

# CHAPTER 8

## PERFORMANCE AND EXAMPLES OF REAL ESTATE SECURITIZATION PRODUCTS

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## I Examples of Real Estate Syndication Products

### [ 1 ] Products Prior to Implementation of the Real Estate Syndication Act

Prior to implementation of the Real Estate Syndication Act (RSA), *nin'i kumiai* (NK; voluntary partnership) and lease products were available as real estate small-lot products. However, the RSA newly added *tokumei kumiai* (TK; silent partnership) products. On the other hand, trust products, which were the mainstay of real estate small-lot products prior to implementation of the RSA, were not made subject to the RSA, as trust products were regulated by the Trust Law and Trust Business Law.

#### a. Real Estate Small-Lot Investment Products

The history of collective real estate investment products in Japan dates back to March 1987 when Mitsui

Real Estate Sales sold a real estate small-lot product using a trust structure with allocated ownership interests. The transaction was structured as follows: the investors entrusted the allocated ownership interests they bought from the developer to a trust bank who managed and operated the property as the trustee, typically by leasing the property back to the developer and the income from the leases, less expenses and trust fees, were paid as dividends to the investors. Subsequently, products with offshore real estate as the underlying assets appeared, as did other products utilizing NKs. Eventually, the annual value of real estate small-lot products sold rose from 38.7 billion yen in 1987 to 187.8 billion yen in 1990; however, the value sold has declined since 1992 in line with the decline of the Japanese real estate market. All of these products were designed with the individual investor in mind (Figure 8-1).

**FIGURE 8-1 VALUE SYNDICATED AND NUMBER OF REAL ESTATE SYNDICATION PRODUCTS (AS OF MARCH 2009)**

Unit: 100 million yen; the number in ( ) represents the number of products

Calendar Year	Total						Overseas	JNR Settlement Corporation's Real Estate Conversion Loans
		Japan	NK	TK	Lease	Trust		
1987	387 (13)	222 (8)	0 (0)	0 (0)	12 (1)	210 (7)	165 (5)	0 (0)
1988	755 (29)	441 (20)	0 (0)	0 (0)	26 (2)	415 (18)	314 (9)	0 (0)
1989	1,556 (57)	1,125 (42)	82 (2)	0 (0)	167 (6)	876 (34)	431 (15)	0 (0)
1990	1,878 (55)	1,178 (38)	71 (2)	0 (0)	398 (12)	709 (24)	700 (17)	2,750 (1)
1991	1,357 (27)	1,230 (17)	131 (4)	0 (0)	513 (11)	586 (2)	126 (10)	720 (1)
1992	779 (15)	715 (11)	340 (4)	0 (0)	177 (4)	198 (3)	64 (4)	2,870 (1)
1993	616 (16)	599 (12)	245 (4)	0 (0)	236 (6)	118 (2)	17 (4)	749 (1)
1994	373 (13)	343 (10)	128 (5)	0 (0)	15 (4)	200 (1)	30 (3)	270 (1)
January - March 1995	22 (1)	22 (1)	22 (1)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Sum total before implementation	7,724 (226)	5,875 (159)	1,019 (22)	0 (0)	1,544 (46)	3,312 (91)	1,849 (67)	7,359 (5)
April - December 1995	29 (3)	29 (3)	0 (0)	1 (1)	28 (2)	0 (0)	0 (0)	0 (0)
1996	246 (6)	246 (6)	105 (1)	114 (3)	27 (2)	0 (0)	0 (0)	0 (0)
1997	109 (5)	109 (5)	63 (2)	46 (3)	0 (0)	0 (0)	0 (0)	0 (0)
1998	180 (7)	180 (7)	0 (0)	180 (7)	0 (0)	0 (0)	0 (0)	0 (0)
1999	930 (13)	930 (13)	32 (2)	898 (11)	0 (0)	0 (0)	0 (0)	0 (0)
2000	711 (16)	711 (16)	0 (0)	711 (16)	0 (0)	0 (0)	0 (0)	0 (0)
2001	1,422 (29)	1,422 (29)	0 (0)	1,422 (29)	0 (0)	0 (0)	0 (0)	0 (0)
2002	2,106 (39)	2,106 (39)	13 (2)	2,093 (37)	0 (0)	0 (0)	0 (0)	0 (0)
2003	2,026 (42)	2,026 (42)	30 (3)	1,994 (38)	2 (1)	0 (0)	0 (0)	0 (0)
2004	1,064 (20)	1,064 (20)	0 (0)	1,064 (20)	0 (0)	0 (0)	0 (0)	0 (0)
2005	1,966 (46)	1,966 (46)	26 (3)	1,940 (43)	0 (0)	0 (0)	0 (0)	0 (0)
2006	1,895 (62)	1,895 (62)	12 (1)	1,883 (61)	0 (0)	0 (0)	0 (0)	0 (0)
2007	1,742 (41)	1,742 (41)	70 (3)	1,672 (38)	0 (0)	0 (0)	0 (0)	0 (0)
2008	2,147 (45)	2,147 (45)	50 (3)	2,097 (42)	0 (0)	0 (0)	0 (0)	0 (0)
January-March 2009	323 (2)	323 (2)	0 (0)	323 (2)	0 (0)	0 (0)	0 (0)	0 (0)
Sum total after implementation	16,895 (376)	16,895 (376)	401 (20)	16,437 (351)	57 (5)	0 (0)	0 (0)	0 (0)
Cumulative total	24,619 (602)	22,770 (535)	1,420 (42)	16,437 (351)	1,601 (51)	3,312 (91)	1,849 (67)	7,359 (5)

Notes: 1. After (before) implementation indicates after (before) implementation of the RSA in April 1995.  
 2. Businesses that no longer fall under the RSA due to blanket sale of subject real estate and such have been removed from these statistics.  
 3. In the case of calendar year amounts, the 10 million yen place is rounded.

Prepared by ARES based on data supplied by the Ministry of Land, Infrastructure, Transport and Tourism

An analysis of the market from 1987 to March 1995 shows that 159 products utilized domestic real estate as the underlying asset (domestic products), representing a total investment of 587.5 billion yen. In the same period, 67 products utilized overseas real estate as the underlying asset (offshore products), representing 184.9 billion yen. The offshore products typically used corporations in the local jurisdiction as part of their structures. A study of similar domestic products by structure reveals that the trust structure amounted to 331.2 billion yen at placement value, or 56% of the total market. This is followed by the lease structure amounting to 154.4 billion yen and the NK structure amounting for 101.9 billion yen of investment.

The RSA was implemented in April 1995 and resulted in the NK and lease products becoming subject to the new law. The trust product was not.

**b. Real Estate Conversion Loan Investment Products**

Real estate conversion loan investment products, otherwise known as convertible mortgages, utilize a structure where real estate owners borrow funds from investors at very low interest rates over a long period (monetary loan for consumption contract). After a specified period of time, the holders of the convertible mortgage may convert the loan into an allocated ownership interest in the underlying real estate.

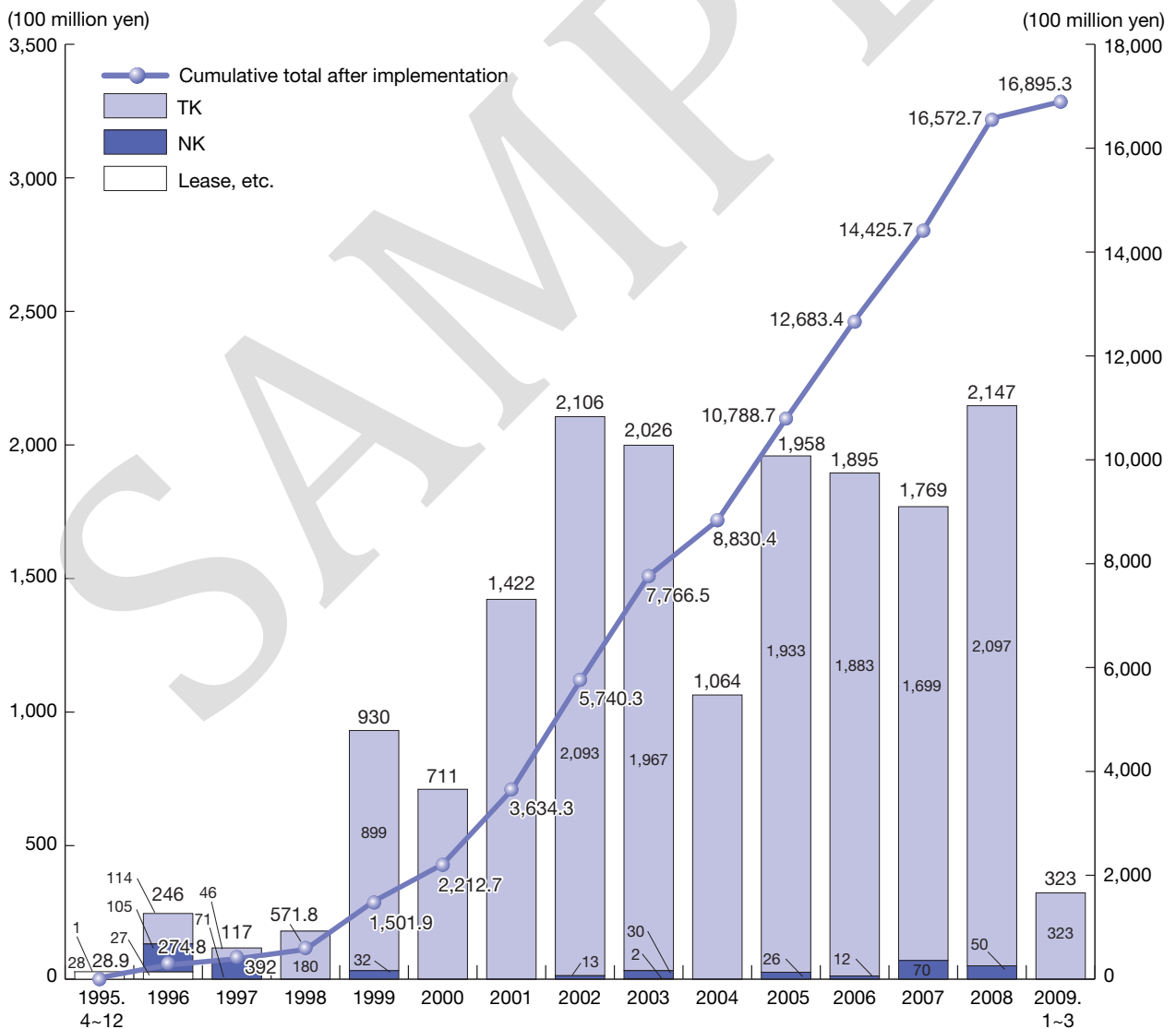
The JNR Settlement Corporation used this format. There were five JNR conversion loan products, representing invested funds of 735.9 billion yen.

**[ 2 ] Products after Enforcement of the Real Estate Syndication Act**

**a. Market Supply of RSA Products**

From enactment of the RSA in April 1995 through

**FIGURE 8-2 VALUE SYNDICATED AND CUMULATIVE VALUE SYNDICATED AFTER IMPLEMENTATION OF THE REAL ESTATE SYNDICATION ACT (AS OF MARCH 2009)**



Prepared by ARES based on data supplied by the Ministry of Land, Infrastructure, Transport and Tourism

March 2009, a total of 376 investment products regulated by the RSA have been sold, representing 1,689.5 billion yen of invested funds (Figures 8-1, 8-2 and 8-3). The offered amount decreased slightly between 2005 and 2007, but once again increased in 2008.

Analyzing the investment products regulated by the RSA sold from April 1995 until March 2008 by structure, NKs accounted for 20 products and 40.1 billion yen, lease products accounted for five products and 5.7 billion yen of invested funds, while TKs totaled 351 products and 1,643.7 billion yen of invested funds. Of the five lease products, four were supplied in 1995 and 1996; the NK products were limited to three cases in 1996 and 1997 and two cases in 1999, but certain NK products were supplied in 2002, 2003, 2005, 2006, 2007 and 2008 (Figure 8-1).

The volume of products regulated by the RSA has clearly been growing since the latter half of 1997, focused on the popular TK structure. However, the financial crisis that commenced in the fall of 2008 triggered a slump in real estate and the pace of product origination has decelerated since the beginning of 2009.

## b. Product Case Studies

### (1) NK

The two NK products created by Yasuda Real Estate in 1996 and 1997 expanded the scope of the RSA by allowing pro-rata owners to invest in the products via “lease rights” (Figure 8-4).

“Invest Omori/Tokyo Tatemono Property Management” (1997) and “Real Estate Small Lot System Sugamo/Funai Zaisan Consultants” (1999) are pre-sold NK products.

### (2) TK

#### (a) Application to the development business

Since Nomura Real Estate employed the TK structure in the “Miharuno Residential Development Project”

(1996) to distribute housing ownership interests, there have been many cases of TKs being used to raise funds for development projects. These products are designed for institutional investors and operating companies, and are intended for business among professionals (Figure 8-5).

#### (b) Products for individual investors

Tokyo Tatemono released the “Invest Fund” in 1999. This product for individual (retail) investors was only made available because deregulation allowed the minimum investment unit to be lowered to five million yen in 1999, enabling multiple real estate properties to be targeted at individual investors (1998). Another product in the Invest Series was released in November 2001 (Figure 8-6). In each product, risk is diversified through the use of a mixture of luxury rental condominiums and family-oriented condominiums to diversify the underlying asset mix.

The “SURF Kudanshita” product released in 1999 by Sumitomo Realty & Development was also created for individual investors. It is distinguished by the fact that it employs the concept of preferred and subordinated investment. Sumitomo Realty & Development has supplied 24 “SURF” Series and “Reif” Series products through March 2003. SURF employs a fixed-schedule return (Figure 8-7) and Reif has a scheduled return with step-up characteristics. In both cases, the underlying real estate ranges between two to five office buildings located in Tokyo.

#### (3) Lease

Izumigo introduced the first lease product after enactment of the RSA. In 1995 and 1996, the company released three lease products, which all had resort hotels as the underlying asset. “Fuji Building 5,” released by Fujiken in 1996, is a lease product using office buildings as the underlying asset.

**FIGURE 8-3 LIST OF PRODUCTS SYNDICATED AFTER IMPLEMENTATION OF THE REAL ESTATE SYNDICATION ACT (APRIL 1995 – MARCH 2009)**

(unit: thousand yen)

No.	Date	Real Estate Syndication Company	Property/Product Name	Usage	Number of Units	Price per Unit	Total Placement	Contract Form
1	May 1995	Izumigo	Harmony Club Third Phase	Resort hotel	200	6,000	1,200,000	Lease
2	Nov. 1995	Izumigo	Ensemble	Resort hotel	109	14,584	1,589,656	Lease
3	Dec. 1995	Trendy Associates	Okamoto Residence	Subdivided housing	1	100,000	100,000	TK
<b>1995 Total</b>							<b>2,889,656</b>	
4	Jul. 1996	Nomura Real Estate	Miharuno Residential Development Project	Housing land, housing	6	—	5,341,000	TK
5	Aug. 1996	Izumigo	Harmony Club Tateshina	Resort hotel	228	10,000	2,280,000	Lease
6	Sep. 1996	Fujiken	Fuji Building 5	Office building	90	5,000	450,000	Lease
7	Nov. 1996	Yasuda Real Estate	Takebashi Yasuda Building	Office building	3	—	10,470,000	NK
8	Nov. 1996	Nissho Iwai Real Estate	Sophia Chofu Someji Park	Condominium (for sale)	2	—	5,848,045	TK
9	Jan.–Dec. 1996	Company not disclosed					205,000	TK
<b>1996 Total</b>							<b>24,594,045</b>	
10	Jan. 1997	Tokyo Tatemono PM	Tokyo Tatemono Omori Building/ Invest Omori	Office building	17	50,000	85,000	NK
11	Apr. 1997	Yasuda Real Estate <b>Figure 8-4</b>	Takebashi Square	Office building	7	—	6,240,000	NK
12	Sep. 1997	Tokyo Tatemono PM	Y Life Futakotamagawa/Invest Futakotamagawa	Studio condominium	5	10,000	50,000	TK
13	Sep. 1997	Nomura Real Estate	Musashino Midoricho Hills	Condominium (for sale)	1	—	2,623,000	TK
14	Nov. 1997	Nomura Real Estate	Building Fund	Office building			1,950,000	TK
<b>1997 Total</b>							<b>10,948,000</b>	

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No.	Date	Real Estate Syndication Company	Property/Product Name	Usage	Number of Units	Price per Unit	Total Placement	Contract Form
15	Feb. 1998	Itochu	Ito-Pia Mikage Yamate-Zaka	Condominium (for sale)	1	————	921,000	TK
16	Mar. 1998	Mitsui Fudosan	Tsurukawa No. 2 Land Readjustment Project	Subdivided housing	2	————	3,000,000	TK
17	Mar. 1998	Tokyu Land <b>Figure 8-5</b>	Development Project in front of Saginuma Station	Condominium (for sale)	1	————	1,631,000	TK
18	Jul. 1998	Mitsui Fudosan	Condominium Sales Project in Minato Ward, Tokyo	Condominium (for sale)	1	————	2,188,964	TK
19	Sep. 1998	Mitsubishi Estate	Shiodome Condominium Project	Condominium (for sale)	1	————	4,600,000	TK
20	Jan.~Dec. 1998	Company not disclosed					5,637,380	TK
21								
<b>1998 Total</b>							<b>17,978,344</b>	
22	Feb. 1999	Mitsubishi Estate	Shinyurigaoka Condominium Subdivision Sales Project	Condominium (for sale)	2	————	4,400,000	TK
23	Mar. 1999	Tokyo Tatemono	Tokyo Tatemono Invest Fund	Rental apartment	700	5,000	3,500,000	TK
24	Mar. 1999	Tokyu Land	Bandaihigashi Project	Condominium (for sale)	1	————	703,500	TK
25	Mar. 1999	Sumitomo Realty & Development <sup>*1</sup>	SURF Kudanshita	Office building	1,302 <sup>*2</sup>	5,000	6,510,000	TK
					558 <sup>*3</sup>	5,000	2,790,000	
26	Jun. 1999	Sumitomo Realty & Development <sup>*1</sup>	SURF Sanbancho Pack	Office building	4,032 <sup>*2</sup>	5,000	20,160,000	TK
					1,728 <sup>*3</sup>	5,000	8,640,000	
27	Jun. 1999	Funai Zaisan Consultants	Funai "Real Estate Small Lot System" Sugamo	Office building	36	10,000	360,000	NK
28	Sep. 1999	Tokyu Land	Canal Wharf Towers in Toyosu	Condominium (for sale)	1 <sup>*2</sup>	————	5,000,000	TK
					1 <sup>*3</sup>	————	9,550,000	
29	Sep. 1999	Yasuda Real Estate	Sequence Tower	Office building	2	————	2,800,000	NK
30	Oct. 1999	Tokyu Livable	Kara City Kamagaya Project	Condominium (for sale)	5	————	1,387,297	TK
31	Nov. 1999	Nichino	Espoir Shibuya Shoto	Studio condominium (for sale)	1	————	300,000	TK
32	Nov. 1999	Sumitomo Realty & Development <sup>*1</sup>	SURF Akasaka Pack	Office building	1,792 <sup>*2</sup>	5,000	8,960,000	TK
					768 <sup>*3</sup>	5,000	3,840,000	
33	Jan.~Dec. 1999	Company not disclosed					14,115,650	TK
34								
<b>1999 Total</b>							<b>93,016,447</b>	
35	Feb. 2000	Sumitomo Realty & Development <sup>*1</sup>	SURF Gobancho Pack	Office building	2,030 <sup>*2</sup>	5,000	10,150,000	TK
					870 <sup>*3</sup>	5,000	4,350,000	
36	Feb. 2000	Tokyu Land	Ars Miyazakidai, Ars Yoyogi Sangu Basi	Condominium (for sale)	1 <sup>*2</sup>	————	2,700,000	TK
					1 <sup>*3</sup>	————	2,720,000	
37	Apr. 2000	Sumitomo Realty & Development <sup>*1</sup> <real estate exchange>	Reif Gobancho Pack	Office building	574 <sup>*2</sup>	5,000	2,870,000	TK
					246 <sup>*3</sup>	5,000	1,230,000	
38	May 2000	Tokyu Land	Ars Yokohama Nogezaaka	Condominium (for sale)	1 <sup>*2</sup>	————	1,300,000	TK
					1 <sup>*3</sup>	————	1,340,000	
39	Jun. 2000	Sumitomo Realty & Development <sup>*1</sup> <real estate exchange>	Reif Hanzomon Pack I	Office building	770 <sup>*2</sup>	5,000	3,850,000	TK
					330 <sup>*3</sup>	5,000	1,650,000	
40	Jul. 2000	Sumitomo Realty & Development <sup>*1</sup>	SURF Hanzomon Pack I	Office building	581 <sup>*2</sup>	5,000	2,905,000	TK
					249 <sup>*3</sup>	5,000	1,245,000	
41	Jul. 2000	Sumitomo Realty & Development <sup>*1</sup>	SURF Hanzomon Pack II	Office building	581 <sup>*2</sup>	5,000	2,905,000	TK
					249 <sup>*3</sup>	5,000	1,245,000	
42	Aug. 2000	Mitsubishi Estate	Parkhouse Yoyogi Uehara	Condominium (for sale)	1	————	1,850,000	TK
43	Sep. 2000	Tokyu Land	Ars Fukakusa	Condominium (for sale)	1	————	394,000	TK
44	Sep. 2000	Tokyu Land	Seaside Court Kugenuma Kaigan	Condominium (for sale)	1 <sup>*2</sup>	————	1,460,000	TK
					1 <sup>*3</sup>	————	1,470,000	
45	Sep. 2000	Sumitomo Realty & Development <sup>*1</sup>	SURF Hanzomon Pack III	Office building	1,162 <sup>*2</sup>	5,000	5,810,000	TK
					498 <sup>*3</sup>	5,000	2,490,000	
46	Nov. 2000	Sumitomo Realty & Development <sup>*1</sup>	SURF Toranomon Pack I	Office building	952 <sup>*2</sup>	5,000	4,760,000	TK
					408 <sup>*3</sup>	5,000	2,040,000	
47	Nov. 2000	Tokyu Livable	Relache Court Saginomiya	Condominium (for sale)	1	————	478,645	TK
48	Jan. ~ Dec. 2000	Company not disclosed					9,869,000	TK
49								
50								
<b>2000 Total</b>							<b>71,081,645</b>	
51	Jan. 2001	Sumitomo Realty & Development <sup>*1</sup>	SURF Toranomon Pack II	Office building	952 <sup>*2</sup>	5,000	4,760,000	TK
					408 <sup>*3</sup>	5,000	2,040,000	
52	Jan. 2001	Tokyu Livable	Maykissgarden Mizuhodai	Subdivision Sales housing	1	————	1,006,885	TK
53	Feb. 2001	Tokyu Land	Ars Nakano	Condominium (for sale)	1 <sup>*2</sup>	————	670,000	TK
					1 <sup>*3</sup>	————	670,000	
54	Mar. 2001	Tokyu Land	Walton's Court Nagatsuda Ars Chigasaki Ekimae Sakuragicho Project	Condominium (for sale)	1 <sup>*2</sup>	————	2,550,000	TK
					1 <sup>*3</sup>	————	15,732,000	
55	Mar. 2001	Tokyu Livable	Ebisu Project	Condominium (for sale)	1	————	445,739	TK
56	Apr. 2001	Sumitomo Realty & Development <sup>*1</sup>	SURF New Toranomon Pack	Office building	868 <sup>*2</sup>	5,000	4,340,000	TK
					372 <sup>*3</sup>	5,000	1,860,000	
57	May 2001	Sumitomo Realty & Development <sup>*1</sup>	SURF Toranomon R Pack	Office building	994 <sup>*2</sup>	5,000	4,970,000	TK
					426 <sup>*3</sup>	5,000	2,130,000	
58	Jul. 2001	Sumitomo Realty & Development <sup>*1</sup> <real estate exchange>	SURF Shin Toranomon A Pack I	Office building	917 <sup>*2</sup>	5,000	4,585,000	TK
					393 <sup>*3</sup>	5,000	1,965,000	
59	Sep. 2001	Sumitomo Realty & Development <sup>*1</sup> <real estate exchange>	SURF Shin Toranomon A Pack II	Office building	917 <sup>*2</sup>	5,000	4,585,000	TK
					393 <sup>*3</sup>	5,000	1,965,000	
60	Nov. 2001	Tokyo Tatemono <b>Figure 8-6</b>	Tokyo Tatemono Invest Fund (No. 4)	Rental condominium	540	5,000	2,700,000	TK

No.	Date	Real Estate Syndication Company	Property/Product Name	Usage	Number of Units	Price per Unit	Total Placement	Contract Form
61	Nov. 2001	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Shin Toranomom B Pack I	Office building	700 <sup>*2</sup>	5,000	3,500,000	TK
					300 <sup>*3</sup>	5,000	1,500,000	
62	Dec. 2001	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Shin Toranomom B Pack II	Office building	700 <sup>*2</sup>	5,000	3,500,000	TK
					300 <sup>*3</sup>	5,000	1,500,000	
63 ↓ 79	Jan.~Dec. 2001	Company not disclosed					75,186,960	TK
<b>2001 Total</b>							<b>142,161,584</b>	
80	Feb. 2002	Tokyu Livable	Platque Sangenjaya	Condominium (for sale)	1	—	1,123,448	TK
81	Feb. 2002	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Shin Toranomom B Pack III	Office building	700 <sup>*2</sup>	5,000	3,500,000	TK
					300 <sup>*3</sup>	5,000	1,500,000	
82	Mar. 2002	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Shin Toranomom B Pack IV	Office building	1,050 <sup>*2</sup>	5,000	5,250,000	TK
					450 <sup>*3</sup>	5,000	2,250,000	
83	May 2002	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Shin Toranomom B Pack V	Office building	1,050 <sup>*2</sup>	5,000	5,250,000	TK
					450 <sup>*3</sup>	5,000	2,250,000	
84	May 2002	Funai Zaisan Consultants		Office building			600,000	NK
85	May 2002	Funai Zaisan Consultants		Office building			720,000	NK
86	Sep. 2002	Seibu Real Estate Sales	Harmony Days Kotesashi	Subdivided housing			373,267	TK
87	Oct. 2002	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Shinjuku A Pack I	Office building	623 <sup>*2</sup>	5,000	3,115,000	TK
					267 <sup>*3</sup>	5,000	1,335,000	
88	Oct. 2002	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Shinjuku B Pack I	Office building	518 <sup>*2</sup>	5,000	1,036,000	TK
					222 <sup>*3</sup>	5,000	444,000	
89	Nov. 2002	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Gold	Office building	4,900 <sup>*2</sup>	5,000	24,500,000	TK
					2,100 <sup>*3</sup>	5,000	10,500,000	
90	Dec. 2002	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Silver	Office building	490 <sup>*2</sup>	2,000	980,000	TK
					210 <sup>*3</sup>	2,000	420,000	
91 ↓ 118	Jan. ~ Dec. 2002	Company not disclosed					145,451,877	TK
<b>2002 Total</b>							<b>210,598,592</b>	
119	Mar. 2003	Nomura Real Estate Development		Shared dwelling	1		2,660,000	TK
120	Jul. 2003	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Shinjuku A Pack II	Office building	1,050 <sup>*2</sup>	5,000	5,250,000	TK
					450 <sup>*3</sup>	5,000	2,250,000	
121	Sep. 2003	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Shinjuku A Pack III	Office building	1,050 <sup>*2</sup>	5,000	5,250,000	TK
					450 <sup>*3</sup>	5,000	2,250,000	
122	Nov. 2003	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Shinjuku A Pack IV	Office building	490 <sup>*2</sup>	5,000	2,450,000	TK
					210 <sup>*3</sup>	5,000	1,050,000	
123	Dec. 2003	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Shinjuku A Pack V	Office building	1,400 <sup>*2</sup>	5,000	7,000,000	TK
					600 <sup>*3</sup>	5,000	3,000,000	
124 ↓ 125 ↓ 129 ↓ 130 ↓ 160	Jan. ~ Dec. 2003	Company not disclosed					171,455,032	Lease NK TK
<b>2003 Total</b>							<b>202,615,032</b>	
161	Jan. 2004	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Shinjuku A Pack VI	Office building	700 <sup>*2</sup>	5,000	3,500,000	TK
					300 <sup>*3</sup>	5,000	1,500,000	
162	Jan. 2004	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Shinjuku A Pack VII	Office building	252 <sup>*2</sup>	5,000	1,260,000	TK
					108 <sup>*3</sup>	5,000	540,000	
163	Mar. 2004	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Iidabashi Pack 1	Office building Rental condominium	840 <sup>*2</sup>	5,000	4,200,000	TK
					360 <sup>*3</sup>	5,000	1,800,000	
164	Mar. 2004	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Iidabashi Pack 2	Office building Rental condominium	840 <sup>*2</sup>	5,000	4,200,000	TK
					360 <sup>*3</sup>	5,000	1,800,000	
165	Apr. 2004	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Iidabashi Pack 3	Office building Rental condominium	840 <sup>*2</sup>	5,000	4,200,000	TK
					360 <sup>*3</sup>	5,000	1,800,000	
166	Apr. 2004	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Iidabashi Pack 4	Office building Rental condominium	840 <sup>*2</sup>	5,000	4,200,000	TK
					360 <sup>*3</sup>	5,000	1,800,000	
167	May 2004	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Iidabashi Pack 5	Office building Rental condominium	210 <sup>*2</sup>	5,000	1,050,000	TK
					90 <sup>*3</sup>	5,000	450,000	
168	Jun. 2004	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Iidabashi Pack 6	Office building Rental condominium	819 <sup>*2</sup>	5,000	4,095,000	TK
					351 <sup>*3</sup>	5,000	1,755,000	
169	Jul. 2004	Sumitomo Realty & Development* <sup>1</sup> <real estate exchange>	SURF Iidabashi Pack 7	Office building Rental condominium	3,759 <sup>*2</sup>	5,000	18,795,000	TK
					1,611 <sup>*3</sup>	5,000	8,055,000	
170 ↓ 180	Jan. ~ Dec. 2004	Company not disclosed					41,395,949	TK
<b>2004 Total</b>							<b>106,395,949</b>	
181	Jan. 2005	AMMS International	AMMS Higashishinjuku	Shared dwelling	100	5,000	500,000	TK
182	Feb. 2005	Funai Zaisan Consultants	Yoyogi Uehara Co-ownership System	Shared dwelling	40	10,000	400,000	NK
183	Feb. 2005	MAP	Neo Heights Yagi Nishi and 112 other properties	Shared dwelling	15,500	100	1,550,000	TK
184	Mar. 2005	Kajima Corporation	Koraku 1-chome Project	Shared dwelling	400 <sup>*2</sup>	10,000	4,000,000	TK
					370 <sup>*3</sup>	10,000	3,700,000	
185	Mar. 2005	Kajima Corporation	Mejiro Project	Shared dwelling	700 <sup>*2</sup>	10,000	7,000,000	TK
					1,037 <sup>*3</sup>	10,000	10,370,000	

## CHAPTER 8 – PERFORMANCE AND EXAMPLES OF REAL ESTATE SECURITIZATION PRODUCTS

No.	Date	Real Estate Syndication Company	Property/Product Name	Usage	Number of Units	Price per Unit	Total Placement	Contract Form
186	Mar. 2005	MAP	Nexus World Mark Mack Building and 6 others	Shared dwelling	850	100	850,000	TK
187	Mar. 2005	Royal Parks	D-Room Fund Ogikubo	Shared dwelling	180 <sup>a2</sup> 60 <sup>a3</sup>	5,000 5,000	900,000 300,000	TK
188	Apr. 2005	MAP	Stem Sakai Hagihara Tenjin and 135 other properties	Shared dwelling	13,500	100	1,350,000	TK
189	Jun. 2005	Mitsui Fudosan	Park Tower Akihabara	Condominium (for sale)	1	3,900,000	3,900,000	TK
190	Jun. 2005	Funai Zaisan Consultants	Nishi-Shinjuku 1-chome Co-Ownership System	Office	32	10,000	320,000	NK
191	Aug. 2005	Sumitomo Realty & Development	SURF Hanzomon Pack 4	Office building	2,058 <sup>a2</sup> 882 <sup>a3</sup>	5,000 5,000	10,290,000 4,410,000	TK
192	Sept. 2005	Tokyo Tatemono	Invest Plus	Rental housing	140 <sup>a2</sup> 60 <sup>a3</sup>	50,000 50,000	7,000,000 3,000,000	TK
193	Sept. 2005	Funai Zaisan Consultants	Nihonbashi Kodemmacho Co-Ownership System	Office	185	10,000	1,850,000	NK
194 ┆ 226	Jan. ~ Dec. 2005	Company not disclosed					134,900,699	TK
<b>2005 Total</b>							<b>196,590,699</b>	
227	Mar. 2006	Tokyo Tatemono	Invest Plus 2	Shared dwelling	840 <sup>a2</sup> 360 <sup>a3</sup>	5,000 5,000	4,200,000 1,800,000	TK
228	Jul. 2006	Tokyo Tatemono	Invest Plus 3	Shared dwelling	574 <sup>a2</sup> 246 <sup>a3</sup>	5,000 5,000	2,870,000 1,230,000	TK
229	Jul. 2006	Funai Zaisan Consultants	Advantage Club Kudan	Shops and office building	120	10,000	1,200,000	NK
230	Aug. 2006	Suizokukan	Aquarium TK Contract	Shops	20	500	10,000	TK
231	Sep. 2006	Cosmos Initia	Kanamachi Project	Condominium (for sale)	400,000	10	4,000,000	TK
232	Nov. 2006	Tokyo Tatemono	Invest Plus 4	Office building	1,400 <sup>a2</sup> 600 <sup>a3</sup>	5,000 5,000	7,000,000 3,000,000	TK
233 ┆ 288	Jan. ~ Dec. 2006	Company not disclosed					164,165,000	TK
<b>2006 Total</b>							<b>189,475,000</b>	
289	Feb. 2007	Cosmos Initia	Osaka Bright Barks	Condominium (for sale)	360,000	10	3,600,000	TK
290	Mar. 2007	Cosmos Initia	Kita Shinagawa Project	Shared dwelling	120,000	10	1,200,000	TK
291	Mar. 2007	Funai Zaisan Consultants	Advantage Club Ginza and Sugamo	Shops and office building	240	10,000	2,400,000	NK
292	Apr. 2007	Mullion	Mullion Bond No. 8, 9 and 10	Shared dwelling	490	1,000	490,000	TK
293	Apr. 2007	Tokyo Tatemono	Invest Plus 5	Shared dwelling	1,120 <sup>a2</sup> 480 <sup>a3</sup>	5,000 5,000	5,600,000 2,400,000	TK
294	May 2007	Cosmos Initia	Senju Akebonocho Project	Shared dwelling	270,000	10	2,700,000	TK
295	Aug. 2007	Toshi-Souken Invest Bank	Minna de Oyasan No. 1	Amusement facility	640 <sup>a2</sup> 160 <sup>a3</sup>	1,000 1,000	640,000 160,000	TK
296	Sep. 2007	Sumitomo Realty & Development	SURF Shiodome Pack 1	Office building, etc.	1,988 <sup>a2</sup> 852 <sup>a3</sup>	5,000 5,000	9,940,000 4,260,000	TK
297	Oct. 2007	Sumitomo Realty & Development	SURF Shiodome Pack 2	Office building, etc.	3,976 <sup>a2</sup> 1,704 <sup>a3</sup>	5,000 5,000	19,880,000 8,520,000	TK
298	Oct. 2007	Tokyo Tatemono	Invest Plus 6	Shared dwelling	812 <sup>a2</sup> 348 <sup>a3</sup>	5,000 5,000	4,060,000 1,740,000	TK
299	Nov. 2007	Tokyo Tatemono	Invest Plus 7	Shared dwelling	1,610 <sup>a2</sup> 690 <sup>a3</sup>	5,000 5,000	8,050,000 3,450,000	TK
300	Nov. 2007	Toshi-Souken Invest Bank	Minna de Oyasan No. 2	Shops and shared dwelling	2,720 <sup>a2</sup> 680 <sup>a3</sup>	1,000 1,000	2,720,000 680,000	TK
301 ┆ 329	Jan. ~ Dec. 2007	Company not disclosed					91,731,159	NK TK
<b>2007 Total</b>							<b>174,221,159</b>	
330	Feb. 2008	Sumitomo Realty & Development	SURF Shiodome Pack 3	Office building, etc.	994 <sup>a2</sup> 426 <sup>a3</sup>	5,000 5,000	4,970,000 2,130,000	TK
331	Feb. 2008	Satas Integrate	Yuyu Club	Shared dwelling (sectional ownership)	111 <sup>a2</sup> 52 <sup>a3</sup>	1,000 1,000	111,000 52,000	TK
332	Apr. 2008	Sumitomo Realty & Development	SURF Shiodome Pack 4	Office, etc.	994 426	5,000 5,000	4,970,000 2,130,000	TK
333	Apr. 2008	Mullion	Mullion Bond No. 12	Apartment (sectional ownership)	420 180	1,000 1,000	420,000 180,000	TK
334	Apr. 2008	Mullion	Mullion Bond No. 13	Office, etc.	455 195	1,000 1,000	455,000 195,000	TK
335	Apr. 2008	Mullion	Mullion Bond No. 14	Apartment, office	245 105	1,000 1,000	245,000 105,000	TK
336	Jun. 2008	Tokyo Tatemono	Invest Plus 8	Apartment	1,344 576	5,000 5,000	6,720,000 2,880,000	TK
337	Jun. 2008	Funai Zaisan Consultants	Gotanda Joint Ownership System	Apartment, retail	250	10,000	2,500,000	NK
338	Jul. 2008	Kokusai Sogo Keikaku	Shindai Ekimae Fund No. 2	Apartment	80	500	40,000	TK
339	Sep. 2008	Sumitomo Realty & Development	SURF Shiodome Pack 5	Hotel	1,008 432	5,000 5,000	5,040,000 2,160,000	TK
340	Oct. 2008	Funai Zaisan Consultants	Shibuya No. 1 Joint Ownership System	Apartment	100	10,000	1,000,000	NK
341	Oct. 2008	Toshi-Souken Invest Bank	Minna de Oyasan No. 3	Office, etc.	1,800 900	1,000 1,000	1,800,000 900,000	TK

No.	Date	Real Estate Syndication Company	Property/Product Name	Usage	Number of Units	Price per Unit	Total Placement	Contract Form
342	Nov. 2008	Mullion	Mullion Bond No. 15	Office, store, parking	385	1,000	385,000	TK
					165	1,000	165,000	
343	Nov. 2008	Funai Zaisan Consultants	Shibuya No. 2 Joint Ownership System	Wedding hall, hotel	150	10,000	1,500,000	NK
344	Nov. 2008	DC Create	Life Plan + 1	Apartment, retail, parking	41	1,000	41,000	TK
					10	1,025	10,250	
345	Dec. 2008	Sumitomo Realty & Development	SURF Mini Shiodome 1	Office, store, parking	9,660	1,000	9,660,000	TK
					4,140	1,000	4,140,000	
346	Dec. 2008	Sumitomo Realty & Development	SURF Mini Shiodome 2	Retail, etc.	9,660	1,000	9,660,000	TK
					4,140	1,000	4,140,000	
347 374	Jan. ~ Dec. 2008	Company not disclosed		Office, etc.			145,996,966	TK
<b>2008 Total</b>							<b>214,701,216</b>	
375	Feb. 2009	Sumitomo Realty & Development	SURF Mini Shiodome 3	Office, etc.	19,390	1,000	19,390,000	TK
					8,310	1,000	8,310,000	
376	Jan. ~ Mar. 2009	Company not disclosed		Office, etc.			4,564,000	TK
<b>January – March 2009 total</b>							<b>32,264,000</b>	
<b>Grand Total</b>							<b>1,689,531,368</b>	

\*1 The figures for the SURF and Reif series of Sumitomo Realty & Development include the subordinated equity amount, which is deemed equity. The grand total was listed for SURF Gold of Sumitomo Realty & Development since it has run several public placements.

\*2 Preferred

\*3 Subordinated

Shaded portions ( ) are products for individuals.

Prepared by ARES based on data supplied by the Ministry of Land, Infrastructure, Transport and Tourism.

**FIGURE 8-4 EXAMPLE OF THE USE OF AN NK IN A REDEVELOPMENT PROJECT**

### Takebashi Square/Yasuda Real Estate

○ In a redevelopment project with multiple land owners after redevelopment, there is an issue in that if rental income is distributed to all owners based on their percentage ownership of the overall project (as opposed to directly generated by their specific units owned) any rental income distributed to such an owner who has no tenants will be assessed the gift tax. To solve this issue, an NK invests via in the leasehold rights (Figure 8-3, No.11).

Common structure in redevelopment projects

#### Project Overview

##### (1) Key Points

- Investment assets are leasehold rights of the building.
- NK merely distributes the income from the leases. A management association operates the entire building (below ②).

##### (2) Structure

- ① After demolishing the old buildings, the land owners combined to construct a new building as a redevelopment project (syndication started in June 1995).
- ② A management association under the Act on Unit Ownership, etc. of Building is established for the whole constructed building. The association manages and operates the whole premises and common interests on behalf of the owners.
- ③ An NK contract is concluded with the parties acquiring office lease floors. Each party invests its leasehold right to the NK.
- ④ The Chairperson of the NK collectively conducts the lease and distributes the net income to members of the NK.
- ⑤ If the NK cannot achieve its objective or all the members of the NK agree, the NK can be dissolved. In dissolving, the NK returns the leasehold rights to each investor and settles all debts and liabilities.

#### Advantages of NK structure for leasehold rights

- Regardless of the occupancy on any given floor all rights holders receive a fair distribution of the pooled property in line with their interests.
- Investment in the form of leasehold rights reduces the investment costs.
- The new structure promotes new real estate development.
- Land owners can still register ownership of their particular piece of land and can thus use it as collateral for borrowing from financial institutions.
- Liquidity is available by selling an investor's interest in the NK.

Prepared by ARES

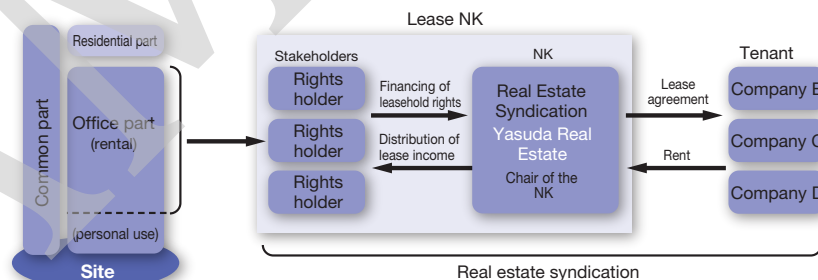
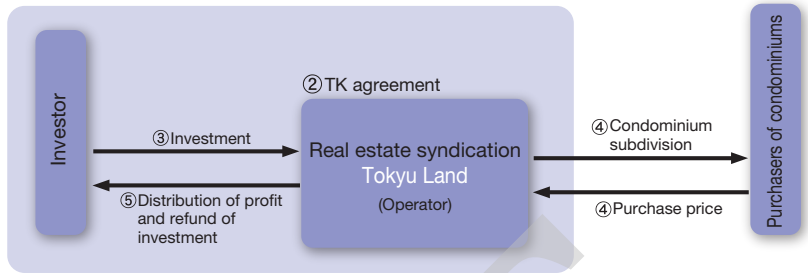


FIGURE 8-5 EXAMPLE OF CONDOMINIUM DEVELOPMENT PROJECT USING A TK

**Saginuma Ekimae Project/Tokyu Land**

○ In this case, Tokyu Land raised funds to build and sell condominiums on a site it had previously purchased by soliciting investment through TK agreements with investors (Figure 8-3, No. 17).



**Project Overview**

- ① Site acquisition (November 1997).
- ② TK agreement concluded by all relevant parties. A TK agreement was concluded by the relevant parties for the purpose of building and selling condominiums. The TK agreement was signed in March 1998 and expired on the sale of all the condominiums. Tokyu Land acted as the TK operator. Total assumed product cost: 4.1 billion yen (land and building cost, sales expenses, etc.)
- ③ Investment proceeds of 1.6 billion yen (40% of the estimated project cost) were paid into the TK. Tokyu Land made a deemed investment of 60% of the project cost (the land) and agreed to invest more as necessary as the project progressed.
- ④ Construction began (May 1998), and sales began. Tokyu Livable was appointed sales agent for the project and the TK started to receive payments.
- ⑤ Distribution of earnings. After construction and delivery of the condominiums to the purchasers, the sales are recorded and the investor receives its distribution of profit and capital in accordance with its pro rata share of its investment after all costs and expenses are deducted (including operator fees).  
Distribution to TK investors = (sales – project costs – operator compensation) x distribution ratio (40%)

**Structure Characteristics**

The major investment risks the investor takes are:

- Project cost overrun (i.e., construction costs are more than initially projected)
  - Project schedule risk (i.e., project takes longer to complete than originally forecast)
  - Sales risk (i.e., the market price for the condominiums is lower than projected or some left unsold due to market conditions)
- Many of these risks were mitigated as the TK agreement was concluded after the planning permission had been filed and therefore the period from investment until sales started was relatively short.

Prepared by ARES

FIGURE 8-6 CASE 1: USE OF TK PRODUCT FOR INDIVIDUAL INVESTORS

**Invest Fund No. 4 Tokyo Tatemono**

○ Three rental apartments with different tenant profiles (luxury rental condominiums for foreigners and condominiums for families and DINKS) were combined in a single TK to diversify rental risk. Investments of 5 million yen and up were solicited from individual investors (Figure 8-3, No. 60).

**(1) Structure:**

- ① Investors enter into a TK agreement with Tokyo Tatemono as the operator and make the investment.
- ② The operator registers the properties in the name of the TK and leases the properties to tenants.
- ③ Operator maintains books and records of rental income in the TK account.
- ④ Operator distributes investment returns, which are based on the rental income from properties, to the investors.
- ⑤ Tokyo Tatemono Group manages and administers the properties in the TK.
- ⑥ Investors may transfer their interest in the TK to a third party or the operator Tokyo Tatemono as they wish (Figure 4-17).

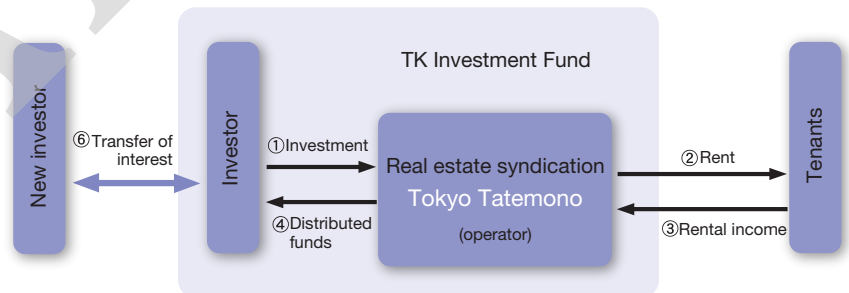
(2) Total investment: 5 million yen per unit, 540 units, 2.7 billion yen at the establishment of the TK

(3) Project start: November 1, 2001

(4) Dividends paid semi-annually  
Dividend = profit (or loss) + depreciation excluding repair reserve

**(5) Investment real estate**

- Apartment Akasaka-Nanbuzaka (located in Minato Ward, Tokyo; luxury rental condominiums)
- Roi Vert Ichigaya-Sanaizaka (located in Shinjuku Ward, Tokyo; luxury rental condominiums for foreigners)
- Art Vert Shinjuku-Bentencho (located in Shinjuku Ward; luxury rental condominiums for families and DINKS)



Prepared by ARES