

YoY Chg 12-Mo. Forecast

2.1% (YoY)

Greater Tokyo / Asking Rent Growth



2.3% (YoY)

Greater Osaka / Asking Rent Growth



-23.8% (YoY)

Logistics:
Annual Transaction Volume



Source: RCA, Cushman & Wakefield

Note: Rent refers to the median of asking rent under C&W survey

JAPAN ECONOMIC INDICATORS Q2 2024

YoY Chg 12-Mo. Forecast

3.1%

Real GDP Growth
(Annualized q-o-q SAAR)



2.6%

Core CPI Growth
(y-o-y, SAAR)



2.5%

Unemployment
Q2



Source: Cabinet Office, MIC

¹ Survey on Motor Vehicle Transport, Survey on Coastwise Vessel Transport, MLIT

² Japan Institute of Logistics Systems (JILS), Council of Supply Chain Management Professionals (CSCMP)

³ The Japan Logistics System Association (JLSA) as of July 2024

Survey scope: C&W quarterly survey target is based on Large Multi-Tenant Logistics Facilities (LMT) with GFA 15,000 tsubo and over, except Nagoya and Fukuoka with GFA 5,000 tsubo and over.

Note: All data is as of June 30, 2024, unless otherwise stated.

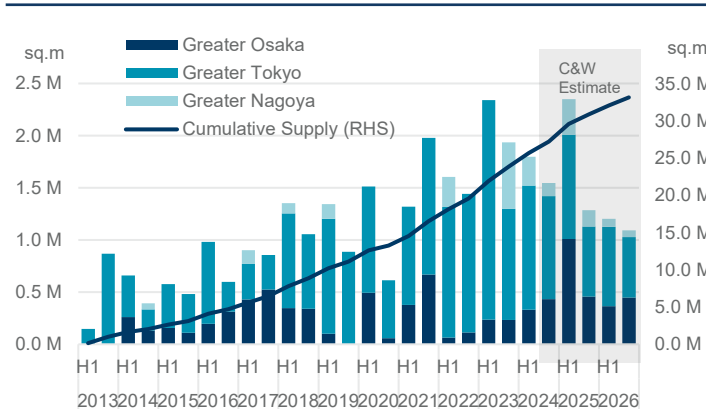
Demand: Increasing Location Advantages to Reduce Total Logistics Costs for Consumer Goods

Annual domestic freight volume¹ for the first half of 2024 dropped by 2.3% y-o-y, due to lower demand for higher costs in construction materials (-4.3% y-o-y) and consumer goods (-0.7% y-o-y). Rapid yen depreciation pushed export volume higher, leading to net international trade volume rising by 1.3% y-o-y. On a price basis, higher import prices sharply lowered imports, at (-12.1% y-o-y), reducing Japan's annual trade deficit from JPY6.5 trillion to JPY3.6 trillion in 2024. The Corporate Goods Price Index (CGPI) further decelerated to 1.5%² due to weak consumption, although delayed price transfers to consumers mean an elevated core CPI at 2.6%². Overall, emerging strength from international trade positions have failed to offset increasing headwinds from lower consumption and housing investment, leading to Japan's first negative annual real GDP growth in the past four years at minus 0.2% projected for FY 2024. High logistics costs due to low operational efficiencies remain a focus of market participants. In the past 10 years, Japan's logistics cost ratio² to GDP (9.1% p.a.) has been trending higher than the U.S. (7.9% p.a.). Given the projected flat total freight volume, improving cost efficiencies through superior locations and process improvements will be essential. Low unit costs also mean elevated logistics cost ratios in food and other consumer goods (see the chart at bottom right). Recent cost improvements are notable in food (cold storage) and apparel sectors, falling from a historical average of 9%. Conversely, high unit costs of electrical equipment mean the low logistic cost to sales, trending at around 2%, limiting further cost reduction opportunities.

Supply: Narrowing Development Margin Leading to Lower Incoming Pipeline in Greater Tokyo Area

The Greater Tokyo area continued to see incoming supply of large facilities in peripheral areas in the first half of 2024, with annual supply totaling 2.3M sq m, compared with Greater Osaka at 0.6M sq m and Greater Nagoya at 0.9M sq m. Major completions in the period include LaSalle's Logiport Tama Mizuho (GFA 162,000 sq m) and Daiwa House's DPL Ome (GFA 138,000 sq m). In regional cities, a consortium of Tokyu Land, Tokyo Tatemono, and Nishinippon Shimbun completed the T-LOGI Fukuoka Island City project (GFA 148,000 sq m). As shown in the chart at bottom middle, annual supply is projected to decline in Greater Tokyo (1.7M sq m) against Greater Osaka (1.1M sq m) and Greater Nagoya (0.3M sq m) over the next two years. A combination of higher construction costs, rising by 30% since 2019³, and narrowing development margins, is projected to halve Greater Tokyo's incoming supply over the next two years, and this is likely to alleviate downward pressures on achievable rent.

Japan: Historical LMT Speculative Development Starts



Source: LNEWS, Cushman & Wakefield based on Publicly available company data

Japan: Historical Logistics Cost % Sales by Industry

	2010	2015	2020	2021	2022	2023
Food (Dry)	6.0%	5.3%	6.3%	7.1%	6.4%	7.6%
Food (cold)	9.4%	9.1%	9.6%	8.8%	7.7%	6.9%
Food (Wholesale)	6.1%	6.8%	8.0%	6.6%	7.0%	5.7%
Automobile	2.9%	2.4%	3.2%	4.2%	5.4%	5.4%
Manufacturing	6.4%	6.0%	7.1%	7.3%	6.6%	5.2%
All Industries	4.8%	4.6%	5.4%	5.7%	5.3%	5.0%
Precision Machinery	4.2%	2.1%	3.4%	3.7%	4.2%	4.2%
Apparel	7.9%	4.5%	4.9%	5.9%	5.3%	3.9%
Electronic Device	1.8%	2.1%	2.1%	2.3%	2.1%	2.1%

Source: Japan Institute of Logistics Systems (JILS, 2023)

The key demand driver remains household online spending, growing at CAGR 12%, tripling since 2016. By region, Kyushu continues to benefit from lower coverage of LMT stock per capita, accelerating the spending growth of recent years. Kanto's online shopping per capita (JPY10,518) far exceeds Kinki (JPY8,177), Tokai (JPY7,163), and Kyushu (JPY6,258) with limited coverage of modern logistics infrastructure. Despite continued headwinds from weak consumption, we expect that growing online spending demand for incoming supply of modern logistics facilities will enable further logistics cost reductions.

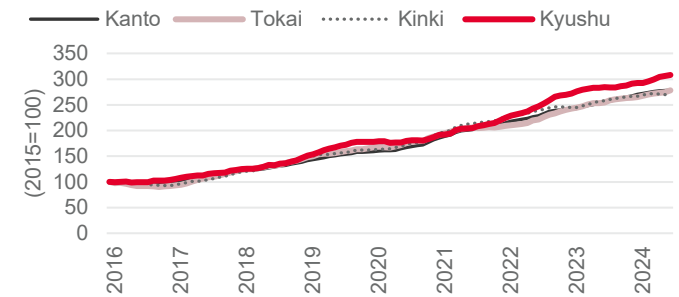
Major Investment Transactions

Narrowing development margins, negative real rent growth, and a trend of stable capital values support a growing popularity of portfolio sales as more large investors aim to offload holdings from their balance sheets. With tighter financing expected through higher interest rates, investors will be increasingly selective in future acquisitions.

Outlook

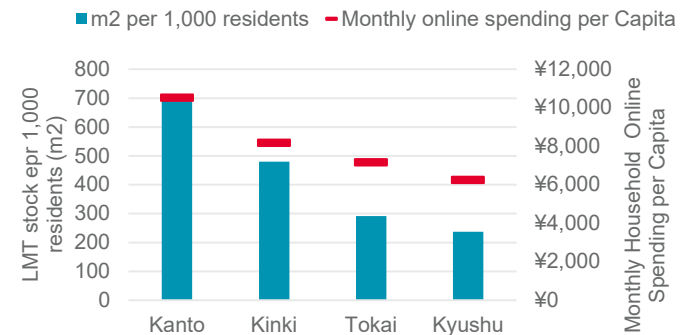
- Limited supply of urban cold storage:** In Tokyo and Yokohama, the occupancy rate¹ is expected to remain above full capacity, confirming significant development needs for urban cold storage. Despite some cannibalization with traditional grocery store locations, demand for large modern urban cold storage facilities to reduce total logistics costs still exists. Most of the existing stock comprises significantly functionally obsolete facilities (i.e., not compliant with CDC regulations), concentrated in waterfront locations.
- Expect vacancy to remain low except in Greater Tokyo / Greater Nagoya:** A pocket of weakness exists in the Greater Nagoya area and the Ken-O Expressway area, keeping the vacancy rate above 15%. Expect incoming supply to stimulate online spending demand in regional cities with a low modern logistics facilities coverage ratio.
- Expect pricing bifurcation:** Large developers are expected to maintain pricing power through cost-saving benefits available through modern facilities adjacent to the CBD. However, we expect little rent increases for remaining properties given tenants' unwillingness to pay additional rent above inflation over the next two years.

By Region: Online spending per capita since 2016

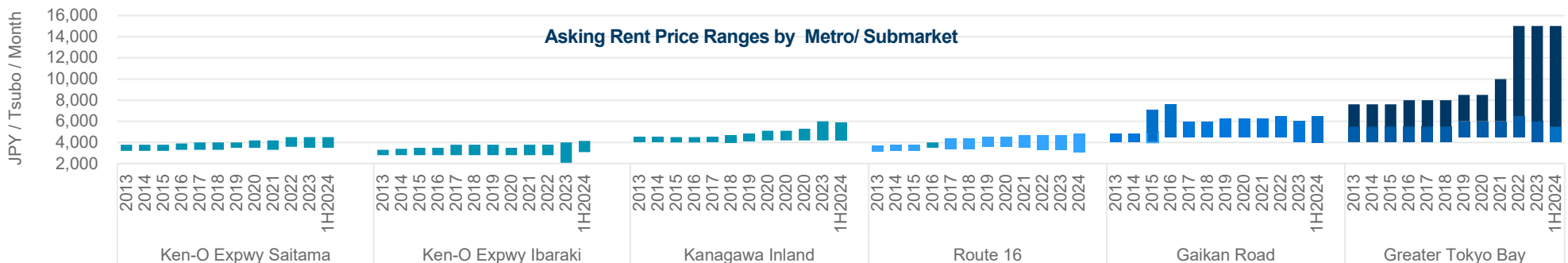


Source: METI, the latest LTM average up to May 2024, Cushman & Wakefield

By Region : LMT stock per 1,000 residents (m2)



Note: Food and beverage products account for approximately 20% of online shopping
Source: METI, the latest LTM average up to May 2024, Cushman & Wakefield



Note 1: Japan Association of Refrigerated Warehouses, Occupancy rate based on the Association's definition of monthly warehouse occupancy rate.
Source: Cushman & Wakefield

BY FACILITY: KEY DEVELOPMENT ANNOUNCEMENTS

PROPERTY	SUBMARKET	DEVELOPER	MAJOR TENANT	EXPECTED DATE	ESTIMATED GFA (SQ.M)	ESTIMATED GFA (SF)
GLP Kawasaki II (Cold)	Kanagawa Bay Area	GLP Japan	Undisclosed	Aug. 2027	205,000	2,206,700
DPL Shinonome	Tokyo Bay Area Prime	Daiwa House Industries	Undisclosed	Mar. 2027	149,149	1,605,425
Iwatsuka Logistics Facility (Temporary name)	Nagoya Bay Area	NIPPO·LaSalle Investment Management	Undisclosed	Jun. 2025	80,740	869,077
MFLP Funabashi Minami Kaijin, 5 other facilities	Chiba / Saitama / Ibaraki / Hyogo / Kanagawa	Mitsui Fudosan	Sagawa Express, etc.	Sequentially from May 2025	348,617	3,752,479

Source: LNEWS, Publicly available company data, Nikkei Real Estate Market Report, Cushman & Wakefield

BY FACILITY: KEY CONSTRUCTION COMPLETIONS

PROPERTY	SUBMARKET	DEVELOPER	MAJOR TENANT	DATE	ESTIMATED GFA (SQ.M)	ESTIMATED GFA (SF)
Yatomi Distribution Center	Nagoya Bay Area	Hines	Undisclosed	Feb. 2024	217,875	2,345,185
Atsugi III Logistics Center	Kanagawa Inland	ORIX Real Estate	5 companies, undisclosed	Apr. 2024	181,163	1,950,020
Logiport Tama Mizuho	Tama	LaSalle Investment Management	Undisclosed	Jun. 2024	162,125	1,745,097
LOGI'Q Minami Ibaraki	Osaka Inland	Tokyu Land's SPC	Undisclosed	Jan. 2024	161,539	1,738,790
T-LOGI Fukuoka Island City	Hakata Port Area	Tokyo Tatemono / Tokyu Land / Nishinippon Shimbun / Marubeni	Tsukasa Corporation / Asahi Logistics / Nakano Shokai	Mar. 2024	148,100	1,594,134

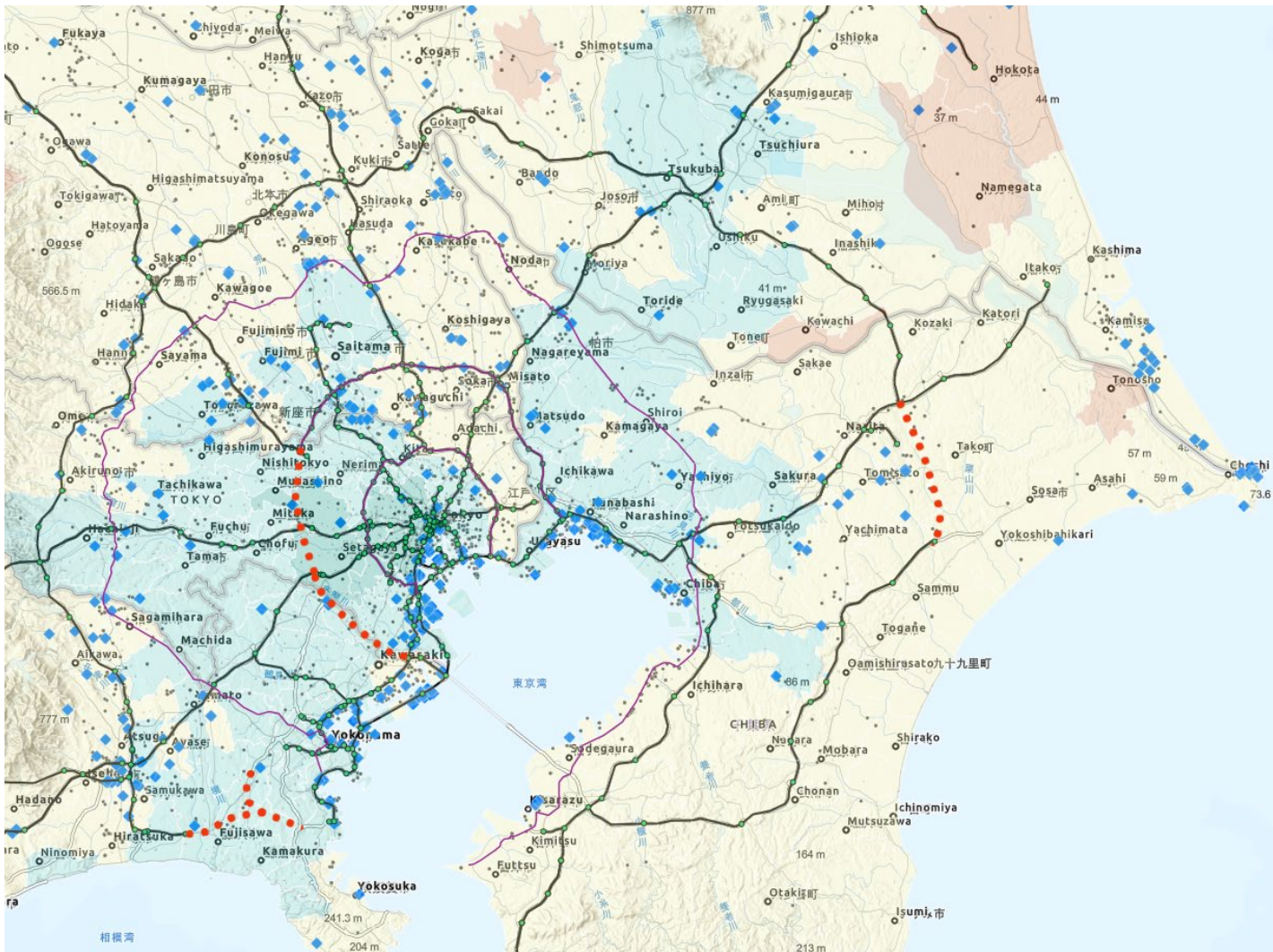
Source: LNEWS, Cushman & Wakefield

BY FACILITY: MAJOR SALES TRANSACTIONS

PROPERTY	PREFECTURE	SELLER / BUYER	YEAR BUILT	ESTIMATED GFA (SQ.M)	ESTIMATED GFA (SF)	TRANSACTION DATE	CAP RATE	PRICE / JPY PER SQ.M	COMMENT
Logistics facility portfolio including IIF Fukuoka Hisayama Logistics Center (total 28 buildings)	Fukuoka, Greater Tokyo Area	Logisteed / IIF REIT	1986-2021	389,594*	4,193,551	Mar. 2024	4.1%**	¥ 108.2B / ¥ 203,186	Intercompany transaction under KKR
Logistics facility portfolio including Metropolitan East Logistics Center (total 4 buildings)	Tokyo / Chiba / Kyoto	Logisteed / HK Logistics LLC	1988-2008	275,751	2,968,156	Mar. 2024	-	¥ 104.4B / ¥ 378,642	Intercompany transaction under KKR
DPL Urayasu III	Chiba / Chiba Bay Area	Daiwa House's SPC / Daiwa House REIT	2022	57,234	616,061	Mar. 2024	3.5%	¥ 30B / ¥ 524,165	Intercompany transaction under Daiwa House
MJ Logipark Sendai 1	Miyagi / Sendai	Domestic SPC / Mitsubishi Estate Logistics REIT	2009	39,098	420,847	Mar. 2024	3.6%	¥ 10B / ¥ 255,768	Hand over equally in May and September

*Additional 272,031 sq.m. for bottom land transactions **Total and average of portfolio transactions, NOI yield. Source: Press Release of each Company, Nikkei Real Estate Market Report, Cushman & Wakefield

(1) Greater Tokyo Area : Mapping Ring Roads/ Cold Storage Locations / Purchasing Power Per Capita



Japan Purchasing Power per Capita

- JPY 3,439,500 - 7,517,300
- JPY 2,562,700 - 3,439,500
- JPY 1,685,900 - 2,562,700
- JPY 809,100 - 1,685,900

Road Under Construction



Cold Storage

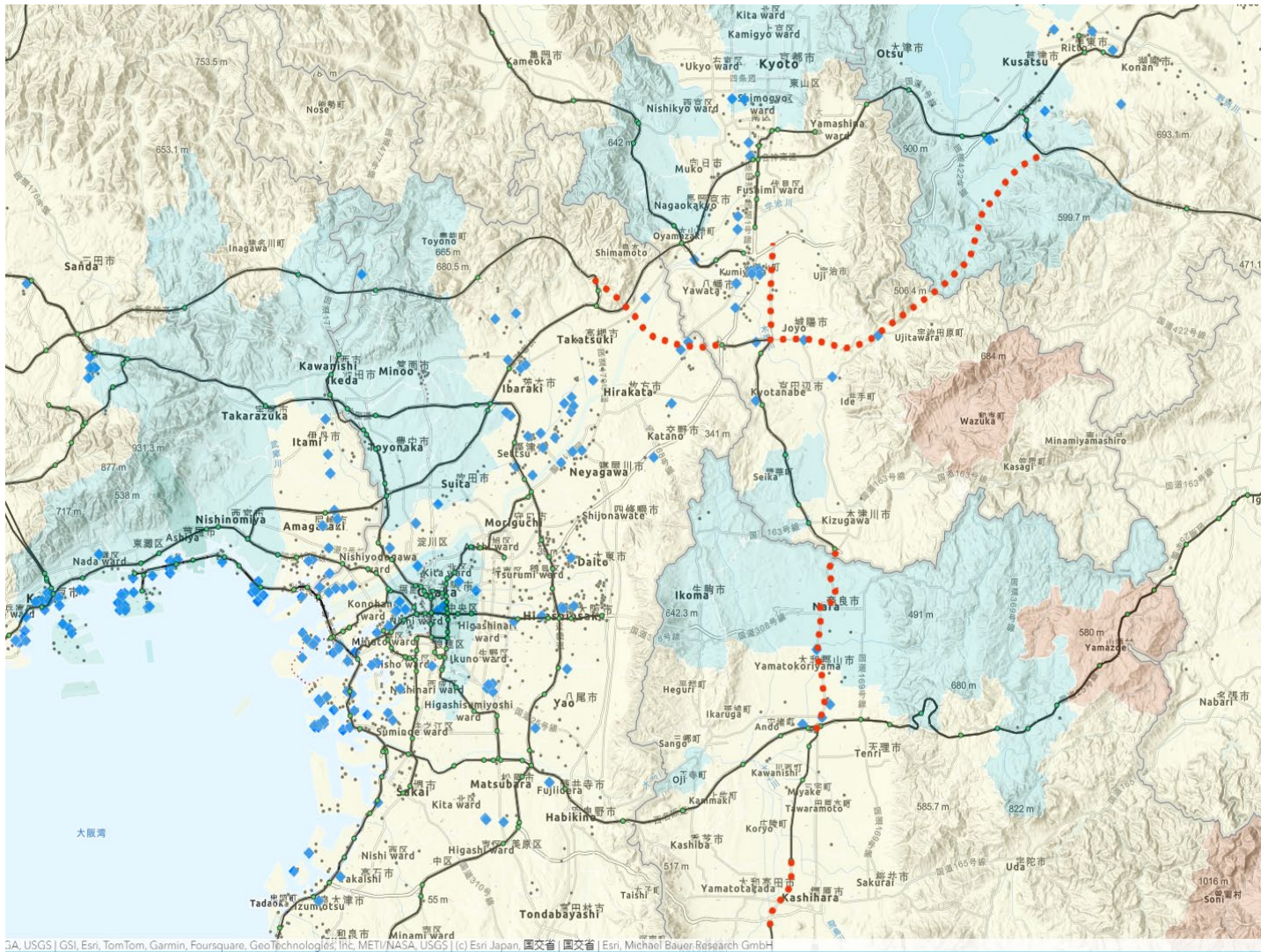


Registered Warehousing Facility



Source: MILT, LNEWS, Bureau of Statistics, Cushman & Wakefield

(2) Greater Osaka Area : Mapping Major Roads/ Cold Storage Locations / Purchasing Power Per Capita



Japan Purchasing Power per Capita

- JPY 3,439,500 - 7,517,300
- JPY 2,562,700 - 3,439,500
- JPY 1,685,900 - 2,562,700
- JPY 809,100 - 1,685,900

Road Under Construction



Cold Storage

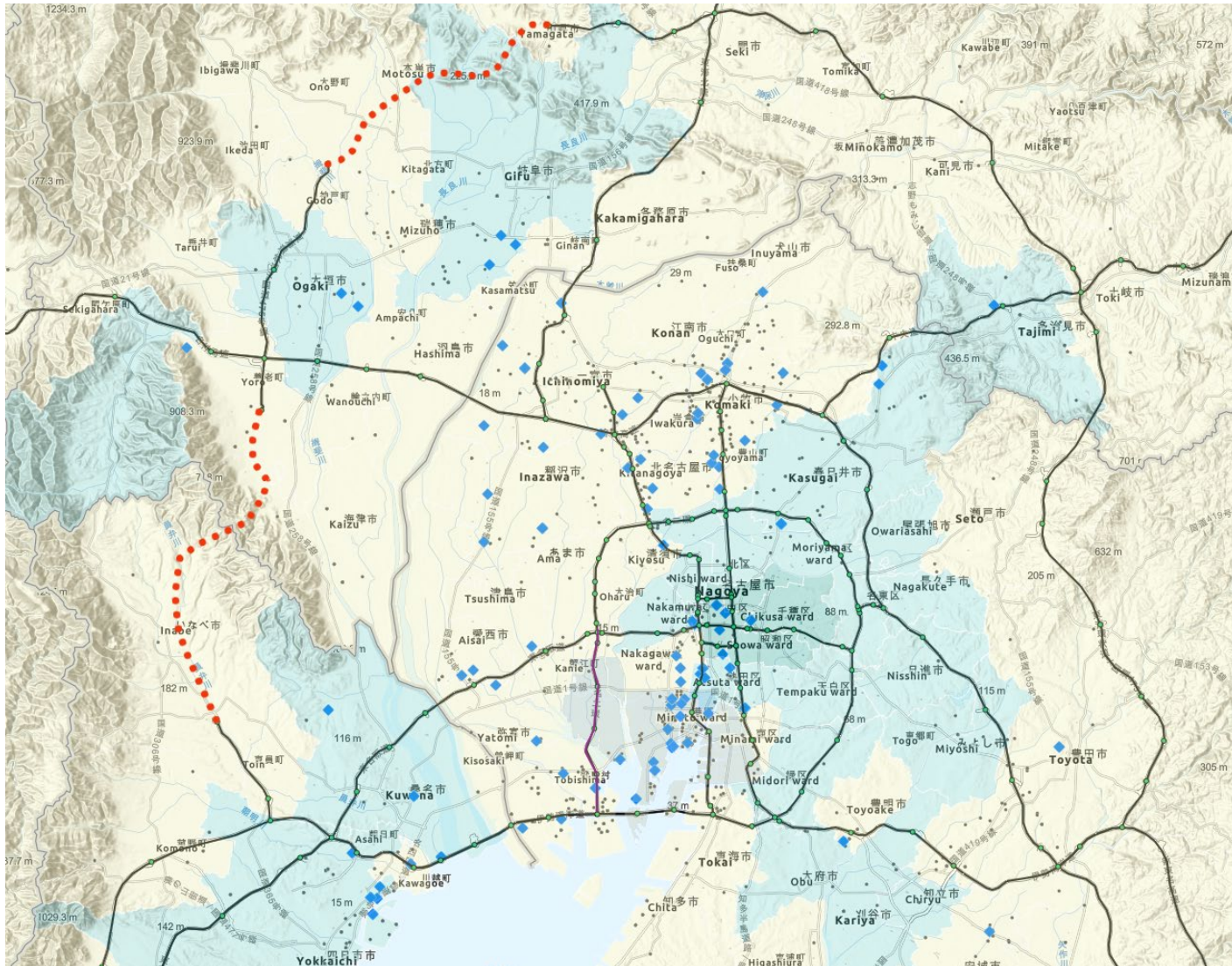


Registered Warehousing Facility



Source: MILT, LNEWS, Bureau of Statistics, Cushman & Wakefield

(3) Greater Nagoya Area : Mapping Major Roads/ Cold Storage Locations / Purchasing Power Per Capita



Japan Purchasing Power per Capita

- JPY 3,439,500 - 7,517,300
- JPY 2,562,700 - 3,439,500
- JPY 1,685,900 - 2,562,700
- JPY 809,100 - 1,685,900

Road Under Construction



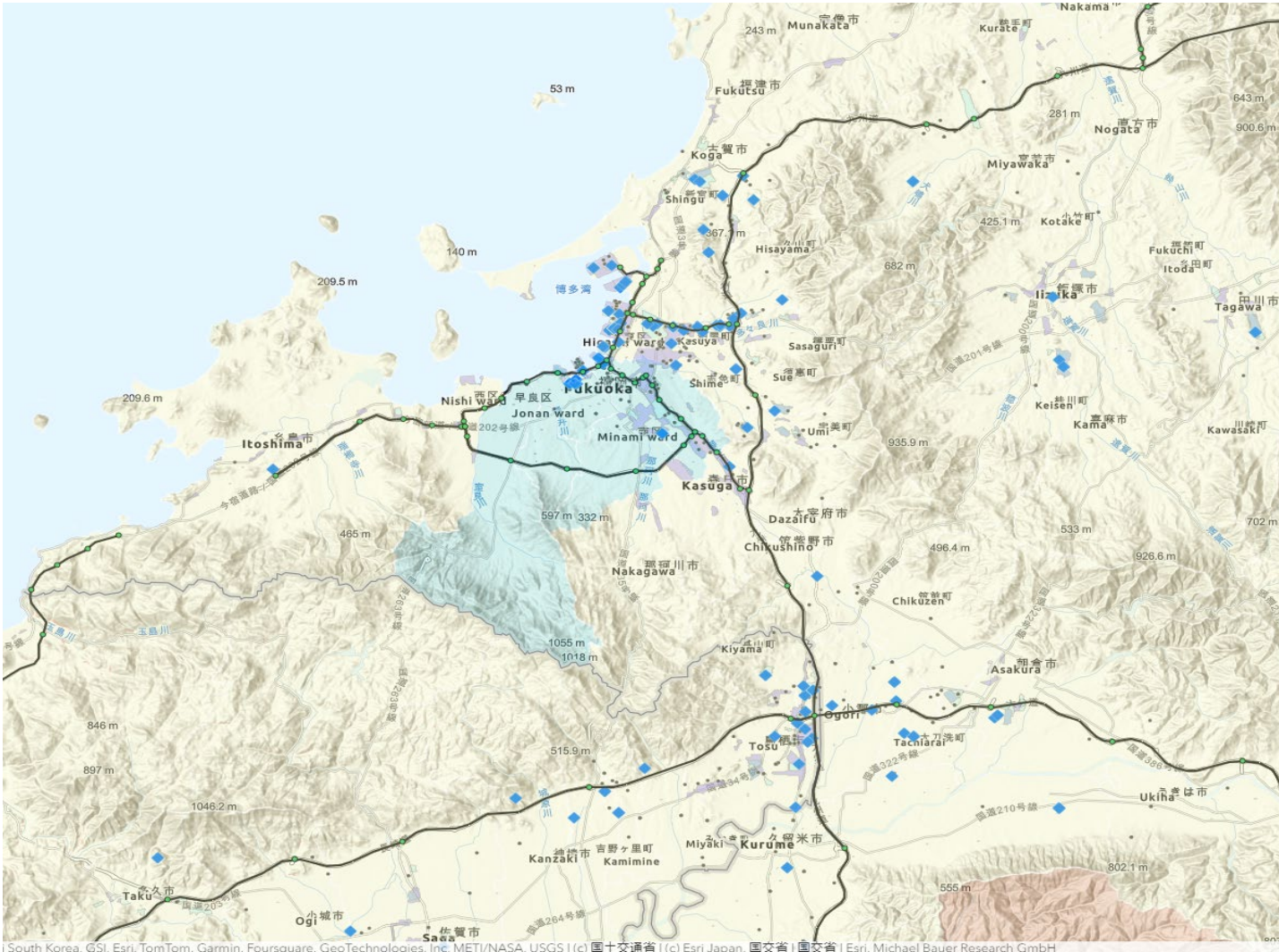
Cold Storage



Registered Warehousing Facility



(4) Greater Fukuoka Area : Mapping Major Roads/ Cold Storage Locations / Purchasing Power Per Capita



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Source: MILT, LNEWS, Bureau of Statistics, Cushman & Wakefield