

Market consultation

The FTSE Russell logo consists of a light blue circle containing the text "FTSE" stacked above "Russell" in a white, sans-serif font.

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# FTSE Russell consultation on the index eligibility of J-REITs

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## Introduction

Japanese Real Estate Investment Trusts (J-REITs) have been listed on the Tokyo Stock Exchange since September 2001. However, they are currently considered ineligible for the FTSE Global Equity Index Series (GEIS).

Under Japanese Investment Trust Law, J-REITs are structured as either investment trusts or investment corporations, with Japanese investors considering them to be an alternative asset class rather than an equity investment instrument.

Japanese Investment Trust Law requires J-REITs to outsource all administrative and asset management services to external parties and hence their investment aim and structure do not meet the key criterion to be considered to be a company under the Japan Company Law as they have no employees. Japan Company Law distinguishes between 'real' companies that have employees and produce products, and 'paper' companies and those institutions whose main business is investing. Hence, J-REITs are treated as funds rather than companies.

J-REITs are not included in the first or second sections of the Tokyo Stock Exchange, are not components of either the Nikkei 225 Index or the TOPIX Index and J-REITs cannot be used as the basis for Japanese derivatives (e.g. futures and options).

As stated above, FTSE Russell currently excludes J-REITs from the FTSE Global Equity Index Series. However, they are eligible for inclusion in the FTSE EPRA Nareit Global Real Estate Index Series. The results of this consultation will not impact the continuing index eligibility of J-REITs for the FTSE EPRA Nareit Global Real Estate Index Series.

The purpose of this consultation is to invite index users and other stakeholders to provide feedback as to whether the J-REIT definition under Japanese law constitutes as grounds to continue their exclusion from the FTSE Global Equity Index Series.

A summary of the anonymised responses will be considered at the June meetings of the FTSE Russell Regional Equity Advisory Committees and an update on FTSE Russell's proposed approach will be communicated by the end of September 2019.

## Responding to the Consultation

The proposals set out in this consultation document are included in order to gather feedback and may or may not result in changes to our indexes or data solutions.

Please submit your response to the questions included in this consultation online at

<https://www.surveymonkey.com/r/T2MNZBR>

All responses will be treated as confidential. FTSE Russell may publish a summary of the consultation results, but no individual responses will be published and no respondents will be named.

If you have any questions about this survey, or if you encounter any technical issues, please contact [rpawson@ftserussell.com](mailto:rpawson@ftserussell.com).

## Analysis

As of 31 December 2018, there were 61 listed J-REITs on the Tokyo Stock Exchange.

For index eligibility purposes, J-REITs would be reviewed as part of the FTSE Global Equity Index Series Japan Regional semi-annual review. Based on data as of 31 December 2018, 50 out of the 61 securities are projected to be eligible for possible inclusion in the FTSE Global All Cap Index (based on size and liquidity and subject to their assessment against the voting rights screen).

Table 1 illustrates the size segments of the J-REIT securities that are projected to be eligible for the FTSE Global Equity Index Series based on data as of 31 December 2018. See Table 3 for the projected list of names

**Table 1**

Size Segment	Large Cap (L)	Mid Cap (M)	Small Cap (S)	Micro	Total Cap
J-REITs	2	18	30	11	61
Investable Market Cap (USD m)	15,251.14	57,811.55	32,000.20	2,424.83	107,487.72

Table 2 illustrates the projected weight in index of the 50 J-REIT securities that are projected to be eligible for the FTSE Global All Cap Index based on data as of 31 December 2018.

**Table 2**

J-REITs	Global All Cap (LMS)	Developed All Cap (LMS)	Japan All Cap (LMS)	All World (Large/Mid)	Developed (Large/Mid)	Japan (Large/Mid)
Projected Weights	0.228%	0.253%	2.727%	0.178%	0.198%	2.091%

If, as a result of this consultation, FTSE Russell were to determine that J-REITs should be considered eligible for index inclusion, they would be reviewed in conjunction with the March 2020 semi-annual review

For clients who prefer to continue to exclude Japanese REITs from their indexes, FTSE Russell would launch an “ex Japan REITs” index.

Table 3 illustrates the J-REIT securities that are projected to be eligible for the FTSE Global Equity Index Series based on data as of 31 December 2018.

Table 3

<b>Sedol</b>	<b>Name</b>	<b>Proposed Size Segment</b>
6396800	Nippon Building Fund Inc	Large
6397580	Japan Real Estate Investment Corporation	Large
BYSJF4	Nomura Real Estate Master Fund	Mid
6513342	Japan Retail Fund Investment	Mid
6723839	United Urban Investment	Mid
B0Z6WY0	Daiwa House REIT Investment	Mid
B98BC67	Nippon Prologis REIT	Mid
6527774	Orix Jreit Inc	Mid
B8RBZV7	GLP J-REIT	Mid
B62WZW2	Advance Residence Investment	Mid
6528175	Japan Prime Realty Investment	Mid
B1530B1	Japan Hotel REIT Investment	Mid
B8BSRY1	Activia Properties	Mid
B0LNTF5	Daiwa Office Investment	Mid
B0C5Q59	Kenedix Office Investment Corporation	Mid
BSKRKL7	Sekisui House Reit	Mid
B1GF9P3	Mori Hills REIT Investment	Mid
B00STP1	Invincible Investment	Mid
B182BB2	Nippon Accommodations Fund	Mid
BFSSCF9	Aeon REIT Investment	Mid
B020QY3	Frontier Real Estate Investment	Small
BJ04C42	Hulic Reit	Small
6729558	Mori Trust Sogo REIT	Small
B07NL19	Japan Logistics Fund	Small
B15T1R2	Japan Excellent	Small
B24HH65	Industrial & Infrastructure Fund Investment	Small
B8N6QD5	Comforia Residential REIT	Small
6543800	Premier Investment Co	Small
BLC7414	Nippon REIT Investment	Small
6687203	Tokyu REIT	Small
B0LNCF6	Ichigo Office REIT Investment	Small
B76BZX3	Kenedix Residential Next Investment	Small
B19PR78	MCUBS MidCity Investment	Small
B15T1S3	Japan Rental Housing Investmen	Small
B0B8154	Fukuoka REIT	Small
BMBL9L9	Invesco Office J-Reit	Small
BTLX226	Kenedix Retail REIT	Small
B064LV3	Heiwa Real Estate REIT	Small
BDD1L29	LaSalle Logiport REIT	Small
BYZWTW3	Mitsui Fudosan Logistics Park	Small

BBH7G35	Hoshino Resorts Reit	Small
6693608	Global One Real Estate Investment	Small
B0LLJ37	Hankyu Hanshin REIT	Small
BZ1B0D9	Mirai	Small
BDFT842	Mori Trust Hotel REIT	Small
BDGTL31	One REIT	Small
BF46Y06	Mitsubishi Estate Logistics REIT Investment	Small
BYYJ8J5	Star Asia Investment	Small
BYRVCJ6	Samty Residential Investment	Small
B0NNX17	Starts Proceed Investment	Small
BVVF01	Healthcare & Medical Investment	Micro
BYQL3F0	Ichigo Hotel REIT Investment	Micro
BSKPSK6	Tosei Reit Investment	Micro
BZ1KQN8	Itochu Advance Logistics Investment	Micro
BZ16GD6	Takara Leben Real Estate Investment	Micro
BD3VZL6	Sakura Sogo REIT Investment	Micro
BD0G2B3	Xymax REIT Investment	Micro
BFXZ9X2	CRE Logistics REIT	Micro
BYY57L8	Ooedo Onsen Real Estate Investment	Micro
BYZWTV2	Marimo Regional Revitalization REIT,	Micro
BRHVCD1	Nippon Healthcare Investment	Micro



## Consultation questions

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1. **Should J-REITs be considered an eligible security class within the FTSE Global Equity Index Series and associated indexes?**

No

Yes

If "No" is selected please provide any comments in the box below

Please enter your comments here:

2. **Are there any known regulatory and/or governance requirements that could restrict you from investing in J-REITs?**

No

Yes

If "Yes" is selected please provide any comments in the box below

Please enter your comments here:

**3. Are there any reasons why you would consider J-REITs to be different from REITs listed in other jurisdictions (other than their definition under Japanese law as outlined above)?**

No

Yes

If “Yes” is selected please provide any comments in the box below

Please enter your comments here:

**4. Please provide any additional comments**



## For more information about our indexes, please visit [ftserussell.com](http://ftserussell.com).

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FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indexes also provide clients with tools for asset allocation, investment strategy analysis and risk management.

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