

*News Release*

A09-077

July 10, 2009

The Association for Real Estate Securitization

“The 9th Questionnaire Survey on Real Estate Investment by  
Institutional Investors”

(Overview of survey results)

## 1. Introduction

The Association for Real Estate Securitization has conducted its 9<sup>th</sup> “Questionnaire Survey on Real Estate Investment by Institutional Investors” and compiled the results.

This questionnaire survey targets pension funds, and institutional investors such as life insurers, nonlife insurers, trust banks, banks, etc. (hereinafter referred to as “general institutional investors” in this survey), and the purpose is to grasp the realities and challenges in real estate (including real estate securitization products; the same hereinafter) investment in terms of asset management. We received 110 responses from pension funds and 60 responses from institutional investors to total 170 responses (Survey period: May 20 to June 24, 2009).

It can be inferred from the results of this fiscal year’s survey that the percentage of real estate investment by pension funds and general institutional investors has declined, making this the second consecutive year of decline. Furthermore, the asset allocation towards real estate by pension funds is on a downward trend. On the other hand, it was found that real estate as a separate asset class is steadily gaining recognition. As for the type of real estate targeted for investment, office and retail decreased while the ratio of residential increased for pension funds.

The major challenge of utmost priority in investment pointed out by both pension funds and general institutional investors alike was the “improvement of credibility in real estate appraisal,” in continuation to last year. We can see from these results that the importance of credibility in real estate appraisal is increasing as the basis for conducting investment, against a backdrop of the difficulty in obtaining market prices as a result of the significant drop in real estate prices and transaction volumes.

In terms of the future outlook of market conditions (indicator) for the year ahead, there is a forecast of a recovery of stock prices. However, there is also a forecast that the market conditions for real estate will worsen and institutional investors have a pessimistic view regarding market conditions for real estate. On the other hand, in terms of investment period, the long-term investment stance of pension funds was re-confirmed. Therefore, we expect the inflow of long-term, stable funds from pension funds, etc. which would contribute to the recovery and sustained growth of the real estate securitization market.

\*Please refer to section “2. Summary of Survey” and the attachment found in the following pages for the main contents of survey results.

## 2. Summary of Survey

\*For graphs, please see the attachment.

- (1) The ratio of investors investing in physical real estate or real estate securitization products was 31% for pension funds (35% last fiscal year) and 81% for general institutional investors (90% last fiscal year). Both decreases are in continuation to the decreases recorded last fiscal year [Refer to Figure 1-(1)].
- (2) If we look at the investment situation of pension funds, we can see that the ratios of those who have “already invested” in “physical real estate,” “J-REIT,” “real estate private funds” and “bonds backed by real estate” remained the same as last fiscal year, while the ratio of those “already invested” in “foreign REIT” decreased (23% to 18%). The ratio of pension funds “considering investment” and “interested in investment” declined for all types. On the other hand, in regards to all real estate securitization products, there were 13% to 21% of pension funds who were “interested in investment,” showing that there are a certain amount of potential needs to increase investment [Refer to Figure 1-(2)].
- (3) As for the distinction of asset class, more pension funds deem all real estate securitization products as a separate asset class [Refer to Figure 1-(4)]. More general institutional investors also deem “J-REIT” and “foreign REIT” as separate asset classes, indicating that their heretofore view as an “alternative” is undergoing change [Refer to Figure 1-(7)].
- (4) The ratios of general institutional investors who have “already invested” in “J-REIT” and “bonds backed by real estate” decreased from last fiscal year (77% to 60% and 64% to 57%, respectively). A somewhat large decrease was seen in those “already invested” in “foreign REIT” when compared to last fiscal year (20% to 7%). On the other hand, there were about 7% of investors who responded that they are “considering investment” in “J-REIT.” If we add to this figure those who are “interested in investment,” it would result in a total of 18%, which creates expectations for a future recovery [Refer to Figure 1-(5)].
- (5) The asset allocation of real estate in managed assets in terms of ratio decreased for the second consecutive year for pension funds this fiscal year. 1.0% was for policy (target) asset allocation (1.4% last fiscal year) and 1.2% was for current (actual) asset allocation (1.3% last fiscal year). Both were further decreases within a low range. The ratio of real estate in the asset allocation of asset management for general institutional investors was 1.3%, or the same as last fiscal year [Refer to Figures 2-(1), 2-(2) and 2-(3)].
- (6) As for the purpose of investment for all investment targets, the ratios of “diversify portfolio risk,” “improve rate of return” and “gain stable cash flow” were high as they were last fiscal year [Refer to Figures 3-(1) and 3-(2)].
- (7) When looking at items of importance when considering investment, the top items were “stability in revenue,” “quality of owned (or acquired) real estate” and “track record and capability of management company” [Refer to Figure 4] and we see no change in the trend as of late.
- (8) As for the types of real estate of interest as investment targets, the ratio of “office” and “retail”

for pension funds decreased in comparison to last fiscal year, while the ratio of “residential” increased [Refer to Figure 5-(1)].

- (9) When looking at investment periods by investment target, while pension funds are assuming medium- to long-term investment of 3 years or more, general institutional investors are showing a tendency for a slightly shorter term investment [Refer to Figures 6-(1) and 6-(2)].
- (10) The average expected rate of return on investment by investment target indicated a significantly upward trend for general institutional investors compared to the previous fiscal year [Refer to Figure 7].
- (11) As for the adequacy of the current yield gap (spread) between J-REIT dividend yields and long-term interest rates, 65.0% of general institutional investors responded, “too great” (43.6% for fiscal 2008 and 3.6% for fiscal 2007). The feeling that investment unit (stock) prices of J-REITs are undervalued is growing and the ratio of general institutional investors showing interest in investment is increasing compared to the previous fiscal year [Refer to Figure 1-(5)].
- (12) The major challenge of utmost priority in real estate investment pointed out by both pension funds and general institutional investors alike was the “improvement of credibility in real estate appraisal.” This was the second consecutive year that this challenge was chosen by both. Other than that, the demand for “expansion of market scale,” “improvement of information disclosure on individual real estate,” “standardization of real estate investment-related information,” “real estate investment index serving as benchmark,” and “fostering of knowledgeable staff in real estate in charge of management” was also strong [Refer to Figure 8].
- (13) According to indicators that suggest the future outlook of the real estate market in the coming year, land prices and office rent showed a significant deterioration compared to last fiscal year. It is worthy of mention that for indicators for office rent, pension funds recorded minus 52 points while general institutional investors recorded minus 70 points, indicating that pessimism is strong [Refer to Figure 9].

<p>This release was distributed to the press clubs within Tokyo Stock Exchange (Kabuto Club) and Ministry of Land, Infrastructure, Transport and Tourism (MLIT), as well as the press club for construction trade newspapers within MLIT. The results of the questionnaire survey have not been released anywhere else. Thank you for your understanding.</p>
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<b>[Attachment] Survey Results of “The 9th Questionnaire Survey on Real Estate Investment by Institutional Investors”</b>
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## **1. Overview on Conducting the Questionnaire Survey**

This survey has been conducted annually since fiscal 2001 for the purpose of grasping the realities and challenges in physical real estate and real estate securitization product investments by “pension funds” and “general institutional investors.”

The investment products subject to this survey are “physical real estate,” “J-REIT,” “foreign REIT,” “real estate private funds, etc.” and “bonds backed by real estate.”

Question items were “existence of investment,” “real estate of interest as investment target,” “important factors when considering investment,” “expected rate of return on investment (ROI),” “distinction of asset class,” “purpose of investment,” “investment period,” “mandate style (pension fund),” etc. for each investment target.

### **(1) Survey target (survey addressee)**

#### **(A) Pension fund**

562 organizations extracted from among employees’ pension fund, fund-type or agreement-type defined-benefit pension plans, qualified retirement pension, mutual aid associations and public pension, in principle, with total assets of 14 billion yen or more as of the end of March 2008.

#### **(B) General institutional investor**

Total of 195 companies from among life insurers, nonlife insurers, trust banks, city banks, regional banks and second-tier regional banks.

### **(2) Survey period**

May 20, 2009---Mail out questionnaire survey sheets

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June 24, 2009---Response deadline

### **(3) Survey Method**

Sending and collecting questionnaire sheets by mail

Prepare and tabulate survey sheets separately for pension funds and general institutional investors

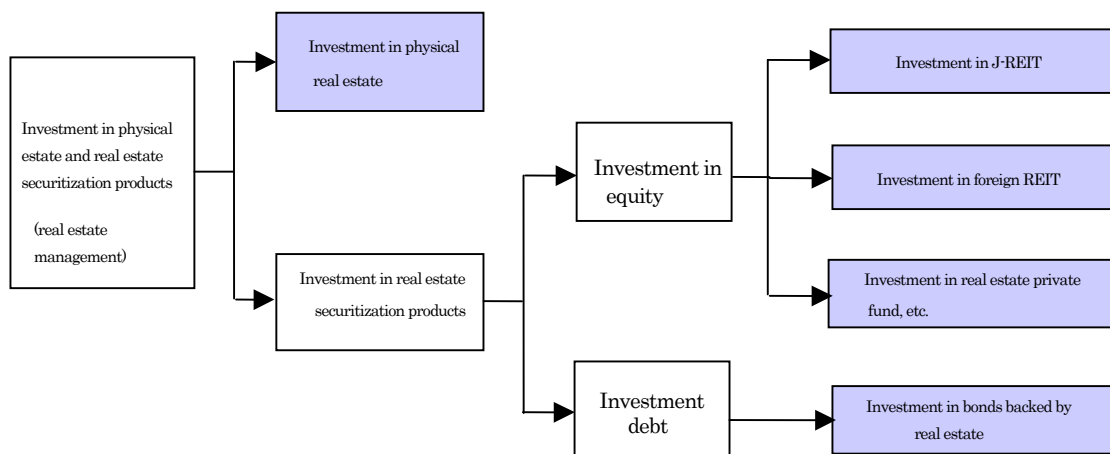
### **(4) Survey Organization**

The Association for Real Estate Securitization

## (5) Major Survey Items

- (1) Existence of investment in physical real estate and real estate securitization products and distinction of asset class
- (2) Policy asset allocation ratio (pension funds) and current asset allocation ratio
- (3) Purpose of investment by investment target
- (4) Types of real estate of interest as investment target
- (5) Items of importance when considering investment
- (6) Investment period when making investment
- (7) Expected rate of return on investment (ROI) when making investment
- (8) Mandate style when making investment (pension funds)
- (9) Reason for not making investment
- (10) Perspective on real estate when investing in bonds backed by real estate
- (11) Major challenges for expanding investment

## (6) Investment Classification in Questionnaire



(Definitions)

- A. Investment in physical real estate:** Direct investment in physical real estate or beneficial interest in real estate trust
- B. Investment in J-REIT:** Investment in investment units (stocks) of J-REIT, or purchase of securities investment trust that incorporates J-REIT into portfolio. Indirect investment in J-REIT via securities investment trust.
- C. Investment in foreign REIT:** Investment in investment units (stocks) of foreign REIT, or purchase of securities investment trust that incorporates foreign REIT (also applies to those which partly include J-REIT) into portfolio. Indirect investment in foreign REIT via securities investment trust.
- D. Investment in real estate private funds, etc.:** Investment in real estate funds with private structure (such as “Tokumei Kumiai” anonymous association investment in limited liability company SPC) and investment in other equity-type real estate securitization products (such as investment in preferred equity securities issued by specific purpose company under the Act on Securitization of Assets).
- E. Investment in bonds backed by real estate:** Investment in bond-type real estate securitization products backed by real estate or real estate security loans including CMBS and RMBS.

## (7) Results of Questionnaire Collection

### (A) Collection results by addressee

(figures in parentheses are the actual results of last fiscal year)

Questionnaire addressee		Sent	Collected	Collection rate
<b>Pension fund (A)</b>				
□In principle, extracted from pension funds with total assets of 14 billion yen or more as of March 2008		<b>562</b> <b>(642)</b>	<b>110</b> <b>(114)</b>	<b>19.6%</b> <b>(17.8%)</b>
(A) Breakdown	Employees' pension fund	254 (269)	59 (49)	23.2% (18.2%)
	Defined-benefit pension plans	268 (290)	49 (60)	18.3% (20.7%)
	Qualified retirement pension	14 (44)	1 (1)	7.1% (2.3%)
	Mutual aid association/ Public pension	26 (39)	1 (4)	3.8% (10.3%)
<b>General institutional investor (B)</b>		<b>195</b> <b>(204)</b>	<b>60</b> <b>(72)</b>	<b>30.8%</b> <b>(35.3%)</b>
(B) Breakdown	Life insurer	36 (38)	14 (16)	38.9% (42.1%)
	Nonlife insurer	22 (22)	9 (11)	40.9% (50.0%)
	City bank, etc.	10 (10)	5 (5)	50.0% (50.0%)
	Trust bank	17 (23)	6 (8)	35.5% (34.8%)
	Regional bank/ second-tier regional bank	110 (111)	26 (32)	23.6% (28.8%)
<b>Total (A)+(B)</b>		<b>757</b> <b>(846)</b>	<b>170</b> <b>(186)</b>	<b>22.5%</b> <b>(22.0%)</b>

(B) Collection results by scale of pension assets

Total assets under management (billion yen)	~20 billion yen	Over 20 billion yen~50 billion yen	Over 50 billion yen~100 billion yen	Over 100 billion yen~500 billion yen	Over 500 billion yen	Number of responses
Number of responses from pension fund	53 (36) 48.6% (32.1%)	27 (36) 24.8% (32.1%)	14 (15) 12.8% (13.4%)	15 (22) 13.8% (19.6%)	0 (3) 0.0% (2.7%)	109 (112) 100.0%

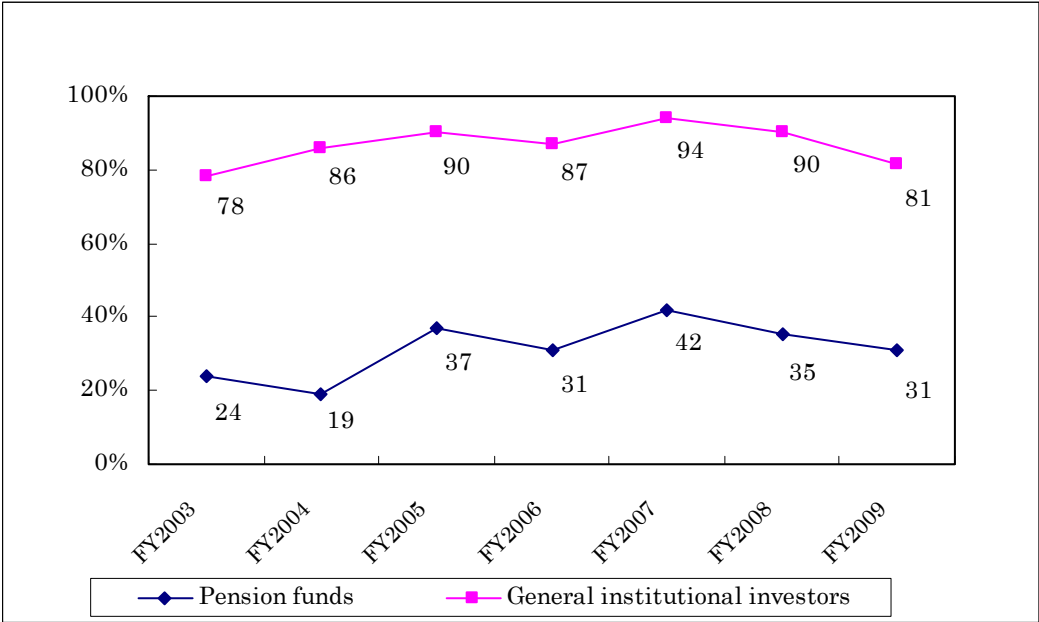
(figures in parentheses are the actual results of last fiscal year)

## 2. Main Content of Questionnaire Survey Results

### (1) The ratio of investors investing in real estate has declined for 2 consecutive years

The ratio of investors investing in physical real estate or real estate securitization products was 31% for pension funds (35% last fiscal year) and 81% for general institutional investors (90% last fiscal year). Both decreases are in continuation to the decreases recorded last fiscal year. Pension funds reverted back to the same level as 3 years ago in fiscal 2006 and general institutional investors reverted back to the same level as 6 years ago in fiscal 2003 [Refer to Figure 1-(1)].

[Figure: 1-(1)] Percentage of Respondents Investing in Physical Real Estate or Real Estate Securitization Products



#### (A) Pension funds: Investment situation is roughly the same, while recognition as a separate asset class has progressed

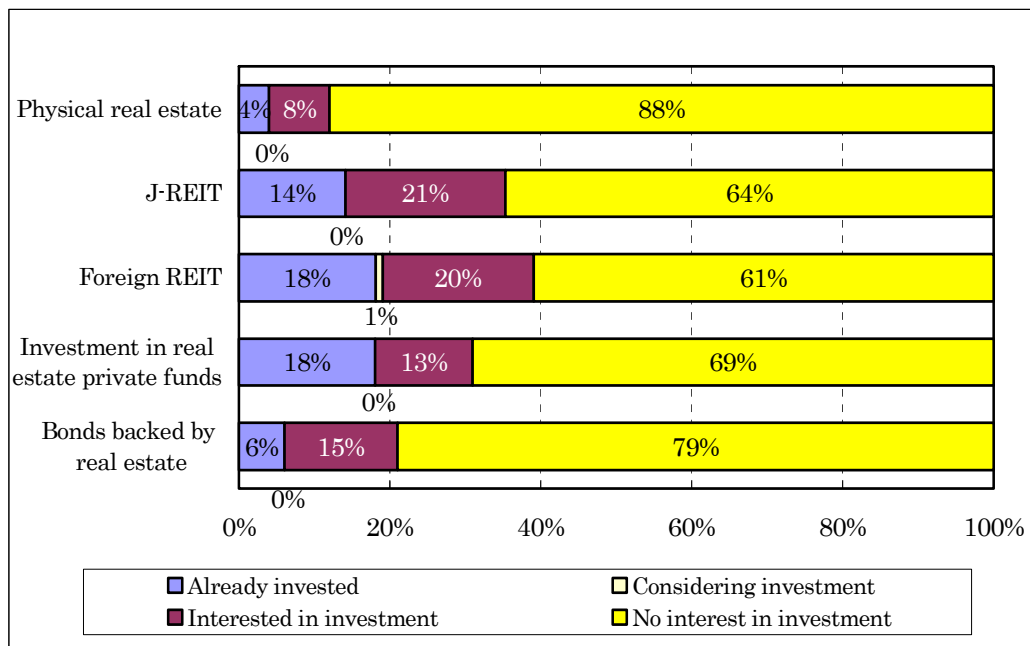
If we look at the investment situation by investment target, we can see that the ratios of those “already invested” in “physical real estate,” “J-REIT,” “real estate private funds” and “bonds backed by real estate” remained the same as last fiscal year, while the ratio of those “already invested” in “foreign REIT” decreased from last fiscal year (23% to 18%). The ratio of pension funds “considering investment” and “interested in investment” declined for all types. On the other hand, in regards to all real estate securitization products, there were 13% to 21% of pension funds who were “interested in investment.” Therefore, we can say that there are a certain amount of potential needs to increase investment [Refer to Figure 1-(2)].

On the other hand, the ratio of pension funds investing in “J-REIT” at “Over 20 billion yen ~ 50 billion yen” in AUM size and those investing in “foreign REIT” at “Over 100 billion yen” in AUM size

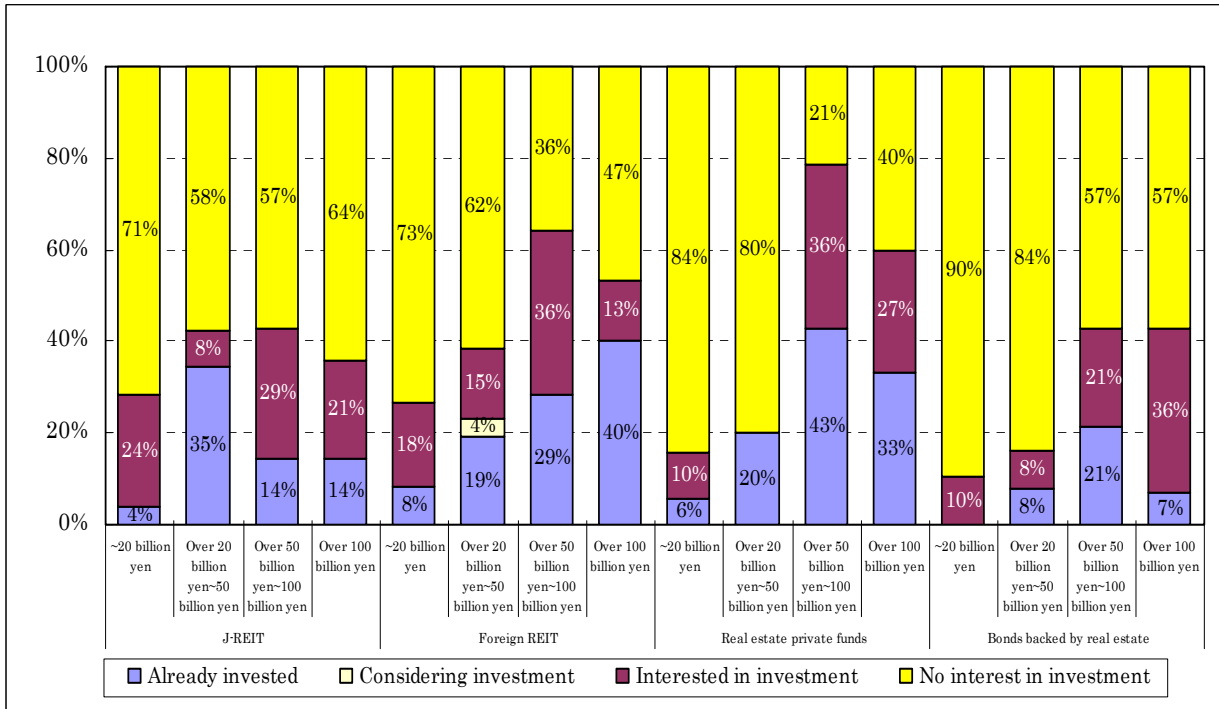
[Refer to Figure 1-(3)] increased compared to last fiscal year. Within these two classifications, there was a relatively large percentage of respondents choosing “considering investment” in last fiscal year’s survey (6% and 9%, respectively) and so we can assess that there were many pension funds that actually made investments during the past year.

As for the distinction of asset class, the ratio of pension funds choosing “real estate as one asset class” increased compared to last fiscal year for all types of real estate securitization products, indicating that the recognition of real estate securitization products as a separate asset class is progressing [Refer to Figure 1-(4)].

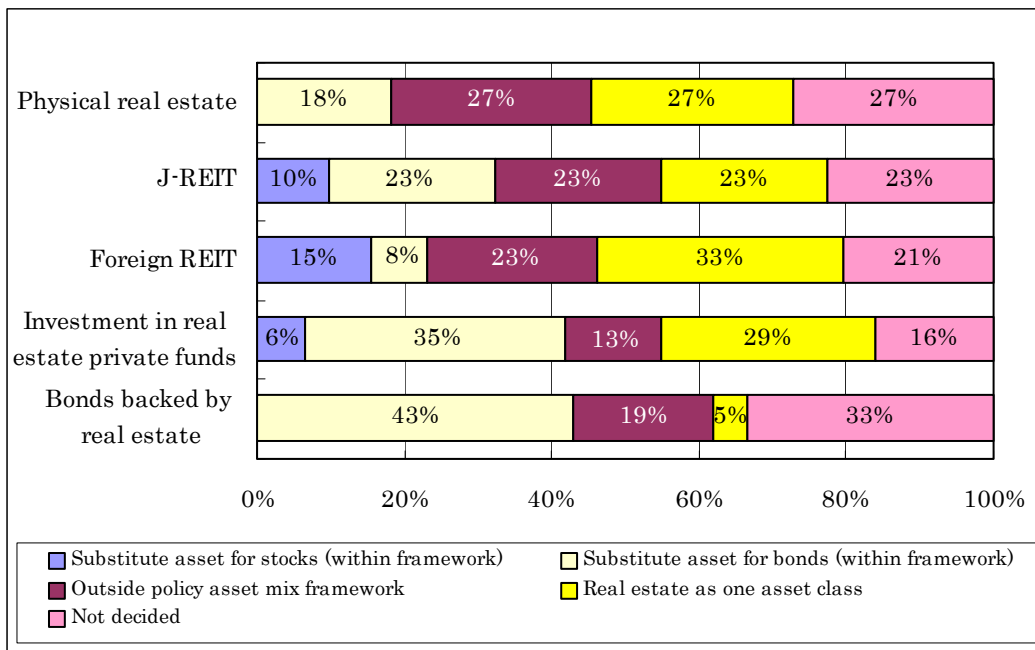
[Figure: 1-(2)] Investment by Investment Target (Pension Funds)



[Figure: 1-(3)] Investment by AUM Size (Pension Funds)



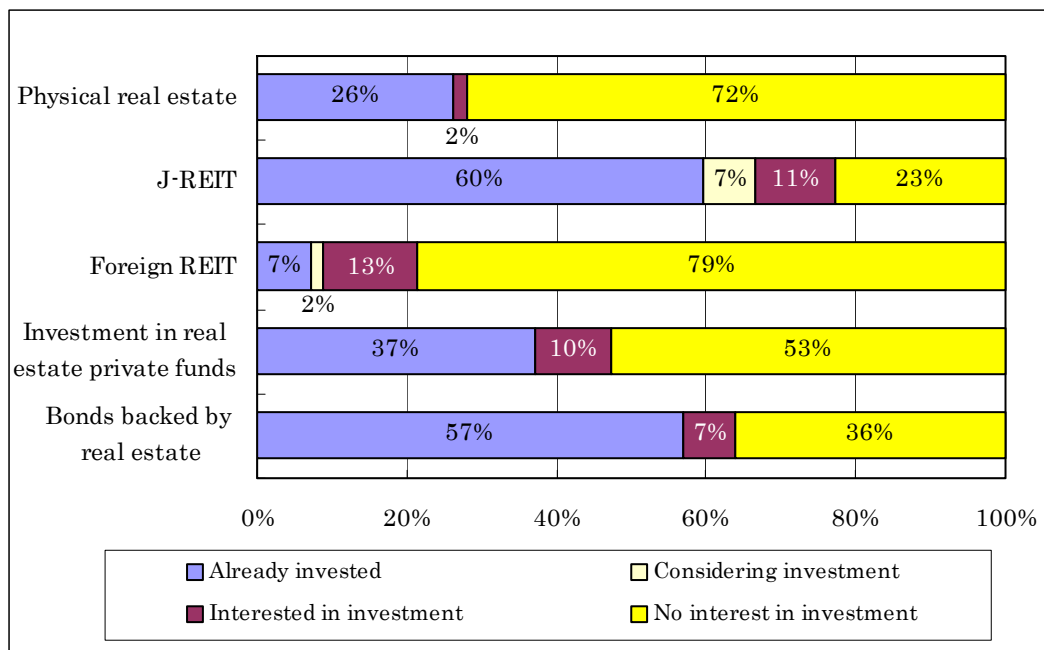
[Figure: 1-(4)] Distinction of Asset Class by Investment Target (Pension Funds)



**(B) General institutional investors: “Investment decreased, while for J-REITs, there are signs of a recovery”**

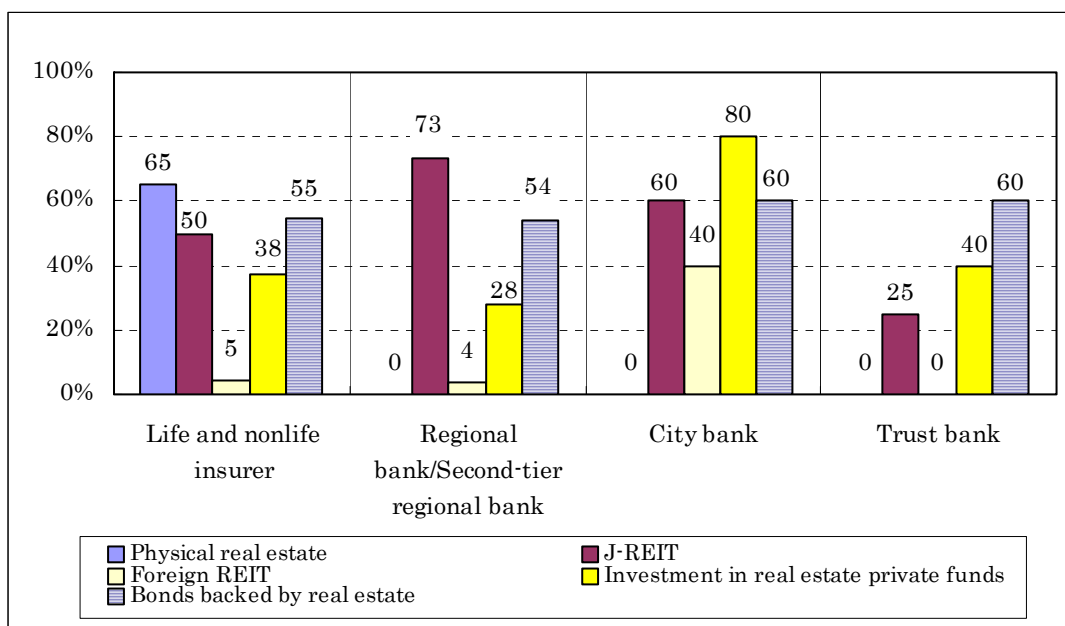
The ratios of general institutional investors who have “already invested” in “J-REIT” and “bonds backed by real estate” decreased (77% to 60% and 64% to 57%, respectively). A somewhat large decrease was seen in those “already invested” in “foreign REIT” when compared to last fiscal year (20% to 7%). On the other hand, there were about 7% of investors who responded that they are “considering investment” in “J-REIT.” If we add to this figure those who are “interested in investment,” it would result in a total of 18%, which creates expectations for a future recovery [Refer to Figure 1-(5)].

[Figure: 1-(5)] Investment by Investment Target (General Institutional Investors)

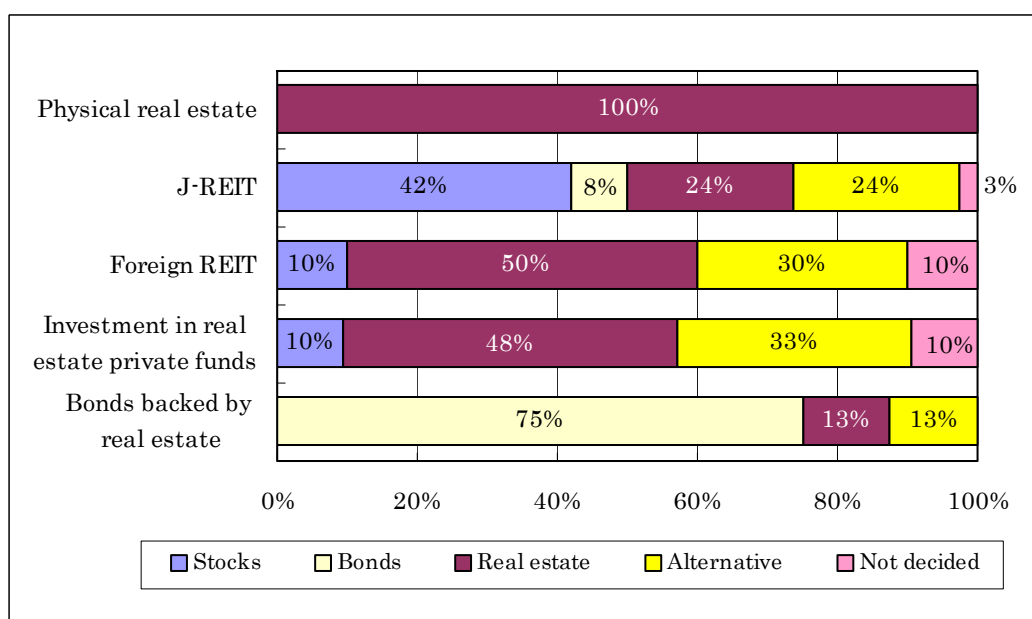


In terms of asset class, the number of respondents who deem “J-REIT” and “foreign REIT” as a separate “real estate” asset class is growing (J-REIT: 19% to 24%; foreign REIT: 21% to 50%), indicating that their heretofore view as an “alternative” is undergoing change [Refer to Figure 1-(7)].

[Figure: 1-(6)] Investment Situation by Attribute (General Institutional Investors)



[Figure: 1-(7)] Distinction of Asset Class by Investment Target (General Institutional Investors)

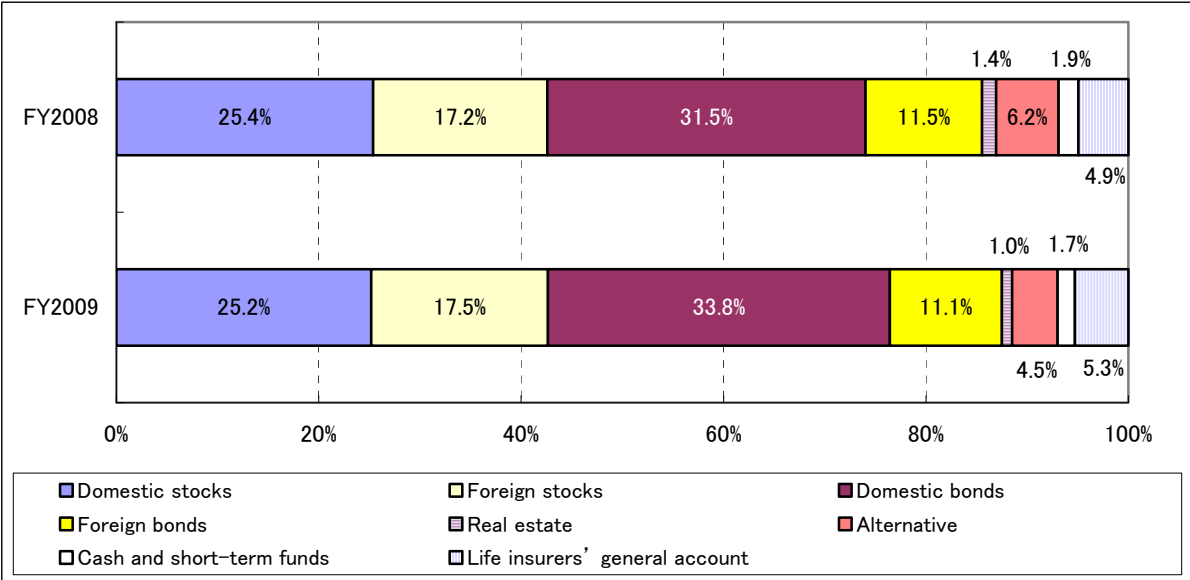


**(2) Asset allocation to “Real estate”: “Decreasing trend for pension funds and remaining at the same level for general institutional investors”**

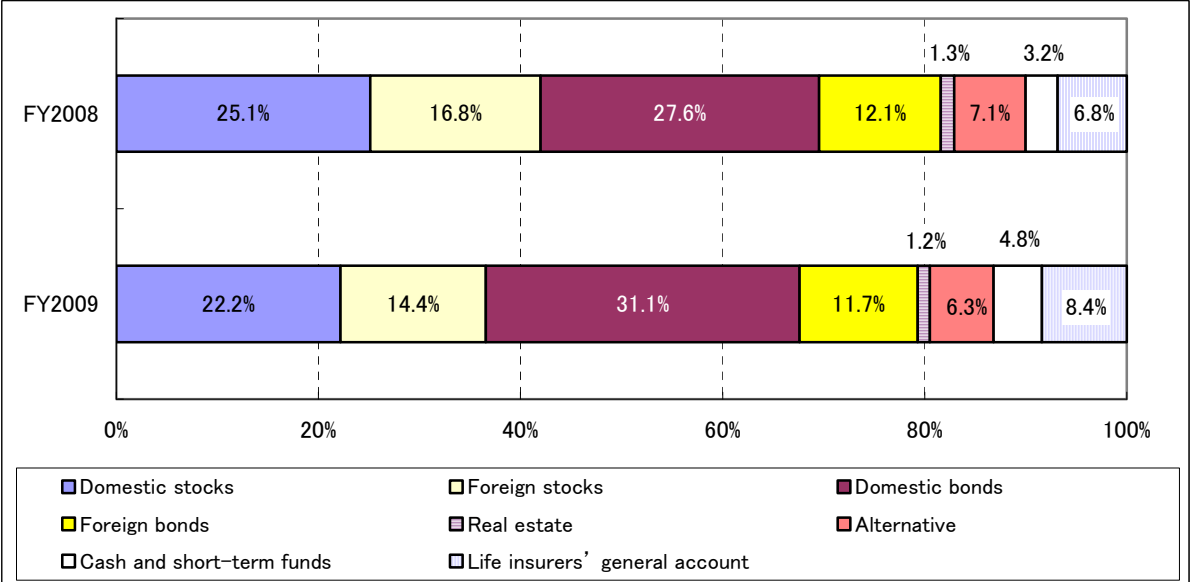
The asset allocation of “real estate” in managed assets (Note: what is included in “real estate” depends on respondent’s definition) in terms of ratio decreased for pension funds as it did last fiscal

year. 1.0% was for policy (target) asset allocation (1.4% last fiscal year) and 1.2% was for current (actual) asset allocation (1.3% last fiscal year). Both were further decreases within a low range. The asset allocation for general institutional investors was 1.3%, or the same as last fiscal year [Refer to Figures 2-(1), 2-(2) and 2-(3)].

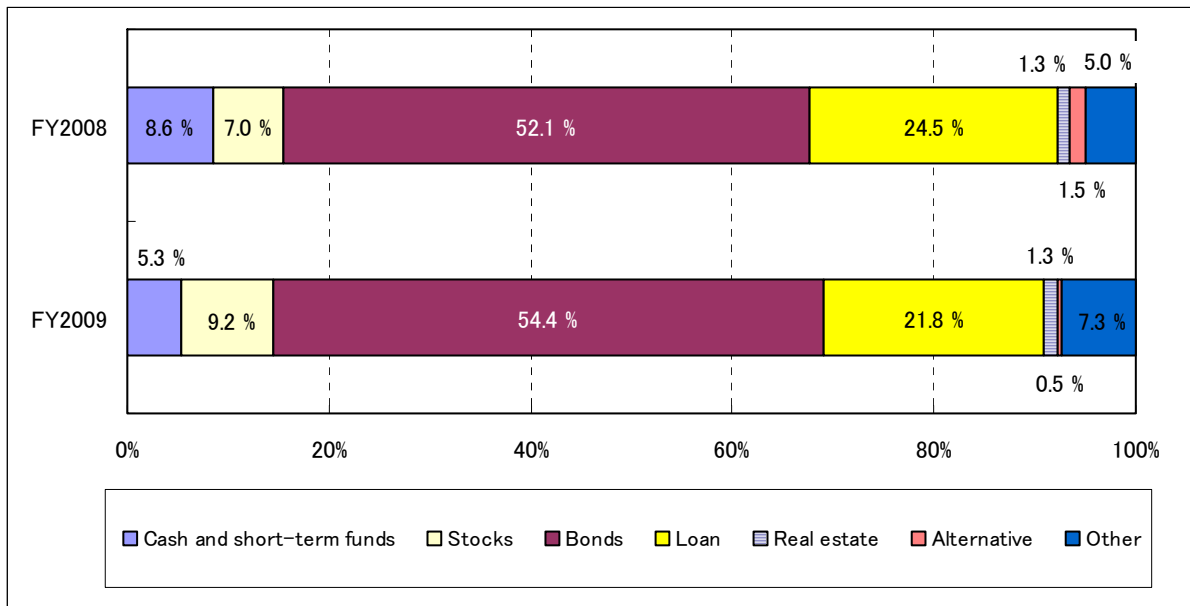
[Figure: 2-(1)] Policy (Target) Asset Allocation (Pension Funds)



[Figure: 2-(2)] Current (Actual) Asset Allocation (Pension Funds)



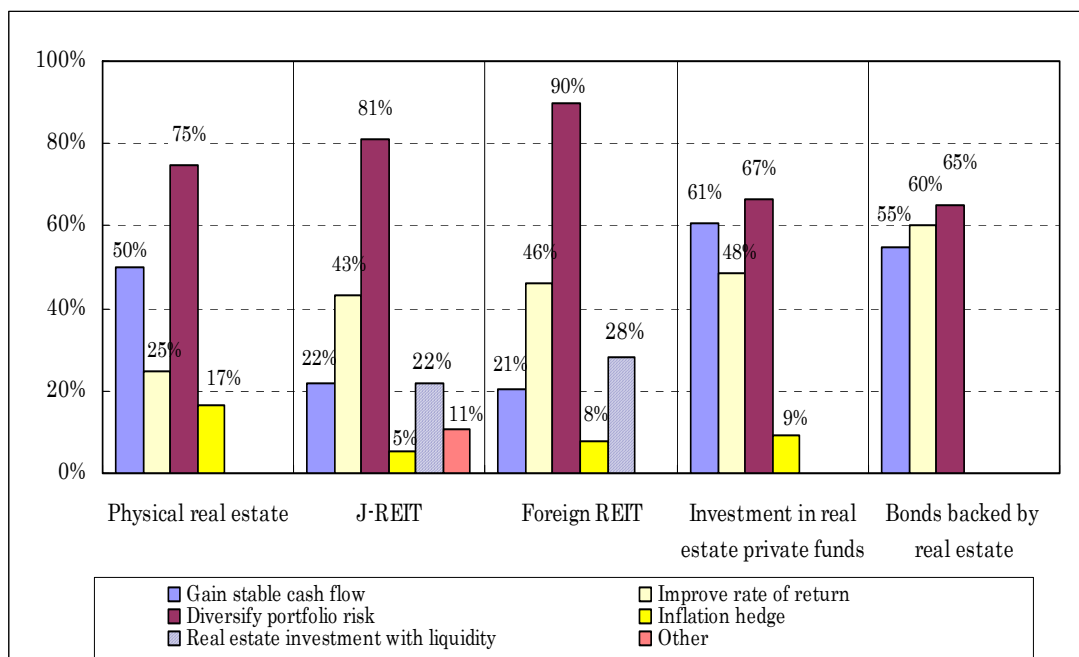
[Figure: 2-(3)] Asset Allocation (General Institutional Investors)



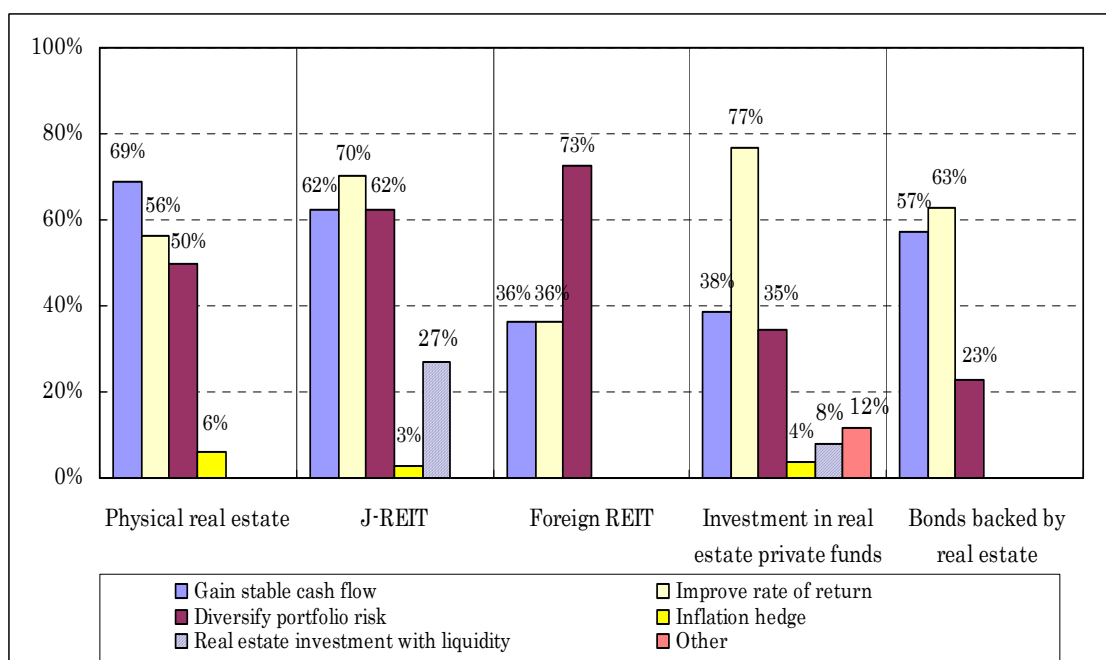
**(3) Continued emphasis centering “Diversification of portfolio risk” as purpose of investment of pension funds**

As for the purpose of investment for all investment targets, the ratios of “diversify portfolio risk,” “improve rate of return” and “gain stable cash flow” were high as they were last fiscal year for respondents who are either “investing,” “considering investing” or “interested in investing.” Moreover, the ratio of pension funds wanting to “diversify portfolio risk,” was particularly high. The results suggest that pension funds place a greater emphasis on risk diversification than on the rate of return with the purpose of conducting long-term, stable management. The ratio of respondents choosing “inflation hedge” decreased both among pension funds and general institutional investors, resulting in a ratio of less than 10% for all real estate securitization products [Refer to Figures 3-(1) and 3-(2)].

[Figure: 3-(1)] Purpose of Investment by Investment Target (Pension Funds)



[Figure: 3-(2)] Purpose of Investment by Investment Target (General Institutional Investors)



**(4) Items of importance when considering investment**

When looking at items of importance when considering investment, the top items were “stability in revenue,” “quality of owned (or acquired) real estate” and “track record and capability of management company” and we see no change in the trend as of late. The level of importance placed by pension funds on “track record and capability of management company” in J-REIT investment is increasing, suggesting that they are becoming more selective of asset management companies for J-REITs [Refer to Figure 4].

[Figure: 4] Items Deemed Important in Considering Investment

	Pension fund		General institutional investor	
Physical real estate	1st	Stability in revenue (2nd)	1st	Stability in revenue (2nd)
	2nd	Quality of acquired real estate (1st)	2nd	Return on investment (3rd)
	3rd	Liquidity (3rd)	3rd	Quality of acquired real estate (1st)
J-REIT	1st	Stability in revenue (1st)	1st	Content of owned assets (2nd)
	2nd	Track record and capability of management company (5th)	2nd	Stability in revenue (1st)
	3rd	Content of owned assets (2nd)		Track record and capability of management company (3rd)
Foreign REIT	1st	Stability in revenue (1st)	1st	Content of owned assets (2nd)
	2nd	Correlation to other assets (2nd)	2nd	Track record and capability of management company (1st)
		Liquidity (3rd)	3rd	Liquidity (4th)
Investment in real estate private funds	1st	Stability in revenue (3rd)	1st	Quality of real estate owned by fund (2nd)
	2nd	Track record and capability of management company (2nd)	2nd	Track record and capability of management company (1st)
	3rd	Quality of real estate owned by fund (1st) / Return on investment (4th)	3rd	Return on investment (4th)

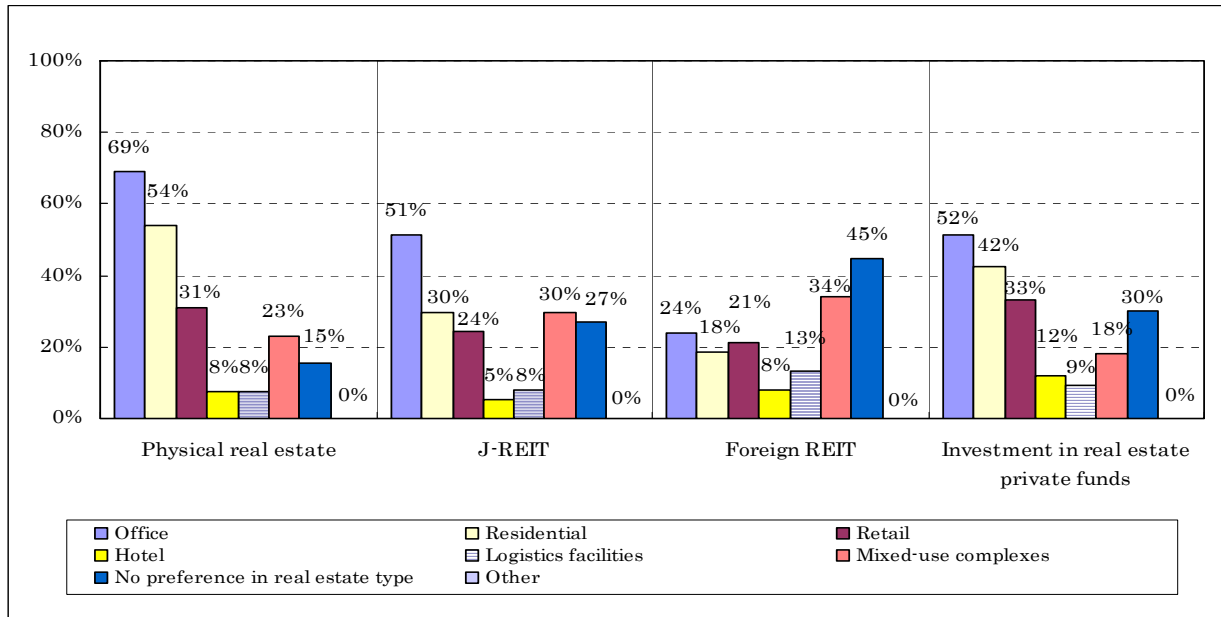
Figures in parentheses show the ranking for last fiscal year.

**(5) Type of property: “Office” and “retail” decreased, while “residential” increased for pension funds**

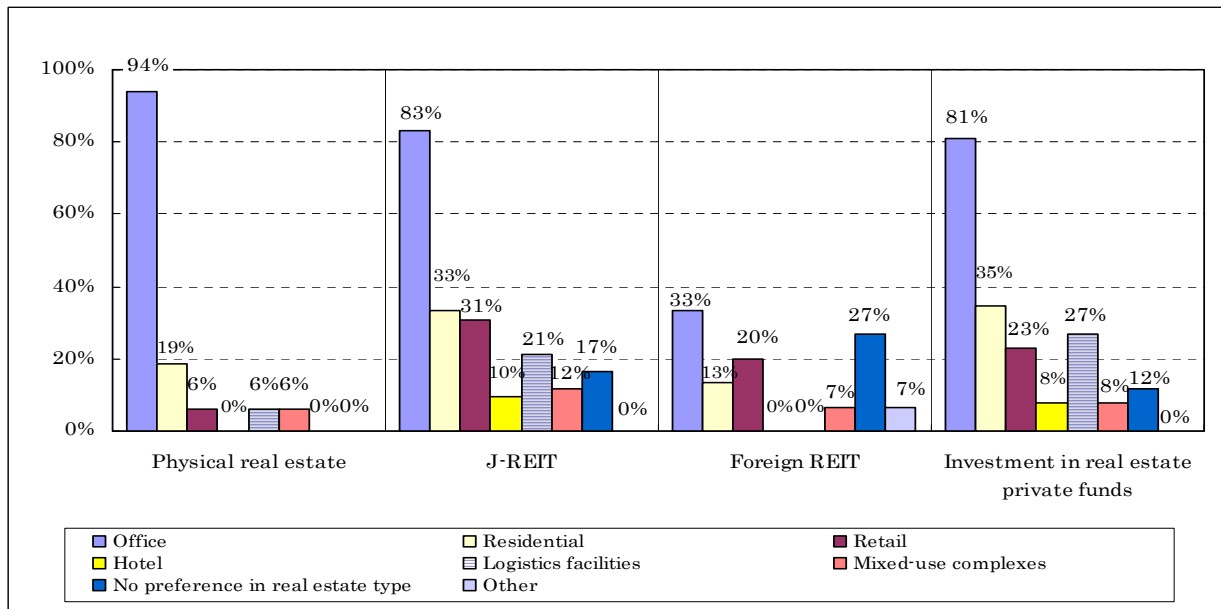
As for the type of real estate that is of interest as an investment target, the ratio of “office” and “retail” for pension funds decreased in comparison to last fiscal year, while the ratio of “residential” increased [Refer to Figure 5-(1)]. Interest in office and retail as investment targets decreased, which is said to easily receive the impact of economic conditions (refer to (9) below regarding the

sudden worsening of the future outlook for office rent). Looking at these results, we presume that the reason is because of the reviews being conducted on residential, for which rental revenue is thought to be relatively stable even during a depression. On the other hand, it is assumed that general institutional investors will continue to focus mainly on offices as targets for investment [Refer to Figure 5-(2)].

[Figure 5-(1)] Properties of Interest as Investment Targets (Pension Funds)



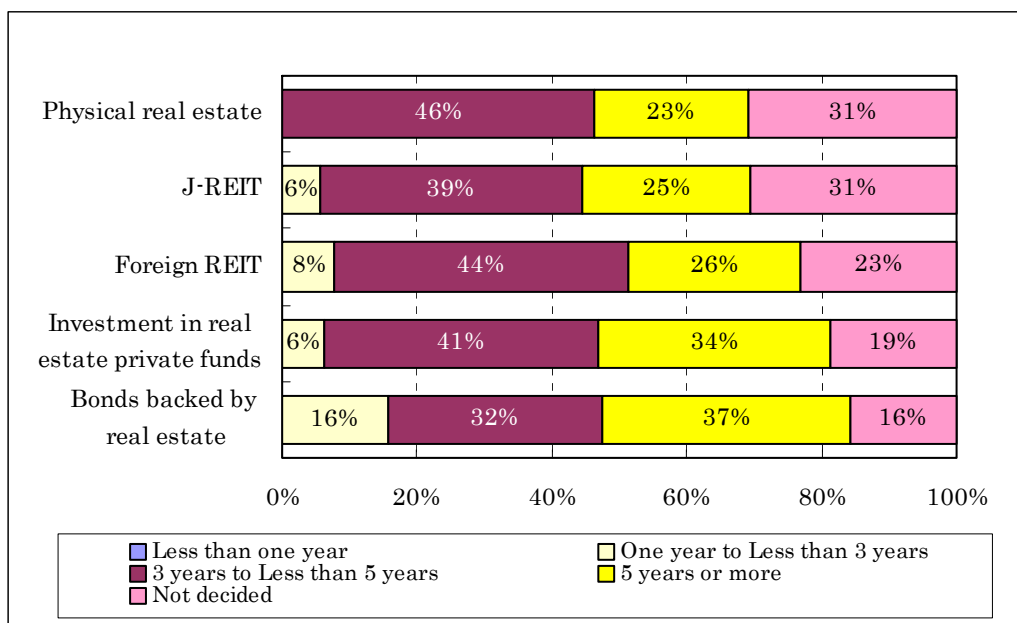
[Figure 5-(2)] Properties of Interest as Investment Target (General Institutional Investors)



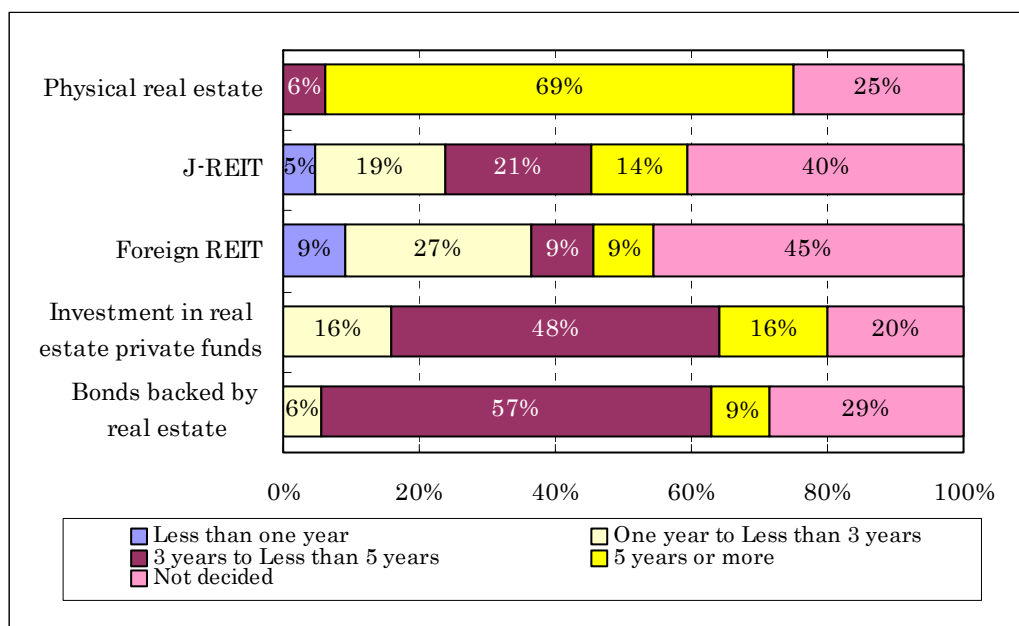
**(6) Investment period: “Shortening trend among general institutional investors”**

When looking at investment periods by investment target, while pension funds are assuming medium- to long-term investment of 3 years or more as have done so previously, general institutional investors are showing a tendency for a slightly shorter term investment [Refer to Figures 6-(1) and 6-(2)]. Specially, there have appeared general institutional investors who have answered “less than one year” of investing in “J-REIT” and “foreign REIT,” which was a response not seen in the previous fiscal year. From these results, we can assume that there are appearing some investors whose purpose is to obtain short-term capital gain, amidst the present situation where investment unit (stock) prices are moving at a historically low level. From the nature of their managed funds, pension funds are able to conduct longer term investment than general institutional investors and so the difference between the two types of investors in terms of investment attitude has become more pronounced, amidst a flagging market.

[Figure: 6-(1)] Investment Period of Investments (Pension Funds)



[Figure: 6-(2)] Investment Period of Investments (General Institutional Investors)



**(7) While the expected rates of return on J-REITs are rising for general institutional investors, they seem to be undervalued**

The average expected rate of return on investment by investment target indicated a significantly upward trend for general institutional investors compared to the previous fiscal year [Refer to Figure 7]. The rate of increase for J-REITs by general institutional investors also largely outpaced that of pension funds. The results showed that a clear difference in character exists in terms of investment between pension funds and general institutional investors, as was the case with the investment period. Moreover, the expected rates of return on physical real estate are almost the same both for pension funds and general institutional investors. Based on these results, we can presume that the reason is most probably because general institutional investors investing in physical real estate are limited to life insurers and nonlife insurers and that the nature of their managed funds (long-term) is similar to that of pension funds.

Furthermore, as for the adequacy of the current yield gap between J-REIT dividend yield and long-term interest rates (spread), 65.0% of general institutional investors responded, “too great” (43.6% for fiscal 2008 and 3.6% for fiscal 2007). The feeling that investment unit (stock) prices of J-REITs are undervalued is growing and the ratio of general institutional investors showing interest in investment is increasing compared to the previous fiscal year [Refer to Figure 1-(5) above].

[Figure: 7] Expected Rate of Return on Investment (ROI) by Investment Target

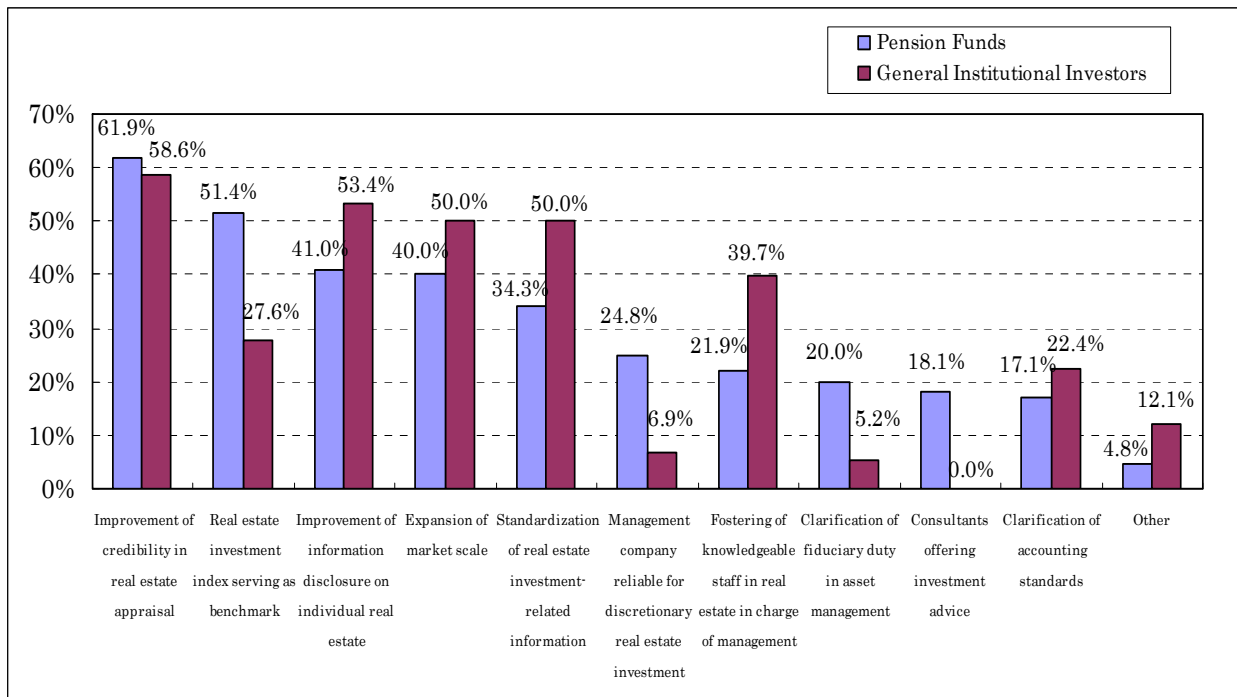
	Pension fund				General institutional investor			
	FY2006	FY2007	FY2008	FY2009	FY2006	FY2007	FY2008	FY2009
Physical real estate	5.0%	8.2%	6.0%	5.7%	6.0%	5.6%	6.0%	5.9%
J-REIT	6.1%	5.9%	5.6%	5.7%	5.8%	5.6%	5.3%	6.7%
Foreign REIT	-	6.9%	6.2%	5.8%	-	6.3%	7.0%	13.0%
Investment in real estate private funds	7.6%	7.4%	6.8%	6.9%	9.6%	9.2%	9.3%	10.4%
Bonds backed by real estate	4.4%	4.2%	5.2%	5.7%	3.8%	2.1%	2.7%	2.9%

\*Figures for FY 2006 were reached by multiplying the average of each range by the number of responses and dividing it by the number of funds (companies) that gave valid responses. This is because respondents were asked their expected rates of return on investment in ranges. Furthermore, the question regarding foreign REITs was newly established in fiscal 2007.

**(8) “Improvement of credibility in real estate appraisal” as the major challenge of priority**

The major challenge of utmost priority in real estate investment pointed out by both pension funds and general institutional investors alike was the “improvement of credibility in real estate appraisal.” This was the second consecutive year that this challenge was chosen by both [Refer to Figure 8-(1)]. The importance of credibility in real estate appraisal is increasing as the basis for conducting real estate investment, against a backdrop of the difficulty in obtaining market prices as a result of the issue of the significant drop in real estate prices and transaction volumes that also significantly declined. Furthermore, the demand for improvements in the investment environment is deep-rooted, such as the demand for “expansion of market scale,” “improvement of information disclosure on individual real estate,” “standardization of real estate investment-related information,” etc. Pension funds still have strong demand for the “real estate investment index serving as benchmark,” as a measure for management performance, while for general institutional investors, who actually manage funds, the fostering of knowledgeable staff in real estate remains a strong challenge.

[Figure: 8-(1)] Prerequisites for Real Estate Investment



Moreover, when respondents not interested in investment in physical real estate and real estate securitization products were asked the “reason for not investing,” the mainstream response was “market conditions not favorable” for all investment targets as was the case last fiscal year. “Scarce information on individual funds” and “do not understand product attributes” also ranked among the top as before, showing that improvements also need to be made on the business operators’ side by giving explanations to investors, etc. [Refer to Figure 8-(2)].

In regards to J-REIT, “higher correlation with stocks” (2nd for pension funds) and “high volatility of investment unit prices” (3rd for general institutional investors) ranked among the top.

[Figure: 8-(2)] Reason for Not Investing in Physical Real Estate/Real Estate Securitization Products

	Pension fund		General institutional investor	
Physical real estate	1st	Low liquidity (1st)	1st	Low liquidity (1st)
	2nd	Market conditions not favorable (5th)	2nd	Market conditions not favorable (5th)
	3rd	No understanding of physical real estate attributes (2nd)	3rd	Scarce information on individual case (2nd)
J-REIT	1st	Market conditions not favorable (1st)	1st	Market conditions not favorable (2nd)
	2nd	Higher correlation with stocks (-)	2nd	Low liquidity (-)
	3rd	Scarce information on individual funds (3rd)	3rd	High volatility of investment unit prices (3rd)

	Pension fund		General institutional investor	
Foreign REIT	1st	Scarce information on individual funds (2nd)	1st	Scarce information on individual funds (1st)
	2nd	Do not understand product attribute (1st)	2nd	Market conditions not favorable (-)
	3rd	Market conditions not favorable (-)	3rd	Foreign exchange risk (-)
Investment in real estate private fund	1st	Scarce information on individual funds (2nd)	1st	Low liquidity (-)
	2nd	Do not understand product attribute (1st)	2nd	Scarce information on individual funds (1st)
	3rd	Low liquidity (-)	3rd	Market conditions not favorable (3rd)
Bond backed by real estate	1st	Do not understand product attribute (1st)	1st	Low liquidity (-)
	2nd	Scarce information on individual case (2nd)	2nd	Scarce information on individual case (1st)
	3rd	Low liquidity (-) / Market conditions not favorable (4th)	3rd	Market conditions not favorable (3rd)

\*Excluding "other." Figures in parentheses show the ranking for last fiscal year. The mark, (-) is a new choice established this fiscal year.

### **(9) Future outlook of the market (indicator) shows a significant deterioration**

According to indicators that suggest the future outlook of the financial and capital markets as well as the real estate market in the coming year, there is a forecast of a recovery of stock prices. However, forecasts for land prices and office rent showed a significant deterioration compared to last fiscal year [Refer to Figure 9]. It is worthy of mention that for indicators for office rent, pension funds recorded minus 52 points while general institutional investors recorded minus 70 points, indicating that pessimism is strong. It seems that this is having an impact on the selection of property type for investment target [Refer to (5) above].

[Figure: 9] Future Outlook on Financial/Capital Market and Real Estate Market (in coming year)

	Pension fund		General institutional investor	
	FY2008	FY2009	FY2008	FY2009
Long-term interest rates	55	54	48	27
Stock prices	54	53	38	31
Land prices	1	-25	-17	-53
Office rent	4	-52	9	-70
Expected yield	12	5	31	25
Yield gap	3	2	6	13

\* Indicator: Value obtained when subtracting the ratio (%) of respondents that said "downtrend" from the ratio (%) of respondents that said "uptrend." "0" is the equilibrium. Plus indicates forecast of an uptrend and minus indicates that of a downtrend. The closer the value is to 100, the stronger the trend.