MARKETBEAT
JAPAN
CAPITAL MARKETS H1 2026

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg.	12-Month Forecast
3.3% Tokyo Five Wards Office Cap Rate*	—	—
0.84x J-REIT NAV Ratio**	▼	▲
JPY 10.0 T Institutional Real Estate Investment Transaction Total***	▲	▲

** Median based on transaction in H1 2026*
***ARES as of June 2026*
**** MSCI, ARES, Rolling 12 Months from June 2026*

ECONOMIC INDICATORS

	YOY Chg.	12-Month Forecast
2.7% 10-Year JGB Yields[1]	▲	▲
1.3% Real GDP Growth Rate[2]	▲	▲
17.6% Real Estate Loans to GDP (%)[3]	▲	▲

Source: Ministry of Finance, Bank of Japan (BOJ), Ministry of Internal Affairs and Communications
1. As of June 2026
2. Cabinet Office, Economic Outlook and Basic Stance for Economic and Fiscal Management for FY2026, released on January 23, 2026
3. Outstanding loan balance of all real estate companies dividend by 2026 Q2 nominal seasonally-adjusted GDP as of June 2026

MARKET SENTIMENT SOFTENS, BUT REAL ESTATE DEMAND HOLDS FIRM

Japan's real GDP grew 0.3% quarter-on-quarter (1.1% annualized) in Q2 2026, marking the third consecutive quarter of growth. As at end-June, the lending attitude DI declined one point to +7 but remained favorable. Outstanding real estate loans also continued to rise relative to nominal GDP, supporting a positive financing environment.

Long-term interest rates rose to 2.7% as at end-June. However, fundamentals remained robust, with estimated contracted office rents up 14.5% year-on-year amid expanding tenant demand. The J-REIT market saw its NAV multiple strengthen to 0.95x in 2025, from 0.80x in December 2024, on the back of solid fundamentals and rental growth expectations, before easing to 0.84x as at June 2026 amid weaker sentiment following heightened tensions in the Middle East. Investment demand in the direct property market has remained resilient.

OVERSEAS INVESTORS DRIVE TRANSACTIONS, WITH OFFICE IN FOCUS

Investment property transaction volume totaled approximately JPY10 trillion for the 12 months through end-June 2026. Large-scale acquisitions by overseas investors, including KKR and PAG's acquisition of Sapporo Holdings' real estate business, and Brookfield Asset Management's acquisition of the Dentsu Headquarters Building, drove activity, with overseas investors accounting for 38% of total volume.

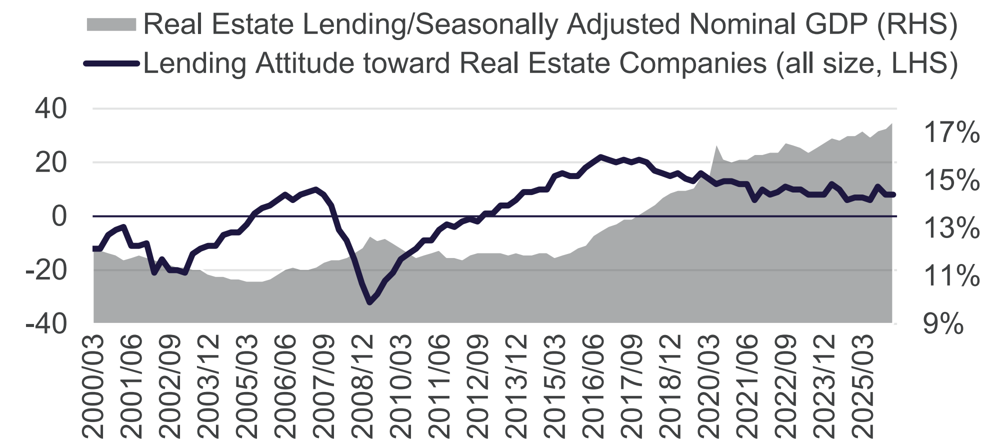
The office sector recorded the highest transaction volume at approximately JPY2.1 trillion, up 4% year-on-year. Hotel transactions rose 28%, while residential and logistics remained broadly flat. The retail sector fell 35.5% year-on-year following the significant Tokyu Plaza Ginza transaction in 2025, while data center transactions fell 13.3%. However, data center volumes are volatile given the limited number of large-scale transactions, as illustrated by the JPY156 billion sale of the Colt Keihanna Data Center.

Overseas investors recorded net acquisitions of JPY902.2 billion in H1 2026, while institutional investors recorded net sales of JPY342.8 billion. As institutional investors' share declines, acquisitions by private investors, including high-net-worth individuals, are increasing, pointing to greater diversification among investor types.

OUTLOOK

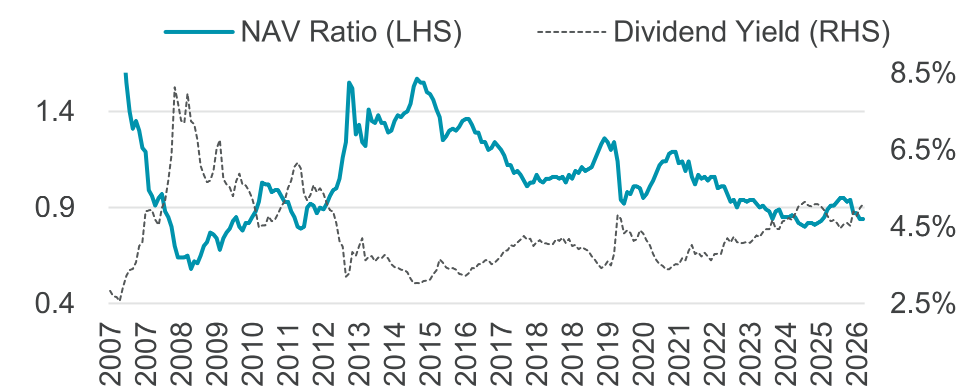
- With Japan's underlying inflation rate approaching the Bank of Japan's 2% target, monetary conditions are expected to remain accommodative, supporting further gradual rate hikes in line with economic and price developments. As long-term interest rates rise, real estate yield spreads are expected to continue narrowing. Against this backdrop, investor selectivity is likely to intensify, with greater focus on growth sectors and highly competitive assets where rental growth can offset or exceed upward pressure on cap rates.

REAL ESTATE LENDING AND THE BOJ TANKAN D.I.



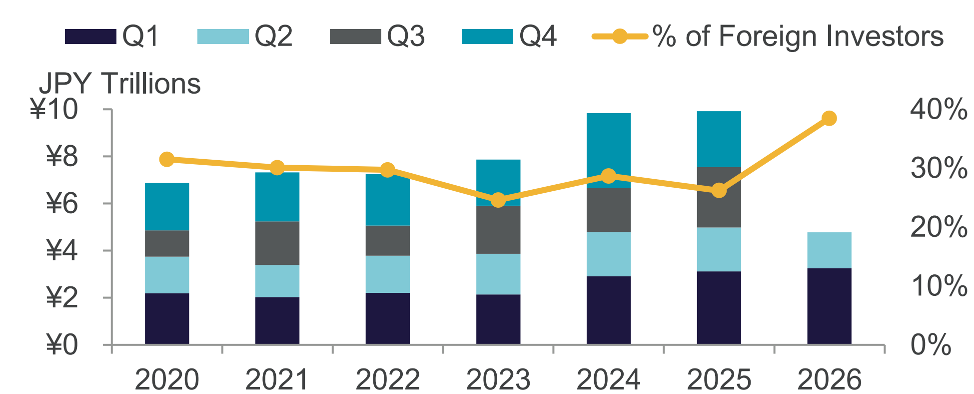
Source: Bank of Japan, Ministry of International Affairs and Communications

J-REIT MONTHLY P/NAV RATIO SINCE 2007



Source: ARES

REAL ESTATE TRANSACTION VOLUME



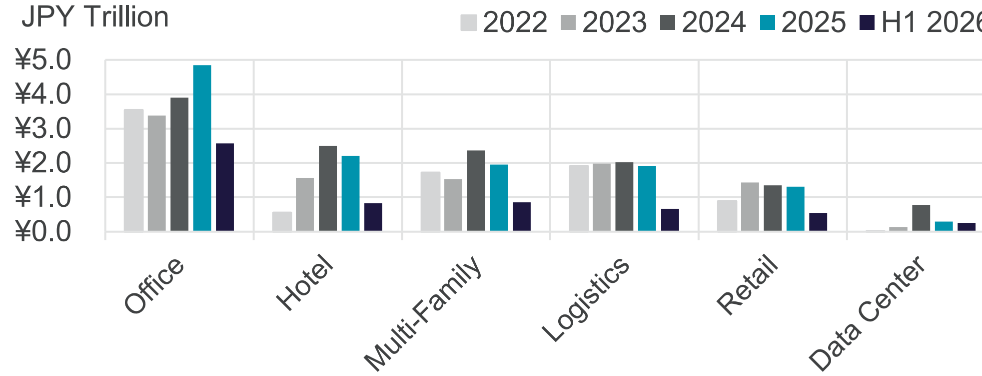
Source: MSCI, ARES

INVESTMENT TRANSACTIONS BY PROPERTY TYPE (LAST 12 MONTHS)

PROPERTY TYPE	NUMBER OF PROPERTIES	VOLUME (JPY Billion)	CAP RATE* (25th/75th PERCENTILE)
Office	461	¥3,930	3.3% - 4.3%
Hotel	197	¥1,309	4.4% - 6.2%
Multi-Family	612	¥1,446	3.9% - 4.6%
Logistics	131	¥1,575	4.3% - 5.5%
Retail	129	¥867	3.4% - 5.2%

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

INVESTMENT TRANSACTIONS BY ASSET TYPE



Source: MSCI, ARES

NET TRANSACTION VOLUME BY INVESTOR PROFILE

Source: MSCI
**Listed Real Estate Companies and REITs*
*** Non-Listed Real Estate Companies, non-listed REITs and High Net Worth*

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
Acquisition by Sapporo Real Estate	-	KKR, PAG	Sapporo Holdings	¥400.0*	-	-	-	Minato, Tokyo
Dentsu Headquarters, Shiodome Edge	Office	Brookfield Asset Management	Hulic, Mizuho Leasing	¥300.0	68,332	¥8.21	-	Minato, Tokyo
Colt Keihanna Data Center	Data Center	Mitsui & Co., Realty Management, CapitaLand Ascendas REIT	Colt Data Center Services, Fidelity Investments, CPPIB	¥156.0	13,049	¥33.71	4.3%	Seika, Kyoto
Hyatt Regency Tokyo (50%)	Hotel	Japan Hotel REIT Investment	EGW Asset Management, MDM, Gaw Capital, KKR	¥126.0	21,728	¥5.80	4.9%	Shinjuku, Tokyo
Pasona Square	Office	Goldcrest	BentallGreenOak	¥100.0	8,510	-	-	Minato, Tokyo
Hulic Minatomirai	Office, Retail, Hotel	-	Hulic	¥72.7	30,951	-	-	Yokohama, Kanagawa
UI Konan Logistics Center II	Logistics	-	Unified Industrial	¥52.1	17,926	¥2.91	-	Konan, Shiga
Ajinomoto Headquarters, Annex, Annex 2	Office	Nomura Real Estate, Shimizu	Ajinomoto	¥45.1	6,060	-	-	Chuo, Tokyo
4 properties including Ichinomiya Logistics Center II	Logistics	Japan Logistics Fund and others (investment)	-	¥36.9	40,508	¥0.94	-	Tokyo, Aichi, and others
Kamiyacho Trust Tower (7%)	Office	Mori Trust	HIS	¥32.5	2,297	-	-	Minato, Tokyo
Nihonbashi Honcho M-Square	Office	Nippon Building Fund	Mitsui Fudosan, Kajima	¥32.1	3,211	¥10.00	3.3%	Chuo, Tokyo

Source: MSCI, Nikkei Real Estate Market Data, press releases on each company's website
**Enterprise value*

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