



**Financial Results for the period from
1 July 2014 to 30 September 2014**

12 November 2014

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In this presentation, references to “forecast figures” or “forecast” are to forecast figures for Projection Year 2015 which the Trustee-Manager has extracted from the prospectus of CRT dated 2 May 2013 (the “Prospectus”), and these are subject to the bases and assumptions stated therein, and pro-rated for the actual number of days attributable to the respective reporting period, except for non-recurring items such as unrealised fair value gains, their related deferred tax expenses and prepaid property tax which are not proportionally pro-rated. Such forecast figures are for illustrative purposes only and should not be construed as a representation of the actual performance or results of CRT.

About Croesus Retail Trust



Aeon Town Moriya

A suburban shopping centre located in Moriya city, Ibaraki Prefecture, a growing residential area



Aeon Town Suzuka

A suburban shopping centre located in Suzuka city, Mie Prefecture



Croesus Shinsaibashi

A prime retail property located in Shinsaibashisuji Avenue, a premier shopping district in Osaka



Mallage Shobu

A suburban shopping centre located in Kuki city, Saitama Prefecture



Luz Omori

A prime retail property located 3 minutes walking distance from JR Omori Station



NIS Wave I

A prime retail property directly connected to JR Tachikawa Station via pedestrian deck



One's Mall⁽²⁾

A suburban shopping centre located in Inage ward, Chiba city, Chiba Prefecture

- 1 First Asia-Pacific retail business trust with an initial portfolio in Japan listed on the SGX-ST
- 2 Portfolio as at 16 Oct 2014 comprises 7 quality prime and suburban retail malls with an aggregate NLA of 251,013 sq m and committed occupancy of approximately 100%
- 3 Market Capitalisation of S\$492 million ⁽¹⁾
- 4 Exposure to resilient income-producing stabilised assets in Japan
 - Close to major transportation nodes and conveniently accessible
 - Mix of quality malls catering to the young and trendy and suburban malls catering to daily necessities

- Most leases are Fixed-Term Leases, allowing for adjustment in rental income and tenant composition upon expiry

Unless otherwise defined, all capitalised terms used in this Presentation shall bear the same meaning as used in the Prospectus.

(1) Based on closing price of S\$0.965 on 3 November 2014.

(2) Acquisition was recently completed on 16 October 2014 and thus, the 1Q FY2015 results presented herein do not factor in the performance of One's Mall.



Key Highlights

Financial Highlights

Portfolio Performance

Outlook

Key Highlights for 1Q FY2015



- Robust financial performance
 - Income Available for Distribution increased 8.6% year-on-year⁽⁵⁾ and outperformed Forecast⁽¹⁾ by 22.3%
 - Available Distribution Per Unit of 2.08c⁽²⁾ unchanged year-on-year⁽⁵⁾ and outperformed Forecast of 1.89c⁽¹⁾ by 10.1%

- Successful equity fund raising to partially fund acquisition of One's Mall
 - Issued at discount of 3.2% to adjusted VWAP⁽³⁾ of S\$0.9455 per unit

- Announcement of acquisition of One's Mall
 - Accretive acquisition⁽⁴⁾
 - Financial effects of acquisition from 2Q FY2015 as the acquisition was completed on 16 October 2014

- Smooth inaugural AGM
 - All resolutions duly passed

- Tenant replacements and renewals at Mallage Shobu on track

- Hedging of distributable income extended till 31 December 2015

(1) The Forecast figures are derived from the forecast figures for Projection Year 2015 in the Prospectus and prorated to 92 days for the period from 1 July 2014 to 30 September 2014 (based on a 365-day financial year). The Forecast figures are only in respect of the Initial Portfolio and do not include Luz Omori and NIS Wave I.

(2) For the period from 1 July 2014 to 30 September 2014.

(3) Adjusted volume weighted average price is computed based on the volume weighted average price of all trades in the Units on the SGX-ST for the full market day on 1 September 2014, and subtracting the cumulative distribution (comprising the distribution for the period from 1 January 2014 to 30 June 2014 and the advance distribution in connection with the private placement carried out in September 2014).

(4) Refer to the announcement dated 1 September 2014 in relation to the announcement of One's Mall for further details.

5 (5) The results from 1 July 2013 to 30 September 2013 (which are prorated to 92 days based on the actual results for the 144-day period from 10 May 2013 to 30 September 2013) have been used as the comparative figures.



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Financial Highlights – 1 July 2014 to 30 September 2014

	1 July 2014 to 30 Sept 2014 (Actual)	1 July 2013 to 30 Sept 2013 (Actual) ⁽⁴⁾	Variance %	1 July 2014 to 30 Sept 2014 (Forecast)	Variance %
Income Available for Distribution (¥'000)	790,995	728,027	8.6%	646,994 ⁽¹⁾	22.3%
Available Distribution Per Unit ('DPU') (Singapore cents)⁽⁵⁾	2.08	2.08	0.0%	1.89 ⁽¹⁾	10.1%
Historical Annualised DPU (Singapore cents)⁽²⁾	8.25	8.25		7.49 ⁽⁶⁾	
Historical Annualised Distribution Yield⁽³⁾					
@ S\$0.93 per unit (IPO Price)	8.9%	8.9%		8.1%	
@ S\$0.965 per unit (closing price on 3 Nov 2014)	8.5%	8.5%		7.8%	

(1) The Forecast figures are derived from the forecast figures for Projection Year 2015 in the Prospectus and prorated to 92 days for the period from 1 July 2014 to 30 September 2014 (based on a 365-day financial year). The Forecast figures are only in respect of the Initial Portfolio and do not include Luz Omori and NIS Wave I.

(2) The historical annualised DPU is calculated by dividing the DPU for the period from 1 July to 30 September by 92 days and multiplying the result by 365 days (the "Historical Annualised DPU"). The Historical Annualised DPU is for illustrative purposes only and should not be construed as a representation of the future DPU or a forecast of the future DPU.

(3) The historical annualised distribution yield is calculated by dividing the Historical Annualised DPU by the respective unit price (in Singapore cents). The historical annualised distribution yield is for illustrative purposes only and should not be construed as a representation of the future distribution yield or a forecast of the future distribution yield.

(4) For a more meaningful comparison, the results from 1 July 2013 to 30 September 2013 (which are prorated to 92 days based on the actual results for the 144-day period from 10 May 2013 to 30 September 2013) are presented as the comparative period for the period from 1 July 2014 to 30 September 2014.

(5) CRT had entered into forward foreign currency exchange contracts to hedge the currency risk for distributions to the unitholders of CRT ("Unitholders"). The DPU is computed taking such contracts into consideration. On 26 September 2014, CRT made an advance distribution of 1.66 Singapore cents per unit of CRT for the period from 1 July 2014 to 10 September 2014. Accordingly, the DPU for the remaining period in 1Q FY2015 is 0.42 Singapore cents.

(6) This is the DPU forecast for Projection Year 2015, as reflected in the Prospectus.

1Q FY2015 Available Distribution Per Unit 10.1% Above Forecast

(JPY'000)	1Q FY2015 Actual	1Q FY2014 Actual ⁽⁵⁾	Variance %	1Q FY2015 Forecast	Variance %
Gross Revenue	1,712,482	1,276,651	34.1%	1,280,831	33.7%
Less: Property Operating Expenses	(599,024)	(465,615)	28.7%	(451,753)	32.6%
Net Property Income	1,113,458	811,036	37.3%	829,078	34.3%
Trustee-Manager's Fees ⁽¹⁾	(153,058)	(109,390)	39.9%	(111,331)	37.5%
Finance Costs	(234,739)	(112,863)	108%	(110,597)	112%
Other Trust Expenses ⁽⁴⁾	(36,139)	(33,359)	8.3%	(32,375)	11.6%
Total Trust Income and Expenses	689,522	555,424	24.1%	574,775	20.0%
Net Change in Fair Value of Investment Properties/ Financial Instruments ⁽²⁾	165,928	776,621	(78.6)%	0	N/A
Income Tax Expenses ⁽⁴⁾	(181,811)	(308,987)	(41.2)%	(64,643)	181%
Profit after Tax	673,639	1,023,058	(34.2)%	510,132	32.1%
Distribution Adjustments ⁽³⁾	117,356	(295,031)	(140)%	136,862	(14.3)%
Income Available for Distribution	790,995	728,027	8.6%	646,994	22.3%
Available Distribution per Unit (Singapore cents)	2.08	2.08	0.0%	1.89	10.1%

(1) Includes Japan Asset Manager's fees.

(2) Net sum between the fair value gain on investment properties which arose from unrealised gain on revaluation of the investment properties of the CRT Group and the fair value loss on financial instruments which arose from mark to market of forward foreign exchange contracts (in accordance with FRS 39) used to hedge distribution.

(3) Adjustments include Trustee-Manager's fees paid/ payable in units, amortization of upfront costs, amortization of prepaid property tax, fair value gains on investment properties net of tax, fair value losses on financial instruments, deferred tax expenses and others.

(4) Reclassification of JPY3,414,000 of business scale taxes from the forecast income tax expenses to forecast other trust expenses were made to be consistent with the actual accounts. Other trust expenses comprise of finance income, other administrative expenses, other trust expenses and foreign exchange gains/ losses.

8 (5) For a more meaningful comparison, the results from 1 July 2013 to 30 September 2013 (which are prorated to 92 days based on the actual results for the 144-day period from 10 May 2013 to 30 September 2013) are presented as the comparative period for the period from 1 July 2014 to 30 September 2014.

Balance Sheet

(JPY'000)	Actual as at 30 Sept 2014	Actual as at 30 June 2014
Investment Properties	69,886,864	69,881,664
Other Non-current Assets	2,593,699	2,323,383
Current Assets	11,339,645	6,346,037
Total Assets	83,820,208	78,551,084
Loans and Borrowings (long-term)	40,698,929	40,244,092
Other Non-current Liabilities	3,888,806	3,989,538
Current Liabilities	2,086,251	1,923,920
Net Assets	37,146,222	32,393,534
Number of Units Issued and to be issued ⁽¹⁾	511,888,000	431,438,000
Net Asset Value per Unit (JPY)	72.57	75.08

◆ The decrease in NAV per Unit was due mainly to the payment of distributions to Unitholders of JPY1.984 billion on 26 September 2014

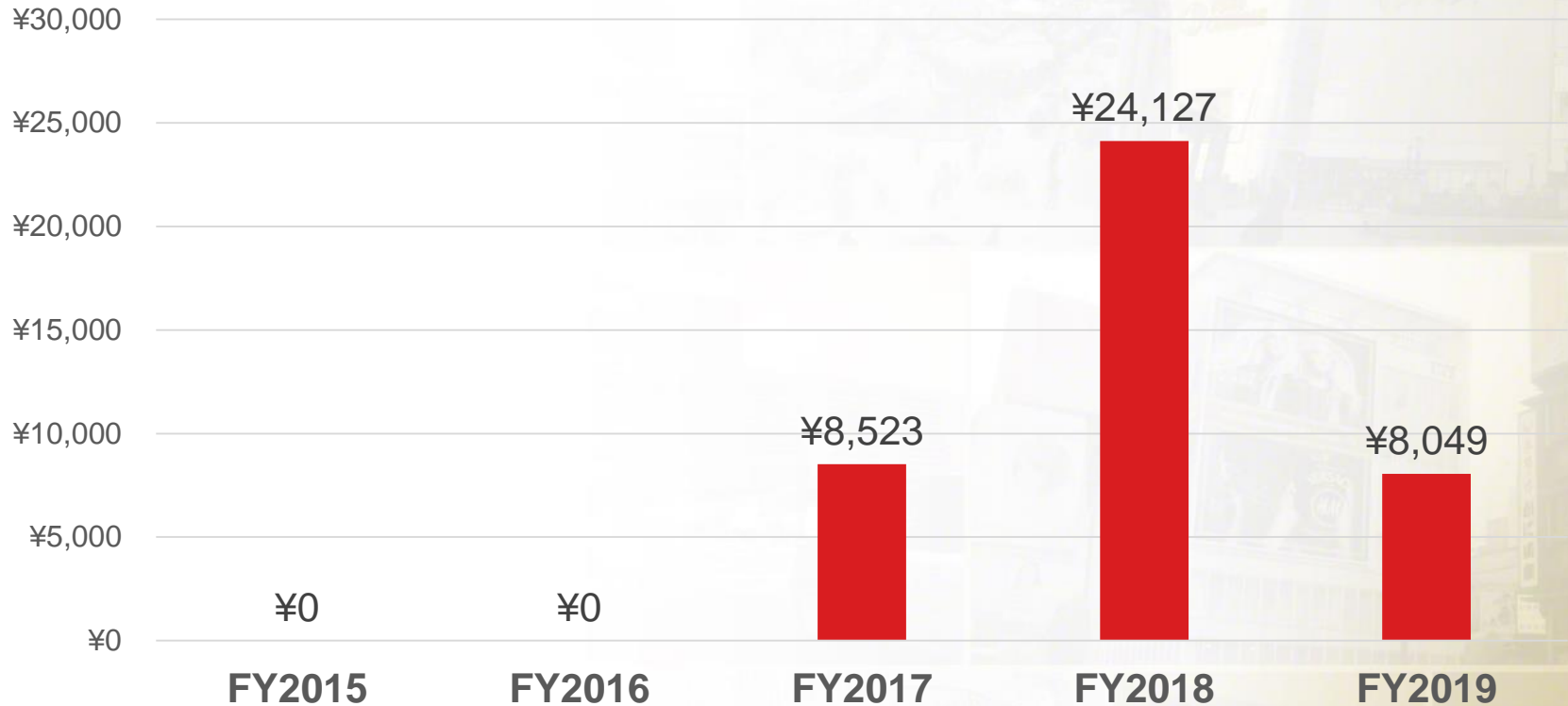
(1) The number of units issued and to be issued as at 30 September 2014 consists of a) the number of units in issue as at 30 September 2014 of 510,338,000; and b) the estimated number of units to be issued to the Trustee-Manager as partial satisfaction of Trustee-Manager's fees payable for the period from 1 July 2014 to 30 September 2014 of 1,550,000.**

** As provided for in the trust deed dated 7 May 2012 constituting CRT as amended (the "Trust Deed"), the price of the units issued shall be computed based on the volume weighted average price of a unit for the period of ten business days immediately preceding the relevant business day of the issue of such units.

Debt Maturity Profile

Total Long-term Debt: JPY 40,699 million

Unit: JPY mm



% of total debt maturing	FY2015	FY2016	FY2017	FY2018	FY2019
	0%	0%	21%	59%	20%

- Weighted debt maturity as at 30 September 2014 is 3.5 years
- No refinancing requirements until FY2017

Key Financial Indicators

	Actual as at 30 Sept 2014	Actual as at 30 June 2014
Gearing Ratio	49.0%	51.7%
Interest Coverage Ratio	3.9 times	4.6 times
% of Debt Hedged	100%	100%
Average All-In Cost of Debt⁽¹⁾	2.10%	2.13%
Debt Maturity	3.5 years	3.7 years
Additional Debt Headroom⁽²⁾	JPY23.1 billion	JPY16.2 billion

(1) Cost of debt excluding professional and other fees incurred during the transaction.

(2) Calculated based on a leverage limit of 60.0%.



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Portfolio Overview


Locked in an attractive purchase price (5.2% discount to valuation⁽²⁾) for the acquisition of One's Mall at a time when real estate prices in Japan continue to rise. Enlarged portfolio continues to be geographically diversified across Japan, located near major transportation nodes.

Croesus Shinsaibashi




Valuation ⁽¹⁾ (JPY mm)	9,940
NLA (sqm)	2,342
Vendor: Marubeni	

Aeon Town Suzuka




Valuation ⁽¹⁾ (JPY mm)	8,970
NLA (sqm)	43,501
Vendor: Daiwa House	

Mallage Shobu




Valuation ⁽¹⁾ (JPY mm)	22,700
NLA (sqm)	67,853
Vendor: Sojitz	

NIS Wave I




Valuation ⁽¹⁾ (JPY mm)	11,700
NLA (sqm)	7,141
Vendor: US Private Fund	

Luz Omori




Valuation ⁽¹⁾ (JPY mm)	3,560
NLA (sqm)	9,285
Vendor: Marubeni	

One's Mall



Valuation ⁽²⁾ (JPY mm)	11,600
NLA (sqm)	52,844
Vendor: Private fund	

Aeon Town Moriya

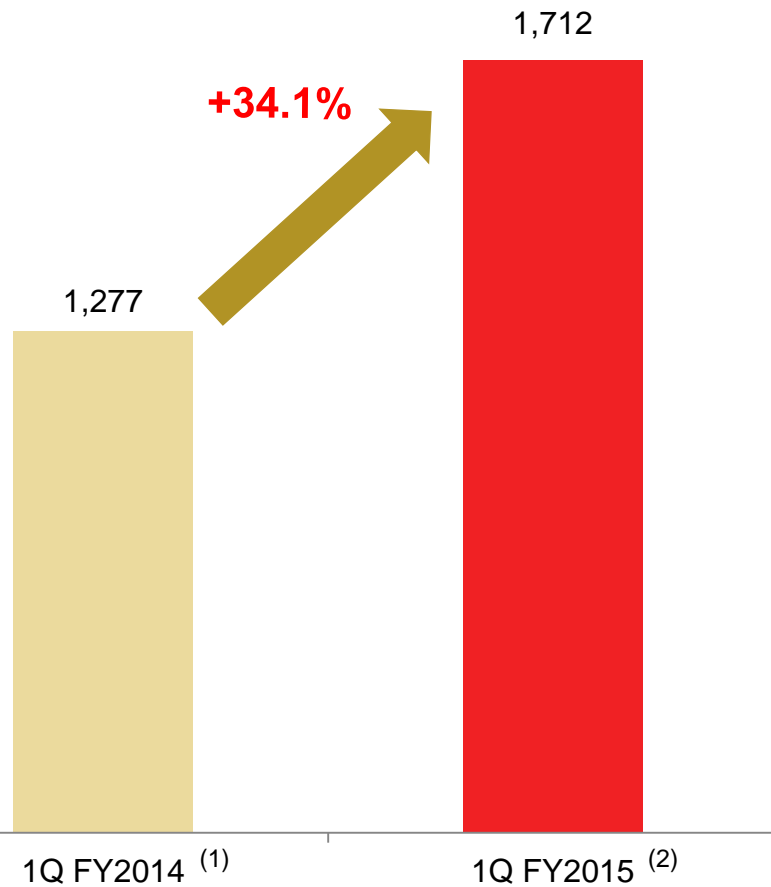


Valuation ⁽¹⁾ (JPY mm)	13,000
NLA (sqm)	68,047
Vendor: Daiwa House	

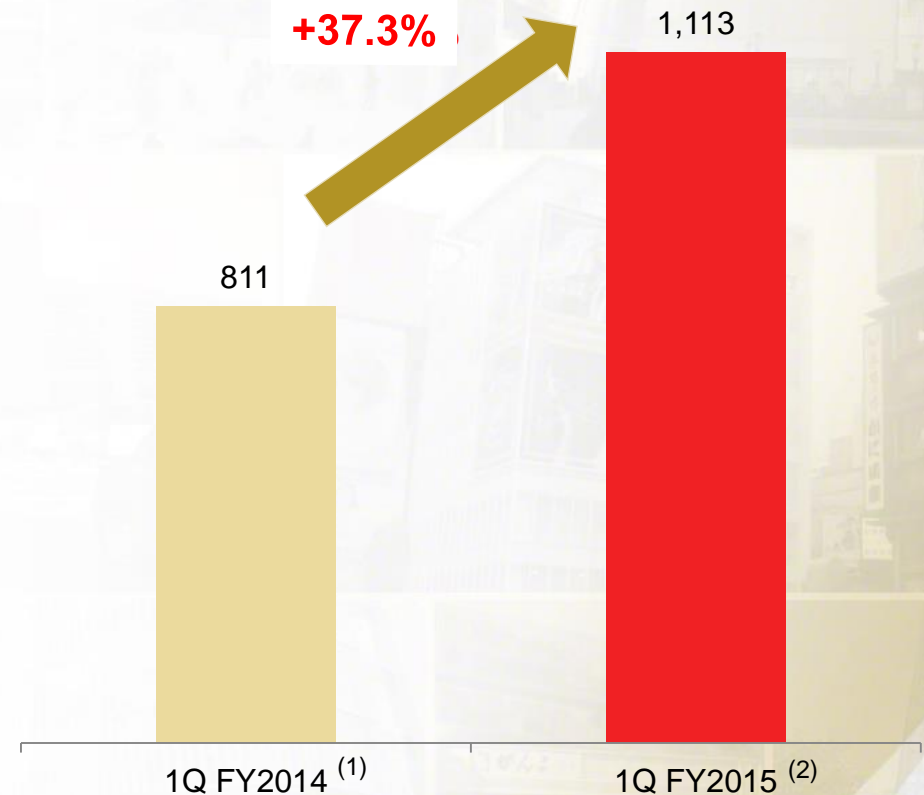
(1) Based on valuation by DTZ Debenham Tie Leung K.K. ("DTZ") as at 30 June 2014
 (2) Based on valuation by DTZ as at 31 July 2014

Portfolio Gross Revenue and NPI Outperformed Year-on-Year

Gross Revenue (JPY mm)



Net Property Income (JPY mm)



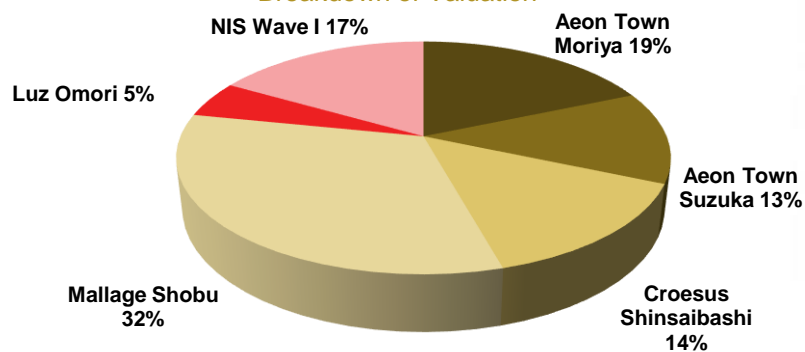
(1) For the period from 1 July 2013 to 30 September 2013. The results from 1 July 2013 to 30 September 2013 are prorated to 92 days based on the actual results for the 144-day period from 10 May 2013 to 30 September 2013.

(2) For the period from 1 July 2014 to 30 September 2014.

Key Information on the Assets

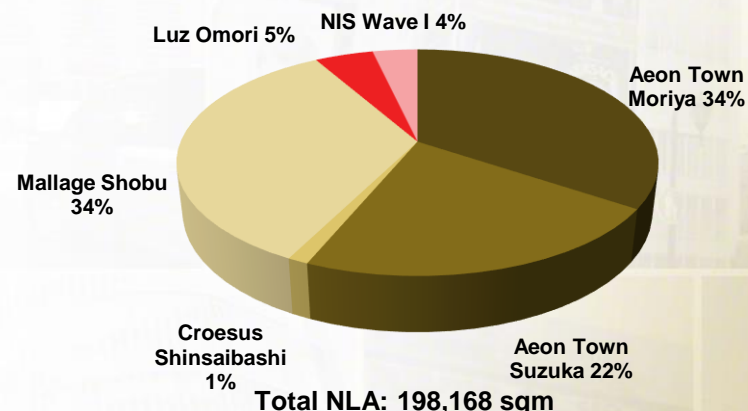
	City	Number of Tenants ⁽¹⁾	Age of Building (yrs) ⁽¹⁾	Leasehold / Freehold	Valuation ⁽²⁾ (JPY mm)	FY2014 Actual NPI ⁽³⁾ (JPY mm)	Purchase Price (JPY mm)	Annualised NPI Yield ⁽⁴⁾
Aeon Town Moriya	Ibaraki	1 master lessee, 110 subtenants	7.3	Freehold	13,000	937.3	12,154	6.8%
Aeon Town Suzuka	Mie	1 master lessee, 41 subtenants	7.3	Freehold	8,970	678.4	8,439	7.0%
Croesus Shinsaibashi	Osaka	4	5.0	Freehold	9,940	527.4	9,021	5.1%
Mallage Shobu	Saitama	237	5.9	Freehold	22,700	1,606.5	20,584	6.8%
Luz Omori	Tokyo	29	3.6	Leasehold expiring in July 2059	3,560	71.7	3,450	6.5%
NIS Wave I	Tokyo	10	7.3	Freehold / Leasehold expiring in Dec 2029 ⁽⁵⁾	11,700	207.5	10,800	6.0%
Total		431	6.6		69,870	4,028.8	64,448	6.4%

Breakdown of Valuation



Total Valuation: JPY 69,870 mm

Breakdown of NLA



Total NLA: 198,168 sqm

(1) As at 30 September 2014.

(2) Based on valuation by DTZ as at 30 June 2014.

(3) From 10 May 2013 to 30 June 2014.

(4) Based on annualising the Actual NPI (which comprises of the 417-day period from 10 May 2013 to 30 June 2014 for the Initial Portfolio and for the 117-day period from 6 March 2014 to 30 June 2014 for Luz Omori and NIS Wave I, respectively) divided by the purchase price. The annualised NPI yield is for illustrative purposes only and should not be construed as a representation or forecast of the future NPI yield.

(5) NIS Wave I comprises 4 plots of amalgamated land. 3 parcels are freehold and owned by CRT, while 1 parcel is leasehold with an expiry in Dec 2029.

Balanced Portfolio Contributing to Stable Income and Sustainable Growth

Each of the properties is strategically located within its submarket, being directly connected via major transportation nodes.

	1Q FY2015 NPI %	Occupancy (¹)	WALE by NLA (¹) (yrs)	Lease Expiry Profile		Connectivity		Key Tenants / Sub tenants
				FY2015	FY2016	By Train	By Major Road	
Aeon Town Moriya	18%	100%	12.7	-	-	✓	✓	Aeon Cinema, Alpen, Food Square Kasumi, Futaba-Tosho, Uniqlo, Nojima
Aeon Town Suzuka	13%	100%	12.7	-	-	✓	✓	Kahma Home Centre, APINA, Nitori, Hana-Shobu, Uniqlo, Atelier, Seria, G.U.
Croesus Shinsaibashi	10%	100%	7.5	-	-	✓	✓	H&M
Mallage Shobu	38%	98.0%	4.7	17.9%	2.5%	✓	✓	Nafco, 109 Cinemas, Himaraya, York Mart, Nojima, Academia, Sanki, Play Land, Uniqlo
Luz Omori	6%	96.8%	16.0	-	1.0%	✓	✓	Ota ward, Docomo, Daiso
NIS Wave I	15%	100%	4.3	-	4.6%	✓	✓	NEXUS Holdings, Sumitomo Mitsui Trust Bank

31% of NPI secured through master leases with high quality tenant (Aeon Town)

Approximately 100% occupancy across all properties

~82% of FY2015 and ~74% of FY2016 rentals have been locked in

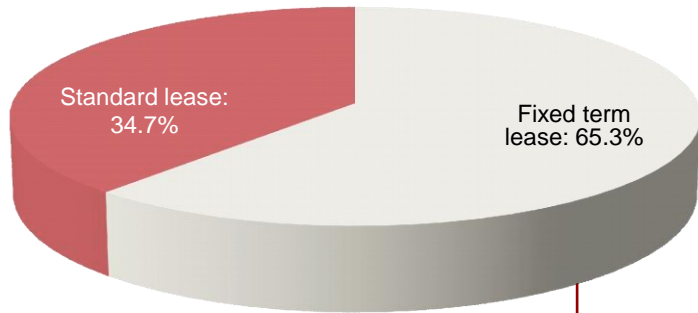
Well-connected by train, bus or major roads

Quality tenant base from diversified trade sectors

Favourable Lease Profile

A substantial portion of CRT's Gross Rental Income is derived from leases structured as Fixed Term Leases, giving it greater flexibility to adjust rentals / tenant composition, or variable rent, allowing it to share any income upside with its tenants.

% of Gross Rental Income from Fixed Term Leases⁽²⁾



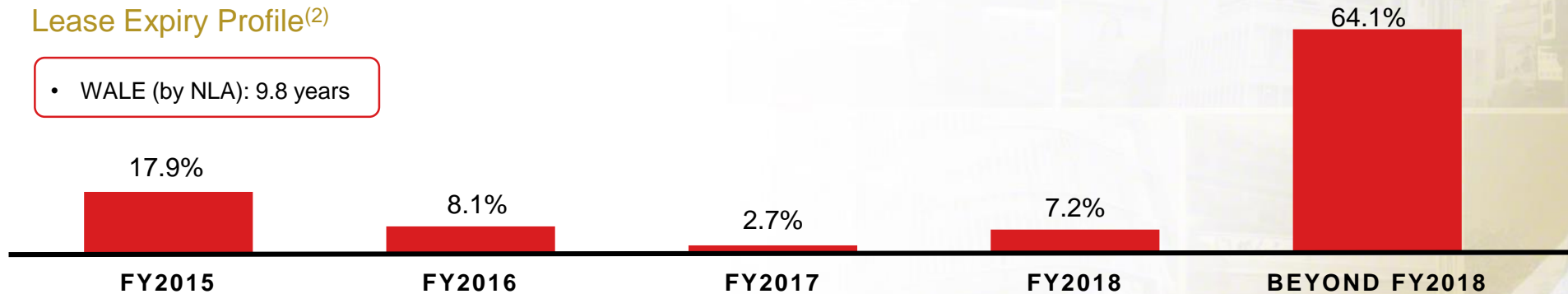
- Greater flexibility in adjusting rental income and tenant composition upon expiry of lease
- Shorter lease tenure (typically 3 – 5 years)

Growth in Gross Rental Income from Variable Rent⁽¹⁾

- Among the properties, Croesus Shinsaibashi, Luz Omori and Mallage Shobu have leases with variable rent components
- As of 30 September 2014⁽³⁾ 33.5% of gross rental income of the portfolio had a variable rent component
- Of total variable rent, the variable portion is 12.0% and 21.5% is guaranteed minimum base rent. Therefore, pure fixed rent constitutes 88.0% of total portfolio gross rental income

Lease Expiry Profile⁽²⁾

- WALE (by NLA): 9.8 years



(1) Variable rent figures mentioned included guaranteed minimum rent

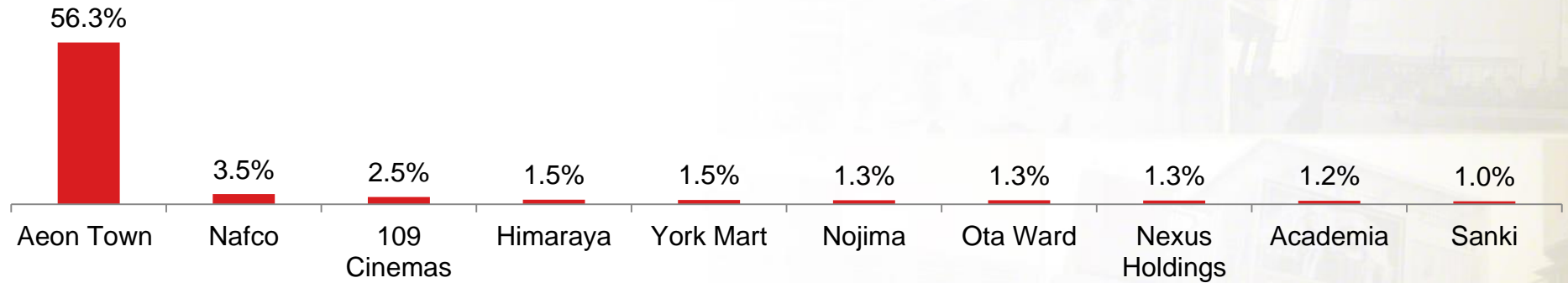
(2) By Gross Rental Income for the month of September 2014

(3) From 1 July 2014 to 30 September 2014

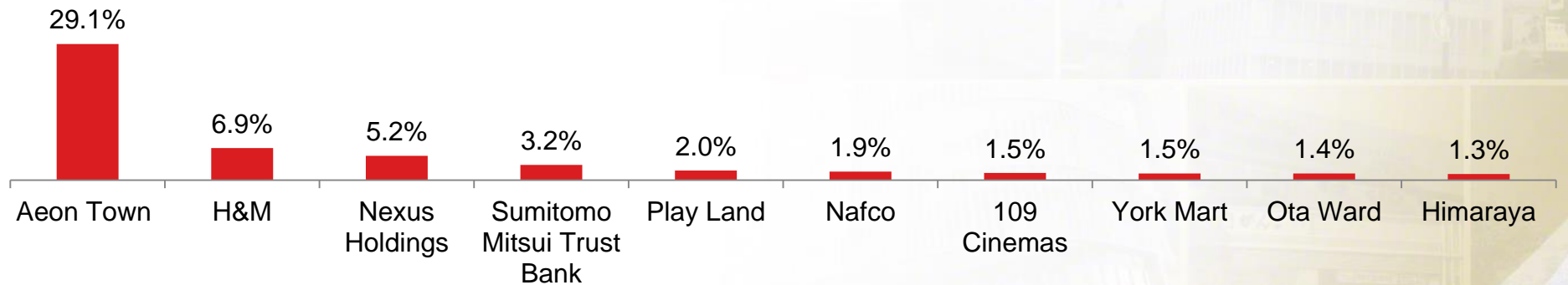
Top Ten Tenants of CRT

Diversification of CRT's tenant base achieved post recent acquisitions with addition of new anchor tenants

Top 10 Tenants by **NLA**
 (As at 30 September 2014)



Top 10 Tenants by **Gross Rental Income**
 (For the month of September 2014)



New Shop Openings during 1Q FY2015



Mallage Shobu: Lepsim Lowrys Farm



Aeon Town Moriya: Bon Maison



Mallage Shobu: The Groovy Store

Mallage Shobu – Marketing & Promotional Activities

6 August 2014 Mizumori Kaori Live Concert



11~22 August 2014 Children's Carnival

Mallage Shobu – Tenant Replacements

- Renovation work associated with tenant replacements
- Significant movement in the tenant composition, with 148 of 242 leases to expire during FY2015
 - Rental reversion upon lease expiry, since most of the expiring leases were entered into in 2008 with lease terms favoring the lessees, given market conditions at the time
 - Attract strategic anchor tenants to further enhance the overall growth
 - Recent additions of new tenants such as Lepsim Lowrys Farm (fashion brand) and The Groovy Store (children's clothing); currently in negotiations with other high quality tenants

Favourable rental reversions anticipated when leases expire in November 2014



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Outlook

Outlook: Promising Macro-Environment



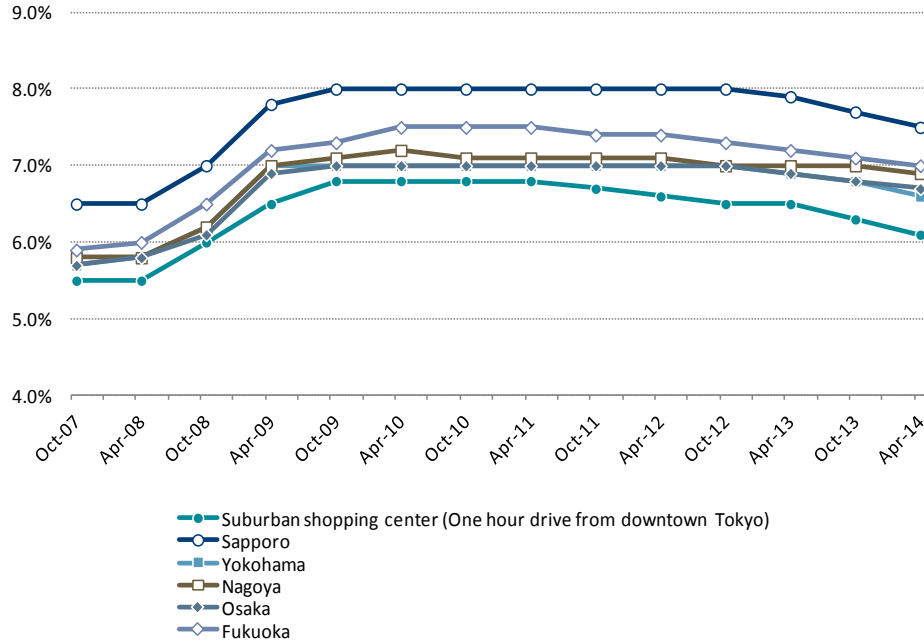
- Promising GDP and Tankan data
 - 1Q 2014 annualised GDP growth of +6.1% (q-on-q) to mark sixth straight quarter of expansion.
 - 2Q 2014 annualised GDP contracted 7.1%, due to the consumption tax increase from 5 to 8% effective 1 April 2014.
 - Quarterly Tankan index in September 2014 rose to +13 from -8 in March 2013, highlighting increased confidence and optimism for the economy.
- Improvement in CPI numbers
 - Core consumer prices for the month of September 2014 rose 3.0% on a year-to-year basis, making it the sixteenth consecutive month of increase.
- Increase in property prices seen by recent cap rate compression

Source: Barclays Research Report and the Japan Real Estate Institute

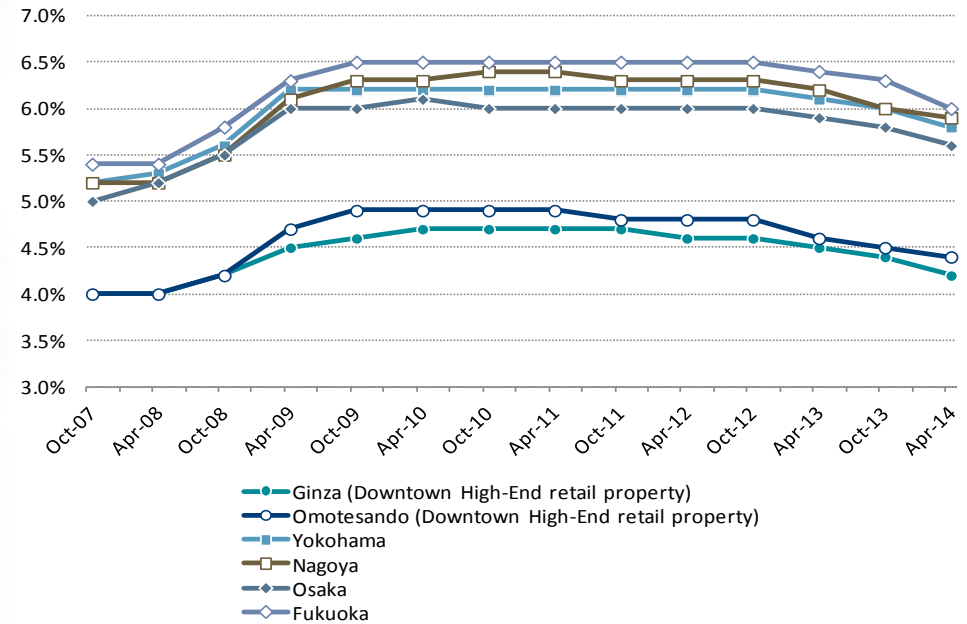
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Retail Cap Rate Trends

Suburban Retail Cap Rate Trends



Prime Retail Cap Rate Trends



	2007.10	2008.4	2008.10	2009.4	2009.10	2010.4	2010.10	2011.4	2011.10	2012.4	2012.10	2013.4	2013.10	2014.4
Suburban shopping center (One hour drive from downtown Tokyo)	5.5%	5.5%	6.0%	6.5%	6.8%	6.8%	6.8%	6.8%	6.7%	6.6%	6.5%	6.5%	6.3%	6.1%
Sapporo	6.5%	6.5%	7.0%	7.8%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	7.9%	7.7%	7.5%
Yokohama	5.7%	5.8%	6.2%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	6.9%	6.8%	6.6%
Nagoya	5.8%	5.8%	6.2%	7.0%	7.1%	7.2%	7.1%	7.1%	7.1%	7.1%	7.0%	7.0%	7.0%	6.9%
Osaka	5.7%	5.8%	6.1%	6.9%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	6.9%	6.8%	6.7%
Fukuoka	5.9%	6.0%	6.5%	7.2%	7.3%	7.5%	7.5%	7.5%	7.4%	7.4%	7.3%	7.2%	7.1%	7.0%

	2007.10	2008.4	2008.10	2009.4	2009.10	2010.4	2010.10	2011.4	2011.10	2012.4	2012.10	2013.4	2013.10	2014.4
Ginza (Downtown High-End retail property)	4.0%	4.0%	4.2%	4.5%	4.6%	4.7%	4.7%	4.7%	4.7%	4.6%	4.6%	4.5%	4.4%	4.2%
Omotesando (Downtown High-End retail property)	4.0%	4.0%	4.2%	4.7%	4.9%	4.9%	4.9%	4.9%	4.8%	4.8%	4.8%	4.6%	4.5%	4.4%
Yokohama	5.2%	5.3%	5.6%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.1%	6.0%	5.8%
Nagoya	5.2%	5.2%	5.5%	6.1%	6.3%	6.3%	6.4%	6.4%	6.3%	6.3%	6.3%	6.2%	6.0%	5.9%
Osaka	5.0%	5.2%	5.5%	6.0%	6.0%	6.1%	6.0%	6.0%	6.0%	6.0%	6.0%	5.9%	5.8%	5.6%
Fukuoka	5.4%	5.4%	5.8%	6.3%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.4%	6.3%	6.0%



Expected cap rates of suburban shopping centers located one hour drive from Tokyo have shown compression by 70bps to 6.1% compared to the highest point in April 2011 of 6.8%



Osaka's expected cap rate has recently compressed by 30bps to 5.6% compared to just 12 months ago in April 2013

Significant Retail deals across Japan

Property Name	Town/ City	Purchaser	Vendor	Price (JPY Billion)	NOI Cap Rate (%)	Closing Date
Yodobashi Camera Multimedia Kichijoji	Kichijoji, Tokyo	United Urban Investment (REIT)	Kichijoji YCM Funding	28.0	5.2	Mar 2013
Kawasaki Lefront	Kawasaki, Kanagawa	Japan Retail Fund Investment (REIT)	MJ Retail Investments One	30.0	6.2	Oct 2013
G Building Shinsaibashi 03	Shinsaibashisuji, Osaka	Japan Retail Fund Investment (REIT)	Unique Osaka LLC (RREEF)	22.3	4.3	Oct 2013
Aeon Lake Town Mori (40%)	Koshigaya, Saitama	Aeon REIT Investment (REIT)	Aeon Retail	21.1	5.6	Nov 2013
Kobe Kyu Kyoryuchi 25 Bankan (includes hotel)	Kobe, Hyogo	Activia Properties (REIT)	SPC of Tokyu Land	21.3	4.8	Dec 2013
Valor Suzuka Shopping Center	Suzuka-shi, Mie	Orix J-REIT Inc.	Orix Real Estate	3.2	6.3	April 2014

Source: DTZ Research & Daiwa Real Estate Market Report Summer 2014

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Tokyo Property Deals Surge as Rising Rents Lure Buyers

By Kathleen Chu and Katsuyo Kuwako Sep 3, 2014 2:33 PM GMT+0800 2 Comments Email Print

Investment in **Tokyo** properties is surging on prospects that rents will rise, boosting returns, even after a 20 percent gain in prices since Japanese Prime Minister Shinzo Abe took office almost two years ago.

"There is a sense of value here that you don't find in other major office markets," said Jon Tanaka, Tokyo-based managing director of Angelo Gordon & Co., an alternative asset manager with about \$27 billion in assets. "Japanese and offshore core buyers have capital available and they are very eager to find investment opportunities in Tokyo."



Photographer: Tomohiro Onsumi/Bloomberg

Real estate investment in Japan rose 70 percent to 4.6 trillion yen (\$44 billion), the highest level since March 2008, in the 12 months ended in March from a year earlier, according to a report published in July by Deutsche Asset & Wealth Management. Among deals in the past week, a unit of **China's** Fosun Group acquired the Citigroup Center building in Tokyo and Mori Trust Co. bought an office and banquet hall complex in the capital for more than a \$1 billion.

Office rents for the best buildings in Tokyo are estimated to rise by about 30 percent over the next three years, giving potential investors a chance to capitalize on rental incomes, according to **CBRE Group Inc. (CBG)**

While Abe's efforts to revive the nation's economy and end more than a decade of deflation have led to a recovery in the property market, prices in Tokyo, the world's third-biggest real estate investment market, are still 20 percent below their 2007 peak, according to an estimate by Deutsche Asset. In an effort to restore economic momentum, Abe reshuffled his cabinet today, 20 months after taking office.

Relative Yields



Photographer: Kiyoshi Ota/Bloomberg

The Tokyo Real Estate Index tracking 46 property-related companies

Investors in Property Widen Hunt in Japan

By KOSAKU NARIOKA

TOKYO—When it costs nearly \$2 billion to buy just part of a building in a prime Tokyo location, it is no wonder some investors in Japanese property are looking farther afield.

Singapore sovereign-wealth fund **GIC Pte. Ltd.** said Tuesday it bought 24 floors of Pacific Century Place Marunouchi, a building next to Tokyo Station, in a bid to grab a slice of Japan's hot property market. A person with knowledge of the deal said the cost was \$1.7 billion.

Total real-estate investment in Japan rose to \$3.5 trillion (\$33 billion) from the start of the year through September, the highest level since 2007 and a 13% increase from

the same period last year, according to data from Urban Research Institute Corp., a real-estate think tank operated by Mizuho Trust & Banking Co.

Both commercial and residential properties are being snapped up by foreign investors finding that value in Japan has been unlocked by a cheap yen and Prime Minister Shinzo Abe's pro-growth policies. Chinese buyers, in particular, are playing a growing role.

The problem for many investors is a lack of top-class properties for sale in central Tokyo, as illustrated by the high price Pacific Century Place fetched. The deal, which covers floors eight through 31, amounts to about \$44,000

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GIC sinks US\$1.7b into Tokyo space

By Michelle Quah michellequah@sp.com.sg @MichelleQuahBT

SINGAPORE sovereign wealth fund GIC is sinking what some have estimated to be the region of US\$1.7 billion (\$2.2 billion) into one of Tokyo's most prime office spaces.

The investment firm said it is taking up the entire office component of Pacific Century Place Marunouchi, located next to Tokyo Station and a stone's throw from the Ginza shopping district.

The office portion consists of the 8th to 31st floors of the building, and has a gross floor area of 38,840 sqm of net lettable area. The lower floors—not part of the transaction—were taken up by Four Seasons Hotel Tokyo and retail space.

GIC did not reveal how much it paid for the office block, but Reuters reported on Aug 25 that Secured Capital Investment Management Co, which GIC said it bought the property from, was putting it up for sale at more than US\$1.7 billion.

Secured Capital, part of Asian private equity firm PAC, bought the property in 2009 for about 144 billion yen (US\$1.4 billion). Reuters quoted unnamed sources close to the deal saying that Secured Capital was seeking more than 180 billion yen (US\$1.7 billion) in its sale of the property.

At that price, Reuters' sources said, the expected annual return for GIC from the Grade A office space would be about 3 per cent.

"As a long-term value investor, GIC believes Pacific Century Place Marunouchi gives us a combination of stable income and the potential for capi-



GIC is taking up the entire office component of Pacific Century Place Marunouchi, next to Tokyo Station

tal appreciation over the long term," said Lee Kok Sun, co-head of Asia, GIC Real Estate.

Pacific Century Place Marunouchi is located in Tokyo's Chiyoda ward, which has some of the country's highest rents and lowest vacancy rates. Most of the other properties in the area are owned by Mitsubishi Estate Co, Japan's leading developer.

Property analysts have a positive view of the Tokyo office market in the near term.

JLI (James Lang Lasalle) said in its second quarter 2014 Asia Pacific Property Digest that it expects rents in Tokyo to rise gradually over the remainder of (2014). It also said that strong interest from investors and expectations for further rental increases

should drive capital values higher. Meanwhile, CBRE Research said in its Q2 2014 global office rent cycle report that rents in Tokyo are on an up-trend.

Mr Lee added: "The attractions of the property are its prime location, superior building quality, and quality tenants. This investment demonstrates our confidence in Japan and, specifically, the Tokyo office market over the long run."

Pacific Century Place Marunouchi counts among its tenants Shell Japan, BHP Billiton Japan, Deloitte Touche Tohmatsu and Verizon Japan.

The *Business Times* understands that the current vacancy rate for the building is in the low single-digit range. JLI's report said that the overall vacancy rate for Tokyo's office space was "stable at 3.7 per cent in Q2 2014."

Pacific Century Place Marunouchi was built by Hong Kong tycoon Richard Li's Pacific Century Group and completed in 2001. The group then sold it for 200 billion yen in 2006. KK da Vinci Holdings, a Japan-based company primarily engaged in the property investment advisory business, KK da Vinci then sold it to Secured Capital.

Reuters had also reported in August that Goldman Sachs Asset Management was a final bidder for Pacific Century Place Marunouchi, with a possible offer of some 165 billion yen, competing against at least two other unnamed investors.

GIC's first investment in Japan dates back to 1997. Earlier this year, it was looking to buy Meguro Gajoen, a complex of office properties and retail facilities in Tokyo, but backed off from the deal due to a legal dispute.

Silver lining for Japan foreign investment

Singapore firms pump in US\$533m in first six months, up from US\$325m for whole of 2013

By Chuang Peck Ming peckming@sp.com.sg

JAPAN'S renewed effort to draw foreign investment appears to be gaining traction.

After sliding for three years, foreign investors—including those from Singapore—pumped US\$5.21 billion into Japan in the first six months of this year, more than double the US\$2.36 billion for the whole of last year.

The figure from Singapore firms surged to US\$533.69 million after easing to US\$379 million in 2012.

According to latest figures compiled by Japanese government trade and investment promotion agency, Japan External Trade Organization, Asian firms in total invested US\$2.15 billion in the first half, more than double the US\$867 million for the 12 months of last year. But it was still lower than the US\$2.89 billion for 2012.

The Taiwanese (US\$806.54 million) accounted for the single biggest chunk of Asian investment inflow, followed by Singaporeans.

Singapore firms remain the biggest Asian investors in Japan to date, with net cumulative investments of US\$13.36 billion as at end-2013, or over half of the Asian total. Traditionally, these were spurred into

Picking up?

Foreign investment flow into Japan (US\$m)

	Jan-Jun 2014	2013	2012	2011
World	5,208.87	2,359.0	1,761.0	-1,701.79
Europe	468.31	1,061.0	893.0	1,420.0
UK	1,022.18	618.0	1,212.0	1,791.92
France	579.33	645.0	463.0	3,437.76
Netherlands	707.12	537.0	458.0	3,072.76
US	4,263.78	1,378.0	-110.0	3,196.83
Asia	2,150.16	867.0	2,895.0	1,383.97
Singapore	533.69	325.0	178.0	791.61
China	457.18	1,400	72.0	109.28
Hong Kong	229.36	172.0	87.0	125.07
Taiwan	836.54	186.0	366.0	110.62
South Korea	57.66	48.0	59.0	187.11

Foreign investment stock in Japan (US\$b)

	2013	2012	2011
World	170.59	206.30	228.22
Europe	78.95	95.16	101.94
France	13.11	15.47	15.89
UK	14.25	18.30	20.30
Netherlands	27.66	31.61	39.94
US	52.40	61.76	70.91
Asia	24.51	27.92	26.67
Singapore	13.36	15.38	16.03
China	0.57	0.55	0.56
Hong Kong	2.08	2.85	2.22
Taiwan	5.45	5.76	4.58
South Korea	2.27	2.51	2.40

have fallen after repeated failed attempts to revive Japan's economy, which has been in a depressed state for two decades.

Others noted that Japan's economy is still over-regulated, its market barriers have stayed high, Japanese workers are costly and Japanese corporate tax rate remain above those in many European and Asian economies.

These drawbacks tend to overshadow Japan's attractions, which include the country's leadership in high technology, research and development as well as its huge market size.

But things may be changing with Shinzo Abe, the new Japanese prime minister who is best on reviving the economy. His strategy, which rests on the "three arrows" of fiscal stimulus, monetary easing and structural reforms, have shown to be procedural.

The strategy, which also aims to double the current level of foreign investments by 2020, also entails the government taking the necessary policy steps to woo foreign firms to invest in Japan.

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◆ **Good governance, valuations plague funds' interest in Japan stocks.** Page 4

A22 | WORLD

Land prices rise in Japan's 3 largest cities

Tokyo, Osaka and Nagoya post first increase since 2008

day. The increase was the first since 2008, the data showed.

Real estate investments have picked up since Mr Abe pledged to end 15 years of deflation and the Bank of Japan embarked on an unprecedented monetary easing, an approach dubbed Abenomics.

The nation's real estate investment trusts, or J-Reits, bought property worth 2.23 trillion yen (\$27.7 billion) last year, making them the biggest buyers of the assets, according to the Association for Real Estate Securitisation.

"Land prices will probably continue to rise in the medium term," said Mr Akira Mori, chief executive officer of Mori Trust, a closely held developer. He cited below-average office supply, rising

rents and investments at home and abroad as reasons for a recovery.

Nationwide, land prices on average fell 0.6 per cent as of Jan 1, compared with a 1.8 per cent decline a year earlier, the land ministry said. The drop was the smallest over the last six years, the data showed. Values declined 1.7 per cent on average in non-major cities, falling for 23 years straight, it showed.

Residential land prices in the three major cities rose 0.5 per cent, compared with a 0.6 per cent drop a year earlier, the report showed. Commercial land values in the regions gained 1.6 per cent after declining 0.5 per cent a year earlier.

Mr Abe has promised to loosen business regulations and increase govern-

THURSDAY, MARCH 20, 2014

THE STRAITS TIMES



Commercial property in Tokyo's Ginza shopping district remains the most expensive, with land costing as much as 29.6 million yen (S\$370,000) per square metre. PHOTO: BLOOMBERG

ment support to help Japan's industry as part of a three-pronged strategy to stem deflation and revive growth, following fiscal and monetary stimulus measures.

"We have started to see effects such as an improvement in sentiment from Abenomics," said Mr Keiji Kimura, chairman of developer Mitsubishi Estate. "We continue to see signs of recovery."

Residential prices rose in Tokyo's central three wards — Chuo, Chiyoda and Minato — the report showed. They climbed as much as 8.7 per cent in Chuo ward, which includes part of Tokyo Bay and some of the 2020 Olympic Games venues.

The nation's commercial real estate market is also showing signs of a recovery. Office vacancies in Tokyo fell to 7.01 per cent last month from 8.57 per cent a year earlier, according to brokerage Miki Shoji.

The most expensive piece of commercial property remained in Tokyo's Ginza shopping district in Chuo ward, where land costs as much as 29.6 million yen per square metre. The area posted a 9.6 per cent gain from a year earlier, according to the report.

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Thank You

Key Contact:

Ms Hanako Tokunaga
Investor Relations & Financial Controller
Tel: +65 6713 9550
Email: htokunaga@croesusgroup.com