

# Real Estate Market Trends

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—Summer 2023—

**Corporate Services Division**

**Nomura Real Estate Solutions Co., Ltd.**

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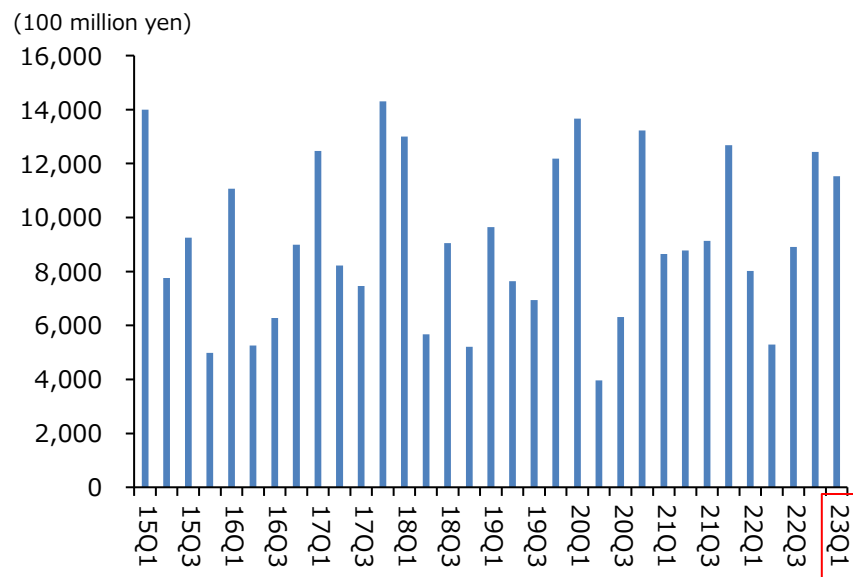


# 1. Commercial Real Estate Transactions

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

- The commercial real estate transaction volume in Q1 2023 (ascertained) increased compared to Q1 2022. With a series of large transactions of over 10 billion yen, such as Tokyu Plaza Ginza and Odakyu Dai-ichi Seimei Building, the market is recovering from the sluggish state during the first half of 2022.
- While there are some foreign investors who have become cautious about new investments in real estate due to factors such as the global monetary tightening, the acquisition of properties through REITs—which had been stagnant in 2022—is currently rallying and supporting the market’s recovery.
- There was also an increase in hotel transactions with a view of accommodation demand, including cases of major acquisitions by overseas investors.

## ■ Change in commercial real estate transactions (ascertained)



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

## ■ Large transaction cases ascertained in Q1 2023

Property (Asset type)	Timing	Details	Estimated amount
<b>Tokyu Plaza Ginza [building and 85% of land] (Stores)</b>	Mar.	Sumitomo Mitsui Trust Panasonic Finance acquired the property from Tokyu Land Corporation and Activia Properties. This is a large-scale transaction with the highest value in this quarter.	<b>About 130.0 billion yen</b>
<b>Odakyu Dai-ichi Seimei Building [95%](Office)</b>	Mar.	Odakyu Electric Railway’s share of 95% was sold to a Japanese company funded by Dai-ichi Life Insurance, etc. The NOI yield is 3.5%.	<b>Over 71.0 billion yen</b>
<b>33 rental condominiums in Tokyo, Nagoya, and Osaka (Residence)</b>	Feb.	AXA Investment Managers acquired the property from JPMorgan Asset Management.	<b>About 59.0 billion yen</b>
<b>Odakyu Century Building [Hyatt Regency Tokyo](Hotel)</b>	Mar.	Together with the sale, Odakyu Electric Railway transferred all shares of its 100% subsidiary Hotel Odakyu—which operates Hyatt Regency Tokyo—to a KKR-affiliated SPC.	<b>Over 57.0 billion yen</b>
<b>ESR Ichikawa Distribution Centre [33%](Logistics)</b>	Jan.	M&G Investments made an additional acquisition of this property from ESR.	<b>34.0 billion yen</b>

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.

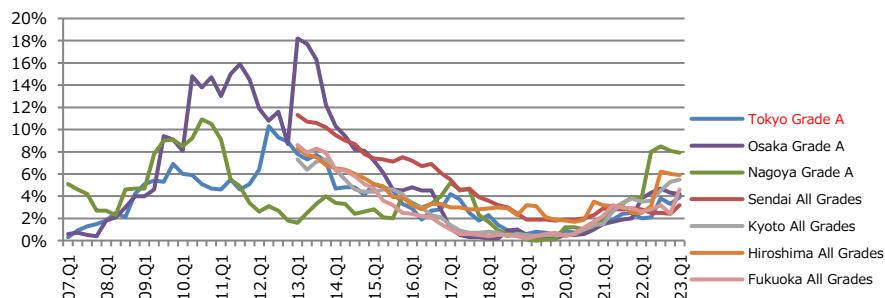


## 2. Offices

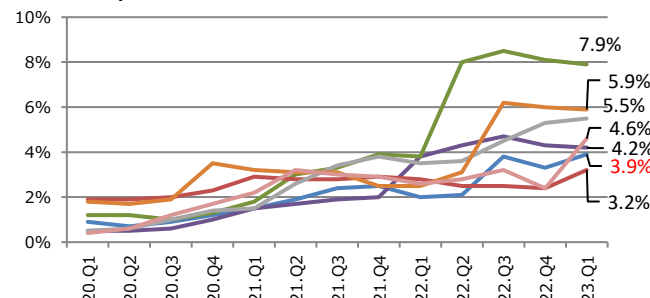
# 2-1 Office Trends in Major Cities

- [Tokyo]** The Grade A vacancy rate rose by 0.6 points q-o-q to 3.9%, and rents fell by 0.4% q-o-q to 34,550 yen per *tsubo*. A trend of decline in rent at buildings with prolonged periods of vacancy could be seen here and there. Several large-scale projects are in the pipeline and further rent adjustments to secure demand are expected. Grade A rents are expected to fall by 2.7% over the next year. The vacancy rate of all grades fell by 0.1 points q-o-q to 4.6%, and rents fell by 0.3% q-o-q to 21,350 yen per *tsubo*. Although many new buildings were completed with vacancies, vacancies were filled due to relocations for upgrades and location improvements of existing buildings. New demand was 78,000 *tsubo*, the highest since Q2 2020.
- [Osaka]** The Grade A vacancy rate fell by 0.1 points q-o-q to 4.2%, and rents fell by 0.6% q-o-q to 24,100 yen per *tsubo*. The Grade A vacancy rate fell for the second consecutive quarter with no new supply. The vacancy rate of all grades rose by 0.1 points to 3.6%, and rents fell by 0.2% q-o-q to 14,120 yen per *tsubo*. Although some buildings completed in the quarter were left with many vacancies, there was a slight improvement due to vacancies being filled at existing buildings. A trend of lowering rents was seen at buildings which are taking time to fill vacancies.
- [Nagoya]** The Grade A vacancy rate fell by 0.2 points q-o-q to 7.9%, and rents fell by 0.2% q-o-q to 26,450 yen per *tsubo*. With the easing of demand in the future, it is expected that all grades will undergo further adjustments to rent. Grade A rents are expected to fall by 2.8% against this quarter over the next year. The vacancy rate of all grades fell by 0.2 points q-o-q to 5.5%, and rents fell by 0.2% q-o-q to 13,740 yen per *tsubo*. The vacancy rate fell for the second consecutive quarter. The main reason came from vacancies filled at buildings in the higher price range due to a sense of affordability from adjustments to rents.

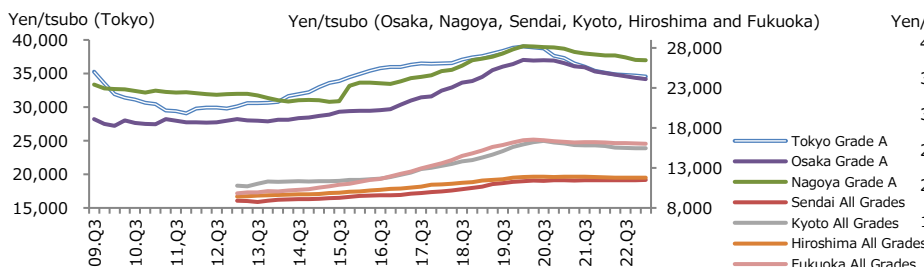
■ Vacancy rate (Long-term changes: from Q1 2007)



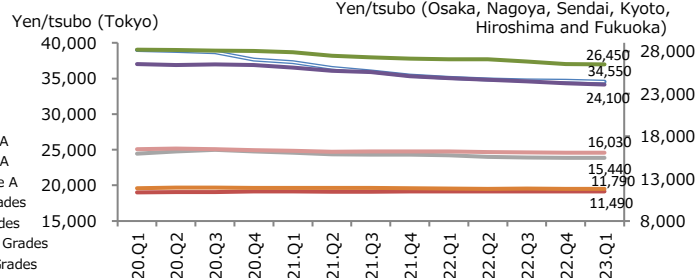
■ Vacancy rate (Short-term changes: from Q1 2020)



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



■ Rent revenue (Short-term changes: from Q1 2020)



Area	2022 Q2	2022 Q3	2022 Q4	2023 Q1	
Tokyo Grade A	Vacancy rate (%)	2.1	3.8	3.3	3.9
	Assumed achievable rent (yen)	34,850	34,750	34,700	34,550
Osaka Grade A	Vacancy rate (%)	4.3	4.7	4.3	4.2
	Assumed achievable rent (yen)	24,650	24,450	24,250	24,100
Nagoya Grade A	Vacancy rate (%)	8.0	8.5	8.1	7.9
	Assumed achievable rent (yen)	27,050	26,800	26,500	26,450
Sendai All Grades	Vacancy rate (%)	2.5	2.5	2.4	3.2
	Assumed achievable rent (yen)	11,470	11,470	11,480	11,490
Kyoto All Grades	Vacancy rate (%)	3.6	4.5	5.3	5.5
	Assumed achievable rent (yen)	15,540	15,480	15,450	15,440
Hiroshima All Grades	Vacancy rate (%)	3.1	6.2	6.0	5.9
	Assumed achievable rent (yen)	11,790	11,800	11,790	11,790
Fukuoka All Grades	Vacancy rate (%)	2.8	3.2	2.4	4.6
	Assumed achievable rent (yen)	16,110	16,080	16,050	16,030

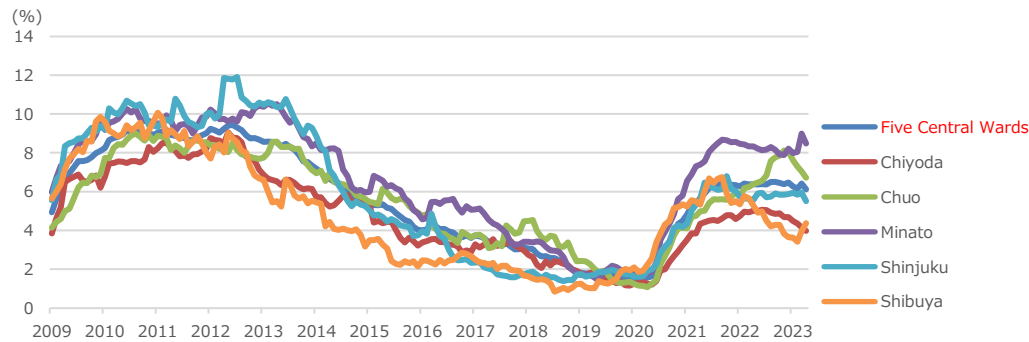
\*For Sendai, Kyoto, Hiroshima and Fukuoka, data for Q1 2013 onward is used

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

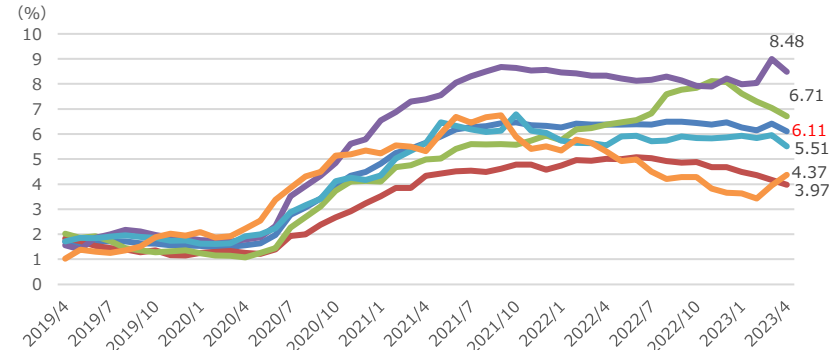
# 2-2 Office Trends in Tokyo's Five Central Wards

- The average vacancy rate in the five central wards of Tokyo was 6.11% as of April (down 0.30 points from March). There were small and medium contracts for new buildings completed less than one year ago, and large contracts for major expansion relocations and bigger areas at existing buildings.
- The average vacancy rate for Shibuya Ward rose to 4.37% (up 0.42 points from March) due to impact from a major IT company's relocation to Minato Ward. At the same time, a falling trend continued at Chiyoda, Chuo, Minato, and Shinjuku Wards, with Chiyoda Ward reaching the lowest vacancy rate for the five central wards of Tokyo in approximately one year.
- Average asking rents fell for the 33rd consecutive month to 19,896 yen as of April (down 0.48% from March).

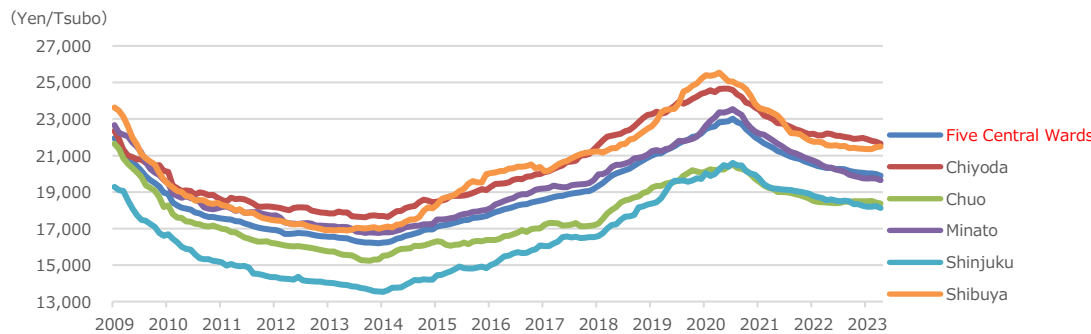
■ Average office vacancy rates (Long-term changes: from January 2009)



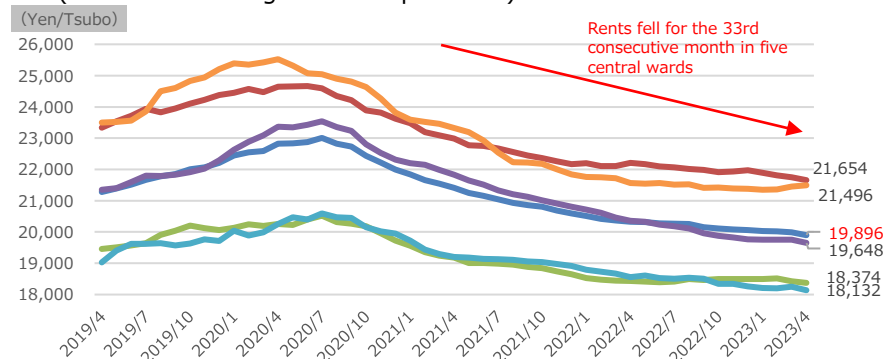
■ Average office vacancy rates (Short-term changes: from April 2019)



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



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



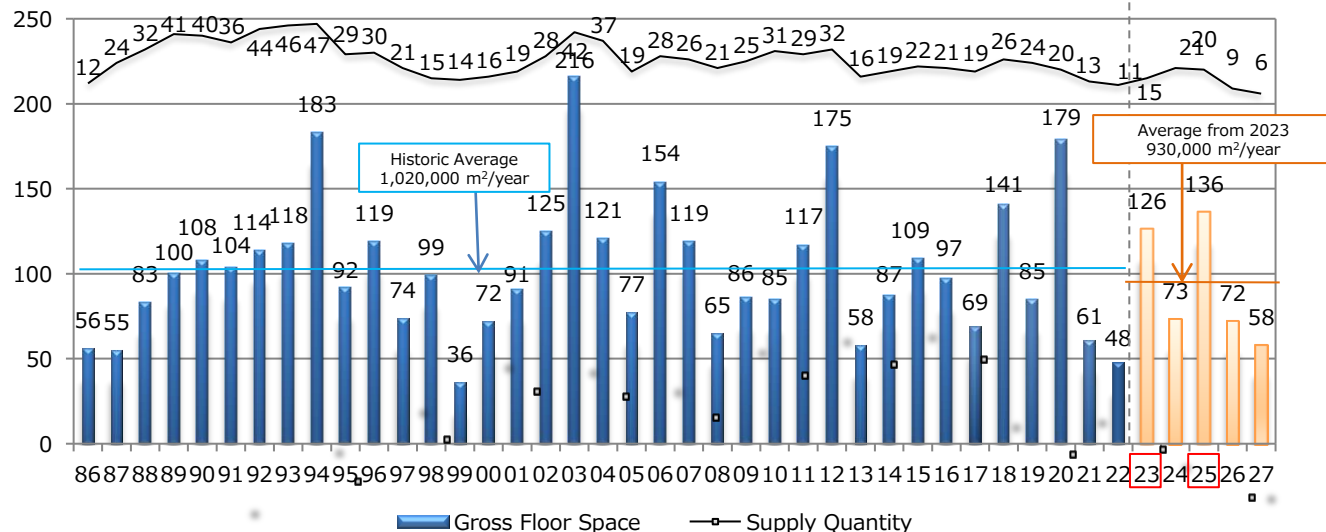
Source: Prepared by NREAM based on data from Miki Shoji

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 m<sup>2</sup>)** and **2025 (1.36 million m<sup>2</sup>)**, the average supply over the next five years from 2023 through 2027 (0.93 million m<sup>2</sup>/year) is expected fall below the historical average (1.02 million m<sup>2</sup>) because the supply in 2024 (0.73 million m<sup>2</sup>), 2026 (0.72 million) and 2027 (0.58 million m<sup>2</sup>) 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 m<sup>2</sup> per year. However, the average supply in the next five years from 2023 through 2027 is expected to be 0.66 million m<sup>2</sup> 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 m<sup>2</sup> in 2022, a turn toward growth even though it fell below the supply of 480,000 m<sup>2</sup>. **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 m<sup>2</sup> 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 m<sup>2</sup>

2023-2027  
 (1) Properties supplied: 71  
 (2) Gross floor space: 4,650,000 m<sup>2</sup>

\* The survey covered office buildings with a gross floor area of 10,000 m<sup>2</sup> 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"



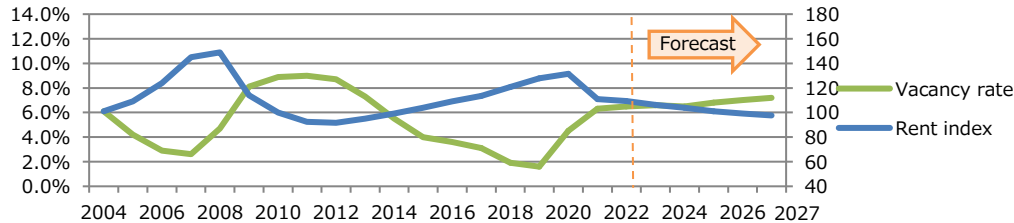
# 2-4 Forecasts for the Office Market in the Three Major Metropolitan Areas

## Short-term forecasts for business areas (2023 to 2024)

- [Tokyo] In 2023, office demand will increase amid a trend of recovery in the economy, but it is not strong enough to absorb the large volume of new supply and the vacancy rate will remain high at 6.6%. Therefore, the rent index will drop by 2.8% from 2022 to 106.2. In 2024, new supply is expected to be limited, but the vacancy rate will continue to remain high at 6.5% due to a dampening in the growth of office demand. There will continue to be a decline in the rent index, dropping by 2.1% from 2023 to 104.0.
- [Osaka] In 2023, office demand will increase amid a trend of recovery in the economy and new supply will be limited. Therefore, available vacancies will gradually be filled, and the vacancy rate will fall to 4.2%. With the decline in vacancy rate, the rent index will rise by 3.0% from 2022 to 130.1, reversing from a decline to an increase. In 2024, the vacancy rate will rise significantly to 7.1% as the volume of new supply will reach its highest level ever due to the continuing completion of large-scale redevelopments. The significant increase in vacancy rate will cause the rent index to fall by 3.1% from 2023 to 126.0.
- [Nagoya] In 2023, office demand will increase amid a trend of recovery in the economy, but it will not be able to absorb the increase in new supply such as from large-scale properties, and the vacancy rate will rise to 5.8%. The rent index is expected to continue to increase, rising by 0.8% from 2022 to 117.3. In 2024, new supply is expected to be limited and the vacancy rate will decline gradually to 5.4%. Due to the fall in the vacancy rate, the rent index will rise slightly by 1.2% from 2023 to 118.6.

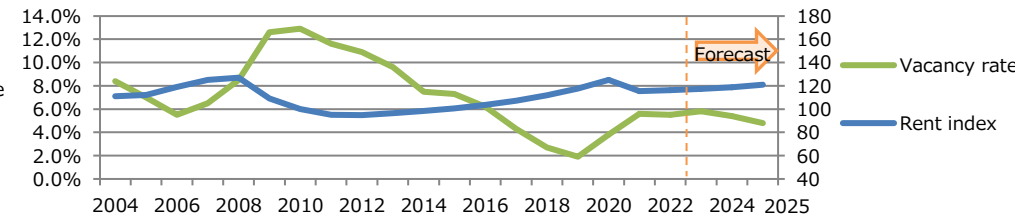
### ■ Tokyo

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Rent index	101	109	124	145	149	114	100	92	92	95	99	104	109	114	121	128	132	111	109	106	104	101	99	98
Vacancy rate	6.1%	4.2%	2.9%	2.6%	4.7%	8.1%	8.9%	9.0%	8.7%	7.3%	5.5%	4.0%	3.6%	3.1%	1.9%	1.6%	4.5%	6.3%	6.5%	6.6%	6.5%	6.8%	7.0%	7.2%



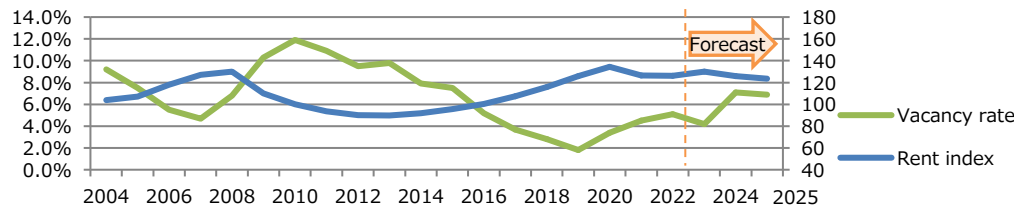
### ■ Nagoya

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Rent index	111	112	119	125	127	109	100	95	95	96	99	101	104	107	112	118	125	116	116	117	119	121
Vacancy rate	8.4%	7.0%	5.5%	6.5%	8.5%	12.6%	12.9%	11.6%	10.9%	9.6%	7.5%	7.3%	6.2%	4.3%	2.7%	1.9%	3.8%	5.6%	5.5%	5.8%	5.4%	4.8%



### ■ Osaka

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Rent index	104	107	118	127	130	110	100	94	90	90	92	96	101	107	116	126	135	127	126	130	126	124
Vacancy rate	9.2%	7.5%	5.5%	4.7%	6.8%	10.3%	11.9%	10.9%	9.5%	9.8%	7.9%	7.5%	5.2%	3.7%	2.8%	1.8%	3.4%	4.5%	5.1%	4.2%	7.1%	6.9%



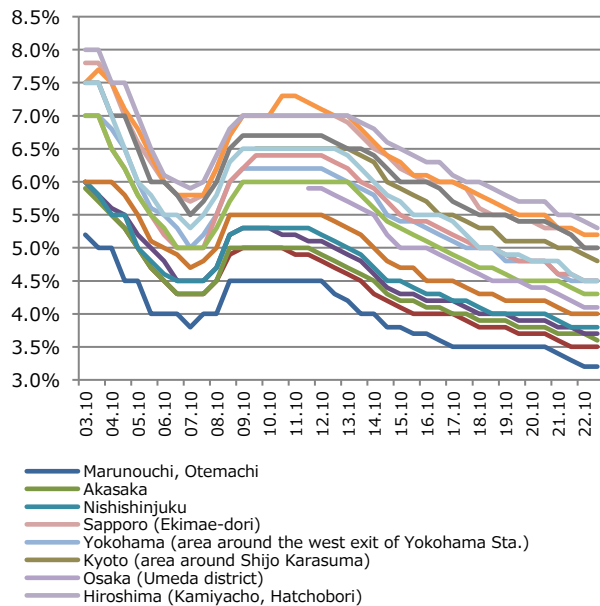
Rent index in 2010=100, values in 2023 onward are forecasts

Source: Prepared by Nomura Real Estate Solutions based on materials presented by the Study Group on Office Market Trends (a joint study group by Japan Real Estate Institute and Miki Shoji) on June 7, 2023.

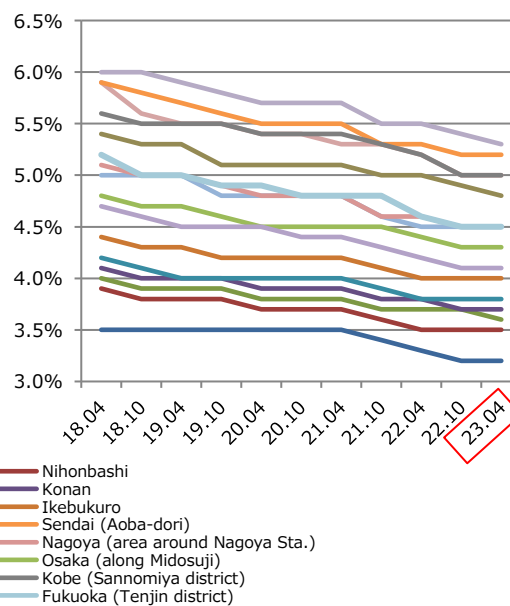
# 2-5 Expected Yields on Office Buildings (A-Class Buildings)

- 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)



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
Akasaka	3.7%	0.0
Konan	3.6%	- 0.1
Nihonbashi	3.5%	0.0
<b>Marunouchi, Otemachi</b>	<b>3.2%</b>	<b>0.0</b>

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

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 <sup>2</sup> or more
<b>Leasable floor area on a standard floor</b>	<b>1,500 m<sup>2</sup> or more</b>
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"

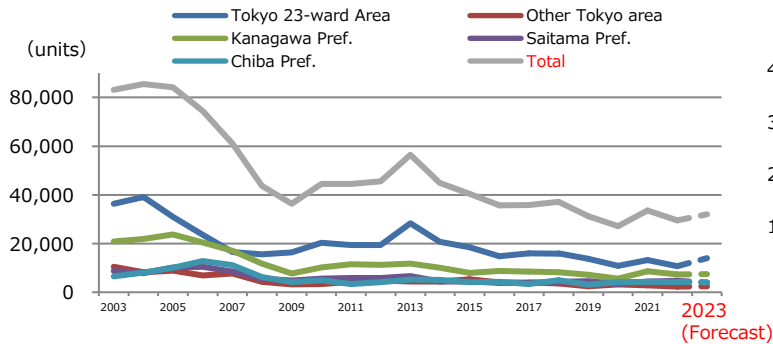


### 3. Condominiums for Sale

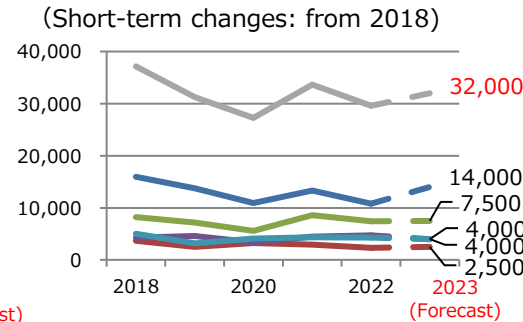
# 3 Supply and Price Trends of Condominiums for Sale in the Tokyo Metropolitan and Kinki Areas

- [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.

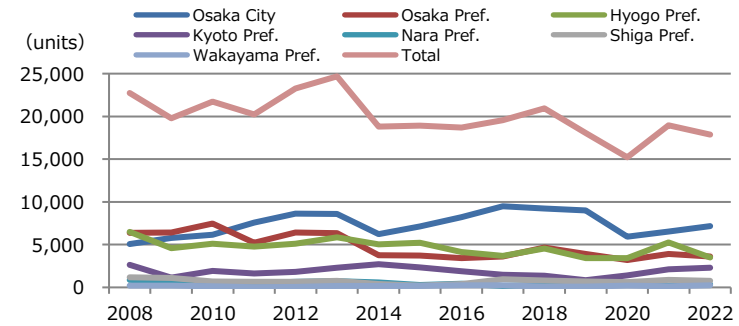
■ Supply trend: Tokyo Metropolitan Area



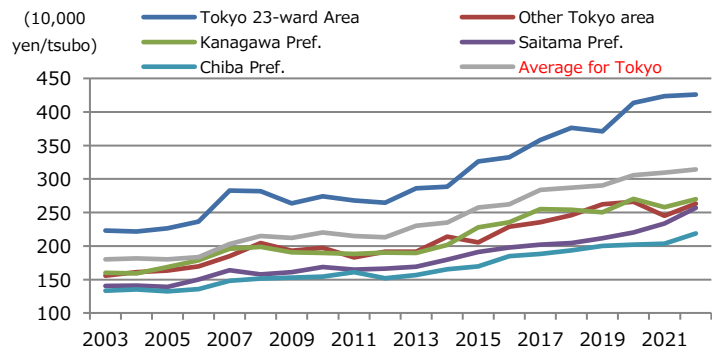
■ Supply trend: Tokyo Metropolitan Area (Short-term changes: from 2018)



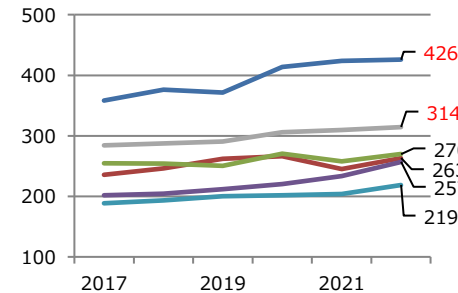
■ Supply trend: Kinki Area



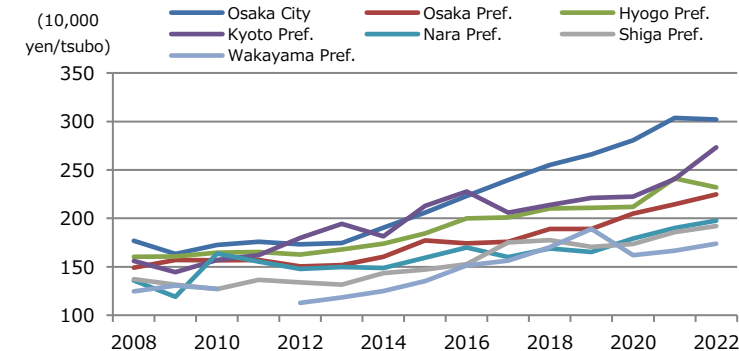
■ Price trend: Tokyo Metropolitan Area



■ 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

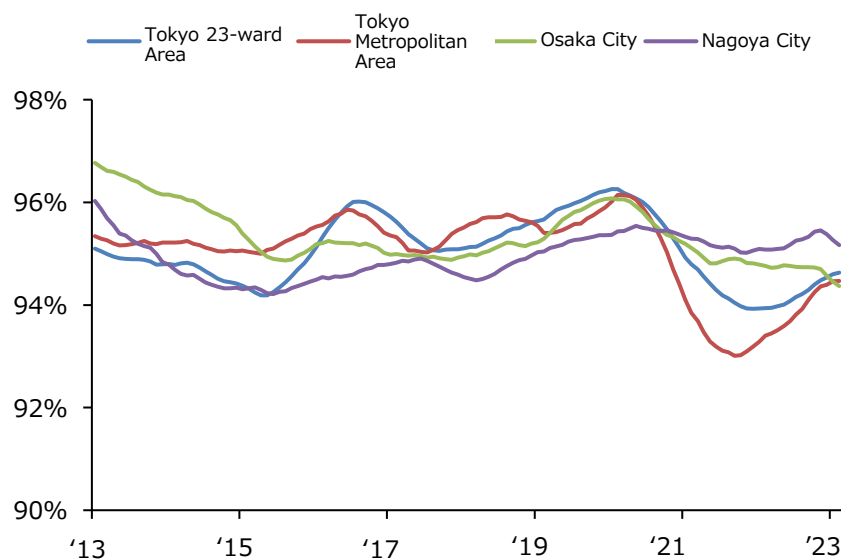


## 4. Rental Condominiums

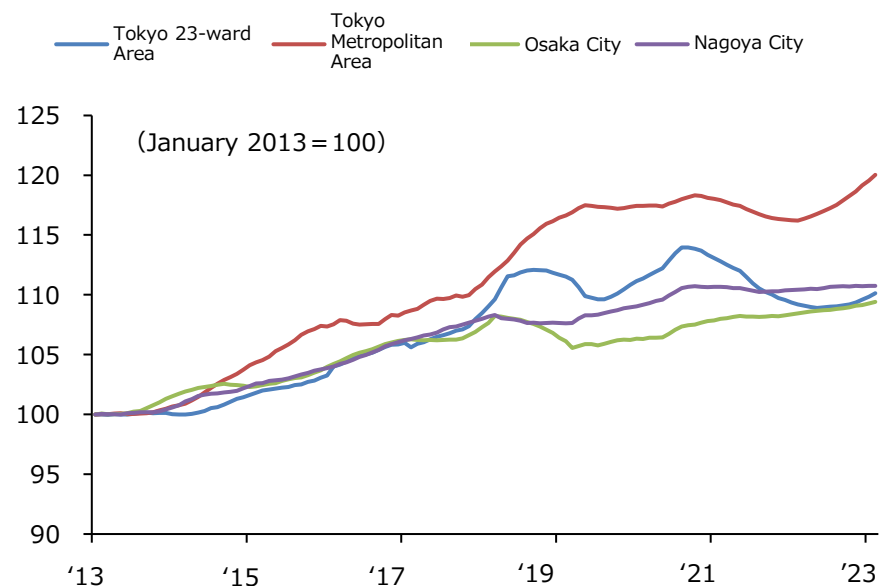
# 4-1 Trend of Rental Condominiums (Trend of Occupancy and Rent Level)

- The occupancy level in 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, but that in the Tokyo 23-ward area falls below pre-pandemic levels.

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



## ■ Trend of rent level



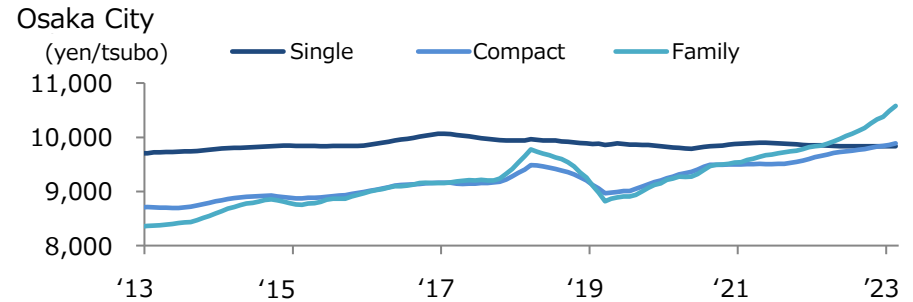
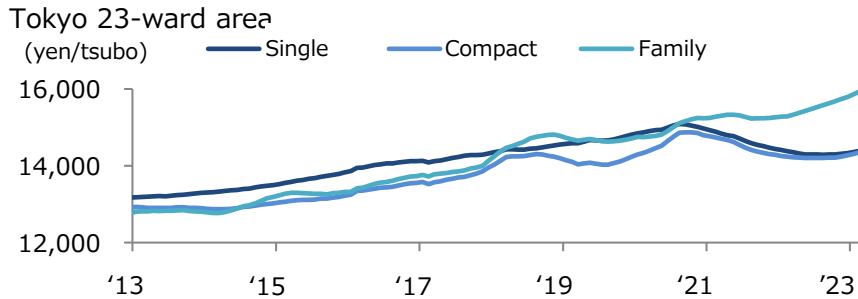
Source: All of the above data is from Style Act Co., Ltd.

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—turned toward recovery.
- 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)

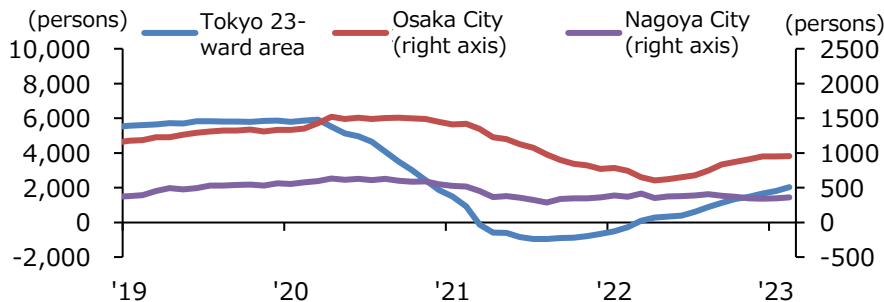


Source: All of the above data is from Style Act Co., Ltd.

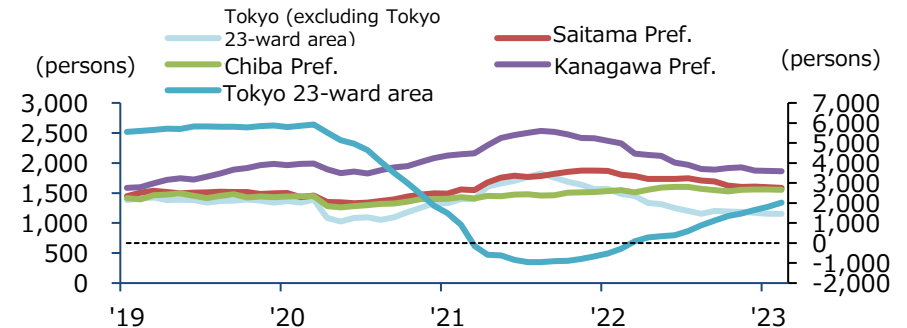
Note: The rent is revised by Style Act to the achievable rent of a property that is new, located 5 minutes walk from a railway station, facing south, on the 2nd floor, a condominium and with key money of one month rent.

Definitions: Single = 25 m<sup>2</sup> range, compact = 40 to 50 m<sup>2</sup> range, family = 70 m<sup>2</sup> range

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



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



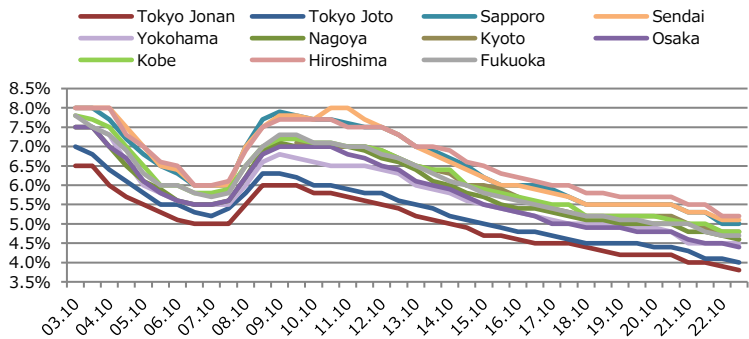
Source: Figures for net number of relocations prepared by NREAM based on data from the Ministry of Internal Affairs and Communications

Note: Figures do not include foreigners

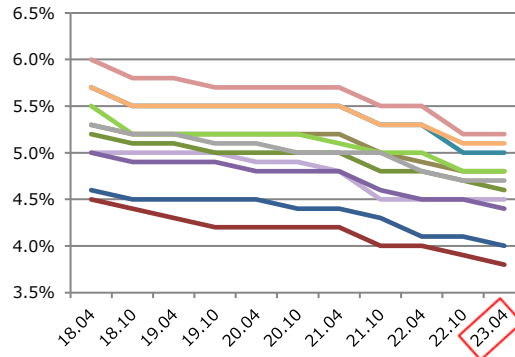
# 4-3 Expected Yields on Rental Condominiums

- 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)

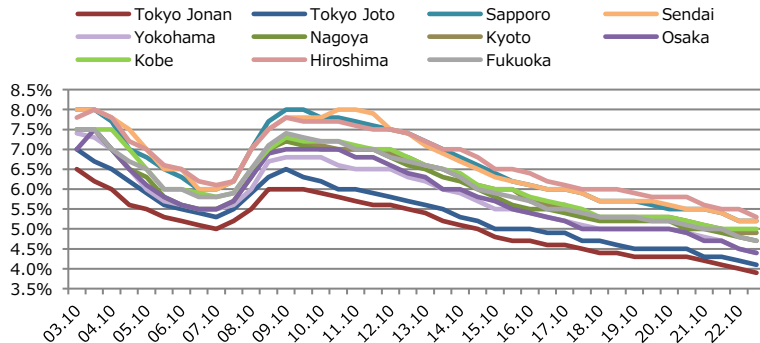


	Yield in Apr. 2023	Change from the previous survey
Hiroshima	5.2%	0.0
Sendai	5.1%	0.0
Sapporo	5.0%	0.0
Kyoto	4.8%	0.0
Kobe	4.8%	0.0
Nagoya	4.7%	0.0
Fukuoka	4.6%	- 0.1
Yokohama	4.5%	0.0
Osaka	4.4%	- 0.1
Tokyo Joto	4.0%	- 0.1
<b>Tokyo Jonan</b>	<b>3.8%</b>	<b>- 0.1</b>

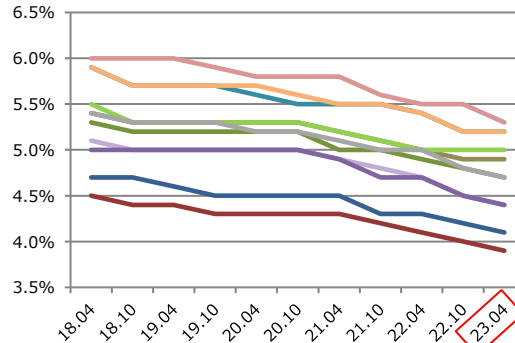
\* Type of assumed rental housing in Tokyo

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, 15 minutes walk from Shibuya/Ebisu Station
·Average exclusive area: 25 to 30 m <sup>2</sup> ·Number of units: approx. 50	Joto area (Sumida Ward and Koto Ward) Located along railway, 15 minutes walk 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, 15 minutes walk from Shibuya/Ebisu Station
·Average exclusive area: 50 to 80 m <sup>2</sup> ·Number of units: approx. 50	Joto area (Sumida Ward and Koto Ward) Located along railway, 15 minutes walk 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
<b>Tokyo Jonan</b>	<b>3.9%</b>	<b>- 0.1</b>

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



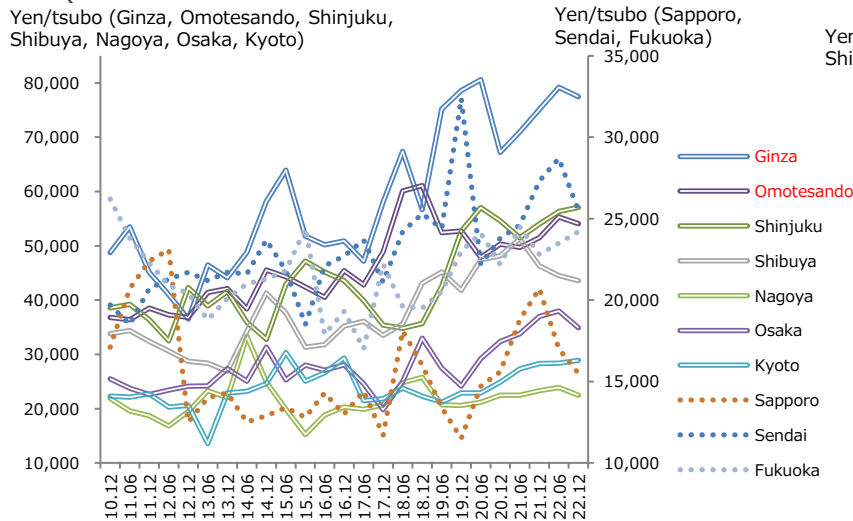


## 5. Commercial Stores

# 5-1 Trend of Commercial Stores

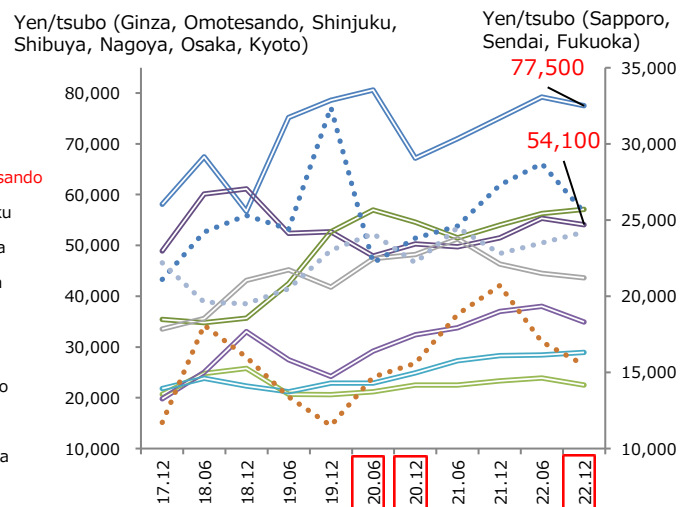
- The flow of people is recovering due to loosening of movement restrictions in Japan and the country's border measures. The recovery in inbound travel is especially prominent. Although it is expected to take some time before the number of visitors to Japan returns to pre-pandemic levels, there is rising 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 four consecutive quarters, and Omotesando saw a rise for three consecutive quarters**. Backed by factors such as changes in the consumption styles of wealthy people, the value of luxury goods sales in Japan is expected to be at a satisfactory level. In addition, as further increase is expected if there is a recovery in the number of inbound tourists, demand for store openings remains firm and rents are expected to rise for the time being.
- 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)

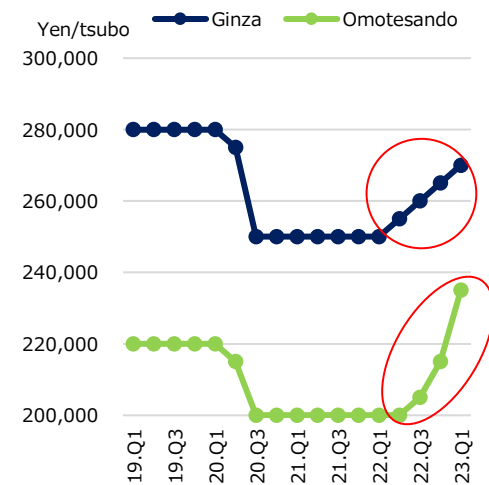


Source: "Store Rent Trends" published by Japan Real Estate Institute, BAC Urban Project and Style Act Co., Ltd. (compiled by Nomura Real Estate Solutions)

■ 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.Q1)

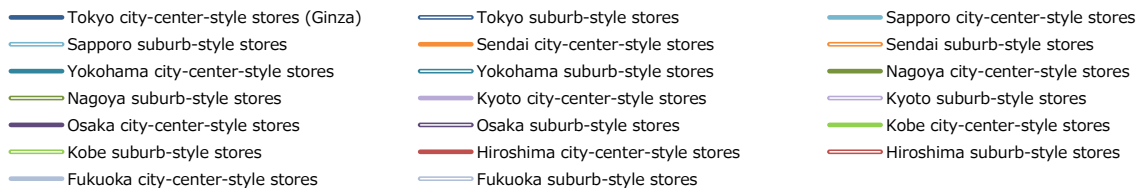
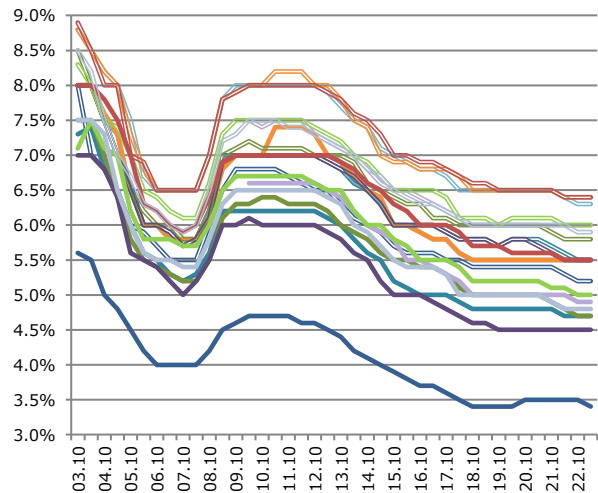


Source: "Tokyo Retail Market Summary" published by JLL (compiled by Nomura Real Estate Solutions)

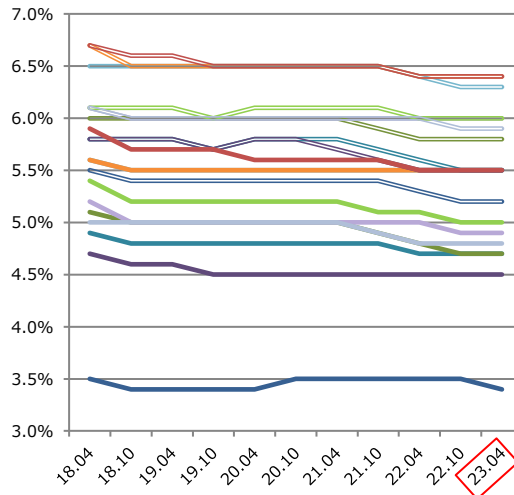
# 5-2 Expected Yields on Commercial Stores

- 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)



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



\*Type of assumed commercial store in Tokyo

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 commercial store	Conditions of location
<b>[City-center-style high-class specialized stores]</b> • 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	Located on the Ginza Chuo-dori Avenue, Ginza area, Chuo Ward
	Located on the Omotesando Avenue, Omotesando area, Shibuya Ward
<b>[Suburban-style shopping center]</b> • Store space: 20,000 m <sup>2</sup> • Key tenants: dominant general merchandise stores (GMSs) • Rent scheme: period rent; mainly fixed rent	Located on major arterial roads; 60 minutes from Tokyo city center

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

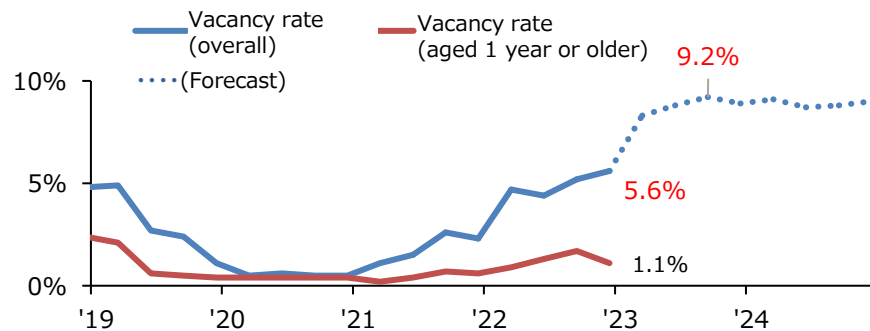


## 6. Logistics Facilities

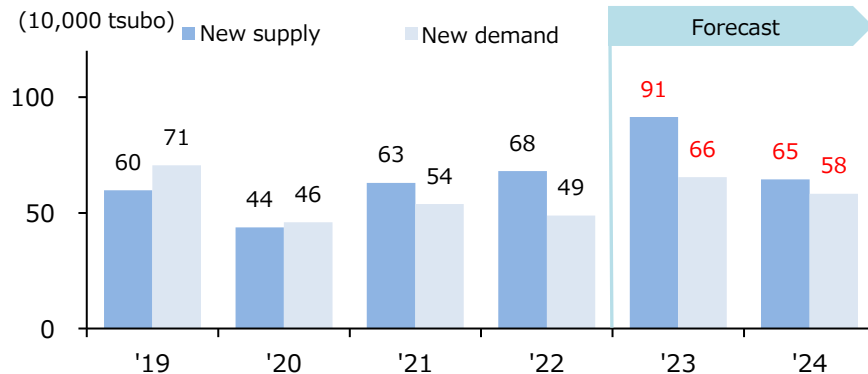
# 6-1 Trend of Logistics Facilities (Tokyo Metropolitan Area)

- The vacancy rate in the Tokyo Metropolitan area has been rising since 2021. It is expected to reach the 9% level in 2023 due to a large supply.
- Rent levels were on an increasing trend since 2018, but are stagnant or declining recently.

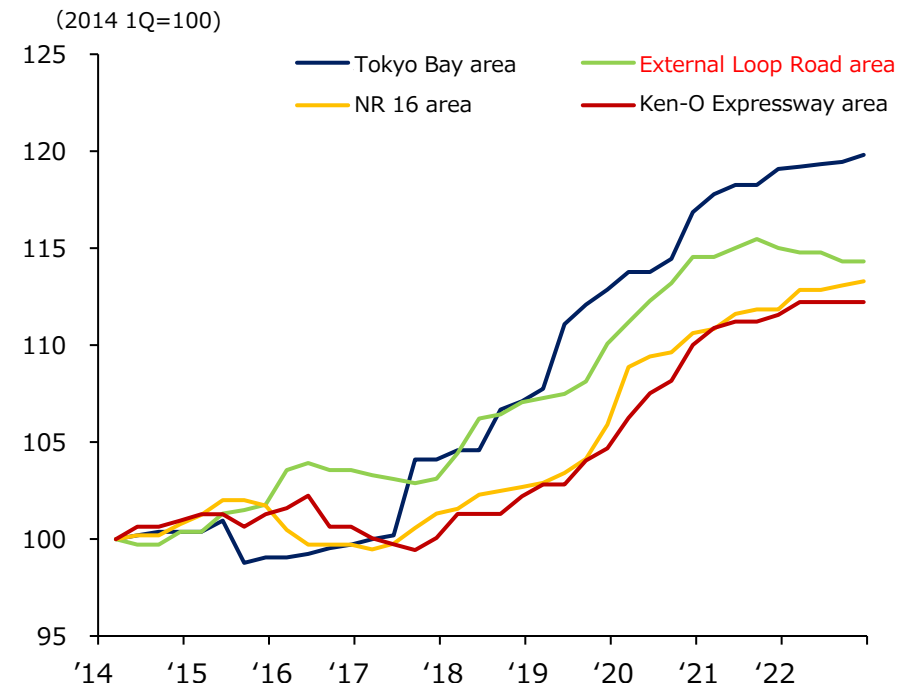
## ■ Trend of vacancy rate (as of December 31 of each year)



## ■ New supply and new demand



## ■ Trend of rent level



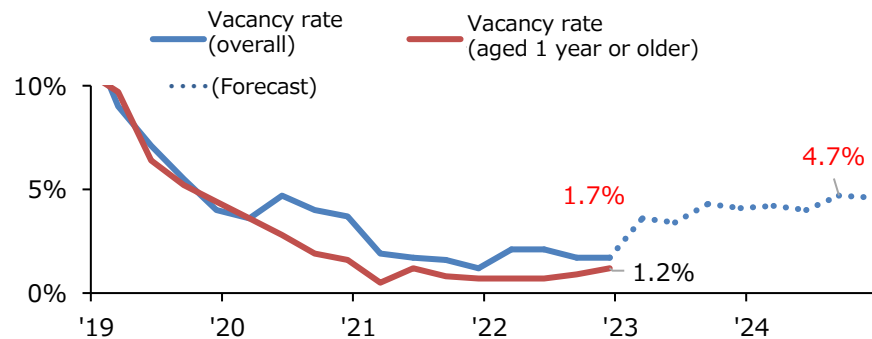
Source: Prepared by NREAM based on data from CBRE

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.

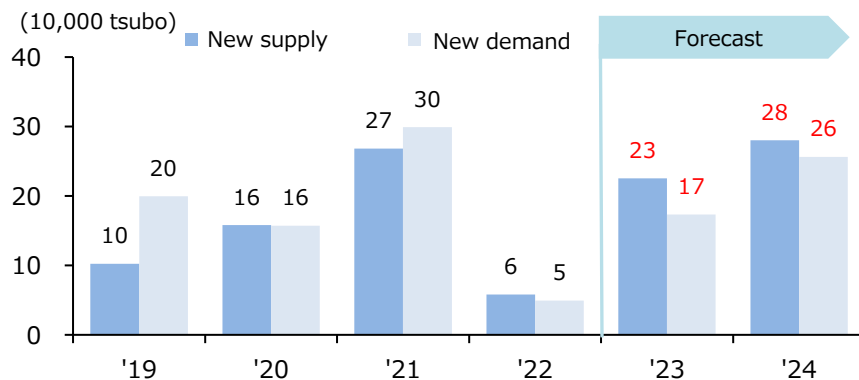
# 6-2 Trend of Logistics Facilities (Kinki Area)

- The vacancy rate in the Kinki area is currently satisfactory, but it is expected to rise to around 4% due to a future increase in supply.
- Rent levels were on an increasing trend since 2018, but the pace of increase is slowing down recently.

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

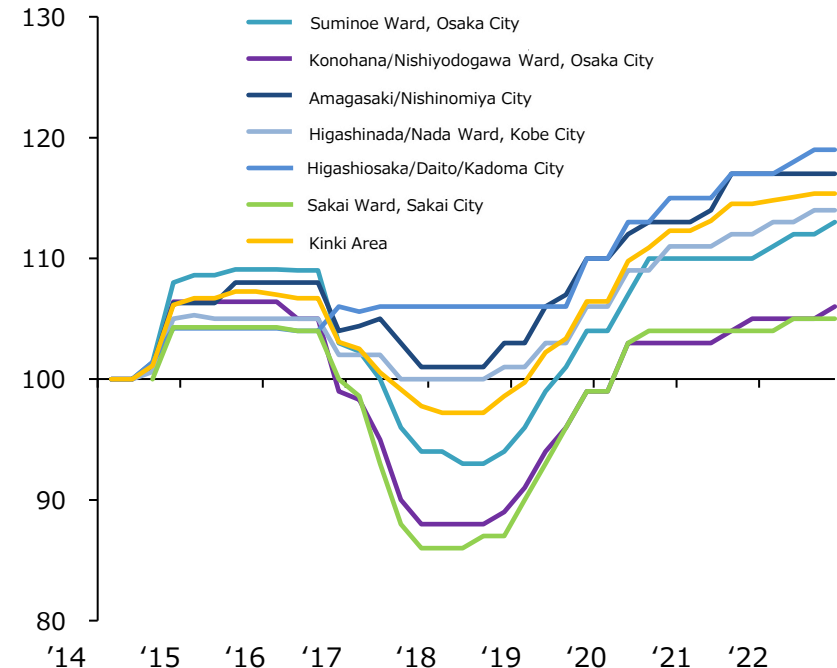


## ■ New supply and new demand



## ■ Trend of rent level

(March 2014=100, September 2014=100 for Sakai Ward in Sakai City)



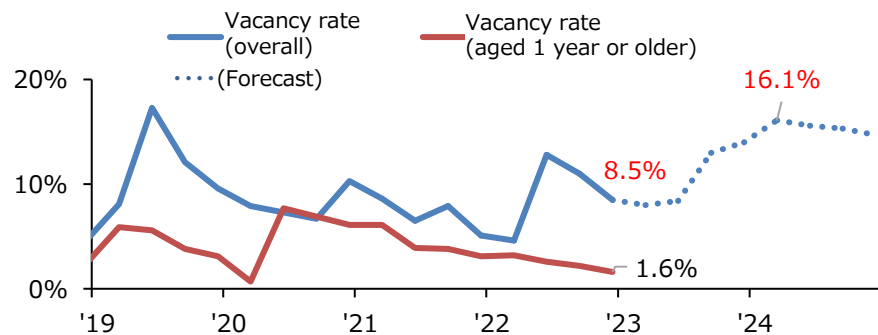
Source: Prepared by NREAM based on data from CBRE

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.

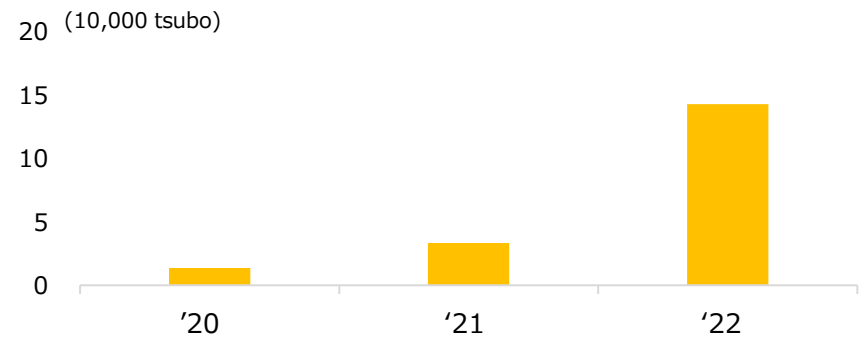
# 6-3 Trend of Logistics Facilities (Chubu Area)

- 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 is low for facilities that are one year or older, and demand itself is increasing steadily.

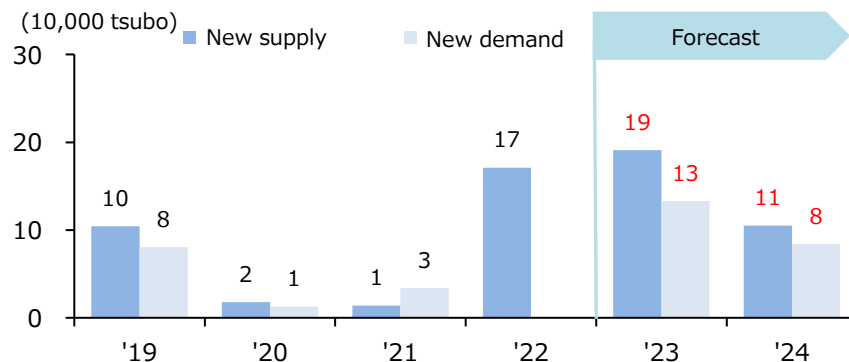
## ■ Trend of vacancy rate (as of December 31 of each year)



## ■ Estimated net absorption



## ■ New supply and new demand



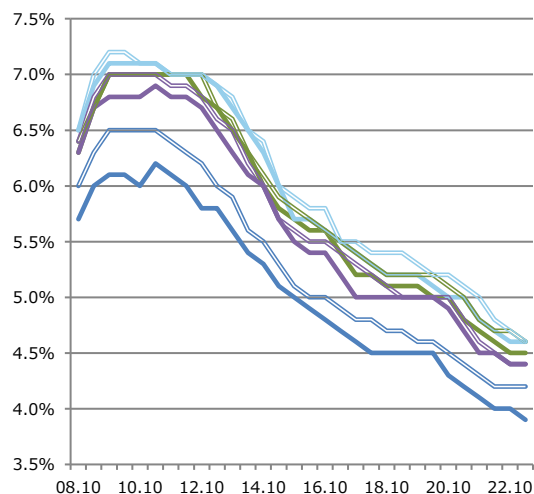
Source: Prepared by NREAM based on data from CBRE  
 Note: In Chubu area only, GFA of more than 5,000 tsubo; all of these are logistics facilities assuming several tenants.  
 Net absorption expresses the strength of demand using the change in occupied floor area. The figures were estimated by NREAM.

# 6-4 Expected Yields on Logistics Facilities/Warehouses

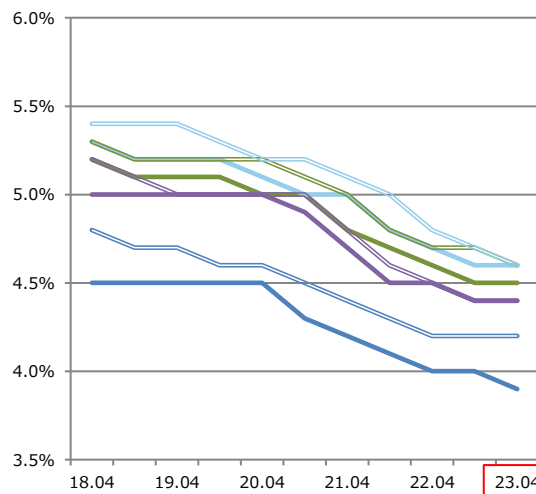
- The expected yields on multi-tenant logistics facilities and warehouses in bay areas **fell by 0.1 points** in the Koto area, Tokyo (3.9%), going below 4.0% for the first time since the initiation of the survey, but **remained flat** in the Nagoya Port area, Nagoya (4.5%), the Osaka Port area, Osaka (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)



— Multi-tenant facilities/Bay areas/Tokyo  
— Multi-tenant facilities/Bay areas/Osaka  
— Multi-tenant facilities/Inland areas/Tokyo  
— Multi-tenant facilities/Inland areas/Osaka



— Multi-tenant facilities/Bay areas/Nagoya  
— Multi-tenant facilities/Bay areas/Fukuoka  
— Multi-tenant facilities/Inland areas/Nagoya  
— Multi-tenant facilities/Inland areas/Osaka  
— Multi-tenant facilities/Inland areas/Fukuoka

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/Osaka	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	
<b>[Multi-tenant facility]</b> •Stories: 3 or 4 •Gross floor area: approx. 50,000 m <sup>2</sup> •Facility that has truck berths on 1st and 3rd floors and has versatility •Number of tenants: approx. 4 (stable operation assumed)	<b>[Bay area]</b> Area with good access to arterial roads and expressway ICs	Koto area, Tokyo
		Nagoya Port area, Nagoya
		Osaka Port area, Osaka
	Fukuoka Port area, Fukuoka	
	<b>[Inland area]</b> 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)



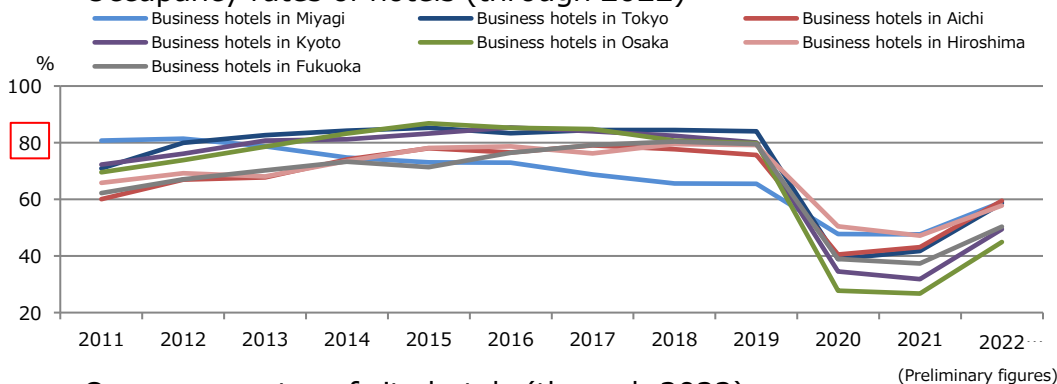


## 7. Hotels

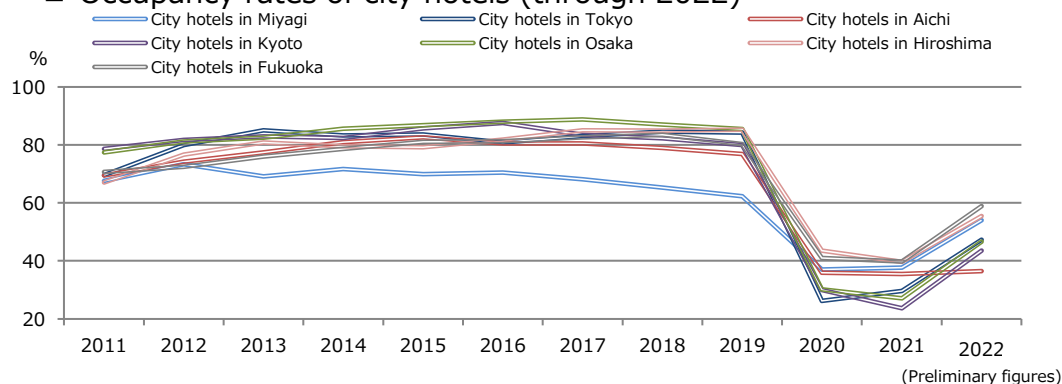
# 7-1 Hotel Trends

- 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 March 2023 were 60.9% (59.7% in February) in Miyagi, **81.1%** (76.2% in February) in **Tokyo**, 77.4% (67.5% in February) in Aichi, 65.3% (53.2% in February) in Kyoto, 57.1% (54.7% in February) in Osaka, 76.1% (62.2% in February) in Hiroshima, and 69.7% (68.8% in February) in Fukuoka.
- The occupancy rates of city hotels in March 2023 were 65.1% (59.5% in February) in Miyagi, **72.3%** (67.6% in February) in **Tokyo**, 68.5% (61.5% in February) in Aichi, 65.5% (50.7% in February) in Kyoto, 78.9% (68.5% in November) in Osaka, 62.8% (63.7% in March) in Hiroshima, and 78.8% (74.8% in February) in Fukuoka.

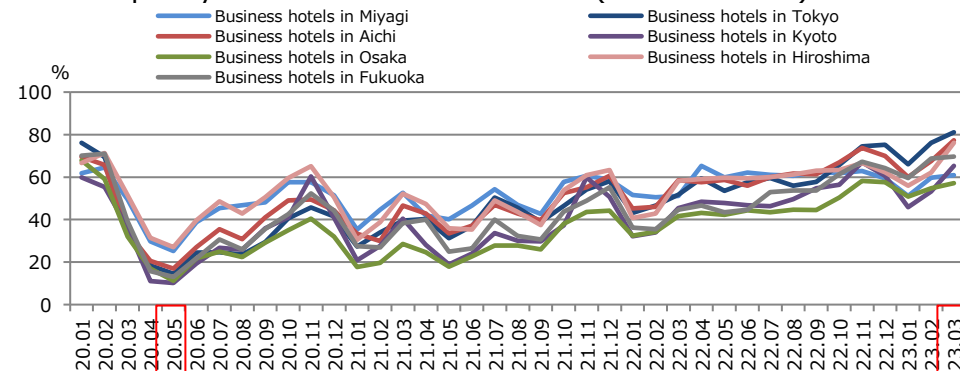
## Occupancy rates of hotels (through 2022)



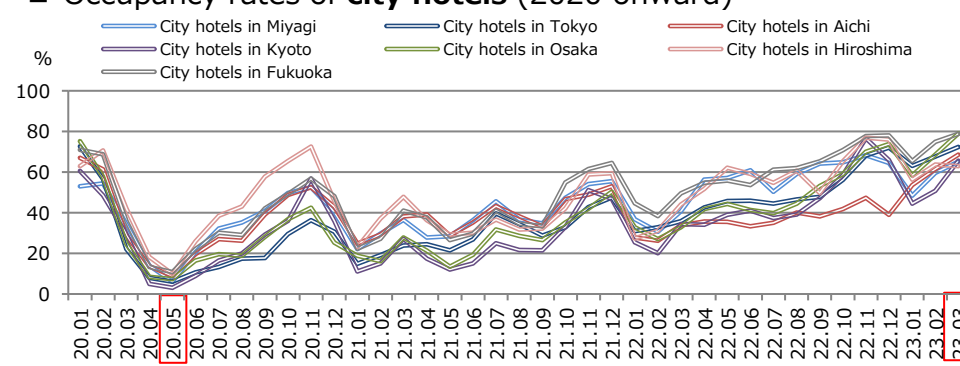
## Occupancy rates of city hotels (through 2022)



## Occupancy rates of business hotels (2020 onward)



## Occupancy rates of city hotels (2020 onward)

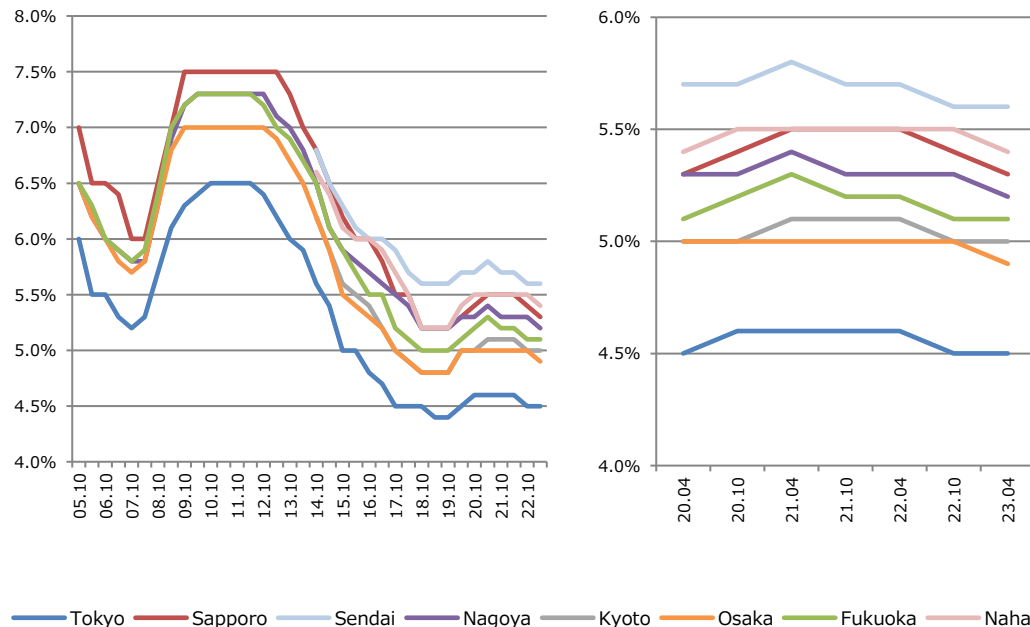


Source: MLIT Japan Tourism Agency "Statistic Survey of Tourism with Accommodation" (compiled by Nomura Real Estate Solutions)

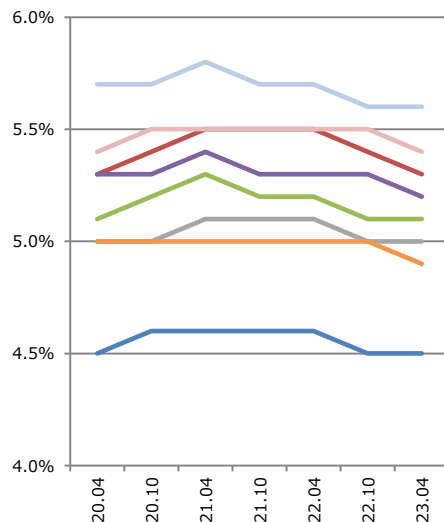
# 7-2 Expected Yields on Accommodation-specialized Hotels

- 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)



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

- There were upward changes in 73 areas (71 in the previous survey), little change in 7 areas (9 in the previous survey) and downward changes in 0 areas (0 in the previous survey). Under a state of living with COVID-19, besides the firm demand for condominiums, the demand for stores continues to recover. Continuing from the previous quarter, there were upward changes or little change in all areas. Of the 73 areas with upward changes, one area (zero in the previous survey) saw an increase of 6% or more (Ohori in Fukuoka City), one area (two in the previous survey) saw an increase of more than 3% and less than 6% (around Kyoto Station in Kyoto City), and 71 areas (69 in the previous survey) saw a less than 3% increase. Compared to the previous survey, there was an increase in the areas with upward changes.
- The change category remained unchanged in 75 areas, shifted to an increase in four areas, and shifted to a decrease in one area.

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	21.4.1	21.7.1	21.10.1	22.1.1	22.4.1	22.7.1	22.10.1	23.1.1	City	Area	21.4.1	21.7.1	21.10.1	22.1.1	22.4.1	22.7.1	22.10.1	23.1.1		
		~ 21.7.1	~ 21.10.1	~ 22.1.1	~ 22.4.1	~ 22.7.1	~ 22.10.1	~ 23.1.1	~ 23.1.1			~ 21.7.1	~ 21.10.1	~ 22.1.1	~ 22.4.1	~ 22.7.1	~ 22.10.1	~ 23.1.1	~ 23.1.1		
23 wards of Tokyo	Marunouchi	↘	↘	↘	→	→	→	→	→	Sendai	Chuo 1-chome	→	↗	↗	↗	↗	↗	↗	↗	↗	
	Ginza, Chuo	→	→	→	↗	↗	↗	↗	↗		Osaka	Shinsaibashi	↘	↘	↘	↘	→	↗	↗	↗	↗
	Yaesu	↘	↘	↘	→	↗	↗	↗	↗		Nagoya	Nagoya Sta. front	↗	↗	↗	↗	↗	↗	↗	↗	↗
	Toranomon	→	→	→	→	↗	↗	↗	↗		Kyoto	Kawara-machi	→	→	↗	↗	↗	↗	↗	↗	↗
	Shinjuku 3-chome	→	→	→	→	↗	↗	↗	↗		Hiroshima	Kamiyacho	↗	↗	↗	↗	↗	↗	↗	↗	↗
	Shibuya	↘	↘	→	→	↗	↗	↗	↗		Fukuoka	Around Hakata Sta	→	→	→	→	→	→	↗	↗	↗
Yokohama	↗	↗	↗	↗	↗	↗	↗	↗													
Saitama	→	→	↗	↗	↗	↗	↗	↗													
Chiba	→	→	→	→	→	→	→	↗													
Sapporo	↗	↗	↗	↗	↗	↗	↗	↗													

**Legend**

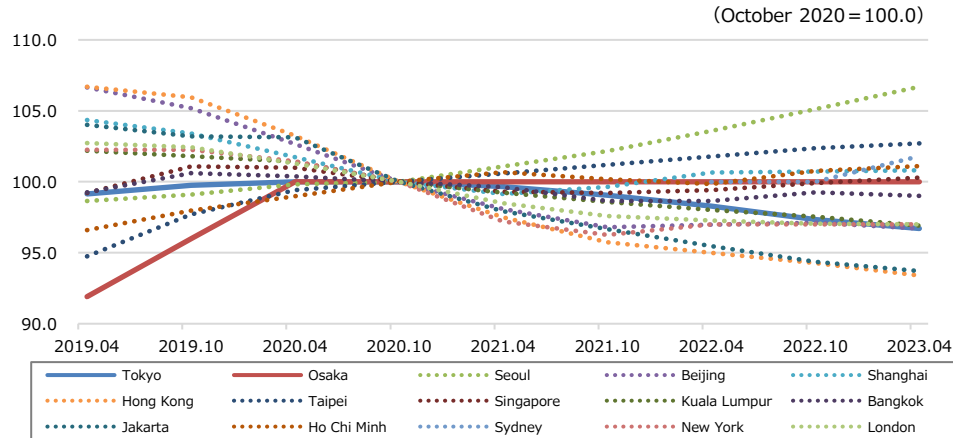
- ↑: Increase (≥6%)
- ↗: Increase (≥3%, <6%)
- ↘: Increase (>0, <3%)
- : Unchanged (0%)
- ↘: Decrease (≥0%, <3%)
- ↘: Decrease (≥3%, <6%)
- ↓: Decrease (≥6%, <9%)
- ↓: Decrease (≥9%, <12%)
- ↓: Decrease (≥12%)

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

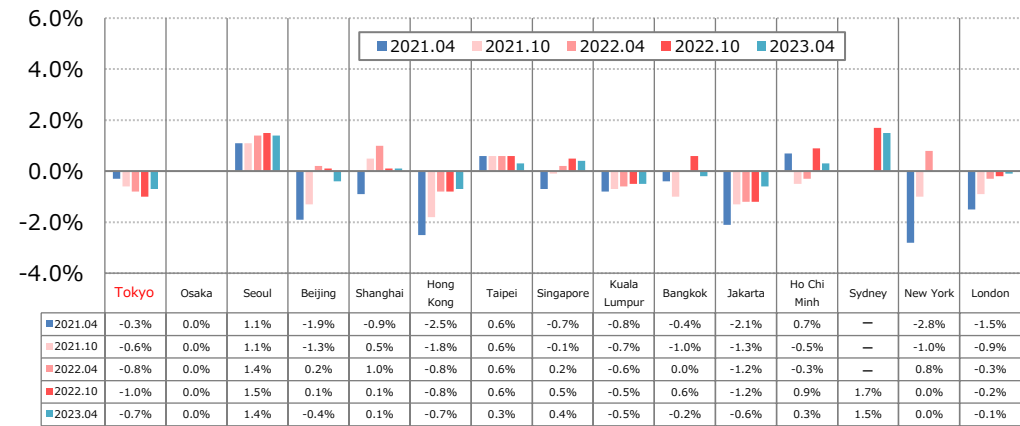
# Reference: Trend of Land Prices in High-level Use Districts of Major Cities

- **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.

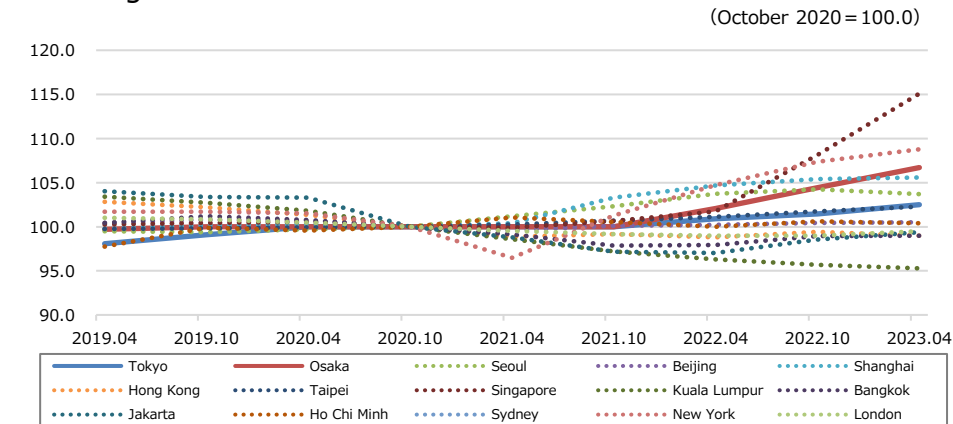
## ■ Changes in the office rent index



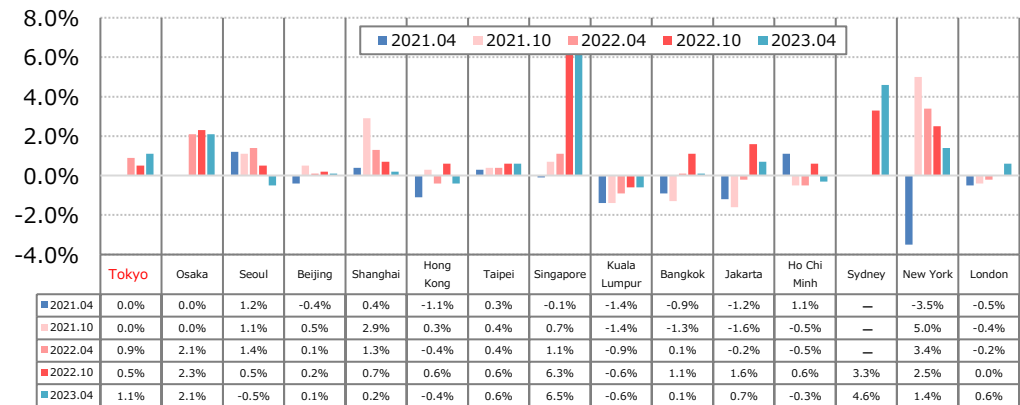
## ■ Volatilities of the office rent index compared to the previous results



## ■ 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