

Nippon Accommodations Fund Inc.
29th Period (March 2020 - August 2020) Investor Presentation
Q&A

Q I hear that home buyers are moving from the city center to the suburbs. What can you tell us about the properties owned by the Investment Corporation?

A While rent growth and the conclusion of contracts are showing sign of weakness in urban areas where rents have risen over the past year or two, there has been no noticeable movement of people from the city center to the suburbs.

Q High-end units appear to be struggling in urban areas. What do you see as the factors for this?

A Rather than units at the high end of the spectrum, properties with high unit rents are going through an adjustment phase. Looking at the Okawabata Apartment Communities, for example, while in the high range in terms of total rent, unit rents are not that high and occupancy is strong. There is an impression that such properties as single-type units in urban areas where rents are high even when the total rent is not, are struggling a bit. The likelihood is that demand for more expensive units will decline as vacancies increase in the market.

Q What is your outlook on occupancy rates going forward?

A As economic activity picks up contracts concluded can be expected to increase together with contract cancellations. As a result, we do not anticipate a sharp rise in occupancy rates. Occupancy rates are projected to recover slowly from February to March.

Q What is the status of new asking rents?

A We understand that there has been an adjustment for properties that have seen significant rent increases in the last year or two, and current asking rents are roughly around 2018 levels. If tenants who moved in before this time are replaced, a positive return can be expected after replacement. If, on the other hand, tenants who moved in recently are replaced, we would expect asking rents to be lower.

Q Is there an increase in corporate contract cancellations due to such factors as the deterioration in the economic environment?

A In the case of the Investment Corporation's corporate contracts, employees tend to look for a unit on their own rather than company's leasing in bulk. Having said this, contracts in the name of the employer are relatively common. We have not seen any major changes in either cancellations or the percentage of corporate contracts.

Q If occupancy rates are weaker than expected in the future, is there a chance that steps

will be taken to accelerate the acquisition of new properties in order to stabilize distributions?

- A The purchase and sale market remains tight, with sellers also looking for a high price. This makes it difficult to acquire from the general market. In the case of a property sale by a sponsor, we would actively consider acquisition.

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