

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))

DIVESTMENT OF URBAN KN2 KUMAMOTO

The Board of Directors of Japan Residential Assets Manager Limited, the manager ("**Manager**") of Saizen Real Estate Investment Trust ("**Saizen REIT**"), wishes to announce the divestment of Urban KN2 Kumamoto (the "**Divestment**") as part of an on-going deleveraging plan which is being conducted to facilitate refinancing efforts in respect of the loan of YK Shintoku (the "**YK Shintoku Loan**"), which will mature on 2 November 2009. The YK Shintoku Loan was originally provided to YK Shintoku in 2005 by Credit Suisse Principal Investments Limited (Tokyo Branch). The YK Shintoku Loan was subsequently securitised and transferred to an issuer of commercial mortgage backed securities.

The above-mentioned deleveraging plan also includes the completed divestments of U.I. Building (announcements dated 4 August 2009 and 27 August 2009), Crestage Tayacho (announcements dated 31 August 2009 and 9 September 2009), Legions Yunokawa (announcements dated 31 August 2009 and 29 September 2009) and River City Kimachi (announcement dated 5 October 2009) (collectively, the "**Previous Divestments**").

Background

Further to the Previous Divestments, YK Shintoku has, on 26 October 2009, entered into a conditional sale and purchase agreement for the divestment of Urban KN2 Kumamoto to an independent private investor (the "**Buyer**") for a cash consideration of JPY 66,963,000 (S\$1.01 million⁽¹⁾) (the "**Sale Price**").

Urban KN2 Kumamoto, located in Kitakyushu, was built in November 1984 and comprises 15 residential units and 10 parking units. It contributed about 0.2% (or approximately JPY 8.74 million) of Saizen REIT's gross revenue for the financial year ended 30 June 2009 ("**FY2009**").

Given the small size of Urban KN2 Kumamoto relative to the entire portfolio of Saizen REIT, the Divestment is not expected to have any material impact on the financial position of Saizen REIT.

In relation to the initial public offering of Saizen REIT, the financial adviser and issue manager is Morgan Stanley Asia (Singapore) Pte. The joint bookrunners and underwriters are Morgan Stanley Asia (Singapore) Pte., Morgan Stanley & Co. International plc and Credit Suisse (Singapore) Limited.

¹ Based on exchange rate of S\$1.00 to JPY66.0 as at 26 October 2009, which is applied throughout this announcement.

Consideration

The Sale Price is JPY 66,963,000 (S\$1.01 million). The Buyer has paid a deposit of JPY 6.00 million (S\$0.09 million) on 26 October 2009 with the remainder of the Sale Price to be paid at completion, which is expected to take place on or before 30 October 2009. The entire proceeds from the Divestment will be used for partial repayment of the YK Shintoku Loan.

The Sale Price was arrived at on an arm's length basis, taking into account, *inter alia*, the Valuation (as defined below) and the prevailing market conditions.

Property value and financial results

Based on a full valuation as at 30 June 2009 prepared by Rich Appraisal Institute Co., Ltd, an independent valuer commissioned by the Manager, Urban KN2 Kumamoto was valued at JPY 73.00 million (S\$1.11 million) (the "**Valuation**"). The Sale Price therefore represents a discount of approximately 8% to the Valuation. A summary of the net book value, sale price and resultant loss on disposal in respect of the Divestment and the Previous Divestments is as follows:

	Urban KN2 Kumamoto	Previous Divestments
Net book value ⁽²⁾	JPY 73.00 mil (S\$1.11 mil)	JPY 610.00 mil (S\$9.24 mil)
Sale price	JPY 66.96 mil (S\$1.01 mil)	JPY 599.97 mil (S\$9.09 mil)
Excess/(deficit) of sale price over the book value	(JPY 6.04 mil) ((S\$0.09 mil))	(JPY 10.03 mil) ((S\$0.15 mil))
Profit/(loss) on disposal ⁽³⁾	(JPY 9.80 mil) ((S\$0.15 mil))	(JPY 45.82 mil) ((S\$0.69 mil))

A summary of the financial results of Urban KN2 Kumamoto and the Previous Divestments for FY2009 is as follows:

	Urban KN2 Kumamoto	Previous Divestments
Rental income	JPY 7.43 mil (S\$0.11 mil)	JPY 68.20 mil (S\$1.03 mil)
Net profit/(loss) attributable to property ⁽⁴⁾	(JPY 18.32 mil) ((S\$0.28 mil))	(JPY 106.02 mi) ((S\$1.61 mil))

² The net book value is equal to the full valuations conducted on 30 June 2009 by independent valuers commissioned by the Manager.

³ The differences between the profit/(loss) on disposal and the excess/(deficit) of sale price over book value are due to transaction costs, such as agent fees and consumption taxes.

⁴ The net losses attributable to the properties for FY2009 were mainly due to write-downs in the property values of Urban KN2 Kumamoto and the Previous Divestments of JPY 21.00 million and JPY 129.09 million respectively. These represent the net loss of Saizen REIT and its subsidiaries (the "**Saizen REIT Group**") for FY2009 attributable to the properties.

Financial effects

Net asset value (“NAV”) per Unit

Based on the audited financial statements of the Saizen REIT Group for FY2009 and assuming that the Divestment and the Previous Divestments had been completed on 30 June 2009, the estimated aggregate proforma financial effects which the Divestment and the Previous Divestments would have on the NAV per Unit are as follows:

	Before the Divestment and Previous Divestments	After the Divestment and Previous Divestments
NAV (JPY' 000)	24,726,514	24,669,904
Number of Units ⁽⁵⁾ ('000)	949,194	949,194
NAV per Unit ⁽⁶⁾ (JPY)	26.05	25.99
(S\$)	0.39	0.39

Earnings per Unit (“EPU”)

Assuming the Divestment and the Previous Divestments had been completed on the 1 July 2008 and based on the audited financial statements of the Saizen REIT Group for FY2009, the estimated aggregate proforma financial effects which the Divestment and the Previous Divestments would have on the EPU are as follows:

	Before the Divestment and Previous Divestments	After the Divestment and Previous Divestments
Loss for the year attributable to Unitholders (JPY' 000)	(4,775,751)	(4,675,730)
Weighted average number of Units ⁽⁷⁾ ('000)	637,421	637,421
Basic EPU per Unit ⁽⁶⁾ (JPY)	(7.49)	(7.34)
(S\$)	(0.11)	(0.11)

Rationale

The YK Shintoku Loan will mature on 2 November 2009 and to-date, its refinancing plan remains uncertain. In view of this, the asset manager of Saizen REIT, KK Tenyu Asset Management (the “**Asset Manager**”), is currently seeking buyers for the properties under the YK Shintoku portfolio (the “**YK Shintoku Properties**”) through a network of real estate agents. The successful divestment of any of the YK Shintoku Properties for loan repayment to reduce the absolute amount of the YK Shintoku Loan and the leverage of the YK Shintoku portfolio is

⁵ Based on 949,194,055 Units in issue as at 30 June 2009.

⁶ It is assumed that there is no exercise of warrants and therefore, there is no dilutive effect on the NAV per Unit and EPU per Unit.

⁷ Based on a weighted average number of Units of 637,420,581 Units.

likely to make the extension or refinancing of the YK Shintoku Loan more acceptable to current and potential lenders.

The Divestment and the Previous Divestments are part of the above-mentioned deleveraging plan.

Interest of Directors and Controlling Unitholders

A divestment fee of 0.3% of the above-mentioned sale price of Urban KN2 Kumamoto, as well as each of the Previous Divestments as previously announced (collectively, the “**Divestment Fees**”) is payable to the Manager. The Divestment Fees will be payable in the form of cash or units or a combination of both (as the Manager may in its sole discretion determine).

Save for the above Divestment Fees, none of the Directors or controlling shareholders of the Manager, or the Manager, the Trustee or controlling unitholder of Saizen REIT, as the case may be, has any interest, direct or indirect, in the Divestment.

Relative Figures Computed pursuant to Rule 1006 of the Listing Manual

The relative unaudited figures for the Divestment and the Previous Divestments taken in aggregate and computed on the bases pursuant to Rule 1006(a) to 1006(d) of the SGX-ST Listing Manual (based on the recently announced audited financial statements of the Saizen REIT Group for FY2009) are as follows:

Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value.	2.76% ⁽⁸⁾
Rule 1006(b)	The net profits attributable to the assets disposed of, compared with the group's net profits.	1.72% ⁽⁹⁾
Rule 1006(c)	The aggregate value of the consideration received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	7.58% ⁽¹⁰⁾
Rule 1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

⁸ The net asset value of the Saizen REIT Group as at 30 June 2009 was JPY 24,726.5 million.

⁹ Based on the aggregate net property income of Urban KN2 Kumamoto and the Previous Divestments in FY2009 of approximately JPY 50.1 million and Saizen REIT Group's net property income of JPY 2,913.7 million in FY2009. A comparison of net loss for FY2009 (contributed mainly by the write-down in the value of the property portfolio of Saizen REIT) is not meaningful.

¹⁰ Saizen REIT's market capitalisation is computed based on the weighted average Unit price of S\$0.14 and 952,770,055 Units in issue on 23 October 2009, being the market day immediately preceding the date of the sale and purchase agreement.

The aggregate figures of the Divestment and the Previous Divestments under Rules 1006(a) and (b) do not exceed 5%. The aggregate figure of the Divestment and the Previous Divestments under Rules 1006(c) exceeds 5%, but not 50%. Accordingly, the Divestment and the Previous Divestments, in aggregate, constitute a discloseable transaction as defined in Chapter 10 of the SGX-ST Listing Manual.

Documents for inspection

Copies of the sale and purchase agreements of the Divestment and the Previous Divestments, as well as the Valuation reports are available for inspection during normal business hours at the registered office of the Manager at 72A Duxton Road, Singapore 089531 for three months commencing from the date of this announcement.

BY ORDER OF THE BOARD OF DIRECTORS

Chang Sean Pey (Mr.)
Chief Executive Officer

Japan Residential Assets Manager Limited
(Company Registration No. 200712125H)
As Manager of Saizen Real Estate Investment Trust
26 October 2009

Important Notice

The value of Units and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This publication is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Saizen is not necessarily indicative of the future performance of Saizen REIT.