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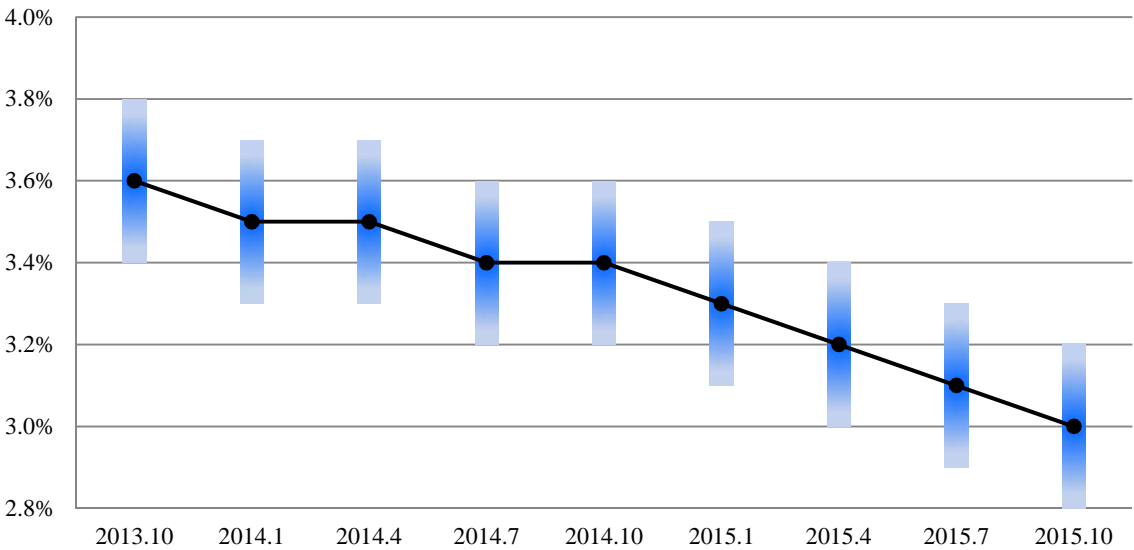
DAIWA REAL ESTATE MARKET REPORT

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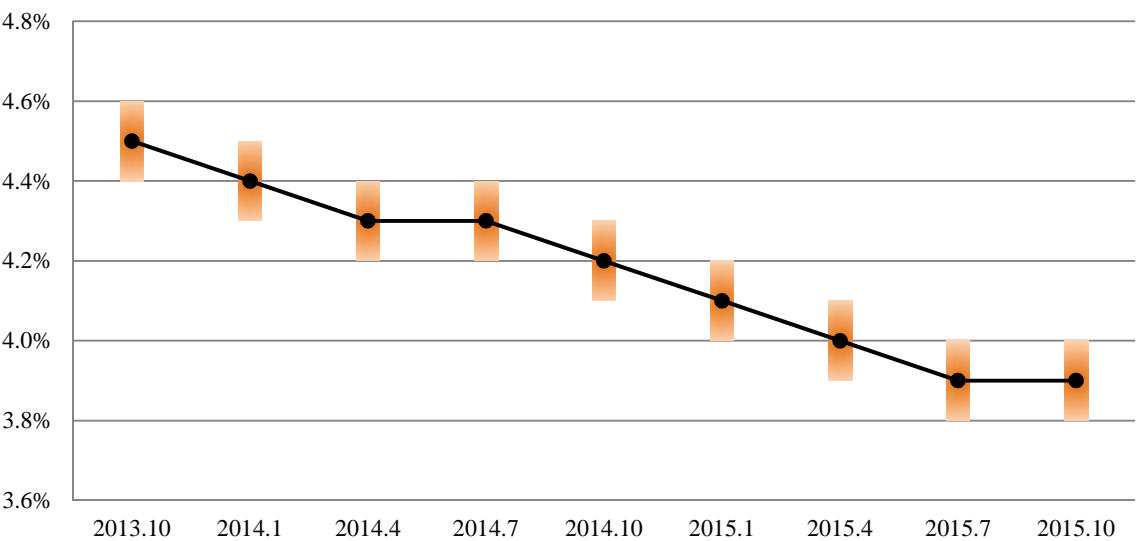
Daiwa's Trend of Cap Rate by Property Segment

Office Cap Rate Trend



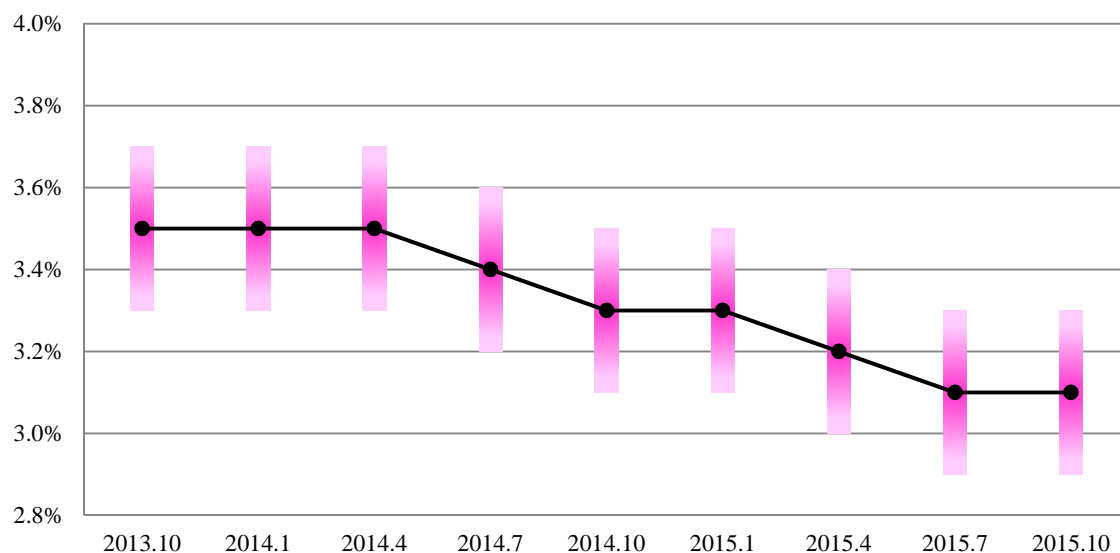
※ The trend of Cap Rate for Grade-A offices in the Marunouchi, Otemachi, and Yurakucho areas

Residence Cap Rate Trend



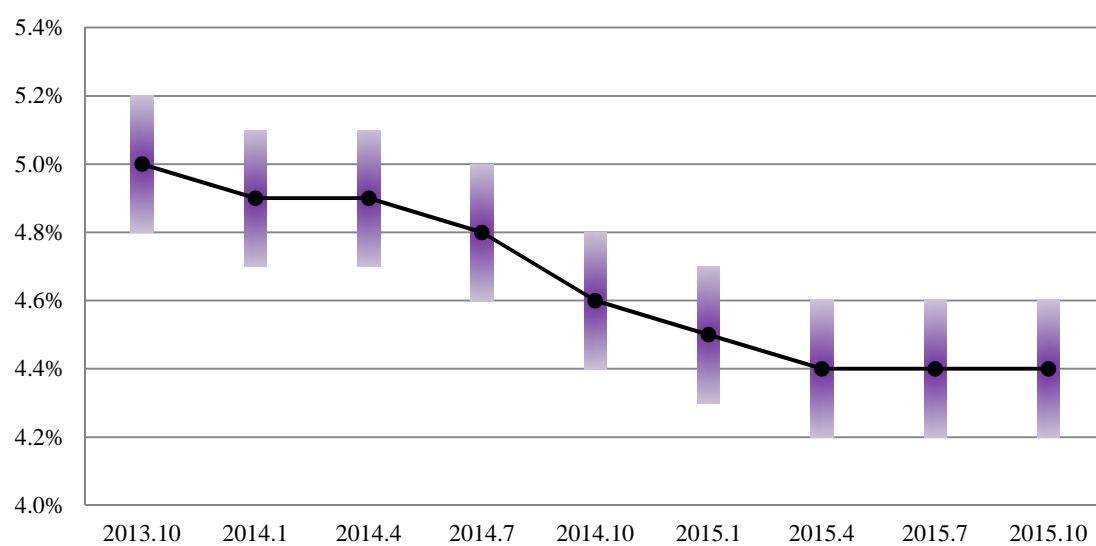
※ The trend of Cap Rate for high-spec and middle-size to large-size apartments in the prestige residential areas in Minato-ku, Shibuya-ku, and Chiyodaku

Retail (Urban area) Cap Rate Trend



※ The trend of Cap Rate for retail buildings on main streets in the Ginza area

Retail (Suburban area) Cap Rate Trend



※ The trend of Cap Rate for large-size shopping centers with gross building area of 30,000 m² and over in Tokyo

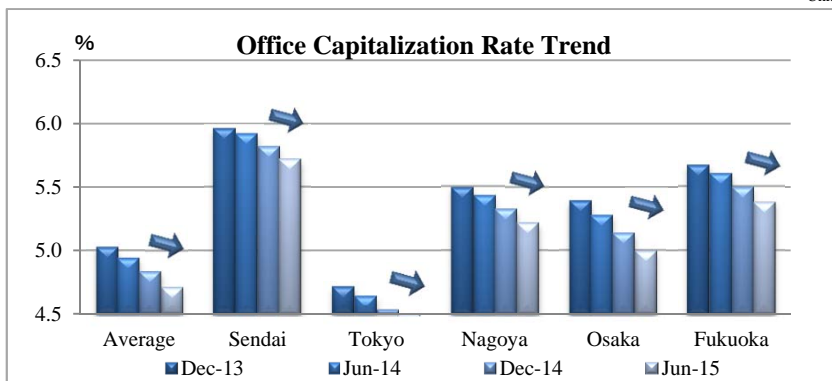
Capitalization Rate Office

Capitalization rate still on a downward trend in all areas

The capitalization rate in Jun. 2015 continued on a downward trend in all areas, the same as the previous period. When the decline between this term and the last term are arranged from highest to lowest, it declined by 0.14 points in Osaka, by 0.12 points in Fukuoka, by 0.11 points in Tokyo and Nagoya, by 0.10 points in Sendai. The national average dropped by 0.13 points to 4.71%.

	Dec-13	Jun-14	Dec-14	Jun-15
Average	5.03	4.94	4.84	4.71
Sendai	5.96	5.92	5.82	5.72
Tokyo	4.72	4.64	4.54	4.43
Nagoya	5.50	5.43	5.33	5.22
Osaka	5.39	5.28	5.14	5.00
Fukuoka	5.67	5.61	5.50	5.38

Unit: %



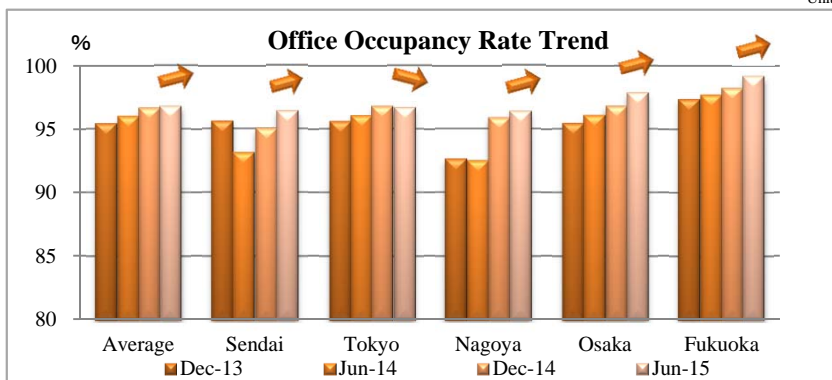
Occupancy Rate Office

Occupancy rate still on an upward trend

The occupancy rate in Jun. 2015 has remained high at more than 96% in all areas, which made the national average more than 96%. When the increase between this term and the last term are arranged from highest to lowest, it increased by 1.38 points in Sendai, by 1.05 points in Osaka, by 0.94 points in Fukuoka, by 0.50 points in Nagoya, and declined by 0.09 points in Tokyo quarter-on-quarter. The national average has risen by 0.12 points. It has increased in all areas except for Tokyo quarter-on-quarter.

	Dec-13	Jun-14	Dec-14	Jun-15
Average	95.43	96.00	96.68	96.80
Sendai	95.61	93.16	95.05	96.43
Tokyo	95.60	96.06	96.79	96.70
Nagoya	92.66	92.52	95.88	96.38
Osaka	95.45	96.08	96.81	97.86
Fukuoka	97.38	97.72	98.25	99.19

Unit: %



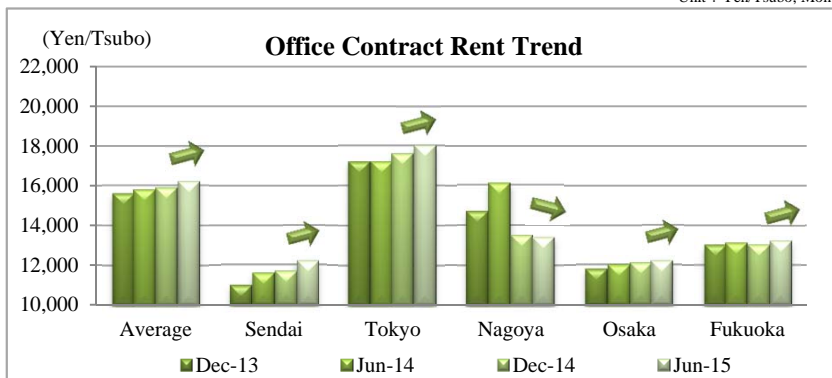
Contract Rent Office

Contract Rent on upward trend

The contract rent in Jun. 2015 has increased in all areas except for Nagoya quarter-on-quarter. It increased by 500 yen/tsubo in Sendai, by 400 yen/tsubo in Tokyo, by 200 yen/tsubo in Fukuoka and by 100 yen/tsubo in Osaka. however, it declined by 100 yen/tsubo in Nagoya. As a result, the national average increased by 300 yen/tsubo.

	Dec-13	Jun-14	Dec-14	Jun-15
Average	15,600	15,800	15,900	16,200
Sendai	11,000	11,600	11,700	12,200
Tokyo	17,200	17,200	17,600	18,000
Nagoya	14,700	16,100	13,500	13,400
Osaka	11,800	12,000	12,100	12,200
Fukuoka	13,000	13,100	13,000	13,200

Unit : Yen/Tsubo, Monthly



Number of acquisitions moderately increasing compared to previous period

- Total 59 properties : 39 properties in Tokyo and 20 properties in areas other than Tokyo (6 in Aichi, 5 in Osaka, 4 in Kanagawa, 2 in Fukushima, 1 in Okayama, 1 in Miyagi and 1 in Saitama)

**Acquisition① Cube Kawasaki (Left)**

Location : 1-14, Nisshincho, Kawasaki-ku, Kawasaki-shi, Kanagawa
 Nearest Station : 3 minutes' walk from "Kawasaki" Station (JR Lines)
 Floor Area : 41,290.91m²
 Construction Date : May 1982

Source : "MCUBS MidCity Investment Corporation" HP

**Acquisition② Omiya Center Building (Right)**

Location : 1-9-6, Sakuragicho, Omiya-ku, Saitama-shi, Saitama
 Nearest Station : 3 minutes' walk from "Omiya" Station (JR Lines)
 Floor Area : 22,135.97m²
 Construction Date : Mar. 1993

Source : "NIPPON REIT Investment Corporation" HP

[Acquisition] 10 properties out of All 59 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/Tsubo)	CR (%)
SHR	Hommachi Garden City	Chuo-ku, Osaka-shi, Osaka	May.2010	May.2015	38,600	7,775	4.0%
DOI	River Gate	Nihonbashihakozakicho, Chuo-ku, Tokyo	Feb.1994	Jun.2015	28,000	3,062	4.3%
MID	Cube Kawasaki	Kawasaki-ku, Kawasaki-shi, Kanagawa	Mar.1982	Aug.2015	20,050	2,757	4.4%
JRE	AER	Aoba-ku, Sendai-shi, Miyagi	Mar.1998	Sep.2015	18,640	2,646	4.3%
DOI	Glass City Shibuya	Shibuya-ku, Tokyo	Feb.2004	May.2015	16,000	6,560	3.8%
NRI	Omiya Center Building	Omiya-ku, Saitama-shi, Saitama	Mar.1993	Jul.2015	15,330	3,580	4.9%
IOJ	ORTO Yokohama	Kanagawa-ku, Yokohama-shi, Kanagawa	Nov.2000	Jun.2015	13,000	1,920	5.1%
MID	G-Square Shibuya Dogenzaka	Shibuya-ku, Tokyo	Oct.2009	Aug.2015	12,220	8,770	3.7%
MHR	Roppongi Hills Mori Tower (additional)	Minato-ku, Tokyo	Apr.2003	Sep.2015	12,000	10,228	3.3%
JRE	Shiodome Building (additional)	Minato-ku, Tokyo	Dec.2007	May.2015	10,100	8,390	3.7%

[Disposal] 2 properties out of All 4 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/Tsubo)	Estimated CR (%)
OJR	Round-Cross Kamata	Ota-ku, Tokyo	Feb.1994	Jul.2015	5,600	2,260	5.2%
MTR	Osaka Marubeni Building	Chuo-ku, Osaka-shi, Osaka	Mar.1984	Aug.2015	11,000	999	5.0%

Capitalization Rate *Residential*

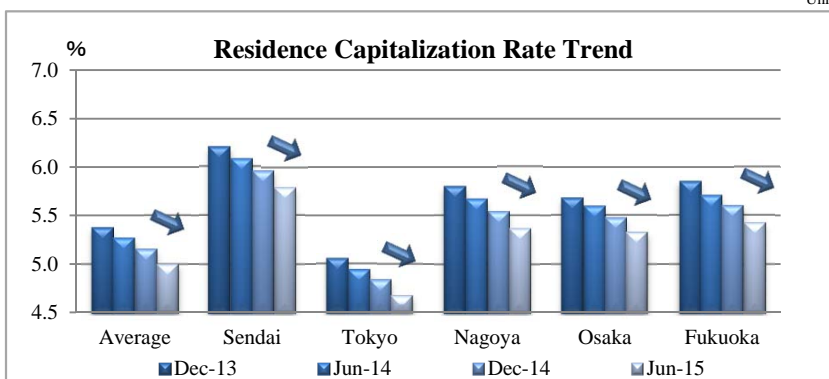
Capitalization rate still on a downward trend in all areas

The capitalization rate of residences in June 2015 decreased by 0.17 points in Sendai, Nagoya and Fukuoka, by 0.16 points in Tokyo, and by 0.15 points in Osaka compared to the previous term. The national average was 5.00%, a decrease of 0.16 points.

The capitalization rate in all areas decreased more than the previous term.

	Dec-13	Jun-14	Dec-14	Jun-15
Average	5.38	5.27	5.16	5.00
Sendai	6.21	6.08	5.96	5.79
Tokyo	5.06	4.94	4.84	4.68
Nagoya	5.80	5.67	5.54	5.37
Osaka	5.68	5.60	5.48	5.33
Fukuoka	5.85	5.71	5.60	5.43

Unit: %



Occupancy Rate *Residential*

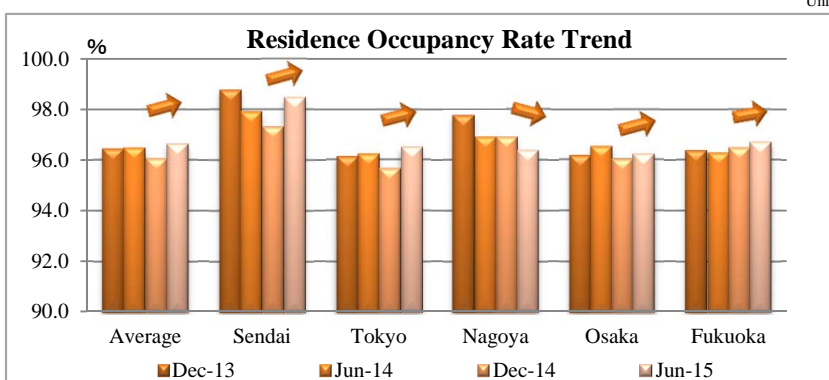
Occupancy rate still high

The occupancy rate in June 2015 increased by 1.16 points in Sendai, by 0.83 points in Tokyo, by 0.21 points in Fukuoka and by 0.19 points in Osaka, while it decreased by 0.19 points in Nagoya compared with the previous term.

The national average is still high and increased by 0.56 points, which is higher than that of the two previous half-year periods.

	Dec-13	Jun-14	Dec-14	Jun-15
Average	96.45	96.48	96.07	96.63
Sendai	98.78	97.93	97.33	98.49
Tokyo	96.12	96.24	95.66	96.49
Nagoya	97.76	96.92	96.92	96.39
Osaka	96.16	96.52	96.03	96.22
Fukuoka	96.37	96.28	96.49	96.70

Unit: %



Contract Rent *Residential*

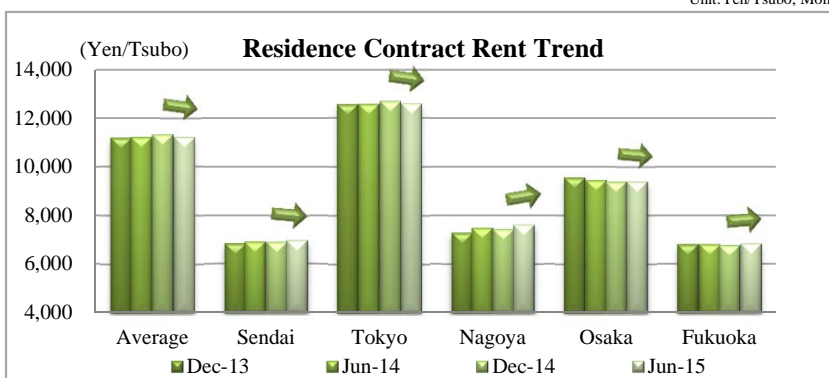
Contract rent remains almost stable

Contract rent remains stable in each area, while they differ from one another.

The contract rent in June 2015 increased by 200 yen/tsubo in Nagoya and by 100 yen/tsubo in Sendai and Fukuoka, while remained stable in Osaka and decreased by 100 yen/tsubo in Tokyo. The national average decreased by 100 yen/tsubo. Attention will be paid to the link between rent recovery and high levels of stable occupancy rates.

	Dec-13	Jun-14	Dec-14	Jun-15
Average	11,176	11,200	11,312	11,203
Sendai	6,813	6,877	6,873	6,938
Tokyo	12,568	12,578	12,701	12,587
Nagoya	7,274	7,473	7,415	7,588
Osaka	9,549	9,436	9,371	9,371
Fukuoka	6,783	6,783	6,744	6,817

Unit: Yen/Tsubo, Monthly



Number of acquisition and disposal transactions declining compared to previous period

- Invincible Investment Corporation acquired 3 properties
- Total 6 properties : 3 properties in Tokyo and 3 properties in areas other than Tokyo (1 in Hokkaido, 1 in Kanagawa and 1 in Saitama)



Acquisition① UUR Court Shiki (Left)

Location: 1-6-5, Saiwaicho, Shiki-shi, Saitama
 Nearest Station: 6 minute's walk from "Shiki" Station (Tobu Tojo Line)
 Floor Area: 9,885.83m²
 Construction Date: Mar.1999
 Rentable Room: 120

Source : "United Urban Investment Corporation" HP

Acquisition② Esty Maison KOHOKU TSUNASHIMA (Right)

Location: 8-45-25, and other, Shinyoshidahigashi, Kohoku-ku, Yokohama-shi, Kanagawa
 Nearest Station: 10 minute's walk from "Nippa" Station (Yokohama Municipal Subway Blue Line)
 Floor Area: 7,408.15m²
 Construction Date: Mar.2002, and other
 Rentable Room: 149



Source : "Sekisui House SI Residential Investment Corporation" HP

[Acquisition] All 6 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/Tsubo)	CR (%)
UUR	UUR Court Shiki	Shiki-shi, Saitama	Mar.1999	Sep.2015	2,730	990	5.5%
SHSIR	Esty Maison KOHOKU TSUNASHIMA	Kohoku-ku, Yokohama-shi, Kanagawa	Mar.2002	Jul.2015	2,680	1,304	4.9%
INV	City Court Kitaichijo	Chuo-Ku, Sapporo-shi, Hokkaido	Nov.2007	Jul.2015	1,782	1,138	5.3%
INV	Lieto Court Mukojima	Sumida-ku, Tokyo	Feb.2008	Jul.2015	1,683	1,911	4.8%
INV	Lieto Court Nishi-Ojima	Koto-ku, Tokyo	Feb.2008	Jul.2015	1,634	2,663	4.6%
ADR	RESIDIA Yoyogi II	Shibuya-ku, Tokyo	Jan.2008	Sep.2015	840	3,426	4.3%

CapitalizationRate(Urban)

Retail

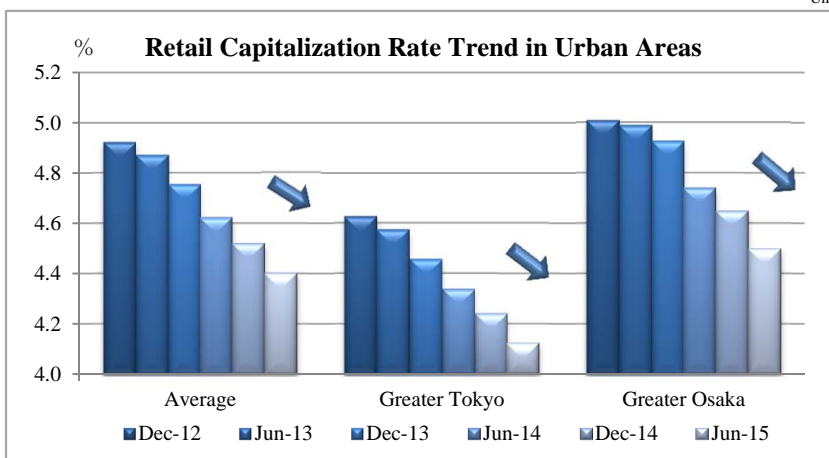
Capitalization rate in urban areas on a downward trend in all areas

The national average capitalization rate for commercial buildings in urban areas has been on a declining trend as well as in Greater Tokyo and in Greater Osaka in the period as seen in the graph on the right. The rate in Osaka and in the national average decreased more than that in Tokyo as follows: the rate declined by 0.12 points in the national average, by 0.11 points in Tokyo and by 0.15 points in Osaka.

A recovery trend in the capitalization rate for commercial buildings in urban areas can be seen in regional areas.

	Dec-12	Jun-13	Dec-13	Jun-14	Dec-14	Jun-15
Average	4.92	4.87	4.76	4.62	4.52	4.40
Greater Tokyo	4.63	4.57	4.46	4.34	4.24	4.13
Greater Osaka	5.01	4.99	4.93	4.74	4.65	4.50

Unit:%



CapitalizationRate(Suburb)

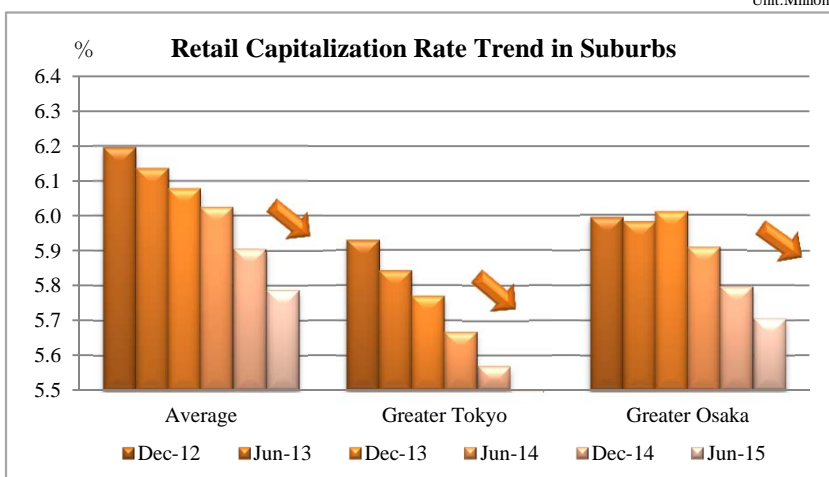
Retail

Capitalization rate in suburbs on a downward trend in all areas

The national average capitalization rate for commercial buildings in suburbs has been on a declining trend as well as in Greater Tokyo and in Greater Osaka in the period as seen in the graph on the right. The national average rate decreased more than that of Tokyo and Osaka as follows: the rate declined by 0.12 points in the national average, by 0.11 points in Tokyo and by 0.09 points in Osaka. The capitalization rate for commercial buildings in suburbs on a recovery trend can be seen in regional areas as well as that in urban areas.

	Dec-12	Jun-13	Dec-13	Jun-14	Dec-14	Jun-15
Average	6.20	6.14	6.08	6.03	5.91	5.79
Greater Tokyo	5.93	5.84	5.77	5.67	5.57	5.46
Greater Osaka	5.99	5.98	6.01	5.91	5.80	5.71

Unit:Million yen



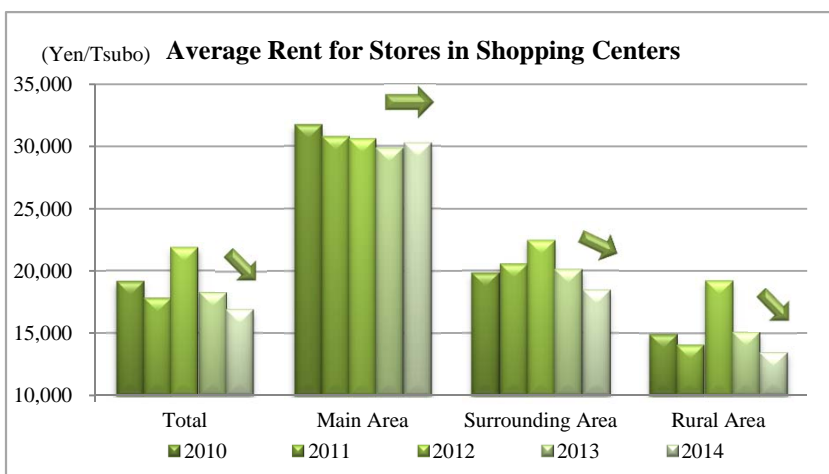
SC Average Rent

Retail

SC average rent still on a declining trend

The graph on the right shows trends in average tenancy rents according to “SC Chinryo/Kyoeiki” issued by the Japan Council of Shopping Centers.

The average rent in main commercial areas has almost remained, but that in surrounding commercial areas and rural areas have been on a downward trend. Therefore, the SC average rent has been on a declining trend as a whole.



JRF acquired 4 properties in urban areas and suburbs

- Kenedix Retail REIT Corporation will acquire 7 properties
- Total 14 properties : 2 properties in Tokyo, 5 properties in Osaka and 7 properties in other areas



Source : "Japan Retail Fund Investment Corporation" HP

Acquisition①**mozo wonder city (Left)**

Location : 40-1, Futakatacho, Nishi-ku, Nagoya-shi, Aichi
 Nearest Station : "Kamiotai" Station (Meitetsu Inuyama Line, Nagoya Municipal Subway Tsurumai Line)
 Floor Area : 233,606.73m²
 Construction Date : Apr. 2009
 Main Use : Store, Restaurant, Service, Amusement

Acquisition②**UUR Tenjin Nishi-dori Building (Right)**

Location : 2-5-21, Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka
 Nearest Station : "Nishitetsu Fukuoka (Tenjin) " Station (Nishitetsu Tenjin Omuta Line)
 Floor Area : 1,486.52m²
 Construction Date : Mar.2010
 Main Use : Store



Source : "United Urban Investment Corporation"

[Acquisition] 11 properties out of All 26 properties

REIT/ Company	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/tsubo)	CR (%)
MID	Nagoya Lucent Tower	Nishi-ku, Nagoya-shi, Aichi	Nov.2006	Aug.2015	4,919	211	-
UUR	UUR Tenjin Nishi-dori Building	Chuo-ku, Fukuoka-shi, Fukuoka	Mar.2010	Jul.2015	5,500	11,620	6.0%
OJR	DUPLEX GINZA TOWER 2/11	Chuo-ku, Tokyo	Aug.2007	Sep.2015	5,200	5,906	3.9%
JRF	G-Bldg. Ueno 01	Taito-ku, Tokyo	Jun.2006	Jul.2015	3,320	7,457	3.7%
JRF	mozo wonder city	Nishi-ku, Nagoya-shi, Aichi	Apr.2009	Sep.2015	11,740	-	5.2%
JRF	G-Bldg. Akihabara 01	Chiyoda-ku, Tokyo	Sep.1975	Sep.2015	4,980	6,093	4.2%
JRF	Takadanobaba (Land with leasehold interest)	Shinjuku-ku, Tokyo	-	Sep.2015	2,400	7,854	-
JRF	G-Bldg. Akihabara 02	Chiyoda-ku, Tokyo	Sep.2005	Sep.2015	2,500	7,844	3.9%
JRF	G-Bldg. Minami Aoyama (Bldg. B)	Minato-ku, Tokyo	Aug.2014	Oct.2015	3,650	-	3.6%
JRF	G-Bldg. Abeno 01	Abeno-ku, Osaka-shi, Osaka	Nov.2004	Oct.2015	4,100	-	4.4%
DHR	DREAM TOWN ALi	Aomori-shi, Aomori	Aug.2007	Sep.2015	7,790	1,160	6.1%

[Disposal] All 1 property

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/tsubo)	Initial Acquisition Cost (Million yen)
API	icot Kongo	Osakasayama-shi, Osaka	Feb.1977	Jul.2015	1,880	348	-

Capitalization Rate *Logistics*

On a downward trend, nationwide

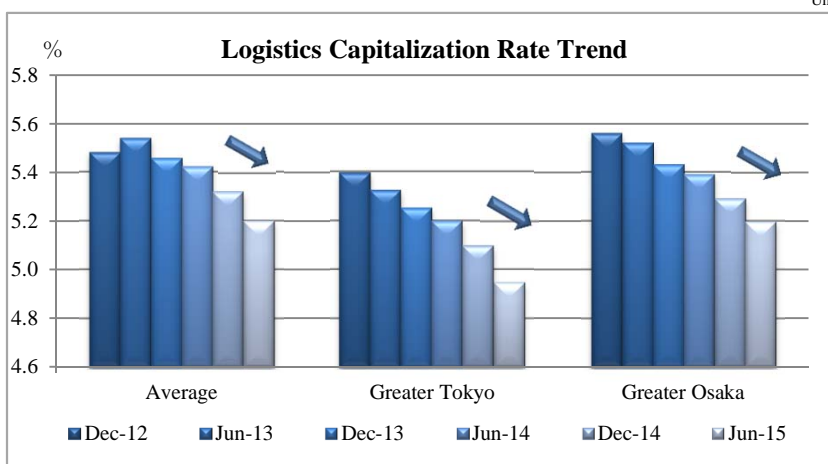
The capitalization rate has been on a downward trend since mid-2011 in Greater Tokyo and Greater Osaka.

The occupancy rate has kept high both in Greater Tokyo and Greater Osaka.

The contract rent in Greater Osaka has been stable, whereas that in Greater Tokyo kept an upward trend in late 2013.

	Dec-12	Jun-13	Dec-13	Jun-14	Dec-14	Jun-15
Average	5.48	5.54	5.46	5.42	5.32	5.20
Greater Tokyo	5.40	5.33	5.25	5.20	5.10	4.95
Greater Osaka	5.56	5.52	5.43	5.39	5.29	5.20

Unit:%



Book Value at Fiscal Year End *Logistic*

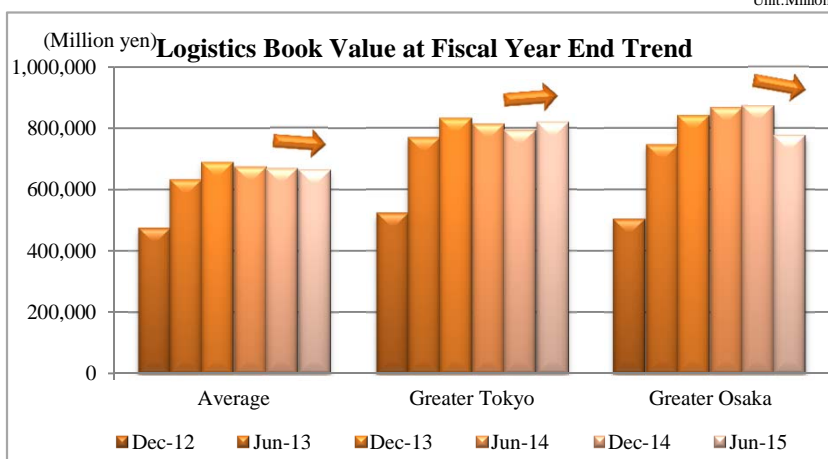
On a downward trend, nationwide

The volume of domestic freight transportation has been fluctuating since 2009.

After an analysis of the 2013 figures, the total volume of freight transportation is expected to show a reversion to an upward trend for the first time in two years, thanks to the increase in public construction and new private sector housing constructions. In 2014, the total volume of freight is expected to go downward considerably due to a reaction of last-minute demand before the increase of the consumption tax and the decline in private demand resulting from the hike of the consumption tax.

	Dec-12	Jun-13	Dec-13	Jun-14	Dec-14	Jun-15
Average	475,836	633,662	690,363	675,467	669,640	664,502
Greater Tokyo	524,524	770,854	832,902	814,417	794,043	820,187
Greater Osaka	505,240	747,890	843,000	868,433	874,467	777,634

Unit: Million yen



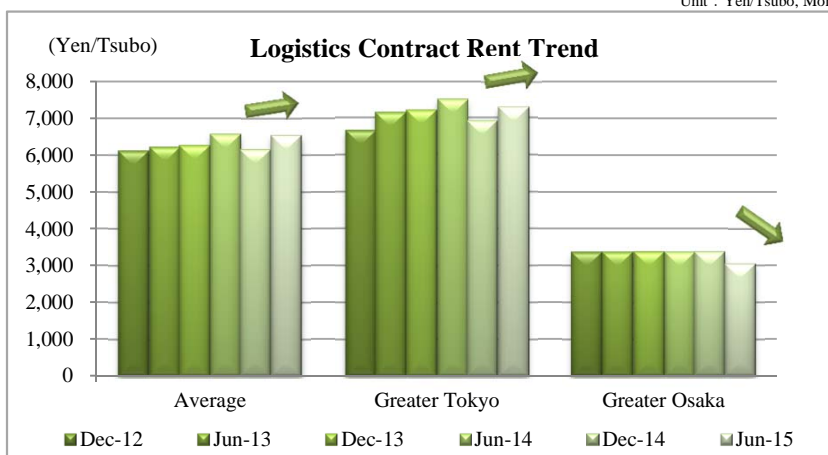
Contract Rent *Logistics*

On a downward trend, nationwide

Both the number of new constructions and its floor area had been decreasing for four consecutive years after the newly-built floor areas hit a peak in 2006. Since 2011, both the number of new constructions and their floor area have been increasing. The development of large-scale warehouses for Internet-sales businesses which intended to enhance their delivery systems is active. Some developers are driven to revise their plans by a hike in building cost and tight employment in the construction industry.

	Dec-12	Jun-13	Dec-13	Jun-14	Dec-14	Jun-15
Average	6,128	6,228	6,277	6,581	6,156	6,544
Greater Tokyo	6,662	7,150	7,215	7,507	6,928	7,292
Greater Osaka	3,371	3,375	3,381	3,375	3,381	3,047

Unit : Yen/Tsubo, Monthly



The capitalization rate has been on a downward trend

- 12 properties whose CR were below 5.0% have been acquired since Apr.2015
- Acquisition : Total 21 properties (Total 129,733 million yen)



Source : "GLP J-REIT" HP

Acquisition① GLP Shinkiba (Left)

Location : 1-chome, Shinkiba, Koto-ku, Tokyo
 Nearest I.C. : Nearby "Shinkiba" I.C.
 Structure / Floor : S / 6F
 Rentable Floor Area : 18,342m²
 Construction Date : Aug.2002

Acquisition② Chiba Kita II (Right)

Location : Naganumacho, Inage-ku, Chiba-shi, Chiba
 Nearest I.C. : approx. 1.4km from "Chiba-Kita" I.C.
 Structure / Floor : S / 4F
 Rentable Floor Area : 25,080.00m²
 Construction Date : Mar.1997



Source : "Japan Logistics Fund, Inc." HP

[Acquisition] All 21 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (thousand yen/tsubo)	CR (%)
IIF	IIF Kyotanabe Logistics Center	Kyotanabe-shi, Kyoto	Mar.2007	Apr.2015	5,730	570	5.4%
DHR	D Project Kuki III	Kuki-shi, Saitama	Jun.2013	Apr.2015	7,340	901	5.3%
DHR	D Project Kuki IV	Kuki-shi, Saitama	Jun.2009	Apr.2015	5,300	662	5.3%
DHR	D Project Kuki V	Kuki-shi, Saitama	May.2012	Apr.2015	8,010	560	5.3%
DHR	D Project Kuki VI	Kuki-shi, Saitama	Aug.2013	Apr.2015	4,980	563	5.3%
DHR	D Project Yashio	Yashio-shi, Saitama	Aug.2011	Apr.2015	6,140	924	5.0%
DHR	D Project Nishiyodogawa	Nishiyodogawa-ku, Osaka-shi, Osaka	Apr.2011	Apr.2015	9,660	807	5.3%
DHR	D Project Matsudo	Matsudo-shi, Chiba	Apr.2011	Jun.2015	6,990	863	5.0%
FRC	LOGIPORT Island-city Hakata	Higashi-ku, Fukuoka-shi, Fukuoka	Apr.2014	Mar.2015	8,150	623	5.0%
NMF	Kawaguchi Ryoke Logistics Center	Kawaguchi-shi, Saitama	Oct.2003	Jul.2015	10,790	833	4.9%
GLP	GLP Kobe-Nishi	Nishi-ku, Kobe, Hyogo	Jan.2015	May.2015	7,150	667	5.3%
GLP	GLP Shinkiba	Koto-ku, Tokyo	Aug.2002	Sep.2015	11,540	2,080	4.3%
GLP	GLP Narashino	Narashino-shi, Chiba	Sep.1989	Sep.2015	5,320	747	4.8%
GLP	GLP Narita II	Sambu-gun, Chiba	Feb.2005	Sep.2015	3,700	584	5.1%
GLP	GLP Sugito	Kitakaatsushika-gun, Saitama	Jul.2005	Sep.2015	8,310	466	4.8%
GLP	GLP Tosu I	Tosu-shi, Saga	Jan.2008	Sep.2015	9,220	407	5.0%
JLF	Chiba Kita	Hanamigawa-ku, Chiba-shi, Chiba	Oct.1995	Sep.2015	1,459	325	5.4%
JLF	Chiba Kita II	Inage-ku, Chiba-shi, Chiba	Mar.1997	Sep.2015	4,608	607	4.9%
JLF	Urayasu Chidori III	Urayasu-shi, Chiba	Dec.1998	Sep.2015	1,053	655	4.4%
JLF	Zama	Zama-shi, Kanagawa	Oct.2000	Oct.2015	1,728	610	4.9%
UUR	Shin-Narashino Logistics Center	Narashino-shi, Chiba	Jun.1991	Aug.2015	2,555	654	4.9%

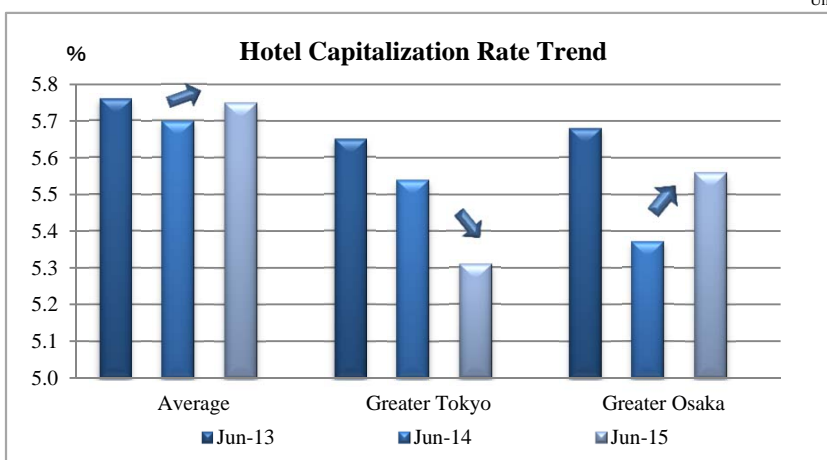
Capitalization Rat Hotel

Capitalization rate still on a downward trend, nationwide

The improvement of the hotel market has been continuing. Since new acquisitions are becoming difficult, market participants are broadening their acquisition areas and their scope of investment. The rise in the average capitalization rate is due to the high rate of recent acquisitions in Greater Osaka. On the other hand, the capitalization rate of existing properties has been still on downward trend nationwide. The number of foreign guests has remained favourable, therefore market participants are considering acquisitions in anticipation of further profit improvement in Central Tokyo. The economic boom is expected to continue for a while and the capitalization rate is expected to show a downward trend.

	Jun-13	Jun-14	Jun-15
Average	5.76	5.70	5.75
Greater Tokyo	5.65	5.54	5.31
Greater Osaka	5.68	5.37	5.56

Unit: %



Hotel Sales Hotel

Hotel sales remains favourable

Hotel sales have remained favourable. The inbound demand, mainly from Asian tourists, has pushed the occupancy rate up. As for the Kanazawa area, the occupancy rate significantly rose due to the opening of the new section of the Hokuriku Shinkansen. Since the national average occupancy rate exceeded previous months year-on-year. Hotel sales in 2015 is also expected to rise. This strong trend is expected to continue until the 2020 Tokyo Olympics.

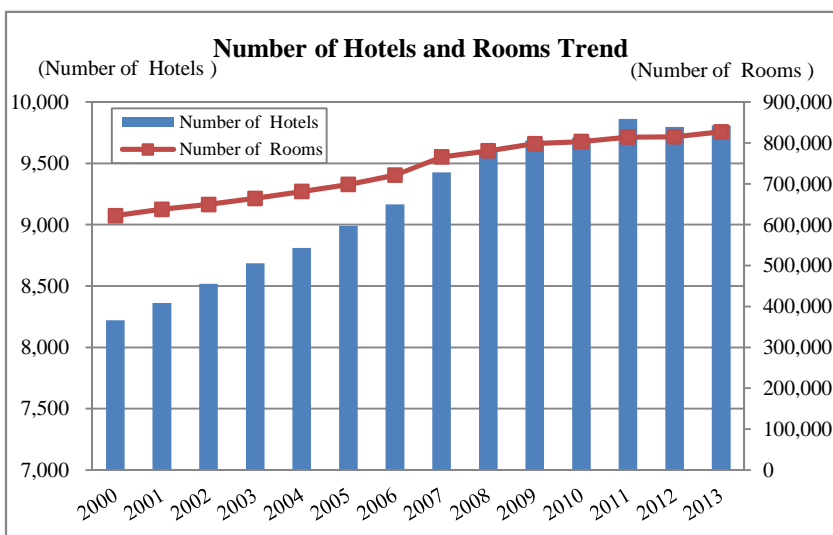


Source : Japan Productive Center "Leisure Hakusho"

Number of Hotels and Rooms Hotel

Slight increase in the number of hotels and rooms

The number of hotel rooms increased slightly: 814,355(1.40%) in 2011, to 814,984(0.07%) in 2012, and to 827,211(1.50%) in 2013. There will be an increase in supply. The amount of construction is expected to increase, mainly in Tokyo, the Hokuriku area, and the Kinki area. The types of hotels are polarised with luxury hotels at one end of the scale and budget hotels at the other, due to the increase of inbound demands and the diversity of consumer needs.



Source : Ohta Publications Co.,Ltd. "HOTERES"

21 properties were acquired in this quarter, the largest number this year.

- Invincible Investment Corporation acquired 14 properties (Total 37,528 million yen)
- Hoshino Resorts REIT, Inc. acquired 1 property (1,995 million yen)
- ORIX JREIT Inc. acquired 3 properties (Total 7,950 million yen)
- United Urban Investment Corporation acquired 3 properties (Total 5,513 million yen)



Source : "Invincible Investment Corporation" HP

Acquisition① Hotel MyStays Haneda (Left)

Location : 5-1-13 Haneda, Ota-ku, Tokyo
 Nearest Station : 4 minutes' walk from "Anamoriinari" Station (Keihin-Kyuko Line)
 Floor Area : 5,400.16m²
 Construction Date : Apr. 2001
 Operator : MYSTAYS HOTEL MANAGEMENT Co., Ltd.
 Hotel Type : Limited Service Hotel
 Hotel Grade : Economy
 Room : 174 (Single • Twin • Double)

Acquisition② Hotel MyStays Kameido P1 (Right)

Location : 6-32-1 Kameido, Koto-ku, Tokyo
 Nearest Station : 5 minutes' walk from "Kameido" Station (JR Sobu Line)
 Floor Area : 4,349.67m²
 Construction Date : Mar. 1991
 Operator : MYSTAYS HOTEL MANAGEMENT Co., Ltd.
 Hotel Type : Limited Service Hotel
 Hotel Grade : Economy
 Room : 265 (Single • Twin • Double)



Source : "Invincible Investment Corporation"

[Acquisition] All 21 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/Tsubo)	CR (%)
INV	Hotel MyStays Haneda	Ota-ku, Tokyo	Apr.2001	Jul.2015	7,801	4,775	5.2%
INV	Hotel MyStays Kameido P1	Koto-ku, Tokyo	Mar.1991	Jul.2015	5,594	4,251	5.6%
INV	Hotel MyStays Ueno Iriyaguchi	Taito-ku, Tokyo	Nov.1985	Jul.2015	3,821	5,619	5.7%
INV	Hotel MyStays Kameido P2	Koto-ku, Tokyo	Mar.1991	Jul.2015	3,742	4,427	5.6%
INV	Hotel Vista Shimizu	Shimizu-Ku, Shizuoka-shi, Sizuoka	Jan.2007	Jul.2015	2,198	2,041	6.5%
INV	Super Hotel Shinbashi/Karasumoriguchi	Minato-ku, Tokyo	Feb.2008	Jul.2015	1,624	3,824	4.3%
INV	Flexstay Inn Higashi-Jujo	Kita-ku, Tokyo	Jun.1986	Jul.2015	1,277	2,462	6.3%
INV	Hotel MyStays Utsunomiya	Utsunomiya-shi, Tochigi	Jan.1990	Jul.2015	1,237	349	6.6%
INV	Flexstay Inn Kawasaki-Kaizuka	Kawasaki-Ku, Kawasaki-shi, Kanagawa	Apr.1990	Jul.2015	980	2,721	6.0%
INV	Comfort Hotel Toyama	Toyama-shi, Toyama	Mar.2007	Jul.2015	979	979	5.9%
INV	Flexstay Inn Kawasaki-Ogawacho	Kawasaki-Ku, Kawasaki-shi, Kanagawa	Apr.1989	Jul.2015	906	4,127	5.8%
HRR	Chisun Inn Kagoshima Taniyama	Kagoshima-shi, Kagoshima	May.2009	Aug.2015	1,995	818	5.6%
OJR	VIA INN SHINSAIBASHI BLDG.	Chuo-ku, Osaka-shi, Osaka	Mar.2011	Sep.2015	3,100	2,171	4.8%
OJR	HOTEL KEIHAN SAPPORO	Kita-ku Sapporo-shi, Hokkaido	Apr.2009	Sep.2015	2,550	1,580	5.3%
OJR	Richmond Hotel Yamagata Ekimae	Yamagata-shi, Yamagata	Dec.2007	Sep.2015	2,300	1,042	6.1%
INV	Flexstay Inn Ekoda	Nerima-ku, Tokyo	Jan.1989	Aug.2015	5,069	4,261	5.5%
INV	Super Hotel Tokyo-JR Tachikawa Kitaguchi	Tachikawa-shi, Tokyo	Nov.2007	Aug.2015	1,170	2,110	4.5%
INV	Super Hotel JR Ueno-iriaguchi	Taito-ku, Tokyo	Mar.2006	Aug.2015	1,130	2,920	4.1%
UUR	Toyoko Inn Kawasaki Ekimae Shiyakusho-dori	Kawasaki-ku, Kawasaki-shi, Kanagawa	Sep.2005	Aug.2015	2,655	1,801	4.3%
UUR	Toyoko Inn Hiroshima Heiwa-odori	Hiroshima-shi, Hiroshima	Mar.2004	Aug.2015	2,113	1,603	5.5%
UUR	Toyoko Inn Naha Kokusai-dori Miehashi-eki	Naha-shi, Okinawa	Apr.2002	Aug.2015	745	1,610	6.4%

Capitalization Rate *HealthCare*

Capitalization Rate on a Downward Trend

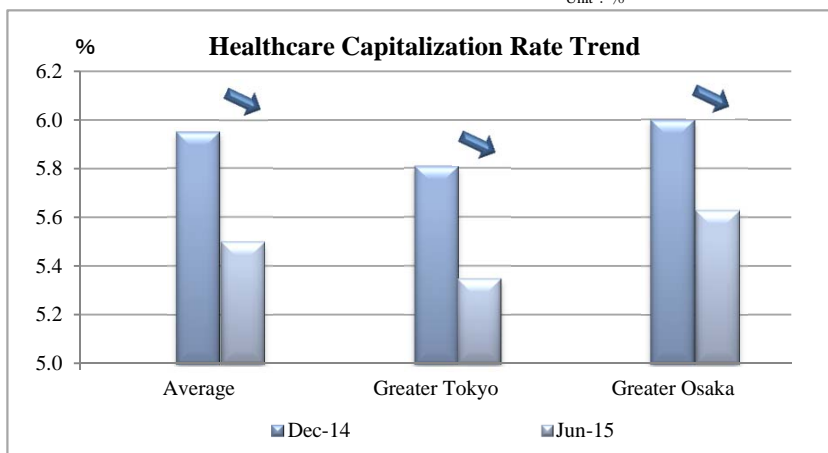
Two new healthcare-specialized REITs were listed on the stock market in Mar. and Jul. 2015, following the first healthcare-specialized REIT which was listed in Nov. 2014.

Healthcare assets have been becoming increasingly popular as investment targets, as a result, high demand for investing in healthcare assets makes the capitalization rate continue on a downward trend.

The rate declined by 0.45 points in the national average; by 0.46 points in Greater Tokyo; and by 0.37 points in Greater Osaka quarter-on-quarter.

	Dec-14	Jun-15
Average	5.95	5.50
Greater Tokyo	5.81	5.35
Greater Osaka	6.00	5.63

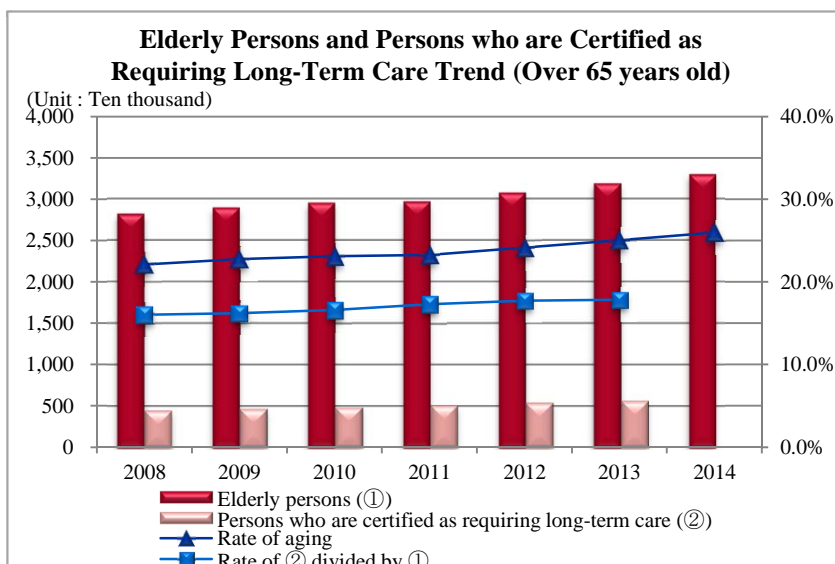
Unit : %



Elderly Persons and Persons who are Certified as Requiring Long-Term Care *HealthCare*

The Number Increases Steadily

As the population continues to age, the number of persons who are certified as requiring long-term care is increasing as well as the overall number of elderly persons. Statistically, the number of elderly persons increased by 1.1 million in 2014; and that of persons who are certified as requiring long-term care increased by 0.23 million in 2013 year-on-year. The increasing trend is expected to continue.



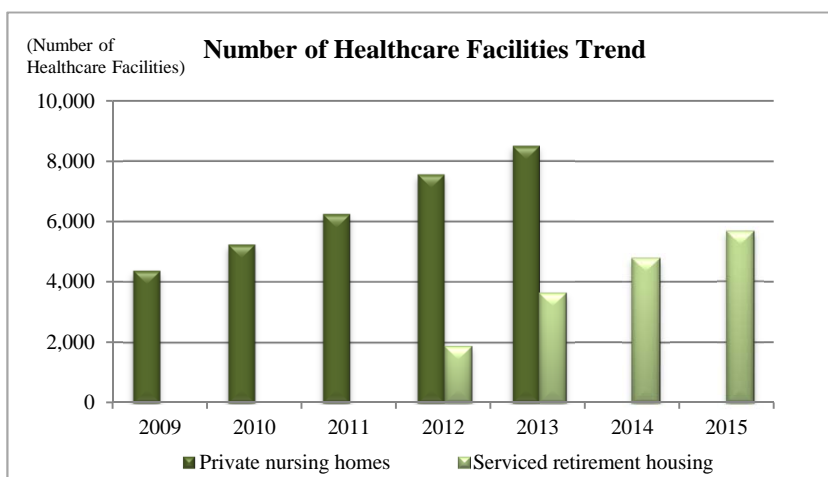
	2008	2009	2010	2011	2012	2013	2014
Elderly persons (①)	2,822	2,901	2,958	2,975	3,079	3,190	3,300
Persons who are certified as requiring long-term care (②)	452	470	491	515	546	569	-
Rate of aging	22.1%	22.8%	23.1%	23.3%	24.1%	25.1%	26.0%
Rate of ② divided by ①	16.0%	16.2%	16.6%	17.3%	17.7%	17.8%	-

Source : Cabinet Office "Annual Report on the Aging Society", Ministry of Health, Labour and Welfare "Long-term care insurance business report"

Healthcare Facilities *HealthCare*

More Healthcare Facilities due to Demand

As mentioned above, the number of persons who are certified as requiring long-term care is increasing. As a result, the demand for private nursing homes and serviced retirement housing is also rising as follows: the number of private nursing homes increased by 936 in 2013; and that of serviced retirement housing by 863 in 2015 year-on-year.



	2009	2010	2011	2012	2013	2014	2015
Private nursing homes	4,373	5,232	6,244	7,563	8,499	-	-
Serviced retirement housing	-	-	-	1,877	3,642	4,794	5,657

Source : Ministry of Health, Labour and Welfare "Serviced Residence Directory"

Three Healthcare Specialized J-REITs Listed in Succession

- Nippon Healthcare Investment Corporation (Listed in Nov. 2014, 14 properties, 13,280 million yen)
- Healthcare & Medical Investment Corporation (Listed in Mar. 2015, 16 properties, 23,683 million yen)
- Japan Senior Living Investment Corporation (Listed in Jul. 2015, 14 properties, 27,965 million yen)



Rest Villa Machida Onoji

Location : Onojimachi, Machida-shi, Tokyo
 Nearest Station : 12 minutes' bus ride from "Tsurukawa" Station (Odakyu Odawara Line)
 Floor Area : 7,720m²
 Construction Date : Oct. 2007

Source : "Healthcare & Medical Investment Corporation" HP

Activa Biwa

Location : Ogoto, Otsu-shi, Shiga
 Nearest Station : 15 minutes' walk from "Ogotoonsen" Station (JR Kosei Line)
 Floor Area : 39,650m²
 Construction Date : Dec. 1987



Source : "Japan Senior Living Investment Corporation" HP



Minna-no-ie Chuo-ku En'nami

Location : En'nami, Chuo-ku, Saitama-shi, Saitama
 Nearest Station : approx. 3km from "Kita-Yono" Station (JR Saikyo Line)
 Floor Area : 1,918m²
 Construction Date : Feb. 2014

Source : "Nippon Healthcare Investment Corporation" HP

[Listing] 10 properties out of All 30 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/Tsubo)	CR (%)
HCM	Rest Villa Machida Onoji	Machida-shi, Tokyo	Oct.2007	Mar.2015	3,580	1,533	5.1%
HCM	RETVILLA Azamino	Tsuzuki-ku, Yokohama-shi, Kanagawa	Mar.2004	Mar.2015	3,050	1,742	4.9%
HCM	AQUAMARINE Nishinomiya	Nishinomiya-shi, Hyogo	May.2007	Mar.2015	1,950	1,250	5.7%
HCM	C AMILLE Awajiekimae	Higashiyodogawa-ku, Osaka-shi, Osaka	Jun.2009	Mar.2015	1,930	1,128	5.6%
HCM	GOOD TIME HOME Fudo-mae	Shinagawa-ku, Tokyo	Mar.1992	Mar.2015	1,740	1,692	4.8%
JSL	Activa Biwa	Otsu-shi, Shiga	Dec.1987	Jul.2015	6,940	579	5.6%
JSL	JoyStage Hachioji	Hachioji-shi, Tokyo	Oct.1995	Jul.2015	3,675	880	5.4%
JSL	Nichii Home Tama Plaza	Miyamae-ku, Kawasaki-shi, Kanagawa	Mar.1992	Jul.2015	2,500	1,007	5.2%
JSL	Ten	Toyohira-ku, Sapporo-shi, Hokkaido	Sep.2007	Jul.2015	2,285	1,167	6.5%
JSL	Rest Villa Kobe Tarumi	Tarumi-ku, Kobe-shi, Hyogo	Mar.2010	Jul.2015	1,900	1,398	5.3%

[Acquisition] All 2 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/Tsubo)	Estimated CR (%)
NHI	Minna-no-ie Chuo-ku En'nami	Chuo-ku, Saitama-shi, Saitama	Feb.2014	Jun.2015	838	1,411	5.1%
NHI	Minna-no-ie Omiya Yoshinocho	Kita-ku, Saitama-shi, Saitama	Apr.2012	Jun.2015	740	1,359	5.2%

Decelerating Growth in Q3 2015

According to advance estimates from the Ministry of Trade and Industry (MTI), the Singapore economy grew by 1.4% in Q3 2015 on a year-on-year (y-o-y) basis, lower than the revised 2.0% rate achieved in the previous quarter. On a quarter-on-quarter (q-o-q) basis, the economy grew by 0.1% as opposed to a 2.5% contraction in Q2 2015, hence avoiding a technical recession. Analysis by MTI revealed that growth was propped up by the service producing industries and the construction sector, which expanded albeit at a slower pace. The service producing industries clocked a growth rate of 3.0% on a y-o-y basis, down from 3.6% in Q2 2015. The construction sector also expanded at a slower rate of 1.6% on a y-o-y basis, down from 2.0% in Q2 2015, as private sector construction activity declined. The manufacturing sector was dragged down by weak performance particularly in the electronics cluster and extended its slump with a contraction of 6.0% on a y-o-y basis in Q3 2015, as compared to a 4.9% pullback in Q2 2015.

Globally, economic uncertainties remain. The Federal Reserve's decision against raising interest rates in September means a further drawn out period of uncertainty in which sentiment and consequently investments and other activity will be kept subdued. Meanwhile, Singapore's major trading partners such as China, Indonesia, and Malaysia continue introducing stimuli to boost their faltering economies. The United States has been widely expected to provide momentum to global economic growth going into next year but its growth has been based largely on domestic consumption. This might not have extensive filter-down effects to its trading partners such as Singapore.

Going forward, Singapore is expected to experience moderate growth as external conditions remain shaky. Domestic sectors continue to battle increased costs due to tighter manpower controls and higher wages in some sectors. However, the Monetary Authority of Singapore (MAS) announced monetary easing in October that would slow down the appreciation of the Singapore dollar, which will in turn improve Singapore's export competitiveness in the region.

Key Economic Indicators

Key Economic Indicators YTD October 2015	
Gross Domestic Product (GDP) Growth at 2010 market prices (Q3 2015, y-o-y)	↑ 1.4%*
Consumer Price Index (CPI) (Sep 2015, y-o-y)	↓ 0.6%
Total Trade (Sep 2015, y-o-y)	↓ 9.8%
Index of Industrial Production (Sep 2015, y-o-y)	↓ 4.8%
Unemployment Rate (Sep 2015)	2.0%*

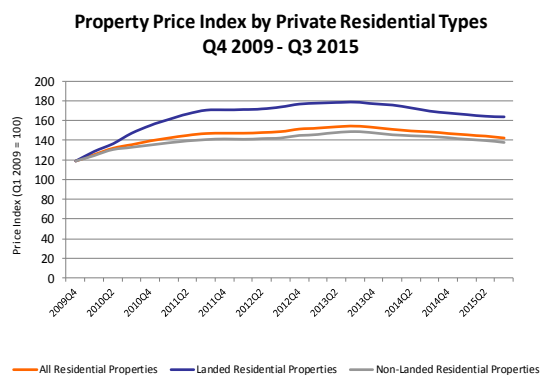
* Advance estimates

Source: DOS, MTI

Singapore Residential Market

Private Residential Prices Slide Further

Third-quarter property price index (PPI) data from the Urban Redevelopment Authority (URA) revealed that for the eighth straight quarter, prices for private residential properties on the whole fell again – this time by 1.3% q-o-q, the sharpest decline since the downturn began. Accordingly, for non-landed properties, the price decrease across all regions was more pronounced than for the previous quarter. Prices in the Rest of Central Region (RCR) and the Outside Central Region (OCR) slipped by 1.6%, higher than the 0.6% and 1.1% respective drops previously. In the Core Central Region (CCR), prices fell by 1.2%, more than the 0.6% decrease previously. As of Q3 2015, prices of private residential properties have seen a cumulative decline of 8.0% since the last peak in Q3 2013, as compared to a large increase of 62.2% from Q2 2009 to Q3 2013.

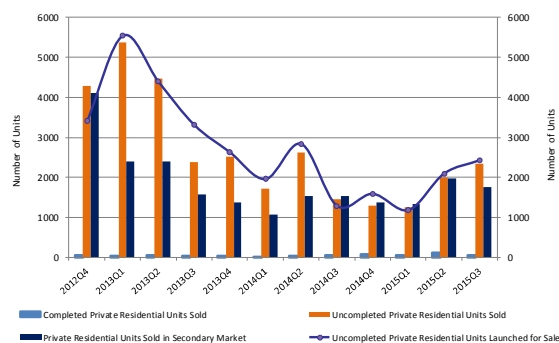


3rd Quarter Sales Volume Remains Buoyant

Total residential sales volume in the third quarter increased by 1.3% q-o-q and matched up to that of the second quarter, when a few attractive mass-market projects had been launched. However, this performance was strongly supported by developer sales and masks a troubled resale market as resale volume dropped along with prices.

Developer sales accounted for 56.3% of the total sales volume in Q3 2015. Standing at 2,435, the number of newly launched units cleanly surpassed even that of the previous quarter. Among the new launches, Sol Acres and High Park Residences stand out with their large development scale of over 1,000 units each. In particular, the well-received launch of High Park Residences contributed to approximately half of the developer sales in the third quarter.

Private Residential Units Launched and Sold in the Quarter
(excludes EC)



Source: URA, OCS Property Consultants

Sales Activity Concentrates in Outside Central Region

All of the new projects launched in the third quarter were in the OCR. Consequently, the region accounted for 88.0% of all developer sales in the quarter – up from 82.8% in Q2 2015. This boosted its share of total sales volume across both primary and secondary markets to 71.1%, as compared to 63.6% in Q2 2015. The OCR has also been the region most resilient to the multiple downward price adjustments so far.

Singapore Residential Market

Newly Launched Projects

In the third quarter, there were six new projects launched, of which four were executive condominiums (EC). The EC market welcomed a policy adjustment in August, that raised the income eligibility ceiling for EC applicants from S\$12,000 to S\$14,000, hence increasing the pool of potential buyers. Nonetheless, amidst pressure arising from competition among the EC projects that have been launched or will be launched later this year, and the persisting effects of the cooling measures, affordability and product innovation became key marketing strategies for some of the projects.

High Park Residences, to be developed at Fernvale Road by Fernvale Development Pte. Ltd. (CEL Development Pte Ltd and Unique Residence Pte Ltd.), was the star of the show in the third quarter as it had sold 1,245 of 1,376 units launched (90.5%) by the end of the quarter. The project's success likely resulted from its positive locational qualities and competitive pricing. The units went at prices between S\$765 psf and S\$1,261 psf. The large proportion of small units in the development also kept the overall quantum affordable for buyers.

Out of the 1,327-unit Sol Acres (EC) launched by MCL Land in August, 40.3% were sold by the end of the third quarter, at prices between S\$716 psf and S\$854 psf. It enjoyed the highest sales volume among the EC launches in the third quarter. The development will be

located near Keat Hong Station on the Bukit Panjang LRT Line.

The Brownstone by Canvey Developments Pte Ltd (City Developments Ltd and TID Pte Ltd) is another EC project launched in the third quarter. While the median prices of S\$817 psf to S\$820 psf are higher than what other EC projects are going for in this current climate, the project is being marketed as a luxury EC. The project differentiation helped to achieve respectable sales volume, selling 239 units at prices ranging from S\$701 psf to S\$913 psf. The development will be at Canberra Drive, in the vicinity of the proposed Canberra MRT Station between Sembawang MRT Station and Yishun MRT Station.

Supply Pipeline for Residential Sector

The URA released two sites – one Residential with Commercial at 1st storey and one Residential – for sale in Q3 2015. The residential site is available for sale on the Reserve List. Two more Residential sites were released for sale in October. One site was also awarded by the Housing & Development Board (HDB) in the third quarter.

More than 5,000 private residential units are expected to be completed over the last quarter of this year, and about 22,000 units are expected for 2016.

New Residential Projects Launched in Q3 2015

Project Name	Location	Developer	Locality	District	Total Number of Units
Sol Acres (EC)	Choa Chu Kang Grove	MCL Land (Brighton) Pte Ltd	OCR	23	707/1,327*
High Park Residences	Fernvale Road	Fernvale Development Pte. Ltd.	OCR	28	1,376/1,390*
The Brownstone (EC)	Canberra Drive	Canvey Developments Pte Ltd	OCR	27	638
Signature At Yishun (EC)	Yishun Street 51	Gee-I Investments Pte. Ltd.	OCR	27	525
The Vales (EC)	Anchorvale Crescent	Anchorvale Residences Pte Ltd	OCR	19	517
Adana @ Thomson	Old Upper Thomson Road	Fortune Properties Pte Ltd	OCR	20	74

*Launched in phases (launched/total)

Source: URA, CKS Property Consultants

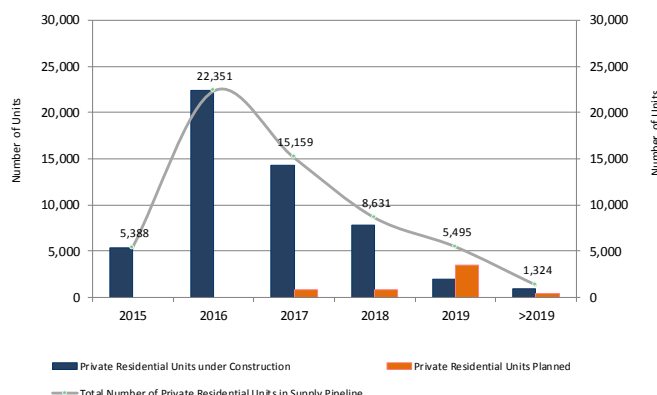
Singapore Residential Market

List of Residential Sites Launched under Government Land Sales Programme

Date of Launch	Date of Award	Location	Type of Development Allowed	Lease (yrs)	Site Area (Sqm)	GPR	GFA (Sqm)	Name of Successful Tenderer
23-Oct-15		Clementi Avenue 1	Residential	99	13,037.9	3.5	45,633.0	Tender will close on 9 December 2015
01-Oct-15		Lorong Lew Lian	Residential	99	14,001.5	3.0	42,005.0	Tender closed on 5 November 2015
30-Sep-15		Jalan Kandas	Residential	99	7,046.8	1.4	9,866.0	N.A. (available for sale on Reserve List)
30-Sep-15		Alexandra View	Residential with Commercial at 1st storey	99	Plot 1 - 8,398.5 Plot 2 - 30.8 (stratum of air space)	4.9	41,153.0	Tender will close on 12 November 2015
30-Jun-15		Woodlands Square	Commercial	99	22,384.8	3.5	78,347.0	N.A. (available for sale on Reserve List)
18-Jun-15	13-Aug-15	West Coast Vale	Residential	99	18,908.7	2.8	52,945.0	EL Development Pte Ltd
19-May-15	24-Aug-15	Choa Chu Kang Avenue 5	Residential (EC)	99	16,386.1	3.0	49,158.3	Qingjian Realty (Residential) Pte. Ltd, Suntec Property Ventures Pte Ltd and Bohai Investments (Sengkang) Pte Ltd

Source: URA, HDB, CKS Property Consultants

Total Number of Private Residential Units in Supply Pipeline



Source: URA, CKS Property Consultants

Market Outlook

Property prices are expected to continue on a gradual decline as the government has expressed disinclination to lift the cooling measures in the near term. Interest rate volatility and capped rents, due to a tighter foreign worker policy limiting the pool of tenants, continue to curb buyer sentiments and undermine the attractiveness of residential property investments. The

situation is further aggravated by the ample supply of new units in the pipeline and more launches in the last quarter of the year, for both private residential projects and EC projects. For new launches, pricing strategy remains important, but product differentiation might be a more effective strategy based on the results of recent launches, particularly in the EC market.

Singapore Office Market

Islandwide Vacancy Rate Continues Slide

The dearth of new completions was fully felt in Q3 2015 as the available stock in Q3 2015 decreased by 3,000 sq m (32,292 sq ft) according to statistics from URA. 15,000 sq m (161,458 sq ft) more of office space was taken up. Consequentially, the vacancy rate of office space islandwide fell from 9.8% in Q2 2015 to 9.6% for Q3 2015. The vacancy rate in the central region slipped from 9.5% in Q2 2015 to 9.3% in Q3 2015. The vacancy rate for space outside of the central region fell by a bigger margin, from 14.0% in Q2 2015 to 13.1% in Q3 2015, as a testament to the recent decentralisation trends that surfaced as tenants relocate.

Ahead of an anticipated increase in vacancy rates next year when the supply hits the market, some landlords are banking on product innovation to draw new tenants amid pressure on rental rates. A press release from CapitaCommercial Trust revealed that CapitaGreen, known for its sustainable design, had increased leasing commitment to 83% of net lettable area (NLA) as of September, up from 80.4% at the end of June.

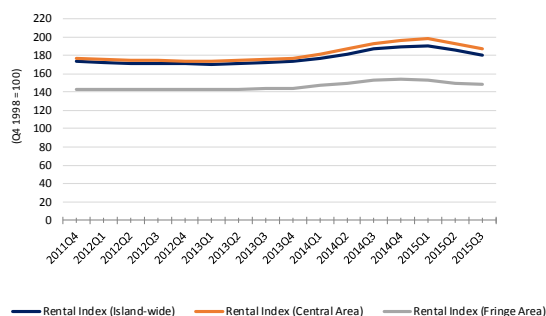
Ample Supply Anticipated for 2016

As the end of the year draws nearer, concerns over a lack of new supply in 2015 is giving way to concerns with the spate of new completions next year that will bring a large amount of space onto the office market, particularly in the prime districts. Supply for the last quarter in 2015 is expected to be only 15,000 sq m (161,458 sq ft). Some major developments in the fringes of Central Business District (CBD) such as DUO Tower and Guoco Tower are expected to come on board by 2016.

Rental Rates Head South

Islandwide office rental rates had been facing a slower pace of growth in earlier quarters, and might have peaked early this year. Rates fell by 2.6% q-o-q in Q2 2015, and the moderation has continued into Q3 2015, with rental rates dropping by a further 2.9% q-o-q in the third quarter. This comes amid a persistently weak economic outlook and an upcoming slate of prime office space that will come onstream in 2016. Median rentals based on lease commencement for prime office space in core business areas¹ slipped by 2.6% q-o-q, from S\$10.31 per sq ft per month in Q2 2015 to S\$10.04 per sq ft per month in Q3 2015. Median office rentals in other areas of Singapore suffered a dip of 3.1% q-o-q, from S\$6.15 per sq ft per month in Q2 2015 to S\$5.96 per sq ft per month in Q3 2015.

**Rental Index of Office Space
Q4 2011 - Q3 2015**



Source: URA, CKS Property Consultants

Dip in Investment Sales and Strata-titled Sales

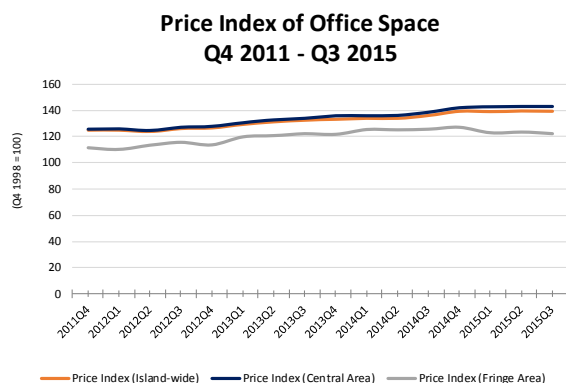
The level of improvement in investment sales volume seen in Q2 2015 was not seen into Q3 2015. There was only one such sale in the third quarter – the collective sale of Thong Sia Building, currently a commercial and residential mixed-use development. It was reportedly sold to SIN Capital Group for S\$380 million. However, activity might pick up in the fourth quarter or early next year with the potential sales of Asia Square Towers and the CPF Building.

¹ Refers to URA Category 1 office space (i.e. in buildings located in core business areas in Downtown Core and Orchard Planning Area which are relatively modern or recently refurbished, command relatively high rentals and have large floor plate size and gross floor area)

Singapore Office Market

The number of caveats lodged with URA as at 06 November 2015 showed that the sales of strata-titled offices remained modest with 62 transactions taking place, compared to 80 transactions in Q2 2015. This included the strata sale of three floors at Prudential Tower for S\$100.6 million.

URA's index for islandwide office prices showed a decrease of 0.1% q-o-q for Q3 2015, after the rate of price increases slowed down in earlier quarters, signalling that a peak has possibly been reached. The price index for the central area showed a 0.1% increase q-o-q, while the index for fringe areas slipped by 1.0% q-o-q.



Source: URA, CKS Property Consultants

Market Outlook

Rental levels for the office sector are expected to be on the downtrend through to next year as the new completions in 2016 draw nearer. Rents of existing office space in the CBD would be particularly pressured by the upcoming supply. Additionally, uncertain economic conditions continue to limit expansion plans for businesses and weaken market sentiment. With the resulting investor caution and a weak leasing market, strata-titled sales volume is expected to stay down. On the other hand, investment sales might not be affected to the same extent, as investors with a long term view could be assured by Singapore's strong fundamentals. Capital appreciation is expected to be flat in this environment.

Singapore Industrial Market

A Contracting Manufacturing Economy

Following contractionary Purchasing Manager's Index (PMI) readings for the months of August and September, the index readings hit 48.9 in October. However, a reading below 50 implies contraction. The PMI in October was dragged down by production output, inventory and employment.

Transaction Volume Continues to Slip

As at 06 November 2015, the number of caveats lodged with the URA for industrial properties in Q3 2015 stood at 217. This is a marked decrease of 30.2% q-o-q and 34.2% y-o-y. Transaction volume is kept restrained as economic uncertainties loom over already weak manufacturing sector performance, and an ample supply of industrial space awaits completion in the next few quarters. The Total Debt Servicing Ratio (TDSR) remains in force and further keeps a cap on sales volume.

Lacklustre Prices

The price index by JTC Corporation (JTC) for industrial properties (multiple-user and single-user factories) fell by 0.3% q-o-q. The price index for multiple-user factories dipped by 0.4% q-o-q and the index for single-user factories slipped by 0.1% q-o-q. However, while prices for industrial properties with tenures that are 60 years or less suffered a decline over the past few quarters, prices for freehold properties have enjoyed capital appreciation due to their scarcity in the market.

Price Index of Industrial Space
Q4 2009 - Q3 2015



Source: JTC, CKSProperty Consultants

Moderate Leasing Volume

Against an uncertain economic backdrop and weak demand, leasing activity moderated as industrialists stay cautious and maintain a cost-conscious approach regarding their space requirements. In Q3 2015, leasing volume (excluding Business Park) fell by 12.3% q-o-q, after rising in Q2 2015. The uptick in the second quarter proved not to be an indicator of improving sentiments in the manufacturing sector.

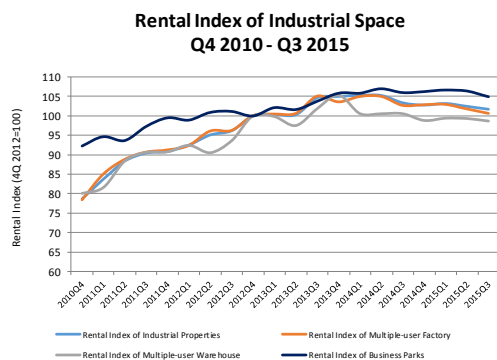
The occupancy rate for multiple-user factory space slipped again in the third quarter, from 87.4% in Q2 2015 to 87.3% in Q3 2015. For business park properties, the occupancy rate fell for the first time since Q4 2014, when a large amount of new space was introduced onto the market. This is due to supply-side factors as data from JTC showed an increase of 41,000 sq m (441,320 sq ft) of business park stock, as opposed to an increase of only 19,000 sq m (204,514 sq ft) in occupied business park space. Warehouse occupancy rates rose for a second consecutive quarter, from 91.6% in Q2 2015 to 92.5% in Q3 2015, as inventory levels rose.

Downward Pressure on Rentals

With the higher supply of industrial space from now through 2016 weighing more and more heavily on the space market, and as vacancy rates continue inching upwards, rental rates for industrial space have begun to decline decisively. According to indices from JTC,

Singapore Industrial Market

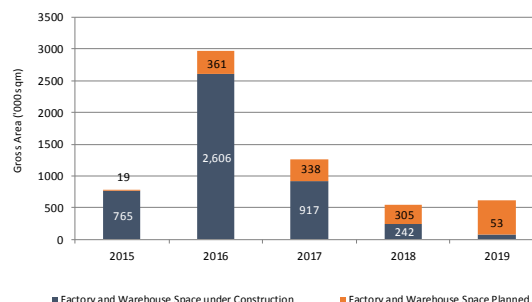
rentals for industrial space slid by 0.8% q-o-q on the whole, extending a 0.7% drop in Q2 2015. Rentals for multiple-user factories registered a 1.1% q-o-q fall, while rentals for business parks decreased by 1.3% q-o-q. This is the second consecutive quarter of rental declines across all segments.



Substantial Supply in the Pipeline

JTC approximated that 4.5 million sq m (48.4 million sq ft) of factory space and 1.7 million sq m (18.3 million sq ft) of warehouse space will be completed by 2019. Of this supply pipeline, 564,000 sq m of factory space (6.1 million sq ft) and 220,000 sq m (2.4 million sq ft) of warehouse space are expected to be completed over the last quarter of this year. The expected addition of 3 million sq m (32.3 million sq ft) of industrial space in 2016 could result in a supply glut, especially as the manufacturing sector continues to face various headwinds.

Potential Supply of Factory and Warehouse Space in the Pipeline



Market Outlook

Economic uncertainties have dampened sentiments and demand and will continue to do so. Manufacturing sectors in regional economies, such as Malaysia, Indonesia, Vietnam and China, remain in contraction as well, as indicated by PMI figures. Leasing activity is expected to stay flat while rents and prices are expected to decline given the ample supply in the pipeline and cost-consciousness among industrial tenants.

For more information, please contact:

Singapore Research Team

Lin Liyun

Manager

+65 6531 1626

Singapore Office

CKS Property Consultants Pte Ltd

(Part of PhillipCapital Group)

250 North Bridge Road

#09-02 Raffles City Tower

Singapore 179101

Tel: +65 6533 0220

Fax: +65 6533 5103

Website: www.cks.com.sg

Email: valuation@cks.com.sg

Japan Office

PhillipCapital CKS Japan K.K.

4F Kabutocho Building,

4-3, Nihonbashi Kabutocho,

Chuo-ku, Tokyo 103-0026

Japan

Tel: +81-3-5623-9077

Fax: +81-3-5623-9138

CKS Property Consultants is a pioneer in Singapore's real estate landscape. Throughout the course of our history, we have witnessed the growth and transformation of Singapore's economy and its impact on the real estate industry.

Founded in the 1920s as Cheong Koon Seng Auctioneers & Valuers, the company was renamed CKS Property Consultants in 1999 to reflect the diversification from its core businesses of valuation and auctioneering. While we continue to build on our traditional strengths in valuation and auctioneering, we are now a full-fledged property consultancy providing professional services in the residential, commercial, industrial and retail sectors.

CKS is today part of the PhillipCapital Group, an integrated financial services group with a global presence. With offices located in the financial hubs of 16 countries, including Singapore, Malaysia, Cambodia, Indonesia, Thailand, Hong Kong, China, Japan, India, Sri Lanka, Dubai, United Kingdom, France, Turkey, Australia and USA, the Group's total shareholders' funds exceed USD 1 billion. Our affiliation allows us to leverage PhillipCapital's considerable business network and to partner our sister companies in regional initiatives.

Appraisal firms in J-REIT valuations

According to a survey by DAIWA REAL ESTATE APPRAISAL CO.,LTD.

No.	Name of J-REITs	Japan Real Estate Institute	DAIWA REAL ESTATE APPRAISAL	Tanizawa Sogo Appraisal	Chuo Real Estate Appraisal	Morii Appraisal & Investment	Japan Valuers	Rich Appraisal Institute	CBRE	Others	Grand Total
1	Nippon Building Fund Inc.		51	23							74
2	Japan Real Estate Investment Corporation	5	61		3						69
3	Japan Retail Fund Investment Corporation	33	9	23					26		91
4	ORIX JREIT Inc.	25	18	18	32	2	2				97
5	Japan Prime Realty Investment Corporation	31	12	6			8		5		62
6	Premier Investment Corporation	38								19	57
7	TOKYU REIT, Inc.	15	5				9				29
8	Global One Real Estate Investment Corp	2	5		2						9
9	Nomura Real Estate Office Fund, Inc.	26	7	14		1	4			3	55
10	United Urban Investment Corporation	81		22						8	111
11	MORI TRUST Sogo Reit, Inc.	9	2					2		3	16
12	Invincible Investment Corporation	70		7		6				25	108
13	Frontier Real Estate Investment Corporation	28		2		2					32
14	HEIWA REAL ESTATE REIT, Inc.		26	12	26	9				22	95
15	Japan Logistics Fund, Inc	4	6	30						1	41
16	Fukuoka REIT Corporation	13	2	11							26
17	Kenedix Office Investment Corporation	55	42			1					98
18	Sekisui House SI Investment Corporation	19	27	34	6	14		10			110
19	Ichigo Real Estate Investment Corporation	8	39	17				12			76
20	Daiwa Office Investment Corporation	5	18	4	5	12				4	48
21	Hankyu REIT, Inc.	1	8	8				6			23
22	Starts Proceed Investment Corporation				42	14		17		23	96
23	Top REIT Inc	12	6	2							20
24	Daiwa House Residential Investment Corporation	34	16	49	24	18					141
25	Japan Hotel REIT Investment Corporation	21	5	3		8		1			38
26	Japan Rental Housing Investments Inc.	89	41	69							199
27	Japan Excellent, Inc.	17	3		7		4				31
28	Nippon Accommodations Fund Inc.	2	60		1	53					116
29	MID REIT, Inc.	3	2	7		1					13
30	Mori Hills REIT Investment Corporation	9	1								10
31	Nomura Real Estate Residential Fund, Inc.	30	50	5	24		37				146
32	Industrial& Infrastructure Fund Investment Corporation	30							13		43
33	Daiwa House REIT Investment Corporation	9		31							40
34	Advance Residence Investment Corporation	99	83	3	5	59					249
35	Kenedix Residential Investment Corporation.	88	13			2					103
36	Activia Properties Inc.	10	7	6		3	4				30
37	GLP J-REIT	20		17		17					54
38	Comforia Residential REIT, Inc	51	18	3		17	5				94
39	Nippon Prologis REIT, Inc.	6							13	10	29
40	Nomura Real Estate Master Fund, Inc.	18	19	17		1	2			1	58
41	Hoshino Resorts REIT, Inc.					13	20	5			38
42	SIA REIT, Inc.	1	12	2	4						19
43	AEON REIT Investment Corporation	14		8							22
44	Hulic Reit, Inc.	22	3	5					1		31
45	NIPPON REIT Investment Corporation	63	1			1					65
46	Invesco Office J-REIT, Inc.	6		1		1					8
47	Nippon Healthcare Investment Corporation	5	7	4							16
48	Sekisui House Reit, Inc.	1	1	1				1			4
49	Tosei Reit Investment Corporation	12									12
50	Kenedix Retail REIT Corporation	9	6	4							19
51	Healthcare & Medical Investment Corporation	10		5				1			16
52	Samty Residential Investment Corporation	7	8	6			7				28
53	Japan Senior Living Investment Corporation	10		4							14
	Grand Total	1,176	700	483	181	255	102	55	58	119	3,129

---Major share in real estate securitization market---

Performance of J-REIT appraisal by type and appraisal company

(1) Number of appraisal

Assets \ Appraisal Firms	Japan Real Estate Institute	DAIWA REAL ESTATE APPRAISAL	Tanizawa Sogo Appraisal	Chuo Real Estate Appraisal	Morii Appraisal & Investment	Japan Valuers	Rich Appraisal Institute	CBRE	Others	Total
Office	292	275	108	36	21	22	15	3	30	802
Residence	519	336	188	135	182	49	23		68	1,500
Retail	162	45	63	8	5	9	5	24	3	324
Hotel	63	6	7		25	20	9		3	133
Elderly Housing & Facilities	32	9	13		1		1			56
Logistics	56	11	83		18			22	12	202
Leased fee	30	15	19	2	2	2	2	6	1	79
Car parking		1							1	2
Others	22	2	2		1			3	1	31
Total	1,176	700	483	181	255	102	55	58	119	3,129

(2) Book value of appraised assets

Unit: Million yen

Assets \ Appraisal Firms	Japan Real Estate Institute	DAIWA REAL ESTATE APPRAISAL	Tanizawa Sogo Appraisal	Chuo Real Estate Appraisal	Morii Appraisal & Investment	Japan Valuers	Rich Appraisal Institute	CBRE	Others	Total
Office	1,731,689	2,406,370	770,013	303,397	256,274	140,573	172,966	19,180	142,316	5,942,778
Residence	838,214	517,150	260,892	200,200	335,696	54,835	19,952		64,703	2,291,642
Retail	1,183,300	296,590	464,821	26,142	12,860	75,070	13,989	281,940	25,547	2,380,259
Hotel	252,209	49,960	33,896		33,011	28,682	31,060		15,620	444,438
Elderly Housing & Facilities	23,582	11,540	4,970		168		0			40,260
Logistics	363,281	50,666	487,590		147,300			195,340	208,470	1,452,647
Leased fee	124,128	70,066	37,068	6,640	13,740	10,890	16,150	7,970	6,540	293,192
Car parking		9,910							107	10,017
Others	116,327	0	53,400		1,076			40,400	0	211,203
Total	4,632,730 35.5%	3,412,252 26.1%	2,112,650 16.2%	536,379 4.1%	800,125 6.1%	310,050 2.4%	254,117 1.9%	544,830 4.2%	463,303 3.5%	13,066,436 100.0%

Abbreviations and formulas used in J-REIT report are as follows.

Capitalization Rate It is the average capitalization rate of each area announced by investment corporations on their account settlements.	NBF Nippon Building Fund, Inc.	NAF Nippon Accommodations Fund
Occupancy Rate It is the average occupancy rate of each area at the end of terms announced by investment corporations on their settlement.	JRE Japan Real Estate Investment Corporation	MID MID REIT, Inc.
Contract Rent It is the average income from real estate which is divided by floor area.	JRF Japan Retail Fund Investment Corporation	MHR MORI HILLS REIT INVESTMENT CORPORATION
NRV Abbreviation for Net Rentable Value It is the unit price per tsubo for the rentable area.	OJR ORIX JREIT, Inc.	NRF NOMURA REAL ESTATE RESIDENTIAL FUND, INC.
CR Abbreviation for Capitalization Rate Capitalization Rate is shown. The values are from when the acquisition was published, thus may not be same as the sales price etc.	JPR Japan Prime Realty Investment Corporation	IIF Industrial&Infrastructure Fund Investment Corporation
Major transactions are compiled by our company using data from the Tokyo Stock Exchange etc.	PIC Premier Investment Corporation	DHR Daiwa House REIT Investment Corporation
	TRE TOKYU REIT, Inc.	ADR Advance Residence Investment Corporation
	GOR Global One Real Estate Investment Corporation	KDR KENEDIX Residential Investment Corporation
	NOF Nomura Real Estate Office Fund, Inc.	API Activia Properties, Inc.
	UUR United Urban Investment Corporation	GLP GLP J-REIT
	MTR MORI TRUST Sogo Reit, Inc.	CRI COMFORIA RESIDENTIAL REIT
	INV Invincible Investment Corporation	NPR Nippon Prologis REIT
	FRI Frontier Real Estate Investment Corporation	NMF Nomura Real Estate Master Fund
	HFR HEIWA REAL ESTATE REIT, Inc.	HRR Hoshino Resorts REIT, Inc.
	JLF Japan Logistics Fund, Inc.	SIAR SIA REIT, Inc.
	FRC Fukuoka REIT Co.,Ltd.	ARI AEON REIT Investment Corporation
	KDO KENEDIX Office Investment Corporation	HLI Hulic REIT, Inc
	SHSI Sekisui House SI Investment Corporation	NRI Nippon REIT Investment Corporation
	IRE Ichigo Real Estate Investment Corporation	IOJ Invesco Office J-REIT, Inc
	DOI Daiwa Office Investment Corporation	NHI Nippon Healthcare Investment Corporation
	HNKR Hankyu REIT, Inc.	TRI Tosei REIT, Inc.
	SPI Starts Proceed Investment Corporation	SHR Sekisui House Reit, Inc.
	TOPR TOP REIT, Inc.	KRR Kenedix Retail REIT Corporation
	DHI Daiwa House Residential Investment Corporation	SRI Samty Residential Investment Corporation
	JHR Japan Hotel REIT Investment Corporation	JSLI Japan Senior Living Investment Corporation
	JRH Japan Rental Housing Investments, Inc.	HMIC Healthcare & Medical Investment Corporation
	JEI Japan Rental Housing Investments, Inc.	

Part of the data used in this J-REIT report can be accessed from the website shown below.



<http://www.kanteidb.com>



DAIWA REAL ESTATE APPRAISAL CO.,LTD.
大和不動産鑑定株式會社

Tokyo Head Office Palace Side Building 3F 1-1-1, Hitotsubashi, Chiyoda-ku, Tokyo Postal cord:100-0003

☎+81-(0)3-5219-3210 📠+81-(0)3-5219-3220

Osaka Head Office ORIX Honmachi Building 11F 1-4-1, Nishi-Honmachi, Nishi-ku, Osaka Postal cord:550-0005

Other Offices Sendai / Nagoya / Kyoto / Nara / Fukuoka / Kita-Kyushu