

Dec 20, 2017

## 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 well-balanced manner. Nomura Real Estate Holdings, Inc. serves as a sponsor.

NMF has worked to improve the quality of its portfolio through strategic asset replacement. Over the past two years, it has sold assets of approximately 99.5 billion yen, mainly properties that were aging, while continuously acquiring relatively new properties developed by the sponsor, in efforts to rejuvenate the portfolio.

NMF boasts an asset size of 927.2 billion yen, which is among the largest in the J-REIT industry. The breakdown by geographic location and property type shows that properties in the Greater Tokyo area account for 82% of the portfolio, and that office buildings 46%, residential properties 20%, retail properties 17% and logistics properties 16%, respectively. The fact that the top ten properties represent only 25% of the portfolio suggests the high diversification of its portfolio.

With the real estate transaction market overheating, it has become increasingly difficult to acquire quality properties from external sources at appropriate prices. Given that the sponsor's stock of properties has grown at a fast pace, however, NMF will likely be able to continue acquiring properties steadily.

NMF's property management is sound. While the occupancy rate of office buildings is in the 99% range, office rents continues to increase. Rents for residential properties are also on a modest upward trend. Logistics and retail properties generate steady earnings under long-term leasing contracts with tenants.

The LTV ratio (calculated after excluding goodwill from total assets) as of August 2017 was 48.9%. Unrealized gains are expanding, as evidenced by the appraisal value exceeding the book value by 8.6% as of the same period end.

NMF enjoys favorable funding conditions. With stable funding sources consisting primarily of major domestic financial institutions, the average remaining term to maturity of debts is as long as 4.5 years and due dates are staggered. Given an available committed line of credit totaling 50 billion yen, together with cash and deposits, it ensures sufficient liquidity.

The Rating Outlook is Stable. Its efforts to improve portfolio quality through asset replacement paid off to some extent. NMF has decided to shift to the growth phase going forward. R&I will pay attention to the REIT's external growth through collaboration with the sponsor and its leverage control in the growth process.

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.

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

■Contact : Sales and Marketing Division, Customer Service Dept. TEL.+81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp  
■Media Contact : Corporate Planning Division (Public Relations) TEL.+81-(0)3-6273-7273

**Rating and Investment Information, Inc.** TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan <https://www.r-i.co.jp>

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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.7	Issue Date	Maturity Date	Issue Amount (mn)
	Mar 19, 2007	Mar 17, 2028	JPY 4,500

**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