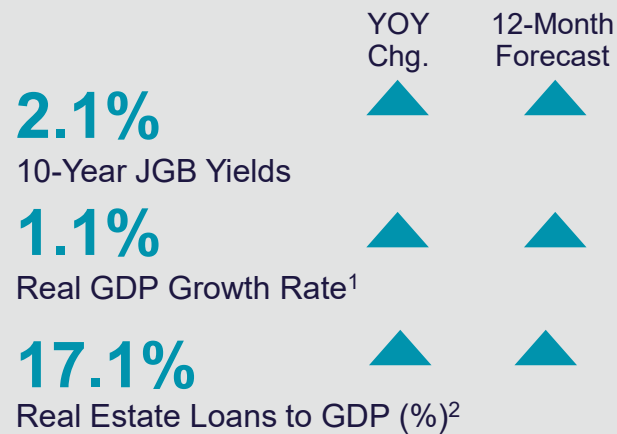


MARKET FUNDAMENTALS



* Median based on transaction in H2 2025
 ** ARES as of December 2025
 *** MSCI, ARES, Rolling 12 Months from December 2025

ECONOMIC INDICATORS



Source: Ministry of Finance, Bank of Japan (BOJ), Ministry of Internal Affairs and Communications
 1 Median of forecasted figures from institutions including Japan Center for Economic Research.
 2 Outstanding loan balance of all real estate companies divided by 2025 Q3 nominal seasonally-adjusted GDP as of September 2025

ROBUST FUNDAMENTALS SUPPORT INVESTMENT DESPITE RATE INCREASE

Japan's real GDP for 2026 is expected to remain modestly positive, although uncertainty in the external environment persists, including U.S. trade policies and concerns over a global economic slowdown. Against this backdrop, the Bank of Japan continues to manage its monetary policy cautiously while maintaining its path toward monetary normalization. Long-term interest rates have reached the 2% range; however, fundamentals in the commercial real estate sector — particularly office and residential assets — have remained relatively stable, supported by rental growth and high occupancy rates. In the public markets, while J-REIT dividend yields have compressed due to rising stock prices, NAV multiples have expanded with equity investors pivoting toward underlying asset quality and profitability.

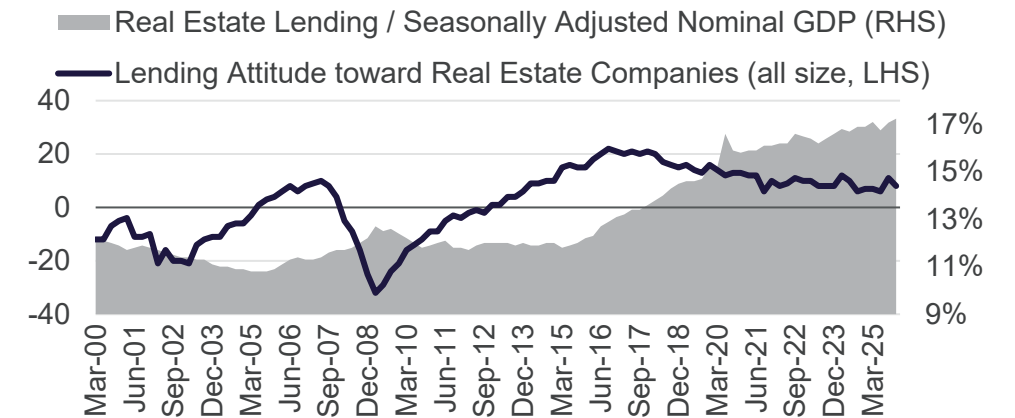
INVESTOR SELECTIVITY REMAINS FOCUSED ON OFFICE ASSETS

Total commercial real estate investment volume for 2025 reached approximately JPY10.1 trillion. By sector, office transactions totaled around JPY3.8 trillion, a 15% year-on-year increase. Notable transactions included Shiodome City Center, Osaka Dojimahama Tower and the Nissan Global Headquarters building. This momentum was driven by sustained investor appetite backed by rental growth and low vacancy rates. In contrast, transaction volumes for hotel, residential and logistics sectors saw lower transaction volumes in 2025, largely due to a base effect following significant portfolio transactions in 2024. Similarly, data center transaction volume fell short of the previous year's level, following Blackstone's mega acquisition of AirTrunk in 2024. Nevertheless, underlying data center market activity remains robust, fuelled by expanding AI-related demand. By buyer type, overseas investors recorded net acquisitions of JPY 88 billion in 2025, in comparison to a reversal of JPY178 billion in the previous year, supported by stable income conditions and the weaker yen.

OUTLOOK

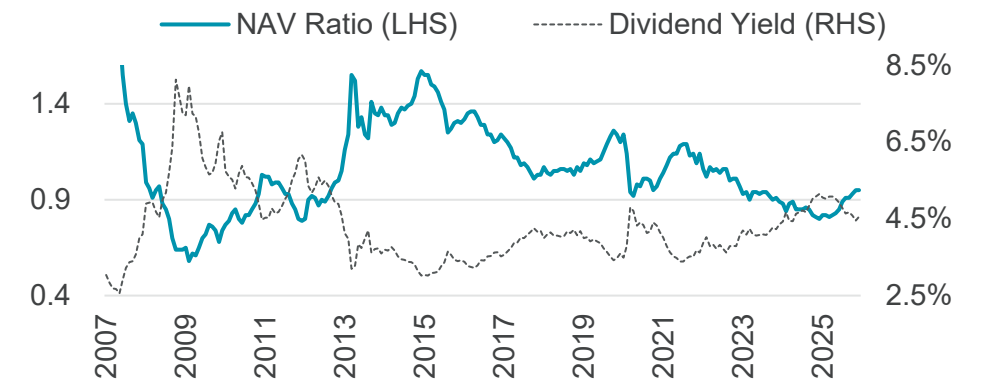
- While global economic uncertainties linger, the BOJ is expected to maintain a cautious pace of rate hikes, suggesting a continued gradual upward trajectory for the domestic interest rate environment. In the U.S., fiscal deficits are likely to keep upward pressure on long-term interest rates. Consequently, the U.S.-Japan interest rate differential is unlikely to narrow significantly, making a prolonged weak-yen trend highly probable.
- Against this backdrop, Japan's real estate investment market is expected to maintain relative stability and investment attractiveness.
- Meanwhile, the closure of the Strait of Hormuz could temporarily slow transaction activities as investors re-evaluate market conditions underlying their investment scenarios.

REAL ESTATE LENDING AND THE BOJ TANKAN D.I.



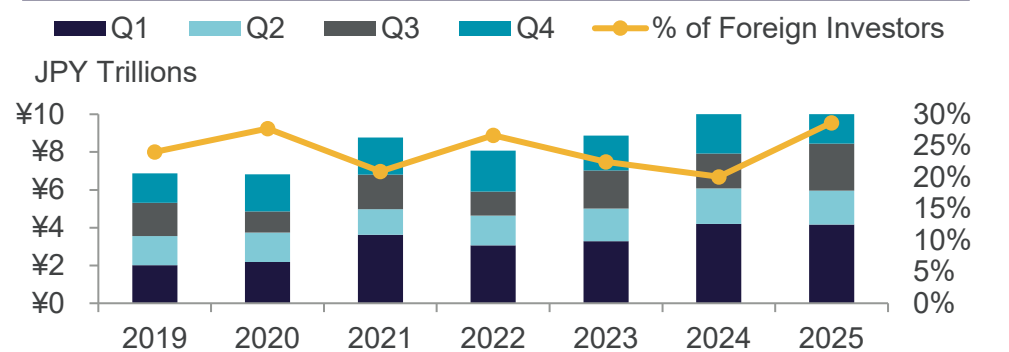
Source: Bank of Japan, Ministry of International Affairs and Communications

J-REIT MONTHLY P/NAV RATIO SINCE 2007



Source: ARES

REAL ESTATE TRANSACTION VOLUME



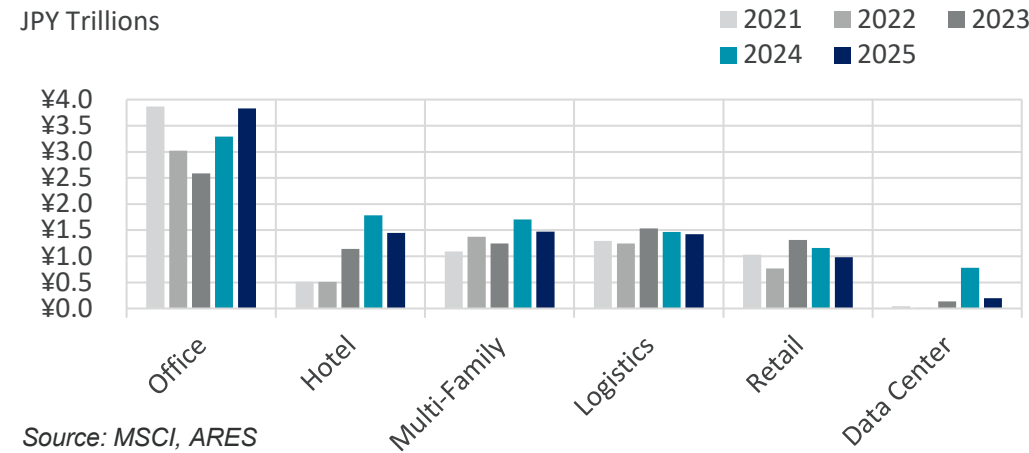
Source: MSCI, ARES

INVESTMENT TRANSACTIONS BY PROPERTY TYPE (LAST 12 MONTHS)

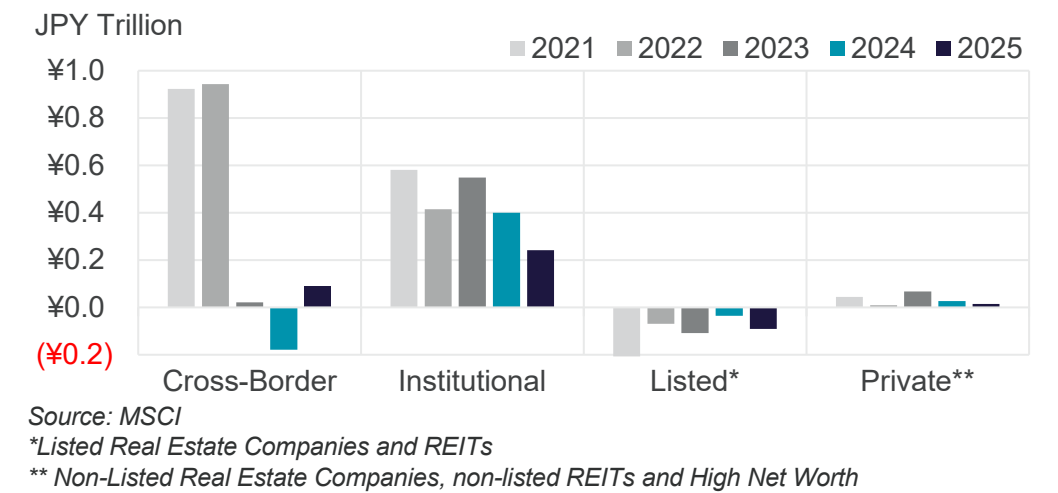
PROPERTY TYPE	NUMBER OF PROPERTIES	VOLUME (JPY Billion)	CAP RATE* (25 th /75 th PERCENTILE)
Office	367	¥3,831	3.3% - 4.3%
Hotel	127	¥1,445	4.4% - 6.2%
Multi-Family	497	¥1,471	3.9% - 4.6%
Logistics	120	¥1,424	4.3% - 5.5%
Retail	124	¥981	3.4% - 5.2%

Source: MSCI, ARES
*Investment-grade properties across Japan, including portfolio deals, excluding development projects

INVESTMENT TRANSACTIONS BY ASSET TYPE



NET TRANSACTION VOLUME BY INVESTOR PROFILE



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

PROPERTY NAME	TYPE	BUYER	SELLER	PRICE (JPY Billion)	GFA (Tsubo)	PRICE per Tsubo (JPY Million)	CAP RATE	LOCATION
Shiodome City Center (44%)	Office	KKR	GIC	¥130.0	54,927	¥2.37	3.1%	Minato-ku, Tokyo
Hyatt Regency Tokyo	Hotel	Japan Hotel REIT	KKR, Gaw Capital	¥126.0	21,728	¥5.80	4.9%	Chuo-ku, Tokyo
Osaka Dojima Tower	Office	Mitsubishi UFJ Financial Group	Mitsubishi Estate, Mitsubishi Corporation	¥100.0	19,578	¥14.57	-	Osaka, Osaka
Tokyo C-NX	Logistics	Blackstone	Mizuho Leasing	¥100.0	45,781	¥2.37	3.4%	Koto-ku, Tokyo
Nissan Motor Global Headquarters	Office	Minth Group	Nissan Motors	¥97.0	27,665	¥3.51	-	Nishi-ku, Kanagawa
Colt Data Centre Services 4	Data Center	Keppel DC REIT, Keppel	Colt Data Centre Services, Fidelity Investments	¥82.1	5,556	¥30.16	-	Inzai, Chiba
ESR Amagasaki Distribution Center (50%)	Logistics	Daiichi Life, Hulic	ESR Group	¥70.0	109,892	¥1.27	-	Amagasaki, Hyogo
Hilton Fukuoka Sea Hawk	Hotel	Japan Hotel REIT	Mizuho Leasing	¥64.4	42,640	¥1.56	4.9%	Chuo-ku, Fukuoka
Redwood Fujidera Distribution Center	Logistics	ESR	SMBC Trust Bank	¥60.0	53,698	¥1.12	-	Fujiidera, Osaka
3 properties including CBRE IM Fukuoka Hisayama	Logistics	SPC sponsored by CBRE Investment Management	SPC sponsored by CBRE Investment Management	¥60.0	45,061	¥1.33	-	Fukuoka, Shiga, Saitama

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

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