

May 21, 2021

R&I Affirms A+, Stable: Tokyu REIT, Inc.

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

ISSUER: Tokyu REIT, Inc.
Issuer Rating: A+, Affirmed
Rating Outlook: Stable

RATIONALE:

Tokyu REIT, Inc. (TRE) is a real estate investment trust that was listed in 2003. TRE invests in office buildings, retail facilities, residential properties, and complexes that include any of the three, which are located in the Tokyo metropolitan area. Tokyu Corp. serves as TRE's sponsor.

TRE has created a relatively high-quality portfolio by intensively investing in properties in areas with growth potential, i.e., Tokyo's five central wards and the Tokyu areas. In recent years, it has been focusing on asset replacement in light of the overheating real estate trading market. In September 2020, TRE decided to sell land with leasehold interest in Warabi City, Saitama to a domestic company and acquire an office building in Minato Ward, Tokyo from this company. In March 2021, it also decided to sell land with leasehold interest in Fujisawa City, Kanagawa and acquire an office building in Shibuya Ward, Tokyo. The gains on these transactions will be used to maintain dividend payments during the period of extension work for Tokyu Toranomon Building, with some to be held as retained earnings.

The occupancy rate of TRE's office buildings remains high at 98.2% as of March 2021, and upward rent revisions are continuing. Meanwhile, market vacancy rates for office buildings in Tokyo are rising. Since TRE is also expected to see a certain level of vacancy, eyes are on developments in leasing.

As regards retail properties, TRE's occupancy rate stays at 100%, and the total amount of rent reduction and exemption for its retail tenants attributable to the coronavirus pandemic has so far been small. With the pandemic still going on, the performance of retail properties will continue to warrant attention. The impact on overall earnings has been mitigated, however, because retail properties account for nearly 30% of TRE's portfolio and many of them are based on long-term lease contracts, with fixed rent constituting almost all of rental revenues from retail properties.

The LTV ratio rose from a year earlier to 44.0% as of January 2021, but is still at a conservative level. With the appraisal value being 36.3% higher than the book value as of January 2021, unrealized gains remain large, particularly on properties located in the Shibuya area.

Funding conditions continue to be favorable. TRE's debt is mainly comprised of long-term fixed-rate borrowings, and the average remaining term to maturity was 4.3 years as of January 2021. Due dates are staggered, and the amount of annual repayment of long-term debt is broadly kept within a committed line of credit of 18 billion yen.

The Rating Outlook is Stable. TRE proceeds with prudent management by working to strengthen its portfolio through asset replacement and building extension work while maintaining a high occupancy rate. Leverage remains conservative, and its funding base is solid. While the pandemic's impact has so far been limited, R&I will continue to pay attention to the performance of office buildings and retail properties.

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

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R&I RATINGS:**ISSUER:** Tokyu REIT, Inc. (Sec. Code: 8957)**Issuer Rating****RATING:** A+, Affirmed**RATING OUTLOOK:** Stable**Unsec. Str. Bonds No.3****Issue Date****Maturity Date****Issue Amount (mn)**

Oct 22, 2012

Oct 21, 2022

JPY 3,000

RATING: A+, Affirmed

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