



NEWS RELEASE

Dec 27, 2018

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 the sponsor of NMF.

NMF worked to improve the quality of its portfolio by conducting asset replacement worth approximately 100 billion yen for the first two years or so after the merger. In March 2018, it implemented a public offering for the first time since the merger and acquired new properties totaling 33.4 billion yen, which are mostly relatively new properties in the greater Tokyo area developed by the sponsor. The average building age of the portfolio of 18.8 years (as of August 2018; the same applies hereinafter) is expected to remain unchanged or be younger, given that NMF intends to acquire assets continuously from the sponsor's stock of commercial properties.

NMF boasts an asset size of more than 950 billion yen, which is the third largest in the J-REIT industry. The breakdown by geographic location and property type shows that properties in the greater Tokyo area account for 82.1% of the portfolio, and that office buildings 45.5%, retail facilities 16.7%, logistics facilities 16.8% and residential facilities 20.1%, respectively. The fact that the top ten properties represent only 24.5% of its total assets suggests that the portfolio is highly diversified.

The performance of NMF's properties is sound on the whole. The occupancy rate of the portfolio has been in the 99% range, and the rate of rent increases has been rising, especially at office buildings. The REIT has also achieved relatively large rent increases from some retail facilities in station areas through tenant turnover. Earnings from properties in other sectors, such as residential and logistic facilities, are broadly stable.

The LTV ratio (calculated after excluding goodwill from total assets) was 48.4%. With the appraisal value exceeding the book value by 9.9%, a certain level of unrealized gains is ensured.

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 4.6 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. NMF has established a well-diversified portfolio mainly in the greater Tokyo area. Earnings from office buildings are growing steadily and those from properties in other sectors are solid as well. The funding base consisting primarily of long-term, fixed interest rate loans is robust. To further improve the evaluation of the creditworthiness, management with an even lower LTV ratio would be required.

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

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NEWS RELEASE

R&I RATINGS:

ISSUER:	Nomura Real Estate Master Fund, Inc. (Sec. Code: 3462)
RATING:	Issuer 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**

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