

Press Release

Real estate market in Japan is undergoing a far-reaching structural change

- **Becoming more attractive for international investors**
- **Successful market launch of Hypo Real Estate Bank International in Japan**
- **First Japanese-German Real Estate Forum at the ULI Japan Summer Conference in 2005**

Tokyo/Dublin/Munich, June 6th 2005: The Japanese real estate market is currently undergoing a far-reaching structural change and has in recent years been significantly modernised. The institutionalisation of the market is very advanced as a result of J-REITS (Real Estate Investment Trusts). In addition, international standards have become established for pricing, transparency and due diligence. This will mean that the market will become much more significant for international investors.

"The Japanese economy is now becoming stronger – following the restructuring of the corporate and financial sector which has lasted for more than ten years and also as a result of the legal and tax conditions. "The country is benefiting from the positive economic climate in many parts of Asia", says Dr. Leonard Meyer zu Brickwedde, President and CEO of Hypo Real Estate Capital Japan Cooperation. "Most of the modernisation activities have been directed at the real estate market which has previously been very rigid and characterised exclusively by corporate holdings. The market is becoming more and more important for international investors who in the past have not been invested in Japan. In addition to above-average yields, it offers international investors the opportunity to diversify their portfolio and thus to reduce their exposure to various market cycles."

Success story J-REIT

"The major element in the institutionalisation process is the J-REIT which was only introduced in September 2001", according to Meyer zu Brickwedde. "The market capitalisation of the 17 listed J-REITs has already exceeded USD 20 billion. This success story will continue. Meyer zu Brickwedde expects that, by the end of the year, the market capitalisation of the 20 J-REITs which will be listed at that time will exceed USD 25 billion.

Successful launch of Hypo Real Estate Bank International

In this context, the launch of Hypo Real Estate Bank International, which has been represented in Japan via Hypo Real Estate Capital Japan Corporation since July 2004, has been extremely successful. In the initial ten months, the institution, whose range of products comprises major real estate financing as well as the structuring of major transactions and portfolio financing for Japanese and international professional real estate investors, has built up a real estate financing portfolio of JPY 100 billion. This figure is expected to rise to JPY 300 billion by the end of 2006. In addition to transactions with major international investors, initial arrangements have already been concluded with major Japanese investors, e.g. Mitsui Fudosan, as sponsors.

Japanese-German Real Estate Forum at the ULI Summer Conference

The increasing interest of international investors will again constitute the focal point of the first Japanese-German Real Estate Forum which is due to be held on 7 July 2005 in the Marounuchi building (Marounuchi, Tokyo) as part of the ULI Urban Land Institute Japan Summer Conference. Additional subjects will be urban development and municipal development, equity investments, debt capital instruments as well as the subject of "Meeting point exhibition". Co-sponsors of this event are Hypo Real Estate Capital Japan

Corporation and Expo Real (international trade fair for commercial real estate)/ Messe München International.

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Note for editors

Hypo Real Estate Bank International

Hypo Real Estate Bank International is a member of the Hypo Real Estate Group (HREG), one of Europe's largest providers of commercial real estate financing. The group consists of the non-operational listed Hypo Real Estate Holding AG as well as three operational business units. Besides Hypo Real Estate Bank International, these are Württembergische Hypothekenbank AG (WürttHyp) with headquarters in Stuttgart and Hypo Real Estate Bank AG, Munich, Germany.