

Jun 06, 2022

## R&I Affirms AA-, Stable: Nippon Accommodations Fund Inc.

Rating and Investment Information, Inc. (R&I) has announced the following:

**ISSUER:** Nippon Accommodations Fund Inc.  
**Issuer Rating:** AA-, Affirmed  
**Rating Outlook:** Stable

### RATIONALE:

Nippon Accommodations Fund Inc. (NAF) is a real estate investment trust (REIT) which was listed in 2006. NAF invests primarily in rental apartments located in Tokyo 23 wards. The sponsor is Mitsui Fudosan Co., Ltd.

NAF has been investing in the rental apartments of the "Park Axis" series developed by the Mitsui Fudosan Group. The asset quality is sound, reflecting the profile of properties in terms of location with 88.5% of NAF's rental apartments located in Tokyo 23 wards and in terms of property age which is 15.2 years on average as of February 2022. The portfolio is well diversified, with the asset size reaching approximately 340 billion yen, consisting of approximately 13,000 units/rooms.

In the period ended February 2022, the average month-end occupancy rate rose to 96.8%, marking a recovery on a year-over-year basis. The occupancy rate stays at a high level thanks to the flexibility of NAF in setting the level of rents and other conditions, despite the single-type units for one-person household whose demand has weakened slightly reflecting the decrease of in-migration to the central area of Tokyo in excess of out-migration from there amid the COVID-19 pandemic. The demand for compact units for family household has remained solid, and the overall level of rent per unit is continuing to rise.

The trading price of residential rental properties is continuing to rise, because of the stronger investment demand owing to the relatively small impact of COVID-19 pandemic in this category and the stability of cash flows. However, NAF has been able to acquire relatively new properties located in the central area of Tokyo at proper prices, by using the pipeline of the sponsor.

On the front of ESG (Environmental, Social and Governance), NAF has been enhancing the initiatives toward improvement of environmental performance and a higher percentage of properties that obtained the green building certificate, and the GRESB (Global Real Estate Sustainability Benchmark) in 2021 gave NAF a rating of three stars, a high rating for a REIT focusing on the residential properties.

The LTV ratio as of February 2022 was 51.4%, a level comparable with other REITs focusing on the residential properties. Backed by the rising appraisal value, the unrealized gains have increased to 41.8% of the book value. NAF has been raising funds stably, mainly by borrowing long-term fixed-rate loans from major domestic financial institutions. The average remaining term of long-term debts is long at 4.9 years and the due dates are staggered. The funding cost stands at a lower level than other REITs.

The Rating Outlook is Stable. NAF has constructed a portfolio of high quality by investing intensively in the sponsor's properties located in Tokyo 23 wards. In spite of the weakening demand of units for single-person household in the central area of Tokyo, the occupancy rate has already recovered, along with the upward trend in the overall level of rents. The level of leverage is kept within the target range set by NAF for asset management and the funding base is robust.

The primary rating methodology applied to this rating is provided at "Rating Methodology for REITs". The methodology is available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

[https://www.r-i.co.jp/en/rating/about/rating\\_method.html](https://www.r-i.co.jp/en/rating/about/rating_method.html)

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**R&I RATINGS:**

**ISSUER:** Nippon Accommodations Fund Inc. (Sec. Code: 3226)  
**Issuer Rating**  
**RATING:** AA-, Affirmed  
**RATING OUTLOOK:** Stable

Unsec. Str. Bonds No.3	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 16, 2020	Jul 16, 2025	JPY 2,000

**RATING:** AA-, Affirmed

Unsec. Str. Bonds No.4	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 16, 2020	Jul 16, 2030	JPY 2,000

**RATING:** AA-, Affirmed

Unsec. Str. Bonds No.5	Issue Date	Maturity Date	Issue Amount (mn)
	Sep 30, 2021	Sep 28, 2029	JPY 1,000

**RATING:** AA-, Affirmed

Unsec. Str. Bonds No.6	Issue Date	Maturity Date	Issue Amount (mn)
	Sep 30, 2021	Sep 30, 2031	JPY 2,000

**RATING:** AA-, Affirmed

Unsec. Str. Bonds No.7	Issue Date	Maturity Date	Issue Amount (mn)
	Sep 30, 2021	Sep 30, 2036	JPY 1,000

**RATING:** AA-, Affirmed