

Feb 03, 2017

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 investment in office buildings and has two sponsors, Mitsubishi Estate Co., Ltd. and Mitsui & Co., Ltd.

JRE has created a quality portfolio by investing in highly competitive large buildings mainly in central Tokyo. Properties located in the three central wards of Tokyo account for the majority of its portfolio on an acquisition value basis. The REIT possesses many prime buildings, including Shiodome Building, Kitanomaru Square and Akasaka Park Building.

JRE's asset size exceeds 920 billion yen, and its business base is among the strongest in the J-REIT industry. Although the pace of asset expansion is slowing down, the REIT is aiming for quality-focused external growth through collaboration with sponsors and asset replacement.

The occupancy rate of the portfolio is high at above 98%, and the rent levels of existing buildings are rising steadily. While new supply in Tokyo is expected to increase in 2018, the impact will likely be mitigated by the strong competitiveness of its properties and the diverse tenant mix.

JRE's LTV ratio is kept low at 40.3% as of September 2016. The REIT adopts the very conservative LTV target of 30% to 40% and has good access to capital markets, which suggests its financial profile will remain sound. Thanks in part to improvements in the appraisal value, unrealized gains have expanded to over 150 billion yen.

The funding base is extremely solid. Debts are mostly long-term fixed rate borrowings, and the average remaining term to maturity is as long as 3.5 years (as of September 2016), with due dates staggered sufficiently. Favorable relationships with major domestic financial institutions allow JRE to obtain more advantageous loan terms than other REITs. With available committed lines of credit of 50 billion yen, liquidity is sufficient.

The Rating Outlook is Stable. JRE owns many large buildings in central Tokyo, and its portfolio is excellent in terms of both quality and size. The occupancy rate stays high, and the rent levels continue to recover gradually. 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>

R&I RATINGS:

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

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Unsec. Str. Bonds No.4	Issue Date	Maturity Date	Issue Amount (mn)
	Sep 29, 2005	Sep 29, 2025	JPY 10,000

RATING: AA, Affirmed

Unsec. Str. Bonds No.9	Issue Date	Maturity Date	Issue Amount (mn)
	Aug 30, 2013	Aug 30, 2018	JPY 10,000

RATING: AA, Affirmed

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