

NEWS & RELEASE

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Release of Quarterly Contract Rent DI Report

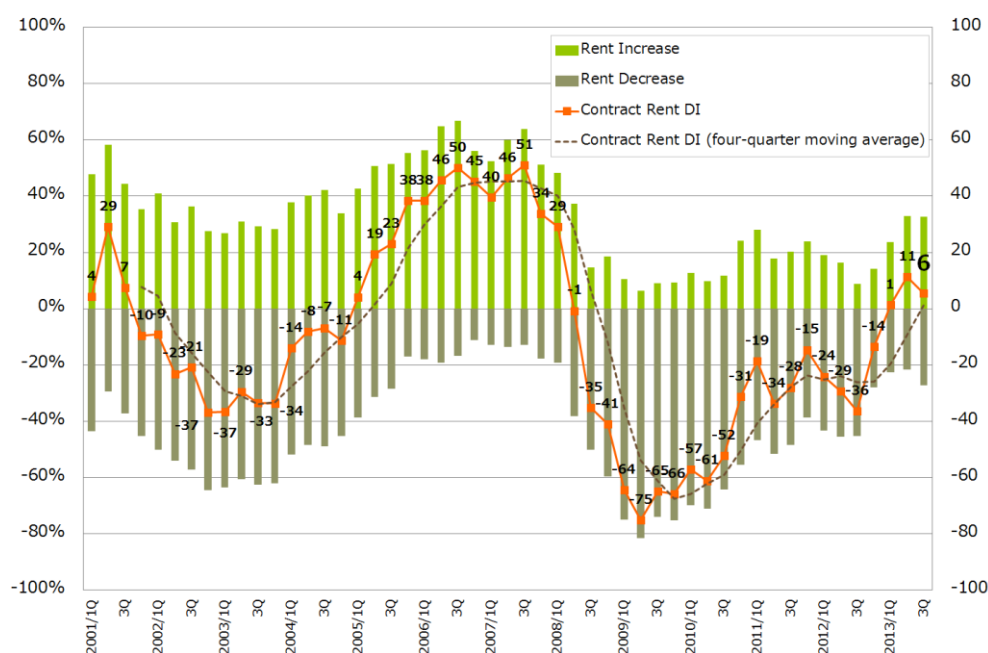
Tokyo 23 Wards and also Tokyo Central Three Wards

Xymax Real Estate Institute Corporation ("Xymax Real Estate Institute") upgraded the Contract Rent Diffusion Index (DI) report released in June this year¹ to a quarterly basis from this issue (Q3 2013 July - September) covering Tokyo 23 Wards as well as Tokyo Central Three Wards.

The Contract Rent DI represents office market conditions from changes in rent per tsubo agreed for new lease in the same building ("rent increase", "no change", or "rent decrease"). This index is unique because it is based on the contract rent data which can more appropriately reflect the actual lease agreements than the asking rent data as there is generally a gap between asking rent and contract rent.

The Contract Rent DI for Q3 2013 was **+6** in Tokyo 23 Wards and **+2** in Tokyo Central Three Wards, posting positive DI for three consecutive quarters. The DI turned positive in Q1 2013 after five years of negative figures, and since then the number of new lease contract with rent increase continued to exceed those with rent decrease. The upward trend in office market is also apparent in the four-quarter moving average.

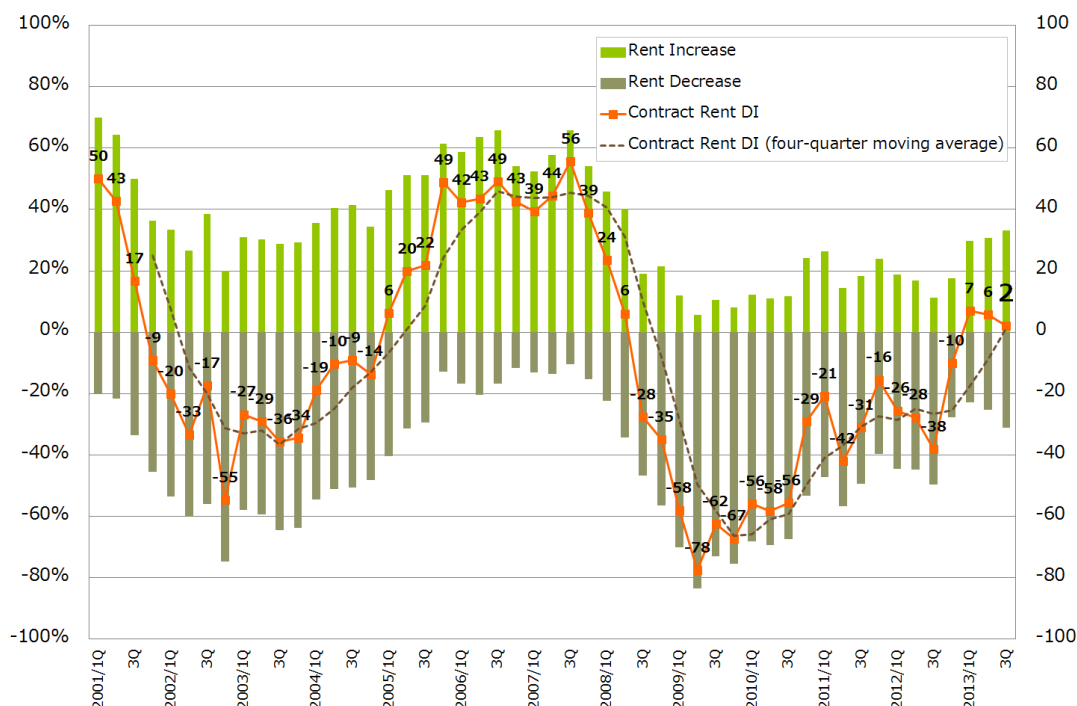
Figure 1: Contract Rent DI (Tokyo 23 Wards)



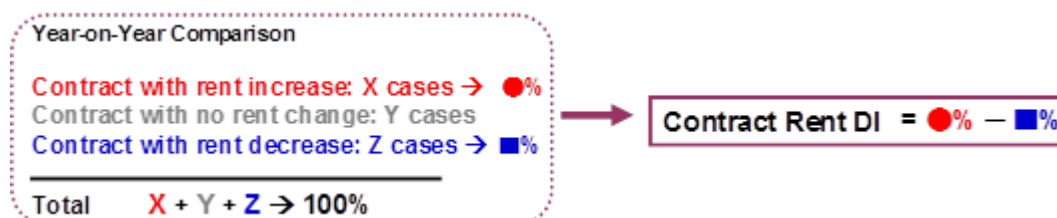
¹ Please refer to our news release on June 3, 2013 for the previous DI.

<http://www.xymax.co.jp/english/research/images/pdf/20130603.pdf>

Figure 2: Contract Rent DI (Tokyo Central Three Wards)



The Contract Rent DI was developed by Xymax Real Estate Institute to assess the direction of real estate market.



Xymax Group, a real estate management company in Japan, collected rental data directly from its business activities and used the data to compare the agreed rent (contract rent) in a particular period with that in the prior period in the same office building. Each data was counted separately into three categories (“rent increase”, “no change”, and “rent decrease”). The index is estimated by subtracting the ratio of “rent decrease” from the ratio of “rent increase” (see above chart).

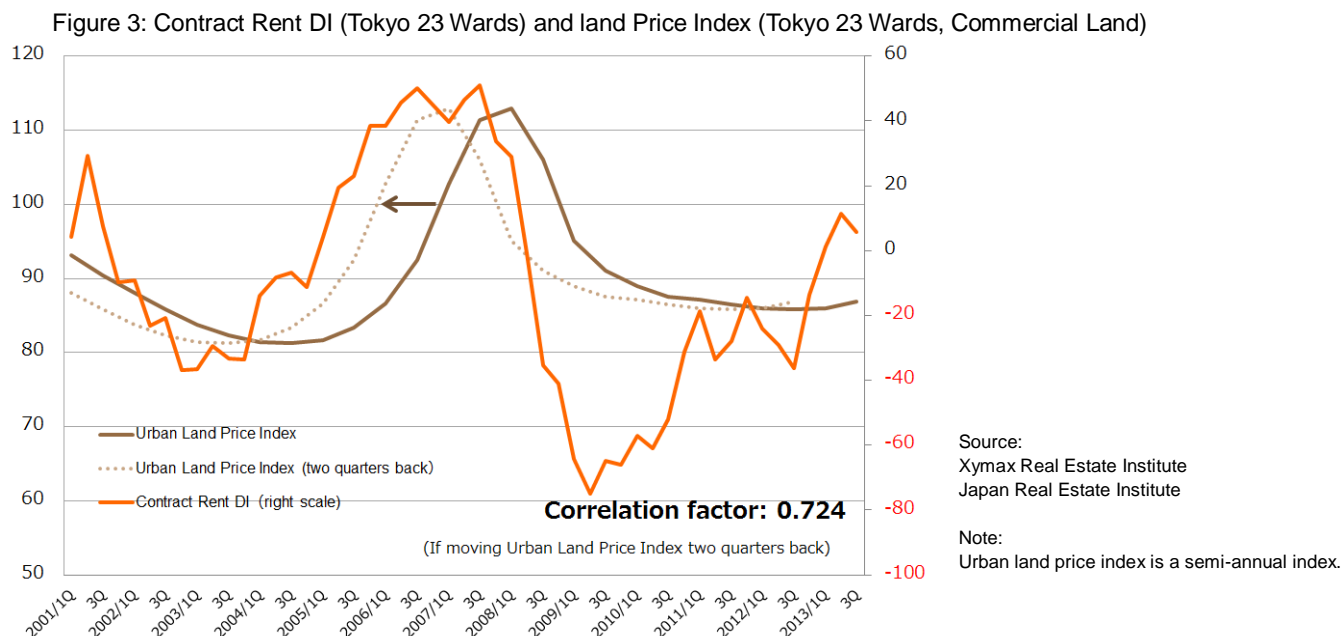
We have modified the calculation method from our release in June 2013 to provide more timely information on a quarterly basis. The DI is estimated based on the rental changes over six months. The number of sample data for each quarter is about 400 on average.

Office rental growth is said to be slower than economic changes because companies typically take actions after they set office strategy along with their business results. However the Contract Rent DI

which shows the rental growth in new lease presented a high correlation with general leading indicators like the Bank of Japan Tankan Survey and stock prices (see reference data on next page). We expect the Contract Rent DI to become one of the fundamental market trend indicators from the viewpoint of office market.

Reference | Contract Rent DI and Other Economic Indicators

The correlation between the Contract Rent DI and other economic indicators is studied and presented below. Figure 3 compares the DI with the urban land price index, a representative index for real estate prices. The DI showed a high correlation with the urban land price index in two quarters ago.



A high correlation was also observed between the DI and business indicators such as the Bank of Japan Tankan Survey and Tokyo Stock Price Index (Figures 4 and 5).

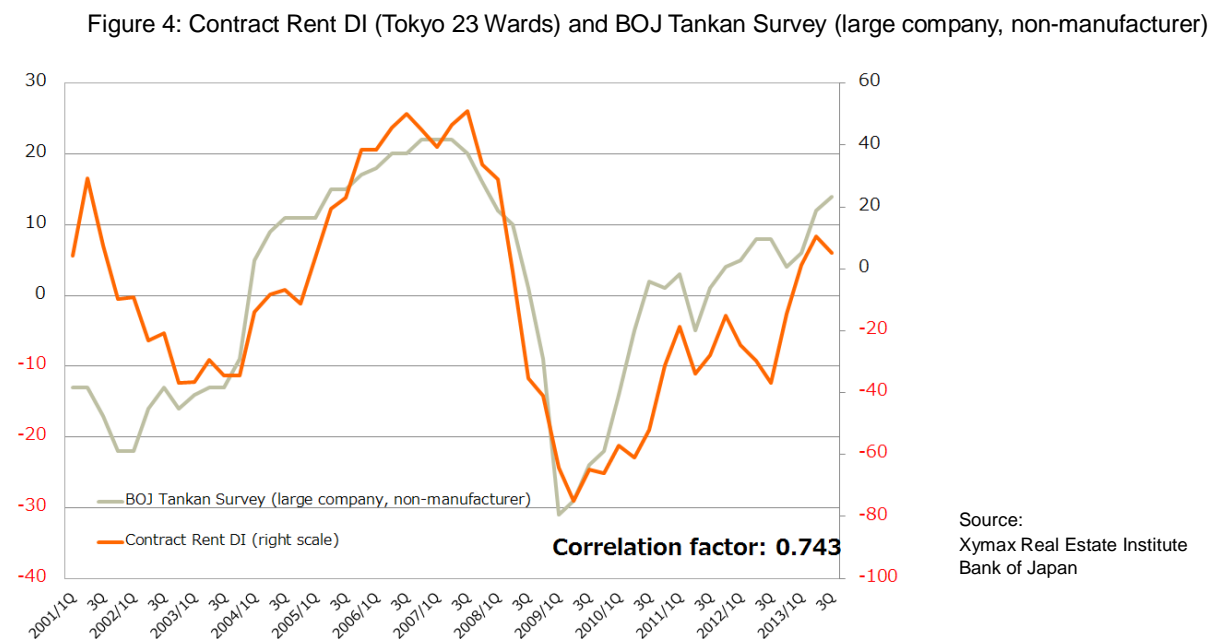


Figure 5: Contract Rent DI (Tokyo 23 Wards) and Tokyo Stock Price Index

