



# NEWS RELEASE

Oct 01, 2015

## R&I Assigns A+, 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: A+, Assigned**  
**Rating Outlook: Stable**

**Unsec. Str. Bonds (Formerly issued by Nomura Real Estate Office Fund, Inc.):**  
**A+, Affirmed**

### RATIONALE:

Nomura Real Estate Master Fund, Inc. (hereinafter, the "new NMF") is a diversified REIT that was established on October 1 through the merger of Nomura Real Estate Office Fund, Inc. (NOF), Nomura Real Estate Residential Fund, Inc. and the former Nomura Real Estate Master Fund, Inc. The REIT mainly invests in office buildings and retail, logistics and residential properties in the Greater Tokyo area. Nomura Real Estate Holdings, Inc. serves as a sponsor.

Properties in the Greater Tokyo area represent 80% of the REIT's portfolio. The breakdown of the portfolio shows that office buildings account for 45%, retail properties 17%, logistics properties 17% and residential properties 21%. The REIT intends to achieve sustainable external growth by expanding investment opportunities, instead of limiting the types of properties.

The asset size is approximately 780 billion yen, which is one of the largest in the REIT industry. The largest property accounts for only 5.6% of the portfolio, suggesting the portfolio is well diversified. After the merger, the new NMF plans to acquire properties developed by Nomura Real Estate Development Co., Ltd. for about 23.1 billion yen and utilize the sponsor's pipeline more proactively.

Earnings from residential properties are stable. Logistics properties, as well as retail properties located in suburbs, also generate steady earnings under long-term leasing contracts with tenants. On the other hand, the recovery of earnings from office buildings has been delayed, and there are some aged properties. R&I will keep an eye on future efforts to improve the quality of the portfolio, such as asset replacement.

The REIT plans to manage the LTV ratio within a 40-50% range, with the LTV target set at 45%. The ratio (calculated after excluding goodwill from total assets) as of the merger date is likely about 46.7%.

The debt profile is sound. The funding sources are stable, consisting mainly of domestic major financial institutions. The average remaining term to maturity of debts is as long as 3.9 years, and more than 90% is borrowed at fixed interest rates. Maturities are staggered over a long period of time, and a committed line of credit totaling 40 billion yen is available.

When compared with NOF, which had been rated by R&I, the expanded asset size is a positive factor, while no major changes are seen in the property quality, management structure and financial profile. Accordingly, R&I has assigned the new NOF the same rating as NOF. As a result of the merger, the Issuer Rating for NOF was extinguished, and the ratings for the bonds issued by NOF will be taken over by the new NMF.

The Rating Outlook is Stable. R&I expects the REIT to enjoy solid earnings, given its well-diversified portfolio, as well as highly stable earnings, especially from residential and logistics properties. There is no problem with the leverage level, and the funding base is stable. R&I will keep an eye on to what extent the REIT can enhance the portfolio in collaboration with the sponsor.

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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:** Nomura Real Estate Master Fund, Inc. (Sec. Code: 3462, to be listed on on October 2)

**Issuer Rating**

**RATING:** A+, Assigned

**RATING OUTLOOK:** Stable

<b>Unsec. Str. Bonds No.2*</b>	<b>Issue Date</b> Mar 16, 2005	<b>Maturity Date</b> Mar 16, 2020	<b>Issue Amount (mn)</b> JPY 5,000
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**RATING:** A+, Affirmed

<b>Unsec. Str. Bonds No.4*</b>	<b>Issue Date</b> Nov 28, 2005	<b>Maturity Date</b> Nov 30, 2015	<b>Issue Amount (mn)</b> JPY 10,000
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**RATING:** A+, Affirmed

<b>Unsec. Str. Bonds No.6*</b>	<b>Issue Date</b> Mar 19, 2007	<b>Maturity Date</b> Mar 17, 2017	<b>Issue Amount (mn)</b> JPY 5,000
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**RATING:** A+, Affirmed

<b>Unsec. Str. Bonds No.7*</b>	<b>Issue Date</b> Mar 19, 2007	<b>Maturity Date</b> Mar 17, 2028	<b>Issue Amount (mn)</b> JPY 4,500
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**RATING:** A+, Affirmed

<b>Unsec. Str. Bonds No.9*</b>	<b>Issue Date</b> Nov 26, 2010	<b>Maturity Date</b> Nov 24, 2017	<b>Issue Amount (mn)</b> JPY 4,000
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**RATING:** A+, Affirmed

<b>Unsec. Str. Bonds No.10*</b>	<b>Issue Date</b> Nov 25, 2014	<b>Maturity Date</b> Nov 25, 2024	<b>Issue Amount (mn)</b> JPY 6,000
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**RATING:** A+, Affirmed

\*Formerly issued by Nomura Real Estate Office Fund, Inc.

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