Real Estate Market Trends

—Summer 2022—

Corporate Services Division

Nomura Real Estate Solutions Co., Ltd.

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1. Commercial Real Estate Transactions

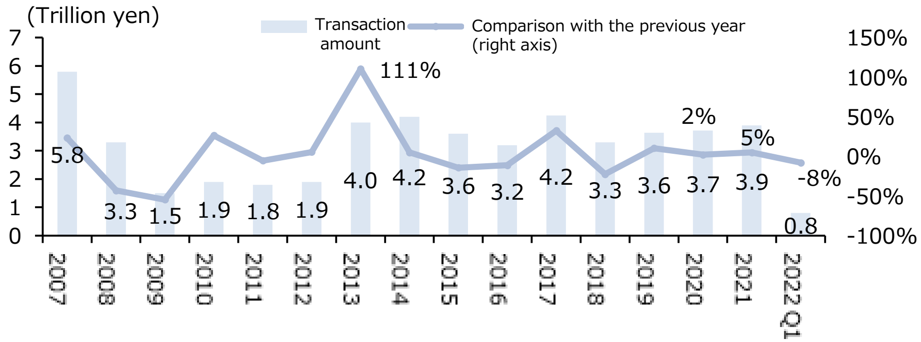
1 Commercial Real Estate Transactions

The transaction volume in Q1 2022 saw a 8% decrease year-on-year in reaction to large office transactions last year. Among large transaction cases, the acquisitions of hotels and land for logistics facilities stood out.

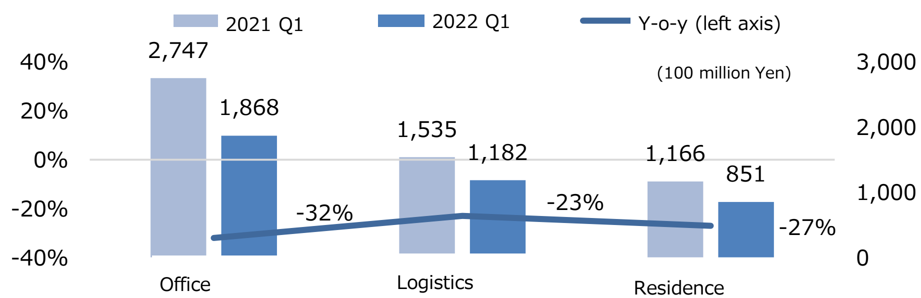
- The commercial real estate transaction volume in Q1 2022 (ascertained) fell to 802.3 billion yen, down 8% y-o-y.
- By sector, office buildings dropped to 186.8 billion yen (down 32% y-o-y) in reaction to large transactions* last year.
- Among large transactions, bulk sales of hotels such as the Prince Hotels by Seibu Holdings for the purpose of improving financial conditions and land acquisitions for developing logistics facilities stood out.
- The situation is that "foreign investors' appetite for investment has not diminished" as commented by JLL due to the weaker yen and a widening interest rate difference with Europe and the United States, and large acquisitions by foreign investors are expected to continue going forward.

＊Reaction to the acquisition of Mitsui Shinjuku Building by NBF in Jan. 2021 (170 billion yen) and others

■ Change in commercial real estate transactions (ascertained)



■ Transaction amount by sector in Q1 2022 and year-on-year



Source: All of the above were prepared by NREAM based on data from Nikkei Real Estate Market Report (partially extracted)
Note: Ascertained transactions only. The change in commercial real estate transactions for Q1 2022 is on a y-o-y basis.

■ Large transaction cases ascertained in Q1 2022

Property (Asset Type)	Timing	Details	Estimated Amount
31 properties including The Prince Park Tower Tokyo	**May**	**Sold by Seibu Holdings to GIC Private Limited including golf courses and hotels**	**About 150.0 billion yen**
MORINAGA MILK INDUSTRY's former Tokyo Plant site	**Mar.**	**Acquired by the CBRE Group for logistics facility development**	**About 65.0 billion yen (profit on sale)**
Nakanoshima Mitsui Building	**Jan.**	**Acquired by NBF from a sponsor (Mitsui Fudosan)**	**44.0 billion yen**
Iidabashi Grand Bloom	**Jan.**	**NBF acquired additional 17% of a sponsor's holdings**	**36.2 billion yen**
LINX Shin-Kawasaki (driving range)	**Mar.**	**NHK SPRING sold the driving range. The assumed buyer is Prologis.**	**26.0 billion yen (profit on sale)**

Source: Prepared by NREAM 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.

2. Offices

2-1　Office Trends in Major Cities

Status by Area

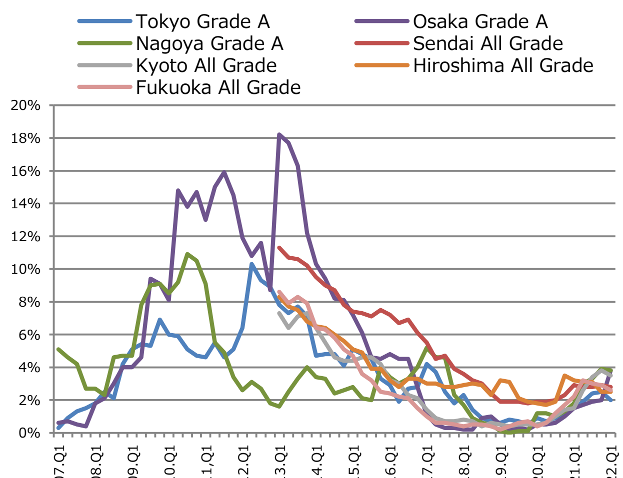
- The Tokyo Grade A vacancy rate fell by 0.5 points q-o-q to 2.0%. Assumed achievable rents fell by 0.8% q-o-q to 35,100 yen per *tsubo*. While some new buildings were completed with vacancies, the Grade A vacancy rate fell for the first time in about two years because vacancies in existing buildings were filled due to relocation arising from office expansion and expanded floor space. There are some signs of recovery in demand for offices. However, large integrated relocation cases that reduce the total office floor area were observed in line with continued teleworking. In addition, a large supply of 240,000 *tsubo*, or 30% more than the annual average in the past, is planned in 2023. Thus, the vacancy rate is expected to continue the moderate upward trend going forward. For some buildings whose vacancies have been filled, rents show a bottoming out trend. However, rent adjustments are likely to advance slowly in order to secure tenants due in part to the large supply planned in 2023. Grade A rents are expected to fall by 2.1% over the next year.

- The Osaka Grade A vacancy rate rose 1.8 points q-o-q to 3.8%. Assumed achievable rents fell by 0.8% q-o-q to 24,850 yen per *tsubo*. While vacancies particularly in existing buildings that offer economical rents were filled, some new buildings were completed with vacancies. Supply in the current fiscal year totals 40,000 *tsubo*, which is equivalent to about double the annual average in the past. Decreases in rents continued to be larger for higher grades. Supply exceeding the 2022 level is planned in 2024. Rents are forecast to continue the downward trend for the time being along with supply and demand easing. Grade A rents are expected to fall by 2.2% over the next year.

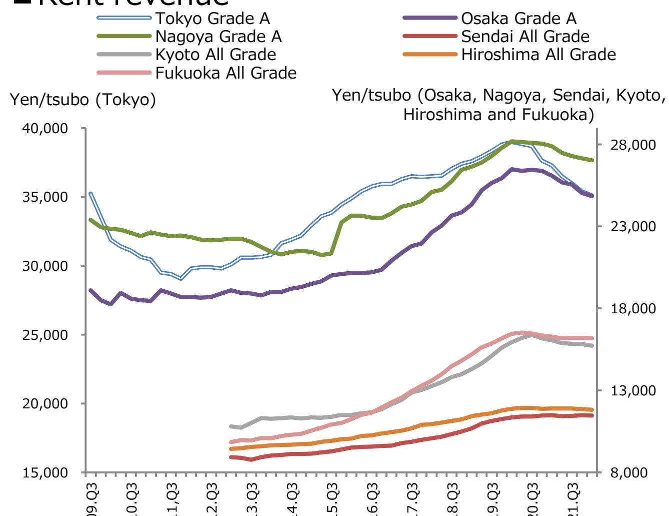
- The Nagoya Grade A vacancy rate fell by 0.1 points q-o-q to 3.8%. Assumed achievable rents fell by -0.4% q-o-q to 27,050 yen per *tsubo.* The rise in the vacancy rates of all grades, which had continued since Q1 2020, paused. A number of vacancies were filled as a result of relocation arising from office expansion and rebuilding. However, new buildings were completed with vacancies. Following the previous quarter, movements for lowering asking rents were observed, particularly for buildings with a large number of vacancies. Along with supply and demand easing, the downward trend in rents is expected to continue going forward. Grade A rents are expected to fall by 3.0% over the next year.

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

■Vacancy rate



■Rent revenue



Area		2021.Q2	2021.Q3	2021.Q4	2022.Q1
Tokyo Grade A	Vacancy rate (%)	1.9	2.4	2.5	2.0
	Assumed achievable rent (yen)	36,500	36,000	35,400	35,100
Osaka Grade A	Vacancy rate (%)	1.7	1.9	2.0	3.8
	Assumed achievable rent (yen)	25,700	25,550	25,050	24,850
Nagoya Grade A	Vacancy rate (%)	3.0	3.3	3.9	3.8
	Assumed achievable rent (yen)	27,500	27,300	27,150	27,050
Sendai All Grades	Vacancy rate (%)	2.8	2.8	2.9	2.8
	Assumed achievable rent (yen)	11,430	11,450	11,470	11,460
Kyoto All Grades	Vacancy rate (%)	2.6	3.4	3.8	3.5
	Assumed achievable rent (yen)	15,870	15,830	15,810	15,730
Hiroshima All Grades	Vacancy rate (%)	3.1	3.1	2.5	2.5
	Assumed achievable rent (yen)	11,900	11,890	11,860	11,820
Fukuoka All Grades	Vacancy rate (%)	3.2	3.0	2.9	2.6
	Assumed achievable rent (yen)	16,170	16,200	16,200	16,180

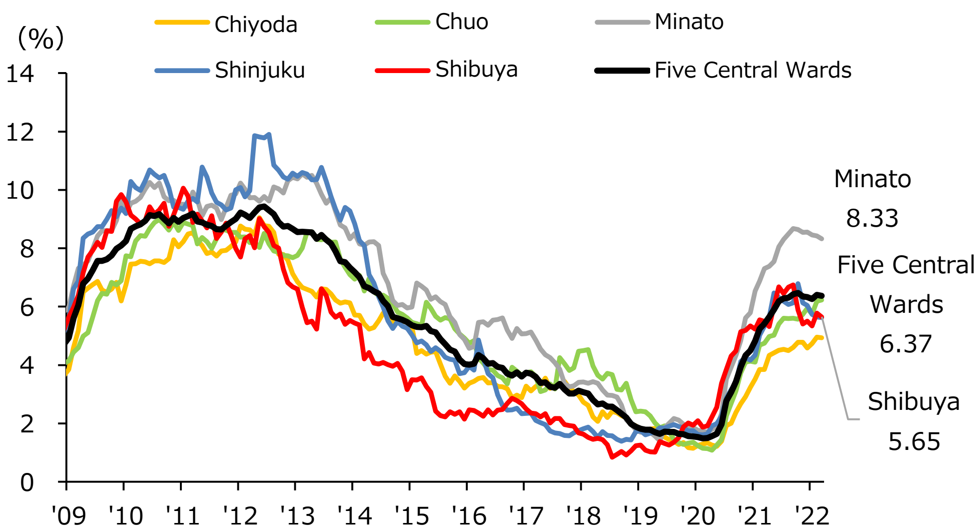
Source: Prepared by Nomura Real Estate Solutions based on "Japan Office Market View" by CBRE　*For Sendai, Kyoto, Hiroshima and Fukuoka, data for Q1 2013 onward is used

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

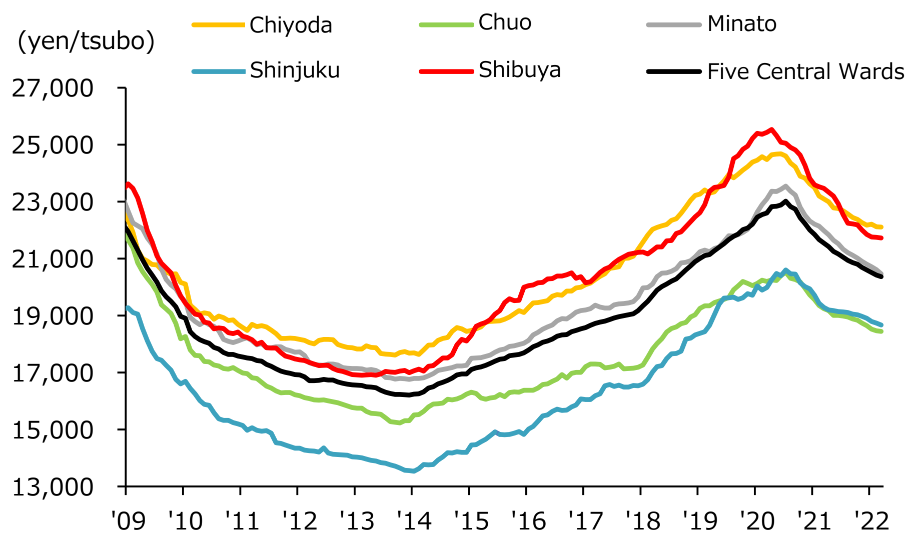
The vacancy rate stopped rising but remained high. Declines in rents continued.

- The office vacancy rate in the five central wards of Tokyo was 6.37% as of March (up 0.04 points from December) and has remained flat recently. Although the rate still exceeds the 5% level, which is regarded as a building recession, the deterioration has stopped.
- Even in Minato Ward where the vacancy rate had remained high, the upward trend stopped as seen from the rate improving by 0.23% pts from 8.56% in December to 8.33% in March.
- Meanwhile, asking rents fell for the twentieth consecutive month. Since the vacancy rate is still high, rents are expected to remain weak for the time being.

■ Change in average office vacancy rates



■ Change in average office asking rents by central wards

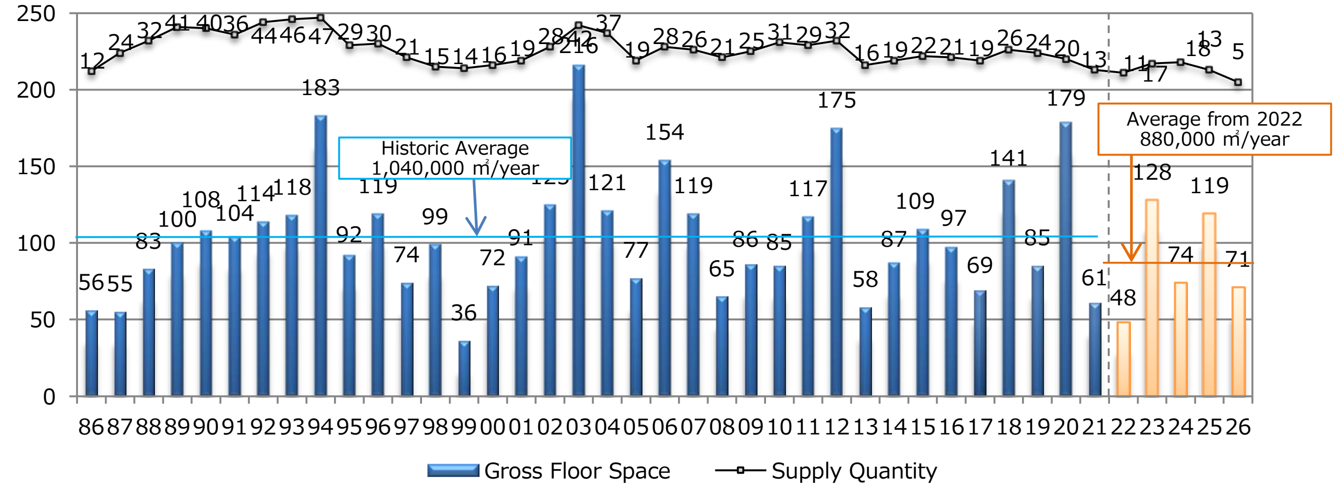


Source: Prepared by NREAM based on data from Miki Shoji
Note: Central five wards of Tokyo = Chiyoda Ward, Chuo Ward, Minato Ward, Shibuya Ward and Shinjuku Ward

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 (1.28 million m³) and 2025 (1.19 million m³), the average supply over the next five years from 2022 through 2026 (0.88 million m³/year) is expected fall below the historical average (1.04 million m³) because the supply in 2022 (0.48 million m³), 2024 (0.74 million m³) and 2026 (0.71 million m³) will fall below the historical average.
- The supply of large office buildings in Tokyo three central wards in 2023 and 2025 will exceed the past 10-year average of 0.75 million ㎡ per year. However, the average supply in the next five years from 2022 through 2026 is expected to be 0.66 million m³ per year, below the historical average. Note that the supply ratio of the three central wards will be 75% for the next five years, exceeding the past 10-year average (71%).
- New demand for large office buildings in Tokyo’s 23 wards declined by 20,000 m³ in 2021 and fell below the supply of 610,000 m³. The vacancy rate was 5.6%, up 1.6 points from the end of 2020.
- The vacancy rate in major business districts was 5.2% as of the end of 2021, and properties with a gross office floor area of 100,000 m³ or more in those districts was 4.5%. As seen, vacancy rates differed depending on the district and property grade.

■ Large office building supply trends in Tokyo’s 23 wards



1986-2021
(1) Properties supplied: 964
(2) Gross floor space: 37,300,000 m²

2021-2026
(1) Properties supplied: 64
(2) Gross floor space: 4,410,000 m²

* The survey covered office buildings with a gross floor area of 10,000 m² or more (constructed after 1986) in Tokyo's 23 wards

Source: Prepared by Nomura Real Estate Solutions based on data from Mori Building “Market Trends for Large-scale Office Buildings in Tokyo's 23 Wards in 2022”

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

Short-term forecasts for business districts (2021-2022)

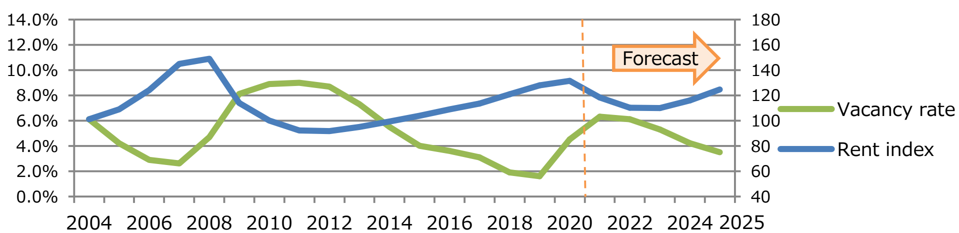
- 【Tokyo】In 2021, the vacancy rate rose to 6.3% due to a shortage of demand caused by the COVID-19 pandemic. The rent index fell significantly to 118.2, down 10.2% year-on-year. The growth in demand will be slow again in 2022, which will cause the vacancy rate to remain high at 6.1%. The rent index will continue to fall to 110.3, down 6.7% y-o-y.

- 【Osaka】Following 2020, demand did not grow due to COVID-19 in 2021, which raised the vacancy rate to 4.8%. The rent index, which was on a rising trend up to last year, remained flat at 134.3. In 2022, with large-scale supply planned such as Osaka Umeda Twin Towers South, the vacancy rate will rise to 5.6% because the increase in demand will be insufficient to absorb the increase in supply. Affected by the rising vacancy rate, the rent index began to drop, falling to 130.5, down 2.9%.

- 【Nagoya】In 2021, demand increased but was insufficient to absorb all the newly supplied office areas, which raised the vacancy rate to 5.0%. The increase in the rent index shrank from last year but was 127.2, maintaining the rising trend. In 2022, the vacancy rate will slowly improve to 4.7%, backed by firm demand. The rent index was 129.3, up 1.6% y-o-y, continuing the rising trend.

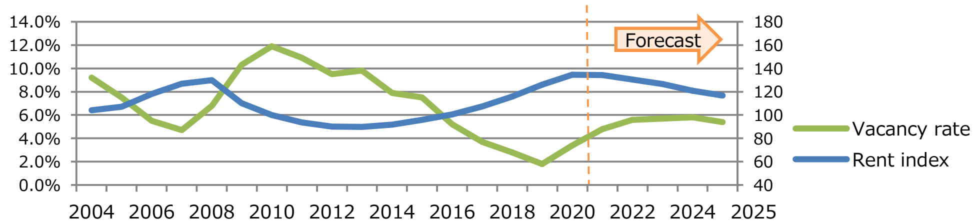
■Tokyo

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Rent index	101	109	124	145	149	114	100	92	92	95	99	104	109	114	121	128	132	118	110	110	116	125
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%	6.1%	5.3%	4.2%	3.5%



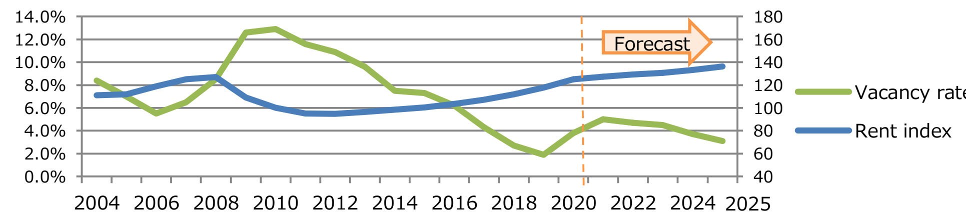
■Osaka

	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	134	131	127	121	117
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%	4.8%	5.6%	5.7%	5.8%	5.4%



■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	127	129	131	133	136
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%	5.0%	4.7%	4.5%	3.7%	3.1%



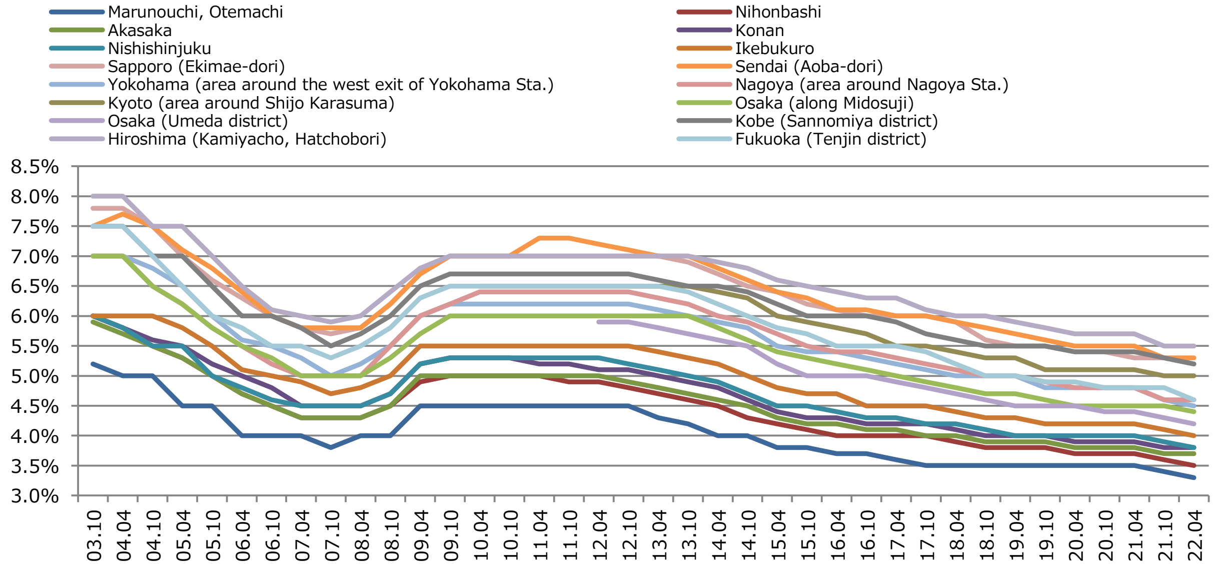
Rent index in 2010＝100, values in 2021 onward are forecasts

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 November 5, 2021.

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

- Following the previous survey, real estate investors' expected yields on A-Class buildings decreased 0.1 points again in "Marunouchi and Otemachi in Tokyo" compared to the previous survey data, which updated the lowest yield since the survey started in 1999.
- Also in other office areas of Tokyo and provincial cities, expected yields declined in many survey areas.
- Among major government-designated cities, expected yields fell 0.2 points from the previous survey data in "Fukuoka (Tenjin district)" (4.6%). Yields fell 0.1 points in "Sapporo (Ekimae-dori)" (5.2%), "Yokohama (area around the west exit of Yokohama Station)" (4.5%), "Osaka (along Midosuji)" (4.4%), "Osaka (Umeda district)" (4.2%), and remained flat in "Sendai (Aoba-dori)" (5.3%), "Nagoya (area around Nagoya Station)" (4.6%), "Kyoto (area around Shijo Karasuma)" (5.0%) and "Hiroshima (Kamiyacho, Hacchobori)" (5.5%).
- Regarding real estate investors' stance going forward, 94% of respondents answered that they would "actively make new investments." Under the BOJ's monetary easing policy, investors maintained an active stance overall.

■ Expected yields on standard A-Class buildings



* 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 m² or more
Leasable floor area on a standard floor	1,500 m² or more
Ceiling height	2,800 mm or more
Equipment level	Free access floor, zone air conditioning
Building management	Security system
Leasing status	Multi-tenant (more than 10 companies)
Rent level	In line with the market levels
Lease agreement	General lease agreement
Ownership form	Full ownership

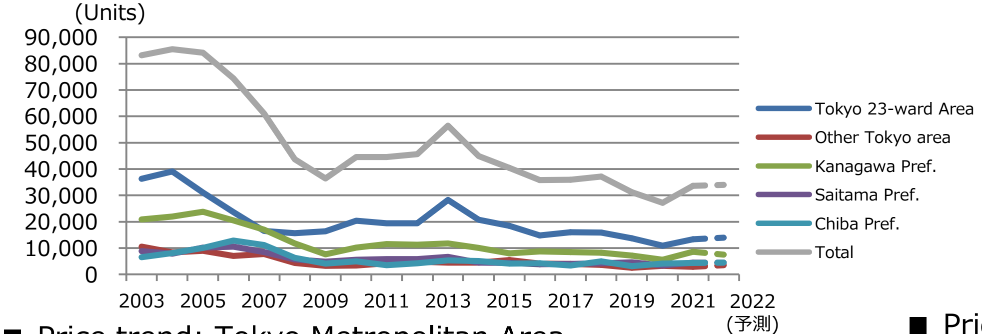
Source: Prepared by Nomura Real Estate Solutions based on data from Japan Real Estate Institute "Real Estate Investor's Survey"

3. Condominiums for Sale

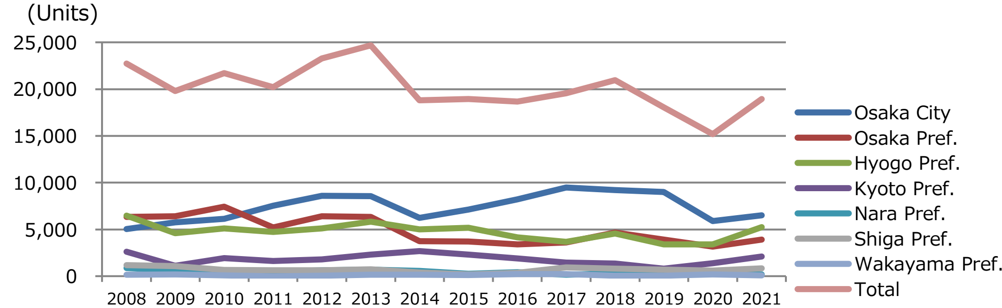
3 Supply and Price Trends of Condominiums for Sale in the Tokyo Metropolitan and Kinki Areas

- [Tokyo Metropolitan Area] The supply of condominiums in the Tokyo Metropolitan area in 2022 is forecast to increase by 4.6% over the previous year reaching 34,000 units. It increased for the second consecutive year because the active market continued. In both the Tokyo 23-ward area and suburbs, large-scale projects and high-rise properties have led the market. Inventory has been at a level of over 5,000 units since August. Construction starts has continued to decrease since summer. Condominiums in the suburbs have continuously drawn attention due to the COVID-19 pandemic. Meanwhile, condominiums in the city center have become even more popular. The review of mortgage loan tax deductions has had a limited impact and users' active stance has been unchanged.
- [Kinki Area] The supply of condominiums in the Kinki area in 2022 is forecast to be 18,500 units, a 2.2% increase compared to 2021. The supply rose in Osaka city and Osaka prefecture, but fell significantly in Kobe city and Kyoto city. There are concerns over the accumulating inventory levels. Construction starts from January to October 2021 decreased by 16.8% y-o-y. Unit prices have continued to rise. Supply has become active in areas for families in the suburbs.

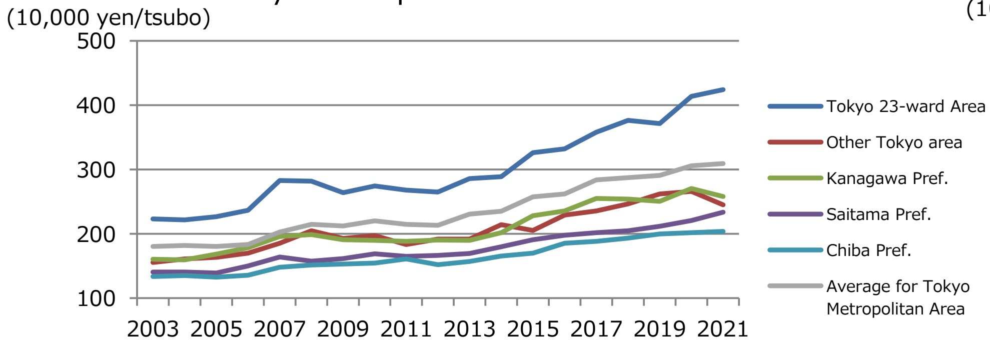
■ Supply trend: Tokyo Metropolitan Area



■ Supply trend: Kinki Area

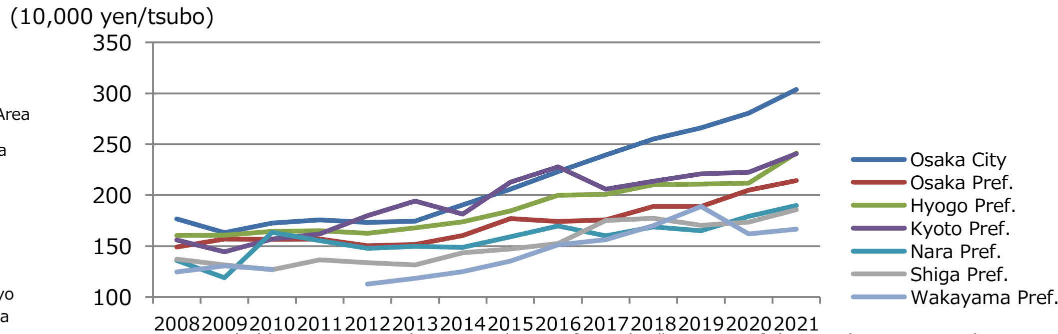


■ Price trend: Tokyo Metropolitan Area



Source: Compiled by Nomura Real Estate Solutions from the "Forecast of the Condominium Market in the Tokyo Metropolitan Area" published by Real Estate Economic Institute

■ Price trend: Kinki Area



Source: Compiled by Nomura Real Estate Solutions from the "Forecast of the Condominium Market in the Kinki Area" published by Real Estate Economic Institute
*No supply in Wakayama Pref. in 2011

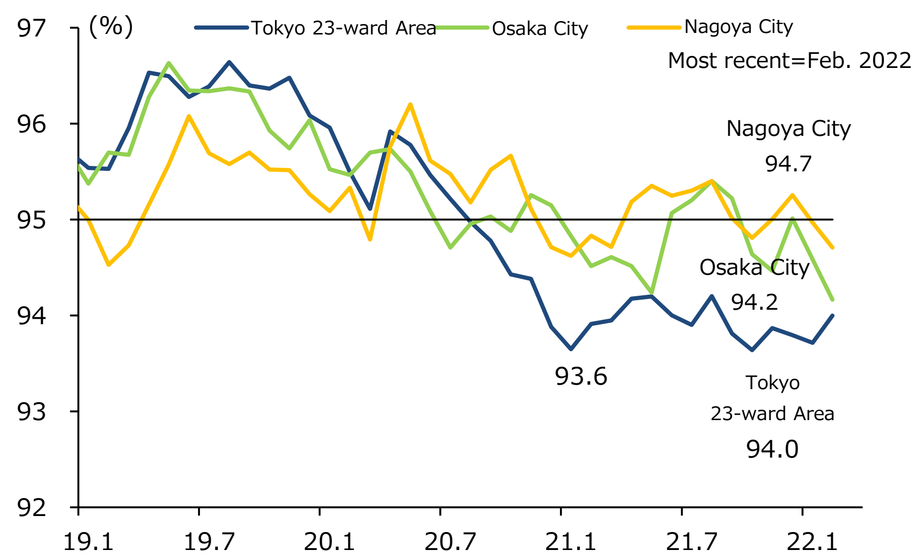
4. Rental Condominiums

4-1 Trend of Rental Condominiums

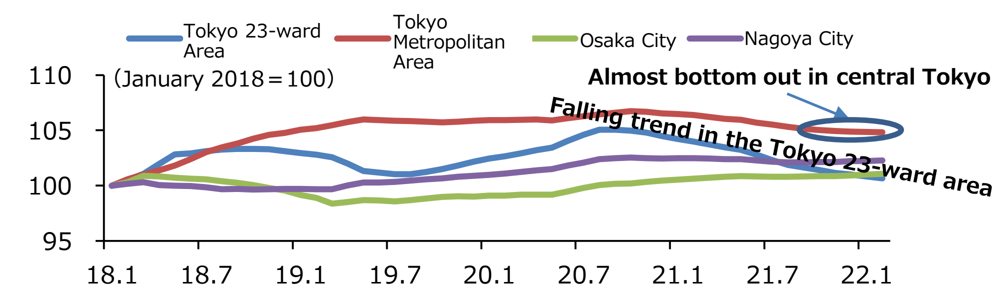
The occupancy level in February in the Tokyo 23-ward area was 94.0% or below 95%, the level regarded as favorable, but rental applications were brisk in March. Monthly rents and key money continued to fall in the Tokyo 23-ward area. Owners appear to be maintaining occupancy by lowering monthly rents and key money.

- Although the occupancy level in February in the Tokyo 23-ward area was 94.0% or below 95%, the level regarded as favorable, it appeared to be favorable during the peak period in March compared to last year, according to PM.
- The level was also 94.2% in Osaka city in February, but inquiries received particularly from individuals were increasing toward the peak period.
- In Nagoya city, the level is likely to be the same as last year during the peak period in March because supply was increasing, even though demand particularly from individuals was firm.
- Monthly rents (12-month moving average) and key money in the Tokyo 23-ward area continued the falling trend.
- While the number of rental applications made is on an increasing trend, competition has intensified. Owners appear to be maintaining occupancy by lowering monthly rents and key money.
- Monthly rents remained almost flat in Osaka city and Nagoya city.

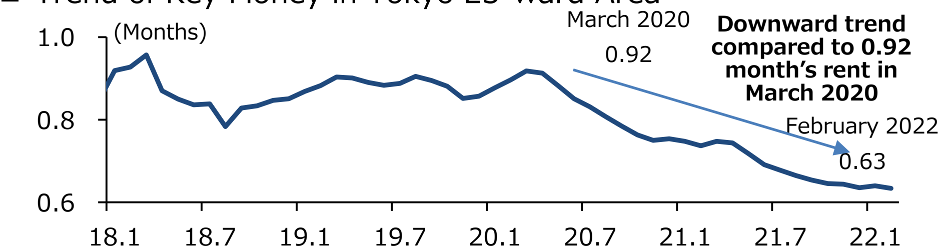
■ Condominium Occupancy in the Three Major Urban Areas of Japan (2019 and onwards)



■ Trend of Monthly Condominium Rents in the Three Major Urban Areas of Japan (12-month moving average)



■ Trend of Key Money in Tokyo 23-ward Area



Source: All of the above data is from Style Act Co., Ltd.
Referred to PM information in each area for comments.

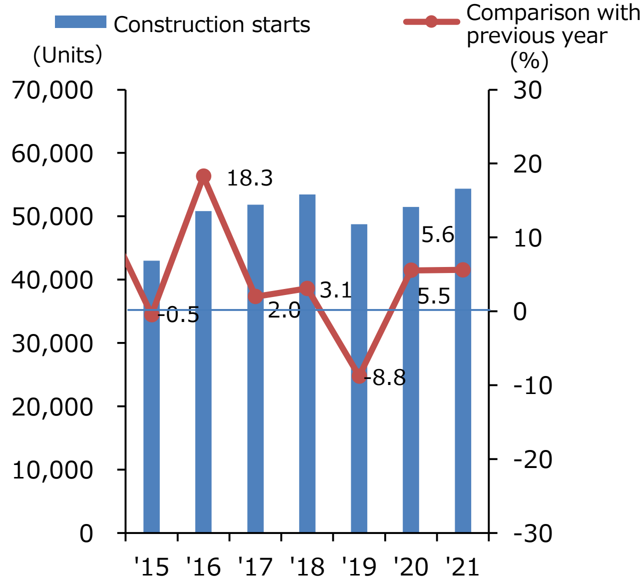
Note: These data concern units in SRC and RC buildings that are younger than 24 years of age and have rents higher than the average.
The rent is revised by Style Act to the achievable rent of a property that is new, located 5 minutes walk from a railway station, facing south, on the 2nd floor, a condominium and with key money of one month rent.

4-2 Trend of Rental Condominiums (Construction Starts)

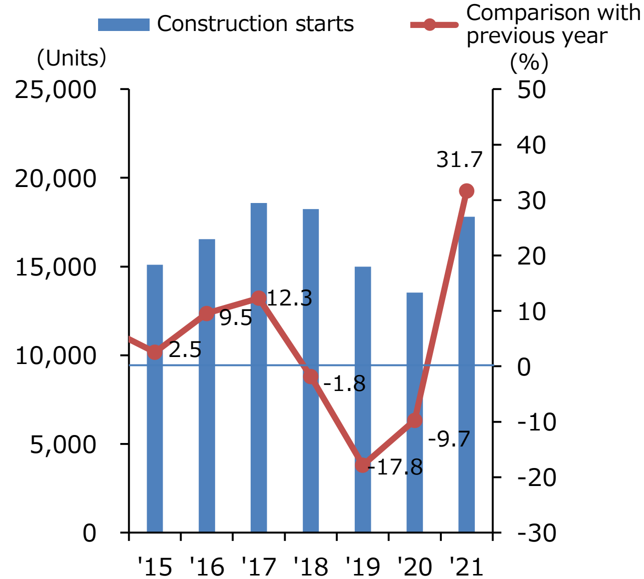
Construction starts in 2021 are likely to increase year-on-year in Tokyo, Osaka and Nagoya. Osaka city saw a significant increase.

- Construction starts in 2021 resulted in an increase in each city compared to the previous year.
- In particular, there was a significant increase in Osaka city y-o-y. It is necessary to pay attention to the impact on the market situation going forward as the number of construction starts returns to the pre-COVID-19 level.

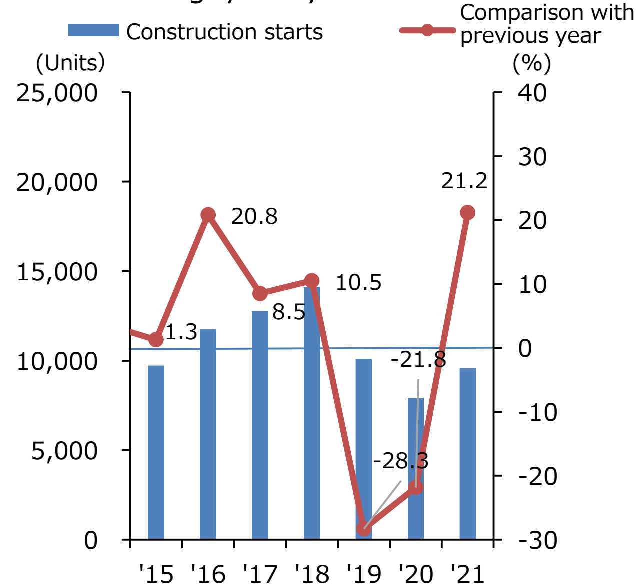
■ Rental Condominium Construction Starts in the Tokyo 23-ward Area



■ Rental Condominium Construction Starts in Osaka City



■ Rental Condominium Construction Starts in Nagoya City

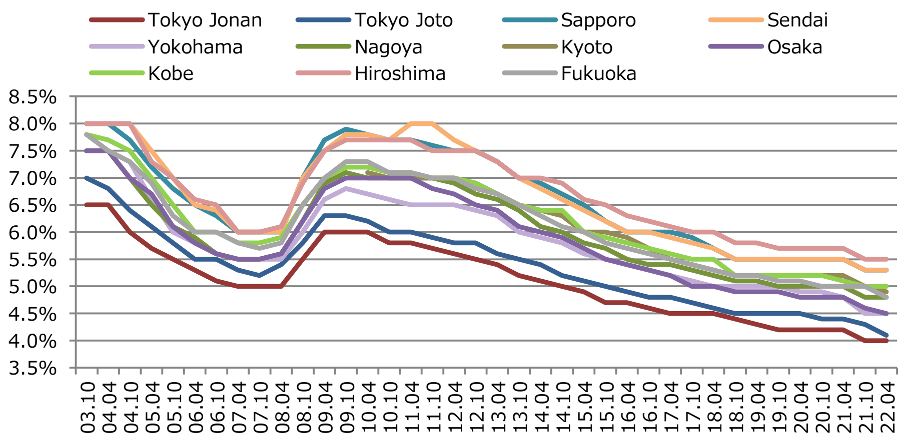


Source: All of the above data is from Style Act Co., Ltd.
Note: Style Act processed and compiled data on statistical surveys of new construction provided by MLIT.
The figures represent the total of rental condominiums (buildings with SRC or RC construction) and rental apartments (buildings made of wood or with S construction). The total figures have been used since April 2020 instead of separate data of “rental apartments” and “rental condominiums” due to a classification change in the statistics of construction starts.

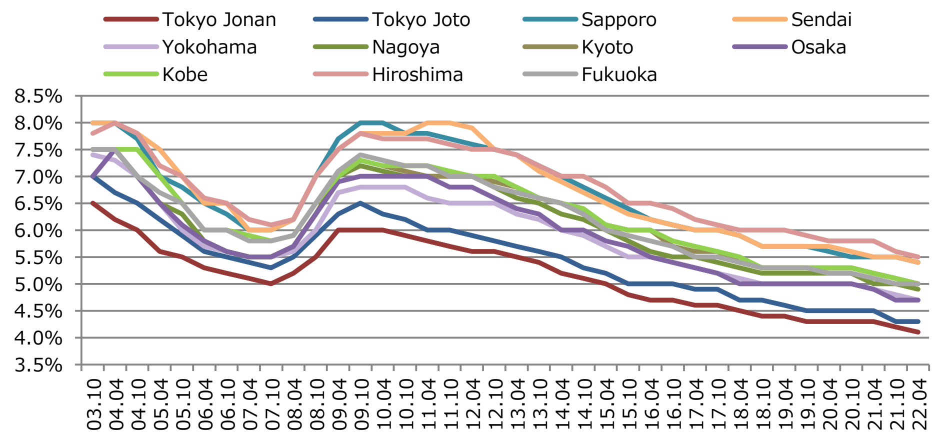
4-3 Expected Yield on Rental Condominiums

- The expected yields on one-room condominiums remained flat in the Tokyo Jonan area (4.0%), Sapporo (5.3%), Sendai (5.3%), Yokohama (4.5%), Nagoya (4.8%), Kobe (5.0%) and Hiroshima (5.5%) compared to the previous survey data. The yields fell 0.1 to 0.2 points in Tokyo Joto area (4.1%), Kyoto (4.9%), Osaka (4.5%) and Fukuoka (4.8%) compared to the previous survey data.
- The expected yields on family-type rental housing were on a downward trend in many areas including the Tokyo Jonan area (4.1%).

■ Expected Yield from Rental Condominiums（one-room)



■ Expected Yield from Rental Condominiums（family-type)



* Types of Assumed Rental Housing in Tokyo

Type of Rental Housing	Location Conditions/Type
One-room condominium Access: within 10 minutes' walk from the nearest station Age of property: less than 5 years old Average exclusive area: 25 to 30 m² Number of units: approx. 50	Jonan area (Meguro Ward and Setagaya Ward) Located along railway, 15 minutes walk from Shibuya/Ebisu Station
	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 Average exclusive area: 50 to 80 m² Number of units: approx. 50	Jonan area (Meguro Ward and Setagaya Ward) Located along railway, 15 minutes walk from Shibuya/Ebisu Station
	Joto area (Sumida Ward and Koto Ward) Located along railway, 15 minutes walk from Tokyo/Otemachi Station

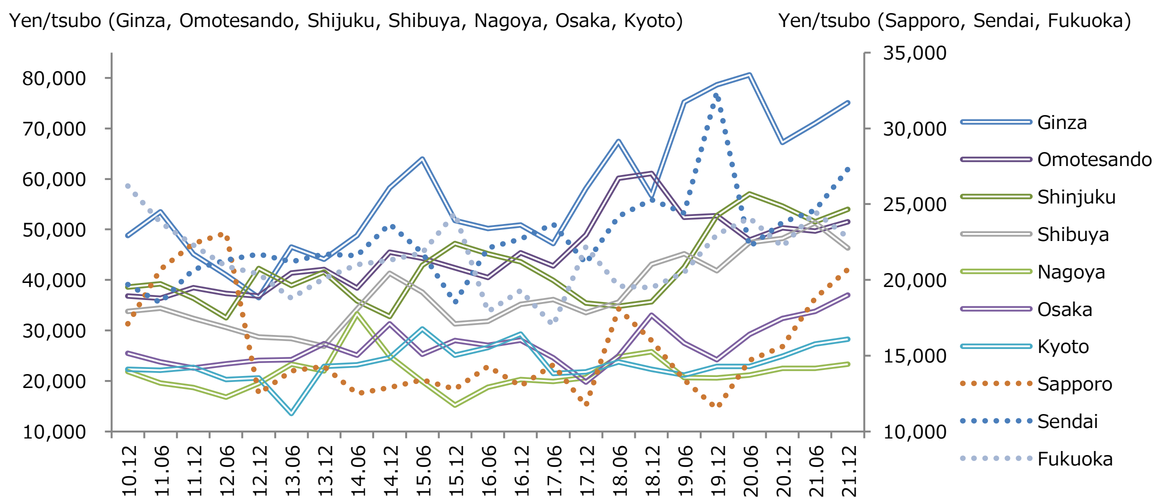
Source: Prepared by Nomura Real Estate Solutions based on data from Japan Real Estate Institute "Real Estate Investor's Survey"

5. Commercial Stores

5-1 Trend of Commercial Stores

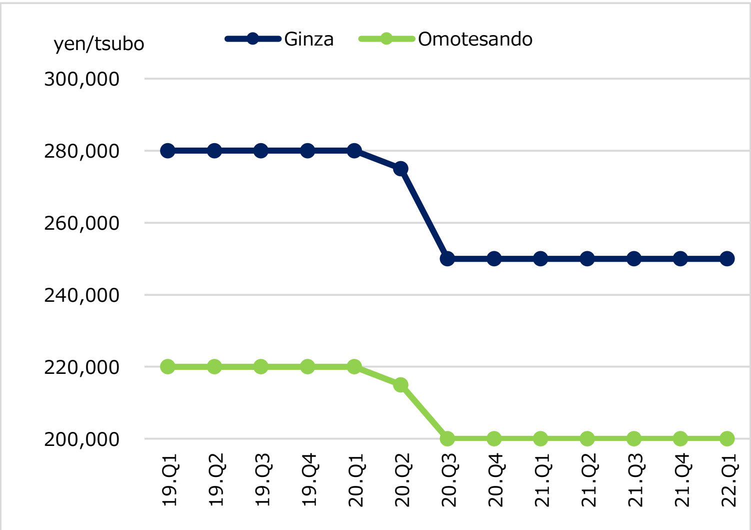
- While the impact of COVID-19 has been prolonged, it is still difficult to foresee recovery in areas that rely heavily on consumption by inbound tourists and have mainly restaurants and bars.
- Sales of luxury brand products have been favorable because of asset effects arising from high stock prices and wealthy people shifting their spending from traveling to domestic consumption due to travel restrictions. At the end of 2021 when the number of infections settled down temporarily, there were stores whose sales exceeded the pre-COVID-19 level, and the movement of store opening was firm on prime streets.
- Achievable rents in Ginza and Omotesando began to fall from Q2 2020 and have remained flat for the seven consecutive quarters since Q3 2020 (right graph). Against the backdrop of sales recovery in high-priced items such as jewelry goods in the domestic market, rents for roadside properties are expected to continue to be firm.
- Going forward, it should be noted that even after the COVID-19 pandemic ends, consumption activities may change in line with more teleworking and expanded use of e-commerce, and at the same time, structural changes may occur such as stores being changed to showrooms and increasing demand for stores in suburbs.

■ Nationwide trend of offered rents of stores on the 1st floor (2nd half 2010 to 2nd half of 2021)



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

■ Rent trend of first-floor retail stores in Tokyo primary areas (2019～2022.Q1)

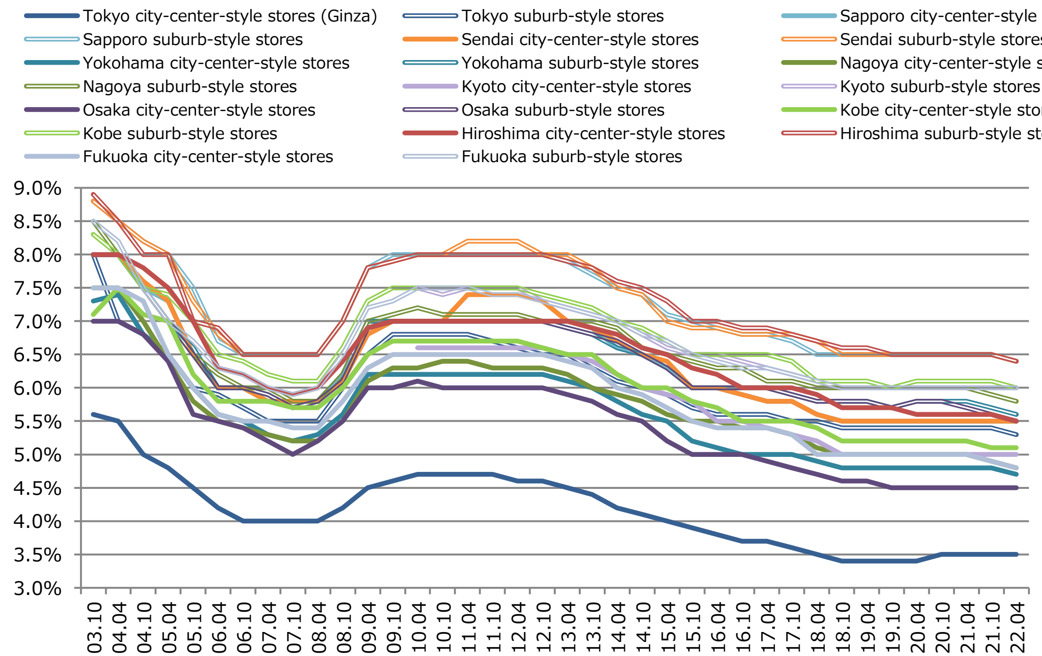


Source: "Tokyo Retail Market Summary" published by JLL (compiled by Nomura Real Estate Solutions)

5-2 Expected Yields on Commercial Stores

- The expected yields on city-center-style high-class specialized stores remained flat in Ginza, Tokyo (3.5%), Sapporo and Sendai (5.5%), Kyoto (5.0%), Osaka (4.5%) and Kobe (5.1%) compared to the previous survey data. The yields fell 0.1 points in areas such as Nagoya (4.8%), Hiroshima (5.5%) and Fukuoka (4.8%) compared to the previous survey data.
- The expected yields on suburban-style shopping centers fell 0.1 points in Tokyo (5.3%), Sapporo and Sendai (6.4%), Nagoya (5.8%), Osaka (5.5%), Kobe (6.0%) and Hiroshima (6.4%). As seen, a downward trend was observed in many survey areas.

■ Expected yield on Commercial Stores



*Types of Assumed Commercial Stores in Tokyo

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

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

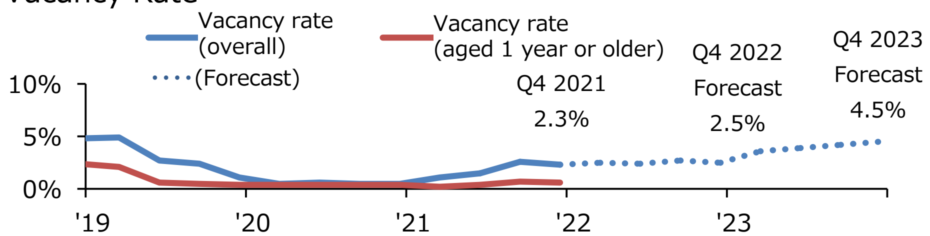
6. Logistics Facilities

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

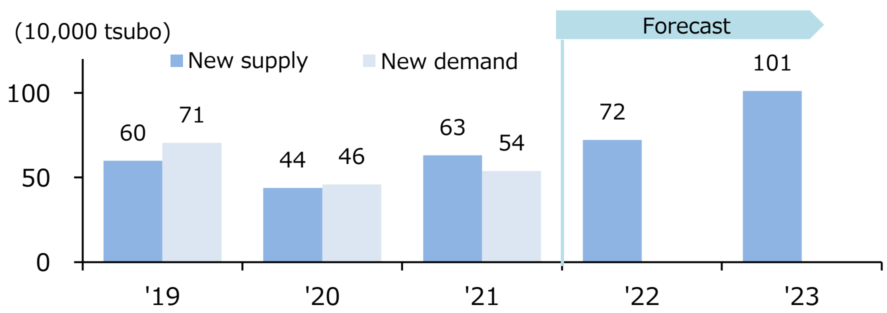
Despite strong demand, the vacancy rate rose due to supply exceeding demand. Large supply will continue, and is expected to reach 1 million *tsubo* in 2023.

- The vacancy rate in Q4 2021 rose to 2.3% (up 1.8 points y-o-y) in the Tokyo Metropolitan area. Despite an increase in demand compared to the previous year, the increase in supply surpassed the increased demand, which resulted in a rise in the vacancy rate.
- Achievable rents remained high with robust demand in each area, but the External Loop Road area recently saw a reactionary fall.
- Large supply will continue, which is expected to push up the vacancy rate to around 4.5% toward the end of 2023. With supply of over 1 million *tsubo** planned particularly in 2023, less competitive properties may struggle.
  *Rentable floor area estimated by Nomura Real Estate Solutions as of the end of 2021 = approx. 4.4 million *tsubo*

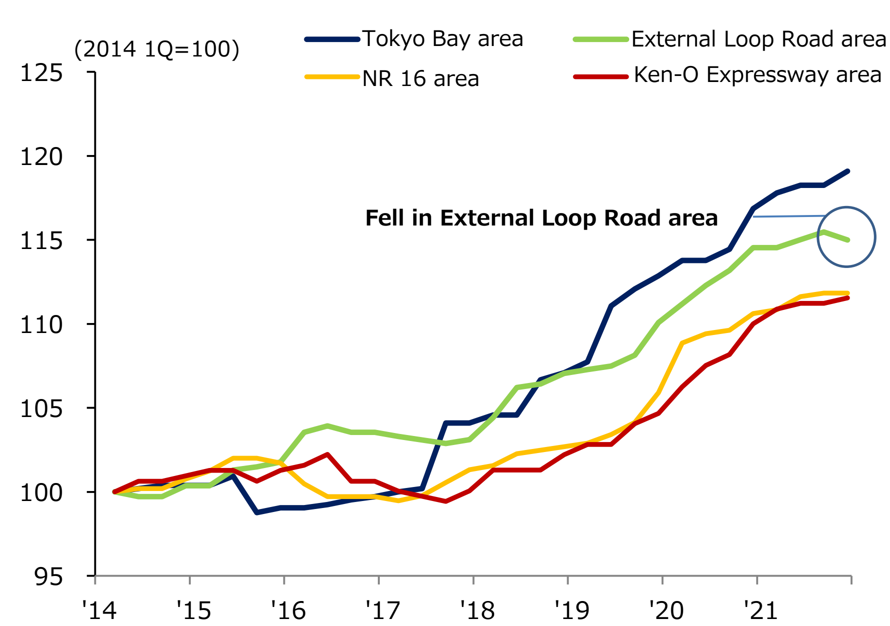
■ Vacancy Rate



■ New Supply and New Demand



■ Achievable Rents by Area



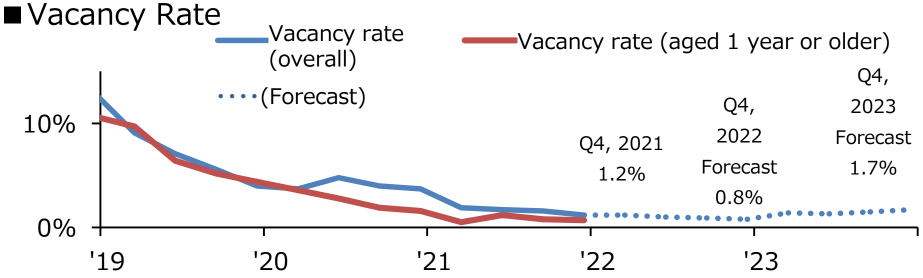
Source: Data provided by CBRE (compiled by NREAM)
Note: These are data on logistics facilities which have a gross floor area of at least 10,000 tsubo and suppose more than one tenant.

6-2 Trend of Logistics Facilities (Kinki Area)

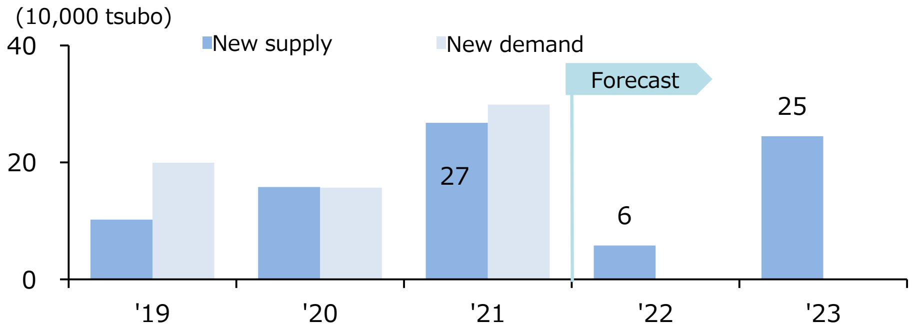
The vacancy rate was 1.2% and continued to remain low. Supply will be low again in 2022 and the low vacancy rate is expected to continue for the time being.

- The vacancy rate in the Kinki area was 1.2% in Q4 2021 (down 2.5 points y-o-y) and continued to remain low, which resulted in tight supply and demand.
- Of two properties newly supplied in Q4 2021, one was fully occupied and the other was completed with 90% occupied. Overall, a supply shortage continues.
- New supply in 2022 will be small at 60,000 *tsubo*, and the vacancy rate is expected to remain at a level below 1% for the time being.

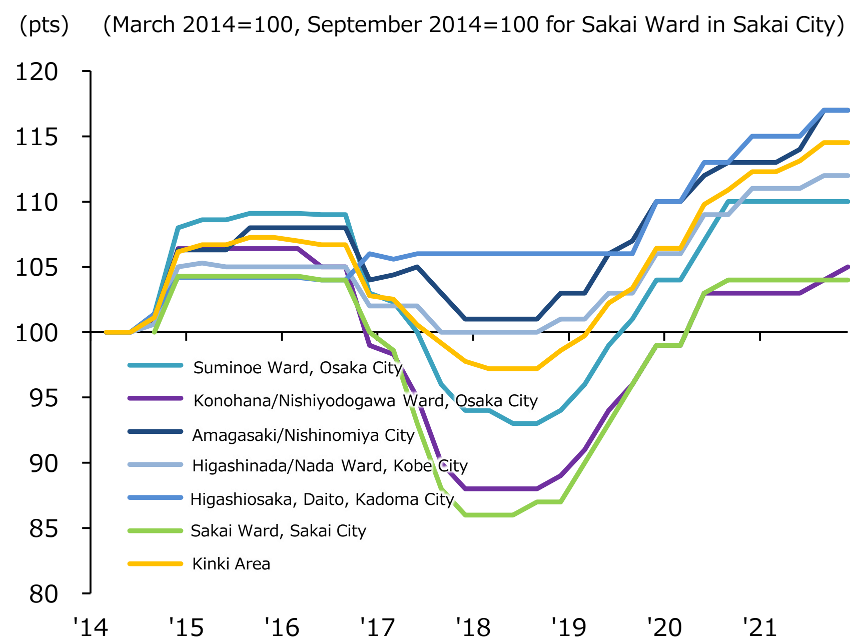
■Vacancy Rate



■New Supply and New Demand



■ Achievable Rents by Area



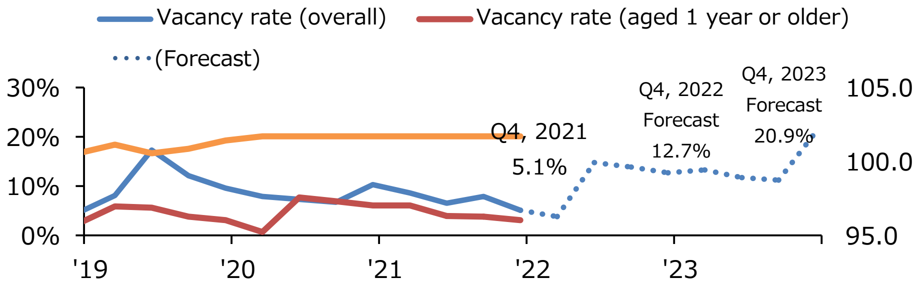
Source: Data provided by CBRE (compiled by NREAM)
Note: These are data on logistics facilities which have a gross floor area of at least 10,000 tsubo and suppose more than one tenant.

6-3 Trend of Logistics Facilities (Chubu Area)

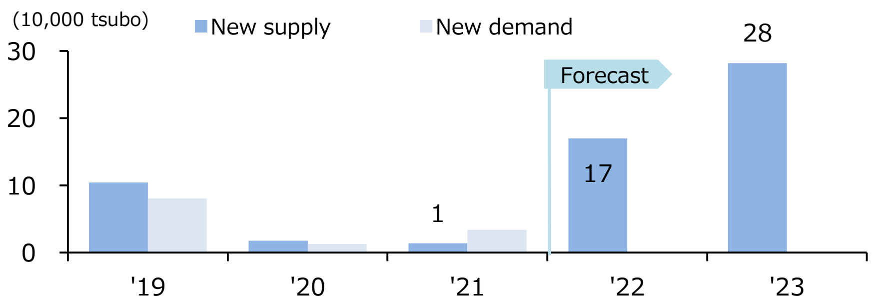
The vacancy rate is forecast to temporarily see a significant rise due to large supply planned, but is expected to improve in the medium term.

- In the Chubu area, the vacancy rate improved to 5.1% (down 5.2 pts y-o-y) in Q4 2021. The rent level has been almost flat since 2020.
- The vacancy rate is forecast to temporarily see a significant rise because the largest ever supply will continue, such as 160,000 *tsubo* (DPL Meiko Yatomi I of 63,000 *tsubo* and others) in 2022 and 280,000 *tsubo* in 2023. Note that "Considering the population size, the number of logistics facilities in the Chubu area is still small compared to the Tokyo Metropolitan area and the Kinki area, and improvement in the vacancy rate is not a problem in the medium- to long-term," according to CBRE.

■ Vacancy Rate and Rent

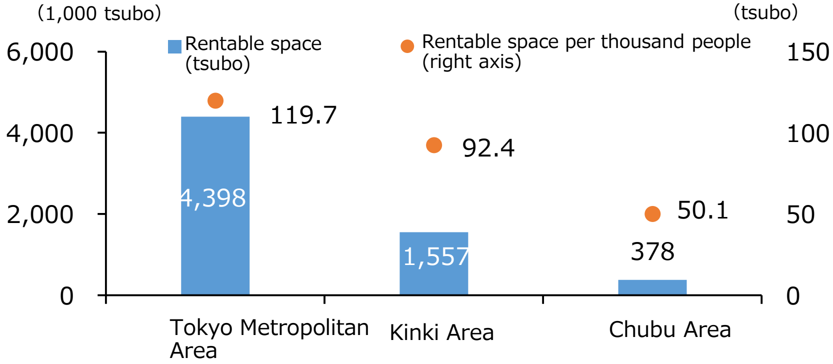


■ New Supply and New Demand



Source: All of the above was 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.

■ Reference: Rentable Space by Area and on a Population Basis

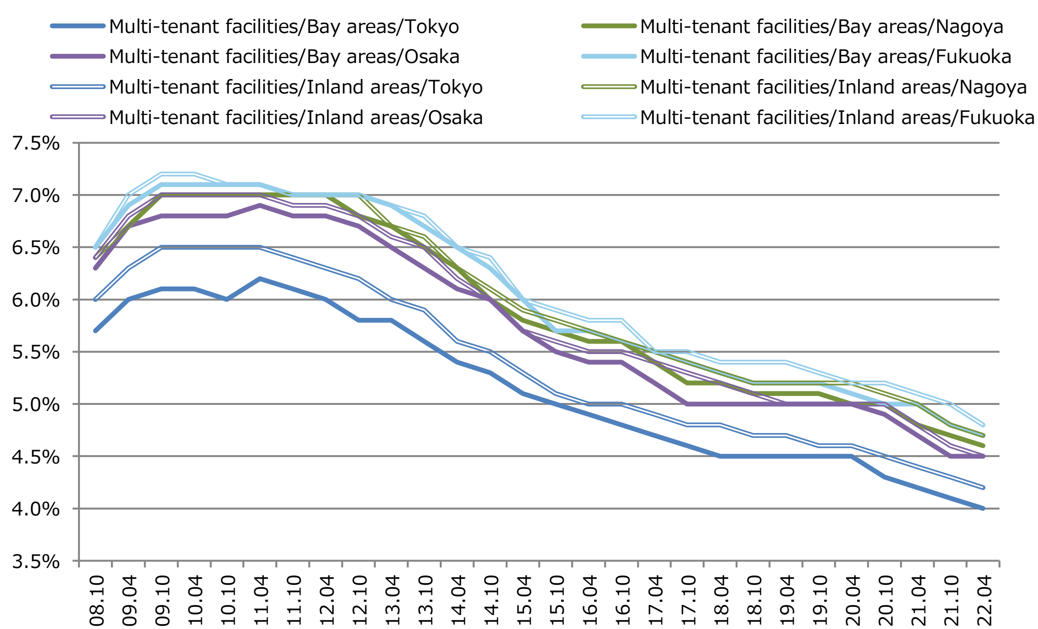


Source: Prepared by NREAM based on data from CBRE and the Statistics Bureau, Ministry of Internal Affairs and Communications
Note: The values of rentable space are estimated by NREAM as of the end of 2021 based on data from CBRE
Population values estimated by the Statistics Bureau, Ministry of Internal Affairs and Communications as of 2020 are used
Tokyo Metropolitan Area = Tokyo, Kanagawa, Chiba and Saitama prefectures, Kinki Area = Osaka, Kyoto and Hyogo prefectures, Chubu Area = Aichi prefecture

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 (4.0%) and the Nagoya Port area, Nagoya (4.6%) and the Hakata Port area, Fukuoka (4.7%), and remained flat in the Osaka Port area, Osaka (4.5%), compared to the previous survey data.
- As for inland areas, the expected yields fell by 0.1 points in the Tama area, Tokyo (4.2%), the north of Nagoya City, Nagoya (4.7%) and the area around Higashiosaka, Osaka (4.5%), and fell by 0.2 points in the area around the Fukuoka IC, Fukuoka (4.8%), compared to the previous survey data.

■ Expected Yield on Logistics Facilities/Warehouses



*Type of Logistics Facility/Warehouse

Type of logistics facility/warehouse	Conditions of Location	
Multi-tenant facility Stories: 3 or 4 Gross floor area: approx. 50,000 m² Facility that has truck berths on 1st and 3rd floors and has versatility Number of tenants: approx. 4 (stable operation assumed)	Bay area 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
	Inland area Area with good access to arterial roads and expressway ICs	Tama area, Tokyo
		North of Nagoya City, Nagoya
		Area around Higashiosaka City, Osaka
		Area around Fukuoka IC, Fukuoka

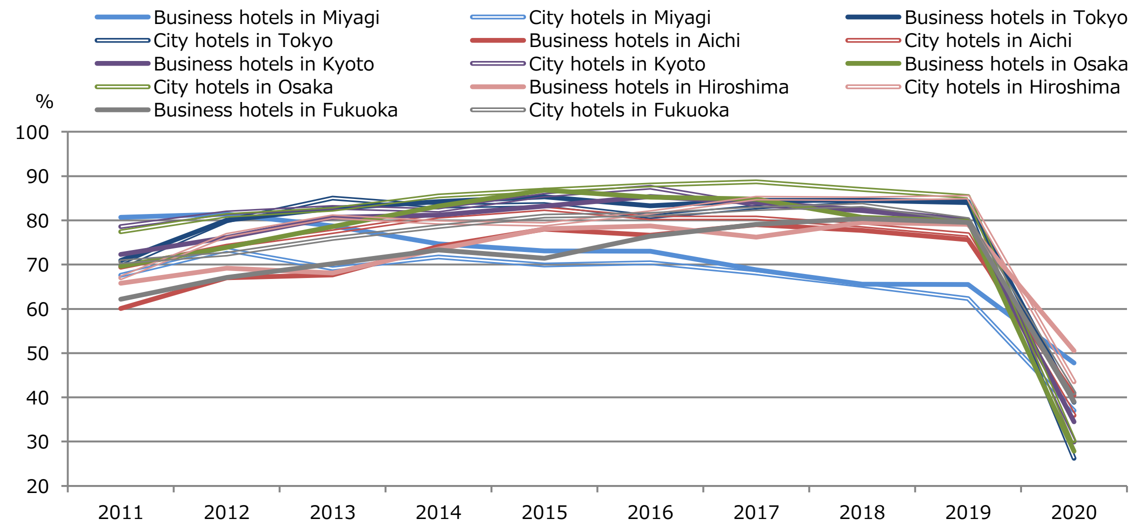
Source: "Survey of Real Estate Investors" published by Japan Real Estate Institute (compiled by Nomura Real Estate Solutions)

7. Hotels

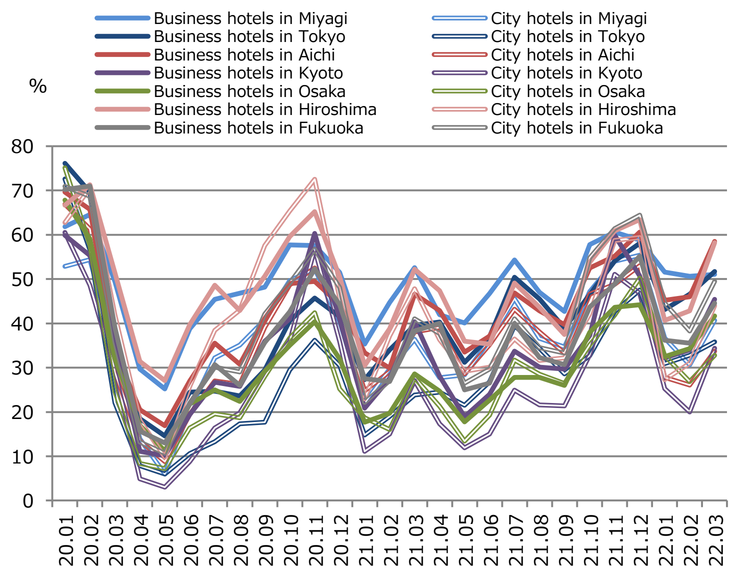
7-1 Hotel Trends

- The occupancy rates of hotels reached a low point in May 2020 in each of the cities surveyed and for each hotel type.
- The occupancy rates of business hotels in March 2022 were 51.7% (46.6% in February) in Tokyo, 45.4% (34.0% in February) in Kyoto, 41.7% (34.3% in February) in Osaka, 51.1% (50.6% in February) in Miyagi, 58.5% (46.0% in February) in Aichi, 58.2% (42.8% in February) in Hiroshima, and 44.6% (35.5% in February) in Fukuoka.
- The occupancy rates of city hotels in March 2022 were 35.8% (32.8% in February) in Tokyo, 34.4% (20.0% in February) in Kyoto, 32.8% (26.9% in February) in Osaka, 40.7% (30.6% in February) in Miyagi, 33.7% (26.1% in February) in Aichi, 44.0% (31.0% in February) in Hiroshima, and 49.5% (38.3% in February) in Fukuoka.

■ Occupancy Rates of Hotels (through 2020)



■ Occupancy Rates of Hotels (2020 onward)

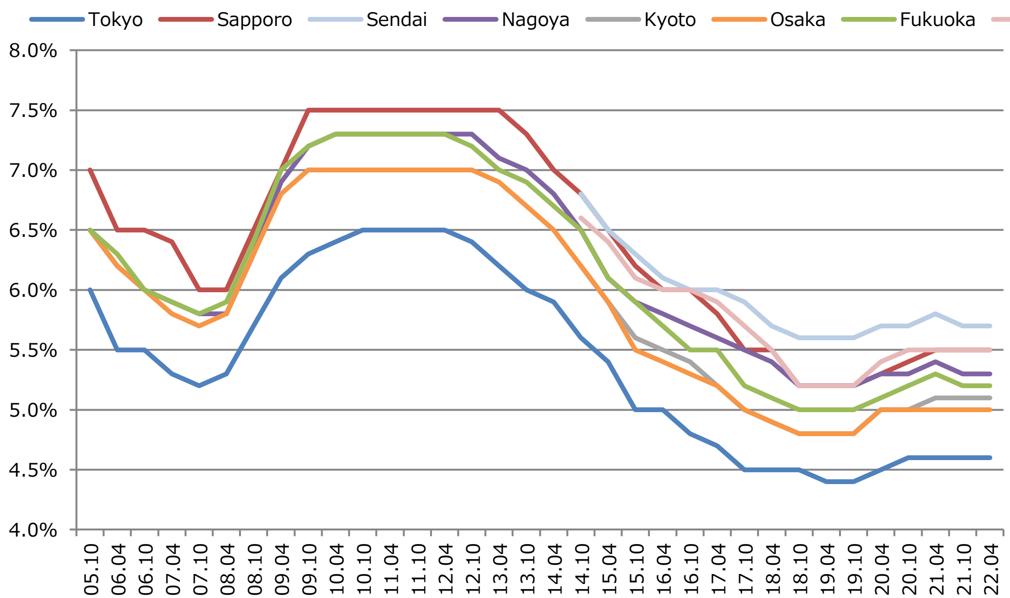


Source: MLIT Japan Tourism Agency "Statistic Survey of Tourism with Accommodation" (compiled by Nomura Real Estate Solutions)

7-2 Expected Yields on Accommodation-specialized Hotels

- The expected yields on accommodation-specialized hotels saw a downward trend in some survey areas such as Sendai, Nagoya and Fukuoka in the previous survey. In this survey, the yields remained flat in all survey areas: Tokyo (4.6%), Sapporo (5.5%), Sendai (5.7%), Nagoya (5.3%), Kyoto (5.1%), Osaka (5.0%), Fukuoka (5.2%) and Naha (5.5%).

■ Expected Yields on Accommodation-specialized Hotels



*Type of Hotel

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

- The change category remained unchanged in 75 areas, and it was a quarter with small changes. Apart from the 75 areas, 5 areas moved to the upward change category.
- There were upward changes in 46 areas (45 in the previous survey), little change in 21 areas (19 in the previous survey) and downward changes in 13 areas (16 in the previous survey).
- Of the 46 areas with upward changes, 45 areas (45 in the previous survey) saw a less than 3% increase, and 1 area (0 in the previous survey) saw an increase of more than 3% and less than 6% (Ohori in Fukuoka city). The number of areas with upward changes increased, compared to the previous survey results of 45 areas.

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	20.4.1～20.7.1	20.7.1～20.10.1	20.10.1～21.1.1	21.1.1～21.4.1	21.4.1～21.7.1	21.7.1～21.10.1	21.10.1～22.1.1	22.1.1～22.4.1
23 wards of Tokyo	Marunouchi	Unchanged (0%)	Decrease (≥0%,<3%)	Unchanged (0%)	Unchanged (0%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Unchanged (0%)
	Ginza, Chuo	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Increase (>0,<3%)
	Yaesu	Unchanged (0%)	Unchanged (0%)	Decrease (≥0%,<3%)	Unchanged (0%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Unchanged (0%)
	Toranomon	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)
	Shinjuku 3-chome	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)
	Shibuya	Unchanged (0%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Unchanged (0%)	Unchanged (0%)
Yokohama	W Exit Yokohama Sta.	Unchanged (0%)	Unchanged (0%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
Saitama	W Exit Omiya Sta.	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Increase (>0,<3%)	Increase (>0,<3%)
Chiba	Chiba Sta. front	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)
Sapporo	Station front street	Unchanged (0%)	Increase (≥3%,<6%)	Unchanged (0%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)

City	Area	20.4.1～20.7.1	20.7.1～20.10.1	20.10.1～21.1.1	21.1.1～21.4.1	21.4.1～21.7.1	21.7.1～21.10.1	21.10.1～22.1.1	22.1.1～22.4.1
Sendai	Chuo 1-chome	Increase (>0,<3%)	Unchanged (0%)	Increase (>0,<3%)	Unchanged (0%)	Unchanged (0%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
Osaka	Shinsaibashi	Decrease (≥3%,<6%)	Decrease (≥3%,<6%)	Decrease (≥3%,<6%)	Decrease (≥3%,<6%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)
Nagoya	Nagoya Sta. front	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Unchanged (0%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
Kyoto	Kawara-machi	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Decrease (≥0%,<3%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Increase (>0,<3%)	Increase (>0,<3%)
Hiroshima	Kamiyacho	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
Fukuoka	Around Hakata Sta.	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)

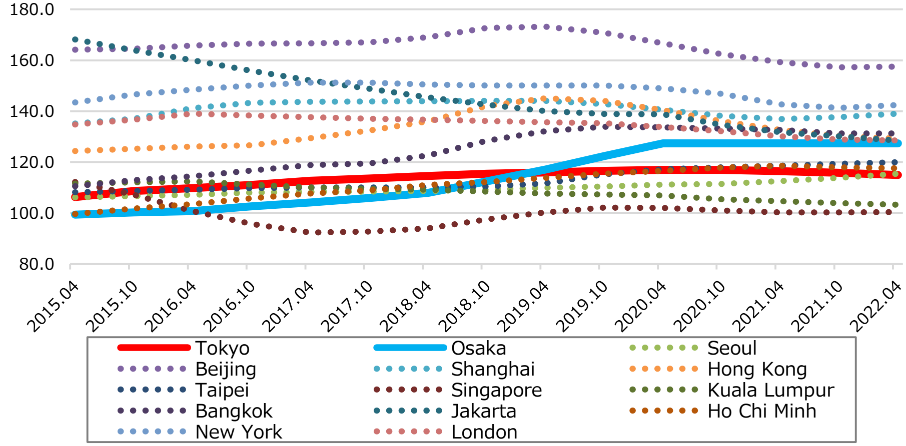
Legend : Increase (≥6%) : Increase (≥3%,<6%) : Increase (>0,<3%) : Unchanged (0%)
: Decrease (≥0%,<3%) : Decrease (≥3%,<6%) : Decrease (≥6%,<9%)
: Decrease (≥9%,<12%) : Decrease (≥12%)

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

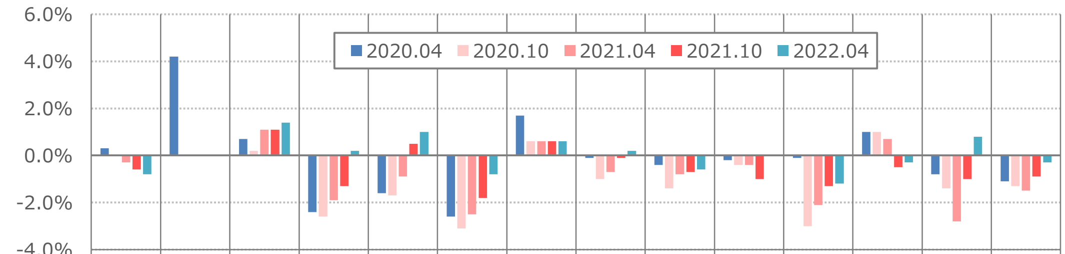
Reference: Trend of Land Prices in High-level Use Districts of Major Cities

- Office rents continue to fall in Tokyo. Osaka continued to see no change. While a downward trend continued overall, demand for offices from health care-related companies led the market in Seoul, which resulted in it recording the top growth rate. In New York, cases of moving into large buildings located in excellent areas and the renewal of rental agreements for such buildings were observed, and the rent volatility rate turned positive.
- Condominium rents have risen in some areas of Tokyo and Osaka where demand was robust. In New York, the market continued the recovery trend following the previous fiscal period because of resumed commuting to offices and other reasons.

■Changes in the office rent index



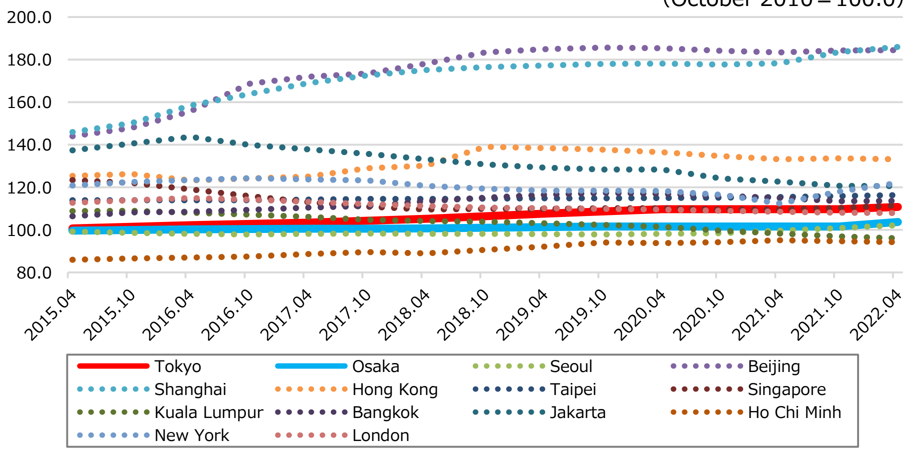
■Volatilities of the office rent index compared to the previous results



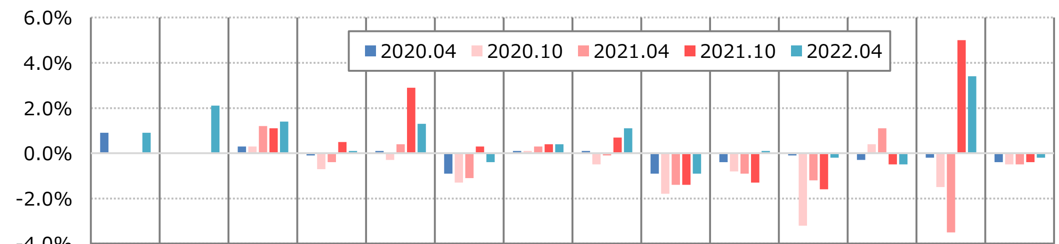
	Tokyo	Osaka	Seoul	Beijing	Shanghai	Hong Kong	Taipei	Singapore	Kuala Lumpur	Bangkok	Jakarta	Ho Chi Minh	New York	London
2020.04	0.3%	4.2%	0.7%	-2.4%	-1.6%	-2.6%	1.7%	-0.1%	-0.4%	-0.2%	-0.1%	1.0%	-0.8%	-1.1%
2020.10	0.0%	0.0%	0.2%	-2.6%	-1.7%	-3.1%	0.6%	-1.0%	-1.4%	-0.4%	-3.0%	1.0%	-1.4%	-1.3%
2021.04	-0.3%	0.0%	1.1%	-1.9%	-0.9%	-2.5%	0.6%	-0.7%	-0.8%	-0.4%	-2.1%	0.7%	-2.8%	-1.5%
2021.10	-0.6%	0.0%	1.1%	-1.3%	0.5%	-1.8%	0.6%	-0.1%	-0.7%	-1.0%	-1.3%	-0.5%	-1.0%	-0.9%
2022.04	-0.8%	0.0%	1.4%	0.2%	1.0%	-0.8%	0.6%	0.2%	-0.6%	0.0%	-1.2%	-0.3%	0.8%	-0.3%

■Changes in the condominium rent index

(October 2010＝100.0)



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



	Tokyo	Osaka	Seoul	Beijing	Shanghai	Hong Kong	Taipei	Singapore	Kuala Lumpur	Bangkok	Jakarta	Ho Chi Minh	New York	London
2020.04	0.9%	0.0%	0.3%	-0.1%	0.1%	-0.9%	0.1%	0.1%	-0.9%	-0.4%	-0.1%	-0.3%	-0.2%	-0.4%
2020.10	0.0%	0.0%	0.3%	-0.7%	-0.3%	-1.3%	0.1%	-0.5%	-1.8%	-0.8%	-3.2%	0.4%	-1.5%	-0.5%
2021.04	0.0%	0.0%	1.2%	-0.4%	0.4%	-1.1%	0.3%	-0.1%	-1.4%	-0.9%	-1.2%	1.1%	-3.5%	-0.5%
2021.10	0.0%	0.0%	1.1%	0.5%	2.9%	0.3%	0.4%	0.7%	-1.4%	-1.3%	-1.6%	-0.5%	5.0%	-0.4%
2022.04	0.9%	2.1%	1.4%	0.1%	1.3%	-0.4%	0.4%	1.1%	-0.9%	0.1%	-0.2%	-0.5%	3.4%	-0.2%

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