

Real Estate Market Trends

—Autumn 2023—

Corporate Services Division

Nomura Real Estate Solutions Co., Ltd.

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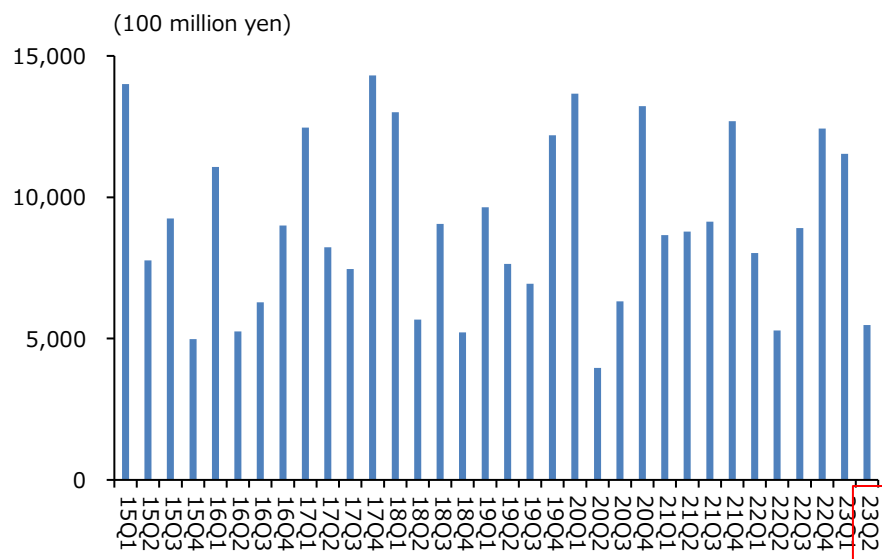


1. Commercial Real Estate Transactions

1 Commercial Real Estate Transactions (offices, hotels, stores, etc.)

- The commercial real estate transaction volume in Q2 2023 (ascertained) increased slightly compared to Q2 2022. This was likely due to impact from the recent worldwide policies of raising interest rates and caution against the worsening of overseas economies.
- Acquisitions by buyers other than REITs were sluggish, and in particular, large-scale transactions of large buildings and such by foreign investors had vanished and the transaction volume of offices dropped drastically.
- Investment in logistics facilities was the largest for Q2 since the initiation of the survey. Large-scale transactions, such as those with a portfolio exceeding 100 billion yen, could be seen here and there.

■ Change in commercial real estate transactions



Source: Prepared by NREAM based on various articles (partially extracted)
Note: Ascertained transactions only.

■ Large transaction cases ascertained in Q2 2023

Property (Asset type)	Timing	Details	Estimated amount
Six buildings, including DPL Tsukuba Ami I-A (Logistics)	Apr.	GIC (Singapore's government investment firm) acquired these properties from Blackstone Group. This is the largest contract in this quarter.	Over 100 billion yen in total
Prologis Park Soka (Logistics)	May	Nippon Prologis REIT acquired the property from Jinba Special Purpose Company (SPC of Prologis).	51.4 billion yen
Ajinomoto Food Manufacturing's Takatsu Plant, Ajinomoto's Tamagawa Logistics Center, etc. (plants, offices, warehouses, etc.)	Mar.	Nippon Steel Kowa Real Estate acquired the properties from Ajinomoto and Ajinomoto Food Manufacturing.	About 35.0 billion yen
Hulic Ginza 7 Chome Building [95%] (Office)	Apr.	Hulic acquired the property from Hulic Reit.	21.87 billion yen
Hulic Akihabara Chuo-dori Building (Stores)	Mar.	Nittaku Group Holdings acquired the property from Hulic. The entire building is rented by AOKI Holdings.	About 15.0 billion yen

Source: Prepared by Nomura Real Estate Solutions based on data from Nikkei Real Estate Market Report and press releases (partially extracted)
Note: "Timing" includes the timing of announcement, contract concluded or delivery. The NOI yield is an estimation.

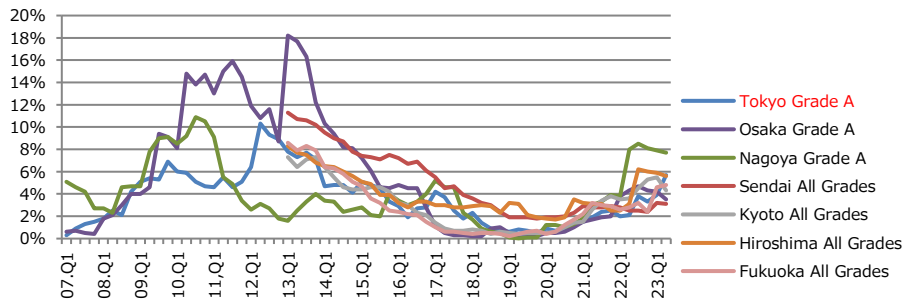


2. Offices

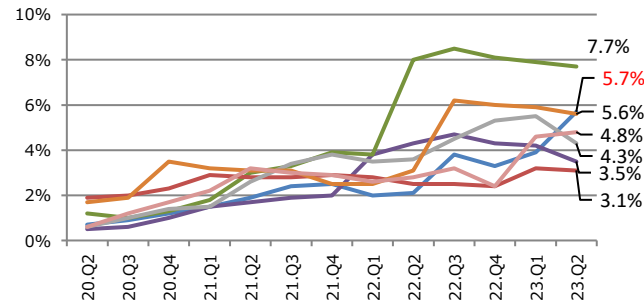
2-1 Office Trends in Major Cities

- [Tokyo]** The Grade A vacancy rate rose by 1.8 points q-o-q to 5.7%, and rents remained flat at 34,550 yen per *tsubo*. The drop in rents since Q2 2020 came to a temporary stop. However, with the easing of demand from a large volume of supply in the future, it is expected that rents will continue to be on a gradual downward trend. Grade A rents are expected to fall by 1.4% over the next year. The vacancy rate of all grades rose by 0.3 points q-o-q to 4.9%, and rents fell by 0.2% q-o-q to 21,300 yen per *tsubo*. The main reason came from the vacancies left by the large new supply. The scale of new supply vacancies was around 0.7% of the stock, but the vacancy rate stopped at an increase of 0.3 points due to vacancies being filled at existing buildings.
- [Osaka]** The Grade A vacancy rate fell by 0.7 points q-o-q to 3.5%, and rents fell by 0.4% q-o-q to 24,000 yen per *tsubo*. The main reason came from large-scale vacancies being filled due to relocation of head offices from company-owned buildings, and the vacancy rate dropped significantly. The vacancy rate of all grades rose by 0.1 points to 3.7%, and rents remained flat at 14,120 yen per *tsubo*. While tenant movement can be seen, deals of large lots remain sluggish. Rent adjustments for securing tenants are expected to continue due to the large supply scheduled in 2024
- [Nagoya]** The Grade A vacancy rate fell by 0.2 points q-o-q to 7.7%, and rents fell by 0.2% q-o-q to 26,400 yen per *tsubo*. Due to the easing of demand from large supply, it is expected that rents will continue to be gradually adjusted regardless of grade. Grade A rents are expected to fall by 1.7% against this quarter over the next year. The vacancy rate of all grades fell by 0.3 points q-o-q to 5.2%, and rents rose by 0.4% q-o-q to 13,790 yen per *tsubo*. The vacancy rate fell for the third consecutive quarter. Rents increased for the first time since Q1 2021. Asking rents, which were lowered at one time, could be seen to be returning to their previous levels.

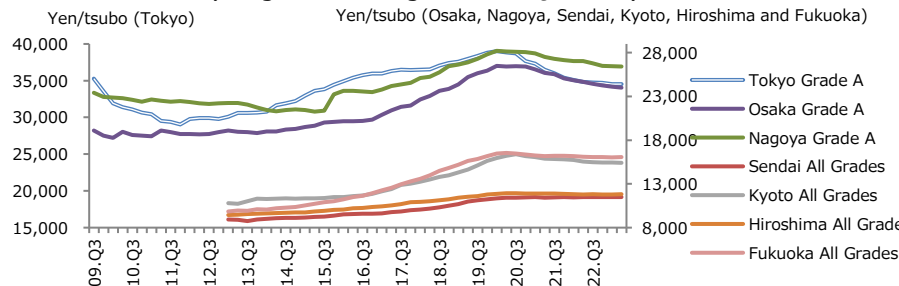
■ Vacancy rate (Long-term changes: from Q1 2007)



■ Vacancy rate (Short-term changes: from Q2 2020)

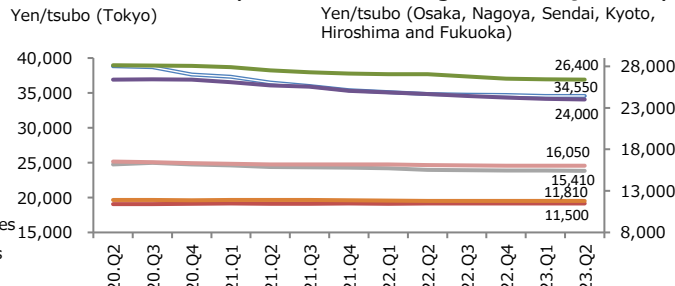


■ Rent revenue (Long-term changes: from Q3 2009)



*For Sendai, Kyoto, Hiroshima and Fukuoka, data for Q1 2013 onward is used

■ Rent revenue (Short-term changes: from Q2 2020)



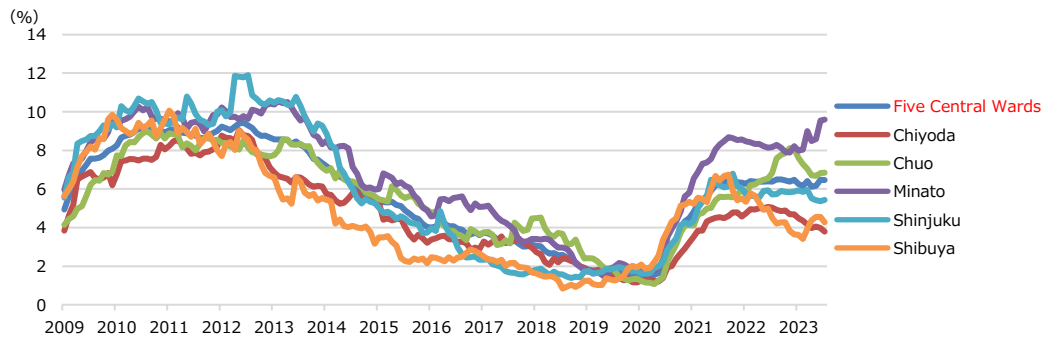
Source: Prepared by Nomura Real Estate Solutions based on "Japan Office Market View" by CBRE

Area		2022 Q3	2022 Q4	2023 Q1	2023 Q2
Tokyo Grade A	Vacancy rate (%)	3.8	3.3	3.9	5.7
	Assumed achievable rent (yen)	34,750	34,700	34,550	34,550
Osaka Grade A	Vacancy rate (%)	4.7	4.3	4.2	3.5
	Assumed achievable rent (yen)	24,450	24,250	24,100	24,000
Nagoya Grade A	Vacancy rate (%)	8.5	8.1	7.9	7.7
	Assumed achievable rent (yen)	26,800	26,500	26,450	26,400
Sendai All Grades	Vacancy rate (%)	2.5	2.4	3.2	3.1
	Assumed achievable rent (yen)	11,470	11,480	11,490	11,500
Kyoto All Grades	Vacancy rate (%)	4.5	5.3	5.5	4.3
	Assumed achievable rent (yen)	15,480	15,450	15,440	15,410
Hiroshima All Grades	Vacancy rate (%)	6.2	6.0	5.9	5.6
	Assumed achievable rent (yen)	11,800	11,790	11,790	11,810
Fukuoka All Grades	Vacancy rate (%)	3.2	2.4	4.6	4.8
	Assumed achievable rent (yen)	16,080	16,050	16,030	16,050

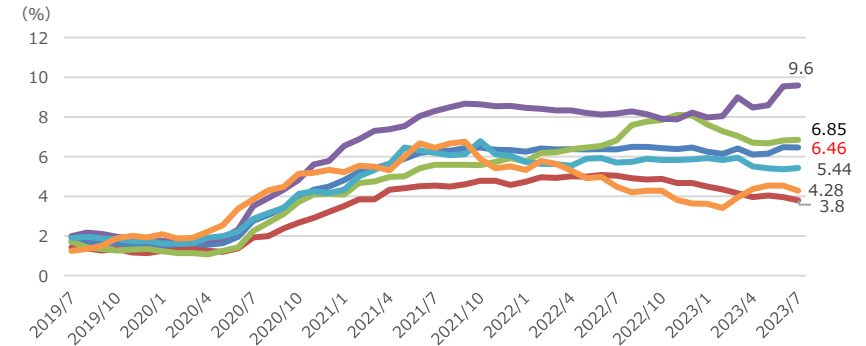
2-2 Office Trends in Tokyo's Five Central Wards

- The average vacancy rate in the five central wards of Tokyo was 6.46% as of July (down slightly 0.02 points from June). In addition to the trend of shifting to existing buildings while leaving asking areas at some buildings and the closing of large contracts, a trend of small and medium contracts could also be seen.
- The vacancy rate in the five central wards of Tokyo remained above 5%—a gauge for excessive supply—for 30 consecutive months. With the reopening of economic activities from the COVID-19 pandemic, there was a trend of increasing the number of times that employees go to their offices. Demand was also firm for relocation to offices with good locations centered on IT businesses.
- Average asking rents fell for the 36th consecutive month to 19,819 yen as of July (down 0.10% from June).

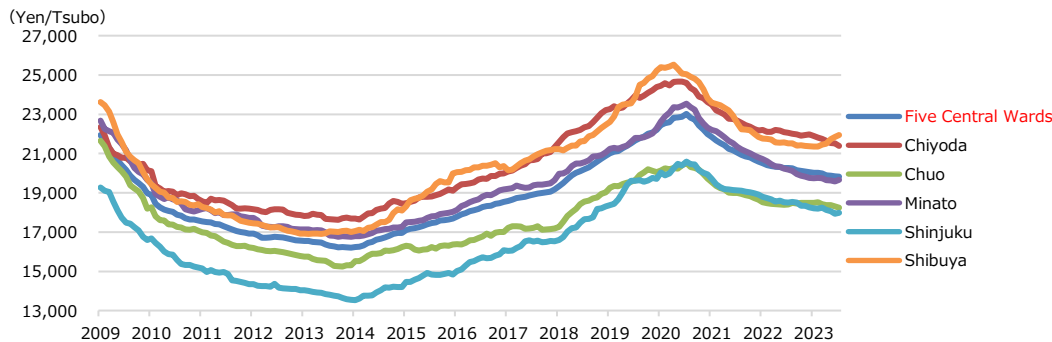
■ Average office vacancy rates (Long-term changes: from January 2009)



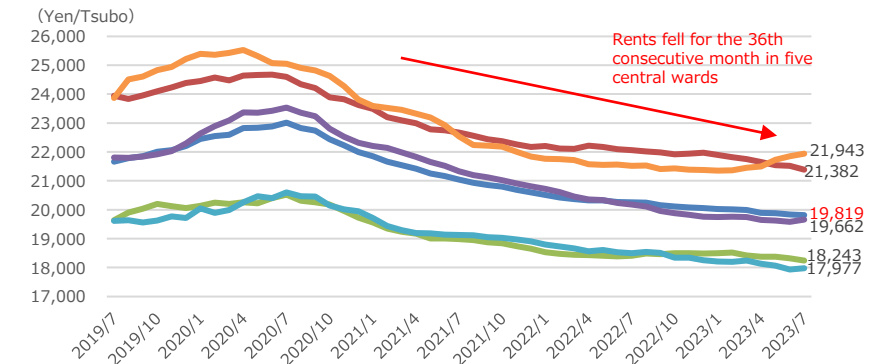
■ Average office vacancy rates (Short-term changes: from July 2019)



■ Average office asking rents by central wards (Long-term changes: from January 2009)



■ Average office asking rents by central wards (Short-term changes: from July 2019)

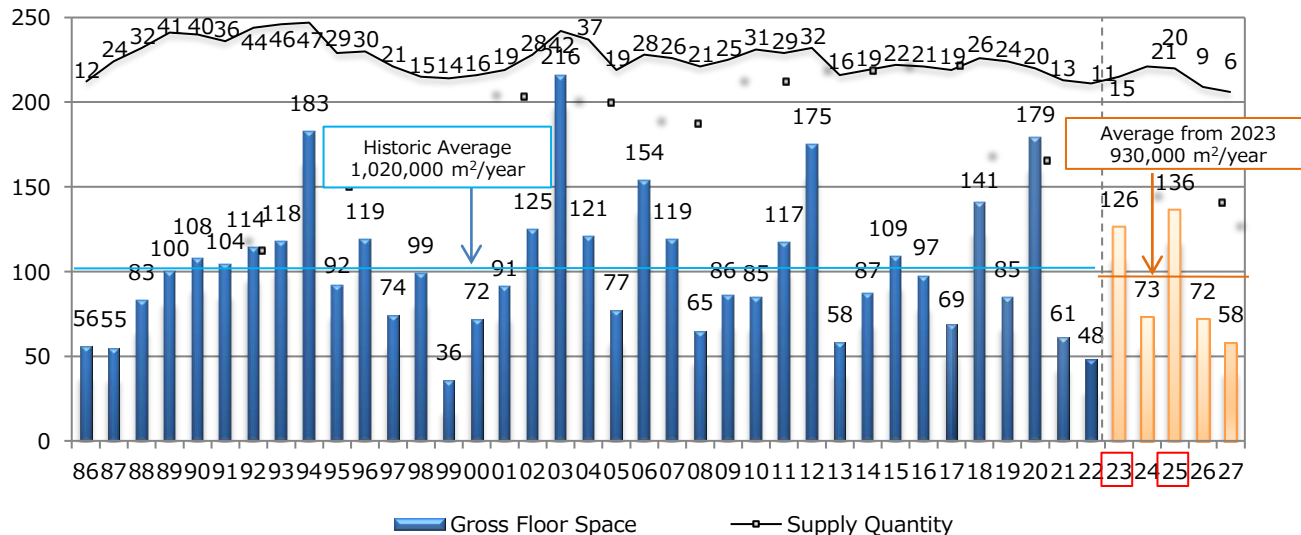


Source: Prepared by Nomura Real Estate Solutions based on data from Miki Shoji
 Note: Central five wards of Tokyo = Chiyoda Ward, Chuo Ward, Minato Ward, Shibuya Ward and Shinjuku Ward

2-3 Trends of Large-scale Offices in Tokyo's 23 Wards

- While the supply of large office buildings in **Tokyo's 23 wards** is expected to be at a certain level in **2023 (1.26 million m²)** and **2025 (1.36 million m²)**, the average supply over the next five years from 2023 through 2027 (0.93 million m²/year) is expected fall below the historical average (1.02 million m²) because the supply in 2024 (0.73 million m²), 2026 (0.72 million m²) and 2027 (0.58 million m²) will be limited.
- The supply of large office buildings in **Tokyo three central wards** in 2023 and 2025 will exceed the past 10-year average of 0.69 million m² per year. However, the average supply in the next five years from 2023 through 2027 is expected to be 0.66 million m² per year, below the historical average. In addition, of the supply in Tokyo's 23 wards, the supply in the three central wards will account for 71% for the next five years, falling below the past 10-year average (74%).
- New demand for large office buildings in **Tokyo's 23 wards** was 370,000 m² in 2022, a turn toward growth even though it fell below the supply of 480,000 m². **The vacancy rate at the end of 2022 was 5.9%**, up 0.3 points from the end of 2021, although the pace of increase has slowed down significantly compared to the increase of 1.6 points during the previous survey.
- The vacancy rate in major business districts was 5.5% as of the end of 2022, and properties with a gross office floor area of 100,000 m² or more in those districts was 4.4%. As seen, vacancy rates continued to differ depending on the district and property grade.

Large office building supply trends in Tokyo's 23 wards



1986-2022
 (1) Properties supplied: 975
 (2) Gross floor space: 37,780,000 m²

2023-2027
 (1) Properties supplied: 71
 (2) Gross floor space: 4,650,000 m²

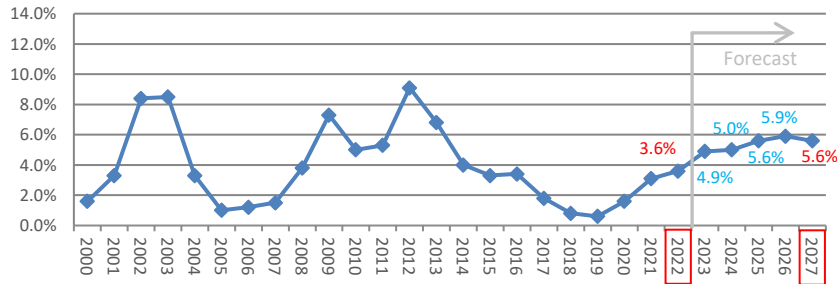
* The survey covered office buildings with a gross floor area of 10,000 m² or more (constructed after 1986) in Tokyo's 23 wards
 Source: Prepared by Nomura Real Estate Solutions based on data from Mori Building "Market Trends for Large-scale Office Buildings in Tokyo's 23 Wards in 2023"

2-4 Forecasts for the Office Market in the Three Major Metropolitan Areas

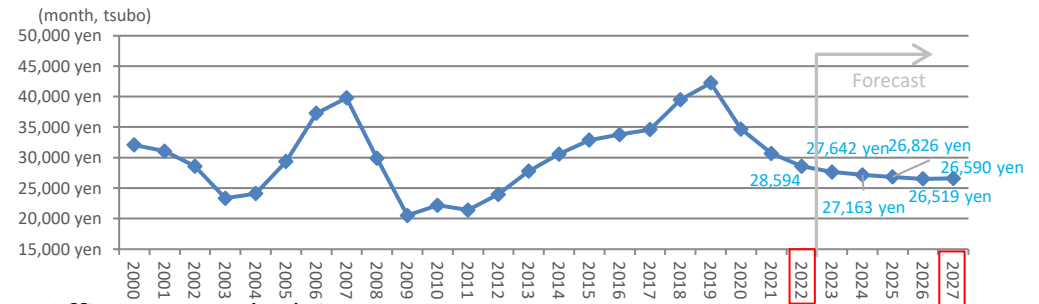
- The vacancy rate of A-Class buildings in central Tokyo is expected to continue the rising trend. It is forecast that the vacancy rate will rise particularly in 2023 and 2025, impacted by large supply, and **expected to be in the upper half of the 5% level in 2027**.
- The achievable rent of A-Class buildings in central Tokyo (“100” in 2022) will be “97” in 2023, “95” in 2024, and “93” in 2027, meaning that **it is expected to decline gradually**.
- The achievable rent of offices in Osaka is forecast to see a falling trend in line with supply and demand easing. Assuming that the rent in 2022 is “100,” it is forecast to fall to “98” in 2023 and “88” in 2027.
- The achievable rent of offices in Nagoya is expected to be on a declining trend in line with the easing of the balance between demand and supply. Assuming that the rent in 2022 is “100,” the achievable rent is forecast to fall to “97” in 2023 and “92” in 2027.
- Regarding these forecasts, Nomura Real Estate Solutions set the economic outlook, referring to the ESP Forecast Survey.

Source: NLI Research Institute estimated the actual values based on the “Office Rent Index” released by Sanko Estate and NLI Research Institute and the future outlook based on the “Office Rent Index” and others

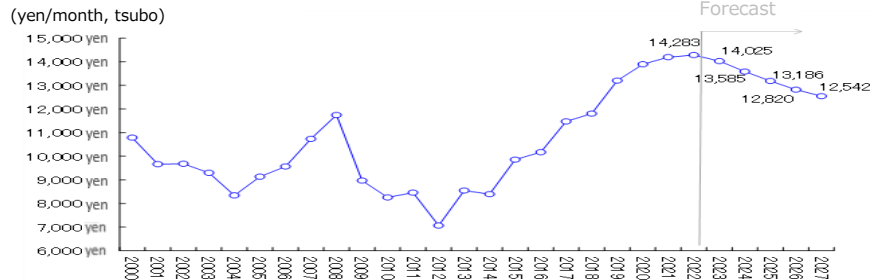
■ Vacancy rate outlook for A-Class buildings in central Tokyo



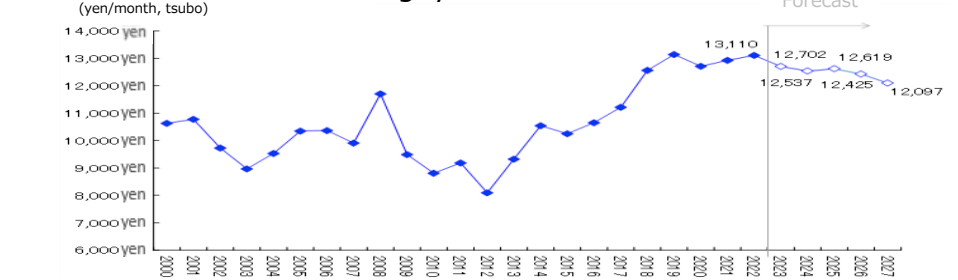
■ Achievable rent outlook for A-Class buildings in central Tokyo



■ Office rent outlook in Osaka



■ Office rent outlook in Nagoya

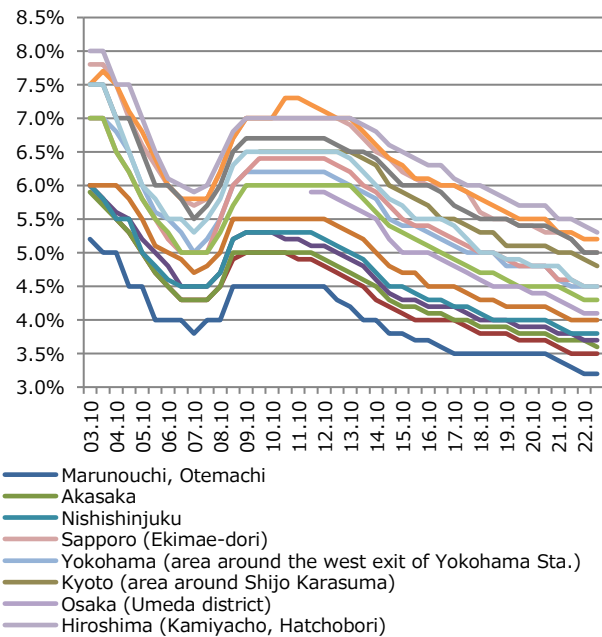


Source: NLI Research Institute estimated the actual values based on the “Office Rent Index” released by Sanko Estate and NLI Research Institute and the future outlook based on the “Office Rent Index” and others
 Note: The annual estimated values for Tokyo are published in the 4th quarter of each year. For Osaka and Nagoya, the values are published in the 2nd half of each year.

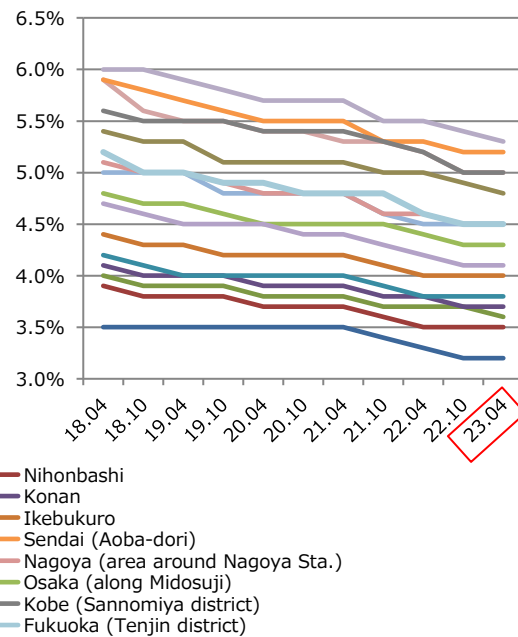
2-5 Expected Yields on Office Buildings (A-Class Buildings)

- Real estate investors' expected yields on A-Class buildings decreased 0.1 points in Akasaka, Kyoto, and Hiroshima, **but remained flat from the previous survey in many of the surveyed areas such as Marunouchi and Otemachi in Tokyo.**
- Among major government-designated cities, expected yields fell 0.1 points from the previous survey data in Kyoto (area around Shijo Karasuma) (4.8%) and Hiroshima (Kamiyacho, Hatchobori) (5.3%), and remained flat in Sapporo (Ekimae-dori) (5.0%), Sendai (Aoba-dori) (5.2%), Yokohama (area around the west exit of Yokohama Station) (4.5%), Nagoya (area around Nagoya Station) (4.5%), Osaka (along Midosuji) (4.3%), Osaka (Umeda district) (4.1%), and Fukuoka (Tenjin district) (4.5%).
- Regarding real estate investors' stance going forward, the respondents who answered that they would "actively make new investments" accounted for 96%, up one point from the previous survey. **Against the backdrop of a continuation in the policy of large-scale monetary easing, investors maintained an extremely active stance overall.**

■ Expected yields on standard A-Class buildings (Long-term changes: from October 2003)



■ Expected yields on standard A-Class buildings (Short-term changes: from April 2018)



* **Class-A buildings** in Marunouchi and Otemachi district

Yield in Apr. 2023		Change from the previous survey
Hiroshima (Kamiyacho, Hatchobori)	5.3%	- 0.1
Sendai (Aoba-dori)	5.2%	0.0
Sapporo (Ekimae-dori)	5.0%	0.0
Kobe (Sannomiya district)	5.0%	0.0
Kyoto (area around Shijo Karasuma)	4.8%	- 0.1
Yokohama (area around the west exit of Yokohama Sta.)	4.5%	0.0
Nagoya (area around Nagoya Sta.)	4.5%	0.0
Fukuoka (Tenjin district)	4.5%	0.0
Osaka (along Midosuji)	4.3%	0.0
Osaka (Umeda district)	4.1%	0.0
Ikebukuro	4.0%	0.0
Nishishinjuku	3.8%	0.0
Konan	3.7%	0.0
Akasaka	3.6%	- 0.1
Nihonbashi	3.5%	0.0
Marunouchi, Otemachi	3.2%	0.0

Access	Within 5 minutes' walk from the nearest station
Age of property	Less than 5 years old
Building scale	Gross floor area of 50,000 m ² or more
Leasable floor area on a standard floor	1,500 m ² or more
Ceiling height	2,800 mm or more
Equipment level	Free access floor, zone air conditioning
Building management	Security system
Leasing status	Multi-tenant (more than 10 companies)
Rent level	In line with the market levels
Lease agreement	General lease agreement
Ownership form	Full ownership

Source: Prepared by Nomura Real Estate Solutions based on data from Japan Real Estate Institute "Real Estate Investor's Survey"

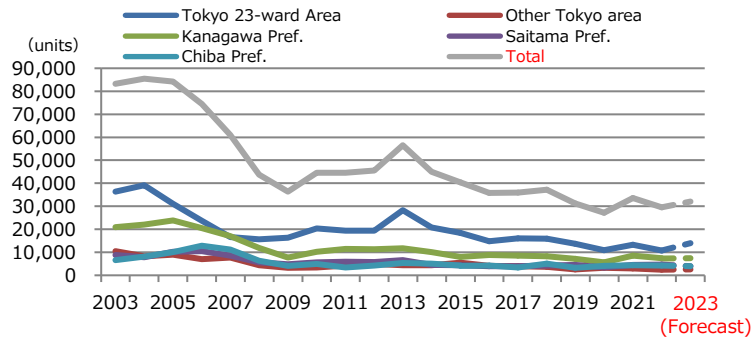


3. Condominiums for Sale

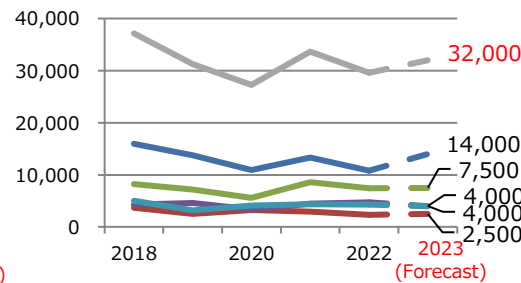
3 Supply and Price Trends of Condominiums for Sale in the Tokyo Metropolitan and Kinki Areas

- [Tokyo Metropolitan Area]** The supply of condominiums in the Tokyo Metropolitan area in 2023 is forecast to be 32,000 units (increase by 8.2% over the previous year). It increased significantly in the Tokyo 23-ward area, suburban Tokyo, and Chiba Prefecture. Large-scale projects and high-rise properties in the Tokyo 23-ward area have led the market. Inventory has remained low at around 5,000 units since June. Construction starts have been recovering since the summer. Attention is once again shifting from the suburbs to the city center. In Tokyo's 23 wards, a number of notable large-scale projects will be launched. There are concerns over price hikes due to higher construction costs and higher mortgage rates.
- [Kinki Area]** The supply of condominiums in the Kinki area in 2023 is forecast to be 18,000 units (increase by 0.7% over the previous year). It increased in Osaka Prefecture and Hyogo Prefecture, while it decreased in Osaka City and Kobe City. Inventories are low while completed inventories are high. Construction starts from January to October 2022 increased 16.0% y-o-y. Unit prices have continued to rise. Supply has become active in areas for families in the suburbs.

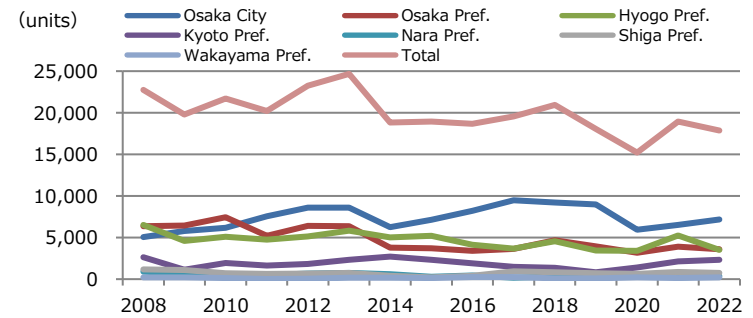
■ Supply trend: Tokyo Metropolitan Area



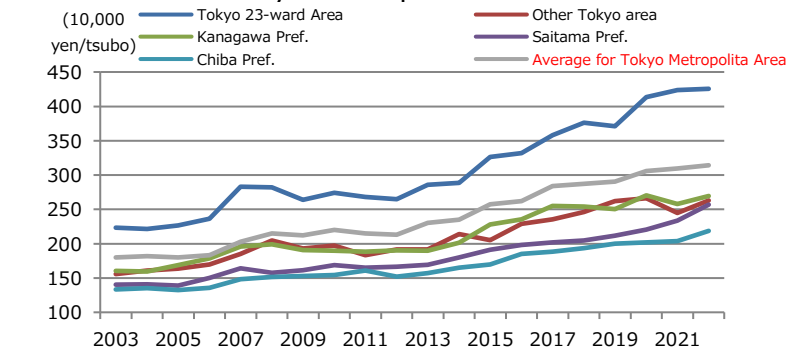
■ Supply trend: Tokyo Metropolitan Area (Short-term changes: from 2018)



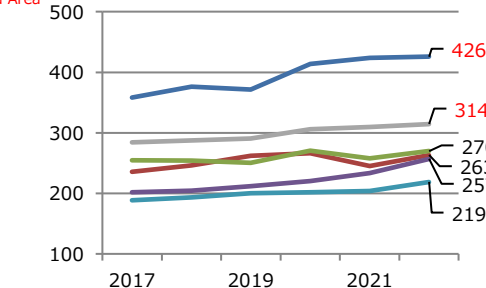
■ Supply trend: Kinki Area



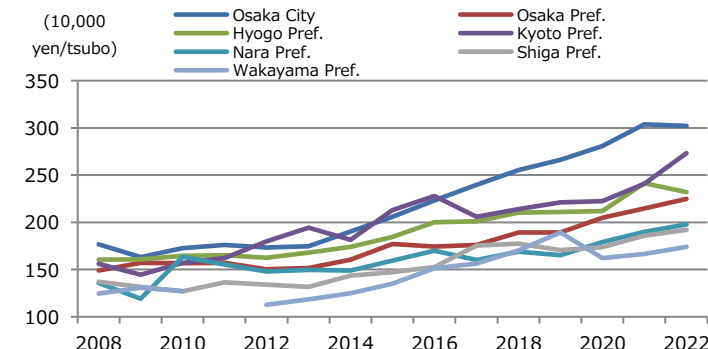
■ Price trend: Tokyo Metropolitan Area



■ Price trend: Tokyo Metropolitan Area (Short-term changes: from 2018)



■ Price trend: Kinki Area



Source: Compiled by Nomura Real Estate Solutions from the "Forecast of the Condominium Market in the Tokyo Metropolitan and the Kinki Area," "Market Trends for Condominiums in the Tokyo Metropolitan" and "Market Trends for Condominiums in the Kinki Area" published by Real Estate Economic Institute

*No supply in Wakayama Pref. in 2011

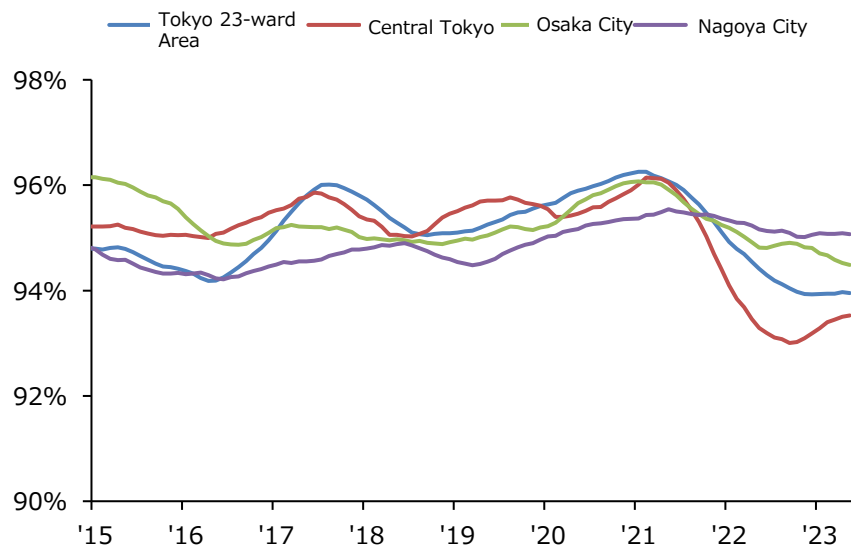


4. Rental Condominiums

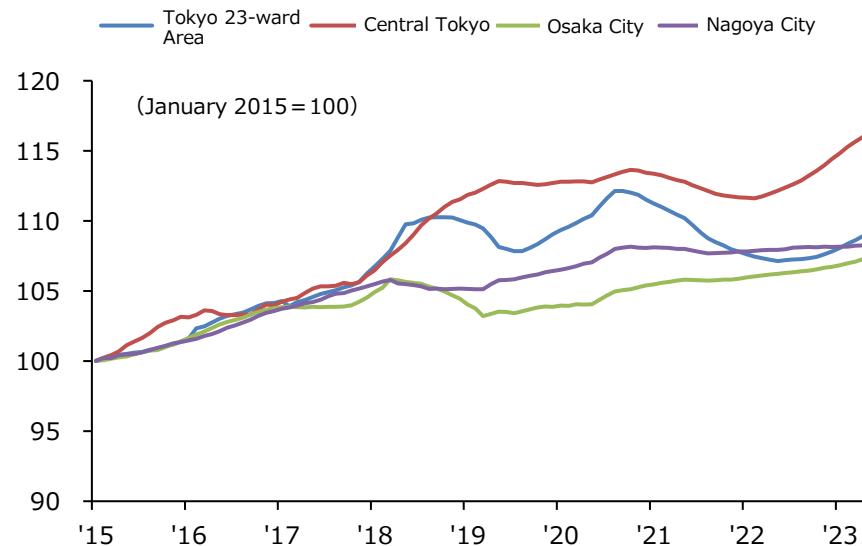
4-1 Trend of Rental Condominiums (Trend of Occupancy and Rent Level)

- The occupancy level in central Tokyo—which fell significantly due to the COVID-19 pandemic—is on a recovery trend, even though it is still below pre-pandemic levels.
- The rent level in central Tokyo exceeds the levels before the COVID-19 pandemic and continues to rise.

■ Trend of occupancy level (12-month backward moving average)



■ Trend of rent level



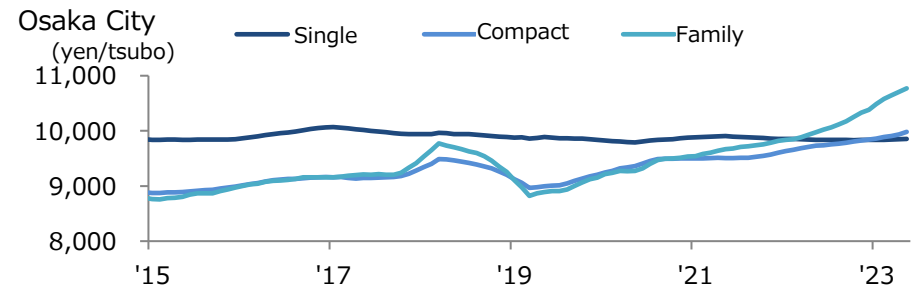
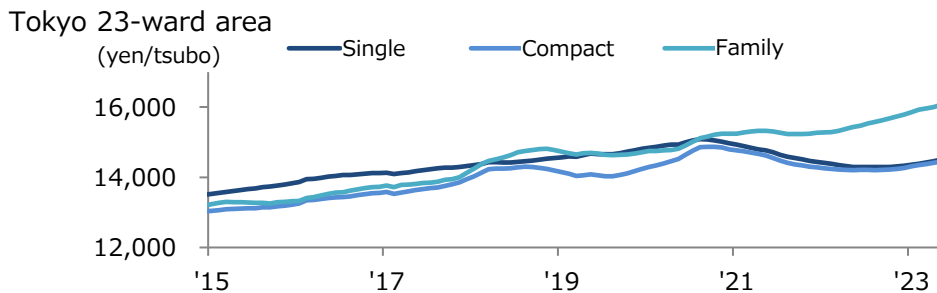
Source: All of the above data is from Style Act Co., Ltd.

Note: The rent is revised by Style Act to the achievable rent of a property that is new, located 5 minutes walk from a railway station, facing south, on the 2nd floor, a condominium and with key money of one month rent.

4-2 Trend of Rental Condominiums

- By floor area range, there was a prominent increase in rents for family-type condominiums in the Tokyo 23-ward area and Osaka City.
- The rise in rents for family-type condominiums was due to the low supply as well as the rising prices of condominiums.
- The net number of relocations to the Tokyo 23-ward area and Osaka City—which dropped due to the COVID-19 pandemic and remote work—continued to recover.
- The trend of decrease in relocations to cities and increase in relocations to the suburbs has crossed its peak, but remains below the pre-pandemic levels.

■ Trend of rent level by floor area range (12-month backward moving average)

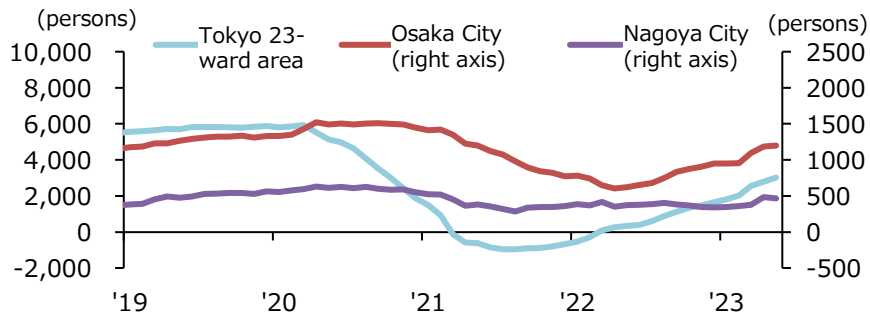


Source: All of the above data is from Style Act Co., Ltd.

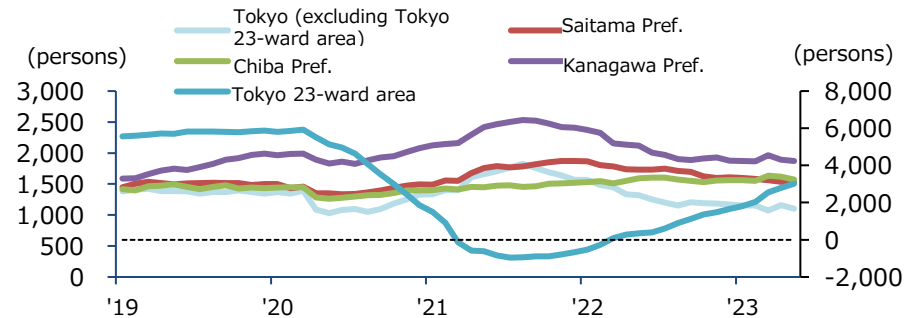
Note: The rent is revised by Style Act to the achievable rent of a property that is new, located 5 minutes walk from a railway station, facing south, on the 2nd floor, a condominium and with key money of one month rent.

Definitions: Single = 25 m² range, compact = 40 to 50 m² range, family = 70 m² range

■ Net number of relocations to Tokyo, Osaka, Nagoya (12-month moving average)



■ Net number of relocations to Tokyo Metropolitan Area (12-month moving average)



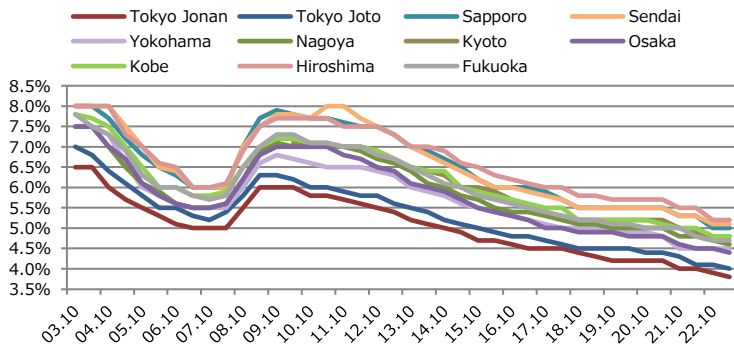
Source: Figures for net number of relocations prepared by NREAM based on data from the Ministry of Internal Affairs and Communications

Note: Figures do not include foreigners

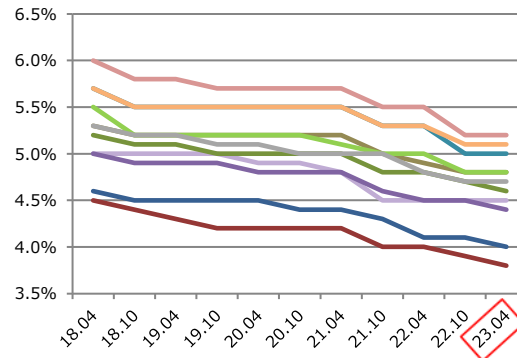
4-3 Expected Yields on Rental Condominiums

- The expected yields on **one-room** condominiums fell 0.1 points in the Tokyo Jonan area (3.8%), Tokyo Joto area (4.0%), Nagoya (4.6%), and Osaka (4.4%) compared to the previous survey data. The yields remained flat in Yokohama (4.5%), Sapporo (5.0%), Sendai (5.1%), Kyoto (4.8%), Kobe (4.8%), Hiroshima (5.2%), and Fukuoka (4.7%) compared to the previous survey data. **The yield in the Tokyo Jonan area fell to its lowest level since the initiation of the survey.**
- The expected yields on **family-type** rental housing were seen to drop in many provincial cities, and **the yield in the Tokyo Jonan area (3.9%) fell to its lowest level since the initiation of the survey.**

Expected yields from rental condominiums (one room) (Long-term changes: from October 2013)



Expected yields from rental condominiums (one room) (Short-term changes: from April 2018)

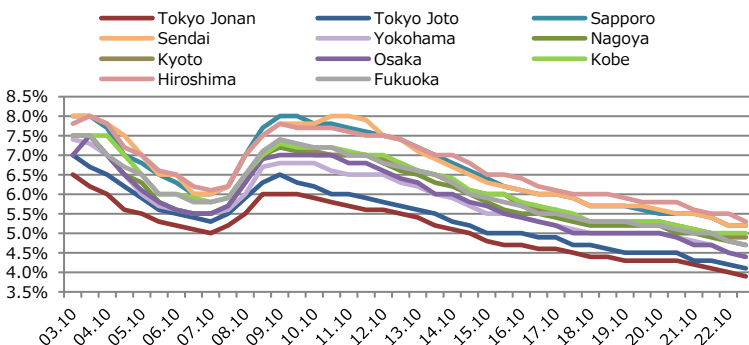


	Yield in Apr. 2023	Change from the previous survey
Hiroshima	5.2%	0.0
Sendai	5.1%	0.0
Sapporo	5.0%	0.0
Kyoto	4.8%	0.0
Kobe	4.8%	0.0
Fukuoka	4.7%	0.0
Nagoya	4.6%	- 0.1
Yokohama	4.5%	0.0
Osaka	4.4%	- 0.1
Tokyo Joto	4.0%	- 0.1
Tokyo Jonan	3.8%	- 0.1

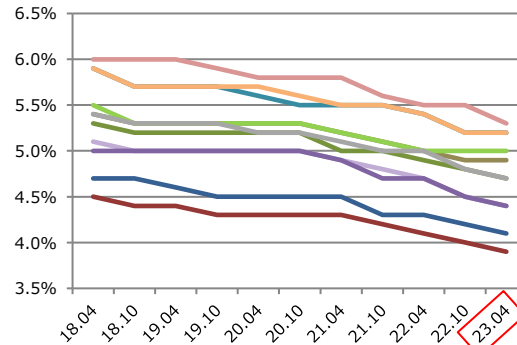
* Type of assumed rental housing in Tokyo

Type of rental housing	Conditions of location/type
One-room condominium • Access: within 10 minutes' walk from the nearest station • Age of property: less than 5 years old	Jonan area (Meguro Ward and Setagaya Ward) Located along railway, within 15 minutes from Shibuya/Ebisu Station
• Average exclusive area: 25 to 30 m ² • Number of units: approx. 50	Joto area (Sumida Ward and Koto Ward) Located along railway, within 15 minutes from Tokyo/Otemachi Station
For families • Access: within 10 minutes' walk from the nearest station • Age of property: less than 5 years old	Jonan area (Meguro Ward and Setagaya Ward) Located along railway, within 15 minutes from Shibuya/Ebisu Station
• Average exclusive area: 50 to 80 m ² • Number of units: approx. 50	Joto area (Sumida Ward and Koto Ward) Located along railway, within 15 minutes from Tokyo/Otemachi Station

Expected yields from rental condominiums (family) (Long-term changes: from October 2013)



Expected yields from rental condominiums (family) (Short-term changes: from April 2018)



	Yield in Apr. 2023	Change from the previous survey
Hiroshima	5.3%	- 0.2
Sapporo	5.2%	0.0
Sendai	5.2%	0.0
Kobe	5.0%	0.0
Kyoto	4.9%	0.0
Nagoya	4.7%	- 0.1
Fukuoka	4.7%	- 0.1
Yokohama	4.4%	- 0.1
Osaka	4.4%	- 0.1
Tokyo Joto	4.1%	- 0.1
Tokyo Jonan	3.9%	- 0.1

Source: Prepared by Nomura Real Estate Solutions based on data from Japan Real Estate Institute "Real Estate Investor's Survey"



5. Commercial Stores

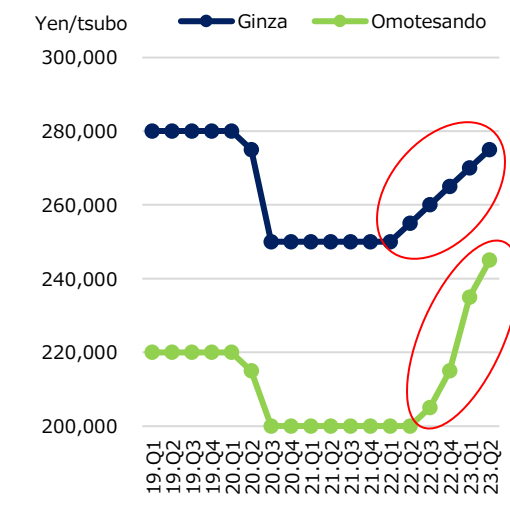
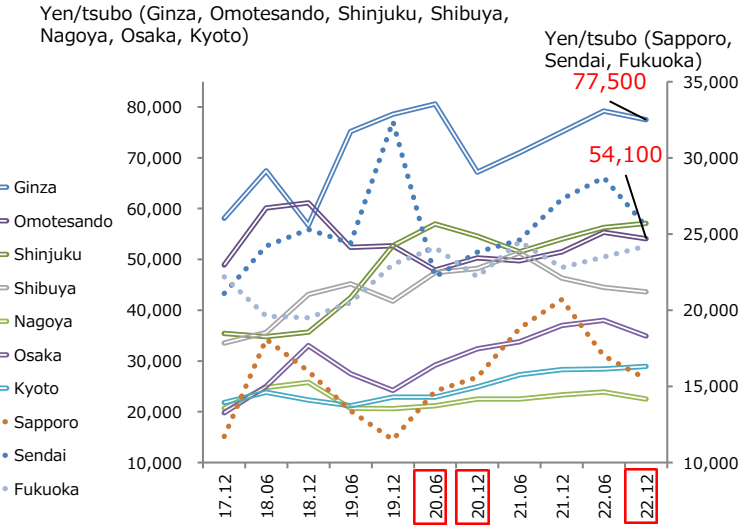
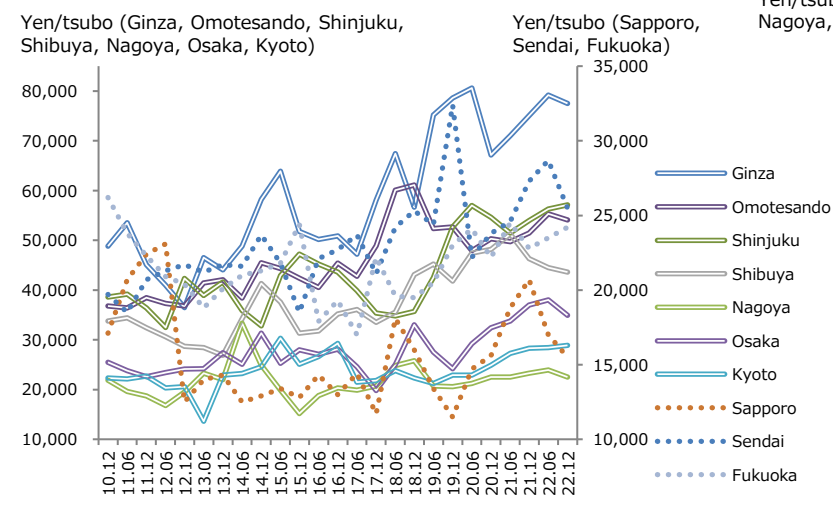
5-1 Trend of Commercial Stores

- The flow of people is recovering due to loosening of movement restrictions in Japan and the country's border measures. The recovery in inbound travel is especially prominent. Although it is expected to take some time before the number of visitors to Japan returns to pre-pandemic levels, there is rising expectation for recovery of areas that rely heavily on consumption by inbound tourists.
- Sales of luxury brand products continue to be firm, backed by strong demand from wealthy people. Recently, in department stores, sales at many facilities have exceeded the levels for the same period of FY2019 amid recovery in sales that are exempted from taxes. There are even some facilities who have set new sales records for this same period. Among various store areas, active store openings have been noticeable on streets where luxury brands are targeted. However, there continues to be a lack of momentum in store openings on streets that are not targeted for luxury brands.
- Regarding the rents of ground-floor retail stores in Tokyo primary areas, **Ginza saw a rise for five consecutive quarters, and Omotesando saw a rise for four consecutive quarters**. Against a backdrop of satisfactory sales and potential for recovery in pedestrian volume, demand for store openings remains firm and is expected to support an increase in rents.
- Although there is a trend of polarization based on area and location, the situation is returning to normal from the COVID-19 pandemic, and the store rents in weak areas are gradually moving toward stabilization. However, there are other factors beyond COVID-19—such as the sharp increase in raw material prices and energy and other costs—that put pressure on store business, and it will continue to be necessary to pay attention to the trend of store rents in the future.

■ Nationwide trend of offered rents of stores on the 1st floor (2nd half 2010 to 2nd half of 2022)

■ Nationwide trend of offered rents of stores on the 1st floor (2nd half 2017 to 2nd half of 2022)

■ Rent trend of ground-floor retail stores in Tokyo primary areas (2019.Q1 to 2023.Q2)



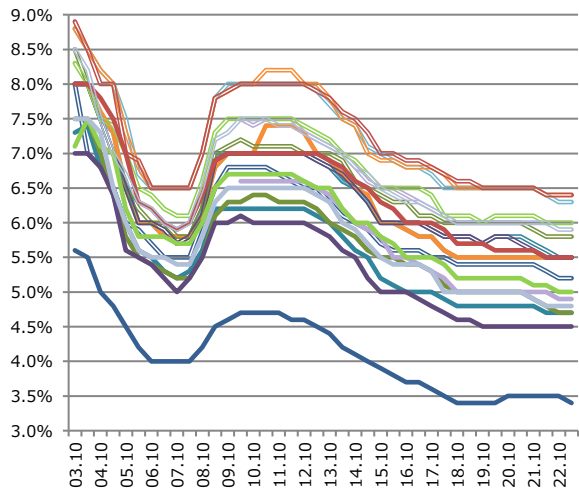
Source: "Store Rent Trends" published by Japan Real Estate Institute, BAC Urban Project and Style Act Co., Ltd. (compiled by Nomura Real Estate Solutions)

Source: "Tokyo Retail Market Summary" published by JLL (compiled by Nomura Real Estate Solutions)

5-2 Expected Yields on Commercial Stores

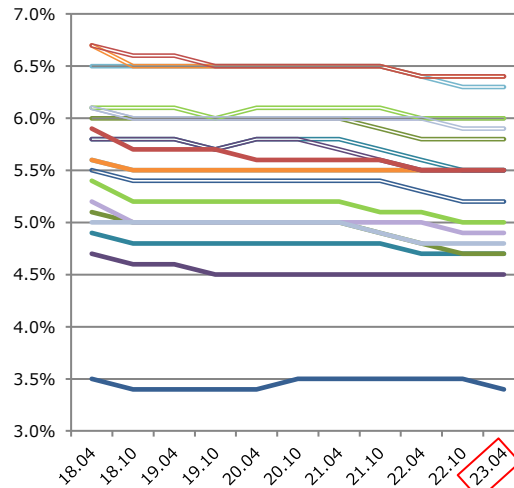
- City-center-style high-class specialized stores:** The expected yields fell 0.1 points compared to the previous survey data in Ginza, Tokyo (3.4%). The yields remained flat compared to the previous survey data in Sapporo (5.5%), Sendai (5.5%), Nagoya (4.7%), Kyoto (4.9%), Osaka (4.5%), Kobe (5.0%), Hiroshima (5.5%), and Fukuoka (4.8%).
- Suburban-style shopping centers:** The expected yields remained flat compared to the previous survey data for all surveyed areas, in Tokyo (5.2%), Sapporo (6.3%), Sendai (6.4%), Nagoya (5.8%), Kyoto (6.0%), Osaka (5.5%), Kobe (6.0%), Hiroshima (6.4%), and Fukuoka (5.9%).

■ Expected yields on commercial stores (Long-term changes: from October 2003)



- Tokyo city-center-style stores (Ginza)
- Sapporo suburb-style stores
- Yokohama city-center-style stores
- Nagoya suburb-style stores
- Osaka city-center-style stores
- Kobe suburb-style stores
- Fukuoka city-center-style stores
- Tokyo suburb-style stores
- Sendai city-center-style stores
- Yokohama suburb-style stores
- Kyoto city-center-style stores
- Osaka suburb-style stores
- Hiroshima city-center-style stores
- Fukuoka suburb-style stores
- Sapporo city-center-style stores
- Sendai suburb-style stores
- Nagoya city-center-style stores
- Kyoto suburb-style stores
- Kobe city-center-style stores
- Hiroshima suburb-style stores

■ Expected yields on commercial stores (Short-term changes: from April 2018)



	Yield in Apr. 2023	Change from the previous survey
Sendai suburb-style stores	6.4%	0.0
Hiroshima suburb-style stores	6.4%	0.0
Sapporo suburb-style stores	6.3%	0.0
Kyoto suburb-style stores	6.0%	0.0
Kobe suburb-style stores	6.0%	0.0
Fukuoka suburb-style stores	5.9%	0.0
Nagoya suburb-style stores	5.8%	0.0
Sapporo city-center-style stores	5.5%	0.0
Sendai city-center-style stores	5.5%	0.0
Yokohama suburb-style stores	5.5%	0.0
Osaka suburb-style stores	5.5%	0.0
Hiroshima city-center-style stores	5.5%	0.0
Tokyo suburb-style stores	5.2%	0.0
Kobe city-center-style stores	5.0%	0.0
Kyoto city-center-style stores	4.9%	0.0
Fukuoka city-center-style stores	4.8%	0.0
Yokohama city-center-style stores	4.7%	0.0
Nagoya city-center-style stores	4.7%	0.0
Osaka city-center-style stores	4.5%	0.0
Tokyo city-center-style stores (Ginza)	3.4%	- 0.1

* Type of assumed commercial store in Tokyo

Type of commercial store	Conditions of location
[City-center-style high-class specialized stores] • Age of property or years since large-scale repair: less than 5 years old • Rent scheme: period rent; mainly coupled with tenant's sales • Tenants: mainly retailers of high-class brand-name goods	Ginza area Located on the Ginza Chuo-dori Avenue, Chuo Ward Omotesando area Located on the Omotesando Avenue, Shibuya Ward
[Suburban-style shopping center] • Store space: 20,000 m ² • Key tenants: dominant general merchandise stores (GMSs) • Rent scheme: period rent; mainly fixed rent	Located on major arterial roads; Approx. 60 minutes from Tokyo city center

Source: "Survey of Real Estate Investors" published by Japan Real Estate Institute (compiled by Nomura Real Estate Solutions)

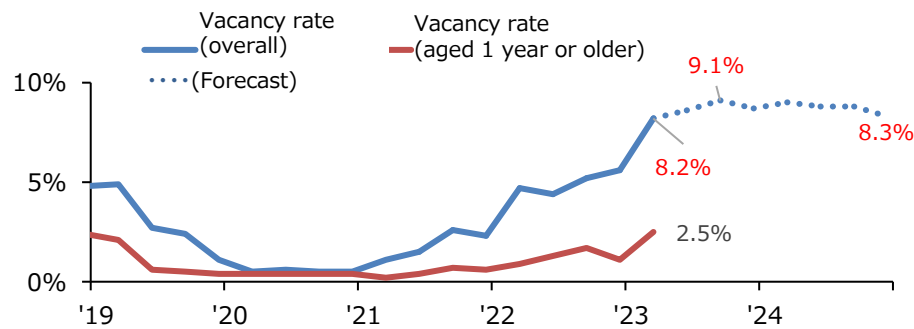


6. Logistics Facilities

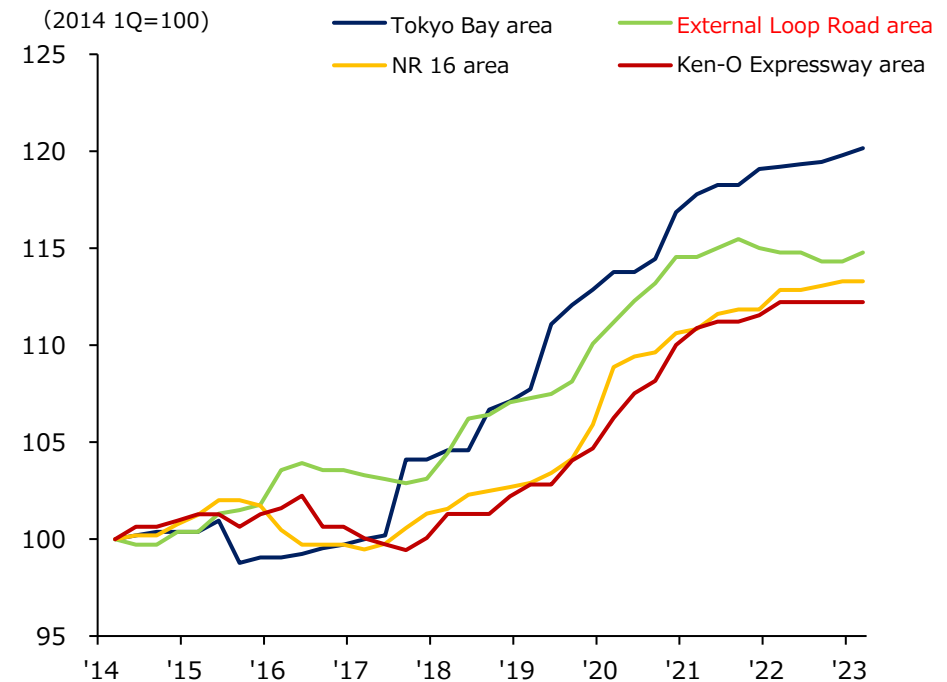
6-1 Trend of Logistics Facilities (Tokyo Metropolitan Area)

- The vacancy rate in the Tokyo Metropolitan area has been rising since 2021. It is expected to reach the 8-9% level due to a large supply.
- Rent levels have increased since 2018, but are stagnant or slightly increasing recently.

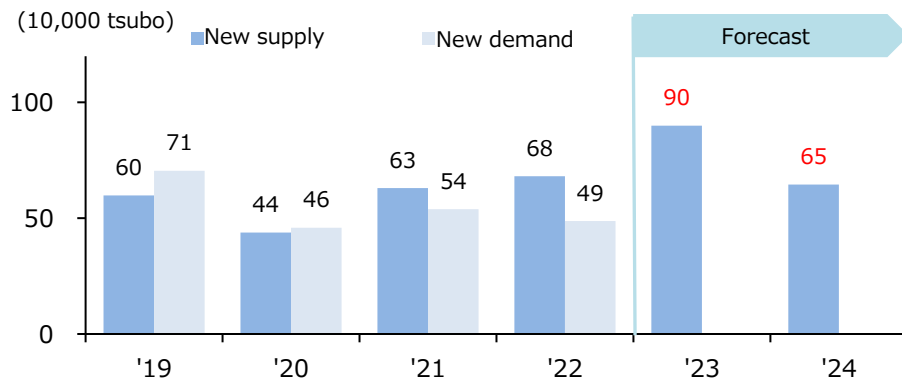
■ Trend of vacancy rate (as of December 31 of each year)



■ Trend of rent level



■ New supply and new demand



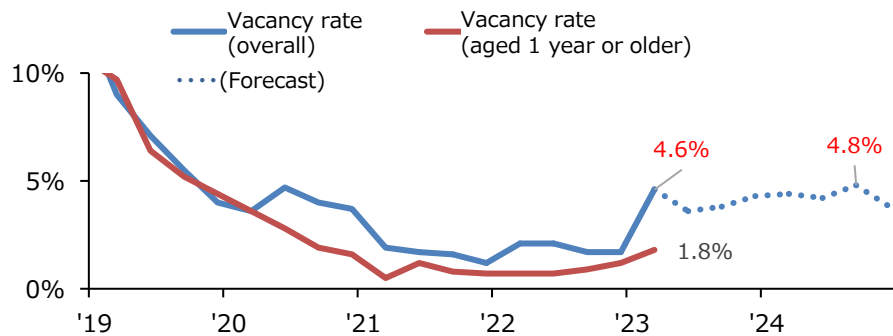
Source: Prepared by NREAM based on data from CBRE

Note: These are data on logistics facilities which have a gross floor area of at least 10,000 tsubo and suppose more than one tenant.

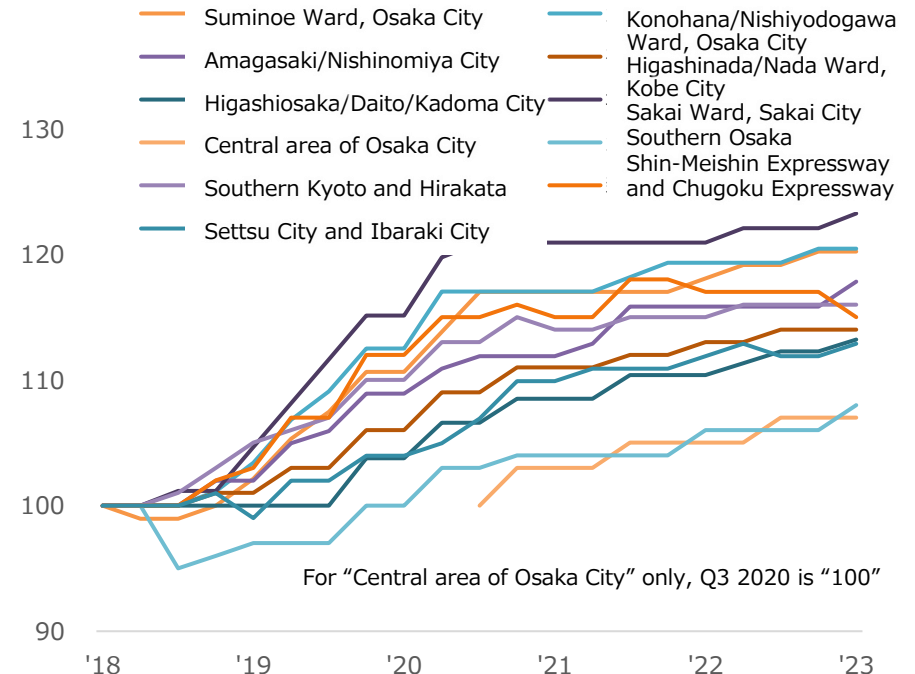
6-2 Trend of Logistics Facilities (Kinki Area)

- The vacancy rate in the Kinki area rose to 4.6% due to an increase in supply. It is expected to remain at the 4% level in the future.
- Rent levels were on an increasing trend since 2018, but the pace of increase is slowing down recently and dropped in certain areas.

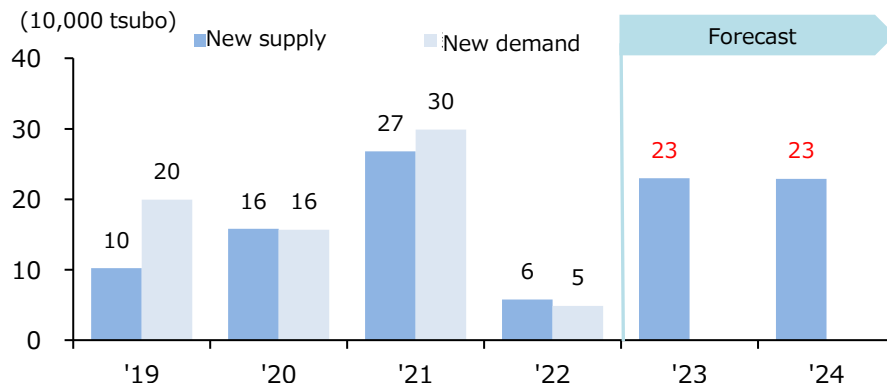
■ Trend of vacancy rate (as of December 31 of each year)



■ Trend of rent level (2018 1Q=100)



■ New supply and new demand

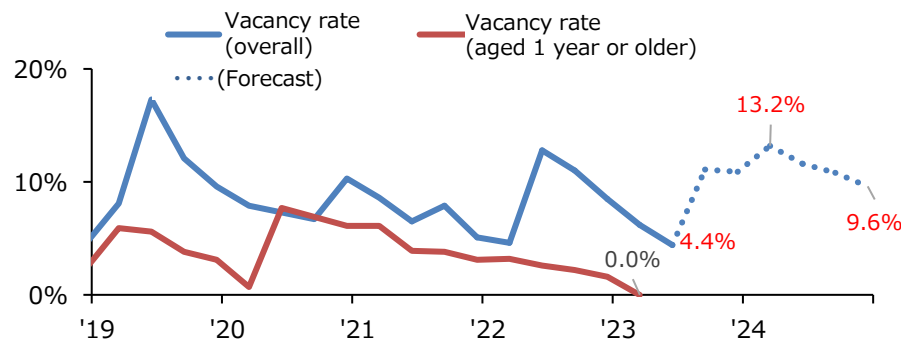


Source: Prepared by NREAM based on data from CBRE
 Note: These are data on logistics facilities which have a gross floor area of at least 10,000 tsubo and suppose more than one tenant.

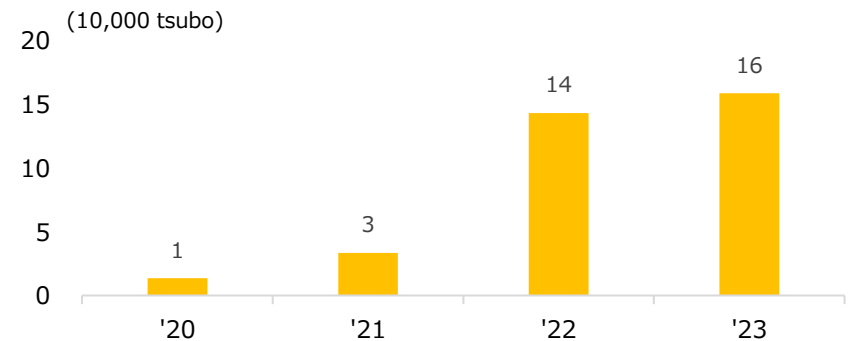
6-3 Trend of Logistics Facilities (Chubu Area)

- As the market for the Chubu area is small, there is a tendency for violent fluctuations in the vacancy rate due to new supply.
- At the same time, the vacancy rate for facilities that are one year or older has reached zero, and demand itself is increasing steadily.

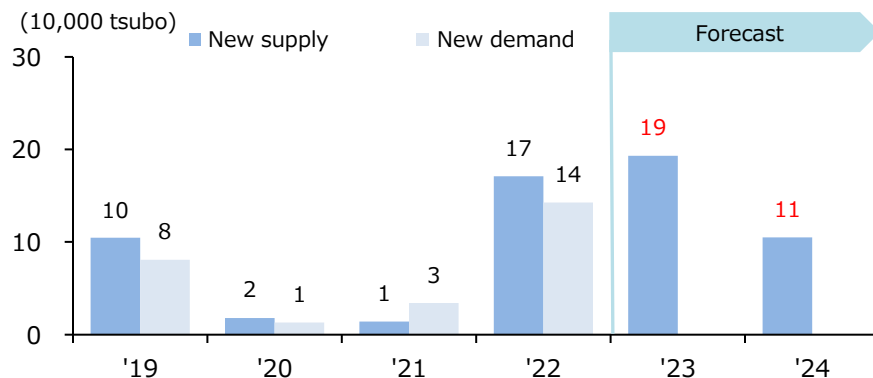
■ Trend of vacancy rate (as of December 31 of each year)



■ Estimated net absorption



■ New supply and new demand



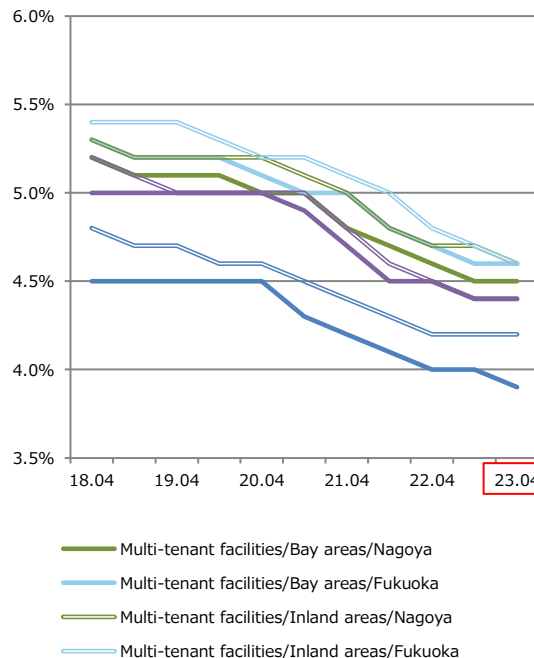
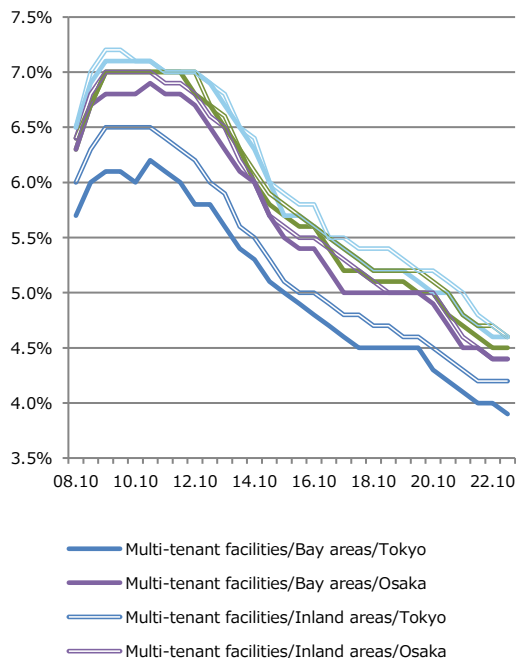
Source: Prepared by NREAM based on data from CBRE
 Note: In Chubu area only, GFA of more than 5,000 tsubo; all of these are logistics facilities assuming several tenants.
 Net absorption expresses the strength of demand using the change in occupied floor area. The figures were estimated by NREAM.

6-4 Expected Yields on Logistics Facilities/Warehouses

- The expected yields on multi-tenant logistics facilities and warehouses in bay areas **fell by 0.1 points** in the Koto area, Tokyo (3.9%), going below 4.0% for the first time since the initiation of the survey, but **remained flat** in the Nagoya Port area, Nagoya (4.5%), the Osaka Port area, Osaka (4.4%), and the Hakata Port area, Fukuoka (4.6%), **compared to the previous survey data**.
- As for inland areas, the expected yields **remained flat** in the Tama area, Tokyo (4.2%) and the area around Higashiosaka, Osaka (4.4%), and **fell by 0.1 points** in the north of Nagoya City, Nagoya (4.6%) and the area around the Fukuoka IC, Fukuoka (4.6%), **compared to the previous survey data**.

■ Expected yields on logistics facilities/warehouses (Long-term changes: from October 2008)

■ Expected yields on logistics facilities/warehouses (Short-term changes: from April 2018)



Yield in Apr. 2023		Change from the previous survey
Multi-tenant facilities/Bay areas/Fukuoka	4.6%	0.0
Multi-tenant facilities/Inland areas/Nagoya	4.6%	- 0.1
Multi-tenant facilities/Inland areas/Fukuoka	4.6%	- 0.1
Multi-tenant facilities/Bay areas/Nagoya	4.5%	0.0
Multi-tenant facilities/Bay areas/Osaka	4.4%	0.0
Multi-tenant facilities/Inland areas/Osaka	4.4%	0.0
Multi-tenant facilities/Inland areas/Tokyo	4.2%	0.0
Multi-tenant facilities/Bay areas/Tokyo	3.9%	- 0.1

*Type of logistics facility/warehouse

Type of logistics facility/warehouse	Conditions of location
[Multi-tenant facility] Area with good access to arterial roads and expressway ICs ・Stories: 3 or 4 ・Gross floor area: approx. 50,000 m ² ・Facility that has truck berths on 1st and 3rd floors and has versatility ・Number of tenants: approx. 4 (stable operation assumed)	Koto area, Tokyo
	[Bay area] Area with good access to arterial roads and expressway ICs
	Nagoya Port area, Nagoya
	Osaka Port area, Osaka
	Fukuoka Port area, Fukuoka
[Inland area] Area with good access to arterial roads and expressway ICs	Tama area, Tokyo
	North of Nagoya City, Nagoya
	Area around Higashiosaka City, Osaka
	Area around Fukuoka IC, Fukuoka

Source: "Survey of Real Estate Investors" published by Japan Real Estate Institute (compiled by Nomura Real Estate Solutions)

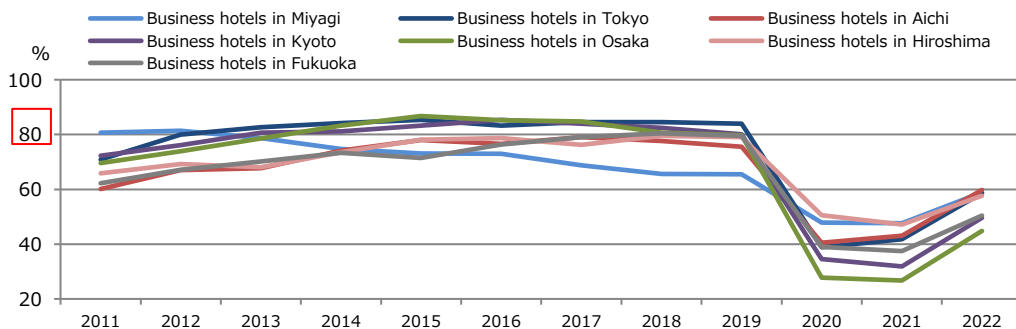


7. Hotels

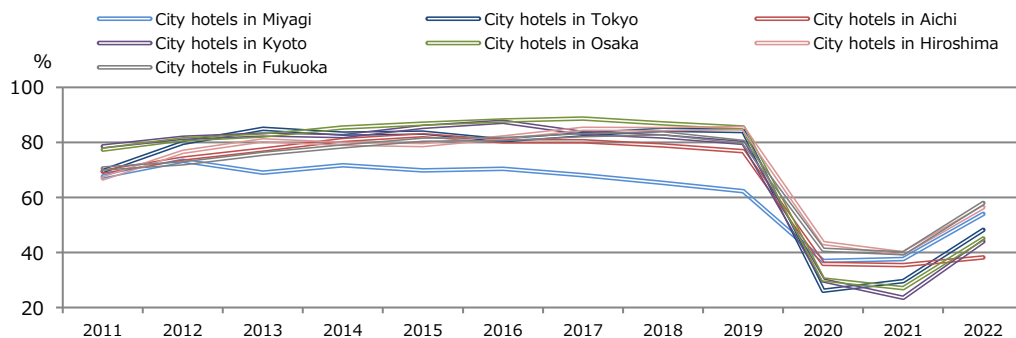
7-1 Hotel Trends

- The occupancy rates of hotels reached a low point in May 2020 in each of the cities surveyed and for each hotel type.
- The occupancy rates of business hotels in June 2023 were 74.0% (67.3% in May) in Miyagi, **80.0%** (79.0% in May) in Tokyo, 71.8% (69.3% in May) in Aichi, 63.4% (71.7% in May) in Kyoto, 65.7% (65.0% in May) in Osaka, 67.9% (73.2% in May) in Hiroshima, and 65.3% (65.6% in May) in Fukuoka.
- The occupancy rates of city hotels in June 2023 were 67.5% (67.6% in May) in Miyagi, **73.5%** (71.2% in May) in Tokyo, 63.6% (61.8% in May) in Aichi, 61.1% (66.3% in May) in Kyoto, 72.5% (72.8% in May) in Osaka, 62.7% (66.2% in May) in Hiroshima, and 69.1% (73.0% in May) in Fukuoka.

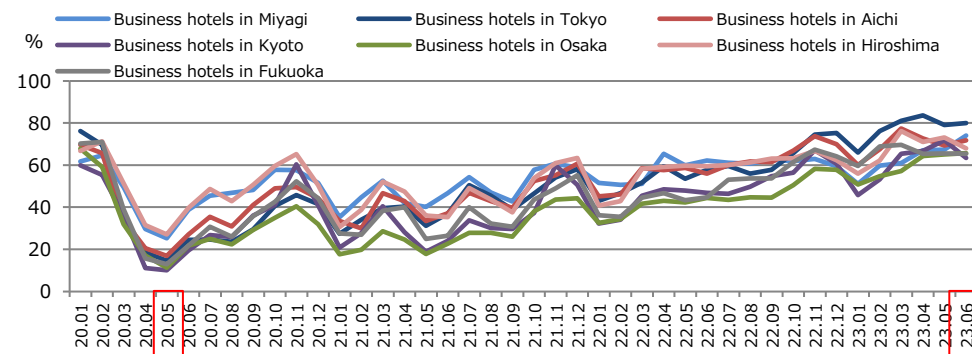
Occupancy rates of business hotels (through 2022)



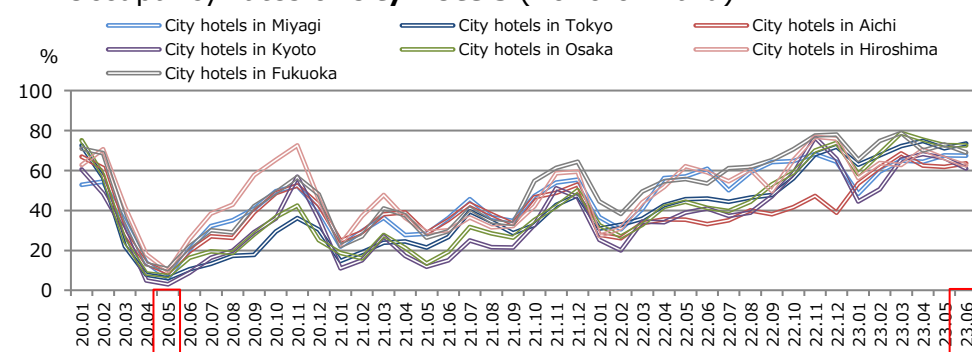
Occupancy rates of city hotels (through 2022)



Occupancy rates of business hotels (2020 onward)



Occupancy rates of city hotels (2020 onward)

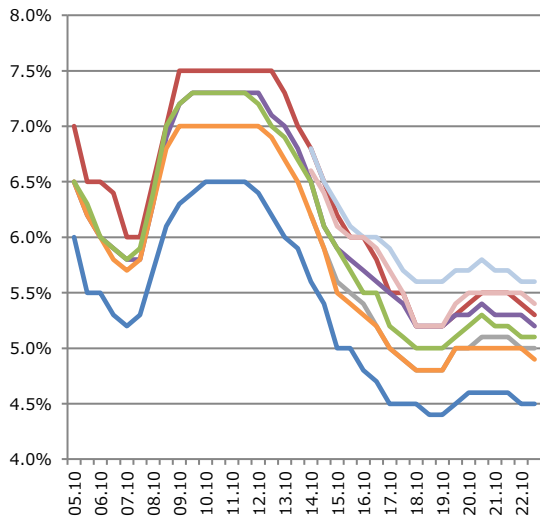


Source: MLIT Japan Tourism Agency "Statistic Survey of Tourism with Accommodation" (compiled by Nomura Real Estate Solutions)

7-2 Expected Yields on Accommodation-specialized Hotels

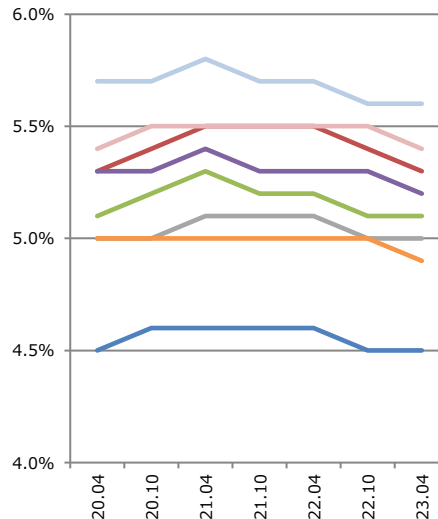
- For the expected yields on accommodation-specialized hotels, due to factors such as expectations of recovery in tourism demand backed by the loosening of movement restrictions and border measures, the yields **fell by 0.1 points** in Sapporo (5.3%), Nagoya (5.2%), Osaka (4.9%), and Naha (5.4%) **compared to the previous survey data**, and remained flat from the previous survey in Tokyo (4.5%), Sendai (5.6%), Kyoto (5.0%), and Fukuoka (5.1%).

■ Expected yields on accommodation-specialized hotels (Long-term changes: from October 2005)



— Tokyo — Sapporo — Sendai — Nagoya — Kyoto — Osaka — Fukuoka — Naha

■ Expected yields on accommodation-specialized hotels (Short-term changes: from April 2020)



Yield in Apr. 2023		Change from the previous survey
Sendai	5.6%	0.0
Naha	5.4%	- 0.1
Sapporo	5.3%	- 0.1
Nagoya	5.2%	- 0.1
Fukuoka	5.1%	0.0
Kyoto	5.0%	0.0
Osaka	4.9%	- 0.1
Tokyo	4.5%	0.0

*Type of hotel

Type of hotel	Conditions of location
[Accommodation-specialized hotel] • Access: within 5 minutes' walk from the nearest station • Age of property: Less than 5 years old • Number of rooms: approx. 100 • Average daily rate (ADR): 6,000 to 8,000 yen • Occupancy rate: > 80% • Management scheme: leasing (scheme in which a single hotel management company rents the entire building and administers it as a hotel)	Located around key JR railway/subway stations, Tokyo
	Located around JR Sapporo Station, Sapporo
	Located around west exit of JR Sendai Station, Sendai
	Located in the Sakae area, Nagoya
	Located around the Karasuma exit of JR Kyoto Station, Kyoto
	Located around JR Shin-Osaka Station, Osaka
	Located around JR Hakata Station, Fukuoka
	Located around the Kokusaidori Avenue, Naha

Source: "Survey of Real Estate Investors" published by Japan Real Estate Institute (compiled by Nomura Real Estate Solutions)



**Reference:
Trend of Land Prices in High-level Use
Districts of Major Cities
Rental Trends in Major International Cities**

Reference: Trend of Land Prices in High-level Use Districts of Major Cities

- Out of all 80 areas, there were upward changes in 74 areas (73 in the previous survey), little change in 6 areas (7 in the previous survey) and downward changes in 0 areas (0 in the previous survey). Amid gradual recovery of the economy, besides the firm demand for condominiums, the demand for stores continues to recover. For the third consecutive quarter, there were upward changes or little change in all areas.
- Of the 74 areas with upward changes, by change category (increase, unchanged, or decrease), one area saw an increase of 6% or more, one area saw an increase of more than 3% and less than 6%, and 72 areas saw a less than 3% increase.

Note: Since the number of the survey areas was reduced to 80 areas from 100 areas from Q1 2022, comparisons with the previous survey were made only for the 80 survey areas of this survey.

City	Area	21.7.1	21.10.1	22.1.1	22.4.1	22.7.1	22.10.1	23.1.1	23.4.1	City	Area	21.7.1	21.10.1	22.1.1	22.4.1	22.7.1	22.10.1	23.1.1	23.4.1	
		~ 21.10.1	~ 22.1.1	~ 22.4.1	~ 22.7.1	~ 22.10.1	~ 23.1.1	~ 23.4.1	~ 23.7.1			~ 21.10.1	~ 22.1.1	~ 22.4.1	~ 22.7.1	~ 22.10.1	~ 23.1.1	~ 23.4.1	~ 23.7.1	
23 wards of Tokyo	Marunouchi	↗	↗	↘	↘	↘	↘	↘	↘	Sendai	Chuo 1-chome	↗	↗	↗	↗	↗	↗	↗	↗	↗
	Ginza, Chuo	↘	↘	↗	↗	↗	↗	↗	↗	Osaka	Shinsaibashi	↗	↗	↗	↘	↗	↗	↗	↗	↗
	Yaesu	↗	↗	↘	↗	↗	↗	↗	↗	Nagoya	Nagoya Sta. front	↗	↗	↗	↗	↗	↗	↗	↗	↗
	Toranomon	↘	↘	↘	↗	↗	↗	↗	↗	Kyoto	Kawaramachi	↘	↗	↗	↗	↗	↗	↗	↗	↗
	Shinjuku 3-chome	↘	↘	↘	↗	↗	↗	↗	↗	Hiroshima	Kamiyacho	↗	↗	↗	↗	↗	↗	↗	↗	↗
	Shibuya	↗	↘	↘	↗	↗	↗	↗	↗	Fukuoka	Around Hakata Sta.	↘	↘	↘	↘	↘	↗	↗	↗	↗
Yokohama	W Exit Yokohama Sta.	↗	↗	↗	↗	↗	↗	↗												
Saitama	W Exit Omiya Sta.	↘	↗	↗	↗	↗	↗	↗												
Chiba	Chiba Sta. front	↘	↘	↘	↘	↘	↘	↗												
Sapporo	Ekimae-dori	↗	↗	↗	↗	↗	↗	↗												

Legend

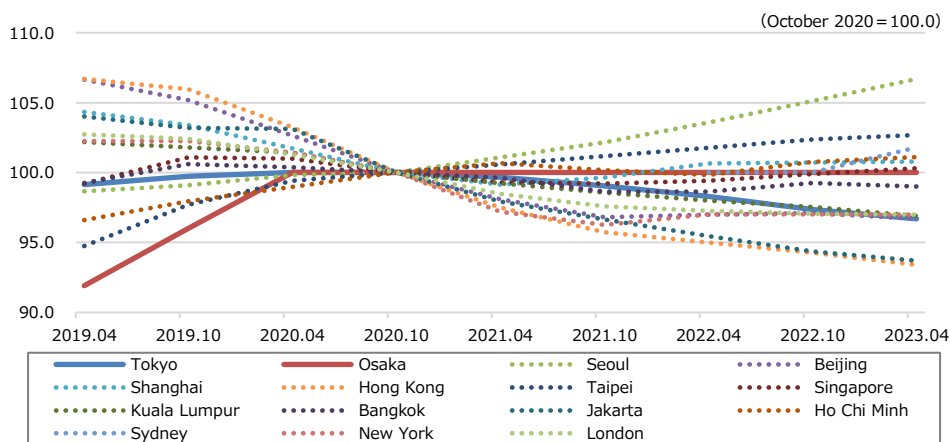
- ↗: Increase (≥6%)
- ↘: Increase (≥3%, <6%)
- ↖: Increase (>0, <3%)
- ↔: Unchanged (0%)
- ↙: Decrease (≥0%, <3%)
- ↘: Decrease (≥3%, <6%)
- ↘: Decrease (≥6%, <9%)
- ↘: Decrease (≥9%, <12%)
- ↘: Decrease (≥12%)

Source: "Land value LOOK report" by the Ministry of Land, Infrastructure, Transport and Tourism (compiled by Nomura Real Estate Solutions)

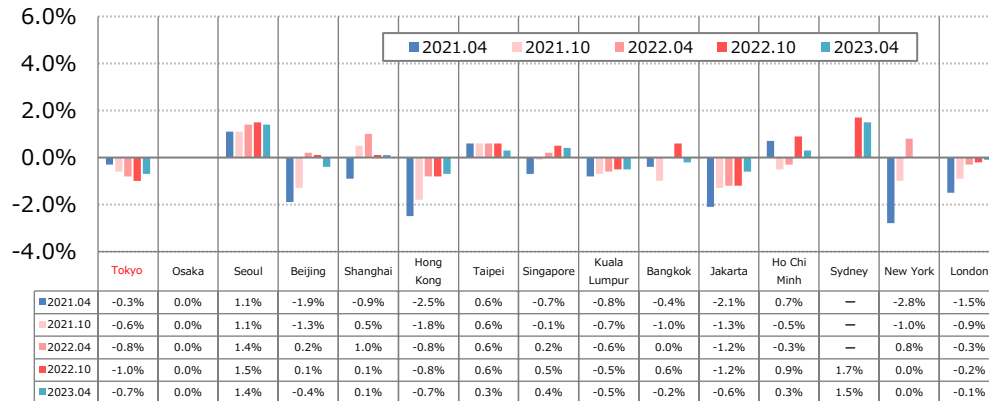
Reference: Rental Trends in Major International Cities

- **Office rents continue to fall in Tokyo.** Office rents remained flat in Osaka for six consecutive half-year periods. Office rents remained flat in Osaka for six consecutive half-year periods. In Singapore, rents continue to remain firm as people make a full-scale return to their offices. In Hong Kong, economic activities have not reached a full-scale recovery and a sluggish trend remains.
- Regarding condominium rents, rising land prices and high costs of construction are leading to increases in rents centered on tower condominiums and such in the central parts of Osaka. In London, the rental market is trending strongly backed by the return of younger generations and foreign students to the city center. The rate of increase in New York declined due to limitations in the capacity for bearing rents on the demand side.

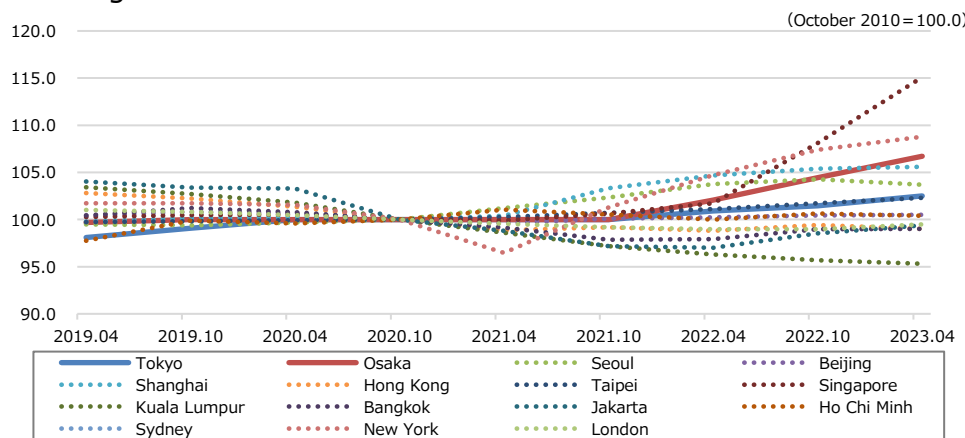
■ Changes in the office rent index



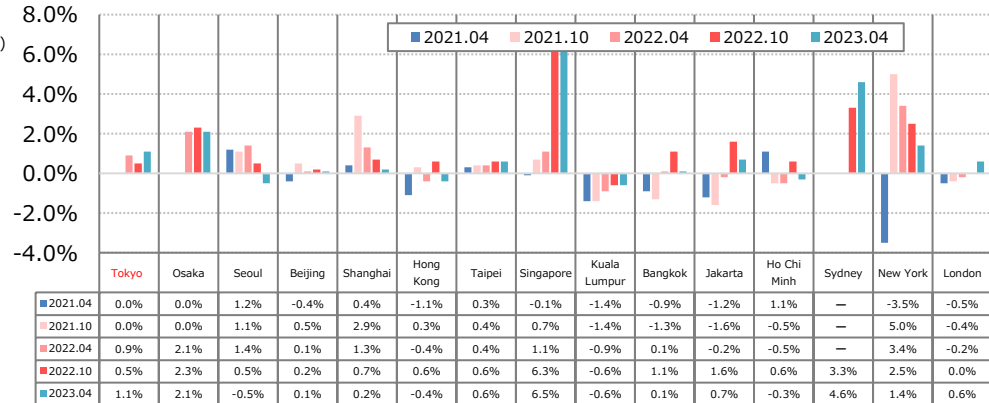
■ Volatilities of the office rent index compared to the previous results



■ Changes in the condominium rent index



■ Volatilities of the condominium rent index compared to the previous results



Source: Prepared by Nomura Real Estate Solutions based on "The Indices of International Real Estate Prices and Rents" by Japan Real Estate Institute