

Nomura Real Estate Master Fund, Inc. (NMF)

Questions and Answers Teleconference for the 13th Fiscal Period Ended February 28, 2022

Summary of Questions and Answers

Q.1

In terms of tenant trends in the office sector, are move-outs returning to normal? And is demand recovering? Can you provide an update from the status six months ago?

A.1

Looking at actual move-out floor area and reasons for tenants moving out, our impression is that the situation has calmed down considerably. There is an increase in the percentage of move-ins for positive reasons, which is due to our active leasing activities. But we believe that demand is recovering as well, considering that we achieved the largest floor area of move-ins since we listed.

Q.2

What about demand in the residential sector? Has the situation changed since the start of the year?

A.2

Occupancy rates between November 2021 and the busy season in March 2022 exceeded those of the corresponding period last year, which indicates a recovering trend in demand. This trend is especially noticeable in the corporate sector, which appears to have recovered considerably, although not yet back to pre-pandemic levels. We see a continuing trend toward stabilization, which is also evident in performance indicators like enterprise recruitment plans.

Q.3

About your external growth strategy, will you continue a policy centered on property replacements for the immediate future?

A.3

We will consider all possibilities in light of various factors, such as the circumstances of candidate properties and the financing environment. However, the strategy of sales and property replacements produced results for us during the previous fiscal period, so we intend to continue making use of this as an effective strategy going forward.

Q.4

We see, from a negative trend in rents when replacing tenants, that leasing in the office sector has made use of rent reductions, rent-free periods and other support. What level of rent-free support is being provided? And when do you think the rents will bottom out?

A.4

Our rent-free support is increasing, which is partly due to achieving the largest floor area of move-ins ever during the fiscal period ended February 2022, but the rent-free periods are about three months on average. As for rent levels, we are not yet seeing a reversal of the trend in the market overall, so we believe that bottoming-out of rents across the NMF property portfolio is still a little further ahead.

Q.5

What about rent revisions for tenants in logistics facilities? Are you considering such things as CPI-linked rents? Or will you continue to negotiate on the basis of fixed-rent leases?

A.5

We do consider such things as CPI-linked rents in our negotiations with tenants, but our aim is to establish the most beneficial terms and conditions for the medium- to long-term by taking a more comprehensive view of the situation.