

YoY Chg

**JPY 1,458.0B**  
Transaction Vol., Q1 2020

↓ 24.1%

**JPY 10.9M** (per tsubo)  
Prime Office Capital Value

↑ 4.6%

**3.1%**  
Prime Office Gross Yield

↓ 0.1 bps

## Japan in Recession in Q1 With Further Contraction Expected

Japan officially entered recession in Q1, with real GDP shrinking for a second consecutive quarter by an annualized 3.4% (first preliminary data). Private consumption dropped 0.7% q-o-q, with the COVID-19 outbreak coming on the heels of last quarter's consumption tax hike and typhoon strike. With economic activities on hold, GDP components except government expenditure recorded negative growth in Q1, and with a state of emergency in place between April and May, further contraction of the economy in Q2 2020 is anticipated.

## Transaction Volume Down 24.1% y-o-y but Industrial Assets Remain Desirable

Trading volumes for real estate investments over JPY 500 million were at JPY 1,458.0 billion in Q1 (preliminary data). Private investors slashed allocations to account for just 6.7% of total volume. Investment volume from J-REITs maintained positive growth at 7.0% y-o-y, but a fall in the J-REIT index, down 25.6% q-o-q, means higher hurdle rates for them ahead. By sector, industrial assets continue to be favored by investors, with trading volume up 153.4% y-o-y, accounting for 23.1% of overall transactions. In contrast, retail transactions fell 65.6% y-o-y. In the hotel sector, volume rose 7.0% y-o-y, driven by the Four Seasons Kyoto deal. However, we expect the effects of the COVID-19 crisis to continue to curtail investment activities in the retail and tourism/hospitality sectors.

## Lending Environment Still Positive but Banks Cautious in Retail and Hotel Assets

With the office market resilient, Cushman & Wakefield's Prime Office Capital Value Index (Central 5 Wards) moved up by 4.6% y-o-y in Q1. COVID-19 has brought supply chain disruptions and economic shock, but unlike the GFC, the financial system remains functioning. In Japan the government announced an economic stimulus package and the BoJ has eased monetary policy. Banks have boosted lending as a result, however, they remain cautious in regards to retail and hotel market assets. In the BoJ's Tankan survey, the Lending Attitude of Financial Institutes for Real Estate Companies index remained at a similar level to Q4 2019, down just four points in the small enterprises category.

### JAPAN ECONOMIC INDICATORS Q1 2020

YoY Chg 12-Mo. Forecast

**-3.4%**  
Real GDP Growth



**0.4%**  
Core CPI Growth

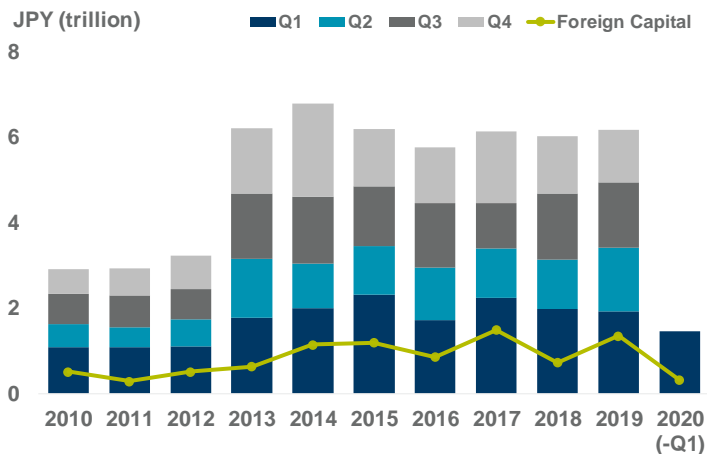


**2.5%**  
Unemployment



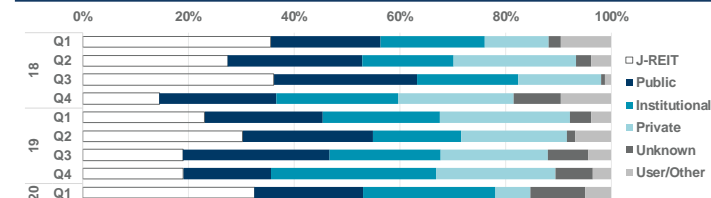
Source: Cabinet Office, Statistics Bureau. GDP Growth is annualized, based on the real seasonally-adjusted quarterly figure. Core CPI is YoY figure, seasonally-adjusted.

### TRANSACTION VOLUME BY QUARTER



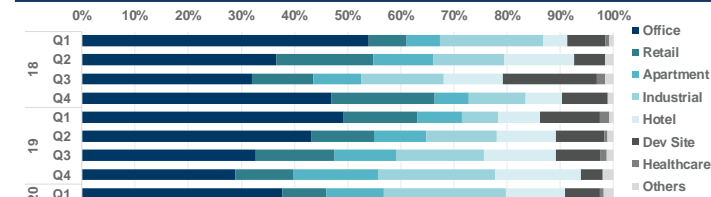
Source: Cushman & Wakefield

### TRANSACTION VOLUME BY PLAYER



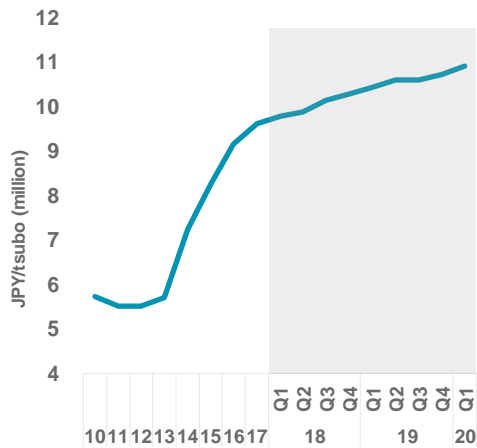
Source: Cushman & Wakefield

### TRANSACTION VOLUME BY SECTOR



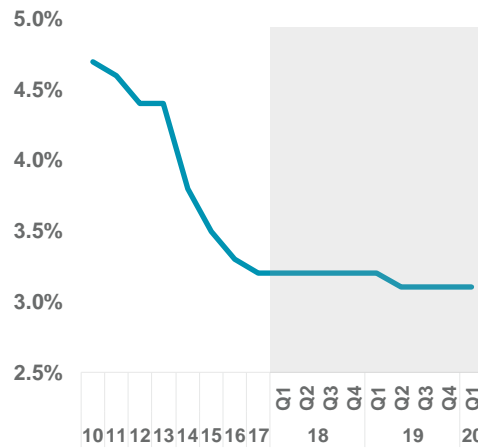
Source: Cushman & Wakefield

### Prime Office Capital Value



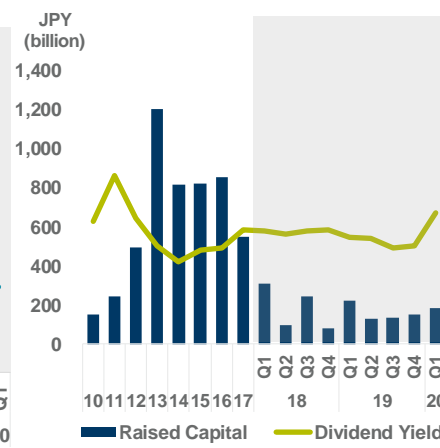
Source: Cushman & Wakefield Japan

### Prime Office Gross Yield



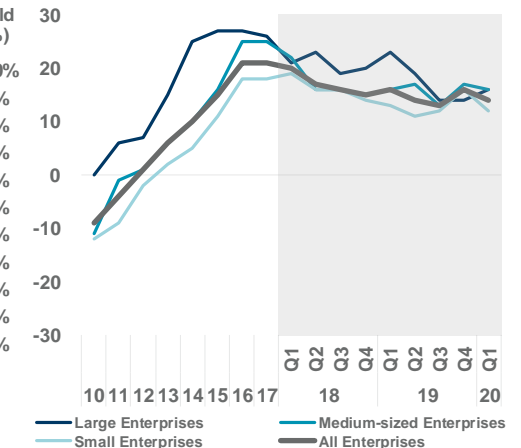
Source: Cushman & Wakefield Japan

### 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 (INC. ESTIMATE)	YIELD	SIZE	SECTOR
Otemachi Park Building (49.9% interest)	Marunouchi/Otemachi	c. 99.8 billion yen	Valuation NOI 2.7%	Building Total GFA 146,611 m <sup>2</sup>	Office
Minatomirai Center Building	Minato Mirai	c. 98.0 billion yen	-	GFA 95,220 m <sup>2</sup>	Office
Four Seasons Hotel Kyoto	Kyoto	c. 49.0 billion yen	-	GFA 21,215 m <sup>2</sup>	Hotel
A-Place Shinbashi Ekimae	Shinbashi	c. 21.0 billion yen	-	GFA 8,541 m <sup>2</sup>	Office / Retail
GLP Urayasu II	Urayasu	c. 17.0 billion yen	-	GFA 49,238 m <sup>2</sup>	Logistics
Hewlett Packard Japan Headquarters	Koto	-	-	GFA 42,496 m <sup>2</sup>	Office
Lladró Boutique Ginza	Ginza	-	-	GFA 382 m <sup>2</sup>	Retail

Source: Nikkei Real Estate Market Report