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# Tokyo Real Estate Market Report Vol. 17

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## Central Business District (CBD) Shopping Center Investment Project

### Using a Special Purpose Company (SPC) to Invest in The KAWASAKI DICE

In September 2003, DICE<sup>1</sup> will be opened in the CBD of Kawasaki, a major city in the Metropolitan area. DICE is a shopping center with particularly attractive tenants, even in comparison to other CBD shopping centers, and it is also highly comfortable for investment property.

After the DICE project was delayed due to the leaving of the Mycal Group, Tokyo Tatemono succeeded in an outstanding revival of this project, using an SPC to make it a highly attractive investment vehicle.

This report describes the characteristics of investment in the DICE project which has been so successfully revived by Tokyo Tatemono, and introduces the role of Tokyo Tatemono in this project.



DICE Project

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<sup>1</sup> DICE: CBD Shopping Center in Kawasaki City

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## Characteristics of Investment in CBD Shopping Centers

Japan's CBD shopping centers are able to attract a wide range of diverse customers, 24 hours a day and 365 days a year, and to maintain stable revenues. Their location in central business districts not only provides good store substitutability but also facilitates conversion to other uses. Therefore, CBD shopping centers are highly attractive as investment property.

### Various Customer

The CBDs of large Japanese cities have well-developed public transportation networks, including railroads. Terminal stations play an especially important role in these networks.

In contrast to suburban shopping centers, where most customers come in their own cars, most customers at CBD shopping centers come by public transportation, and the customer is more diverse than that of suburban shopping centers. Kawasaki Station has quite a large daytime population on weekdays, so it is expected that a stable customer base will be maintained.



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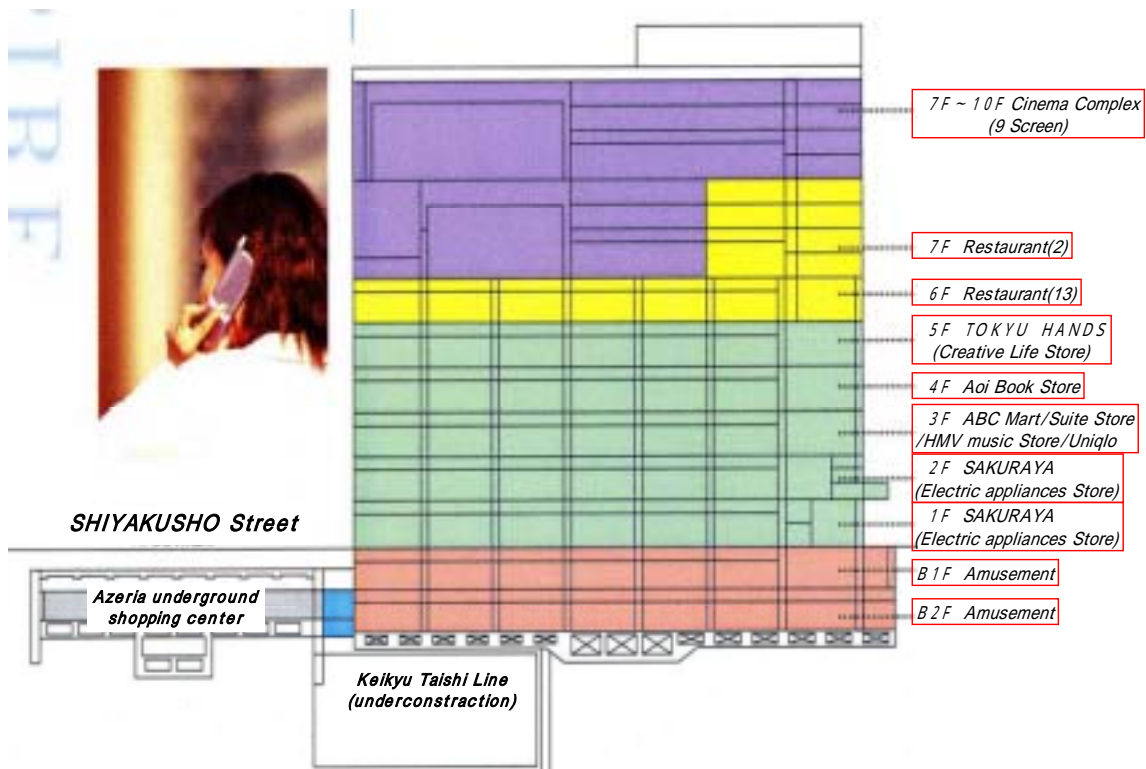
## Wide Scope of Substitutability

CBD shopping centers have a wide scope of substitutability. In CBDs that are surrounded by industries with diverse types and formats, a good location results in excellent substitutability with a wide variety of tenants in terms of both industry type and scale. In Japan, a location next to a railroad station offers a great deal of potential for uses other than retail, as well.

### Investment Characteristics of DICE

DICE will be occupied by tenants in popular industry types, and is expected to maintain long-term stable revenues. The rents of some tenants are proportionately tied to sales, therefore we can expect the upside for revenues.

The SPC, the owner of DICE, has obtained non-recourse loans from financial institutions. It produces a leveraging effect for investors and provides a high level of profitability.



DICE tenant guide

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## The Role of Tokyo Tatemono

In the DICE project, Tokyo Tatemono has made full use of its expertise in the operation of CBD shopping centers. This enabled Tokyo Tatemono to carry the project forward smoothly, obtain attractive tenants, provide stable operation and management, and procure funding efficiently.

### Smooth Project Implementation

Tokyo Tatemono has implemented or participated in many large-scale redevelopment projects. Using this experience, we succeeded in an outstanding revival of the DICE project which had been leaving after the Mycal collapse. In the future, Tokyo Tatemono will use this expertise in other projects including the Kasumigaseki project.<sup>2</sup>



### Kasumigaseki Project

#### Providing Excellent Operation and Management

With a history of more than 100 years, Tokyo Tatemono is recognized as having outstanding capabilities in the field of real estate management and operation. It is using these capabilities in the DICE project to provide an outstanding level of operation and management for the long term.

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<sup>2</sup> Kasumigaseki project: One of the most famous and largest PFI (Private Finance Initiative) Project in Japan.

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## Obtaining Attractive Tenants

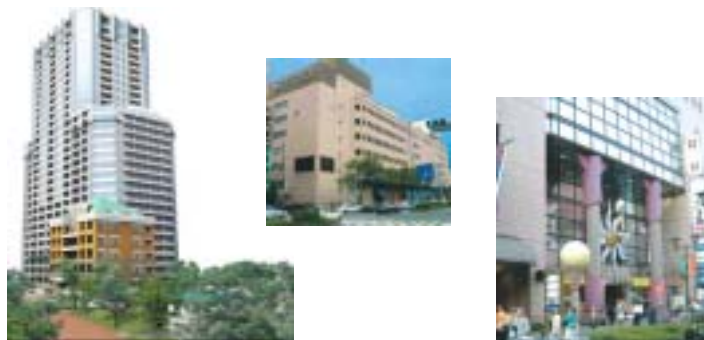
Tokyo Tatemono has applied its expertise in CBD shopping centers in urban areas including Shinjuku, a subcenter of Tokyo, and Nagoya, a major city in the Chubu region. In the DICE project, Tokyo Tatemono has succeeded in obtaining attractive tenants for a central urban area by using this expertise and also by establishing a new team specializing in shopping centers. It has completed an optimal tenant mix for a CBD shopping center, amplifying the attractiveness of the overall facility. In the future, Tokyo Tatemono will make use of this expertise in other projects, including the Kinshi-cho project.



**Kinshi-cho project.**

## Efficient Financing Skill

Tokyo Tatemono is a leader among Japan's real estate companies in the area of financing using SPCs. For a number of years, Tokyo Tatemono has been assessing the asset value of real estate and procuring funds with optimal conditions. It is applying this expertise not only in the DICE project but also in condominium development, corporate revitalization, and large-scale joint development projects.



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