

NEWS & RELEASE

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Xymax New Contract Rent Index

A new index reflecting the actual office space market

Xymax Real Estate Institute has developed an index based on contract rent of office spaces. The index, named Xymax New Contract Rent Index, will be released online on a quarterly basis.

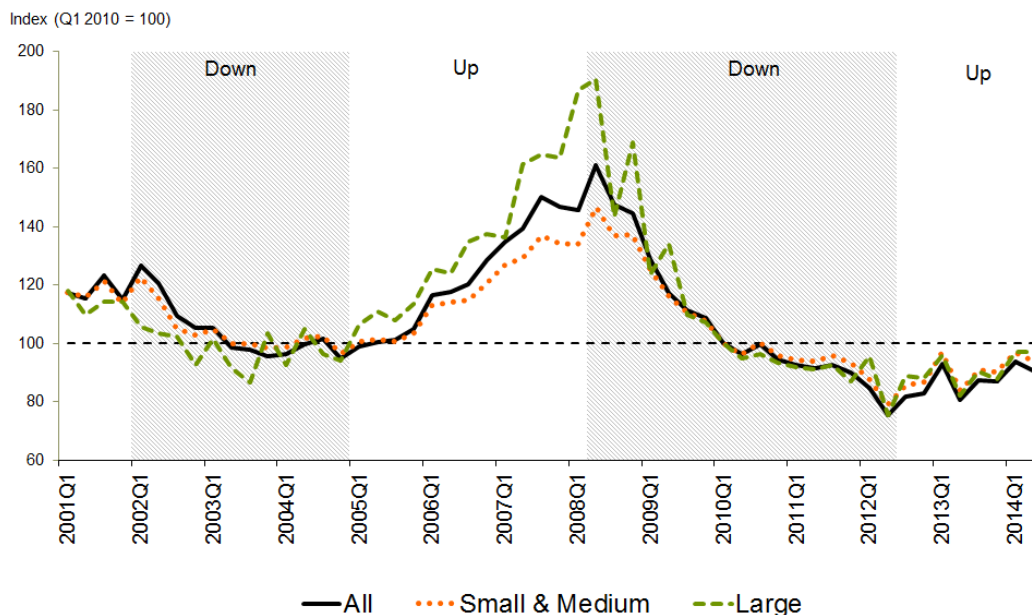
Office rents are important for the real estate industry because they are the source of revenue for property owners and investors as well as for those involved in the real estate business. Office rents are equally important for general companies too, because they are the cost paid for the place where companies do business. An analysis of office rents that appropriately reflects the market is very much needed. Developing such analysis, however, requires enormous volume of data and statistical processing, which may be obstacles to the development.

Xymax New Contract Rent Index is unique because:

- 1) It is based on contract rent from actual transaction data: not asking rent which most other rental indexes are based;
- 2) It is analyzed by the hedonic approach; therefore factors that influence the rent, such as gross floor area and age of the buildings, are adjusted and property-specific influences are removed; and
- 3) Changes of market structure are appropriately reflected through serial statistical processing.

Figure 1 shows the results. Details are discussed in the following pages.

Figure 1: Xymax New Contract Rent Index (Tokyo 23 Wards, Q1 2001 – Q2 2014)



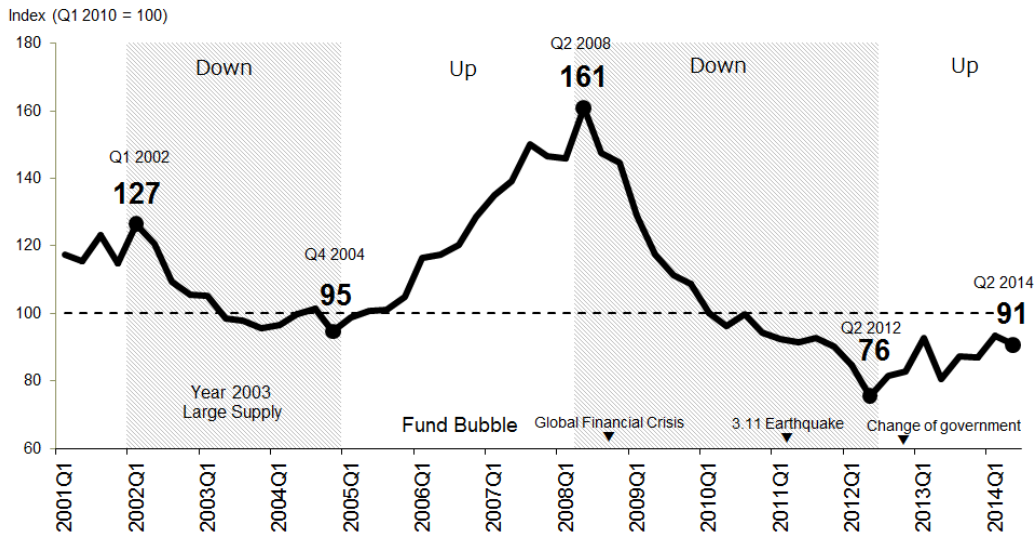
Overview and numerical data of the index are provided at the end of this report.

Contract rent is increasing at a moderate pace after hitting bottom in Q2 2012

Figure 2 shows Xymax New Contract Rent Index for all the buildings from the first quarter of 2001 to the second quarter of 2014. Contract rent is showing cyclical ups and downs.

Q2 2014 marked 91 (based on Q1 2010 = 100), a decrease by 3 points quarter-on-quarter and an increase of 10 points year-on-year. After hitting bottom in Q2 2012 at 76, the contract rent is gradually increasing.

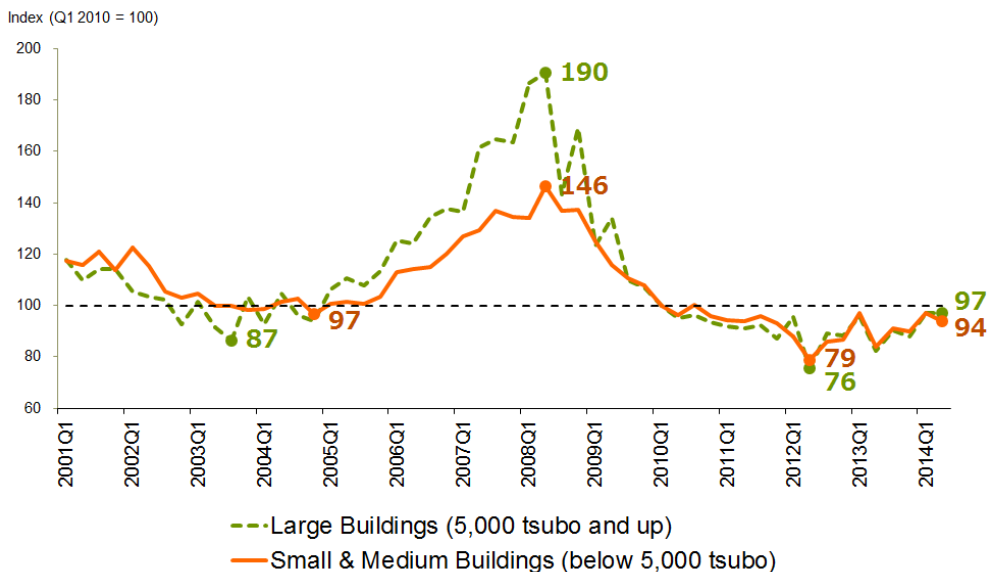
Figure 2: Xymax New Contract Rent Index (Tokyo 23 Wards)



Large buildings suffer higher volatility than small and medium buildings

Figure 3 shows the index by size of buildings: large buildings with over 5,000 tsubo of gross floor area (about 16,500 sqm, 1 tsubo = 3.3 sqm) and small and medium buildings with less than 5,000 tsubo of gross floor area. The highest point for large buildings was 190 and the lowest was 76, whereas the highest point for small and medium buildings was 146 and the lowest was 79, indicating that rent of large buildings are more volatile than small and medium buildings.

Figure 3: Xymax New Contract Rent Index by Large Buildings and Small/Medium Buildings (Tokyo 23 Wards)



Up and down cycle (comparison with Contract Rent DI)

Contract Rent Diffusion Index (“DI”)* is another quarterly index developed by Xymax Real Estate Institute. DI shows trends of increases and decreases of contract rent. In Figure 4, DI and Xymax New Contract Rent Index are combined into one graph.

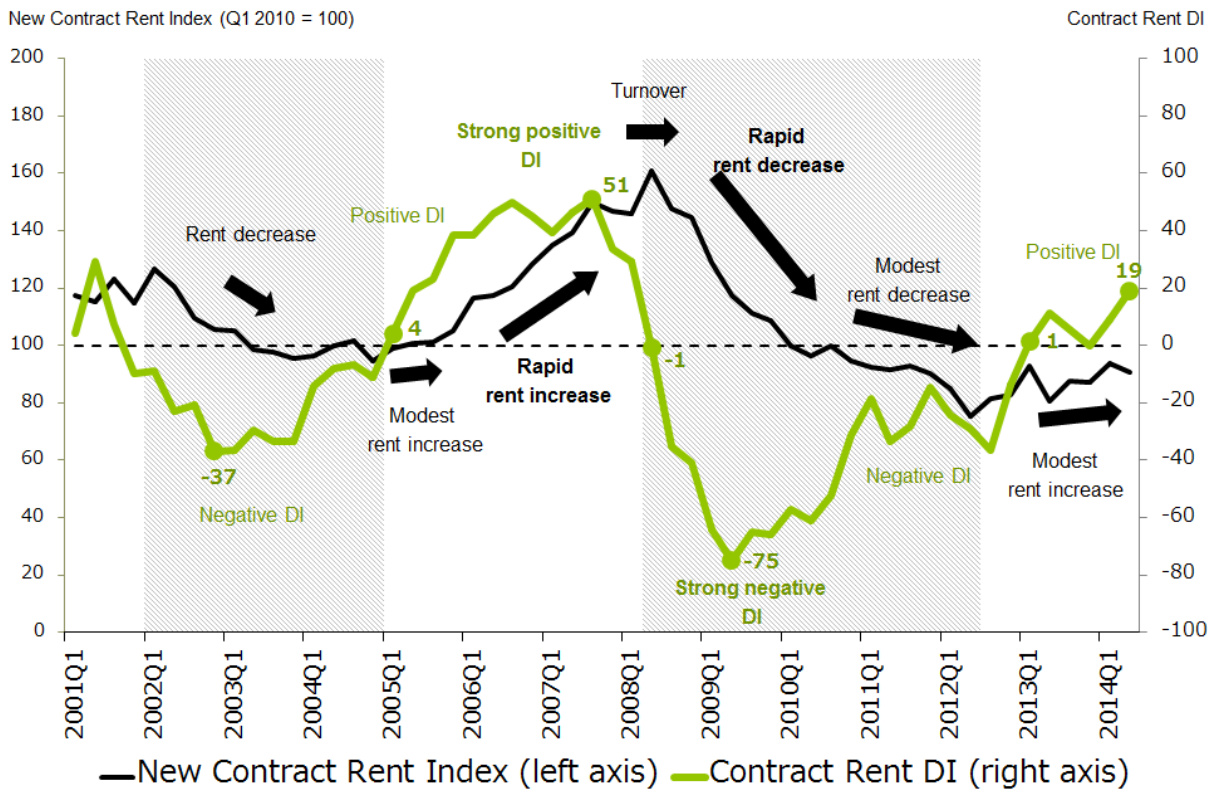
When DI is positive, the contract rent index increases; when DI is negative, the contract rent index decreases. When DI is a large number, the contract rent index changes rapidly; when DI is a small number, the contract rent index changes slowly.

DI for Q2 2014 was 19; which means there were slightly more buildings with rent increase than buildings with rent decrease in the quarter. DI turned positive in Q1 2013 and continued to increase since then. Increase of contract rent index is, although slowly, becoming stronger now.

This combined graph enables multi-sided analysis of the office space market.

* Contract Rent DI (Q2 2014): <http://www.xymax.co.jp/english/research/release/140806.html>

Figure 4: Contract Rent DI and Xymax New Contract Rent Index (Tokyo 23 Wards)



Index Overview

Name	Xymax New Contract Rent Index
Use of Building	Office
Area	Tokyo 23 Wards
Report Frequency	Quarterly
Period	Q1 2001 - Q2 2014 (to be updated quarterly)
Data Source	Data of rent per tsubo (incl. common area maintenance charge) agreed in contract, collected by Xymax
Data Volume	30,610 (Q1 2001 – Q2 2014) Reference example: 858 in Q2 2014, 822 for the last four-quarter average
Analysis Method	Overlapping period hedonic model (Overlapping period: five quarters) Contract rents estimated by substituting the scores of factors of typical buildings (shown at the bottom of this table) into the regression model and presented in index set to 100 in the base period.
Data Breakdown	All the buildings / Large buildings / Small and medium buildings
Base	Q1 2010 = 100
Variables	Objective variable: Contract rent per tsubo (logarithm) Explanatory variables: Tokyo 3 Wards dummy, gross floor area (logarithm), floors above ground, typical floor area (logarithm), minutes from train station, age of building as of lease contract, raised floor dummy, individual air conditioner dummy, automatic security system dummy, renovation history dummy, large building dummy (over 5,000 tsubo) and date of contract signed dummy
Typical Building Based on Breakdown	All the buildings: Tokyo 3 Wards (Chiyoda, Chuo, Minato), gross floor area 5,000 tsubo, 12 floors above ground, typical floor area 250 tsubo, 3-minute walk from train station, 15 years of age, raised floor, individual air conditioner, automatic security system, before renovation. Large buildings: Tokyo 3 Wards (Chiyoda, Chuo, Minato), gross floor area 20,000 tsubo, 25 floors above ground, Typical floor area 500 tsubo, 3-minute from train station, 10 years of age, raised floor, individual air conditioner, automatic security system, before renovation. Small and medium buildings: Tokyo 3 Wards (Chiyoda, Chuo, Minato), gross floor area 1,500 tsubo, 9 floors above ground, typical floor area 100 tsubo, 3-minute walk from train station, 15 years of age, raised floor, individual air conditioner, automatic security system, before renovation.

- The original research report in Japanese and translated reports in Chinese and Korean are also available online.
 Japanese <http://www.xymax.co.jp/>
 Chinese <http://www.xymax.co.jp/cn/index.html>
 Korean <http://www.xymax.co.jp/ko/index.html>

Xymax New Contract Rent Index

Numerical Data

	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003	Q3 2003	Q4 2003
ALL	117	115	123	115	127	120	109	105	105	99	98	96
Large	118	110	114	114	106	103	102	93	101	92	87	104
Small/Medium	118	116	121	114	123	115	105	103	105	100	100	98

	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006
ALL	97	100	102	95	99	101	101	105	116	118	120	129
Large	93	105	96	94	106	111	108	113	125	124	135	138
Small/Medium	99	102	103	97	101	101	101	104	113	114	115	120

	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
ALL	135	139	150	147	146	161	148	145	129	117	111	109
Large	137	161	165	164	187	190	143	169	124	134	110	107
Small/Medium	127	129	137	134	134	146	137	137	125	116	111	108

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
ALL	100	96	100	94	93	91	93	90	85	76	82	83
Large	100	95	96	93	92	91	93	87	96	76	89	88
Small/Medium	100	96	100	96	94	94	96	93	88	79	86	87

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
ALL	93	81	87	87	94	91
Large	96	82	90	88	97	97
Small/Medium	97	84	91	90	97	94