

Mar 28, 2018

R&I Affirms A+, Stable: Hankyu REIT, Inc.

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

ISSUER: Hankyu REIT, Inc.
Issuer Rating: A+, Affirmed
Rating Outlook: Stable

RATIONALE:

Hankyu REIT, Inc. (HRI) is a real estate investment trust (J-REIT) which was listed in October 2005. HRI mainly invests in real estate with retail-use/office-use zones in the Kansai region. It is sponsored by the Hankyu Hanshin Holdings Group.

HRI intends to place its investment focus on the Kansai region and retail-use zones, where it can capitalize on the comprehensive strengths of the sponsor group. The REIT also invests in the Tokyo area and major cities across the country. Most recently, it decided to acquire a limited service hotel in Fukuoka and a retail facility in Nagoya. Both properties are conveniently located and expected to generate stable earnings.

While the asset size is somewhat small, HRI aims to expand it to 200 billion yen during 2020 by continuing to acquire properties at appropriate prices in close cooperation with the sponsor group.

As part of the efforts to stabilize earnings from retail facilities, its principal investment target, HRI has signed long-term lease contracts with tenants in most properties, including flagship Hankyu Nishinomiya Gardens. HRI's properties are concentrated in the densely populated suburban areas of the nation's major cities, such as those along the Hankyu and Hanshin lines, which can be considered another positive factor.

The occupancy rate of office building Sphere Tower Tennozu recovered to 94.8% in February 2018 because leasing progressed even after 2016 when a large tenant moved in. Shiodome East Side Building remains fully occupied.

The LTV ratio in HRI's definition (based on an appraisal value, including security deposits and guarantees and excluding matched money to security deposits and guarantees) and the ratio of interest-bearing debt to total assets are kept at the conservative levels of 41.4% and 44.5%, respectively, as of November 2017. In February 2018, HRI conducted a public offering and used proceeds to finance part of its property acquisition costs. Unrealized gains are growing, with the appraisal value exceeding the book value by about 15% as of November 2017.

Under favorable relationships with domestic major banks, HRI continues stable funding. The average remaining term to maturity is as long as 4.4 years (as of November 2017), with fixed interest rates on most loans and staggered due dates.

The Rating Outlook is Stable. Thanks to support from the sponsor group with a robust business base in the Kansai region, HRI continues prudent investment and steady operation/management of properties. The level of leverage is conservative, and the debt profile has improved. Although the asset size is somewhat small, it is of marginal concern at present, given that earnings from the portfolio are solid.

The primary rating methodology applied to this rating is provided at "Rating Methodology for J-REIT". 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

■Contact : Sales and Marketing Division, Customer Service Dept. TEL.+81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp
■Media Contact : Corporate Planning Division (Public Relations) TEL.+81-(0)3-6273-7273

Rating and Investment Information, Inc. TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan <https://www.r-i.co.jp>

Credit ratings are R&I's opinions on an issuer's general capacity to fulfill its financial obligations and the certainty of the fulfillment of its individual obligations as promised (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <https://www.r-i.co.jp/en/docs/policy/site.html>. © Rating and Investment Information, Inc.

R&I RATINGS:**ISSUER:**

Hankyu REIT, Inc. (Sec. Code: 8977)

Issuer Rating**RATING:****A+, Affirmed****RATING OUTLOOK:****Stable**

■Contact : Sales and Marketing Division, Customer Service Dept. TEL.+81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp
■Media Contact : Corporate Planning Division (Public Relations) TEL.+81-(0)3-6273-7273

Rating and Investment Information, Inc. TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan <https://www.r-i.co.jp>

Credit ratings are R&I's opinions on an issuer's general capacity to fulfill its financial obligations and the certainty of the fulfillment of its individual obligations as promised (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <https://www.r-i.co.jp/en/docs/policy/site.html>.

© Rating and Investment Information, Inc.