



## News Release

A09-243

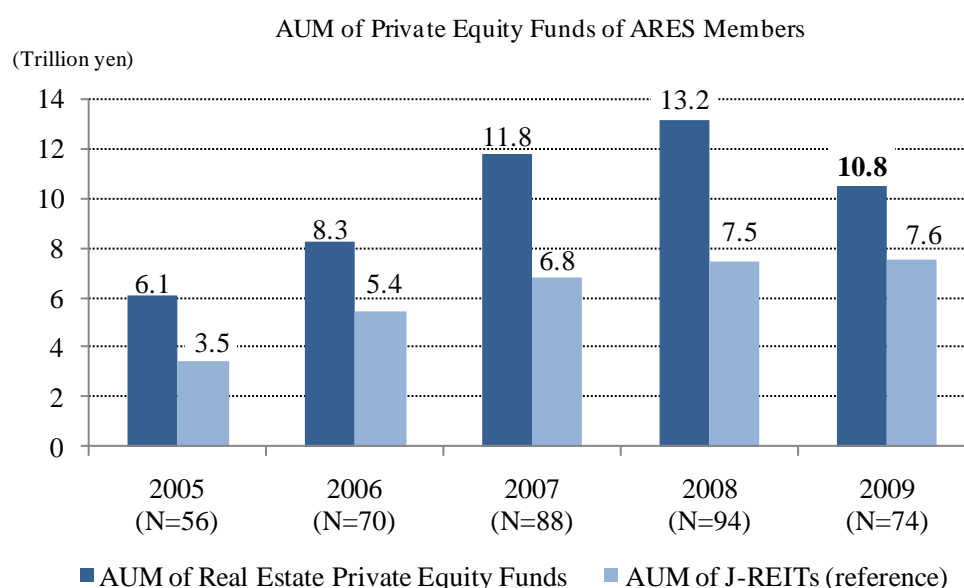
March 1, 2010

The Association for Real Estate Securitization

### Results of the 5th Survey on Members Regarding Actual Condition of Real Estate Private Equity Funds

The association for real estate securitization (ARES) has conducted its “5th Survey on Members Regarding Actual Condition of Real Estate Private Equity Funds,” targeting regular and supporting members of ARES (Chairman: Hiromichi Iwasa, who is also President and CEO of Mitsui Fudosan Co., Ltd.) (Number of respondents: 133 members).

As of the end of December 2009, the total value of assets under management (AUM) for real estate private equity funds that are managed by members was 10.8 trillion yen. This was a decrease of 2.3 trillion yen (17.7%) from last year. However, the main cause of this decrease was the decrease in the number of respondents. The actual amount of decrease comparable to last year’s data was only slight at 107.6 billion yen (a decrease of 1.0%). Therefore, it is assumed that Japan’s real estate private equity fund market remained roughly the same size during 2009.



(Note) AUM is based on acquisition price as of the end of December of each year.  
N equals the number of respondents who currently are managing a fund(s).

(Note)		(Unit: Billion yen)
(1)	AUM as of the end of 2008	13,165.7
(2)	AUM as of the end of 2009	10,834.4
(3)	Change ((2)-(1))	-2,331.2
(4)	Percentage Change ((3)/(1))	-17.7%
*Member companies who responded both to the 2008 and 2009 Surveys		
(1)	AUM as of the end of 2008	10,942.1
(2)	AUM as of the end of 2009	10,834.4
(3)	Change ((2)-(1))	-107.6
(4)	Percentage Change ((3)/(1))	-1.0%

} Net decrease

Furthermore, as for the planned management period of funds, around 60% of respondents in 2006 and 2007 responded less than 3 years, whereas in the 5th Survey, the percentage of the same declined to 24.9%. The percentage of those responding 5 years or more (including “unlimited”) grew to 38.8%, indicating that more management periods are becoming medium- to long-term.

\*Please refer to the following pages for details of the 5th Survey’s results.

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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5th Survey on Members Regarding Actual Condition of Private Equity Funds  
-December 2009-

Results of the 5th Survey on Members Regarding Actual Condition of  
Real Estate Private Equity Funds

## 《Overview of the Survey》

- Survey organization: The Association for Real Estate Securitization (ARES)
- Survey target: Regular and supporting members of ARES  
(Note) Excluding law firms, accounting firms, certified tax accountant firms, audit firms, appraisal firms, asset management companies for J-REITs, etc.
- Number of survey addressees: 142 companies  
(Note) In the case where 1 company out of members who form a group responds as a representative of that group, that group's response is counted as a response from 1 company
- Total number of respondents: 133 companies (Response rate: 93.7%)
- Survey time: As of the end of December 2009 (Questionnaire collection period: December 7, 2009 to February 17, 2010)
- Survey method: Survey sheets sent and received by e-mail

## 《Results by Question》

## [1] Management of Real Estate Private Equity Funds (N=133)

- Managing funds 74 companies (55.6%)
- Considering starting management within 1 year 0 companies (0.0%)
- Not managing funds 59 companies (44.4%)

## [2] Number of respondents by AUM Size (N=74)

- Less than 50 billion yen 26 companies (35.1%)
- 50 billion yen ~ Less than 100 billion yen 12 companies (16.2%)
- 100 billion yen ~ Less than 300 billion yen 23 companies (31.1%)
- 300 billion yen or more 13 companies (17.6%)

## [3] Registration Status under the Financial Instruments and Exchange Act (N=72)

(Note) Question to companies who responded, "Managing funds" to Question [1] (multiple answers allowed)

- Investment management business 49 companies (68.1%)
- Investment advisory and agency business 67 companies (93.1%)
- Second financial instruments business 68 companies (94.4%)
- Comprehensive real estate investment advisory business  
46 companies (63.9%)

(Note) Percentage out of the total number of companies who responded

5th Survey on Members Regarding Actual Condition of Private Equity Funds  
-December 2009-

[4] Overview of Funds

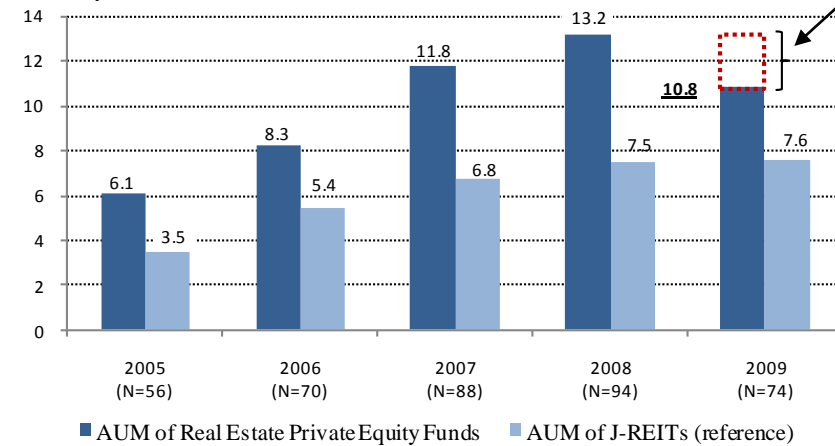
- AUM 10.8344 trillion yen (N=74)
- Number of managed funds 689 funds (N=72)
- Total number of properties owned by funds 2,963 properties (N=72)

(Note) Based on acquisition price

(Note) Breakdown of the Decrease (2.3312 trillion yen)

- Difference due to decrease in the number of respondents: 2.2236 trillion yen (95.4%)
- Decrease as a result of sale of property or redemption of funds: 107.6 billion yen (4.6%)

Figure 1: Changes in AUM of Private Equity Funds of ARES Members  
(Trillion yen)



(Note) AUM is based on acquisition price as of the end of December of each year

**- AUM of private equity funds of ARES members is 10.8 trillion yen-**

AUM of real estate private equity funds of ARES members as of the end of 2009 is 10.8344 trillion yen (-17.7% year-on-year). Out of the difference from last year (decrease of 2.3312 trillion yen), 2.2236 trillion yen was due to a decrease in the number of respondents, while 107.6 billion yen, or only a slight amount, was the result of sale of property or redemption of funds out of data comparable to last year's (-1.0%).

Therefore, it is assumed that Japan's real estate private equity fund market remained roughly the same size during 2009.

Figure 2: Changes in Number of Private Equity Funds

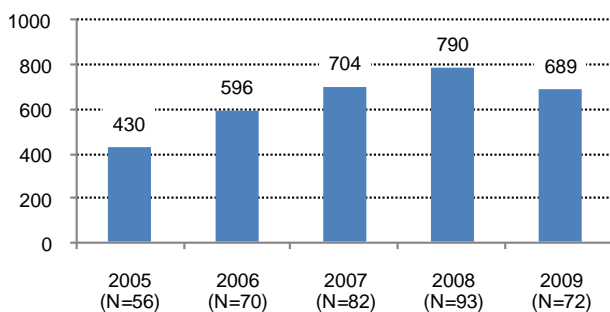
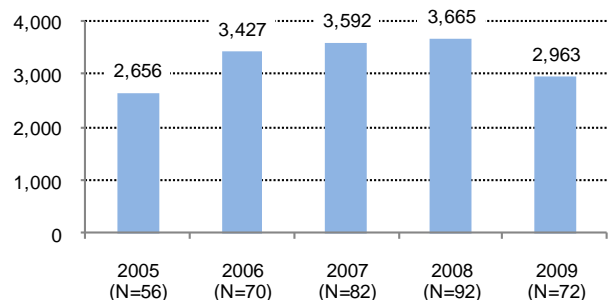
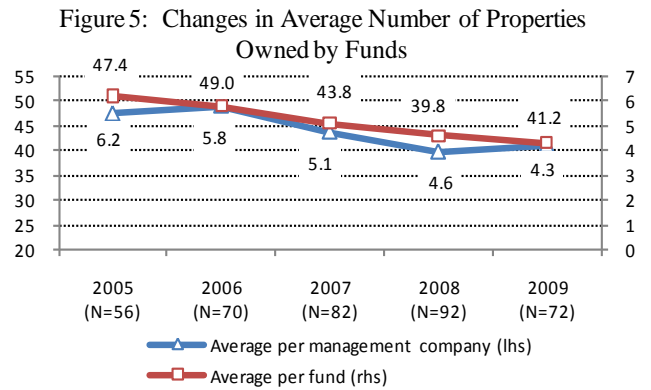
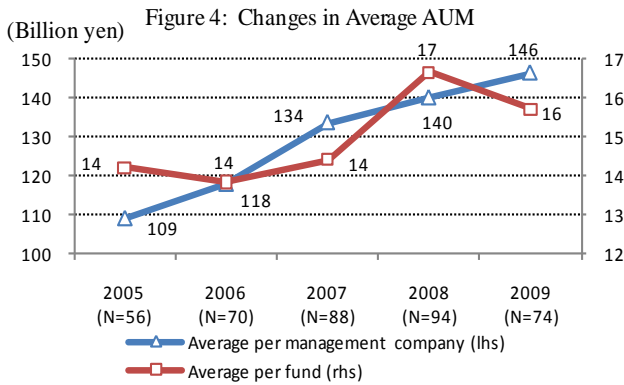


Figure 3: Changes in Number of Properties Owned by Private Equity Funds



5th Survey on Members Regarding Actual Condition of Private Equity Funds  
-December 2009-

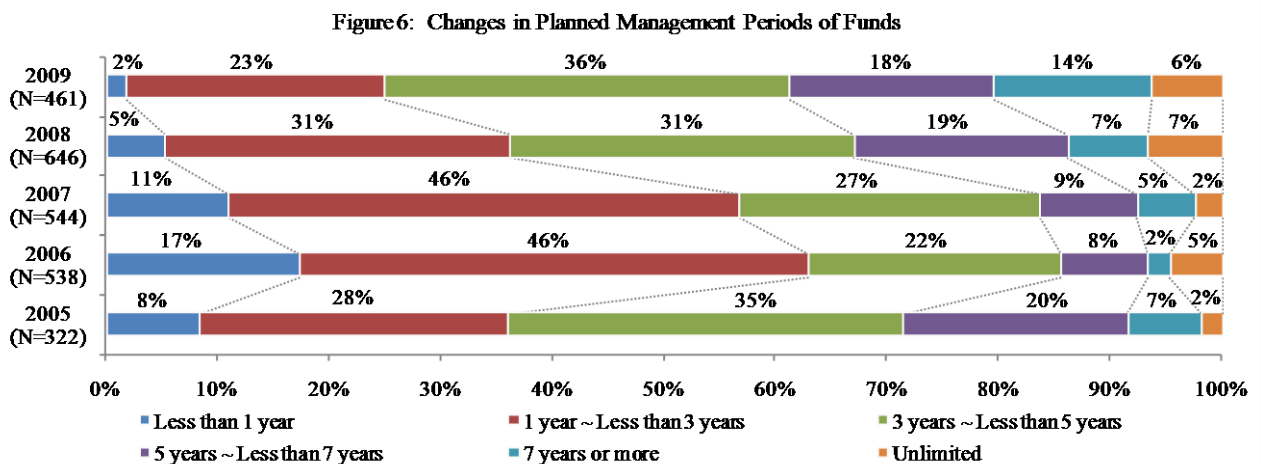


[5] Planned management periods of funds (N=461)

- Less than 1 year: 8 funds (1.7%)
- 1 year ~ Less than 3 years: 107 funds (23.2%)
- 3 years ~ Less than 5 years: 167 funds (36.2%)
- 5 years ~ Less than 7 years: 85 funds (18.4%)
- 7 years or more: 65 funds (14.1%)
- Unlimited: 29 funds (6.3%)

**- Management periods are being shifted from short-term to medium- to long-term -**

As for the planned management period of funds, around 60% of responses was less than 3 years in 2006 and 2007. However, this percentage has steadily decreased since then, resulting in around 25% in 2009 (Figure 6). On the other hand, the percentage of those responding 5 years or more (including “unlimited”) grew to around 40%, indicating that more management periods are becoming medium- to long-term.



5th Survey on Members Regarding Actual Condition of Private Equity Funds

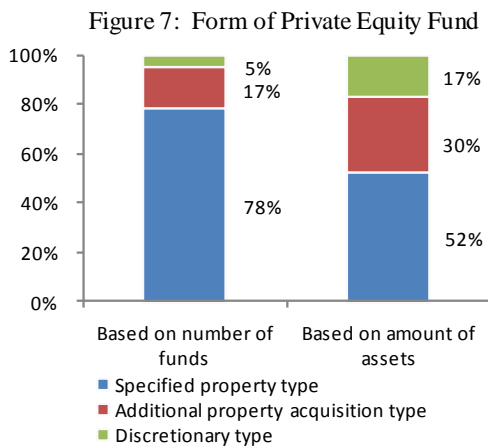
-December 2009-

[6] Form of private equity fund

(N=546)

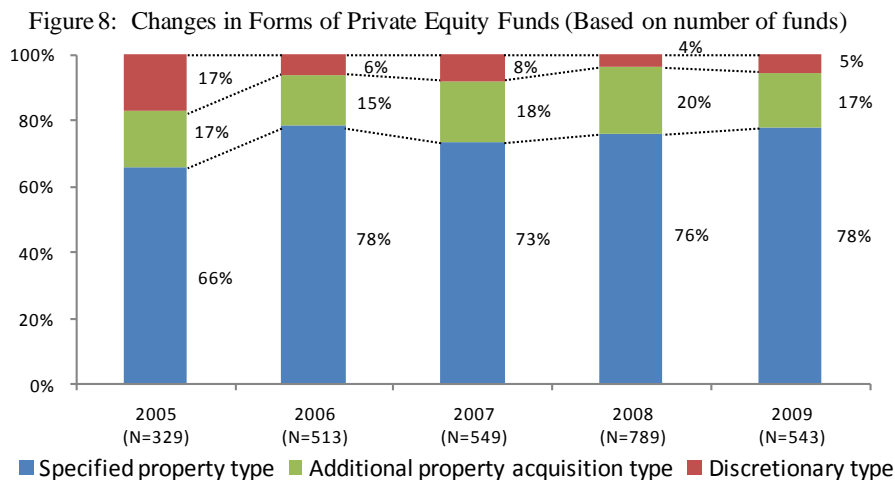
	Specified property type	Additional property acquisition type	Discretionary type
Number of funds	425 (77.8%)	91 (16.7%)	30 (5.5%)
Amount of assets	4,004.5 bn yen (52.2%)	2,326.7 bn yen (30.3%)	1,342.7 bn yen (17.5%)
Average per fund	9.42 bn yen	25.57 bn yen	44.76 bn yen

Since the amount of assets per fund greatly differs



according to the form of the private equity fund (average amount of assets per specified property type: 9.42 billion yen; per additional property acquisition type: 25.57 billion yen; per discretionary type: 44.76 billion yen), a great difference results between the composition based on the number of funds and composition based on amount of assets (Figure 7). When based on number of funds, 78% are specified property type. However when based on amount of assets, this type drops to 52%, meaning that additional property acquisition type and discretionary type funds comprise roughly half the total.

No great changes can be observed in the composition of forms of private equity funds in recent years (Figure 8).



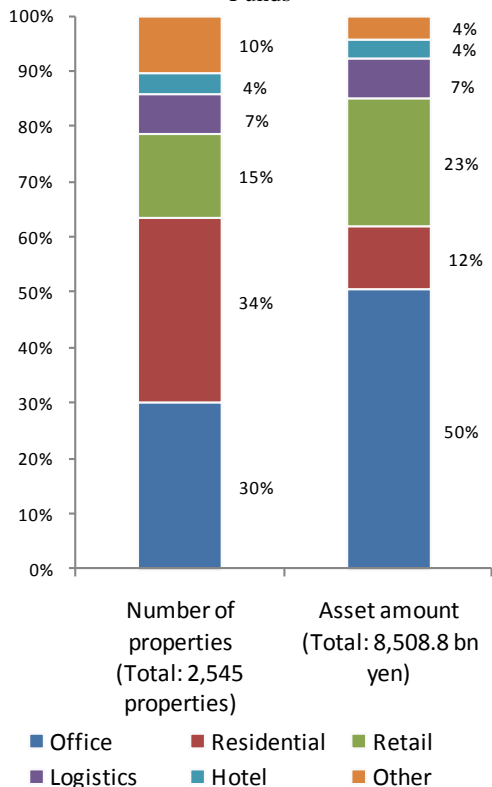
(Note) Specified property type: Property to be acquired is determined before establishing the fund  
 Additional property acquisition type: Some of the property to be acquired is determined before establishing the fund, but additional properties are acquired after establishing the fund  
 Discretionary type: Property to be acquired is not determined before establishing the fund and property is acquired at the discretion of the asset manager based on certain criteria (blind-pool type)

5th Survey on Members Regarding Actual Condition of Private Equity Funds  
-December 2009-

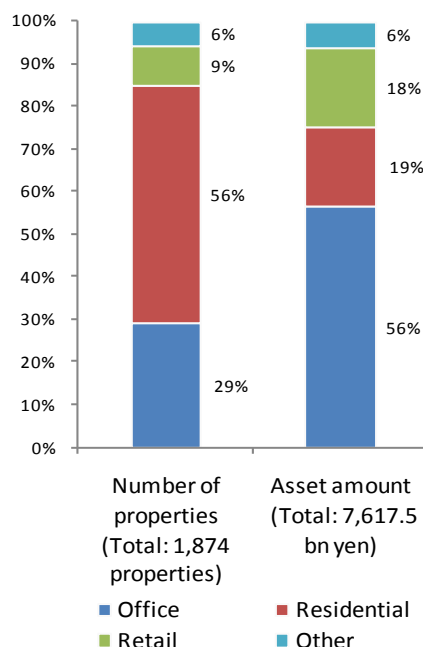
[7] Property type of real estate owned by funds (N=2,545)

	Office	Housing	Commercial facilities	Distribution facilities	Hotel	Other
Number of properties	765 (30.1%)	853 (33.5%)	385 (15.1%)	180 (7.1%)	99 (3.9%)	263 (10.3%)
Asset amount	4,449.9 bn yen (50.4%)	1,023.0 bn yen (11.6%)	2,024.7 bn yen (22.9%)	645.2 bn yen (7.3%)	321.0 bn yen (3.6%)	369.3 bn yen (4.2%)
Average per property	5.82 bn yen	1.20 bn yen	5.26 bn yen	1.22 bn yen	3.24 bn yen	1.40 bn yen

Figure 9: Property Type of Real Estate Owned by Funds



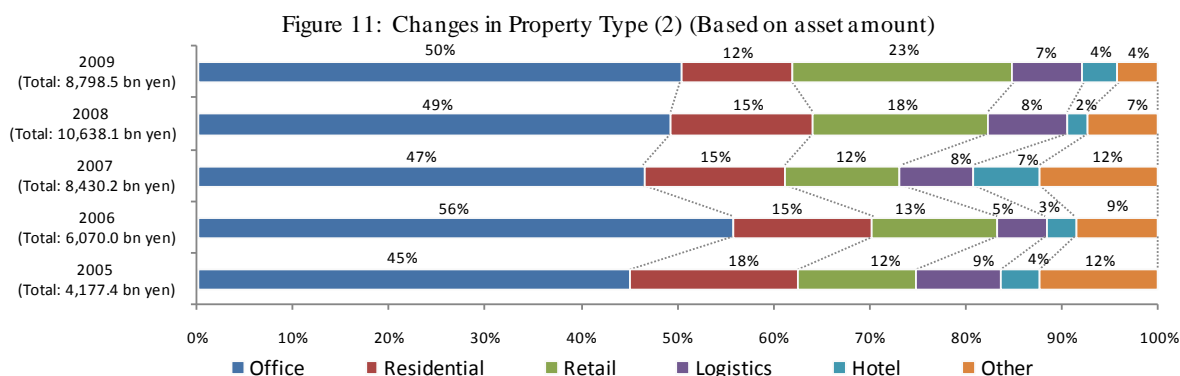
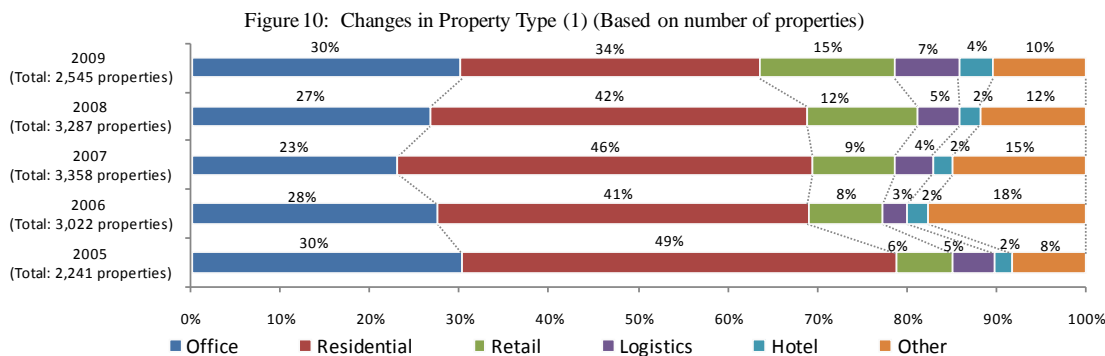
[Reference] Property Type of Real Estate Owned by J-REITs



(Note) As of December 2009  
Asset amount is the disclosed appraised amount  
(Source) Compiled based on publicized materials of the Investment Trusts Association, Japan

A look at the breakdown of property type based on number of properties reveals that both offices and housing comprise around 30%. However when based on asset amount, offices comprise 51% of the total, while commercial facilities follows by comprising 23% of the total. When compared with real estate owned by J-REITs, it is noteworthy that private equity funds have a higher investment ratio for distribution facilities (the equivalent to the total of “Distribution facilities,” “Hotel,” and “Other” in Figure 9 is “Other” in the “Reference” Figure).

5th Survey on Members Regarding Actual Condition of Private Equity Funds  
-December 2009-



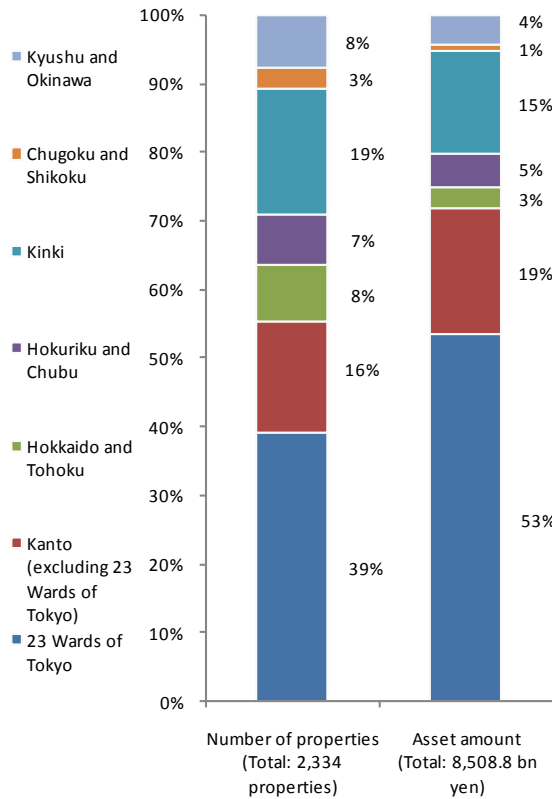
[8] Location of real estate owned by funds (N=2,334)

	23 Wards of Tokyo	Kanto (Note)	Hokkaido and Tohoku	Hokuriku and Chubu	Kinki	Chugoku and Shikoku	Kyushu and Okinawa
Number of properties	914 (39.2%)	376 (16.1%)	189 (8.1%)	173 (7.4%)	432 (18.5%)	69 (3.0%)	181 (7.8%)
Asset amount	4,529.4 bn yen (53.2%)	1,576.3 bn yen (18.5%)	254.5 bn yen (3.0%)	414.1 bn yen (4.9%)	1,267.3 bn yen (14.9%)	94.0 bn yen (1.1%)	373.3 bn yen (4.4%)
Average per property	4.96 bn yen	4.19 bn yen	1.35 bn yen	2.39 bn yen	2.93 bn yen	1.36 bn yen	2.06 bn yen

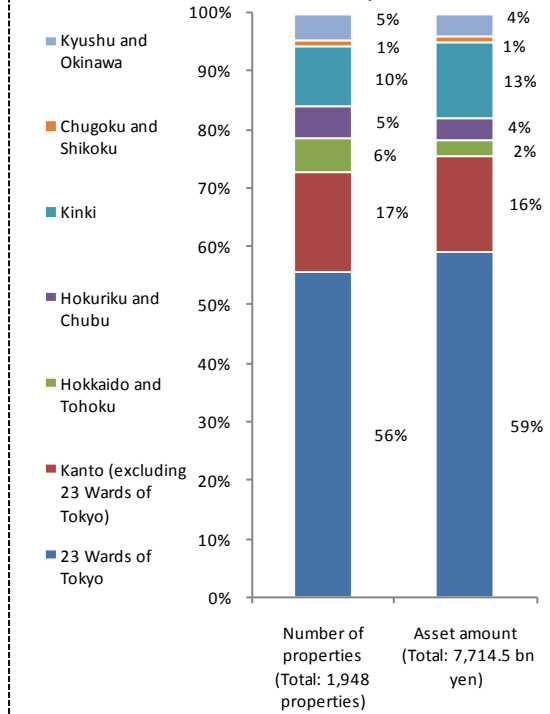
(Note) Excluding the 23 Wards of Tokyo

5th Survey on Members Regarding Actual Condition of Private Equity Funds  
-December 2009-

Figure 12: Distribution of Location



[Reference] Distribution of Location of Real Estate Owned by J-REITs



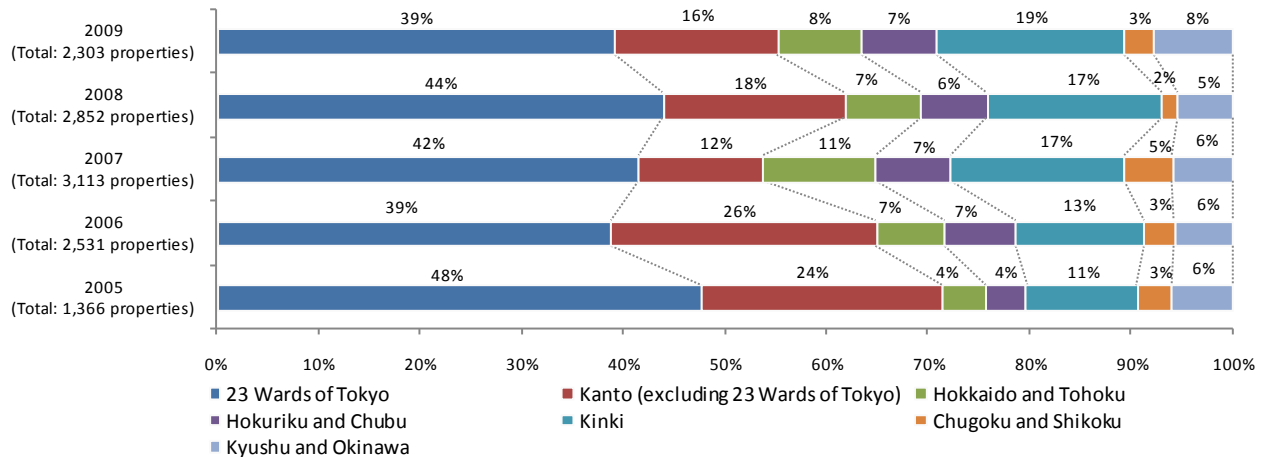
(Note) As of the end of December 2009  
(Source) Compiled based on publicized materials of the J-REITs

A look at the distribution of location of real estate owned reveals that the 23 Wards of Tokyo comprises 53% of the total, while this percentage combined with the rest of the Kanto area comprises over 70% (both based on asset amount; Figure 12).

When compared with real estate owned by J-REITs, the distribution of real estate owned by private equity funds is roughly the same if based on asset amount.

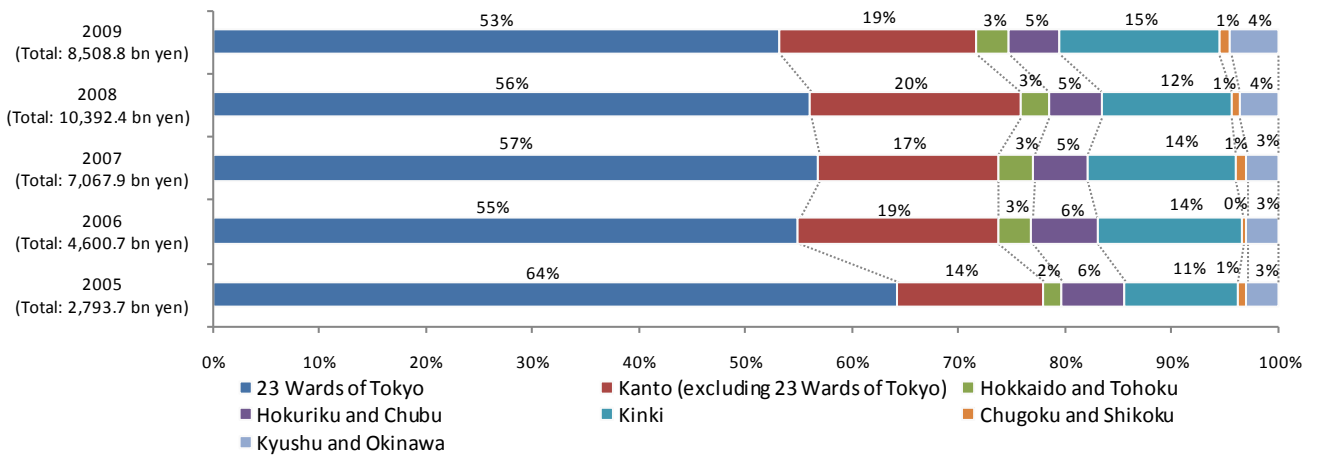
No great change can be observed even when compared to the previous survey (Figure 13 and 14).

Figure 13: Annual Changes in Distribution of Location (1) (Based on number of properties)



5th Survey on Members Regarding Actual Condition of Private Equity Funds  
-December 2009-

Figure 14: Annual Changes in Distribution of Location (2) (Based on asset amount)

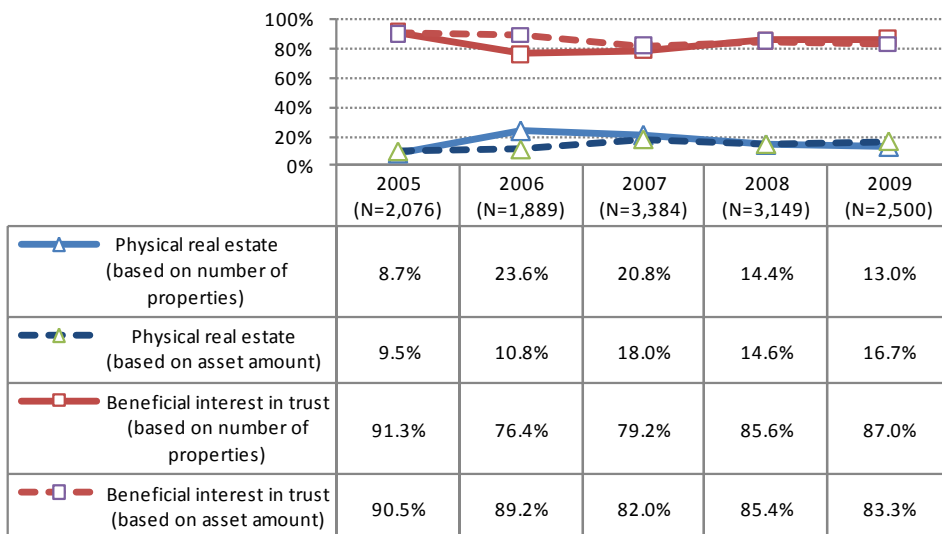


[9] Legal Form of Real Estate Owned by Funds (N=2,500)

	Physical real estate	Beneficial interest in trust
Based on number of properties	326 properties (13.0%)	2,174 properties (87.0%)
Based on asset amount	1,475.1 bn yen (16.7%)	7,359.3 bn yen (83.3%)
Average per property	4.52 bn yen	3.39 bn yen

Over 80% of real estate are owned in the form of beneficial interests in trust, which is a high ratio. Ownership of physical real estate remains below 20%.

Figure 15: Changes in Legal Form of Owned Real Estate



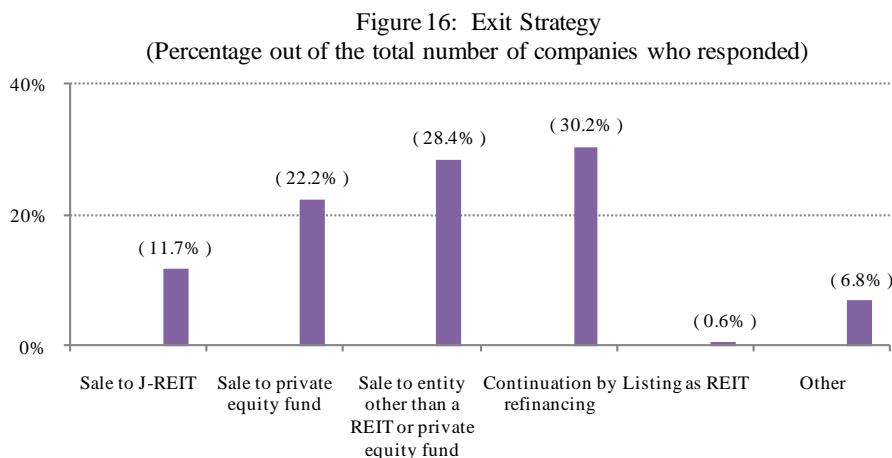
5th Survey on Members Regarding Actual Condition of Private Equity Funds  
-December 2009-

[10] Exit strategy (N=62)

(Note) The most likely exits to be chosen during the next year (multiple answers allowed)

		Out of total responses	Out of total respondents
Sale to J-REIT	19	( 11.7% )	30.6%
Sale to private equity fund	36	( 22.2% )	58.1%
Sale to entity other than a REIT or private equity fund	46	( 28.4% )	74.2%
Continuation by refinancing	49	( 30.2% )	79.0%
Listing as REIT	1	( 0.6% )	1.6%
Other	11	( 6.8% )	17.7%
Total	162	( 100.0% )	

In terms of exit strategy, the percentage of “Sale to private equity fund” decreased, which suggests that companies are considering various options, including refinancing (Figures 16 and 17). One company chose “Listing as REIT.”



(Note) Starting from the 2009 Survey, items “Sale to entity other than a REIT or private equity fund” and “Continuation by refinancing” were added.

Prior to 2008, respondents were asked to write the number of funds applicable for each item. From 2009, this format was changed from answering the number of funds to a multiple choice format where the number of companies who responded are tabulated for each item.

■ Target of the Survey

The target of this survey is real estate private equity funds 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]

5th Survey on Members Regarding Actual Condition of Private Equity Funds

-December 2009-

- Listed J-REITs (including those unlisted)
- Products stipulated under the Real Estate Syndication Business Law/Real Estate Specified Joint Enterprise Law
- CMBS or RMBS

■ Definitions of terms for this survey

1) Real estate private equity fund

Among real estate securitization products which targets investment in real estate (including beneficial interests in real estate trust), a product in which financing obtained through vehicles is conducted through private offering.

\* Real estate owned by the fund (vehicle) are physical real estate or beneficial interests in real estate trust. Funds targeting investment in CMBS or RMBS are not subject to this questionnaire survey.

2) Management

The act of undertaking operation and management of a fund (vehicle) (asset management).

3) Area classification:

[Central 5 Wards of Tokyo] Chiyoda Ward, Minato Ward, Chuo Ward, Shinjuku Ward, Shibuya Ward

[Kanto Area] Ibaraki, Tochigi, Gunma, Saitama, Chiba, Tokyo (excluding 23 Wards), Kanagawa

[Hokkaido and Tohoku Areas] Hokkaido, Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima

[Hokuriku and Chubu Areas] Niigata, Toyama, Ishikawa, Fukui, Yamanashi, Nagano, Gifu, Shizuoka, Aichi

[Kinki Area] Shiga, Kyoto, Nara, Mie, Wakayama, Osaka, Hyogo

[Chugoku and Shikoku Areas] Tottori, Shimane, Okayama, Hiroshima, Yamaguchi, Tokushima, Kagawa, Ehime, Kochi

[Kyushu and Okinawa Areas] Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, Okinawa

\*Definitions of other terms are according to what is presented in each question.

(Note) Tabulations and analyses of this questionnaire survey were conducted by proper staff of ARES' secretariat and information of individual companies will not be disclosed to anyone else. Furthermore, please note that we cannot respond to inquiries other than inquiries concerning matters presented in this report.

<For inquiries, please contact the following>

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