



NEWS RELEASE

Feb 18, 2014

R&I Affirms A+, Stable: Nomura Real Estate Office Fund, Inc.

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

ISSUER: Nomura Real Estate Office Fund, Inc.
Issuer Rating: A+, Affirmed
Rating Outlook: Stable

RATIONALE:

Nomura Real Estate Office Fund, Inc. (NOF) is a real estate investment trust (J-REIT) listed on the stock exchange in December 2003. NOF is specialized in office buildings and is sponsored by Nomura Real Estate Holdings, Inc.

NOF invests in large office buildings located in major cities nationwide. It has a well-diversified property portfolio, being the third largest office REIT with an asset size of approximately 383 billion yen. In 2013, it acquired three properties in central Tokyo for about 10.9 billion yen in total.

The occupancy rate of NOF's properties stays high at above 95%. NOF Surugadai Plaza Building, from which a tenant moved out, has restored its occupancy rate in a relatively short time. It is showing excellent leasing ability through a partnership with the Nomura Real Estate Group. Meanwhile, with rents still falling, the NOI yield dropped to 4.2% in the term ended October 2013. A full recovery in earnings may require more time.

NOF plans to manage the LTV ratio at the conservative level of less than 45%. As a result of the partial debt repayment after the public offering of investment units in July 2013, the ratio showed a significant drop to 40.7% as of end-October 2013. Because of relatively large unrealized losses, however, leverage is not necessarily low in terms of the LTV ratio based on appraisal value.

The main form of debt financing is long-term fixed-rate borrowing, and the average term to maturity is more than three years. Liquidity is sufficient, given its unused committed line of credit amounting to 30 billion yen and cash and deposits (including trust deposits) totaling 27.1 billion yen as of end-October 2013. NOF has established a stable funding base by continuing well-balanced fundraising through loans from Japanese major financial institutions and bond issues.

The Rating Outlook is Stable. The funding base remains firm. The occupancy rate stays high and support from the Nomura Real Estate Group in asset management is also strength. On the other hand, there are issues to be addressed such as declining profitability, increasing unrealized losses and the high average age of buildings. R&I will observe whether NOF is able to improve its portfolio by continuously acquiring new properties.

The primary rating methodologies applied to this rating are provided at "Basic Methodologies for R&I's Credit Rating" and "Rating Methodology for J-REIT". The methodologies are 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 Office Fund, Inc. (Sec. Code: 8959)
RATING:	A+, Affirmed
RATING OUTLOOK:	Stable

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NEWS RELEASE

Unsec. Str. Bonds No.1	Issue Date Mar 16, 2005	Maturity Date Mar 16, 2015	Issue Amount (mn) JPY 5,000
RATING:	A+, Affirmed		
Unsec. Str. Bonds No.2	Issue Date Mar 16, 2005	Maturity Date Mar 16, 2020	Issue Amount (mn) JPY 5,000
RATING:	A+, Affirmed		
Unsec. Str. Bonds No.4	Issue Date Nov 28, 2005	Maturity Date Nov 30, 2015	Issue Amount (mn) JPY 10,000
RATING:	A+, Affirmed		
Unsec. Str. Bonds No.6	Issue Date Mar 19, 2007	Maturity Date Mar 17, 2017	Issue Amount (mn) JPY 5,000
RATING:	A+, Affirmed		
Unsec. Str. Bonds No.7	Issue Date Mar 19, 2007	Maturity Date Mar 17, 2028	Issue Amount (mn) JPY 4,500
RATING:	A+, Affirmed		
Unsec. Str. Bonds No.8	Issue Date Nov 26, 2010	Maturity Date Nov 26, 2014	Issue Amount (mn) JPY 6,000
RATING:	A+, Affirmed		
Unsec. Str. Bonds No.9	Issue Date Nov 26, 2010	Maturity Date Nov 24, 2017	Issue Amount (mn) JPY 4,000
RATING:	A+, Affirmed		

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