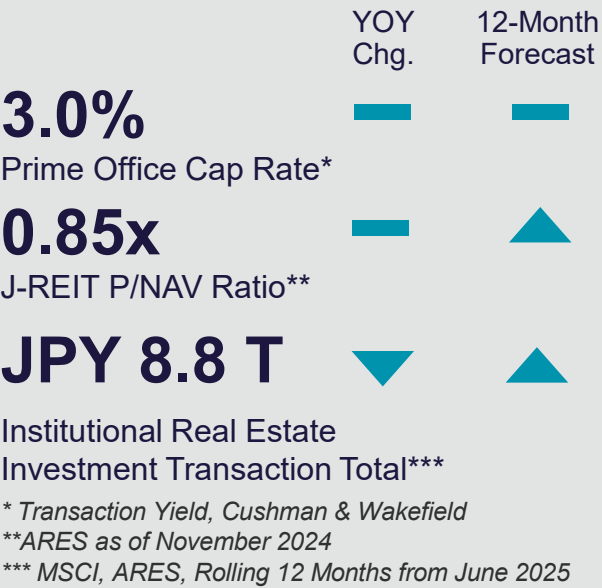
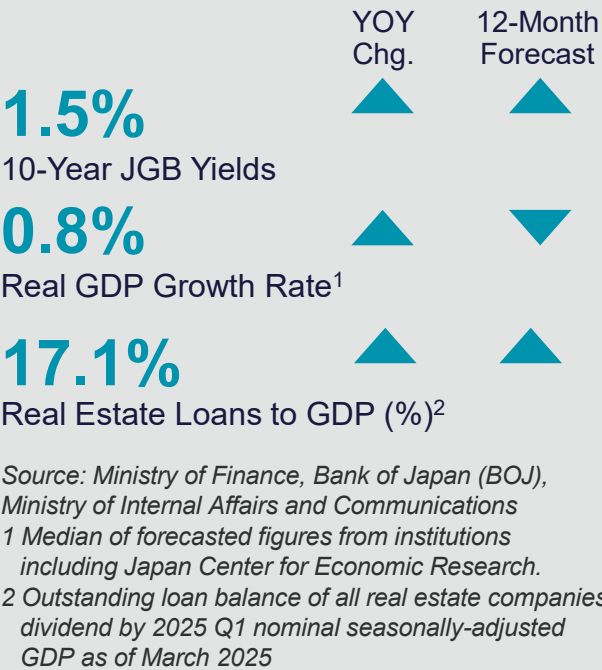


MARKET FUNDAMENTALS



ECONOMIC INDICATORS



REAL ESTATE INVESTMENT FINANCING ENVIRONMENT STILL FAVORABLE

Japan’s real GDP is projected to grow by approximately +0.8% year-on-year in 2025, despite concerns over a global slowdown and weaker manufacturing due to U.S. import tariffs. The IMF forecasts global GDP growth to decelerate from +3.3% in 2024 to +3.0% for 2025. Domestically, the Bank of Japan has maintained a cautious approach to rate hikes since April, on the back of U.S. trade tariff concerns, slowing the pace of increases. As at June 2025, the 10-year government bond yield remained stable, with just a minor adjustment of 0.4 percentage points y-o-y. Despite a phase of rising interest rates, the Tokyo Stock Exchange REIT Index climbed more than 10% from its December 2024 low, driven by increased rental incomes from commercial properties. The loan-to-GDP ratio for the real estate sector also continued to rise, indicating a favorable financing environment.

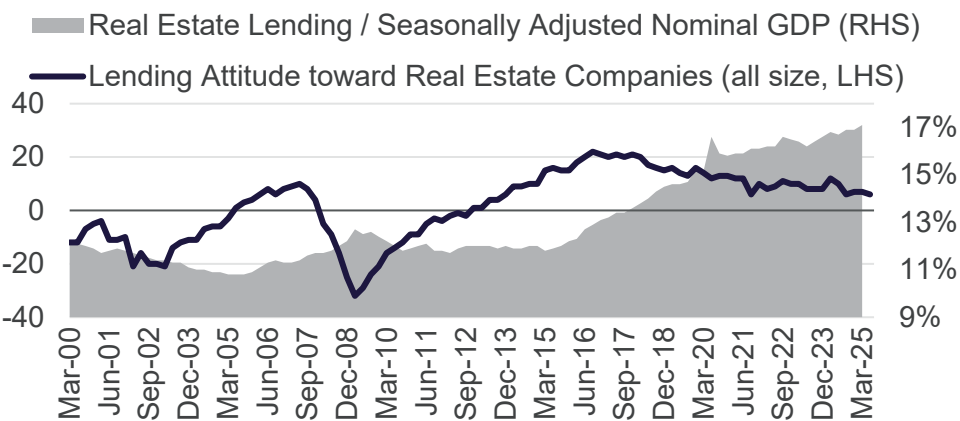
OFFICE TRANSACTION VOLUME RISES ON HIGHER RENTAL INCOMES

Over the past 12 months, real estate investment transaction volume reached ¥8.8 trillion, down 12.4% y-o-y but still at approximately 9% above the five-year average. Office asset transaction volume was the only sector to see growth, rising 17% primarily due to growing rental income, particularly for prime properties in central Tokyo. The retail sector saw the largest drop in transaction volume at -44%, followed by residential at -25% and logistics at -21%, all reflecting an absence of the large-scale deals seen in 2024. Overseas investors have been net buyers since early 2025, prompted by a weaker yen and rising rental incomes. Notable acquisitions include GAW Capital’s purchase of Tokyu Plaza Ginza for approximately ¥150 billion. In contrast, listed companies, including REITs, were net sellers, with examples such as Yamato Holdings’ sale of its headquarters for off-balance-sheet purposes.

OUTLOOK

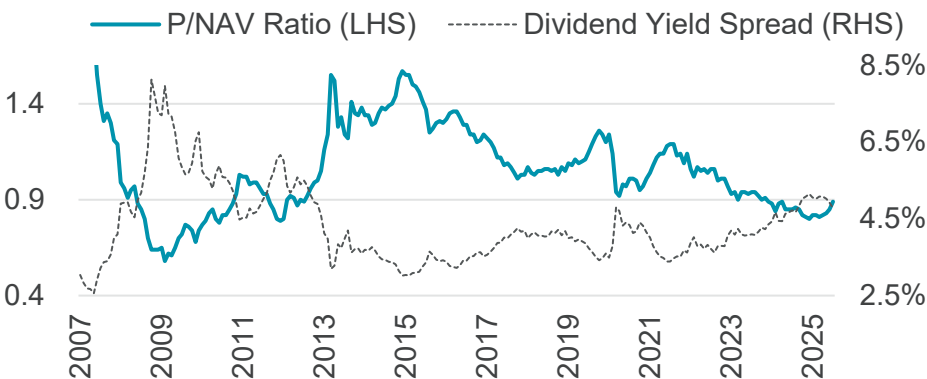
- Global economic uncertainty persists, making it difficult to expect a faster pace of interest rate hikes by the Bank of Japan. Upward pressure on U.S. long-term bond yields, driven by expanding fiscal deficits, is expected to keep the Japan–U.S. interest rate gap wide and the yen weak. Compared to Europe, which faces geopolitical risks, and export-dependent Asian economies vulnerable to U.S. tariffs, Japan remains attractive to overseas real estate investors.
- The Tokyo Stock Exchange REIT Index has shown steady performance, and fundraising by domestic institutional investors has expanded, reflecting a favorable funding environment. Meanwhile, reported potential asset disposals by firms such as Sapporo Real Estate Development, and Sumitomo Real Estate, along with off-balance-sheet sales by general domestic companies, are expected to drive an increase in overall transaction volumes.

REAL ESTATE LENDING AND THE BOJ TANKAN D.I.



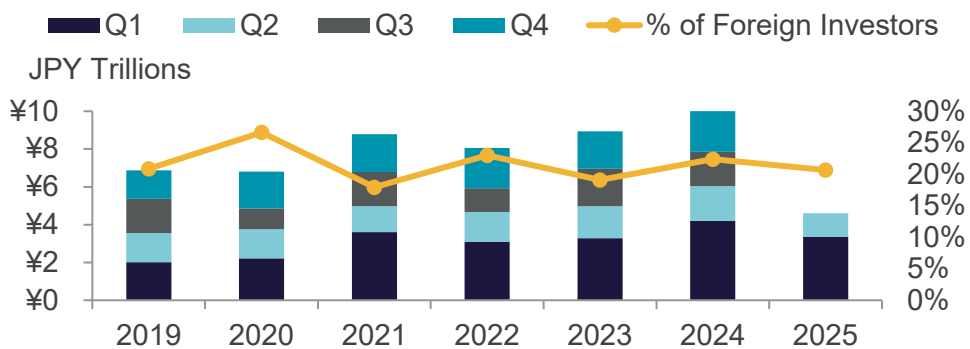
Source: Bank of Japan, Ministry of International Affairs and Communications

J-REIT MONTHLY P/NAV RATIO SINCE 2007



Source: ARES, Ministry of Finance

REAL ESTATE TRANSACTION VOLUME



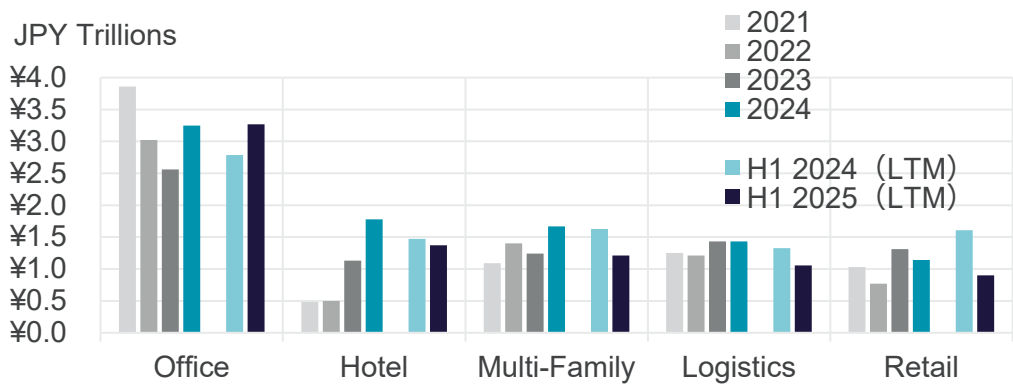
Source: MSCI, ARES

INVESTMENT TRANSACTIONS BY
PROPERTY TYPE (LAST 12 MONTHS)

PROPERTY TYPE	NUMBER OF PROPERTIES	VOLUME (JPY Billion)	CAP RATE* (LOWER – UPPER LIMIT)
Office	410	¥3,267	2.4% - 4.9%
Hotel	194	¥1,374	3.6% - 6.0%
Multi-Family	543	¥1,212	3.2% - 6.1%
Logistics	117	¥1,204	3.4% - 4.5%
Retail	156	¥1,032	2.1% - 6.0%

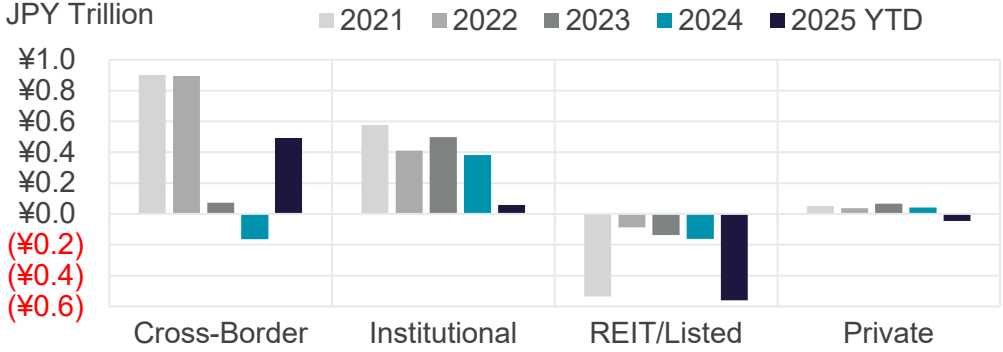
Source: MSCI, ARES
*Investment-grade properties in Greater Tokyo, Osaka, Nagoya and Fukuoka Area excluding development projects

INVESTMENT TRANSACTIONS BY ASSET TYPE



Source: MSCI, ARES

NET TRANSACTION VOLUME BY INVESTOR PROFILE



Source: MSCI

MAJOR TRANSACTIONS IN THE ORDER OF TRANSACTION SIZE (LAST 6 MONTHS)

PROPERTY NAME	TYPE	BUYER	SELLER	PRICE (JPY Billion)	GFA (Tsubo)	PRICE / JPY per Tsubo	CAP RATE	LOCATION
Meguro Gajoen	Incl. Office, Hotel	Brookfield	LaSalle Investment Management	¥160.0	47,136	¥3.39	-	Minato-ku, Tokyo
Tokyu Plaza Ginza	Retail	Gaw Capital Partners, Patience Capital Group	Sumitomo Mitsui Trust Panasonic Finance, Broadia Private REIT	¥150.0	14,727	¥10.19	-	Chuo-ku, Tokyo
Akasaka Park Building	Office	Mitsubishi Estate	Japan Real Estate Investment	¥80.7	29,490	¥4.79	3.5%	Minato-ku, Tokyo
4 properties including Yamato Head Office	Office	Incl. Meiji Yasuda Life Insurance, Hulic	Yamato Holdings	¥45.0	14,618	¥3.08	-	Incl. Chuo-ku, Tokyo
Yokohama Mitsui Building	Office	Nippon Building Fund Inc.	Mitsui Fudosan	¥43.2	1,269*	¥3.73	3.8%	Yokohama, Kanagawa
Hotel Universal Port Vita	Hotel	ORIX Real Estate Investment	ORIX	¥35.0	9,559	¥4.64	5.1%	Osaka, Osaka
Shiba NBF Tower	Office	Toyota Real Estate	Nippon Building Fund	¥32.1	13,442	¥4.29	3.6%	Minato-ku, Tokyo
8 core properties of Alps Logistics	Incl. Logistics, land	Industrial & Infrastructure Fund Investment	Alps Logistics and its group companies	¥31.5	48,356	¥0.65	-	Incl. Saitama, Kanagawa
Enisio Meieki	Office	Meitetsu Urban Development	O.T. One TMK	¥30.0	5,645	¥5.72	-	Nagoya, Aichi
HUNDRED CIRCUS East Tower	Incl. Retail, Residential	CapitaLand Investment	ML Estate	¥30.0	1,125	¥26.67	-	Shinjuku-ku, Tokyo
Comore Yotsuya	Office	Japan Real Estate Investment	Mitsubishi Estate	¥29.1	3,264*	¥8.73	3.2%	Shinjuku-ku, Tokyo

Source: MSCI, Nikkei Real Estate Market Data, press releases on each company’s website
*Transaction subject area

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