

Feb 02, 2016

## R&I Affirms AA, Stable: Japan Real Estate Investment Corp.

Rating and Investment Information, Inc. (R&I) has announced the following:

**ISSUER:** Japan Real Estate Investment Corp.  
**Issuer Rating:** AA, Affirmed  
**Rating Outlook:** Stable

### RATIONALE:

Japan Real Estate Investment Corp. (JRE) is a real estate investment trust (J-REIT) that was listed in September 2001. It specializes in investments in office buildings. Two companies, Mitsubishi Estate Co., Ltd. and Mitsui & Co., Ltd., are its sponsors.

JRE has created a quality portfolio through investments in competitive large buildings mainly located in central Tokyo. Properties located in the central three wards of Tokyo account for the majority of its portfolio on an acquisition value basis. The REIT has a number of prime buildings such as Shiodome Building, Kitanomaru Square, and Akasaka Park Building.

In 2015, JRE additionally acquired compartmentalized ownership of Shiodome Building and acquired large buildings at good locations in Osaka and Sendai externally. With an asset size exceeding 920 billion yen on an acquisition value basis, JRE maintains a business base with the top-class strength in the J-REIT industry.

The occupancy rate of its properties is trending at a high level of above 97%, and the level of contract rents is increasing, albeit modestly. Given this, along with an upward trend in the market rent level, rent revenues are expected to recover gradually going forward.

JRE's LTV ratio remains low, standing at 41.5% as of September 2015. The REIT has set its LTV target at a very conservative level of 30-40%. Supported by these factors, as well as by good access to the capital markets, the financial profile will likely continue to be sound. Thanks to improvements in the appraisal value, among other reasons, unrealized gains have expanded to over 100 billion yen.

The funding base is extremely solid. Debts are mostly long-term fixed-interest rate borrowings, and the average remaining term to maturity is as long as about 4 years (as of September 2015), with due dates staggered sufficiently. Thanks to favorable relationships with major domestic financial institutions, JRE receives better loan terms than other REITs. Having increased committed lines of credit to 50 billion yen, the REIT ensures sufficient liquidity.

The Rating Outlook is Stable. Since JRE owns a number of large buildings in central Tokyo, the quality and size of its portfolio is sufficient. The occupancy rate has been high, and the rent level is expected to recover gradually going forward. The REIT's conservative leverage management policy and high fundraising ability as well as its strong business base will likely underpin the current high rating.

The primary rating methodology applied to this rating is provided at "Rating Methodology for J-REIT". The methodology is available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/cfp/about/methodology/index.html>

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**R&I RATINGS:**

**ISSUER:** Japan Real Estate Investment Corp. (Sec. Code: 8952)  
**Issuer Rating**  
**RATING:** AA, Affirmed  
**RATING OUTLOOK:** Stable

<b>Unsec. Str. Bonds No.4</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	Sep 29, 2005	Sep 29, 2025	JPY 10,000
<b>RATING:</b>	<b>AA, Affirmed</b>		

<b>Unsec. Str. Bonds No.9</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	Aug 30, 2013	Aug 30, 2018	JPY 10,000
<b>RATING:</b>	<b>AA, Affirmed</b>		