

YoY Chg

JPY 1,019.6B

Transaction Vol., Q4 2019

↓ **22.9%**

JPY 10.7M (per tsubo)

Prime Office Capital Value

↑ **4.2%**

3.1%

Prime Office Gross Yield

↓ **0.1 bps**

JAPAN ECONOMIC INDICATORS Q4 2019

-6.3%

Real GDP Growth

YoY Chg



12-Mo. Forecast



0.7%

Core CPI Growth



2.2%

Unemployment



Source: Cabinet Office, Statistics Bureau. GDP Growth is annualized, based on the real seasonally-adjusted quarterly figure. Core CPI is YoY figure, seasonally-adjusted.

COVID-19 to Hit GDP on Top of Negative Impacts From Sales Tax Hike and Typhoon

Japan's economy slid by an annualized 6.3% (preliminary data) in Q4, impacted by a consumption tax hike and a typhoon strike in October 2019. The fall is comparable to the 7.4% contraction of Q2 2014, following the previous sales tax raise. However, domestic demand and exports may take longer to recover this time, as wage growth of households has yet been insufficient to absorb the incremental financial burden. The COVID-19 outbreak is also anticipated to impact GDP in Q1 2020, with retail and hospitality sectors being hardest hit.

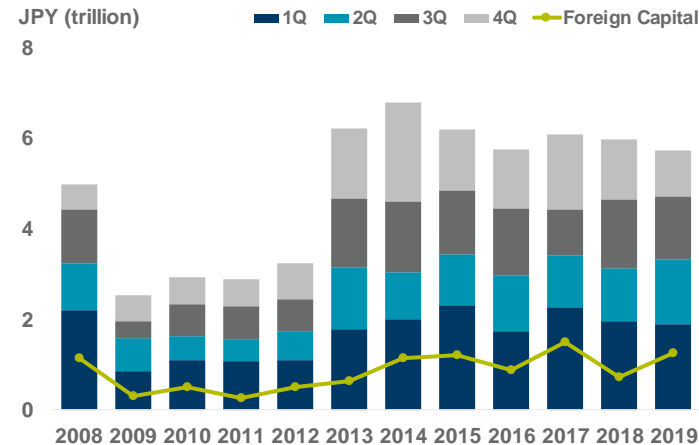
Transaction Volume Down 22.9% y-o-y in Q4 but Residential and Hotel Trading Volumes Surge

Preliminary data shows transaction volumes for real estate investments over JPY 500 million at JPY 1,019.6 billion yen, down 22.9% y-o-y. While non-J-REIT listed investors cut their investment volume by 56.9% y-o-y, institutional investor activity was up 9.7% y-o-y in Q4, accounting for 33.0% of the total transaction volume. By sector, office transactions slowed, contracting 56.6% y-o-y in Q4, due to limited options and tight yields. Logistics, hotel and residential sectors were favored by institutional investors, dominating overall volume with y-o-y increases of 89.6%, 94.2% and 104.71% respectively. Residential and hotel investment volume grew by over 30% y-o-y in 2019. However, despite a few mega deals likely to close in Q1 2020, we can expect the COVID-19 outbreak to negatively impact investment activities, particularly in retail and hotel sectors.

Prime Office Values up and Likely to Be Sustained as BoJ Keeps Monetary Policy on Hold

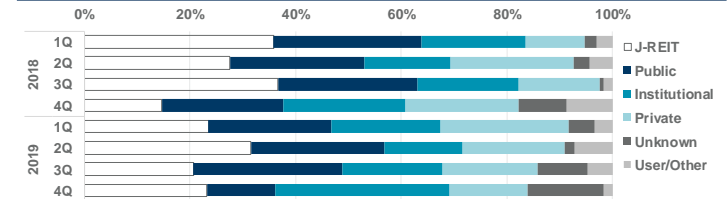
Cushman & Wakefield's Prime Office Capital Value Index shows prime office values in the Central 5 Wards up 4.2% y-o-y. The financing environment remains attractive, with the Bank of Japan leaving monetary policy unchanged in its first policy meeting of 2020. The BoJ's Tankan survey of Lending Attitude of Financial Institutes for Real Estate Companies also indicated a recovery in Q4 2019 from a dip in Q3, especially for small and medium-sized enterprises. With plenty of dry powder targeting Japan, the overall impact of COVID-19 on pricing is expected to be limited, despite likely relatively minor pricing adjustments in retail and hotel sectors.

TRANSACTION VOLUME BY QUARTER



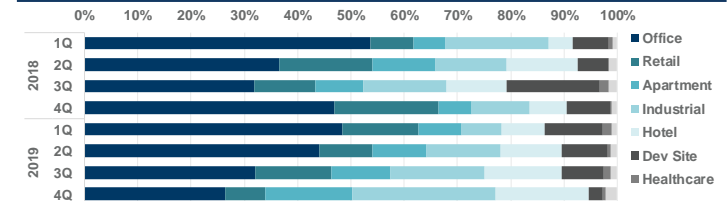
Source: Cushman & Wakefield

TRANSACTION VOLUME BY PLAYER



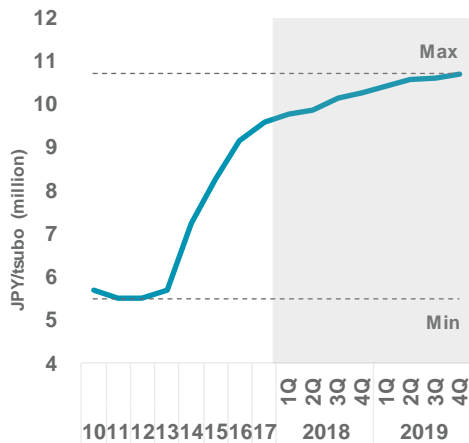
Source: Cushman & Wakefield

TRANSACTION VOLUME BY SECTOR



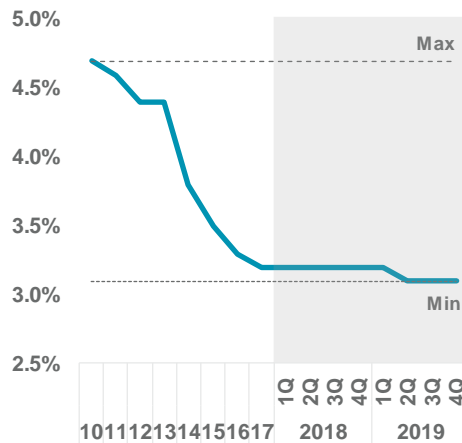
Source: Cushman & Wakefield

Prime Office Capital Value



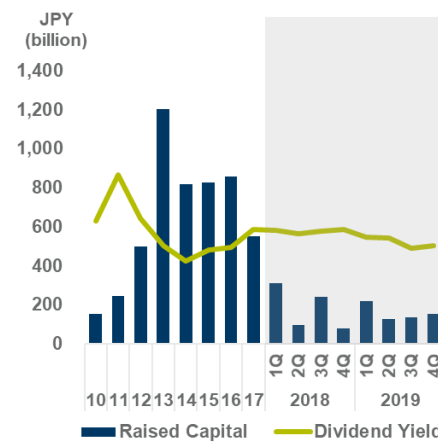
Source: Cushman & Wakefield Japan

Prime Office Gross Yield



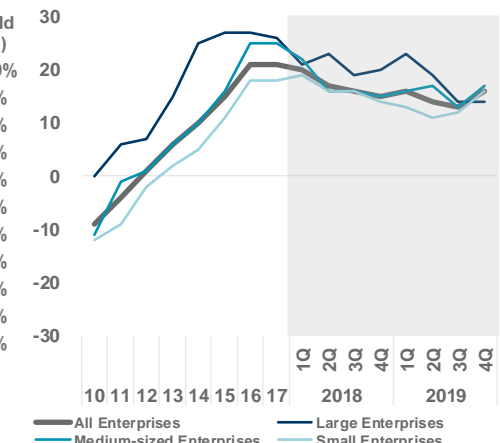
Source: Cushman & Wakefield Japan

J-REIT Raised Capital and Dividend Yield



Source: ARES

BoJ's Tankan Survey: Lending Attitude of Financial Institutes for Real Estate Firms



Source: Bank of Japan

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Key Sale Transactions

PROPERTY	SUB-MARKET	PRICE (ENC. ESTIMATE)	YIELD	SIZE	SECTOR
The Westin Tokyo	Ebisu	c. 95 billion yen	-	GFA 71,464 m ²	Hotel
(1) GLP Soka, (2) GLP Urayasu IV, (3) GLP Sapporo	(1) Saitama, (2) Urayasu, (3) Sapporo	c. 45-50 billion yen	-	GFA (1)68,596, (2)42,926, (3) 14,634 m ²	Logistics
LOGIPOINT Osaka Bay	Osaka	c. 37.5 billion yen	-	GFA 139,552 m ²	Logistics
m BAY POINT Makuhari	Makuhari	c. 31.5 billion yen	-	GFA 170,499 m ²	Office
Oakwood Residence Shinagawa	Shinagawa Konan	c. 20 billion yen	-	GFA 18,847 m ²	Hotel
SOSiLA Sagami-hara	Sagami-hara	c. 12.8 billion yen	Valuation NOI 4.8%	GFA 53,413 m ²	Logistics
Iriki Building	Aoyama	-	-	GFA 2,838 m ²	Retail

Source: Nikkei Real Estate Market Report