



Upon reviewing historical trends in the Tokyo Metropolitan Area (comprised of Tokyo's 23 Wards), around 7 year cycle can be observed. In the previous cycle, the vacancy rate reached the peak in October 2003 after significant oversupply. The market then began its upward cycle as the economy enjoyed robust growth under the leadership of the Koizumi administration. The vacancy rate of large-scale office buildings* dropped to under 2% in the second half of 2007 through the first half of 2008, and rental rates continued to increase. Additionally, The Bank of Japan's low interest rate policies stimulated the economy and attracted abundant investment capital from within and outside of Japan. Thus, record new office supply resulted in such major regional cities as Sendai, Nagoya and Fukuoka.

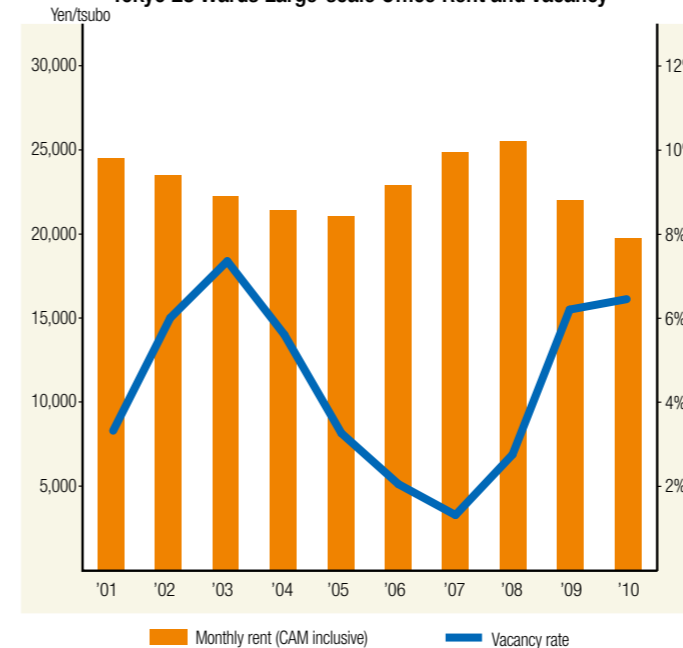
Demand

The recession triggered by the Lehman bankruptcy filing in 2008 resulted in a significant decrease in office demand. This led to a rise in the vacancy rate, as well as a downward adjustment of rental rates throughout Japan. Moderate economic recovery commenced during the fourth quarter of 2009 and the decline in rental rates decreased in the latter half of 2010. Rent appears to be stabilizing in some markets; however, a sustained economic recovery remains unclear. Growing concerns over the rapid appreciation of yen, combined with relatively high unemployment, keep the market cautious about sustainable recovery in corporate performance. It will take some time to establish a firm recovery of the office market.

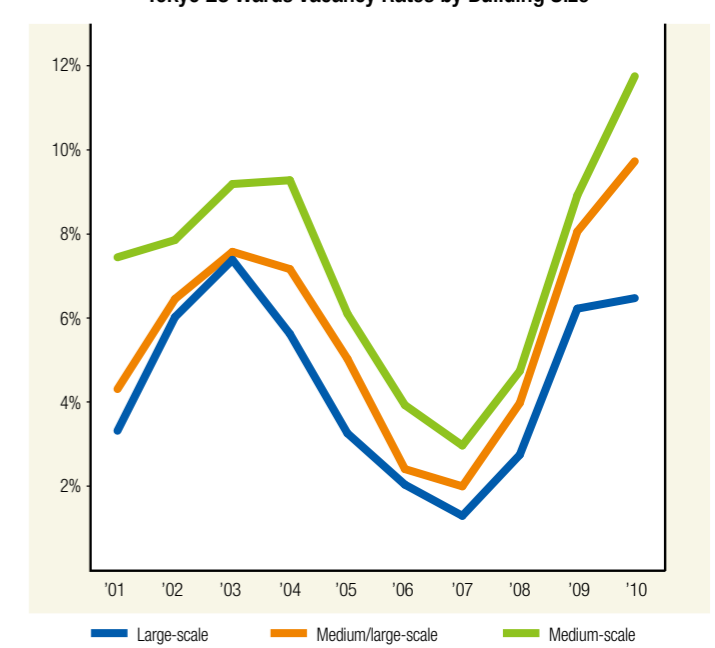
Rental Rates and Vacancy Rates

It appears that vacancy rates in the Tokyo Metropolitan Area are stabilizing, particularly in large-scale office buildings. However, it is still too early to assume the continuity of this trend. The new supply of office buildings is expected to increase significantly over the next two years, providing tenants with more options. These new options will likely accelerate the concentration of demand for large-scale buildings, resulting in a longer recovery of smaller-scale office buildings.

Tokyo 23 Wards Large-scale Office Rent and Vacancy



Tokyo 23 Wards Vacancy Rates by Building Size

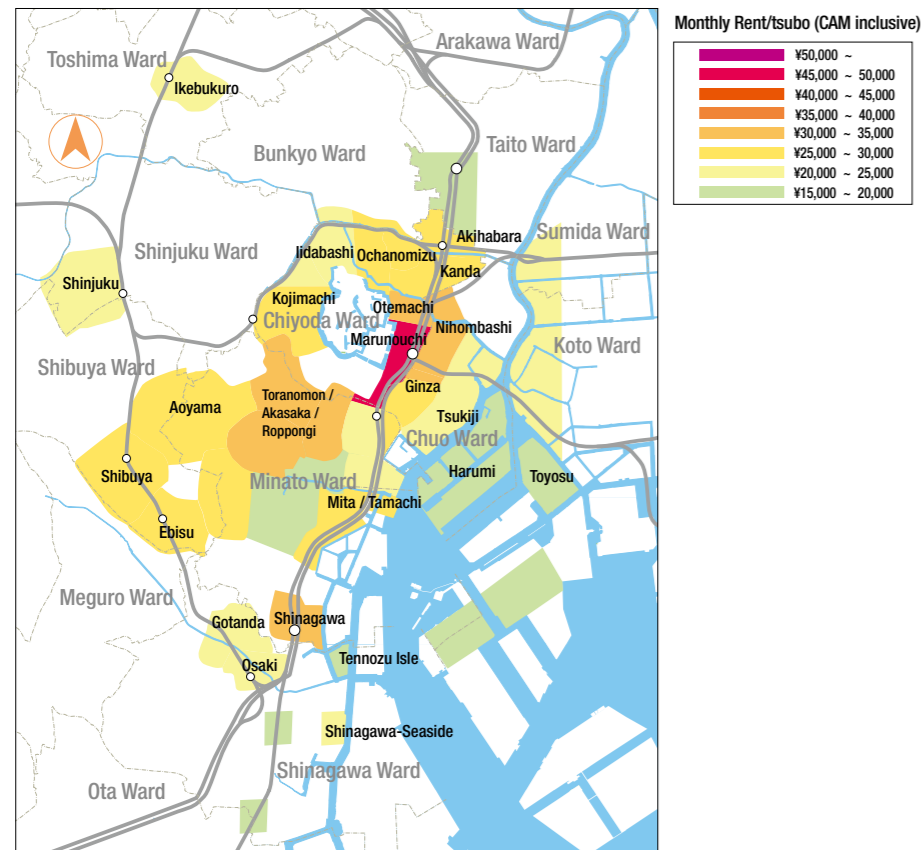


		tsubo	sq m	sq feet
Large-scale office buildings	> 200 tsubo/floor	200	661	7,117
Medium/large-scale office buildings	100 – 200 tsubo/floor	100	331	3,558
Medium-scale office buildings	50 – 100 tsubo/floor	50	165	1,779
		1	3.3	35.58

* Large-scale office buildings: > 200 tsubo (661sqm or 7,117 sqft) /floor



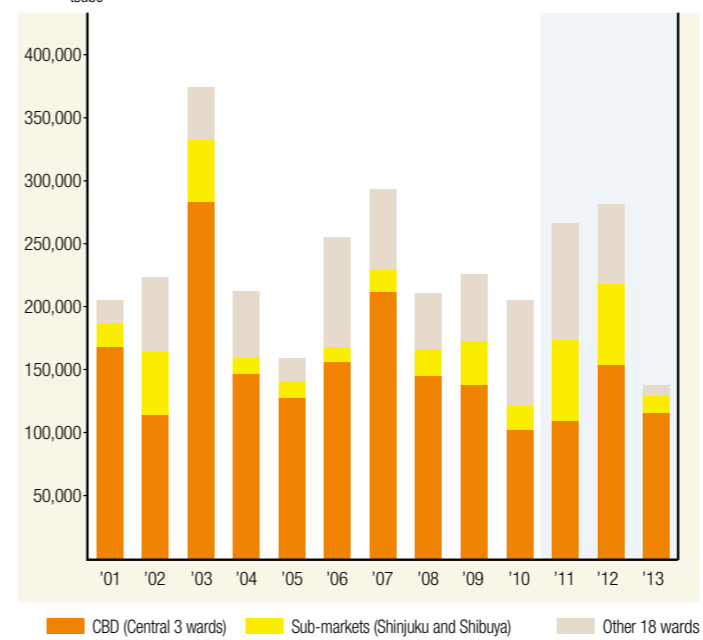
Class A Contracted Rent – Tokyo 23 Wards



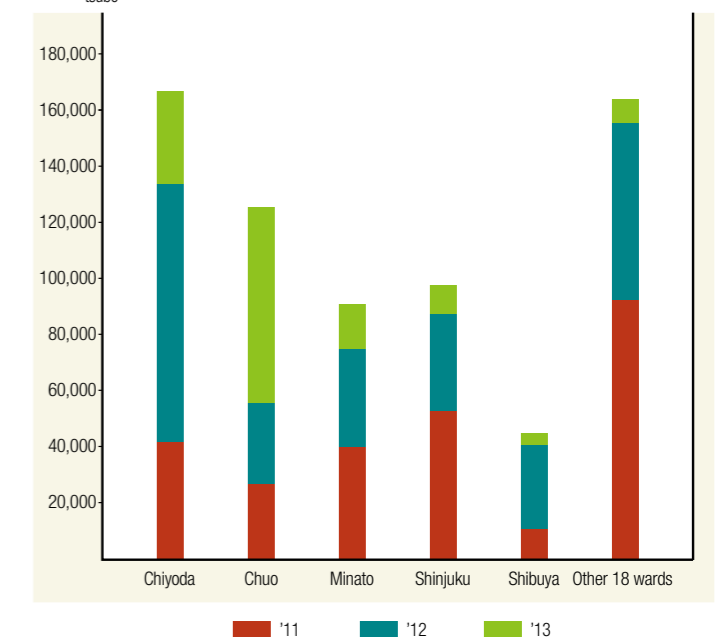
Supply

Between 2006 and 2009, CBD Tokyo (comprised of the Central 3 Wards including Chiyoda, Chuo and Minato) provided over 60% of Tokyo Metropolitan Area's office supply. This majority share will decline significantly during the next two years as a large new supply is scheduled for development outside of CBD Tokyo. CBD Tokyo's share will decline to 40% in 2011 and 50% in 2012. The marketing to attract tenants will become more competitive between CBD Tokyo and the outlying areas. The progression of the overall market will depend on the ability of competing areas to successfully solicit tenants. Majority market share will return to CBD Tokyo in 2013 when its new supply will result in over 80% of Tokyo Metropolitan Area's office supply.

Annual Office Supply in Tokyo 23 Wards (2001 – 2013)



3 Year Office Supply Forecast – Tokyo 23 Wards



1 tsubo = 3.3 sq m = 35.58 sq feet