



## Saizen Real Estate Investment Trust

(A real estate investment trust constituted on 27 September 2007 under the laws of the Republic of Singapore (as amended))

### PRESS RELEASE

#### UNAUDITED RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

#### SUCCESSFULLY OBTAINING LOAN OF JPY 5.9 BILLION (S\$ 75.7 MILLION)

**Singapore, 27 August 2008** – Japan Residential Assets Manager Limited (the “**Manager**”), the Manager of Saizen Real Estate Investment Trust (“**Saizen REIT**”), Singapore’s first REIT with purely Japanese regional residential properties, is pleased to announce (i) its financial results for the financial year ended 30 June (“**FY**”) 2008; and (ii) the obtaining of a loan of JPY 5.9 billion (S\$75.7 million) from a European bank.

#### Unaudited results for the financial year ended 30 June 2008

##### *Summary of financial results*

	FY 2008	FY 2007	Increase/ (Decrease) %
<b>Gross revenue</b> (JPY'000) (S\$'000)	3,578,346 46,654 <sup>2</sup>	1,911,539 24,955 <sup>1</sup>	87.2
<b>Net property income</b> (JPY'000) (S\$'000)	2,486,708 32,421 <sup>2</sup>	1,407,193 18,371 <sup>1</sup>	76.7
<b>Total return after income tax</b> (JPY'000) (S\$'000)	(3,733,813) (48,681) <sup>2</sup>	2,057,532 26,860 <sup>1</sup>	NM
<b>Distributable income</b> (JPY'000) (S\$'000)	1,697,165 22,127 <sup>2</sup>	NA	NM
<b>Distribution</b> (JPY'000) (S\$'000)	1,611,790 21,047 <sup>3</sup>	NA	NM

1. Based on S\$/JPY average exchange rate of 76.7 between 1 July 2007 and 30 June 2008

2. Based on S\$/JPY average exchange rate of 76.6 between 1 July 2006 and 30 June 2007

3. Based on S\$/JPY exchange rate of 76.36 hedged in respect of this distribution

Compared with FY 2007, gross revenue in FY 2008 increased by 87.2% due to the increase in number of properties over these periods. There were 101 and 166 properties respectively at the start and end of FY 2008, while there were 62 and 101 properties respectively at the start and end of FY 2007. Consequently, net property income increased in tandem.

Saizen REIT recorded a loss after income tax of JPY 3.73 billion due mainly to (i) net depreciation in the value of investment properties of JPY 4.66 billion; (ii) one-off IPO expenses of JPY 807.5 million; and (iii) exchange losses of JPY 323.8 million. Rental operations have remained healthy, contributing to continued strong cash flow generation to support distribution of JPY1.61 billion for FY 2008.

#### *Key financial information*

<b>Net asset value per Unit as at 30 June 2008 (JPY)</b>	<b>68.03</b>
<b>(S\$)</b>	<b>0.87</b>
<b>Distribution per Unit for FY2008 (S\$)</b>	<b>0.0467</b>
<b>Closing market price per Unit on 26 August 2008 (S\$)</b>	<b>0.505</b>
<b>Distribution yield based on closing market price of Unit</b>	<b>9.2%</b>
<b>Discount of closing market price to net asset value per Unit</b>	<b>42.0%</b>
<b>4Q FY2008 Annualised net property income yield<sup>i</sup></b>	<b>6.0%</b>
<b>4Q FY2008 interest cover ratio<sup>ii</sup></b>	<b>3.7 times</b>
<b>Impairment of account receivable as % of gross revenue</b>	<b>0.03%</b>
<b>Gearing - Net borrowings<sup>iii</sup> / Value of investment properties</b>	<b>36.5%</b>
<b>Net cash<sup>iii</sup> as at 30 June 2008</b>	<b>JPY 6.9 billion</b>
<b>Borrowings due within next 12 months from date hereof</b>	<b>JPY 5.3 billion</b>
<b>Value of investment properties as at 30 June 2008</b>	<b>JPY 49.1 billion</b>
<b>Net depreciation in the value of investment properties in FY 2008</b>	<b>JPY 4.7 billion</b>
<b>Occupancy rate (by revenue)<sup>iv</sup></b>	<b>91.4%</b>

#### **Notes:**

*i. Net property income of 4Q FY2008 divide by value of investment properties as at 30 June 2008*

*ii. Net property income of 4Q FY2008 divide by interest expenses of 4Q FY2008*

*iii. Net borrowings being total borrowings less Net Cash (cash at bank plus deposit with cash management agents less rental deposits and other current liabilities)*

*iv. Excluding Quest Tower Noboricho which was brand new and vacant when acquired on 31 May 2008. It is currently being leased up.*

### *Market overview*

Against the backdrop of a slowing Japanese economy, the Japanese real estate market has been affected by the global credit crisis. The regional residential sector has experienced weakening asset prices and significant reduction in market liquidity. Amidst this, the portfolio properties of Saizen REIT, valued at JPY 49.06 billion (S\$629.8 million) as at 30 June 2008, recorded a revaluation loss of JPY 4.66 billion (S\$59.8 million) for the financial year ended 30 June 2008 based on valuations performed by independent valuers. The decrease in valuation is attributable to expansion in capitalization rate assumptions as well as more conservative operating assumptions adopted by valuers.

### *Property operations*

At the operating level, the leasing activities and rental performances of our portfolio have remained stable during FY 2008, with occupancy rate at 91.4% as at 30 June 2008 compared with 89.4% as at 31 December 2007. Delinquency in rental collection is negligible at less than 0.03% of revenue. The steady cash flow enables the achievement of dividend payment of S\$ cents 4.67 which the Manager has forecasted for FY 2008.

Net property income yield is at approximately 6%, providing Saizen REIT with an interest cover ratio of about 3.7 times based on its current level of borrowings.

### *Market prices of Units*

The Manager has noted the recent sharp deterioration in the prices of Saizen REIT units ("**Units**"). Said Mr. Raymond Wong, Executive Director of the Manager, "The prices of Units have been driven down by negative sentiment of the sector which has been affected by recent news of bankruptcy of real estate firms and developers as banks rein in lending. Whilst also affected by the credit crunch, Saizen REIT has maintained adequate resources to repay loans falling due within the next 12 months while keeping net gearing ratio at about 36.5%."

Based on the closing market price on 26 August 2008 of S\$0.505 per Unit, it represents a discount of 42% to Saizen REIT's net asset value per Unit of S\$0.87 as at 30 June 2008, and also a distribution yield of 9.2%.

### *Outlook and prospects*

The Manager expects FY 2009 to be a challenging year given the credit environment. On the investment front, the Manager expects the Japanese real estate market to remain subdued in the coming months. Said Arnold Ip, Chairman of the Manager, "Whilst there are attractive investment opportunities for Saizen REIT, the Manager intends to adopt a cautious approach for the time being to conserve cash and financial flexibility, and do not envisage acquisitions in the short term. Priority is given to sound financial management during times of uncertainty."

Overall, the Manager expects leasing activities and operations to remain stable, barring unforeseen circumstances. Saizen REIT's portfolio properties cater to the local Japanese mass market and there is continued and steady demand given the low home ownership rates in Japan. However, income will likely be affected by higher financing costs given current market conditions.

**Loan of JPY 5.9 billion (S\$ 75.7 million) obtained**

On 31 July 2008, Saizen REIT successfully obtained a 3-year term loan of JPY 5.9 billion (S\$75.7 million) from a European bank, completing the voluntary refinancing of a portfolio of 38 properties at a reduced interest rate, where the first tranche of loan was drawn down at 2.67% per annum.

Upon full drawdown of this loan facility, Saizen REIT will receive net proceeds of approximately JPY 1.7 billion (S\$21.8 million), and the cash balance of Saizen REIT (after deducting the amount designated for distribution to Unitholders) will amount to approximately JPY 7.0 billion (S\$89.9 million).

Said Mr. Chang Sean Pey, Chief Executive Officer of the Manager, "We are pleased with the recent progress made in securing new loans from local Japanese financial institutions and now a European bank. This is especially important in the midst of the credit crunch which have severely affected availability of financing." He continues, "Our immediate focus is to continue establishing new banking relationships and refinancing plans. Given Saizen REIT's stable property operations with strong cash flow, its adequate liquidity position and relatively low net gearing, we, while remaining cautious, are optimistic."

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**About Saizen REIT**

Saizen REIT was listed on the Main Board of the Singapore Exchange on 9 November 2007. It is a Singapore-based real estate investment trust established with the principle objective of investing in a diversified portfolio of income-producing real estate located in Japan, which is used primarily for residential and residential-related purposes, and real estate-related assets in connection with the foregoing. Through investing in assets with attractive cash flow growth and capitla gains prospects, Saizen REIT aims to deliver regular and stable distributions to Unitholders and achieve long-term growth in distributions and NAV per Unit.

Morgan Stanley is the Financial Adviser to the Offering, and together with Credit Suisse, is Joint Bookrunner and Underwriter. Nomura Singapore Limited is the Sub-underwriter and UOB Asia Limited is the Co-ordinator of the Public Offer in Singapore.

**About the Sponsor**

Japan Regional Assets Manager Limited is an investment management company specialising in the investment management of real estate assets in regional cities across Japan. It is one of the largest operators in the Japanese regional residential property market. Over the last three years, the property portfolio managed by its key personnel has grown from 25 as at 30 June 2004 to more than 200 today.

**About the Manager**

Japan Residential Assets Manager Limited is a wholly-owned subsidiary of the Sponsor, responsible for Saizen REIT's investment and financing strategies, asset acquisition and divestment policies, and the overall management of Saizen REIT's real estate and real estate-related assets. The Management Team possesses extensive experience and expertise in managing investments in the Japanese regional residential property markets.