

Nov 24, 2016

R&I Affirms 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+, 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 balanced manner. Nomura Real Estate Holdings, Inc. serves as a sponsor.

In September 2016, NMF merged with Top REIT, Inc. As a result of the merger, NMF acquired several flagship properties, including NEC Head Office Building, and the asset size expanded to 930 billion yen. In the post-merger portfolio, properties in the Greater Tokyo area represent 83%. The breakdown of the portfolio shows that office buildings account for 48%, residential properties 19%, retail properties 16% and logistics properties 16%. The ten largest properties represent only 25% of the portfolio, suggesting the portfolio is highly diversified.

Capitalizing on the expanded asset scale, the REIT is pursuing strategic property replacement. After its establishment, NMF sold approximately 34 billion yen worth of properties, mostly older office buildings, aiming to rejuvenate the portfolio.

NMF's property management is sound. The occupancy rate of office buildings exceeds 98% at present, and rents are gradually recovering. 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.

The REIT plans to manage the LTV ratio within a 40-50% range. The ratio (calculated after excluding goodwill from total assets) as of September 2016 appears to be about 49%. With the appraisal value exceeding the book value, NMF's properties are generating unrealized gains.

Funding is in good shape. Funding sources are stable, consisting mainly of major domestic financial institutions. The average remaining term to maturity of debts is as long as around four years, and maturities are staggered. With a committed line of credit totaling 50 billion yen, together with cash and deposits, sufficient liquidity is maintained.

The Rating Outlook is Stable. R&I expects the REIT to continue to enjoy solid earnings, given its well-diversified portfolio, as well as a high occupancy rate. There is no significant problem with the leverage level, and the funding base is stable. R&I will continuously keep an eye on to what extent the REIT can enhance the portfolio in collaboration with the sponsor.

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>

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R&I RATINGS:

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

Unsec. Str. Bonds No.2	Issue Date	Maturity Date	Issue Amount (mn)
	Mar 16, 2005	Mar 16, 2020	JPY 5,000

RATING: A+, Affirmed

Unsec. Str. Bonds No.6	Issue Date	Maturity Date	Issue Amount (mn)
	Mar 19, 2007	Mar 17, 2017	JPY 5,000

RATING: A+, Affirmed

Unsec. Str. Bonds No.7	Issue Date	Maturity Date	Issue Amount (mn)
	Mar 19, 2007	Mar 17, 2028	JPY 4,500

RATING: A+, Affirmed

Unsec. Str. Bonds No.9	Issue Date	Maturity Date	Issue Amount (mn)
	Nov 26, 2010	Nov 24, 2017	JPY 4,000

RATING: A+, Affirmed

Unsec. Str. Bonds No.10	Issue Date	Maturity Date	Issue Amount (mn)
	Nov 25, 2014	Nov 25, 2024	JPY 6,000

RATING: A+, Affirmed