

# Real Estate Market Trends

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—Winter 2023—

Corporate Services Division

Nomura Real Estate Solutions Co., Ltd.

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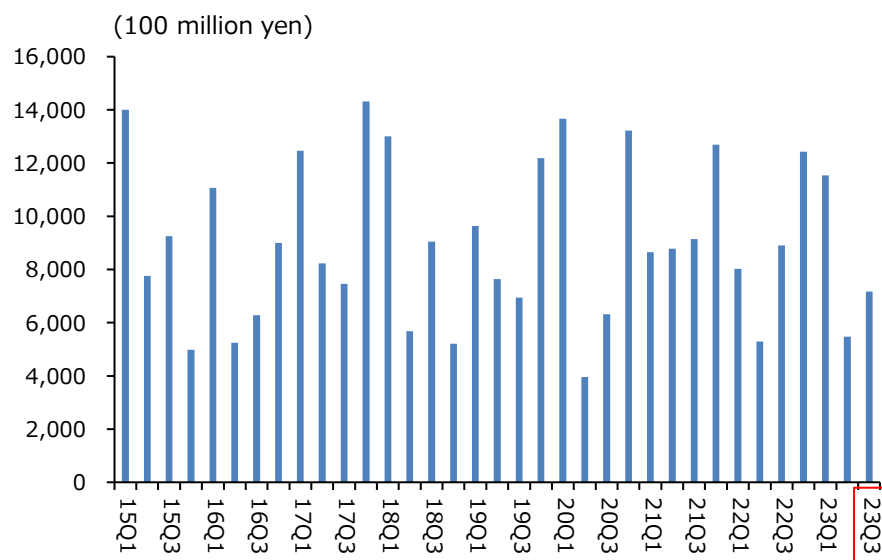


# 1. Commercial Real Estate Transactions

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

- The commercial real estate transaction volume in Q3 2023 (ascertained) decreased compared to Q3 2022 due to the impact of a rapid reduction in office building transactions.
- Hotel transactions recovered significantly against a backdrop of a recovery in travel demand, such as foreign visitors to Japan. Several REITs carried out actions centered on hotels such as public offerings and batch acquisition of properties, supporting the sluggish market.
- Although the investment desire of domestic investors and business companies has not waned, there is an increase in cases among European and U.S. investors where they are cautious about new real estate investments due to monetary tightening in overseas markets.

## ■ 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 Q3 2023

Property (Asset type)	Timing	Details	Estimated amount
Part of the premises of Imperial Hotel Tokyo Tower Building (Hotel)	Sep.	Joint operator Mitsui Fudosan made this acquisition from Imperial Hotel. This is the largest contract in this quarter.	About 62.0 billion yen
Suma New Construction (tentative name) (data center)	May	Mapletree Industrial Trust and Mapletree Investments made this acquisition from Suma Tokutei Mokuteki Kaisha.	52.0 billion yen
Land for Hino Motors' Hino Plant (part of Hino Plant) (factory)	Sep.	Mitsui Fudosan made this acquisition from Hino Motors. According to Mitsui Fudosan's Corporate Communications Department, the intention is to use it for building a data center.	(About 50.0 billion yen)
Fusaki Beach Resort Hotel & Villas (Hotel)	Jul.	Invincible Investment Corporation acquired this property from Sheffield Asset Tokutei Mokuteki Kaisha.	40.293 billion yen
SUNSQUARE (sports facilities and shops)	Sep.	Nippon Paper sold this property for effective utilization of management resources and strengthening of financial structure. The buyer is not disclosed.	About 25.4 billion yen (capital gains)

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 contract concluded, delivery, or announcement.

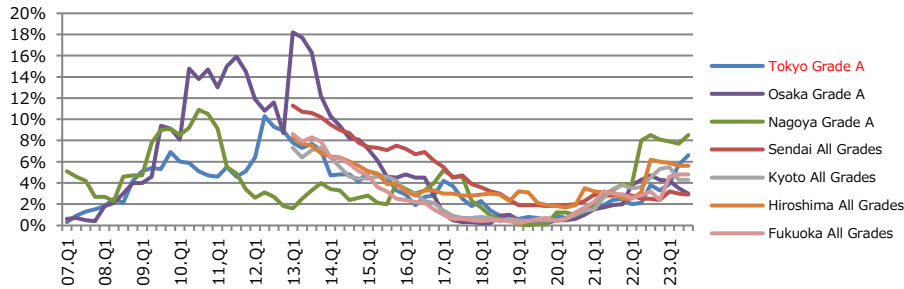


## 2. Offices

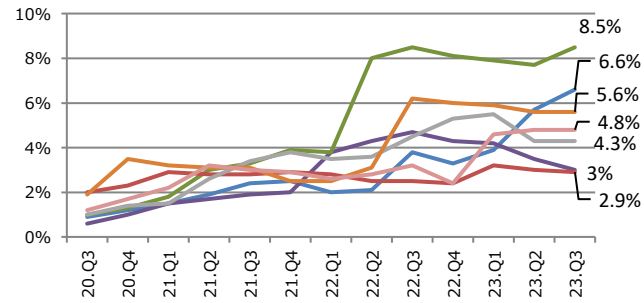
# 2-1 Office Trends in Major Cities

- [Tokyo]** The Grade A vacancy rate rose by 0.9 points q-o-q to 6.6%, and rents remained flat at 34,550 yen per *tsubo*. This is the second consecutive quarter where rents remained flat compared to the previous quarter. Grade A rents are expected to fall by 0.4% over the next year. The vacancy rate of all grades rose by 0.3 points q-o-q to 5.2%, and rents fell by 0.1% q-o-q to 21,270 yen per *tsubo*. The main reason came from the vacancies left by the new supply. The trend of lowering rents for small and medium-sized buildings slightly kept down the overall level. Rents are expected to remain flat for the time being with a slightly weakening trend.
- [Osaka]** The Grade A vacancy rate fell by 0.5 points q-o-q to 3.0%, and rents fell by 0.2% q-o-q to 23,950 yen per *tsubo*. The vacancy rate fell for the fourth consecutive quarter. The main reason came from large-scale vacancies being filled due to location improvements, relocation to better grades, and increase in floor areas within buildings. Although the fall in rents has reduced, there continues to be rent adjustments for securing tenants. Grade A rents are expected to fall by 1.5% over the next one year. The vacancy rate of all grades fell by 0.4 points to 3.3%, and rents fell by 0.1% q-o-q to 14,110 yen per *tsubo*. A large supply of approximately 90,000 *tsubo* is scheduled in 2024, the largest so far and equivalent to slightly more than 5% of the current total floor area for rental. Therefore, the vacancy rate is expected to trend upward again.
- [Nagoya]** The Grade A vacancy rate rose by 0.8 points q-o-q to 8.5%, and rents rose by 0.2% q-o-q to 26,450 yen per *tsubo*. The Grade A vacancy rate rose for the first time in four quarters. Although rents increased for the first time since Q1 2020, due to the easing of demand in the future, rents are expected to gradually turn toward a falling trend again. Grade A rents are expected to fall by 2.3% over the next one year. The vacancy rate of all grades rose by 0.6 points q-o-q to 5.8%, and rents remained flat at 13,790 yen per *tsubo*. The vacancy rate of all grades rose for the first time in four quarters. Going forward, the rising trend is expected to continue due to new supply.

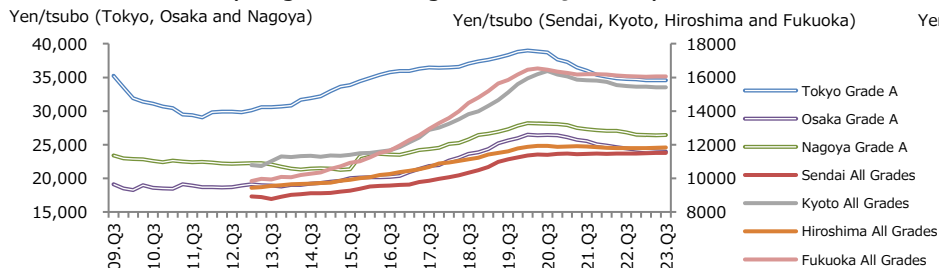
■ Vacancy rate (Long-term changes: from Q1 2007)



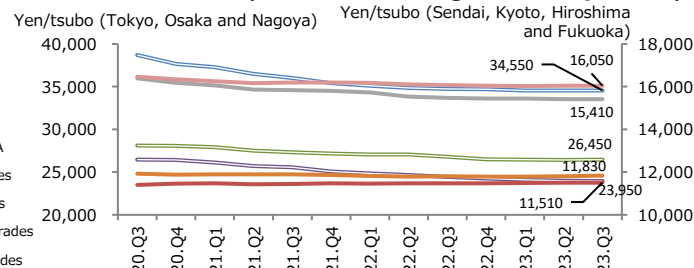
■ Vacancy rate (Short-term changes: from Q3 2020)



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



■ Rent revenue (Short-term changes: from Q3 2020)



Area		2022 Q4	2023 Q1	2023 Q2	2023 Q3
Tokyo Grade A	Vacancy rate (%)	3.3	3.9	5.7	6.6
	Assumed achievable rent (yen)	34,700	34,550	34,550	34,550
Osaka Grade A	Vacancy rate (%)	4.3	4.2	3.5	3.0
	Assumed achievable rent (yen)	24,250	24,100	24,000	23,950
Nagoya Grade A	Vacancy rate (%)	8.1	7.9	7.7	8.5
	Assumed achievable rent (yen)	26,500	26,450	26,400	26,450
Sendai All Grades	Vacancy rate (%)	2.4	3.2	3.0	2.9
	Assumed achievable rent (yen)	11,480	11,490	11,500	11,510
Kyoto All Grades	Vacancy rate (%)	5.3	5.5	4.3	4.3
	Assumed achievable rent (yen)	15,450	15,440	15,410	15,410
Hiroshima All Grades	Vacancy rate (%)	6.0	5.9	5.6	5.6
	Assumed achievable rent (yen)	11,790	11,790	11,810	11,830
Fukuoka All Grades	Vacancy rate (%)	2.4	4.6	4.8	4.8
	Assumed achievable rent (yen)	16,050	16,030	16,050	16,050

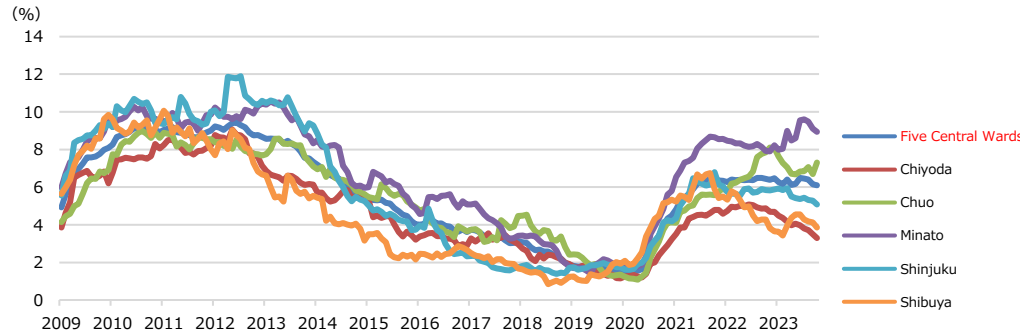
\*For Sendai, Kyoto, Hiroshima and Fukuoka, data for Q1 2013 onward is used

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

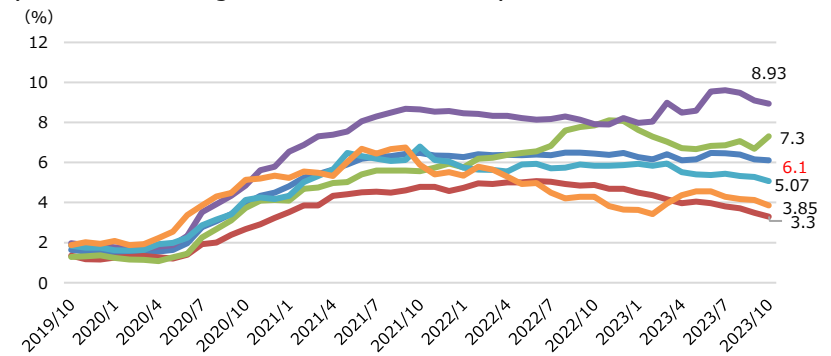
# 2-2 Office Trends in Tokyo's Five Central Wards

- The average vacancy rate in the five central wards of Tokyo was 6.10% as of October (down slightly 0.05 points from September). For new buildings, out of the two buildings completed in October, one building was completed filled, and there were also contracts for buildings completed within one year. Therefore, the vacancy rate decreased.
- For existing buildings, there was further filling of small and medium vacancies in the Aoyama and Shiba areas of Minato Ward. There was also firm demand for office relocation and expansion, centered on buildings that felt relatively cheaper due to rent adjustments so far.
- Average asking rents fell for the 39th consecutive month to 19,741 yen as of October (down 0.05% from September).

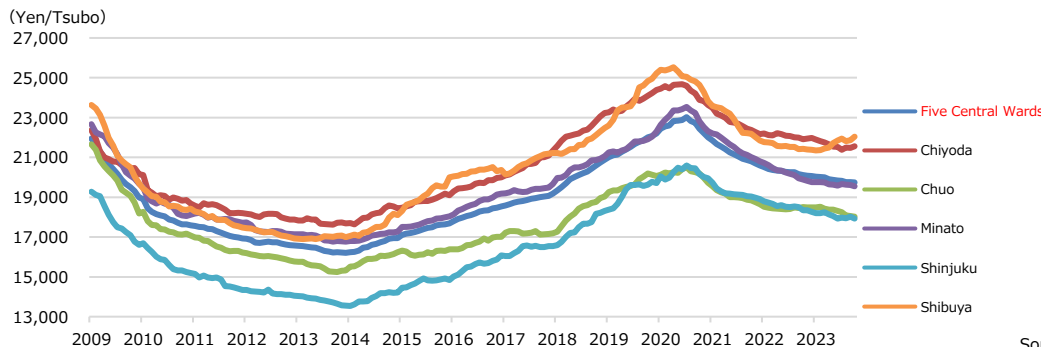
■ Average office vacancy rates (Long-term changes: from January 2009)



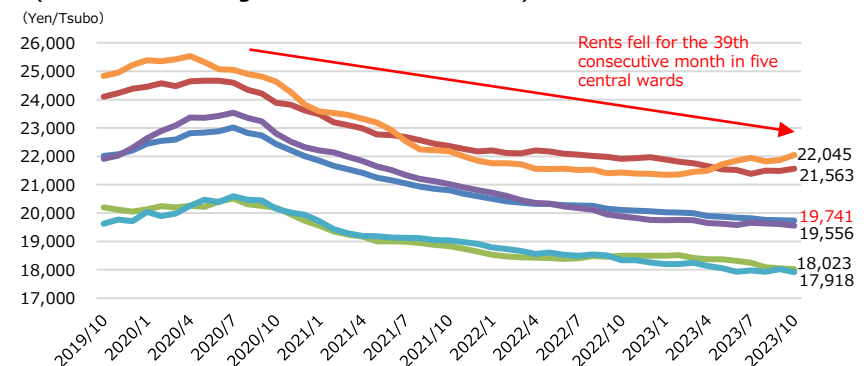
■ Average office vacancy rates (Short-term changes: from October 2019)



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



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

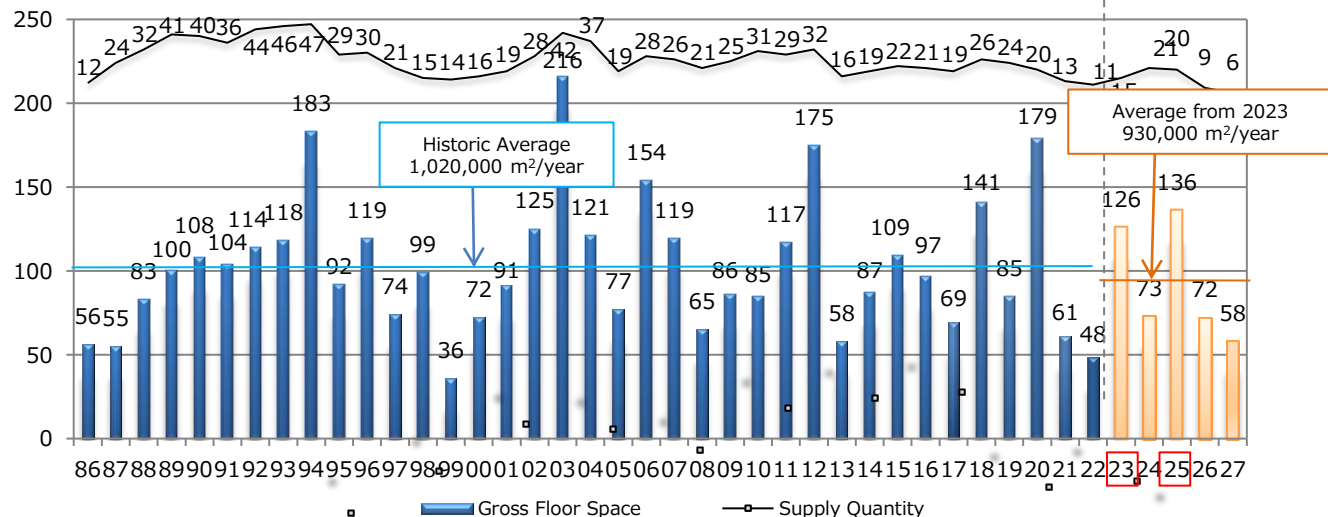


Source: Prepared by Nomura Real Estate Solutions based on data from Miki Shoji  
 Note: Central five wards of Tokyo = Chiyoda Ward, Chuo Ward, Minato Ward, Shibuya Ward and Shinjuku Ward

# 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 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"

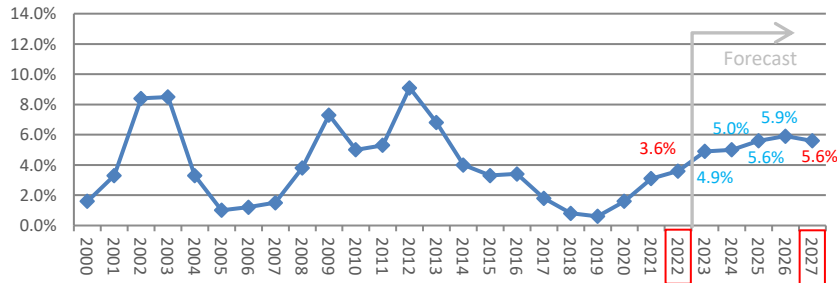


# 2-4 Forecasts for the Office Market in the Three Major Metropolitan Areas

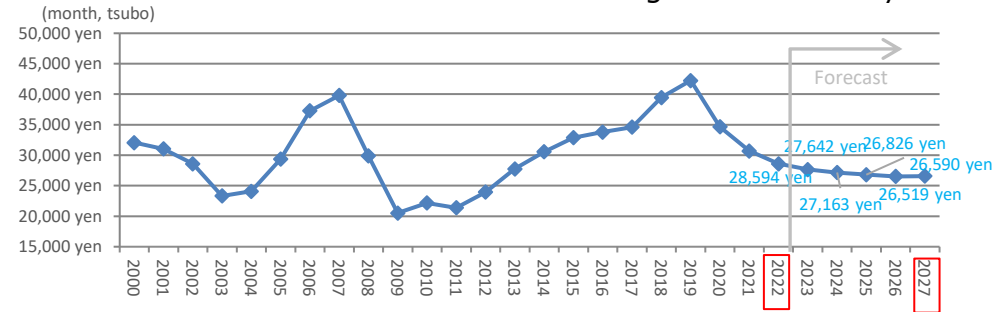
- The vacancy rate of A-Class buildings in central Tokyo is expected to continue the rising trend. It is forecast that the vacancy rate will rise particularly in 2023 and 2025, impacted by large supply, and **expected to be in the upper half of the 5% level in 2027**.
- The achievable rent of A-Class 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

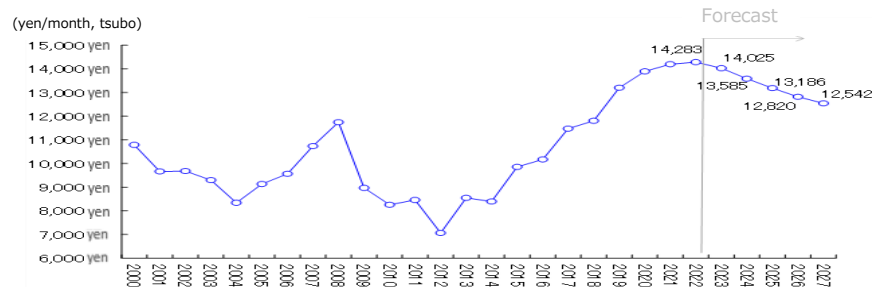
## ■ Vacancy rate outlook for A-Class buildings in central Tokyo



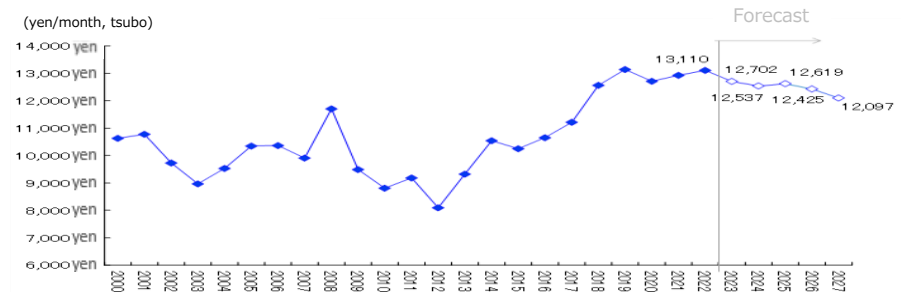
## ■ Achievable rent outlook for A-Class buildings in central Tokyo



## ■ Office rent outlook in Osaka



## ■ Office rent outlook in Nagoya

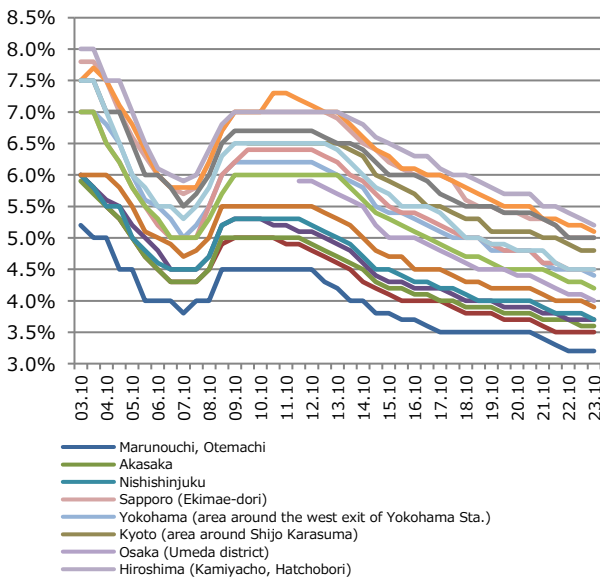


Source: NLI Research Institute estimated the actual values based on the “Office Rent Index” released by Sanko Estate and NLI Research Institute and the future outlook based on the “Office Rent Index” and others  
 Note: The annual estimated values for Tokyo are published in the 4<sup>th</sup> quarter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

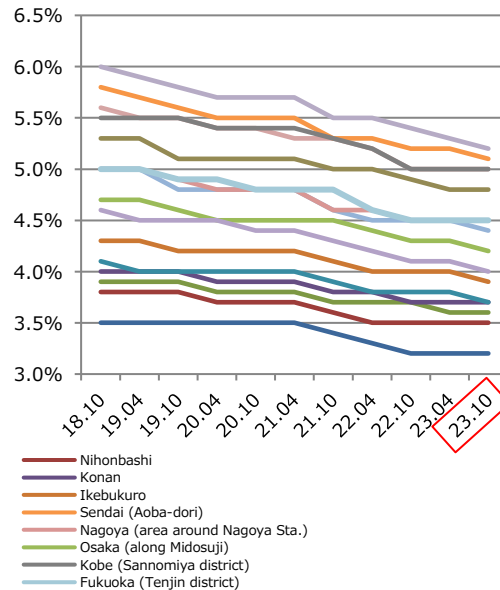
# 2-5 Expected Yields on Office Buildings (A-Class Buildings)

- Real estate investors' expected yields on A-Class buildings **continued to remain flat from the previous survey in Marunouchi and Otemachi in Tokyo, but in other office areas in Tokyo as well as provincial cities, there was a mix of areas which decreased 0.1 points and areas that remained flat.**
- Among major government-designated cities, expected yields fell 0.1 points from the previous survey data in Sendai (Aoba-dori) (5.1%), Yokohama (area around the west exit of Yokohama Sta.) (4.4%), Osaka (along Midosuji) (4.2%), Osaka (Umeda district) (4.0%) and Hiroshima (Kamiyacho, Hatchobori) (5.2%), and remained flat in Sapporo (Ekimae-dori) (5.0%), Nagoya (area around Nagoya Sta.) (4.5%), Kyoto (area around Shijo Karasuma) (4.8%) 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 95%, down one point from the previous survey. **Although they remain cautious against the revision of the monetary easing policy, 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 October 2018)



Yield in Oct. 2023	Change from the previous survey
Hiroshima (Kamiyacho, Hatchobori)	5.2% - 0.1
Sendai (Aoba-dori)	5.1% - 0.1
Sapporo (Ekimae-dori)	5.0% 0.0
Kobe (Sannomiya district)	5.0% 0.0
Kyoto (area around Shijo Karasuma)	4.8% 0.0
Nagoya (area around Nagoya Sta.)	4.5% 0.0
Fukuoka (Tenjin district)	4.5% 0.0
Yokohama (area around the west exit of Yokohama Sta.)	4.4% - 0.1
Osaka (along Midosuji)	4.2% - 0.1
Osaka (Umeda district)	4.0% - 0.1
Ikebukuro	3.9% - 0.1
Konan	3.7% 0.0
Nishishinjuku	3.7% - 0.1
Akasaka	3.6% 0.0
Nihonbashi	3.5% 0.0
<b>Marunouchi, Otemachi</b>	<b>3.2% 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"

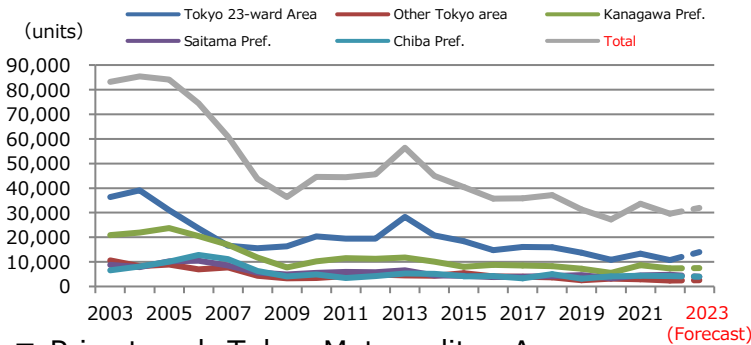


### 3. Condominiums for Sale

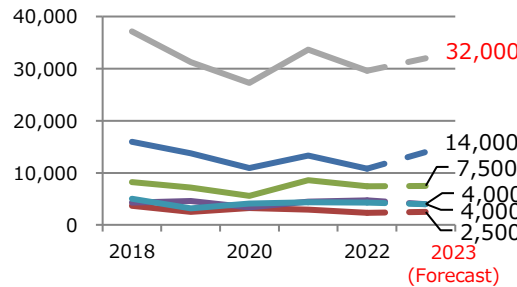
# 3 Supply and Price Trends of Condominiums for Sale in the Tokyo Metropolitan and Kinki Areas

- [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.

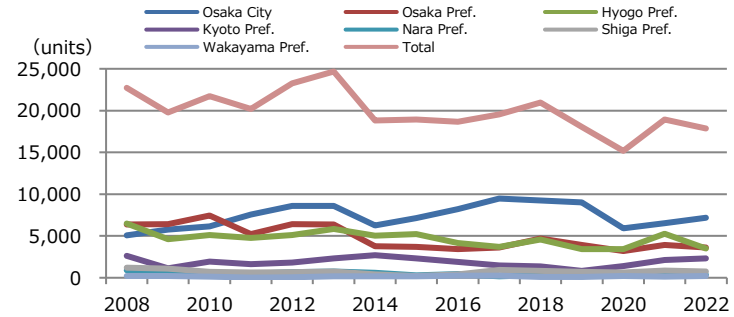
■ Supply trend: Tokyo Metropolitan Area



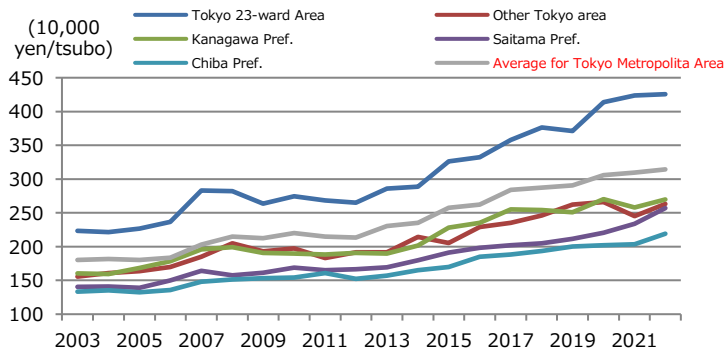
■ Supply trend: Tokyo Metropolitan Area (Short-term changes: from 2018)



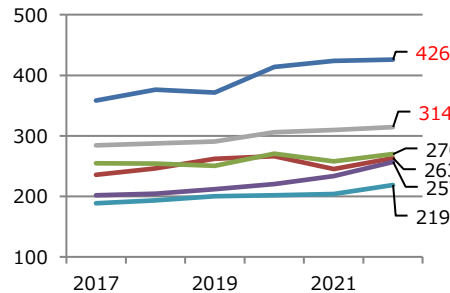
■ Supply trend: Kinki Area



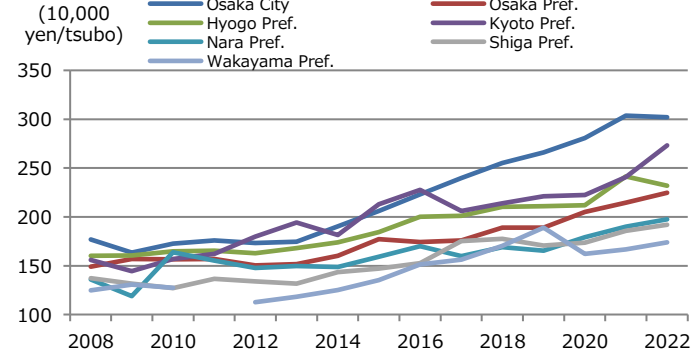
■ Price trend: Tokyo Metropolitan Area



■ 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

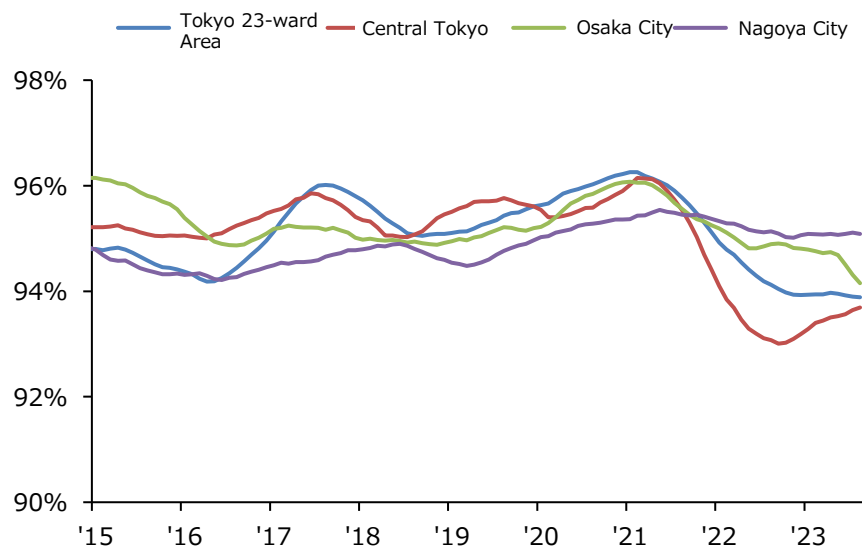


## 4. Rental Condominiums

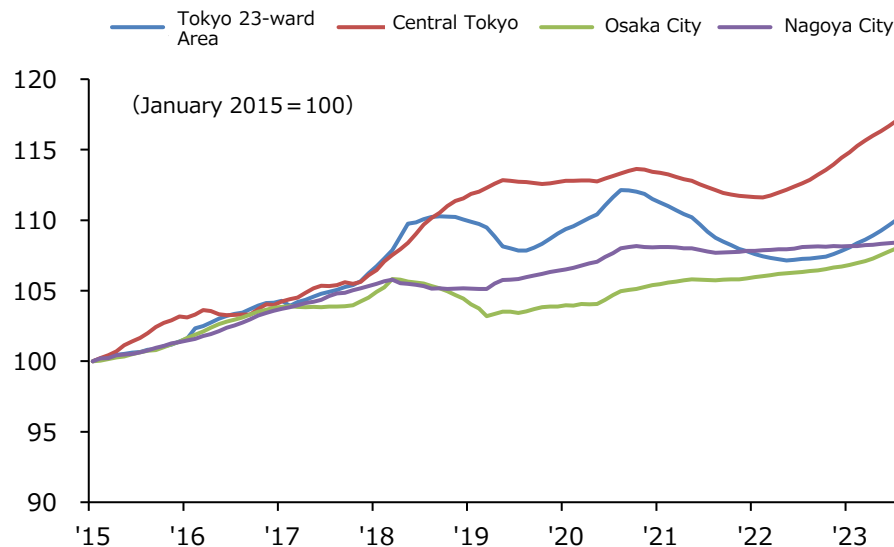
# 4-1 Trend of Rental Condominiums (Trend of Occupancy and Rent Level)

- The occupancy level in 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.

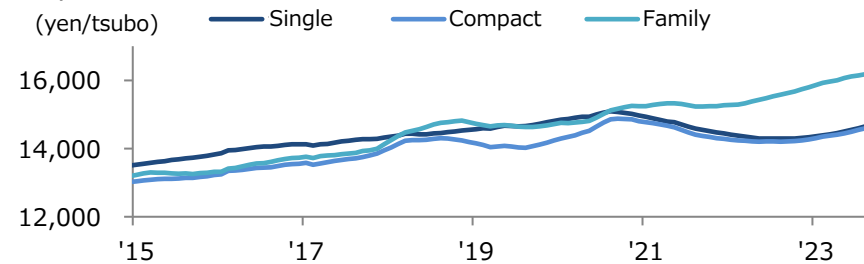
Note: The rent is revised by Style Act to the achievable rent of a property that is new, located 5 minutes walk from a railway station, facing south, on the 2nd floor, a condominium and with key money of one month rent.

# 4-2 Trend of Rental Condominiums

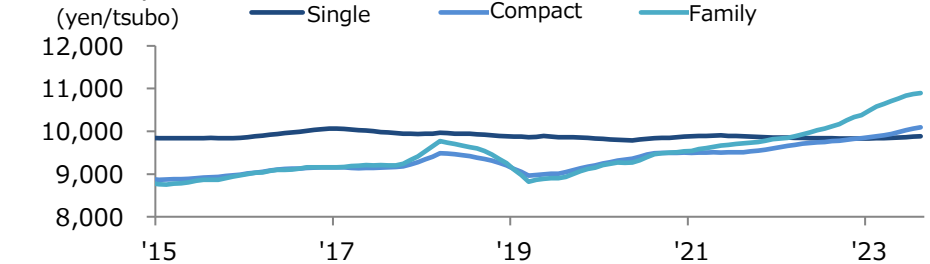
- By floor area range, there was a prominent increase in rents for family-type condominiums in the Tokyo 23-ward area and Osaka City.
- The rise in rents for family-type condominiums was due to the low supply as well as the rising prices of condominiums.
- The net number of relocations to the Tokyo 23-ward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

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

Tokyo 23-ward area



Osaka City

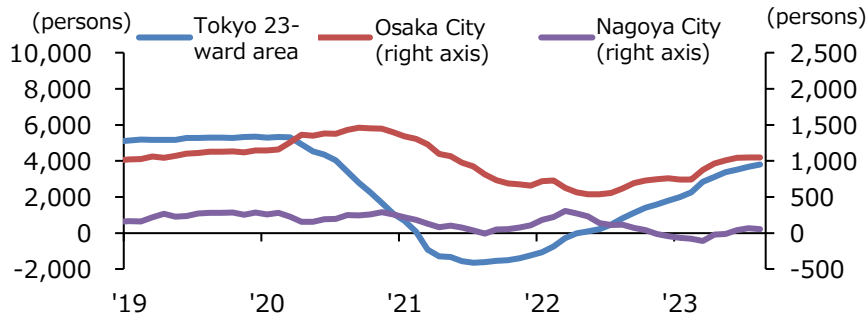


Source: All of the above data is from Style Act Co., Ltd.

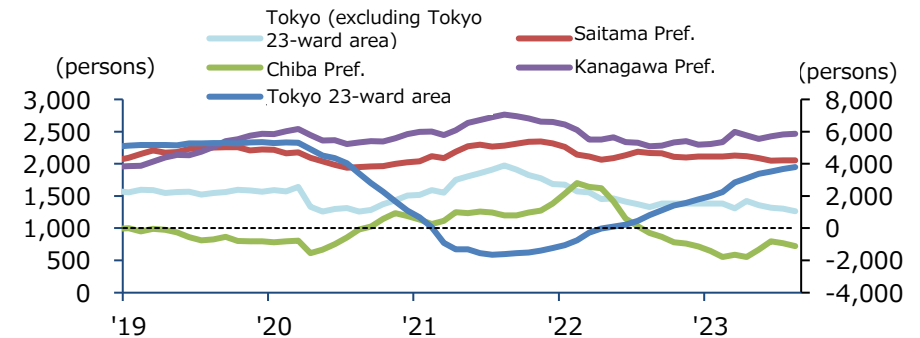
Note: The rent is revised by Style Act to the achievable rent of a property that is new, located 5 minutes walk from a railway station, facing south, on the 2nd floor, a condominium and with key money of one month rent.

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, Osaka, Nagoya (12-month moving average)



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



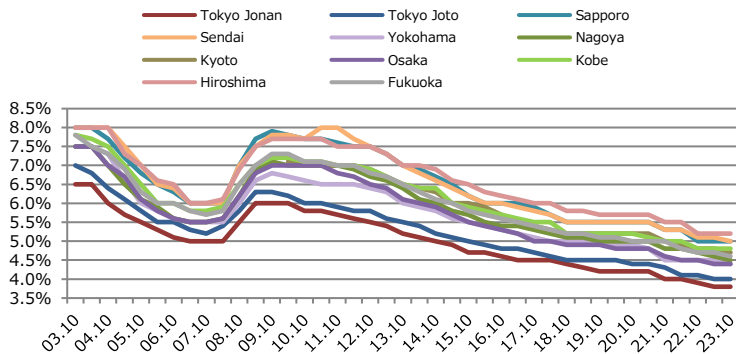
Source: Figures for net number of relocations prepared by NREAM based on data from the Ministry of Internal Affairs and Communications

Note: Includes foreigners starting from this report

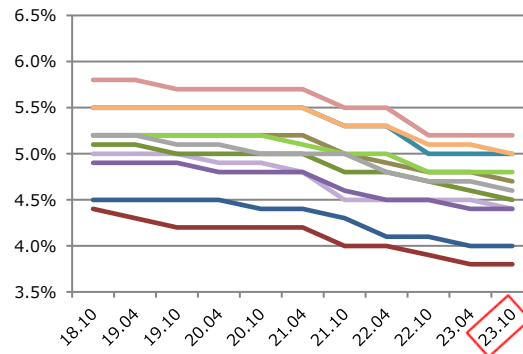
# 4-3 Expected Yields on Rental Condominiums

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

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

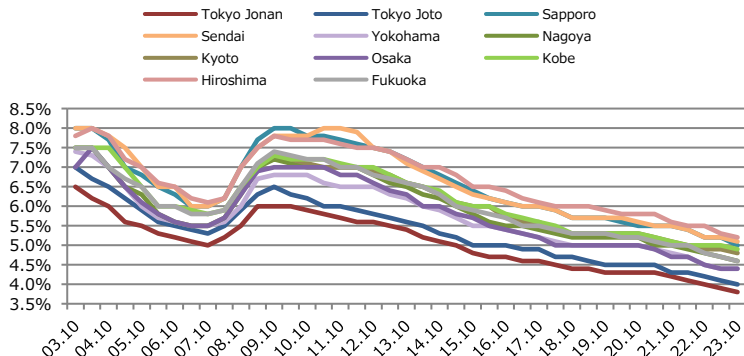


■ Expected yields from rental condominiums (one room) (Short-term changes: from October 2018)

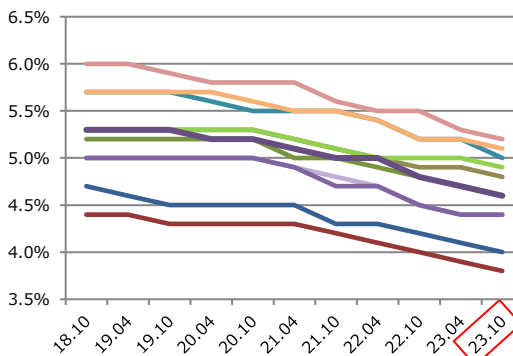


	Yield in Oct. 2023	Change from the previous survey
Hiroshima	5.2%	0.0
Sapporo	5.0%	0.0
Sendai	5.0%	- 0.1
Kobe	4.8%	0.0
Kyoto	4.7%	- 0.1
Fukuoka	4.6%	- 0.1
Nagoya	4.5%	- 0.1
Yokohama	4.4%	- 0.1
Osaka	4.4%	0.0
Tokyo Joto	4.0%	0.0
<b>Tokyo Jonan</b>	<b>3.8%</b>	<b>0.0</b>

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



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



	Yield in Oct. 2023	Change from the previous survey
Hiroshima	5.2%	- 0.1
Sendai	5.1%	- 0.1
Sapporo	5.0%	- 0.2
Kobe	4.9%	- 0.1
Kyoto	4.8%	- 0.1
Nagoya	4.6%	- 0.1
Fukuoka	4.6%	- 0.1
Yokohama	4.4%	0.0
Osaka	4.4%	0.0
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, within 15 minutes 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, 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 <sup>2</sup> • Number of units: approx. 50	Joto area (Sumida Ward and Koto Ward) Located along railway, within 15 minutes from Tokyo/Otemachi Station

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



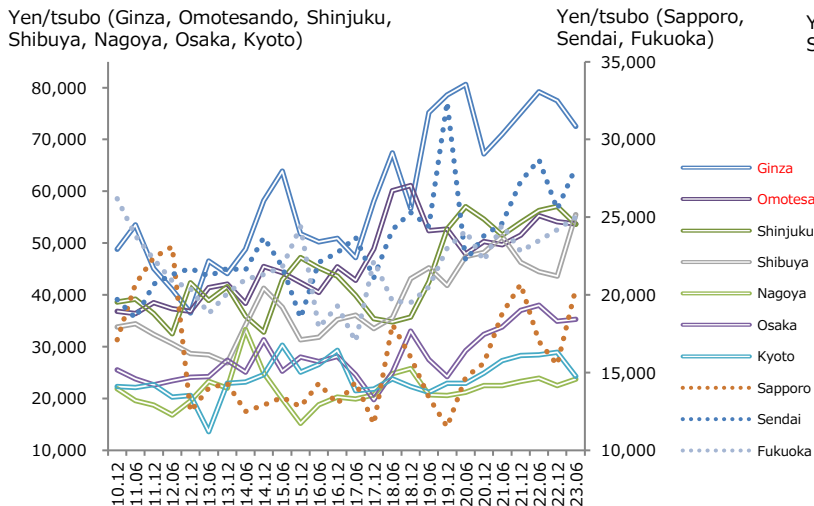


## 5. Commercial Stores

# 5-1 Trend of Commercial Stores

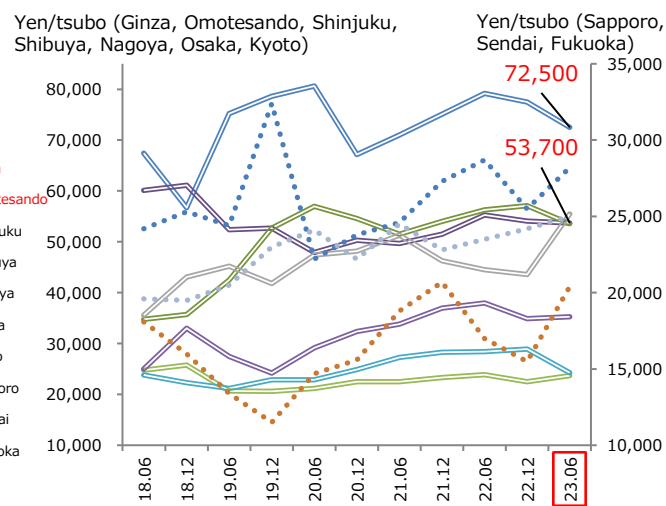
- Due to factors such as the reclassification of COVID-19 as a Class 5 infectious disease, the impact of COVID-19 has generally reached an end in Japan. Together with the sudden recovery in inbound visitors, many areas are returning to their bustle before COVID-19, and there is a growing desire for store opening. In particular, areas that rely heavily on consumption by inbound tourists and had weakened during the COVID-19 pandemic are increasing in the number of store openings aimed at capturing inbound tourist demand.
- Sales of luxury brand products, which continued to grow even during the pandemic, maintained steady sales even amid the increase in selling prices. Against the backdrop of a cheaper yen, inbound tourist demand continues to be expected in the future, and demand for store openings on streets where luxury brands are targeted is expected to remain strong. In addition, there were also areas which had an increase in stores selling secondhand and used products due to the expansion of the resale market for luxury brand products.
- Regarding the rents of ground-floor retail stores in Tokyo primary areas, **Ginza saw a rise for six consecutive quarters, and Omotesando saw a rise for five consecutive quarters**. Given firm sales of expensive products, room for further recovery of foreign visitors to Japan, and the exchange rate, it is expected that there will be a steady trend of store opening demand by international retailers. At the same time, supply has become limited, and rents are expected to continue to increase.
- Overall, the impact of COVID-19 has settled down, and there is a trend of increase in store openings in weak areas and rents are also moving toward stabilization. However, there are other factors—such as the sharp increase in raw material prices and energy and other costs—that put pressure on store business. There are also many companies which are passive about store openings given the existence of business models that have yet to pass on the increase in costs. Therefore, 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 1st half of 2023)

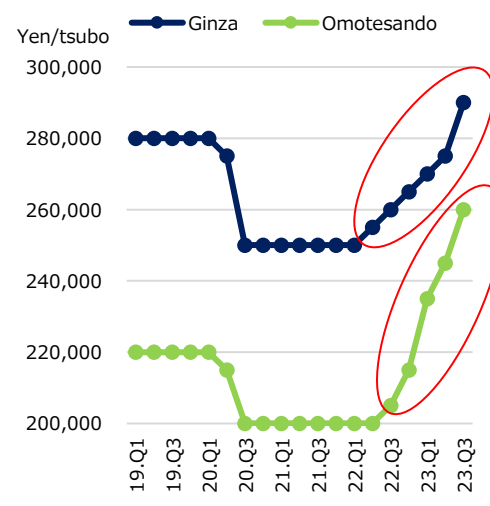


Source: "Store Rent Trends" published by Japan Real Estate Institute, BAC Urban Project and Style Act Co., Ltd. (compiled by Nomura Real Estate Solutions)

■ Nationwide trend of offered rents of stores on the 1st floor (1st half 2018 to 1st half of 2023)



■ Rent trend of ground-floor retail stores in Tokyo primary areas (2019.Q1 to 2023.Q3)

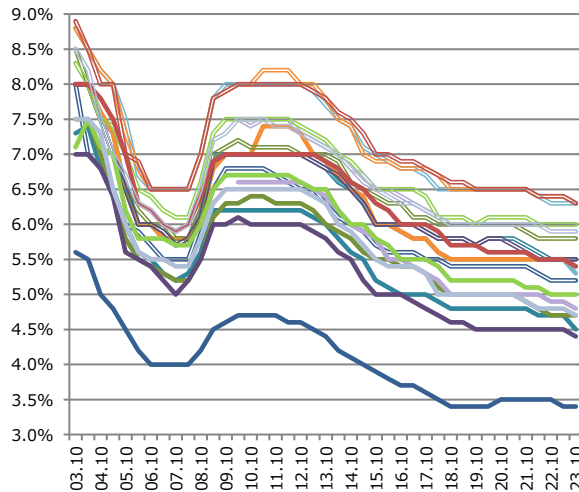


Source: "Tokyo Retail Market Summary" published by JLL (compiled by Nomura Real Estate Solutions)

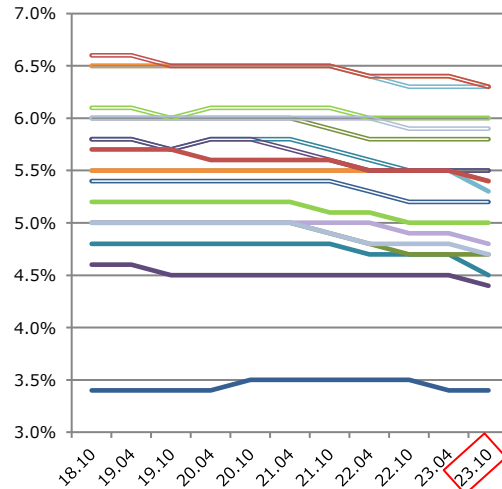
# 5-2 Expected Yields on Commercial Stores

- City-center-style high-class specialized stores:** The expected yields remained flat compared to the previous survey data in Ginza, Tokyo (3.4%), Nagoya (4.7%), and Kobe (5.0%). The yields fell 0.1 points compared to the previous survey data in Sendai (5.4%), Kyoto (4.8%), Osaka (4.4%), Hiroshima (5.4%), and Fukuoka (4.7%). The yields fell 0.2 points compared to the previous survey data in Sapporo (5.3%).
- Suburban-style shopping centers:** The expected yields fell 0.1 points compared to the previous survey data in Sendai (6.3%) and Hiroshima (6.3%). The yields remained flat compared to the previous survey data in Tokyo (5.2%), Sapporo (6.3%), Nagoya (5.8%), Kyoto (6.0%), Osaka (5.5%), Kobe (6.0%), and Fukuoka (5.9%).

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



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



Yield in Oct. 2023		Change from the previous survey
Sapporo suburb-style stores	6.3%	0.0
Sendai suburb-style stores	6.3%	- 0.1
Hiroshima suburb-style stores	6.3%	- 0.1
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
Yokohama suburb-style stores	5.5%	0.0
Osaka suburb-style stores	5.5%	0.0
Sendai city-center-style stores	5.4%	- 0.1
Hiroshima city-center-style stores	5.4%	- 0.1
Sapporo city-center-style stores	5.3%	- 0.2
Tokyo suburb-style stores	5.2%	0.0
Kobe city-center-style stores	5.0%	0.0
Kyoto city-center-style stores	4.8%	- 0.1
Nagoya city-center-style stores	4.7%	0.0
Fukuoka city-center-style stores	4.7%	- 0.1
Yokohama city-center-style stores	4.5%	- 0.2
Osaka city-center-style stores	4.4%	- 0.1
Tokyo city-center-style stores (Ginza)	3.4%	0.0

\* Type of assumed commercial store in Tokyo

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	Ginza area Located on the Ginza Chuo-dori Avenue, Chuo Ward  Omotesando area Located on the Omotesando Avenue, 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; 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)

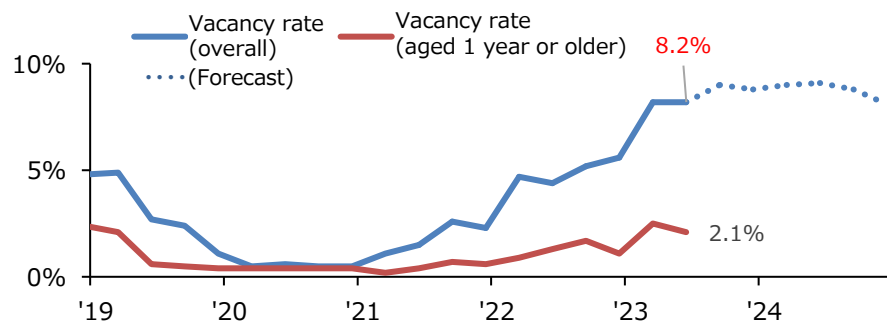


## 6. Logistics Facilities

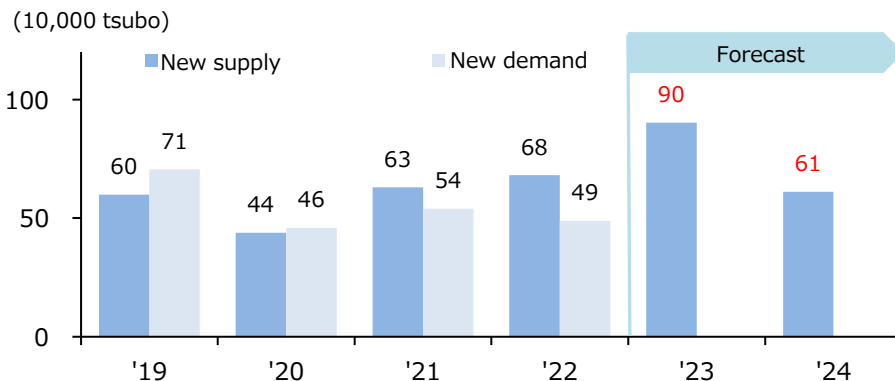
# 6-1 Trend of Logistics Facilities (Tokyo Metropolitan Area)

- 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. Other than the Tokyo Bay area, the levels are stagnant or slightly decreasing recently.

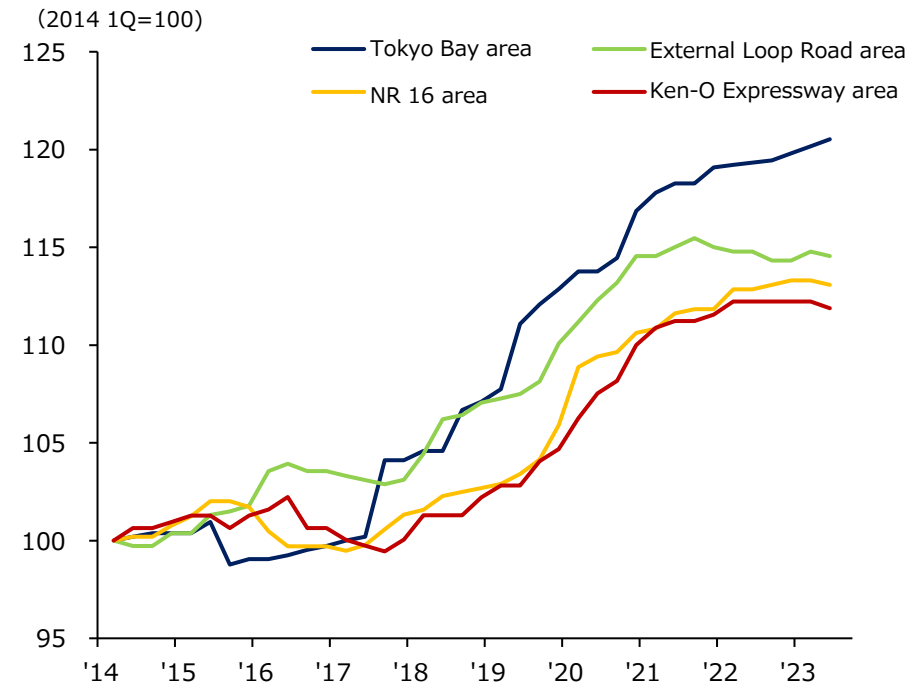
## ■ Trend of vacancy rate (as of December 31 of each year)



## ■ New supply and new demand



## ■ Trend of rent level



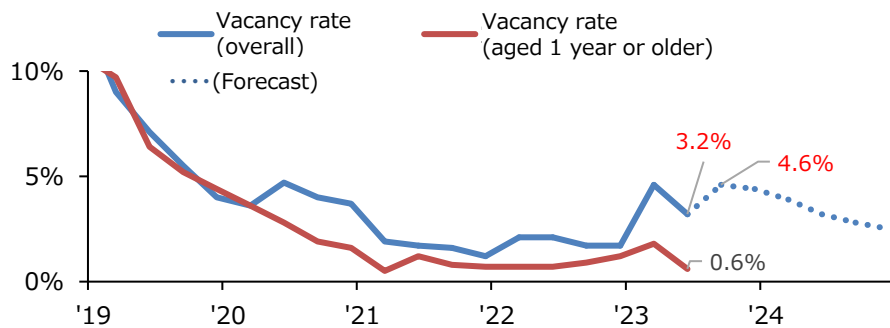
Source: Prepared by NREAM based on data from CBRE

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.

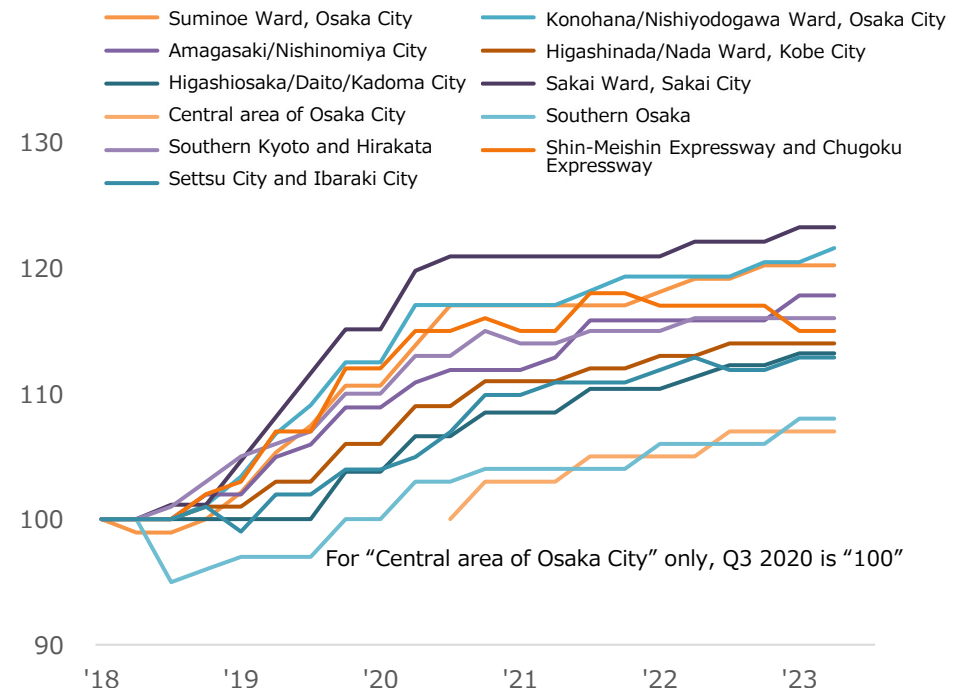
# 6-2 Trend of Logistics Facilities (Kinki Area)

- The vacancy rate in the Kinki area dropped to 3.2% due to an increase in leasing amid a lack of supply in Q2 2023.
- Rent levels may rise again with many inquiries from logistics companies, even though the pace of increase is slowing down recently.

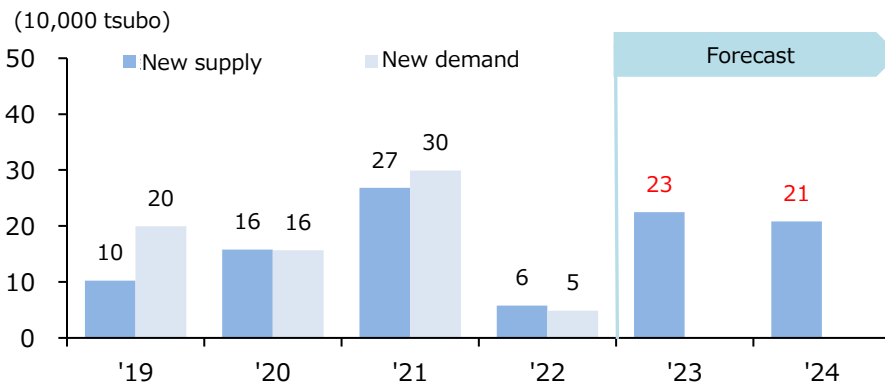
■ Trend of vacancy rate (as of December 31 of each year)



■ Trend of rent level (2018 1Q=100)



■ New supply and new demand

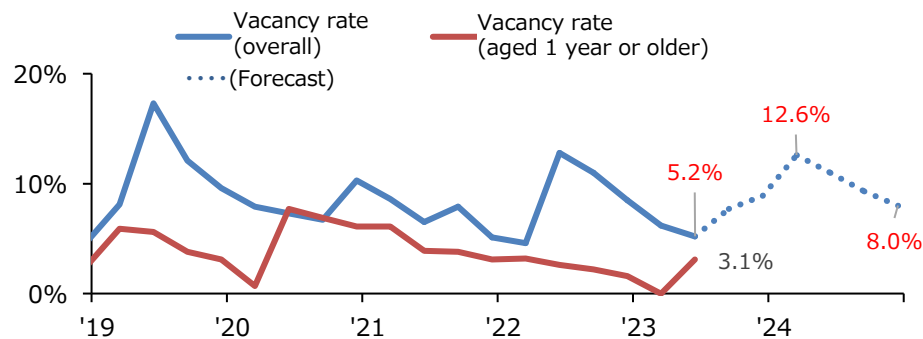


Source: Prepared by NREAM based on data from CBRE  
 Note: These are data on logistics facilities which have a gross floor area of at least 10,000 tsubo and suppose more than one tenant.

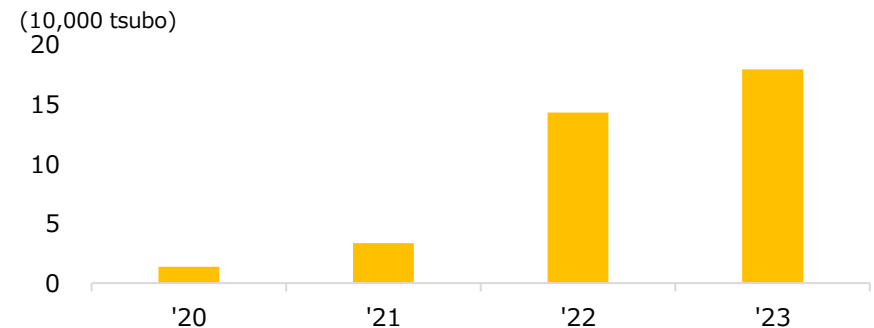
# 6-3 Trend of Logistics Facilities (Chubu Area)

- As the market for the Chubu area is small, there is a tendency for violent fluctuations in the vacancy rate due to new supply.
- Although the vacancy rate has dropped recently, it is expected to rise again due to the scheduled completion of large-scale properties from the second half of 2023 onward.

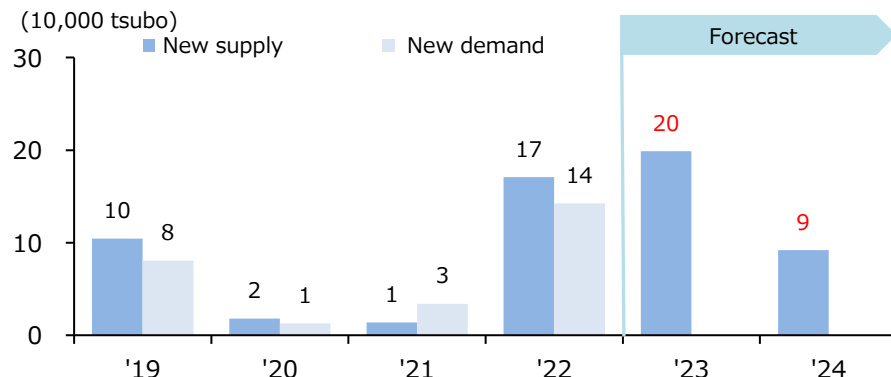
## ■ Trend of vacancy rate (as of December 31 of each year)



## ■ Estimated net absorption



## ■ New supply and new demand



Source: Prepared by NREAM based on data from CBRE

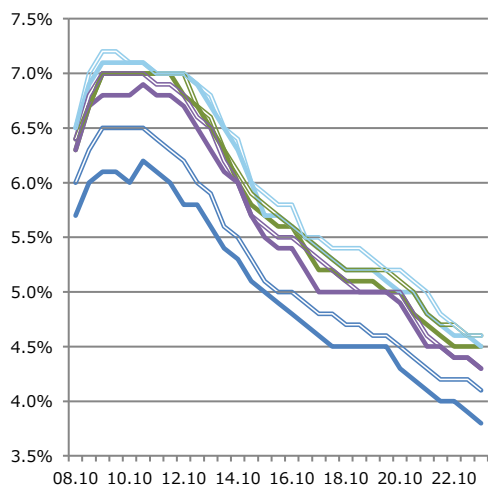
Note: In Chubu area only, GFA of more than 5,000 tsubo; all of these are logistics facilities assuming several tenants.

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

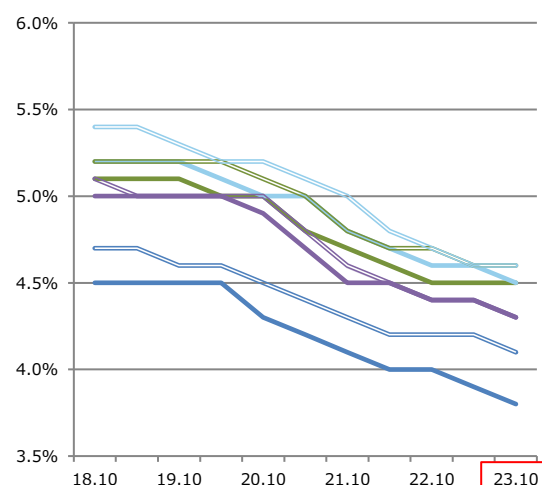
- The expected yields on multi-tenant logistics facilities and warehouses in bay areas **remained flat** in the Nagoya Port area, Nagoya (4.5%), but **fell by 0.1 points** in the Koto area, Tokyo (3.8%), the Osaka Port area, Osaka (4.3%), and the Hakata Port area, Fukuoka (4.5%), **compared to the previous survey data**.
- As for inland areas, the expected yields **remained flat** in the north of Nagoya City, Nagoya (4.6%) and the area around the Fukuoka IC, Fukuoka (4.6%), and **fell by 0.1 points** in the Tama area, Tokyo (4.1%) and the area around Higashiosaka, Osaka (4.3%), **compared to the previous survey data**.

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



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

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



Yield in Oct. 2023	Change from the previous survey	
Multi-tenant facilities/Inland areas/Nagoya	4.6%	0.0
Multi-tenant facilities/Inland areas/Fukuoka	4.6%	0.0
Multi-tenant facilities/Bay areas/Nagoya	4.5%	0.0
Multi-tenant facilities/Bay areas/Fukuoka	4.5%	- 0.1
Multi-tenant facilities/Bay areas/Osaka	4.3%	- 0.1
Multi-tenant facilities/Inland areas/Osaka	4.3%	- 0.1
Multi-tenant facilities/Inland areas/Tokyo	4.1%	- 0.1
Multi-tenant facilities/Bay areas/Tokyo	3.8%	- 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 tenants •Number of tenants: approx. 4 (stable operation assumed)	Koto area, Tokyo
	<b>[Bay area]</b> Area with good access to arterial roads and expressway ICs
	Nagoya Port area, Nagoya
	Osaka Port area, Osaka
	Fukuoka Port area, Fukuoka
	Tama area, Tokyo
<b>[Inland area]</b> Area with good access to arterial roads and expressway ICs	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)



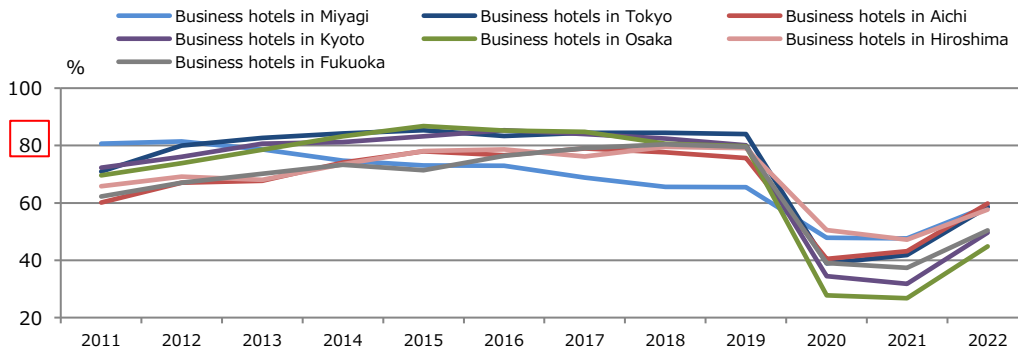


## 7. Hotels

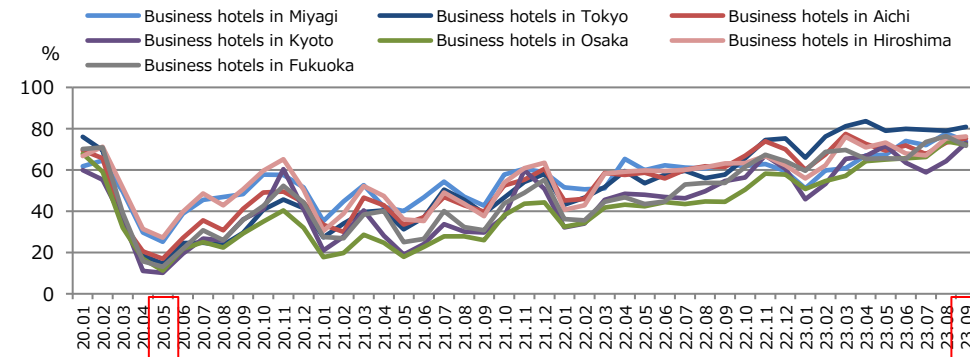
# 7-1 Hotel Trends

- 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 September 2023 were 73.9% (77.7% in August) in Miyagi, **80.9%** (79.0% in August) in **Tokyo**, 75.2% (73.2% in August) in Aichi, 73.1% (64.2% in August) in Kyoto, 72.1% (73.9% in August) in Osaka, 76.2% (75.2% in August) in Hiroshima, and 71.7% (76.4% in August) in Fukuoka.
- The occupancy rates of city hotels in September 2023 were 73.1% (75.4% in August) in Miyagi, **73.9%** (73.4% in August) in **Tokyo**, 67.9% (66.5% in August) in Aichi, 69.4% (61.7% in August) in Kyoto, 74.6% (76.4% in August) in Osaka, 73.5% (74.3% in August) in Hiroshima, and 70.5% (74.2% in August) in Fukuoka.

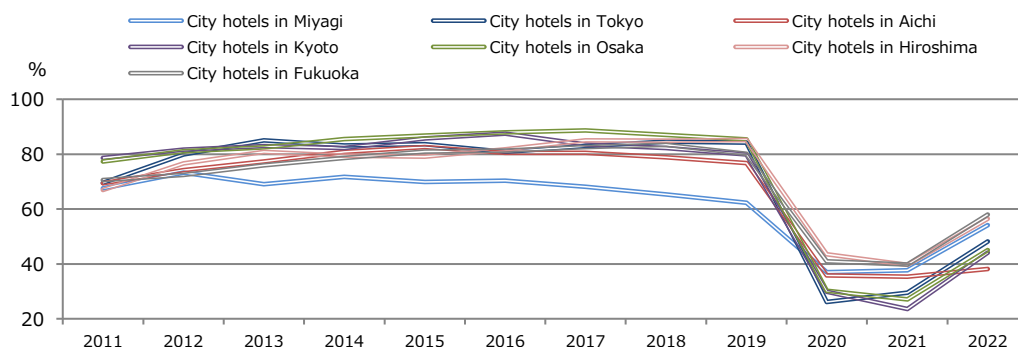
## Occupancy rates of business hotels (through 2022)



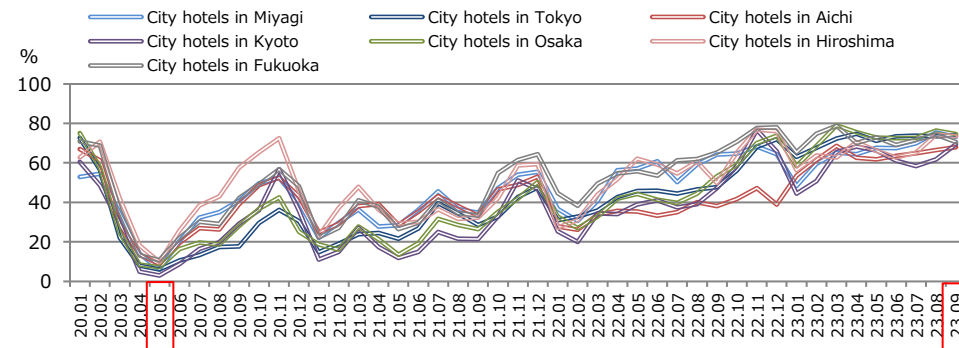
## Occupancy rates of business hotels (2020 onward)



## Occupancy rates of city hotels (through 2022)



## Occupancy rates of city hotels (2020 onward)

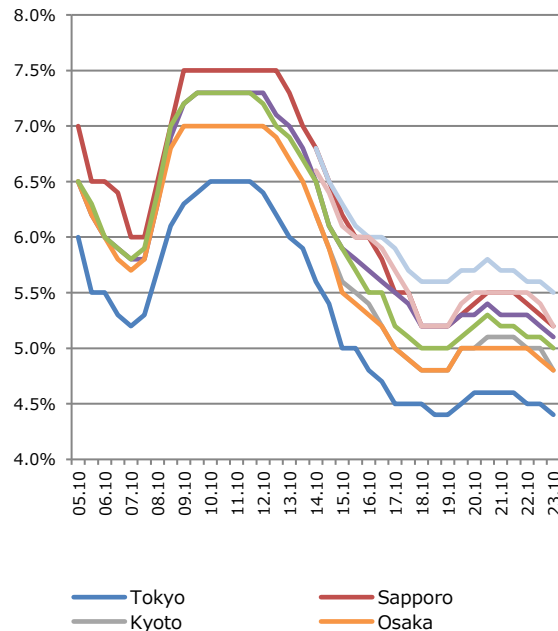


Source: MLIT Japan Tourism Agency "Statistic Survey of Tourism with Accommodation" (compiled by Nomura Real Estate Solutions)

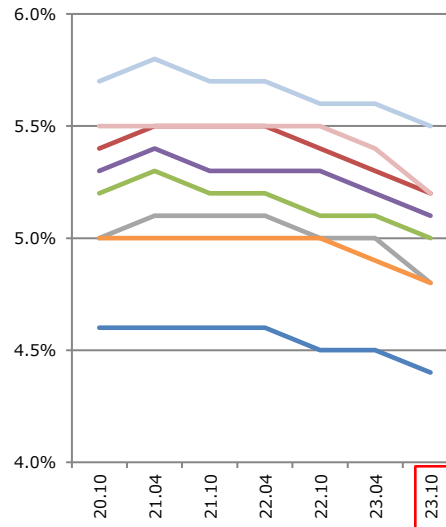
# 7-2 Expected Yields on Accommodation-specialized Hotels

- The expected yields on accommodation-specialized hotels **fell by 0.1 points** in Tokyo (4.4%), Sapporo (5.2%), Sendai (5.5%), Nagoya (5.1%), Osaka (4.8%), and Fukuoka (5.0%), and **fell by 0.2 points** in Kyoto (4.8%) and Naha (5.2%), **compared to the previous survey data**, falling in all surveyed areas due to the recovery in tourism demand.

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



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



Yield in Oct. 2023		Change from the previous survey
Sendai	5.5%	- 0.1
Sapporo	5.2%	- 0.1
Naha	5.2%	- 0.2
Nagoya	5.1%	- 0.1
Fukuoka	5.0%	- 0.1
Kyoto	4.8%	- 0.2
Osaka	4.8%	- 0.1
Tokyo	4.4%	- 0.1

\*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

- Out of all 80 areas, there were upward changes in 78 areas (74 in the previous survey), little change in 2 areas (6 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, among other things. For the fourth consecutive quarter, there were upward changes or little change in all areas.
- Of the 78 areas with upward changes, by change category (increase, unchanged, or decrease), three areas saw an increase of more than 3% and less than 6%, and 75 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	21.10.1 ~ 22.1.1	22.1.1 ~ 22.4.1	22.4.1 ~ 22.7.1	22.7.1 ~ 22.10.1	22.10.1 ~ 23.1.1	23.1.1 ~ 23.4.1	23.4.1 ~ 23.7.1	23.7.1 ~ 23.10.1	City	Area	21.10.1 ~ 22.1.1	22.1.1 ~ 22.4.1	22.4.1 ~ 22.7.1	22.7.1 ~ 22.10.1	22.10.1 ~ 23.1.1	23.1.1 ~ 23.4.1	23.4.1 ~ 23.7.1	23.7.1 ~ 23.10.1		
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	W Exit Yokohama Sta.	↗	↗	↗	↗	↗	↗	↗	↗												
Saitama	W Exit Omiya Sta.	↗	↗	↗	↗	↗	↗	↗	↗												
Chiba	Chiba Sta. front	→	→	→	→	→	↗	↗	↗												
Sapporo	Ekimaedor	↗	↗	↗	↗	↗	↗	↗	↗												

**Legend**

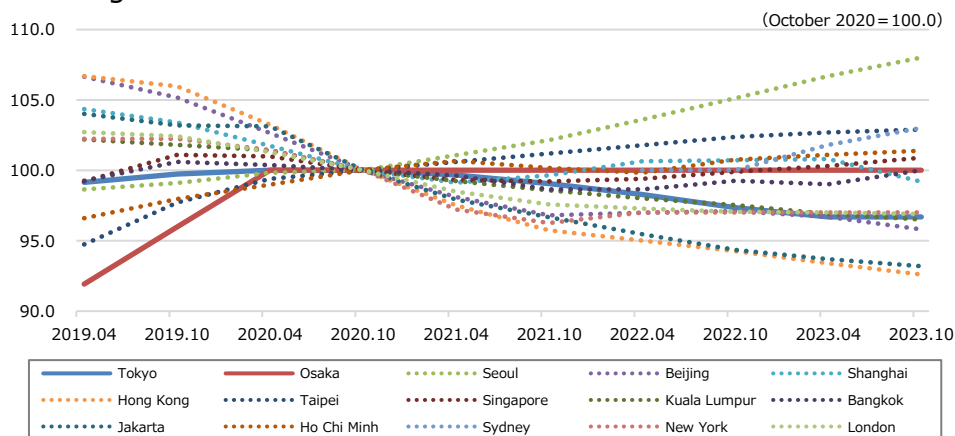
- ↗: Increase (≥6%)
- ↗: Increase (≥3%, <6%)
- ↗: Increase (>0, <3%)
- : Unchanged (0%)
- ↘: Decrease (≥0%, <3%)
- ↘: Decrease (≥3%, <6%)
- ↓: Decrease (≥6%, <9%)
- ↓: Decrease (≥9%, <12%)
- ↓: Decrease (≥12%)

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

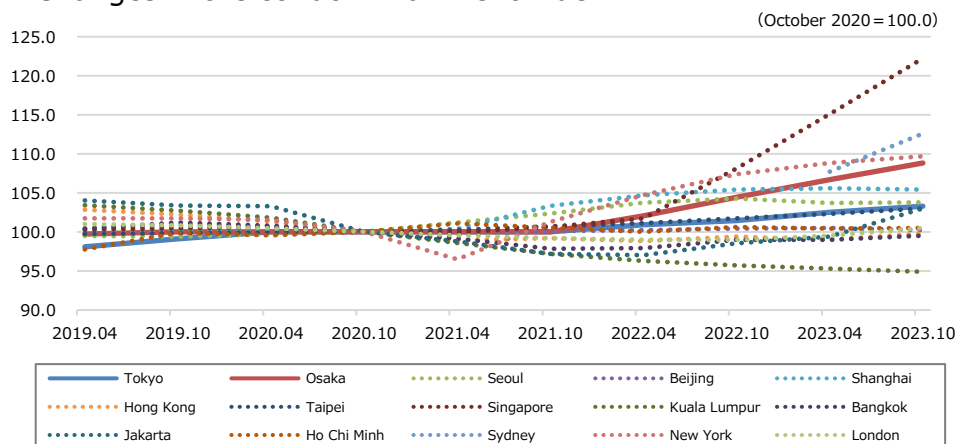
# Reference: Rental Trends in Major International Cities

- **Office rents remained flat in Tokyo.** Office rents remained flat in Osaka for seven consecutive half-year periods. In Sydney, Bangkok, and Singapore, rents are on a rising trend due to strong rental demand for buildings with good locations and high specifications. Rents remain strong in Seoul, with the office vacancy rate trending at a low level.
- Condominium rents increased in New York due to strong rental demand from actual demand seeking residences in the central parts of the city. In Hong Kong, rents were backed by the flow of certain purchase demand into the rental market and the normalization of movement to and from mainland China. Rents in Jakarta rose due to the recovery in demand from expatriates and an increase in rent levels denominated in rupiah partially due to the weakened exchange rate.

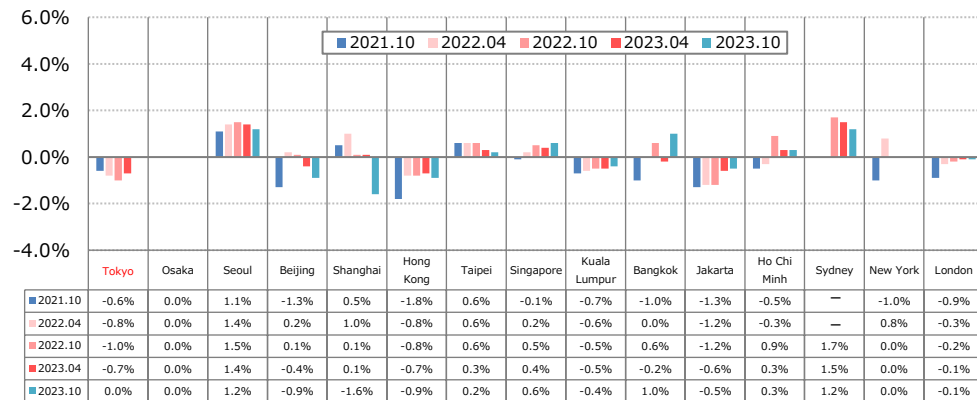
## ■ Changes in the office rent index



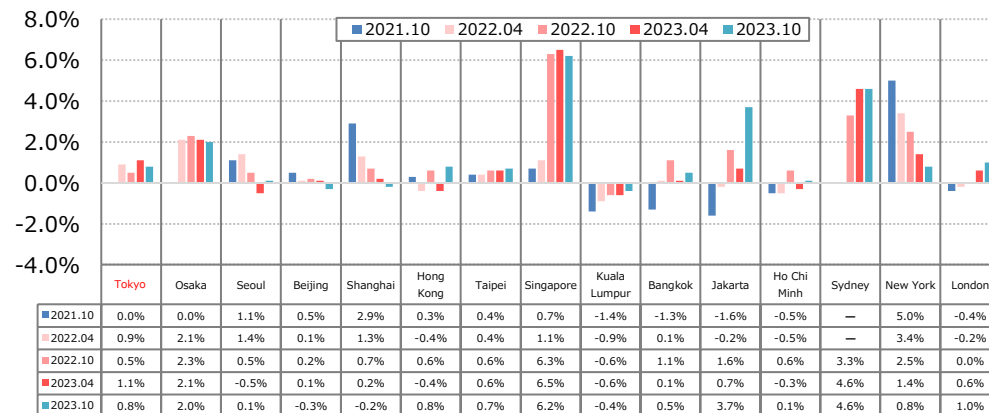
## ■ Changes in the condominium rent index



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



## ■ 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