



# NEWS RELEASE

Jan 25, 2021

## **R&I Affirms AA-, Stable: Nomura Real Estate Master Fund, Inc.**

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

**ISSUER:** Nomura Real Estate Master Fund, Inc.  
**Issuer Rating:** AA-, Affirmed  
**Rating Outlook:** Stable

### **RATIONALE:**

Nomura Real Estate Master Fund, Inc. (NMF) is Japan's largest diversified REIT that was established in October 2015 through the merger of three REITs operated by the Nomura Real Estate group. With a focus on the greater Tokyo area, NMF invests in various types of properties in a well-balanced manner. Nomura Real Estate Holdings, Inc. serves as the sponsor of NMF.

NMF boasts an asset size of over 1 trillion yen -- one of the largest in the J-REIT industry. By asset type, office buildings account for 44.4%, retail facilities 16.7%, logistics facilities 18.9% and residential facilities 18.9% of the portfolio, which is well-balanced and similar to the breakdown of asset types of the entire J-REIT industry. The fact that the top 10 properties represent only 22% of NMF's total assets suggests that the portfolio is very diverse.

NMF continuously acquires assets from the sponsor's stock of commercial properties. Moreover, as the ratio of properties in the greater Tokyo area has been kept high with the average building age reduced, the portfolio quality is increasing. NMF's most recent move is the acquisition of a new and large logistics facility in Tokyo for about 14.6 billion yen.

Although the novel coronavirus pandemic has had a negative impact on retail facilities near stations and hotels, each asset category accounts only for 11.2% and 0.6% of the portfolio. The impact on NMF's overall operations is thus limited. The occupancy rate of office buildings was over 99% as of November 2020. Although the impact of the deterioration of the office market could begin to appear in the future, the rent levels will likely stay solid as the current rents fall below the market rents to some degree. The segments of the portfolio on which the coronavirus pandemic had merely a small impact, such as logistics facilities, residential facilities and retail facilities in residential areas, make up more than 40% of the asset types, underpinning the stability of cash flow.

The LTV ratio (calculated after excluding goodwill from total assets) was 46.3% as of August 2020. The appraisal values are 14.5% greater than the book values so that leverage is at a sufficient level.

Funding conditions are favorable. Supported by stable funding sources consisting primarily of major domestic financial institutions, the average remaining term to maturity of NMF's debt is long at about five years (as of August 2020) and due dates are spread out. NMF ensures sufficient liquidity, given available committed lines of credit totaling 50 billion yen, as well as cash and deposits.

The Rating Outlook is Stable. NMF has established a high-quality, well-diversified portfolio mainly in the greater Tokyo area. There is no problem with leverage and NMF's funding base centered on long-term, fixed interest rate loans is robust. Although the coronavirus impact has so far been limited, R&I will keep track of earnings trend in the office sector which constitutes a large portion of NMF's assets.

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

[https://www.r-i.co.jp/en/rating/about/rating\\_method.html](https://www.r-i.co.jp/en/rating/about/rating_method.html)

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## R&I RATINGS:

**ISSUER:** Nomura Real Estate Master Fund, Inc. (Sec. Code: 3462)  
**Issuer Rating**  
**RATING:** AA-, Affirmed  
**RATING OUTLOOK:** Stable

Nomura Real Estate Office Fund, Inc. Unsec. Str. Bonds No.7	Issue Date	Maturity Date	Issue Amount (mn)
	Mar 19, 2007	Mar 17, 2028	JPY 4,500
<b>RATING:</b>	<b>AA-, Affirmed</b>		

Nomura Real Estate Office Fund, Inc. Unsec. Str. Bonds No.10	Issue Date	Maturity Date	Issue Amount (mn)
	Nov 25, 2014	Nov 25, 2024	JPY 6,000
<b>RATING:</b>	<b>AA-, Affirmed</b>		

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