

YoY Chg

JPY 1,214.4B

Transaction Vol., Q2 2020

↓ **11.0%**

JPY 10.8M (per tsubo)

Prime Office Capital Value

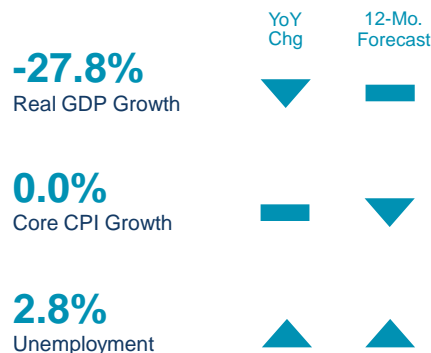
↑ **2.1%**

3.1%

Prime Office Gross Yield

0 bps

JAPAN ECONOMIC INDICATORS Q2 2020



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

GDP Plunged 27.8% in Q2, Economic Challenges Still Lie Ahead

Japan's economy continued to shrink in Q2. Real GDP plunged by an annualized 27.8% (first preliminary data), steeper than the 17.9% fall during the GFC and the most severe in the postwar period. Due to the state of emergency imposed in of April and May, private consumption dived 28.9%. Exports, also taking inbound tourism spending into account, suffered a 56.0% fall, with the pandemic shaking the global economy. While economic activities restarted in June, concerns over a COVID-19 second wave spread will poses further challenges to the economy in Q3.

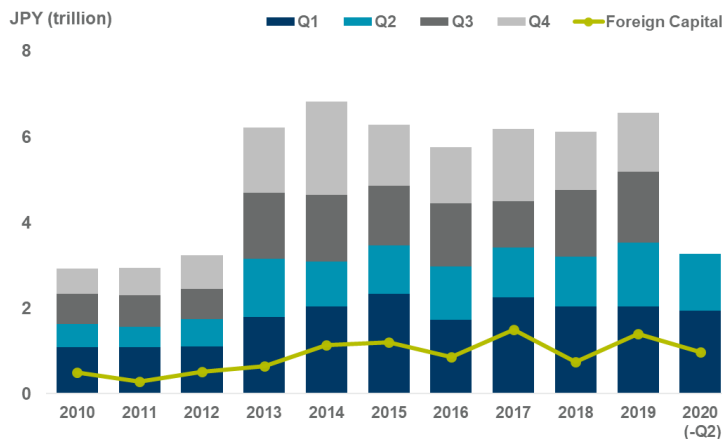
Transaction Volume Down 11.0% y-o-y but Several Portfolio Deals Still Concluded

Trading volumes for real estate investments over JPY 500 million were at JPY 1,324.6 billion in Q2 (preliminary data). The market was driven by a couple of large portfolio deals. Foreign investment transaction volume for 1H 2020 has already exceeded the annual total of 2018, signaling strong appetite by foreign investors for the Japan market. These major transactions led to a 190.0% y-o-y rise in residential investment, closing 31.9% of the total. Along with logistics properties, lower-risk asset classes will remain attractive to investors. On the other hand, office, retail and hotel transaction volumes fell sharply, down 42.2%, 58.7% and 57.2% y-o-y respectively. In terms of share of buyers, J-REITs, non-listed investors and listed real estate companies fell by 46.7%, 74.7% and 34.8% y-o-y respectively, while institutional investors grew 157.4%, accounting for 47.6% of the total transaction value.

Business Sentiment Hits 11-Year Low Under COVID-19 Pandemic

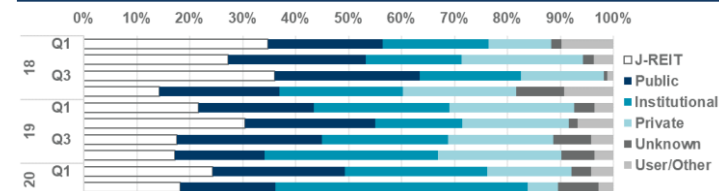
Although data has yet to indicate significant changes in the office market, the C&W Prime Office Asset Price Index (5 central wards) for Q2 2020 recorded a slight decline of 0.9% quarter-on-quarter. Demand for small- and medium-sized office space is certain to recede due to increasing remote working, with vacancies set to increase, which might lead Office assets to be exited to book profits. Moreover, the BoJ's Tankan survey reveals an 11-year low for business sentiment, at -31 for all manufacturing companies and -36 for non-manufacturing sector. The Lending Attitude of Financial Institutes for Real Estate Companies index reveals banks are now more cautious, with the all enterprises category dropped to 12, the lowest figure since 2014.

TRANSACTION VOLUME BY QUARTER



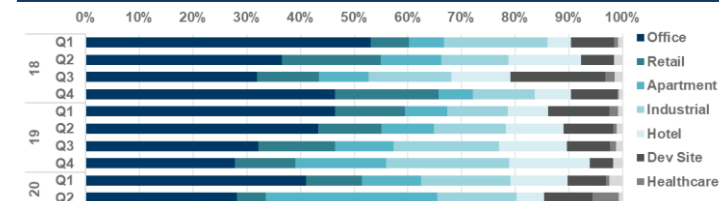
Source: Cushman & Wakefield

TRANSACTION VOLUME BY PLAYER



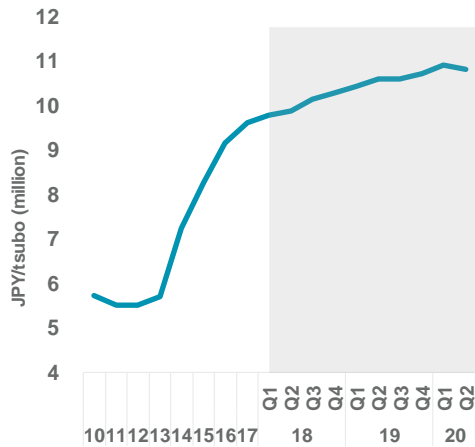
Source: Cushman & Wakefield

TRANSACTION VOLUME BY SECTOR



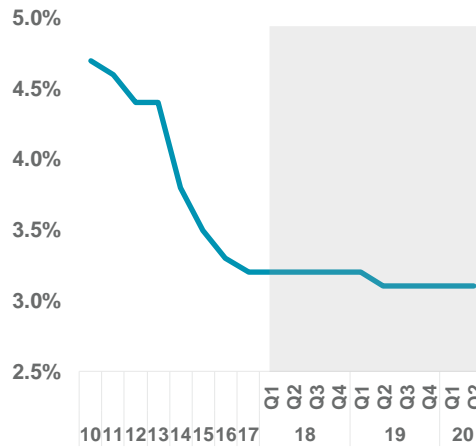
Source: Cushman & Wakefield

Prime Office Capital Value



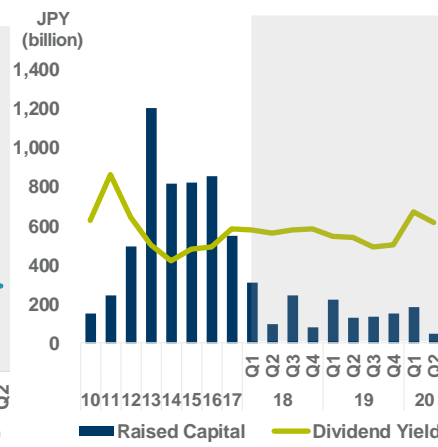
Source: Cushman & Wakefield Japan

Prime Office Gross Yield



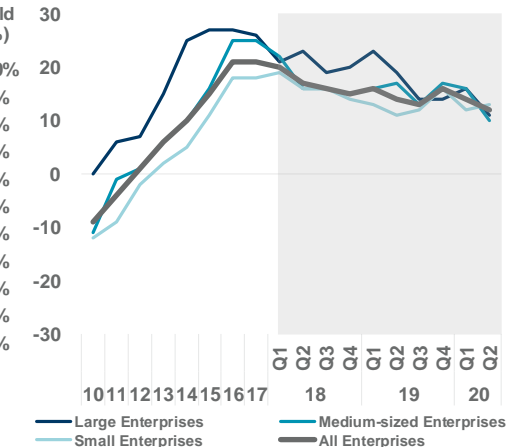
Source: Cushman & Wakefield Japan

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
(1) UNIZO Yaesu Building, (2) UNIZO Yaesu 2-Chome Building	Yaesu	c. 100.0 billion yen (total)	-	GFA (1) 36,663 m ² , (2) 3,354 m ²	Office
Prologis Park (1) Kawasaki, (2) Kita-Kyushu, (3) Neyagawa, (4) Kuki	(1) Kawasaki, (2) Fukuoka, (3) Osaka, (4) Saitama	c. 98.0 billion yen (total)	-	GFA (1) 49,900 m ² , (2) 17,300 m ² , (3) 63,600 m ² , (4) 65,400 m ²	Logistics
Kojimachi Odori Building	Kojimachi	c. 35.0 billion yen	-	GFA 24,147 m ²	Office
20 Company Housing Properties of Kawasaki Heavy Industries	Different areas in Japan	c. 24.0 billion yen	-	-	Residence
Royal Parks ER SASASHIMA	Nagoya	c. 20.0 billion yen	-	GFA 48,200 m ²	Residence
Shinbashi M-SQUARE Bright	Shinbashi	c. 16.3 billion yen	Valuation NOI 3.7%	GFA 7,328 m ²	Office
GLP Yachiyo II	Chiba	c. 14.2 billion yen	-	GFA 54,406 m ²	Logistics

Source: Nikkei Real Estate Market Report