



# NEWS RELEASE

Jun 18, 2015

## 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 fund (J-REIT) which became a listed fund in September 2003. TRE invests mainly in office buildings and retail facilities located in Tokyo's five central wards and in areas near Tokyu railway stations. Tokyu Corp. serves as TRE's sponsor.

Under its strategy of making investment in competitive properties located in areas with growth potential, TRE has created a portfolio consisting of relatively high quality properties. All of its assets are located in the Greater Tokyo area, and many of them are concentrated in Shibuya, the sponsor's home base. A breakdown by property type shows that office buildings and retail facilities represent 61% and 39%, respectively, on an acquisition value basis.

In August 2014, TRE sold Beacon Hill Plaza, a suburban retail property, at a price well above book value. It has allocated a gain on the sale of that property for ongoing maintenance works, which are brought forward. On the other hand, because of the intensified competition for acquiring properties, the cost of new acquisitions was low.

Earnings are on a gradual recovery trend. As of April 2015, the occupancy rates of office buildings and retail facilities are both high, at 97.3% and 99.3%, respectively. Occupancy rates have been stable, and rents on some properties have even increased. The fact that the REIT has a high proportion of properties located in the center wards of Tokyo will likely act as a tailwind to earnings recovery in the future.

The LTV ratio is kept at relatively conservative levels, staying below 45%. Since the term-end appraisal value was 8.5% higher than the book value as of end-January 2015, unrealized gains are continuing to expand.

TRE's debt is entirely comprised of long-term fixed-rate borrowings with the average remaining term to maturity standing at 4.2 years (as of end-January 2015). Due dates are staggered through 2024 and fall in every year, and TRE is in good relationships with major domestic financial institutions. Given that it has access to a committed line of credit of 18 billion yen, its liquidity, combined with cash and deposits, is sufficient.

The Rating Outlook is Stable. The occupancy rate is at high levels, and rents are also recovering. In addition to support from the highly-creditworthy sponsor, TRE's conservative financial policy and solid funding base should underpin the rating. To expand asset size further will be a medium to long-term challenge. Since earnings from its properties are generally stable, concern is limited at present.

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.

<http://www.r-i.co.jp/eng/cfp/about/methodology/index.html>

■Contact : Investors Service Division TEL.+81-(0)3-3276-3511 E-mail. [infodept@r-i.co.jp](mailto:infodept@r-i.co.jp)  
■Media Contact : Corporate Planning Division (Public Relations) TEL.+81-(0)3-3276-3438

**Rating and Investment Information, Inc.**

Nihonbashi 1-chome Mitsui Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, <http://www.r-i.co.jp>

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# NEWS RELEASE

## R&I RATINGS:

**ISSUER:** Tokyu REIT, Inc. (Sec. Code: 8957)  
**Issuer Rating**  
**RATING:** A+, Affirmed  
**RATING OUTLOOK:** Stable

<b>Unsec. Str. Bonds No.3</b>	<b>Issue Date</b> Oct 22, 2012	<b>Maturity Date</b> Oct 21, 2022	<b>Issue Amount (mn)</b> JPY 3,000
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**RATING:** A+, Affirmed

<b>Unsec. Str. Bonds No.4</b>	<b>Issue Date</b> Feb 14, 2014	<b>Maturity Date</b> Feb 14, 2019	<b>Issue Amount (mn)</b> JPY 3,500
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**RATING:** A+, Affirmed

<b>Unsec. Str. Bonds No.5</b>	<b>Issue Date</b> Mar 11, 2014	<b>Maturity Date</b> Mar 11, 2021	<b>Issue Amount (mn)</b> JPY 3,000
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**RATING:** A+, Affirmed