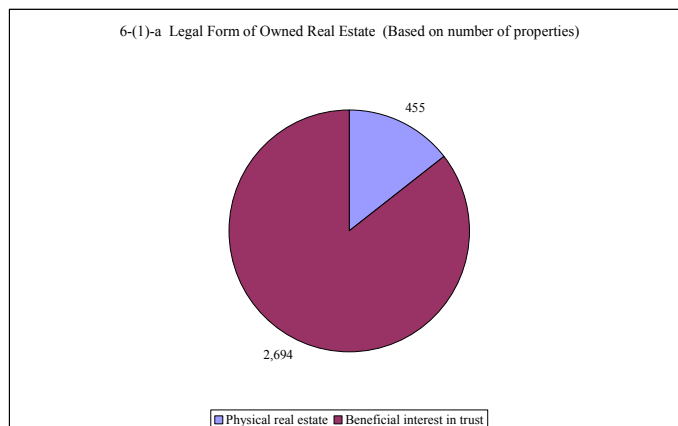


【Comments】 As for the location of owned real estate (investment target area), the trend in terms of percentage is unchanged in that the “23 Wards of Tokyo” comprise about 40% of the number of properties and approximately 60% of AUM, a majority. In contrast, regarding shares of investment in other areas, the “Kinki Area” ranked second (17%) in the number of properties and the “Kanto area (excluding Tokyo)” ranked third at 14%. As for AUM, the “Kanto area (excluding Tokyo)” ranked second at 16% and the “Kinki area” ranked third at 12%. Furthermore, in terms of the average AUM per property, the “23 Wards of Tokyo”, the “Tokyo (excluding 23 Wards)” and the “Kanto area (excluding Tokyo)” all made a leap forward in asset amount compared to last year. In addition, it is worth noting that the average AUM is increasing in other areas as well.

6. Legal form of private equity funds at member companies, etc. (Valid responses: 3,149 properties)

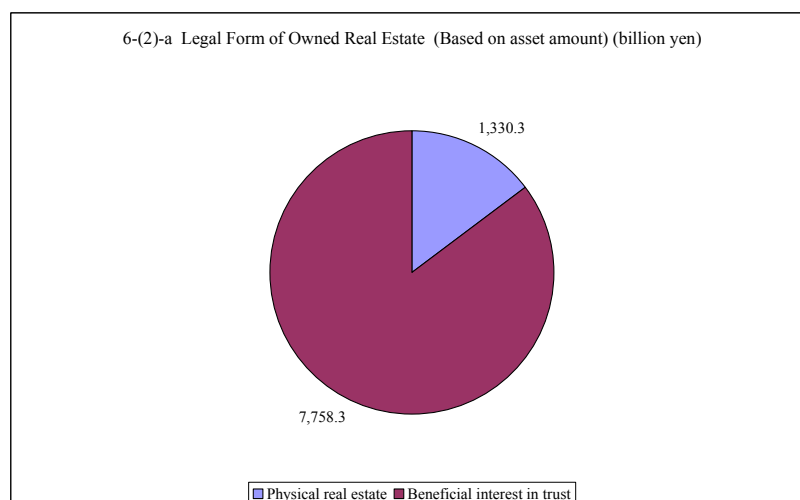
(1) Based on number of properties owned

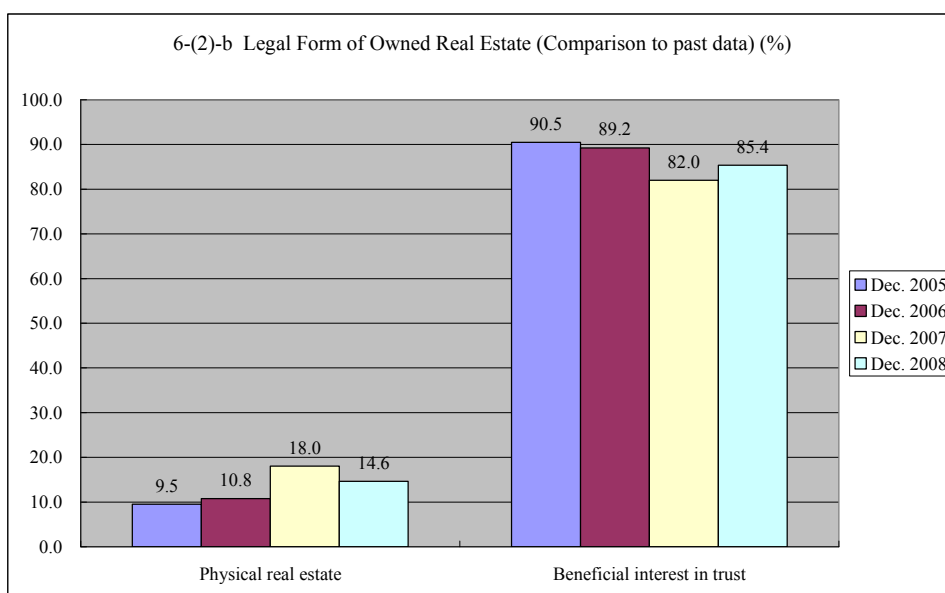
■ Physical real estate	455	(14.4%)
■ Beneficial interest in trust	2,694	(85.6%)



(2) Based on AUM (equivalent value for valid responses: 9,088.6 billion yen)

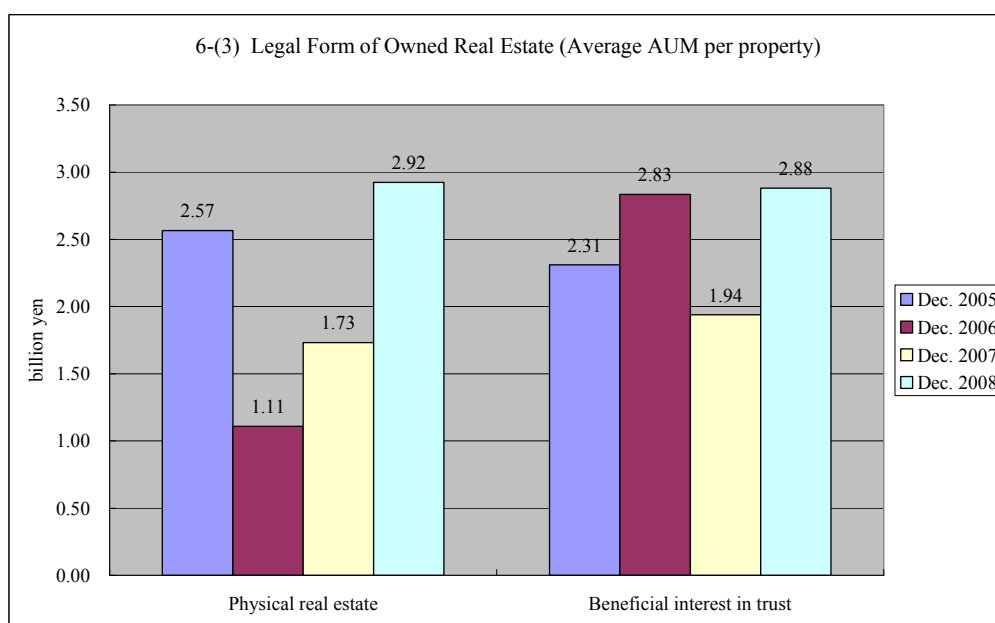
■ Physical real estate	1,330.31 billion yen	(14.6%)
■ Beneficial interest in trust	7,758.29 billion yen	(85.4%)





(3) Average AUM per property

- Physical real estate 2.92 billion yen
- Beneficial interest in trust 2.88 billion yen

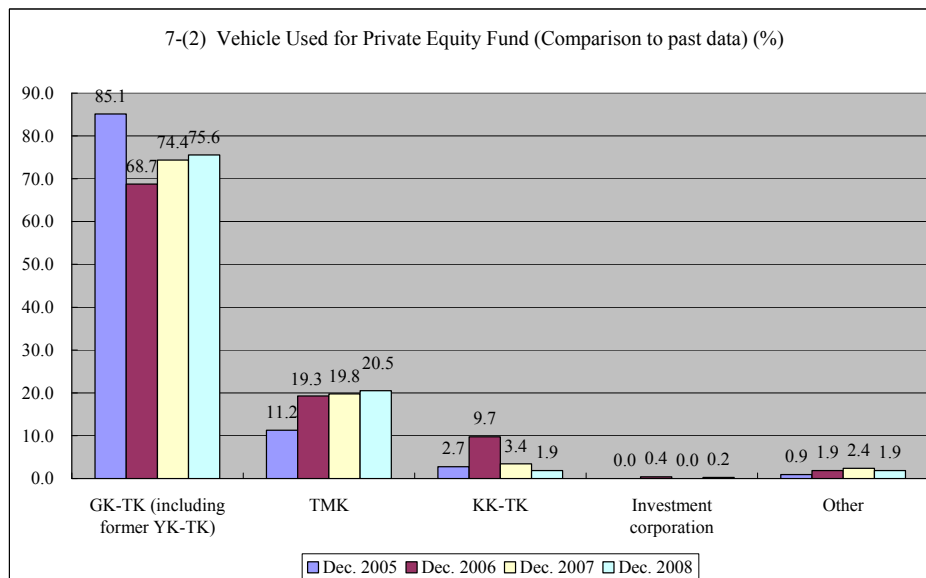
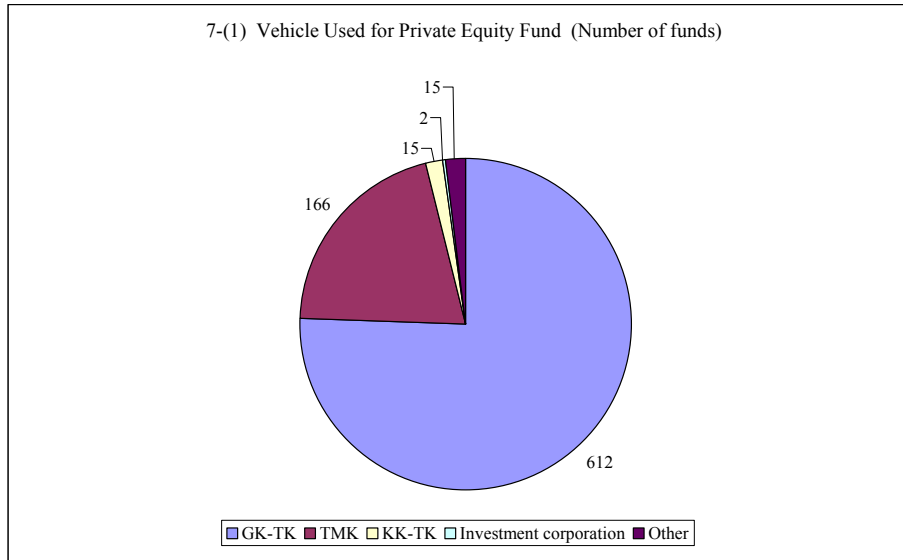


【Comments】 As for the legal form of real estate owned by private equity funds, “Beneficial interest in trust” comprises a large majority and is approximately 85% of the total in terms of both the number of properties and AUM.

In terms of the average AUM per property, the difference between “Physical real estate” and “Beneficial interest in trust” has disappeared and both are growing in scale.

7. Vehicle used in private equity funds at member companies, etc. (Valid responses: 810 funds)

■GK-TK	612 funds	(75.6%)
■TMK	166 funds	(20.5%)
■KK-TK	15 funds	(1.9%)
■Investment corporation	2 funds	(0.2%)
■Other	15 funds	(1.9%)



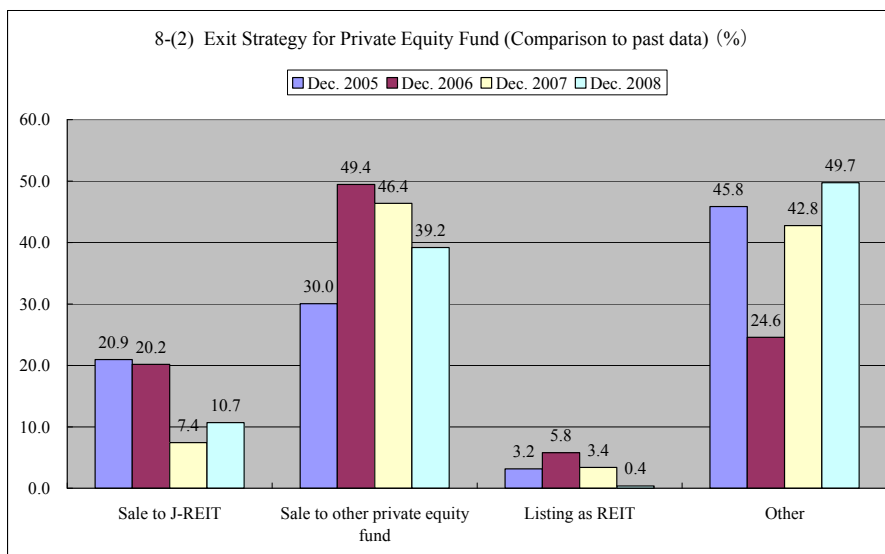
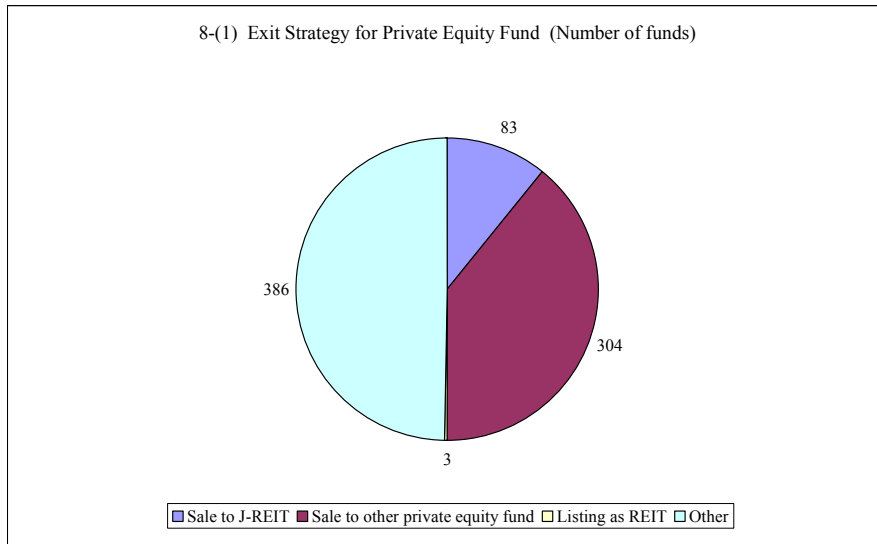
[Other vehicles]

· Trusts · Investment LPS

【Comments】 The “GK-TK,” including the former YK-TK, is used as the vehicle for 612 funds, or three-fourths of the total, a majority, followed by the “TMK” for 166 funds, or 21%. Both combined comprise roughly 95% of the total. Furthermore, “Investment corporation” is used in 2 funds.

8. Exit strategy for private equity funds at member companies, etc. (Valid responses: 776 funds)

■ Sale to J-REIT	83 funds	(10.7%)
■ Sale to other private equity fund	304 funds	(39.2%)
■ Listing as REIT	3 funds	(0.4%)
■ Other	386 funds	(49.7%)



[Other strategies]

- Depending on the market
- Sale to individual investors
- Sale to foreign investors
- Long-term holding
- Investors, including J-REITs and private equity funds
- Sale to business corporation
- Refinance
- Undecided

【Comments】 As for exit strategies, “Sale to other private equity fund” comprised 39%, decreasing from last year and two years ago. Furthermore, although “Sale to J-REIT” slightly increased compared to last year’s level, when it marked a significant decrease, “Listing as REIT” decreased further to 0.4%. The response of “Other,” which means to conduct a wide variety of sales by not specifically setting the exit, showed an increase.

Overview of the Survey

Survey organization:	The Association for Real Estate Securitization (ARES)
Survey target (entity):	Among the regular and supporting members of ARES (excluding some members planning to withdraw at the end of this fiscal year), 251 companies, excluding law firms, accounting firms, appraisal firms, certified tax accountant firms, etc.
Survey method:	Entry of response on survey sheets (mail)
Survey time:	As of the end of December 2008
Valid responses:	251 companies (Response rate: 100%)

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 their group companies.

【Not applicable as targets of the survey】

- Publicly offered products [Soliciting application to obtain securities newly issued to unspecified parties and to a large number of parties]
- Listed J-REITs
- Products stipulated under the Act on Securitization of Assets whose purpose is the securitization of assets (If vehicles such as TMKs 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. 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 privately offered products whose purpose is asset management and which 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 Financial Instruments and Exchange Act, as well as a structure involving forms other than securities issuance, such as non-recourse loans. An example of this is the GK-TK scheme (including the former YK-TK scheme).

- (c) In addition to “private offerings” under the Financial Instruments and Exchange Act (limited number private offering, qualified investor private offering), a placement in which financing such as loans received through bilateral loans, or from specific investors and from a limited number of investors, is included.
- (d) In principle, assets owned by the fund (vehicle) are physical real estate or beneficial interests in real estate trust. CMBS and RMBS are not subject to this questionnaire survey.
- (e) The fund (vehicle) must be domestic.

*Refer to the previous page for instruments “Not applicable as targets of the survey.”

(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 managers of Tokumei Kumiai (TKs, anonymous associations) under the GK-TK Scheme (including the former YK-TK scheme) [for the so-called Double SPC Format, vehicles for receiving TK investment from investors]
- (b) Investment trust managers (unlisted real estate investment trusts), etc. in investment corporation schemes 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 the time of establishing the fund and soliciting investors, and additional properties are acquired by additional contributions from investors

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

(4) “Private equity fund management strategy”

“Core-type”: Funds that acquire relatively superior properties and focus on income revenue, aiming for stable management. As a guide, these represent funds whose target returns are roughly 3~8%.

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

“Value-added type”: Funds that take a middle position between “core-type” and “opportunity-type.” As a guide, these represents funds whose target returns are roughly 8~12%.

- In conducting this survey, we adopted a format in which respondents were only required to answer items they could respond to, and which did not go into specific details of individual funds. Therefore, the number of valid responses varies by question. Please take note that data other than these tabulation results are 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.