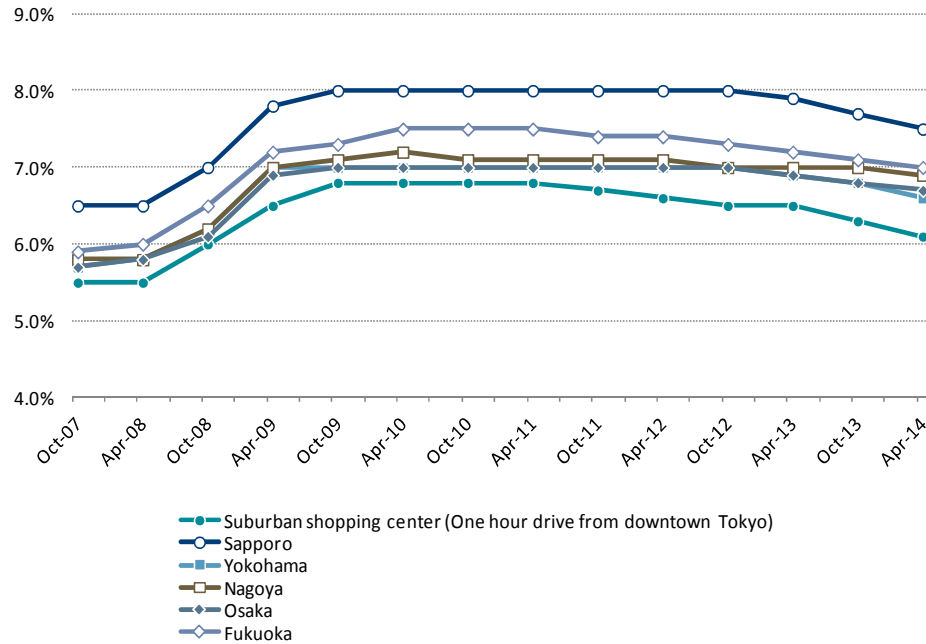
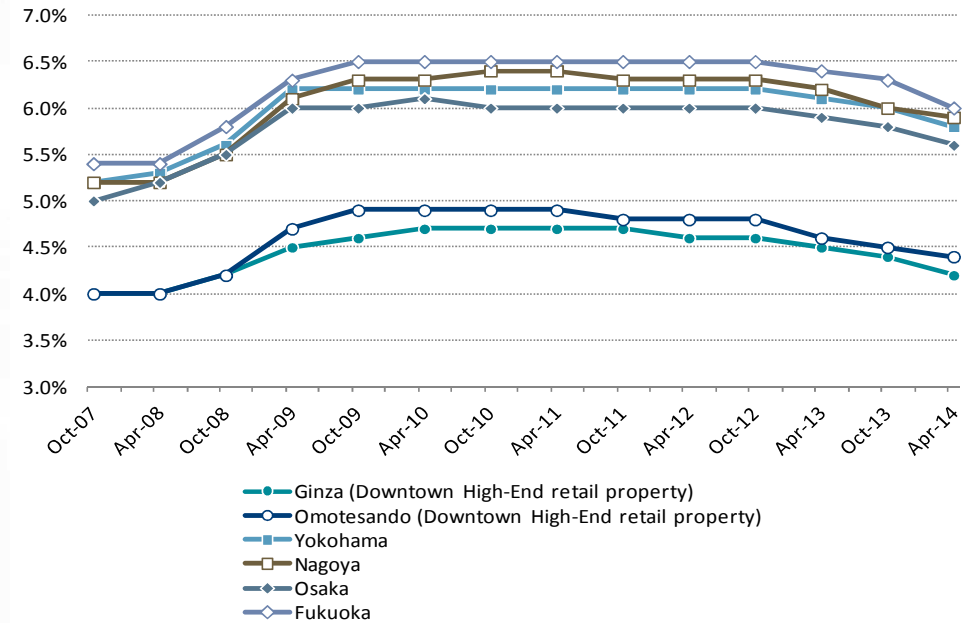


# Retail Cap Rate Trends

## 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
<b>Yodobashi Camera Multimedia Kichijoji</b>	Kichijoji, Tokyo	United Urban Investment (REIT)	Kichijoji YCM Funding	28.0	5.2	Mar 2013
<b>Kawasaki Lefront</b>	Kawasaki, Kanagawa	Japan Retail Fund Investment (REIT)	MJ Retail Investments One	30.0	6.2	Oct 2013
<b>G Building Shinsaibashi 03</b>	Shinsaibashisuji, Osaka	Japan Retail Fund Investment (REIT)	Unique Osaka LLC (RREEF)	22.3	4.3	Oct 2013
<b>Aeon Lake Town Mori (40%)</b>	Koshigaya, Saitama	Aeon REIT Investment (REIT)	Aeon Retail	21.1	5.6	Nov 2013
<b>Kobe Kyu Kyoryuchi 25 Bankan (includes hotel)</b>	Kobe, Hyogo	Activia Properties (REIT)	SPC of Tokyu Land	21.3	4.8	Dec 2013

Source: DTZ Research

# Growth Strategy



浩正 CROESUS  
RETAIL TRUST



# Key Elements of Strategy

The Trustee-Manager's key objectives are to deliver a competitive return on investment to unitholders of CRT through regular and growing distributions, and long term capital value growth of CRT's portfolio of assets.



# Platform for Sustainable Growth

## Potential Income Upside From Existing Assets

- ✓ Expecting positive rental reversions upon lease expiry
- ✓ Optimization of tenant mix through active property management
- ✓ Potential for growth from asset enhancement

Organic Growth  
Potential

Growth from  
Development  
Assets

## Upside from Development Assets

- ✓ Undertake development projects considering growth potential and mitigation of construction and leasing risks
- ✓ Voluntarily undertaken development limit of up to 20% of Trust Property

## Additional Debt Headroom of ~JPY12.3bn at 31 Mar 2014<sup>(1)</sup>

- ✓ Pipeline from Strategic Partners
- ✓ Japan pipeline from third-party vendors
- ✓ ROFR from the Croesus Group

Acquisition  
Pipeline from  
ROFRs

Acquisition  
Pipeline from  
Sponsor Network

## Strong Existing Business Relationships

- ✓ Leverage Sponsor's business relationships and industry knowledge to identify acquisition opportunities
- ✓ Initial Portfolio sourced directly from vendors without any intermediary fees (~3% of purchase consideration in Japan)



The Trustee-Manager will seek to actively manage CRT's property portfolio to generate organic growth and maximize asset returns, while maintaining resilient recurring income to CRT.

## 1 Growth in Variable Rent

- Among the Properties, Croesus Shinsaibashi, Luz Omori and Mallage Shobu, have leases with variable rent components
- As of 31 March 2014<sup>(1)</sup> 41.8% of monthly gross rental income of the Portfolio had a variable rent component
- Of total variable rent, the variable portion is 15.3% and 26.5% is guaranteed minimum base rent. Therefore, pure fixed rent constitutes 84.7% of total portfolio gross rental income

## 2 Asset Enhancement Initiatives

### Mallage Shobu

- Renovation work associated with tenant replacements
- Significant movement in the tenant composition, with 148 of 242 leases expiring in Nov-14
  - 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 Arnold Palmer, Emoda, New Style and SUUMO; currently in negotiations with other high quality tenants



# Strong Acquisition Growth Opportunities

CRT has in place a visible pipeline of retail malls in Japan from the Strategic Partners and agreements with third party vendors.

## Retail properties in Japan

- 2 completed properties (Mallage Saga and Forecast Kyoto Kawaramachi) from third party vendors

## Other growth opportunities

- **Daiwa House** and **Marubeni** have provided CRT with ROFRs over any sale of future predominately retail real estate assets located in the Asia-Pacific region ex-Japan, with Marubeni's ROFR extending to current assets as well
- The ROFR with Marubeni also covers two retail development projects in China



Owned by Marubeni

Note: The picture for Maluzhen Retail Project are artists' impression of the project and may differ from actual view of the property.

(1) Marubeni owns 25% of the intermediate holding company which in turns owns 100% of the Shenyang Retail Project.

(2) Marubeni owns 60% of the intermediate holding company which in turn owns 70% of the Maluzhen Retail Project.



# Financial Overview

港區 CROESUS  
RETAIL TRUST





# Financial Highlights – 10 May to 31 March 2014

	10 May to 31 March 2014 <sup>(1)</sup>			1 Jan to 31 March 2014		
	Actual	Forecast <sup>(2)</sup>	Variance %	Actual	Forecast <sup>(2)</sup>	Variance %
<b>Income Available for Distribution (¥'000)</b>	2,472,314	2,301,859	7.4%	619,785	576,946	7.4%
<b>Available Distribution Per Unit (Singapore cents)</b>	7.00	6.50	7.7%	1.76	1.63	8.0%
<b>Historical Annualised DPU (Singapore cents)</b>	7.84 <sup>(3)</sup>	7.41				
<b>Historical Annualised Distribution Yield<sup>(4)</sup></b>						
<b>@ S\$0.930 per unit (IPO Price &amp; Closing Price on 9 May 2014)</b>	8.4%	8.0%				

- (1) The acquisition of the Portfolio of CRT was completed on 10 May 2013, which was the day CRT was officially listed on the SGX-ST.
- (2) The forecast figures are extracted from the announcement dated 27 February 2014 in relation to the acquisition of the Additional Portfolio, subject to the bases and assumptions stated therein, and pro-rated using the actual number of days attributable to the respective reporting period, except for non-recurring items such as unrealized fair value gains, their related deferred tax expenses, prepaid property tax and a part of finance cost which are not proportionally prorated.
- (3) The historical annualised DPU is calculated by dividing the available DPU for the period from 10 May 2013 to 31 March 2014 by 326 days and multiplying the result by 365 days (the "Historical Annualised DPU"). The annualised DPU is for illustrative purposes only and should not be construed as a representation of the future DPU in FY2014 or a forecast of the future DPU.
- (4) The annualised distribution yield is calculated by dividing the Historical Annualised DPU by the respective unit price (in Singapore cents). The annualised distribution yield is for illustrative purposes only and should not be construed as a representation of the future distribution yield in FY2014 or a forecast of the future distribution yield.

# Income Available for Distribution Exceeds Forecast by 7.4%

	YTD – 10 May to 31 March 2014			Q3 – 1 Jan to 31 March 2014		
(JPY"000)	Actual	Forecast <sup>(5)</sup>	Variance %	Actual	Forecast <sup>(5)</sup>	Variance %
<b>Gross Revenue</b>	<b>4,676,803</b>	<b>4,603,929</b>	<b>1.6%</b>	<b>1,391,654</b>	<b>1,341,658</b>	<b>3.7%</b>
Less: Property Operating Expenses	(1,667,754)	(1,754,188)	(4.9)%	(457,921)	(510,367)	(10.3)%
<b>Net Property Income</b>	<b>3,009,049</b>	<b>2,849,741</b>	<b>5.6%</b>	<b>933,733</b>	<b>831,291</b>	<b>12.3%</b>
Trustee Manager's Fees <sup>(1)</sup>	(417,501)	(408,865)	2.1%	(130,567)	(120,282)	8.6%
Finance Costs	(474,945)	(477,873)	(0.6)%	(185,836)	(187,695)	(1.0)%
Other Trust Expenses <sup>(4)</sup>	(135,514)	(119,826)	13.1%	(86,456)	(36,753)	135%
<b>Total Trust Income and Expenses</b>	<b>1,981,089</b>	<b>1,843,177</b>	<b>7.5%</b>	<b>530,874</b>	<b>486,561</b>	<b>9.1%</b>
Net Change in Fair Value of Investment Properties/ Financial Instruments <sup>(2)</sup>	1,855,082	1,683,585	10.2%	329,407	411,941	(20.0)%
Income Tax Expenses <sup>(4)</sup>	(874,429)	(591,847)	47.7%	(243,211)	(154,082)	57.8%
<b>Profit after Tax</b>	<b>2,961,742</b>	<b>2,934,915</b>	<b>0.9%</b>	<b>617,070</b>	<b>744,420</b>	<b>(17.1)%</b>
Distribution Adjustments <sup>(3)</sup>	(489,428)	(633,056)	(22.7)%	2,715	(167,474)	102%
<b>Income Available for Distribution to Unitholders</b>	<b>2,472,314</b>	<b>2,301,859</b>	<b>7.4%</b>	<b>619,785</b>	<b>576,946</b>	<b>7.4%</b>

(1) Includes Japan Asset Manager's fees.

(2) Net sum between the fair value gain on investment properties arose from unrealized gain on revaluation of the investment properties of the Group and the fair value loss on financial instruments arose from mark to market of forward foreign exchange contracts (in accordance with FRS 39) used to hedge distribution for the financial periods from Listing Date to 30 June 2014 and 1 July 2014 to 30 June 2015.

(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, and others.

(4) Reclassification of JPY5,343,000 of business scale taxes from the forecasted income tax expenses to forecasted other trust expenses were made to be consistent with the actual accounts.

(5) The forecast figures are extracted from the announcement dated 27 February 2014 in relation to the acquisition of the Additional Portfolio, subject to the bases and assumptions stated therein, and pro-rated using the actual number of days attributable to the respective reporting period, except for non-recurring items such as unrealized fair value gains, their related deferred tax expenses, prepaid property tax and a part of finance cost which are not proportionally prorated.



# Healthy Balance Sheet

(JPY'000)	Actual as of 31 December 2013	Actual as of 31 March 2014
Investment Properties	52,954,221	67,917,027
Other Non-current Assets	1,577,990	2,285,771
Current Assets	5,996,587	5,534,720
<b>Total Assets</b>	<b>60,528,798</b>	<b>75,737,518</b>
Loans and Borrowings (long-term)	24,012,719	40,152,436
Other Non-current Liabilities	2,637,308	3,603,701
Current Liabilities	2,115,981	1,468,068
<b>Net Assets</b>	<b>31,762,790</b>	<b>30,513,313</b>
Number of Units Issued and to be issued <sup>(1)</sup>	428,698,000	430,038,000
<b>Net Asset Value per Unit (JPY)</b>	<b>74.09</b>	<b>70.95</b>

(1) The number of units issued and to be issued as of 31 March 2014 consists of a) the number of units in issue as at 31 March 2014 of 428,698,000; 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 January 2014 to 31 March 2014 of 1,340,000.\*\*

\*\* As provided for in the trust deed dated 7 May 2012 constituting CRT (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. Therefore, the actual number of units to be issued may deviate from the above illustrative number of units.

# Key Financial Indicators

	Actual as of 31 December 2013	Actual as of 31 March 2014
<b>Gearing Ratio</b>	41.8%	53.5%
<b>Interest Coverage Ratio</b>	5.9 times	5.2 times
<b>% of Debt Hedged</b>	100%	100%
<b>Average All-In Cost of Debt<sup>(1)</sup></b>	1.59%	2.15%
<b>Debt Maturity</b>	4.4 years	4.0 years
<b>Additional Debt Headroom<sup>(2)</sup></b>	JPY27.5 billion	JPY12.3 billion

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

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



# Media Coverage



港區 CROESUS  
RETAIL TRUST



## Croesus buys two malls to increase exposure to Tokyo as prospects improve

BY FRANKIE HO

The Olympic Games in Tokyo isn't until 2020, but Jeremy Yong and the team behind Croesus Retail Trust (CRT) are already labouring to make sure the mall owner is well-placed to reap the bene-

fits of the world's foremost sporting event. "Tokyo has been seeing very fast cap-rate compression. We believe this is due, in part, to the Olympics," says Yong, co-owner of Croesus Merchants International, CRT's sponsor. Capitalisation or cap rates typically fall when property values go up, indicating rising demand.

"The Olympics was announced after our IPO, and asset prices in Japan began to move up much faster after our IPO. We had to adapt quickly," he says. This eventually led to CRT sealing agreements to buy two malls in Tokyo, marking its maiden acquisition since its listing last May.

On Feb 27, CRT said it would pay \$14.25 billion (\$176.3 million) for Luz Omori in Ota and NIS Wave 1 in Tachikawa City. Located close to train stations, both malls are part of four properties in Japan that CRT has the right of first refusal to acquire. The transaction is expected to be completed by end-March, bringing the number of malls in its portfolio to six.



Luz Omori in Ota, the third most populous ward in Tokyo, is the newer of the two malls.



Yong: All signs are looking very positive for rental reversions

already signed up, some are near signing up. The rental reversions range from 30% to 50%. In a sign that tenants are willing to pay more, he notes that two outlets in Mallsage Shobu agreed late last year to have their rents raised by up to 80%. "It's possibly an indication of things to come."

### Adjusting tenant mix, leases

Plans are also underway to change CRT's tenant mix in Mallsage Shobu to attract more shoppers. Most of the current tenants belong to Japanese names. The idea is to introduce in-

vestor groups to our region's real estate market. With the two new malls, their contribution will slip to 33%. The rest of the leases are fixed-term agreements, which give greater flexibility to increase rents and adjust its tenant mix. In all, CRT is expected to end up with a resilient and visible income stream. "It's a resilient portfolio. That's the key strength CRT and the reason our recent bond sale highly successful," says Yong. The three notes, which pay an annual coupon of 4% were snapped up by institutional invest-

## Croesus Retail Trust's Q3 DPU beats own forecast

By LEE MEIXIAN  
leemx@sph.com.sg  
@LeeMeixianBT

CROESUS Retail Trust, which listed in May last year, posted a third-quarter distribution per unit (DPU) of 1.76 cents for the three months ended March 31, 2014, 8 per cent higher than its forecast 1.63 cents.

acquisition of high-quality assets for Croesus Retail Trust," it said.

The Reit receives its distributable income in Japanese yen but pays out distributions in Singapore dollars semi-annually. It hedges its distributions to minimise its exposure to fluctuations in exchange rates.

## Croesus trust eyeing two more malls



### It sees growth opportunities in Japan with asset values falling significantly

By RENNIE WHANG

THE Japan-focused Croesus Retail Trust (CRT) is stepping up its growth strategy a year after its initial public offering (IPO).

In March, it acquired two new malls, bringing the total to six and expanding net lettable area by about 9 per cent, and the portfolio value by about 28.3 per cent to 67.8 billion yen (\$534 million).

Mr Jeremy Yong, non-executive director of the trustee manager, told The Straits Times that two more assets are on the cards.

CRT has first right of refusal to acquire a mall in Kyoto, and another in Saga, Kyushu. "We want to do it at an appropriate time. But if we can close something this year, we would love to," said Mr Yong, who is also group managing director of CRT sponsor Croesus Merchants.

CRT announced its third-quarter results on Thursday with distribution per unit of 1.76 cents, 8 per cent higher than forecast.

It came on the back of a net property income of 933.7 million yen, 12.3 per cent more than forecast, and a gross revenue of 1.39 billion yen. It is the third straight quarter that CRT has outperformed forecasts. Mr Yong said, adding: "We've come a long way since our May 10 listing."

He said CRT will not venture out of Japan for the medium term, "at least a few years from initial public offering", adding: "CRT is built for the long term. If there are compelling opportunities outside of Japan in the future, it'll be in the interest of shareholders, we have a duty to consider it."

Opportunities in the next half a decade are in Japan, with many asset values having fallen significantly since the bubble years. Mr Yong said. "Under Abenomics, we are seeing wages and corporate

spending slowly coming back up." He added that Japan is a "difficult market to penetrate" but its network - five of six in its management team are Japanese, and Japan's Daiwa House Industry and Marubeni Corporation are its strategic partners - affords it a flow of privately negotiated deals, rather than having to rely on auctions.

While CRT's counter has fallen from its IPO high of \$1.145, Mr Yong said he felt operations will continue to do well, which he hopes the market will recognise. "Rental reversions are good, (with per centages) ranging from the mid-teens to high 20s and it should drive earnings up. If we continue to do selective acquisitions, distribution will be up. If Ja-

pan moves in the direction which we feel it is moving, capital values and net asset values will go up." Mr Yong said he did not see CRT being overly affected by the Japanese consumption tax hike which kicked in on April 1, given the trust's suburban mall exposure of 65 per cent and that its tenants mainly sell day-to-day items. "There might be temporary disruptions to retail sales. But Singapore went through it, every country goes through it. National retail sales may come off a little in April and perhaps May, but it should pick up again."

CRT units closed up 1.5 cents to 95 cents yesterday. [www.nri@sph.com.sg](http://www.nri@sph.com.sg)



Singapore Result Snapshot  
**Croesus Retail Trust**

Bloomberg: CRT SP | Reuters: CROE.SI Refer to important disclosures at the end of this report

DBS Group Research . Equity 16 May 2014

BUY \$0.935 STI : 3,272.49  
Price Target : 12-Month S\$ 1.05

Analyst  
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munyee@dbis.com

Result Summary

FY Jun (JPY m)	3Q 2014	3Q 2013	2Q 2014	yoy chg	qoq chg
P&L Items					
Sales	1,391.7	NA	1,286.9	N/A	8.1
Net Property Inc	933.7	NA	805.9	N/A	15.9
Net Income After Tax	617.1	NA	743.4	nm	(17.0)
Net Inc avail. for Dist.	619.8	NA	713.0	nm	(13.1)
Other Data (%)					
Net Prop Inc Margin	67.1	NA	62.6		
Dist. Payout Ratio	100.0	NA	100.0		

Highlights  
**Ahead of projections.** CRT reported 3Q14 revenue of JPY1.39bn, 4% above prospectus forecast due to tenant sales growth of 3-5% (ahead of the consumption tax increase on 1 Apr 14) and maiden contribution from the 2 recently acquired assets - Luz Omori and NIS Wave 1. NPI came in 12% better than projected at JPY933.7m, thanks to improved cost management and lower utility expenses. Distribution income was 7.4% higher than prospectus forecast at JPY619.8m, translating to a DPU of 1.765cts.

Mr Yong does not see the Croesus Retail Trust being overly affected by the Japanese consumption tax hike.



## 日本の商業施設を組入れる唯一のSGX上場投信 「クリサス・リテール・トラスト」が2物件を新規取得

2013年5月、REITに類似したビジネス・トラストという信託型のヴィークルでシンガポール証券取引所(SGX)に上場した、日本の商業施設を中心に投資するクリサス・リテール・トラスト(Croesus Retail Trust、以下CRT)は14年3月、「Luz大森」(東京都大田区)と「NIS Wave I」(東京都立川市)を取得した。

Luz大森は、CRTの戦略的パートナーとしてCRT運営会社に出資している丸紅から、NIS Wave IはCRT保有



左—「Luz大森」13年12月末時点の稼働率は97.2%  
右上—「NIS Wave I」13年12月末時点で満室稼働中  
右下—佐藤潔氏

### ■Luz大森(大田区)など シンガポールのクリサスが取得 大森と立川の商業施設

シンガポールのCroesus Retail Trust (CRT) は2014年3月、SPCを通じて大森と立川の商業施設を取得した。価格は合計142億5000万円だ。

大田区大森北1丁目にあるLuz大森の取得価格は34億5000万円。売り主はCRTの運営に参加する丸紅のSPC。物件はJR大森駅から徒歩5分の場所にある。地上8階地下2階建て、延べ床面積1万3295m<sup>2</sup>、賃貸可能床面積9285m<sup>2</sup>の規模で、2011年に竣工した。2013年12月末時点の稼働率は97.2%。CRTは2014年3月～6月の純収益を7139万円と想定。利回りは6.2%となる。

立川市曙町のNIS WAVE.Iは108億円で取得した。地上8階地下3階建て、延べ床面積1万534m<sup>2</sup>、賃貸可能床面積7141m<sup>2</sup>の規模。2007年に竣工した。満室稼働で、想定純収益は2億1739万円、利回りは6.0%だ。

(物件データは売買事例一覧をご覧ください)



Luz大森  
(写真: Croesus Retail Trust)



## Japan may see another property price boom

'Asset inflation' in stock prices has returned, property prices may follow suit

By ANTHONY ROWLEY in Tokyo  
A 74 billion yen (\$996.1 million) property deal in one of Tokyo's prime districts has sparked speculation that a property price boom may be brewing again in major Japanese cities after some 25 years of continuing price declines following the collapse of Japan's bubble economy after 1990.

stuffed with excess reserves, and low loan to deposit ratios, there is an ocean of ultra cheap liquidity now available for investors," Mr Curtis noted.

"With little of that so far flowing into the real economy - similar to the US and EU experience of quanto easing, and to Japan's experience in the late 1990s and after - that means that there is a tsunami of funds which has now started to flow into asset markets - both in Japan, and from Japan to world markets.

"With cap (capitalisation) rates low, real estate in central Tokyo looks like one of the best games in town, and so I expect to see further rises in Japanese real estate prices. Is this a new bubble? Not yet, but the market is now building good momentum."

The BOJ is now embarked on a quantitative easing (quant) programme three times more aggressive in GDP-related terms than those pursued by the US Federal Reserve until recently, Mr Curtis noted.

"If that is where we are headed, and nothing indi-

Japan's massive quantitative and qualitative easing.

As reported also in BT this month, land prices in some major Japanese cities rose last year for the first time in many years - by more than 10 per cent in parts of Tokyo - as a result of the BOJ's easing, although government officials reject the idea that an asset bubble is building up.

Prices of residential land in major metropolitan areas of Tokyo, Osaka and Nagoya rose on average by 0.5 per cent last year, while commercial land prices went up by an average of 1.6 per cent - the first upticks in six years, according to the Ministry of Land, Infrastructure, Transport and Tourism.

During Japan's bubble economy period from 1985 to 1990, land prices rocketed so far that the grounds of the Imperial Palace in Tokyo briefly became worth as much as the entire state of California. Prices then collapsed back to pre-bubble levels over a period of many years.

Sekisui House has agreed to buy the 24-storey, 41-year-old Kokusai Akasaka

22 | Friday - Sunday, February 28 - March 2, 2014

### MARKETS

## Japan Property Hunger

Sumitomo Mitsui Trust Pushes to Broker Sales as Demand Surges

By ATSUKO FURUSE

TOKYO - The top executive of Sumitomo Mitsui Trust Bank said he is making a stronger push to broker real-estate deals with Asian investors as Japan's improving economy has sparked a resurgence in interest in the country's property market.

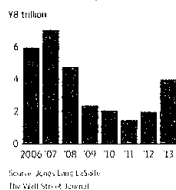
His effort comes as Japan's real-estate industry has benefited from Prime Minister Shinzo Abe's economic and monetary policies, known as Abenomics. The Bank of Japan has expanded its purchases of shares in Japanese real-estate investment trusts, or REITs.

The country's biggest trust bank by assets is now taking advantage of its expertise as a real-estate broker to meet a growing investment appetite for condominiums and office buildings, Hitoshi Tsunekage, the president of Sumitomo Mitsui Trust Bank, said in an interview.

"We held several seminars in Singapore, Taiwan and South Korea for prospective investors last year, and we've seen great interest from them in a wide range of properties from offices through apartments," Mr. Tsunekage said.

#### On the Rise

The transaction amount for Japanese commercial real-estate deals doubled last year.



Source: Jones Lang LaSalle, The Wall Street Journal

Land prices in Japan's major cities continued to rise in the final three months of 2013, according to government data released Tuesday. Prices of commercial properties rose in the biggest metropolitan areas, while residential prices also showed gains.

The land ministry's quarterly survey found that prices rose in 122 urban locations out of the 150 surveyed, mainly in Tokyo, Osaka and

As the Bank of Japan buys up various financial assets, including Japanese REITs, land prices in Japanese major cities have surged for the first time in five years. The Tokyo Stock Exchange REIT index, which consists of more than 40 real-estate investment trusts, rose above 1,500 in late December for the first time since June 2009.

According to Jones Lang LaSalle, a real-estate services company, the transaction amount for Japanese commercial real-estate deals doubled in 2013 to ¥4 trillion (\$39 billion) from ¥2 trillion. That was the biggest figure since 2008.

"Abenomics has been effectively boosting investors' sentiment," Yasuo Nakashima, chief executive officer for LaSalle Investment Management in Japan, said at a news conference on Feb. 20. "We've seen asset-price inflation in the Japanese real-estate market in the past 14 months, helped by the country's monetary easing," Mr. Nakashima said, though he added that similar trends have been seen in the U.S. and U.K. in the past few years.

U.K. real-estate firm Grosvenor Ltd. listed 20 rooms in a luxury

THE STRAITS TIMES FRIDAY, APRIL 4, 2014

## Ascendas on track to beefing up presence in Japan

Trust raises \$50m to partly fund Osaka acquisition



By CHERYL ONG

PROPERTY firm Ascendas Hospitality Trust is a step closer to boosting its presence in Japan last

per cent of Ascendas Hospitality's portfolio, with its remaining assets spread out over Australia, Singapore and China.

"This 'diversification strategy', according to Mr Tan, is important 'because different countries will have different cycles of the economy and the tourism factor'."

The partnership will go some way to ride out any rough spots in a single market. <http://bit.ly/180y5gn>



Visitors enjoying the view from the observation deck at the Abeno Harukas building in Osaka. Tourism in Japan has picked up, with the number of foreign visitors crossing the 10 million mark last year for the first time. PHOTO: SHUTTERSTOCK

A22 | WORLD

THURSDAY, MARCH 20, 2014 THE STRAITS TIMES

## Land prices rise in Japan's 3 largest cities

Tokyo, Osaka and Nagoya post first increase since 2008

TOKYO - Land prices in Japan's three largest metropolitan areas gained for the first time in six years amid efforts by Prime Minister Shinzo Abe to revive the world's third-largest economy.

The value of land in Tokyo, Osaka and Nagoya was on average 0.7 per cent higher as of Jan from 12 months earlier, compared with a 0.6 per cent decline in the previous year, the Ministry of Land, Infrastructure and Transport said yesterday.

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 REITs, bought property worth 2.13 trillion yen (\$42.7 billion) last year, making them the biggest buyers of the assets, according to the Association for Real Estate Securitization.

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 22 years straight, it showed.

Residential land prices in the three major cities rose 0.6 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-

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 Kenji Kimura, chairman of developer Mitsubishi Estate. "We continue to see signs of recovery."



Commercial property in Tokyo's Ginza shopping district remains the most expensive, with land costing as much as 28.6 million yen (\$370,000) per square metre. PHOTO: GLOUVERNE

## Ascott Reit buys Japan property for 6.3b yen

Yield-accrue acquisition is trust's second property in Fukuoka

By Lee Meixian  
leem@sph.com.sg  
Singapore

ASCOTT Residence Trust (Ascott Reit) has signed a deal to purchase rental housing property Infiniti Garden in Fukuoka, Japan, for 6.3 billion yen (\$578.4 million).

The 389-unit property was acquired from The Ascott Limited and Archresidential Japan Investments.

The Ascott Limited, a Capitaland unit, set up Ascott Reit in 2006. Ascott Reit's manager, Ascott Residence Trust Management Limited, is itself wholly owned by The Ascott Limited.

The latest acquisition was

It is also its second acquisition since its rights issue last December, which raised around \$253.7 million.

At the time, it had said the rights issue was to "increase Ascott Reit's debt headroom through a reduction of its borrowings, hence enhancing Ascott Reit's ability to pursue potential acquisitions in an efficient manner and upholding its competitive positioning in the market through various asset enhancement plans."

It had added that the rights issue would also improve its credit profile and financial flexibility, so that it can negotiate and secure debt facilities for future acquisitions on more competitive terms.



INFINITI GARDEN

Ascott Reit said the 389-unit property, which is a 25-minute drive to the CBD and offers two to four bedroom apartments, will enhance its income stability as the property is under a master lease to a third party.

## Bloomberg

Print Back to story

### Goldman to Expand Japan REIT to 60 Billion Yen as Demand Rises

By Katsuyo Kuwako and Kathleen Chiu - Mar 11, 2014

Goldman Sachs Group Inc. (GS) plans to expand its private real estate investment trust in Japan to 60 billion yen (\$583 million) by the end of March amid rising demand to invest in the nation's real estate market.

The REIT will acquire two office buildings in Tokyo and Fukuoka, on the southern island of Kyushu, said Hiroyasu Kaizuka, head of the real estate investment department at Goldman Sachs Asset Management Co. in Tokyo. The REIT, which started in August 2012 with 30 billion yen, plans to add about 4 billion yen of properties by the end of June, he said.

Goldman Sachs, the first non-Japanese company to start a private REIT, is targeting 100 billion yen of properties in three years from inception. Property transactions in Japan may rise as much as 30 percent to about 5 trillion yen this year from 4 trillion yen in 2013, according to an estimate by brokerage Jones Lang LaSalle Inc. (JLL)

## Bloomberg

Print Back to story

### Japan Beyond Tokyo Luring BlackRock With Overseas Money

By Kathleen Chiu and Katsuyo Kuwako - Jan 28, 2014

BlackRock Inc. (BLK), the world's biggest money manager, is helping to drive a revival in Japan's property market as investors bet Prime Minister Shinzo Abe's plan to sustain economic growth will boost real estate returns.

BlackRock is looking for investments outside of Tokyo this year as it seeks higher yields, said John Saunders, managing director and head of Asian real estate. Japan real estate investment trusts, or J-REITs, acquired properties worth 2.23 trillion yen (\$21.6 billion) in 2013, almost triple the previous year, after raising a record amount of cash from equity sales, according to the Association for Real Estate Securitization.





<b>2014 EVENTS (Tentative and Subject to Change)</b>	
<b>28 August</b>	<b>Q4 and Full Year Financial Results</b> ending 30 June 2014
<b>29 October</b>	<b>FY2014 Annual General Meeting</b>
<b>12 November</b>	<b>Q1 Results</b> ending 30 September 2014

# Thank You

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