

J-REIT Monthly

March 2018

For your information only



Sumitomo Mitsui Asset Management

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1. J-REIT Market Monthly Review (for February 2018)

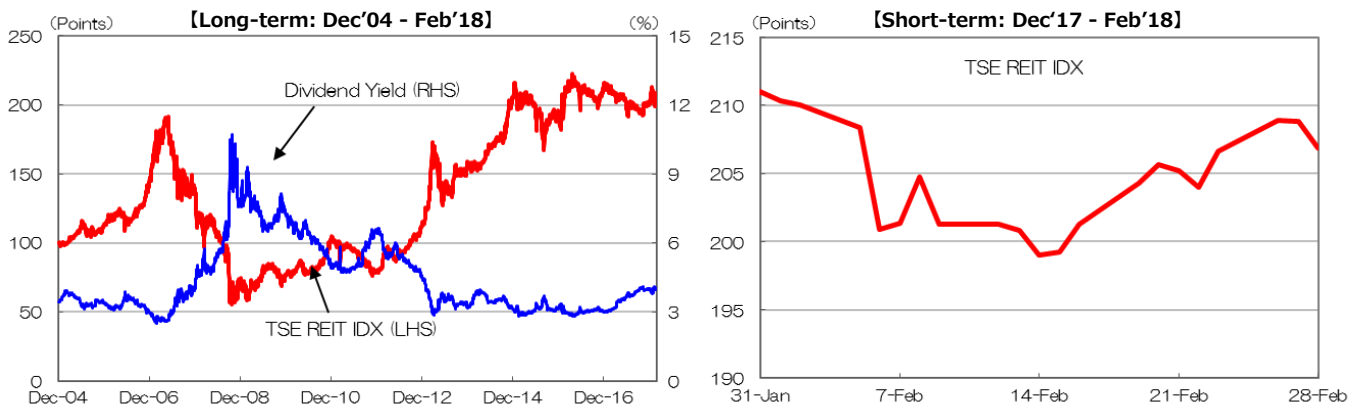
In February, the TSE REIT Index (with dividends) dropped - 2.0% from the previous month.

The market consolidated in the beginning of the month due to 1) a reaction to the January bull market and 2) spread of risk aversion stance of investors due to increase in interest rate volatility globally. However, range of decline shrank from mid to end of the month as risk aversion stance of investors receded. In addition, declining Japanese long-term interest rate throughout the month and good business result of large-scaled J-REITs supported the market. By sector, office sector outperformed.

January office vacancy rate in Tokyo five central wards was 3.1%, maintaining a low level. The Japan property market remains firm with rents continuously increasing.

In January, BOJ bought JPY9.6 bn worth of J-REITs, by eight time purchases.

2. TSE REIT Index (with dividends)



TSE REIT Index	As of	1 week ago	1 month ago	3 months ago	6 months ago	1 year ago	3 years ago
	28-Feb-18	21-Feb-18	31-Jan-18	30-Nov-17	31-Aug-17	28-Feb-17	28-Feb-15
Index	3,291.44	3,264.28	3,357.09	3,189.89	3,188.63	3,376.46	3,306.03
% change	-	0.8%	-2.0%	3.2%	3.2%	-2.5%	-0.4%

Note: (1) TSE REIT Index (w/ dividends) of the last trading day of a month. 12/31/04 = 100
(2) % chg: changes for each period.

Source: SMAM, based on Datastream data.

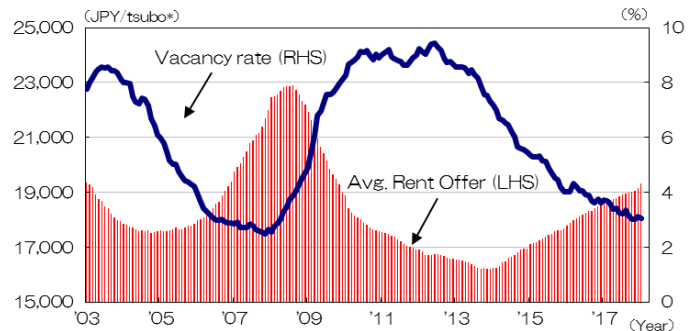
3. Top 10 REIT Constituents in J-REIT

(# of TSE REIT Index Components:58)

	REIT	CODE	Weight (%)
1	NIPPON BUILDING FUND	J8951	7.2
2	JAPAN REAL ESTATE INV.	J8952	6.7
3	NOMURA RLST. MASTER FUND	J3462	5.4
4	JAPAN RET. FD. INV.	J8953	5.1
5	UNITED URB. INV.	J8960	4.8
6	ORIX JREIT	J8954	4.0
7	NIPPON PROLOGIS REIT	J3283	3.9
8	DAIWA HOUSE REIT INV.	J8984	3.4
9	ADVANCE RESIDENCE INV.	J3269	3.2
10	JAPAN PIRME REALTY INV.	J8955	3.0
	Others		53.2
	Total		100.0

Source: SMAM, based on Datastream data. (As of the end of February 2018)

4. Tokyo Office Rent and Vacancy Rate



Notes: (1) Covering a period from January 2003 to January 2018 (monthly basis).
(2) Tokyo 5 wards: Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, and Shibuya-ku.
(3) Tsubo is a Japanese traditional unit of measuring area. One tsubo represents approx. 10.76 square feet or 3.3 square meters

Source: SMAM, based on Datastream data.

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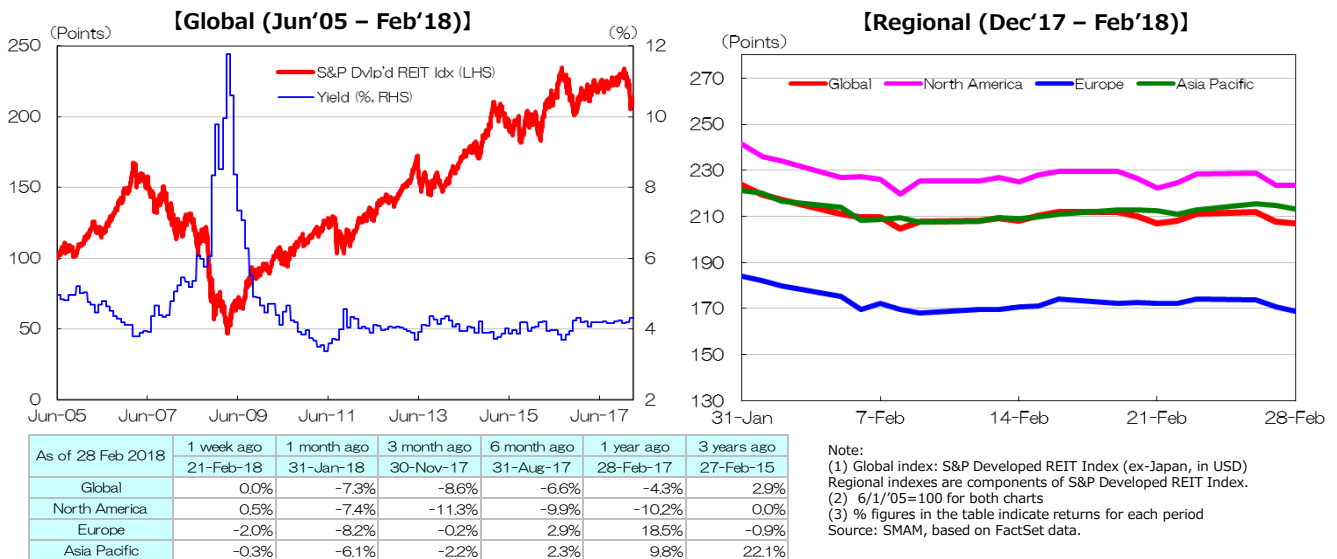
In February, the S&P Developed REIT Index (ex-Japan, with dividends, USD base) dropped - 7.3%. On a local currency basis, the REIT return declined - 6.6% and the Forex return declined - 0.8%.

The US REIT market declined, negatively reacting to rise in US long term yields due to 1) increase in concern over inflation reflecting US employment statistics and 2) expectations on increase in issuing amount of US government bond led by proactive government spending. The European REIT market decreased negative on rise in long term interest rates in Europe and with spreading global risk aversion stance triggered by US long-term interest rate hike. The Australian REIT market went down negatively reacting to weak equity market led by risk aversion stance of investors.

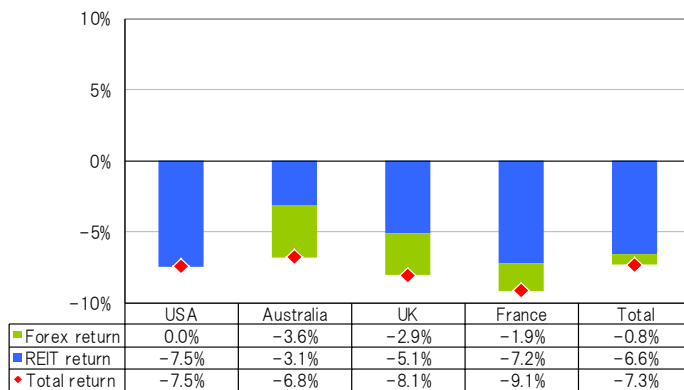
In addition, the Singapore and Hong Kong REIT markets declined as fall in equity market and rise in long term yields weighed on both markets.

Regarding the Forex factor, USD, EUR, GBP, CAD, AUD, HKD and SGD weakened against JPY.

2. Global REIT Index (in USD)

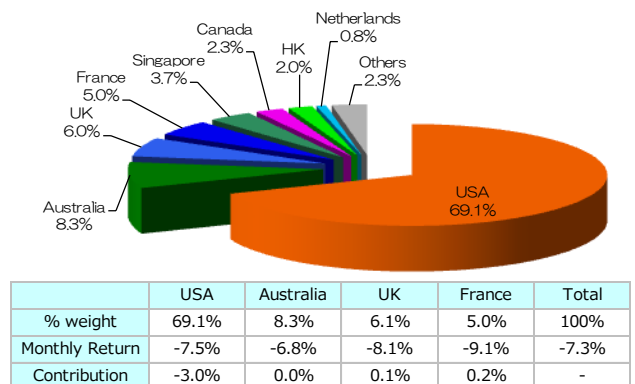


3. Return Contribution by Factors (Feb'18)



Note: Total-return breakdown of S&P Developed REIT Index (in USD) by forex and market factors, by countries.
Source: SMAM, based on FactSet data.

4. Global % Weight by Markets (Feb'18)



Note: (1) S&P Developed REIT Index breakdown by country (ex-Japan, in USD).
(2) Contribution is calculated by multiplying each country's % weight by Monthly Return
Source: SMAM, based on FactSet data.

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