

Jan 26, 2022

## R&I Affirms AA-, 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:** AA-, Affirmed  
**Rating Outlook:** Stable

### RATIONALE:

Nomura Real Estate Master Fund, Inc. (NMF) is a diversified real estate investment trust (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 the sponsor of NMF.

NMF boasts an asset size of over 1 trillion yen -- one of the largest in the J-REIT industry. By asset type, office buildings account for 43.5%, retail facilities 16.7%, logistics facilities 20.1% and residential facilities 18.7% of the portfolio. The fact that the top 10 properties represent only 22% of NMF's total assets suggests that the portfolio is very diverse. NMF continuously acquires assets from the sponsor's stock of commercial properties. Moreover, as the ratio of properties in the greater Tokyo area has been kept high with the average building age reduced, the portfolio quality is increasing. NMF's most recent move to acquire a large, relatively new logistics facility in Tokyo for 17 billion yen has raised the ratio of logistics facilities, for which the market is performing well.

Although the COVID-19 pandemic has had a negative impact on retail facilities near stations and hotels, these asset categories together account for only slightly over 10% of the portfolio. The impact on NMF's overall operations is thus limited. The occupancy rate of office buildings has declined to the 96% range due to market deterioration, but the rent levels will likely stay solid as the current rents appear to be below the market rents to some degree. The segments of the portfolio on which the pandemic had merely a small impact, such as logistics facilities, residential facilities and retail facilities in residential areas, make up more than 40% of the asset types, underpinning the stability of cash flow.

NMF has been proactive in ESG from early on. It is reducing greenhouse gas emission intensity to achieve its 2030 target. The percentage of properties that have obtained green building certification (including all assessments) is high at about 70% on a floor area basis, and in the 2021 GRESB Rating, NMF earned 4 Stars.

The LTV ratio (calculated after excluding goodwill from total assets) was 46.3% as of August 2021. The appraisal value is 16.2% greater than the book value, and there is no problem with leverage.

Funding conditions are favorable. Supported by stable funding sources consisting primarily of major domestic financial institutions, the average remaining term to maturity is long at 4.9 years (as of August 2021) and due dates are spread out. NMF ensures sufficient liquidity, given available committed lines of credit totaling 50 billion yen, as well as cash and deposits.

The Rating Outlook is Stable. NMF has a quality, well-diversified portfolio mainly in the greater Tokyo area. There is no problem with leverage and NMF's funding base centered on long-term, fixed interest rate loans is robust. Although the coronavirus impact has so far been limited, R&I will keep track of an earnings trend in the office sector, which constitutes a large portion of NMF's assets.

The primary rating methodology applied to this rating is provided at "Rating Methodology for REITs". 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)

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**R&I RATINGS:**

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

Nomura Real Estate Office Fund, Inc. Unsec. Str. Bonds No.7	Issue Date	Maturity Date	Issue Amount (mn)
	Mar 19, 2007	Mar 17, 2028	JPY 4,500
<b>RATING:</b>	<b>AA-, Affirmed</b>		

Nomura Real Estate Office Fund, Inc. Unsec. Str. Bonds No.10	Issue Date	Maturity Date	Issue Amount (mn)
	Nov 25, 2014	Nov 25, 2024	JPY 6,000
<b>RATING:</b>	<b>AA-, Affirmed</b>		