



# NEWS RELEASE

Jun 7, 2024

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

## Nippon Accommodations Fund Inc. (Sec. Code: 3226)

### [Affirmed]

Issuer Rating: AA-, Stable

Bond Rating: AA-

### RATIONALE:

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

NAF has invested continuously in the rental apartments of the "Park Axis" series developed by the Mitsui Fudosan Group. The asset quality is sound, with 88.5% of NAF's rental apartments located in Tokyo 23 wards and the average age of properties standing at 17.2 years as of February 2024. The portfolio is highly diversified, with the asset size reaching approximately 340 billion yen in value, as well as approximately 13,000 units under management. In addition to rental apartments, NAF also invests in hospitality facilities up to a cap of 10% of the total portfolio as laid out in the portfolio structure policy, and NAF acquired three fixed-rent hotels specialized in lodging for 3.1 billion yen in total in September 2023.

During the fiscal period ended February 2024, the average month-end occupancy rate remained high at 97.1%. The rent change rate at tenant turnover was positive at 5.6% on average, indicating the growing momentum in the pace of rent rise. Reflecting the recovery in population influx to central Tokyo mostly to the pre-pandemic level, the tenant demand for single apartments has improved, while that of family apartments and large apartments remains as firm as ever. In present situation, there is no particular factor that may cause concern in terms of investment performance, and the cash flow will likely stay on a firm trend for some time to come.

As for "Okawabata Apartment Communities", or NAF's largest property, NAF has been working on the value-enhancement initiatives for private areas, realizing considerable rent increases for applicable units. As for the other remaining properties, which are increasingly comprised of properties built more than 15 years ago, NAF plans to maintain or improve their competitiveness by carrying out large-scale renovation projects in an appropriate manner. On the front of ESG (Environmental, Social, and Governance), NAF has been pushing ahead with measures including the switch to LED lightings and the acquisition of green building certifications.

The LTV ratio as of February 2024 was 51.2%, which is on a par with other REITs specialized in residential properties. The unrealized gains have increased considerably to 54.8% of the book value and the LTV ratio is low on an appraisal-value basis. NAF has met its funding needs stably depending mainly on long-term fixed-rate loans disbursed by major domestic financial institutions, and the average remaining term of long-term debts is long at 4.4 years with the staggered due dates. The sponsor's strong creditworthiness has given NAF an advantage over the other J-REITs in terms of funding cost.

The Rating Outlook is Stable. NAF has built up a quality portfolio by investing intensively in the sponsor's properties located in Tokyo 23 wards. The occupancy rate remains high and there is a growing momentum in rent rise at tenant turnover. The leverage is controlled at a level that falls within the scope of target and the financing base is solid.

### R&I RATINGS:

ISSUER: Nippon Accommodations Fund Inc.

### [Affirmed]

	Rating	Rating Outlook
Issuer Rating	AA-	Stable

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	Issue Amount	Issue Date	Maturity Date	Rating
Unsec. Str. Bonds No.3 (Green Bonds)	JPY 2,000 mn	Jul 16, 2020	Jul 16, 2025	AA-
Unsec. Str. Bonds No.4 (Green Bonds)	JPY 2,000 mn	Jul 16, 2020	Jul 16, 2030	AA-
Unsec. Str. Bonds No.5 (Green Bonds)	JPY 1,000 mn	Sep 30, 2021	Sep 28, 2029	AA-
Unsec. Str. Bonds No.6	JPY 2,000 mn	Sep 30, 2021	Sep 30, 2031	AA-
Unsec. Str. Bonds No.7	JPY 1,000 mn	Sep 30, 2021	Sep 30, 2036	AA-

Primary rating methodologies applied:  
Rating Methodology for REITs [Jul 1, 2022]

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