Real Estate Market Trends

—Spring 2024—

Corporate Services Division

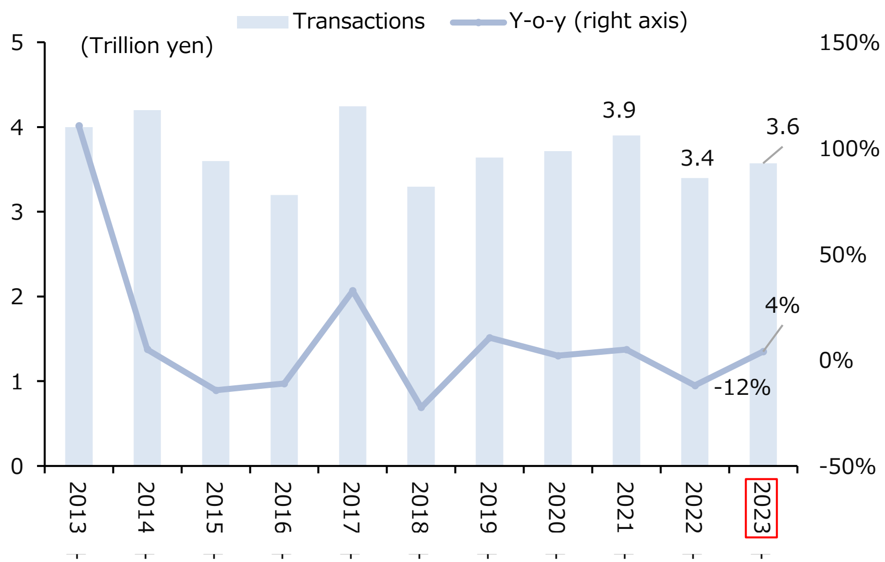
Nomura Real Estate Solutions Co., Ltd.

1. Commercial Real Estate Transactions

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

- The commercial real estate volume in 2023 (ascertained) increased by 4% compared to the previous quarter due to an increase in hotel acquisitions. Compared to 2022, which saw a 12% decrease compared to the previous year, there has been a slight increase.
- Hotel transactions have hit a record high against a backdrop of a surge in foreign investment in Japan due to a recovery in travel demand. At the same time, due to the slump in office building transactions, which had accounted for a large proportion of the market until now, large transactions in central Tokyo have decreased, causing overall transaction volume to stagnate.
- Transactions in logistics and rental condominiums, which have become popular after the COVID-19 pandemic, also remain active, with a number of large transactions in logistics facilities, including a portfolio worth over 100 billion yen.

■ 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 2023

Property (Asset type)	Timing	Details	Estimated amount
Seibu Ikebukuro Main Store, etc. (part of the land/building) (shops)	**Sep.**	Yodobashi Holdings made this acquisition from Fortress Investment Group. This is the largest contract in this quarter.	**About 300.0 billion yen**
Tokyu Plaza Ginza (entire building and 85% of premises) (shops)	**Mar.**	Sumitomo Mitsui Trust Panasonic Finance made this acquisition from Tokyu Land Corporation and Activia Properties Inc.	**(Over 130 billion yen)**
27 hotels including Royton Sapporo Hotel (Hotel)	**Jul.**	Singapore's SC Capital Partners made this acquisition from Daiwa House Group.	**About 125.0 billion yen**
Six buildings including DPL Tsukuba Ami I-A (Logistics)	**Apr.**	GIC Private Limited (Singaporean sovereign wealth fund) made this acquisition from Blackstone Group.	**109 billion yen or more**
Odakyu Dai-ichi Seimei Building (95%) (Office)	**Mar.**	Odakyu Electric Railway sold 95% of its equity to a domestic corporation in which Dai-ichi Life and others invest. NOI Yield is 3.5%.	**(Over 71 billion yen)**

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

2. Offices

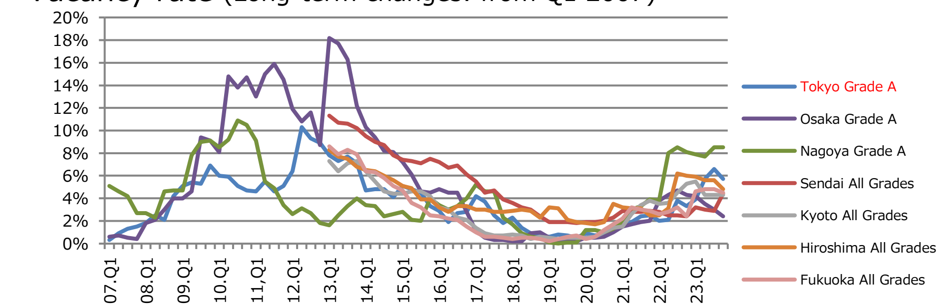
2-1 Office Trends in Major Cities

- **[Tokyo]** The Grade A vacancy rate fell by 0.9 points q-o-q to 5.7%, and rents rose by 0.3% q-o-q to 34,650 yen per *tsubo*. The vacancy rate of all grades fell by 0.5 points q-o-q to 4.7%, and rents rose by 0.1% q-o-q to 21,300 yen per tsubo. The vacancy rate of all grades decreased compared to the previous quarter. Rents rose in all grades for the first time in about three years since Q1 2020. There were some moves to raise rents back up, mainly in buildings where there was further filling of vacancies. The Grade A rents are expected to continue to rise slightly until the middle of 2024, but then start to fall again after that, so they are expected to be flat at the end of the 2024 compared to the current quarter.

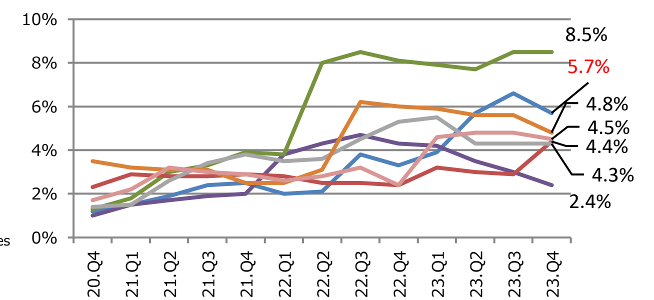
- **[Osaka]** The Grade A vacancy rate fell by 0.6 points q-o-q to 2.4%, and rents fell by 0.2% q-o-q to 23,900 yen per *tsubo*. The vacancy rate fell for the fifth consecutive quarter. Grade A rents are expected to fall by 1.5% over the next one year. The vacancy rate of all grades fell by 0.4 points to 2.9%, and rents rose by 0.6% q-o-q to 14,190 yen per *tsubo*. The vacancy rate has fallen below 3% for the first time in two years since Q 2021. Rents are expected to continue to adjust moderately due to the easing of demand expected in the future.

- **[Nagoya]** The Grade A vacancy rate is 8.5% (remained flat), and rents rose by 0.8% q-o-q to 26,650 yen per *tsubo*. Due to the easing of demand expected in the future, rent adjustments to secure tenants are expected to proceed again, and Grade A rents are expected to fall by 2.3% over the next one year. The vacancy rate of all grades fell by 0.2 points q-o-q to 5.6%, and rents rose by 0.1% q-o-q to 13,800 yen per tsubo. There were some moves to raise the lowered asking rents in buildings where there was further filling of vacancies or where there have been many inquiries.

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

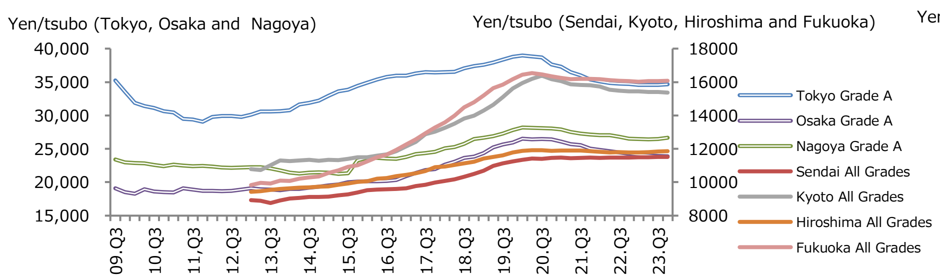


■ Vacancy rate (Short-term changes: from Q4 2020)



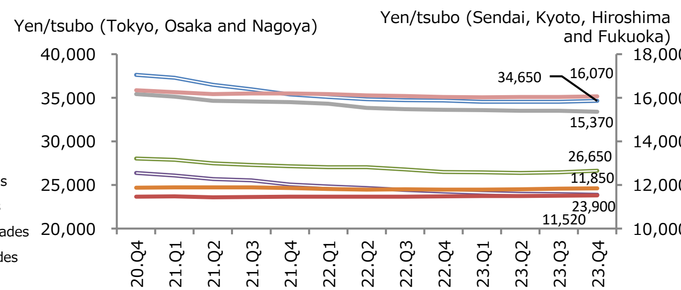
Area		2023 Q1	2023 Q2	2023 Q3	2023 Q4
Tokyo Grade A	Vacancy rate (%)	3.9	5.7	6.6	5.7
	Assumed achievable rent (yen)	34,550	34,550	34,550	34,650
Osaka Grade A	Vacancy rate (%)	4.2	3.5	3.0	2.4
	Assumed achievable rent (yen)	24,100	24,000	23,950	23,900
Nagoya Grade A	Vacancy rate (%)	7.9	7.7	8.5	8.5
	Assumed achievable rent (yen)	26,450	26,400	26,450	26,650
Sendai All Grades	Vacancy rate (%)	3.2	3.0	2.9	4.4
	Assumed achievable rent (yen)	11,490	11,500	11,510	11,520
Kyoto All Grades	Vacancy rate (%)	5.5	4.3	4.3	4.3
	Assumed achievable rent (yen)	15,440	15,410	15,410	15,370
Hiroshima All Grades	Vacancy rate (%)	5.9	5.6	5.6	4.8
	Assumed achievable rent (yen)	11,790	11,810	11,830	11,850
Fukuoka All Grades	Vacancy rate (%)	4.6	4.8	4.8	4.5
	Assumed achievable rent (yen)	16,030	16,050	16,050	16,070

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



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

■ Rent revenue (Short-term changes: from Q4 2020)

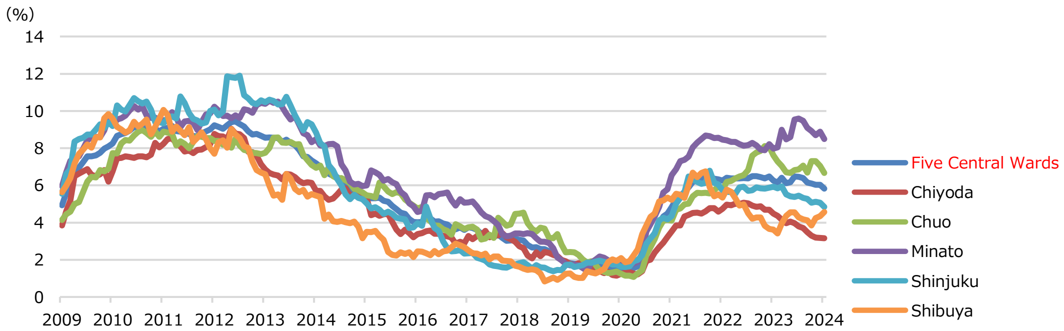


Source: Prepared by Nomura Real Estate Solutions based on "Japan Office Market View" by CBRE

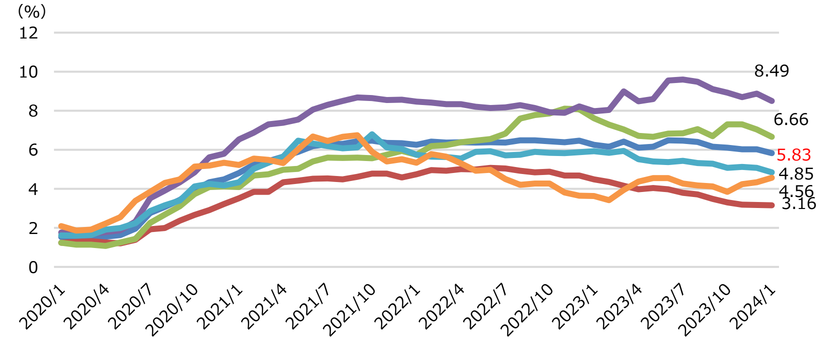
2-2 Office Trends in Tokyo's Five Central Wards

- The average vacancy rate in the five central wards of Tokyo was 5.83% as of January (down slightly 0.20 points from December). It was in the 5% range for the first time in two years and eight months since May 2021. In addition to the completion of one new building with generally high occupancy, there was more progress in contracts for buildings that were completed less than one year ago and contracts for existing buildings due to consolidation and rebuilding, resulting in a fall in the vacancy rate.
- Contracts are being closed for new buildings in Minato Ward and for existing buildings in Chiyoda Ward and Chuo Ward. The trend of moving and expanding toward favorable office conditions to attract human resources and motivate them to go to work is continuing.
- Average asking rents fell for thee first time in two months to 19,730 yen as of January (down 0.09% from December).

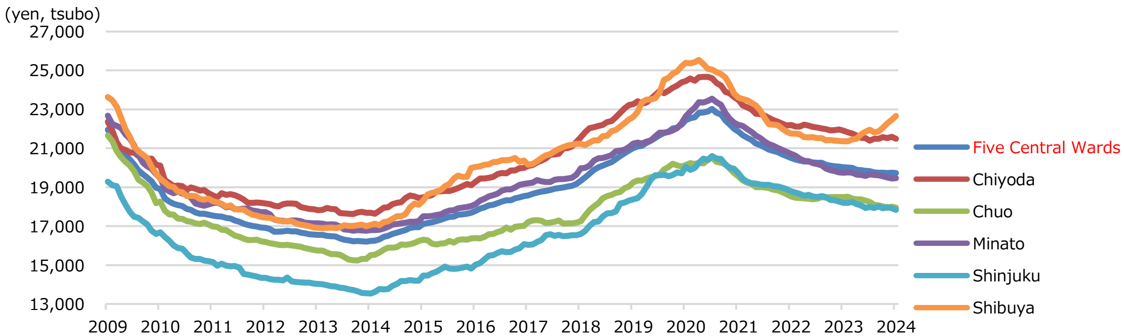
■ Average office vacancy rates (Long-term changes: from January 2009)



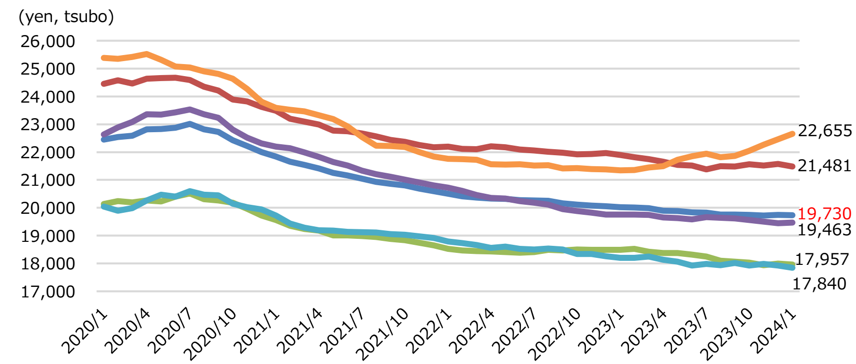
■ Average office vacancy rates
(Short-term changes: from January 2020)



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



■ Average office asking rents by central wards
(Short-term changes: from January 2020)

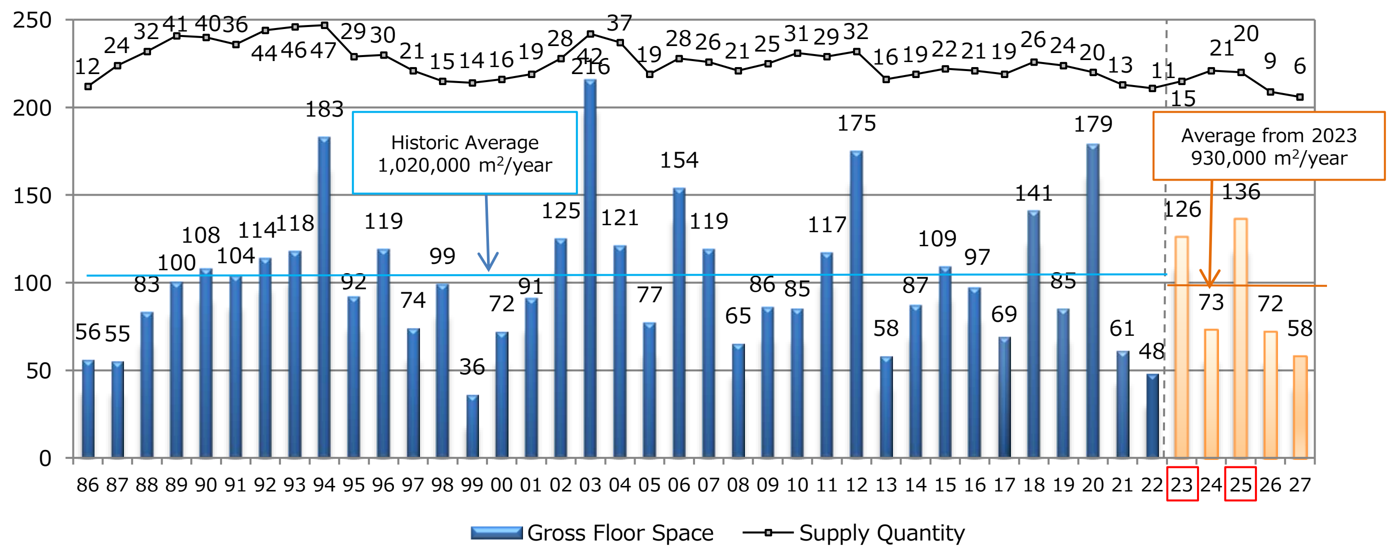


Source: Prepared by Nomura Real Estate Solutions based on data from Miki Shoji
Note: Central five wards of Tokyo = Chiyoda Ward, Chuo Ward, Minato Ward, Shibuya Ward and Shinjuku Ward

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^2) and 2025 (1.36 million m^2)**, the average supply over the next five years from 2023 through 2027 (0.93 million m^2/year) is expected fall below the historical average (1.02 million m^2) because the supply in 2024 (0.73 million m^2), 2026 (0.72 million m^2) and 2027 (0.58 million m^2) 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^2 per year. However, the average supply in the next five years from 2023 through 2027 is expected to be 0.66 million m^2 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 0.37 million m^2 in 2022, a turn toward growth even though it fell below the supply of 0.48 million m^2. **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^2 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^2

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

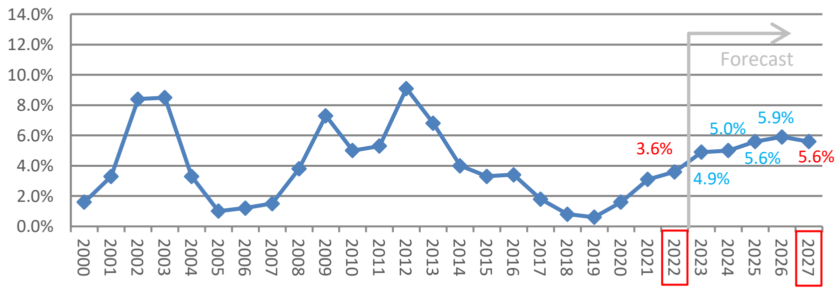
* The survey covered office buildings with a gross floor area of 10,000 m^2 or more (constructed after 1986) in Tokyo's 23 wards
Source: Prepared by Nomura Real Estate Solutions based on data from Mori Building "Market Trends for Large-scale Office Buildings in Tokyo's 23 Wards in 2023"

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

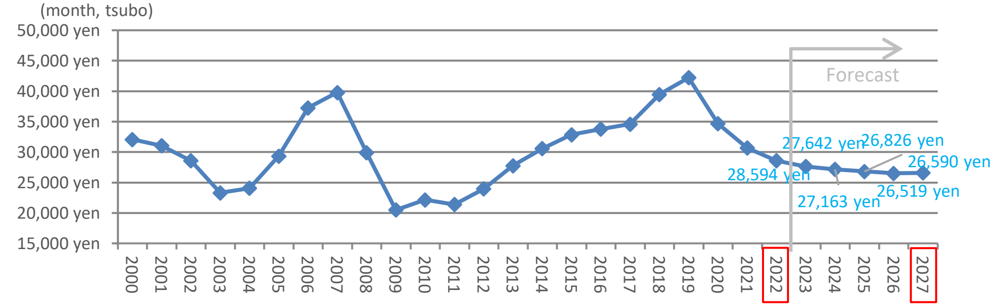
- The vacancy rate of A-Class buildings in central Tokyo is <u>expected to continue the rising trend</u>. It is forecast that the vacancy rate will rise particularly in 2023 and 2025, impacted by large supply, and **expected to be in the upper half of the 5% level in 2027**.
- The achievable rent of 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 <u>forecast to see a falling trend</u> 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 <u>expected to be on a declining trend</u> in line with the easing of the balance between demand and supply. Assuming that the rent in 2022 is "100," the achievable rent is <u>forecast to fall</u> to "97" in 2023 and "92" in 2027.
- Regarding these forecasts, Nomura Real Estate Solutions set the economic outlook, referring to the ESP Forecast Survey.

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

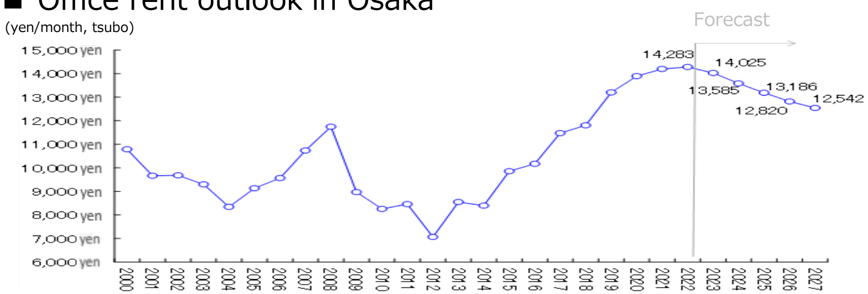
■ Vacancy rate outlook for **A-Class buildings** in central Tokyo



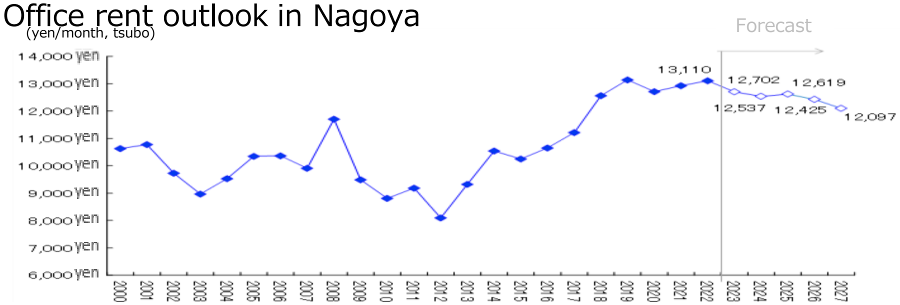
■ Achievable rent outlook for A-Class buildings in central Tokyo



■ Office rent outlook in Osaka



■ Office rent outlook in Nagoya

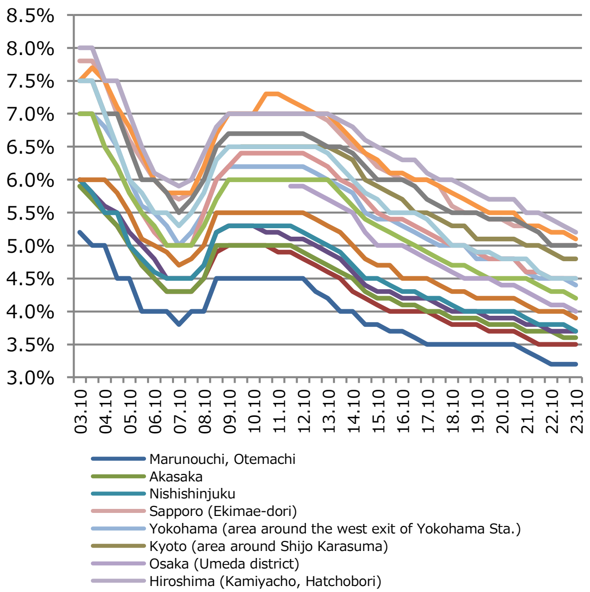


Source: NLI Research Institute estimated the actual values based on the "Office Rent Index" released by Sanko Estate and NLI Research Institute and the future outlook based on the "Office Rent Index" and others
Note: The annual estimated values for Tokyo are published in the 4th quarter of each year.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

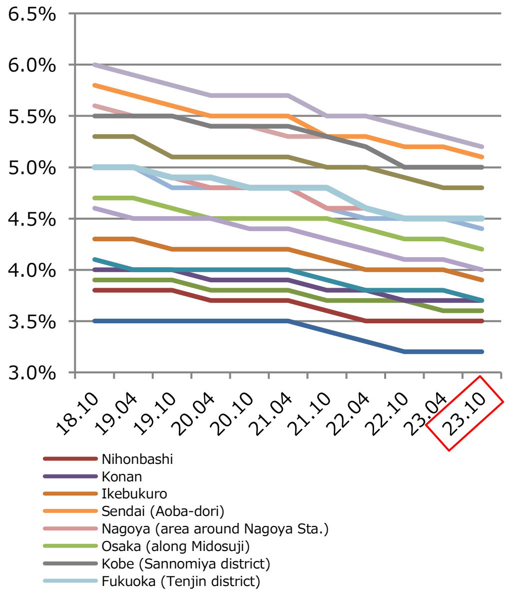
2-5 Expected Yields on Office Buildings (A-Class Buildings)

- Real estate investors' expected yields on A-Class buildings **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
Marunouchi, Otemachi	3.2%	0.0

* **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

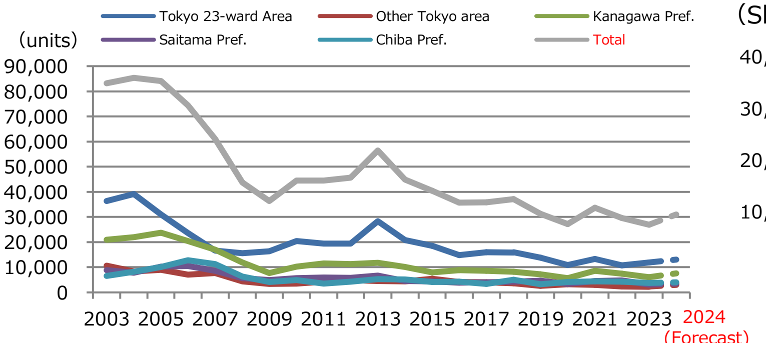
Source: Prepared by Nomura Real Estate Solutions based on data from Japan Real Estate Institute "Real Estate Investor's Survey"

3. Residential for Sale

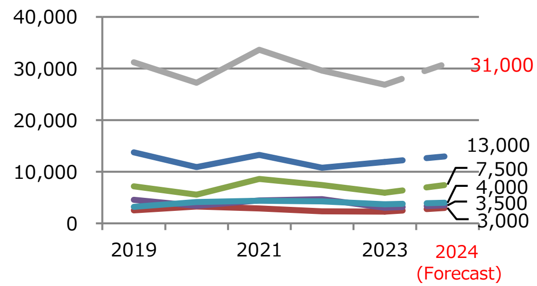
3 Supply and Price Trends of Residential for Sale in the Tokyo Metropolitan and Kinki Areas

- **[Tokyo Metropolitan Area]** The supply of condominiums in the Tokyo Metropolitan area in 2024 is forecast to be 31,000 units (increase by 15.3% over the previous year). Large-scale high-rise projects in the Tokyo 23-ward area are steadily popular and continue to lead the market. Inventory has been stably low at around 4,000 units since April. Attention is is shifting to the city center and its surrounding areas. Many large-scale projects have started in nearby areas. There remain concerns about soaring construction costs and higher mortgage rates.
- **[Kinki Area]** The supply of condominiums in the Kinki area in 2024 is forecast to be 16,500 units (increase by 7.2% over the previous year). All areas except Kyoto Prefecture and Nara Prefecture are expected to increase. Inventories and completed inventories continue to shrink. Construction starts from January to October 2023 increased 0.5% y-o-y. United prices have continued to rise. Although areas for families in the suburbs will become more active, contract rates are expected to decline.

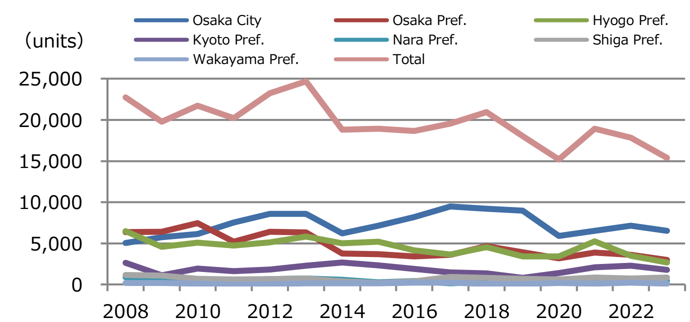
■ Supply trend: Tokyo Metropolitan Area



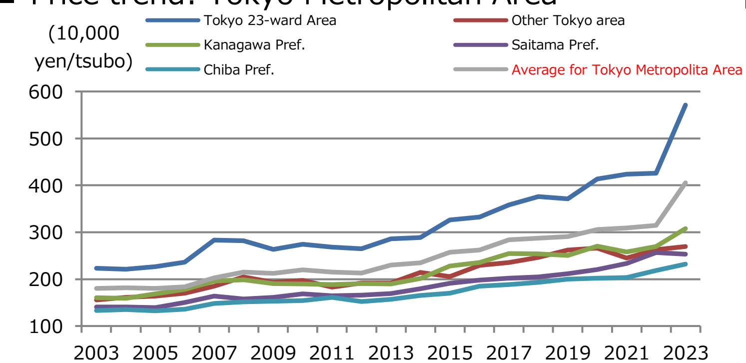
■ Supply trend: Tokyo Metropolitan Area
(Short-term changes: from 2019)



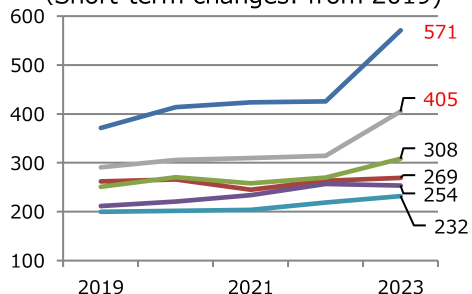
■ Supply trend: Kinki Area



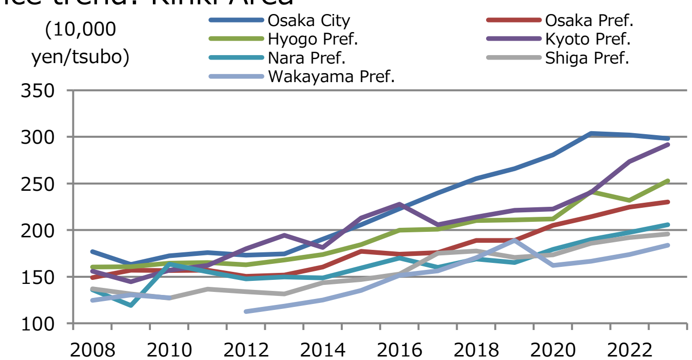
■ Price trend: Tokyo Metropolitan Area



■ Price trend: Tokyo Metropolitan Area
(Short-term changes: from 2019)



■ Price trend: Kinki Area



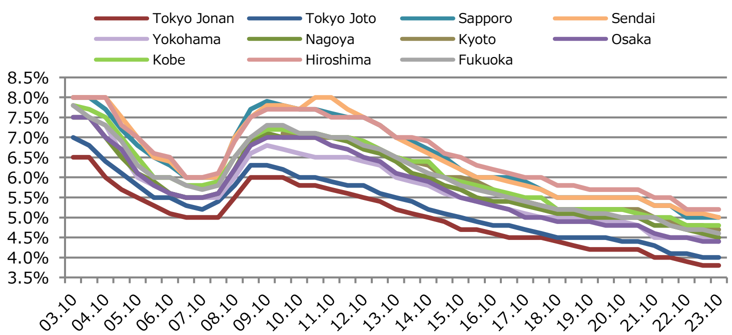
Source: Compiled by Nomura Real Estate Solutions from the "Forecast of the Condominium Market in the Tokyo Metropolitan and the Kinki Area," "Market Trends for Condominiums in the Tokyo Metropolitan" and "Market Trends for Condominiums in the Kinki Area" published by Real Estate Economic Institute
*No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

4. Residential for Rent

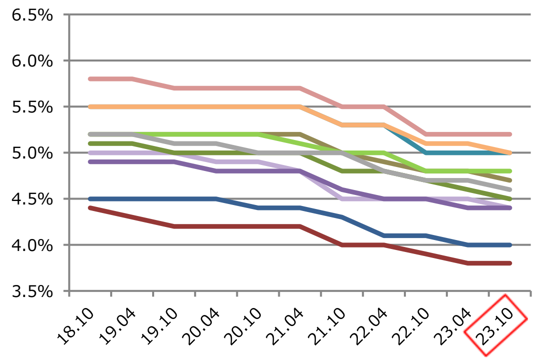
4-3 Expected Yields on Residential for Rent

- 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)

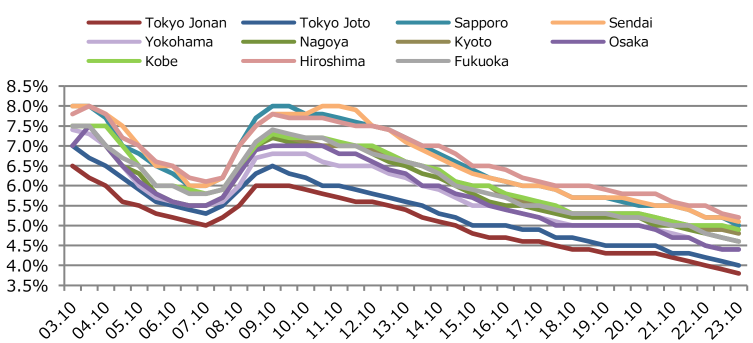


■ Expected yields from rental condominiums (**one room**) (Short-term changes: from October 2018)

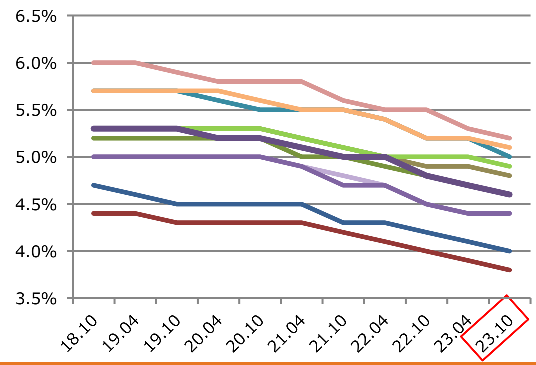


Yield in Oct. 2023		Change from the previous survey
Hiroshima	5.2%	0.0
Sapporo	5.0%	0.0
Sendai	5.0%	- 0.1
Kobe	4.8%	0.0
Kyoto	4.7%	- 0.1
Fukuoka	4.6%	- 0.1
Nagoya	4.5%	- 0.1
Yokohama	4.4%	- 0.1
Osaka	4.4%	0.0
Tokyo Joto	4.0%	0.0
Tokyo Jonan	3.8%	0.0

■ 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
Tokyo Jonan	3.8%	- 0.1

- Type of assumed rental housing in Tokyo

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

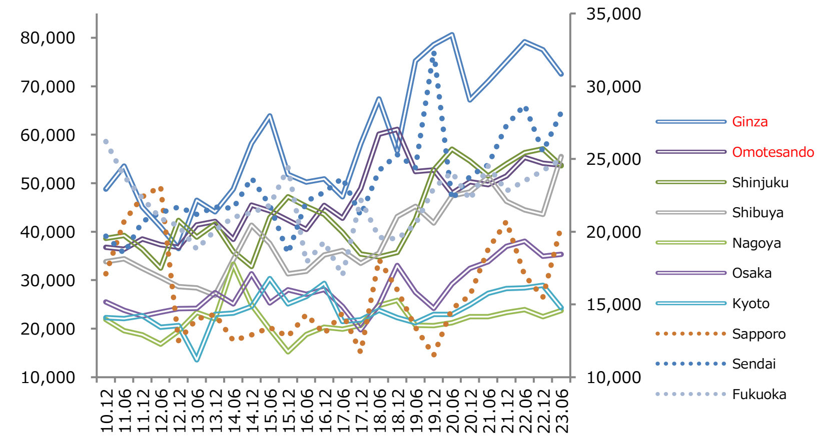
Source: Prepared by Nomura Real Estate Solutions based on data from Japan Real Estate Institute "Real Estate Investor's Survey"

5. Commercial Stores

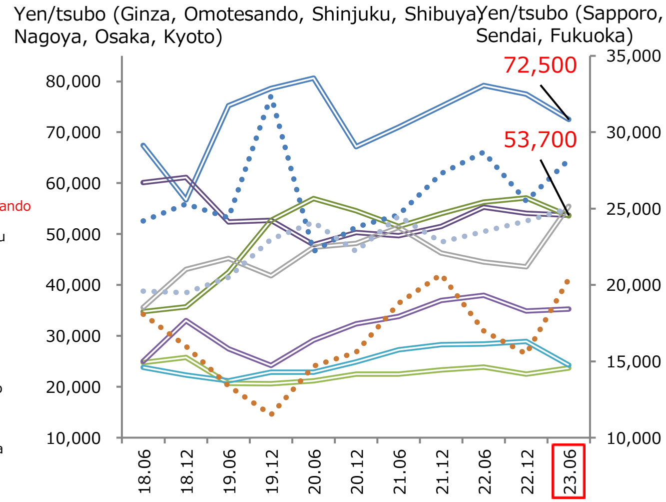
5-1 Trend of Commercial Stores

- 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 seven consecutive quarters, and Omotesando saw a rise for six consecutive quarters.** Given firm sales of expensive products, demand for new store openings by brand groups remains strong. At the same time, the supply of street-level retail space has become limited, and the tight demand is expected to add upward pressure on rent.
- 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)

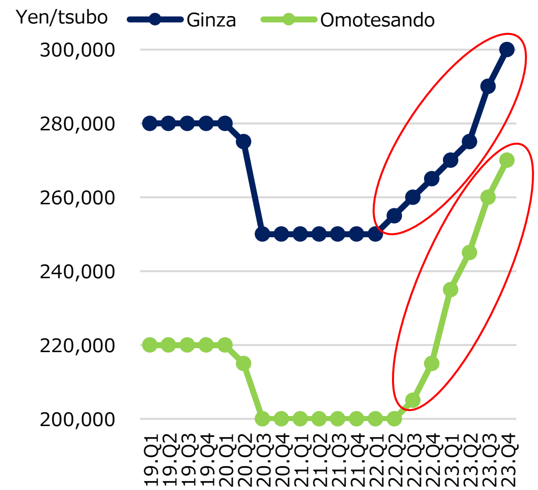


■ Nationwide trend of offered rents of stores on the 1st floor (1st half 2018 to 1st half of 2023)



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

■ Rent trend of ground-floor retail stores in Tokyo primary areas (2019.Q1 to 2023.Q4)

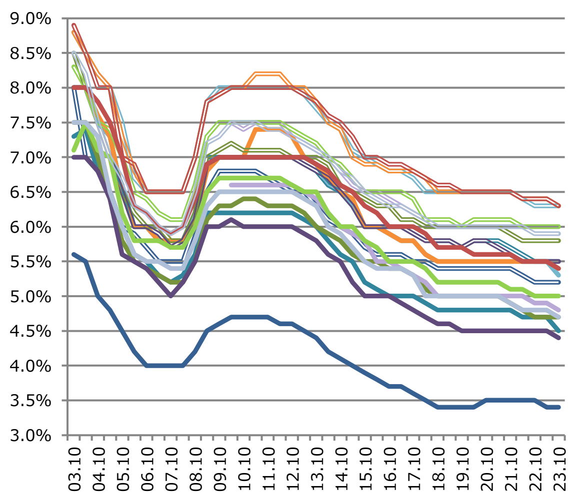


Source: "Tokyo Retail Market Summary" published by JLL (compiled by Nomura Real Estate Solutions)

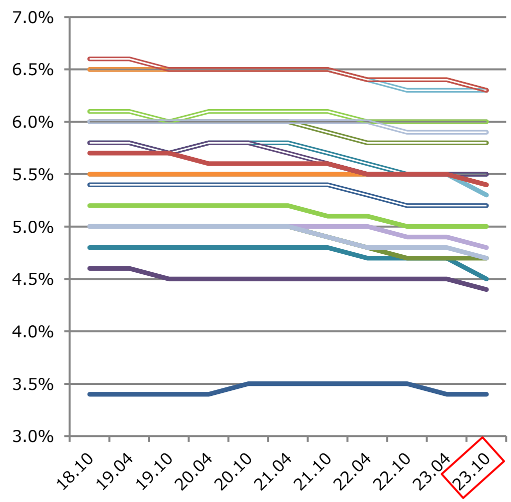
5-2 Expected Yields on Commercial Stores

- **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
[City-center-style high-class specialized stores] ・Age of property or years since large-scale repair: less than 5 years old ・Rent scheme: period rent; mainly coupled with tenant's sales ・Tenants: mainly retailers of high-class brand-name goods	Ginza area Located on the Ginza Chuo-dori Avenue, Chuo Ward Omotesando area Located on the Omotesando Avenue, Shibuya Ward
[Suburban-style shopping center] ・Store space: 20,000 m² ・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

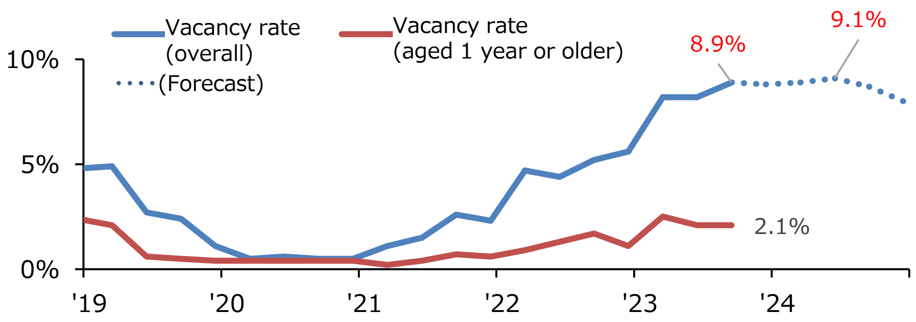
Source: "Survey of Real Estate Investors" published by Japan Real Estate Institute (compiled by Nomura Real Estate Solutions)

6. Logistics Facilities

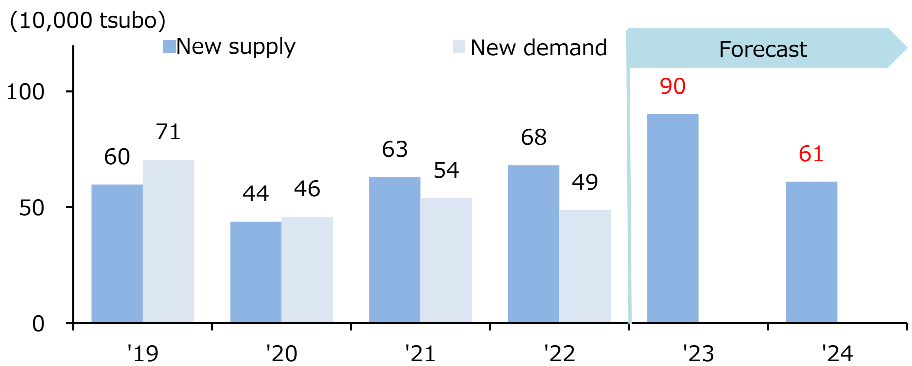
6-1 Trend of Logistics Facilities (Tokyo Metropolitan Area)

- The vacancy rate in the Tokyo Metropolitan Area has been rising since 2021. It is expected to reach the 8-9% level in 2024 due to a large supply.
- Rent levels continue to rise in the Tokyo Bay Area but fall in Ken-O Expressway.

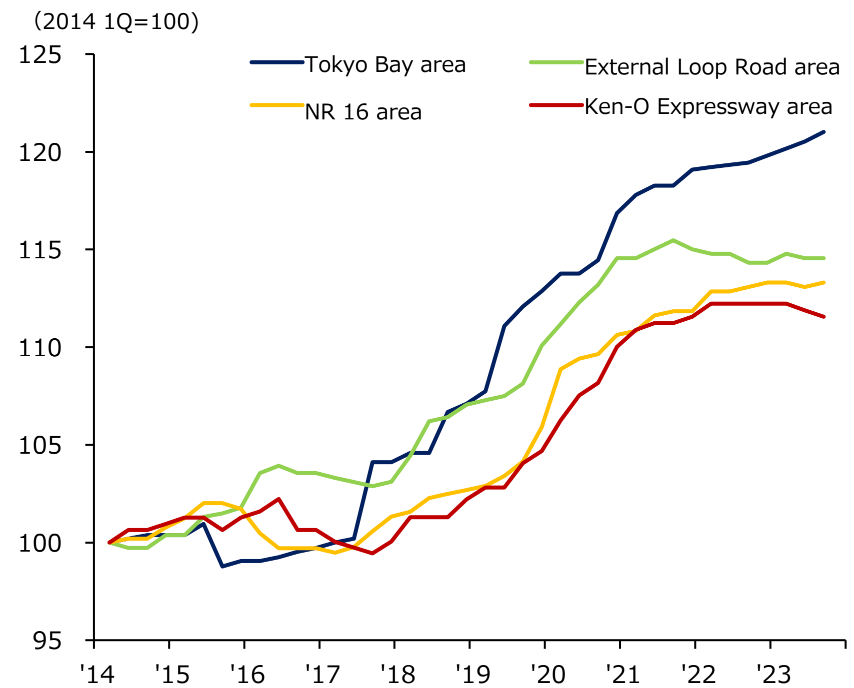
■Trend of vacancy rate (as of December 31 of each year)



■ New supply and new demand



■Trend of rent level

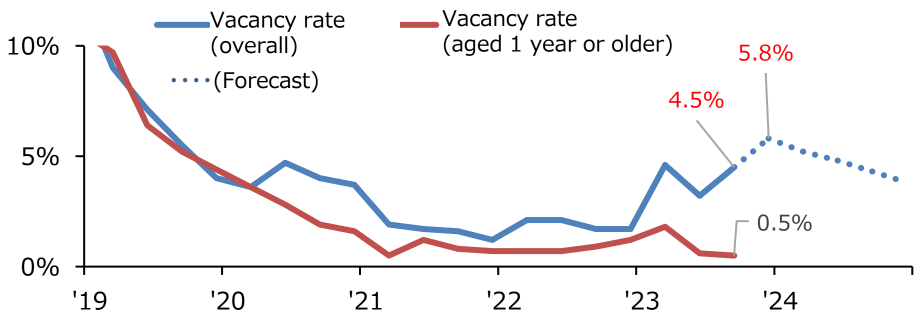


Source: Prepared by NREAM based on data from CBRE
Note: These are data on logistics facilities which have a gross floor area of at least 10,000 tsubo and suppose more than one tenant.

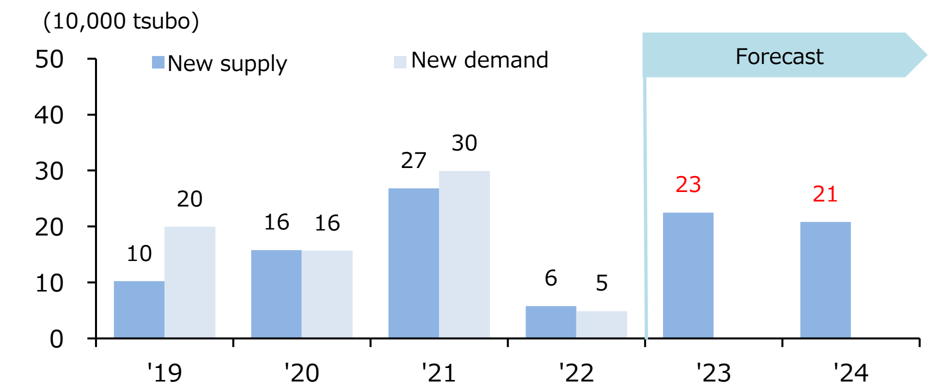
6-2 Trend of Logistics Facilities (Kinki Area)

- The vacancy rate in the Kinki area is rising due to the completion of properties with vacancies, but overall demand is strong.
- Although rent levels have fallen overall, they continue to rise in popular areas.

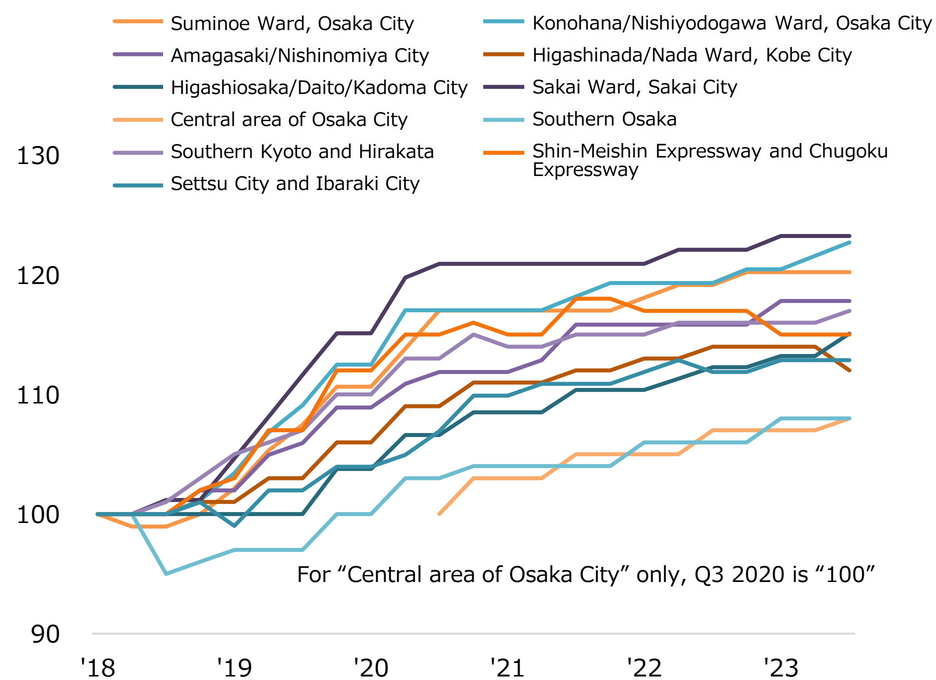
■Trend of vacancy rate (as of December 31 of each year)



■ New supply and new demand



■Trend of rent level (2018 1Q=100)



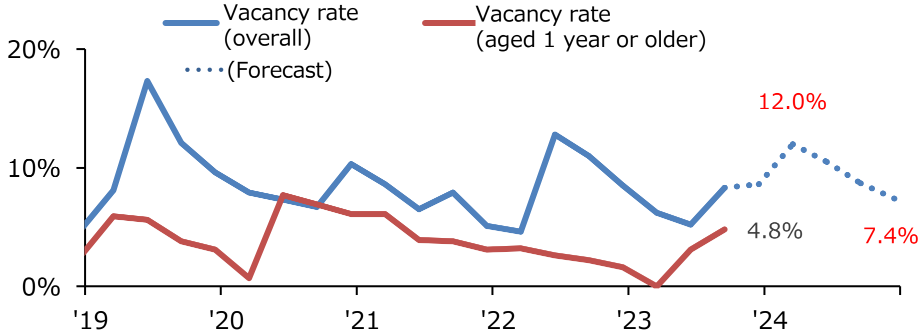
Source: Prepared by NREAM based on data from CBRE

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.

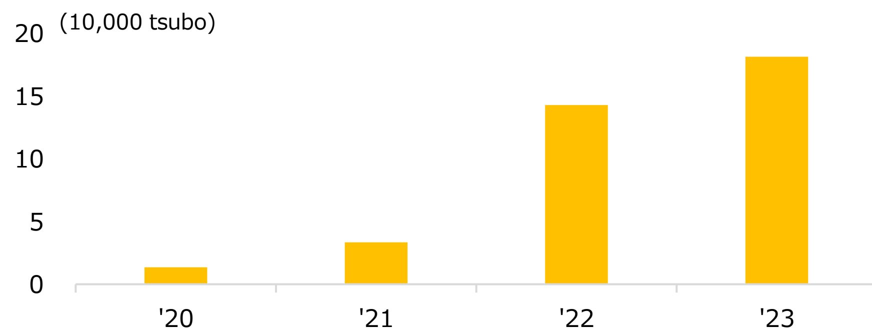
6-3 Trend of Logistics Facilities (Chubu Area)

- As the market for the Chubu area is small, there is a tendency for violent fluctuations in the vacancy rate due to new supply.
- The vacancy rate is expected to rise due to the completion of large-scale properties in the second half of 2023, but demand is also at a record high.

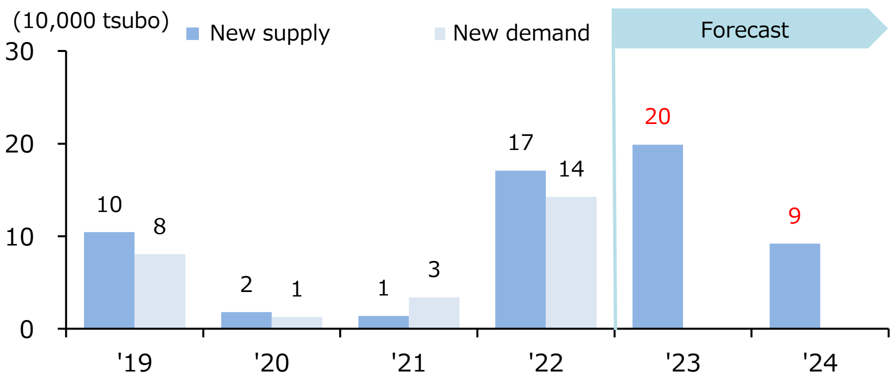
■ Trend of vacancy rate (as of December 31 of each year)



■ 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.

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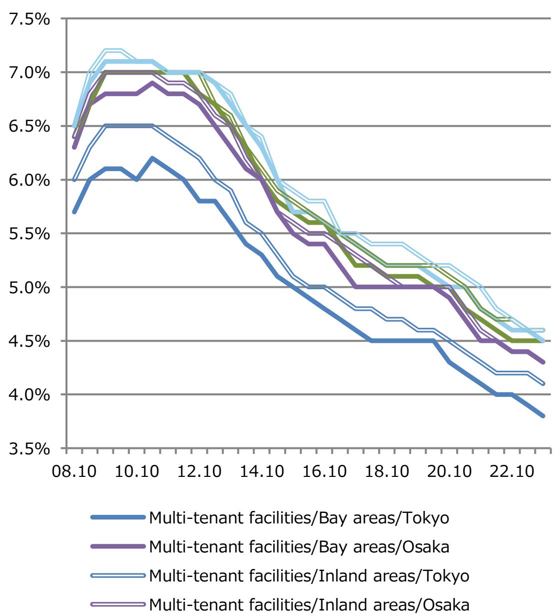
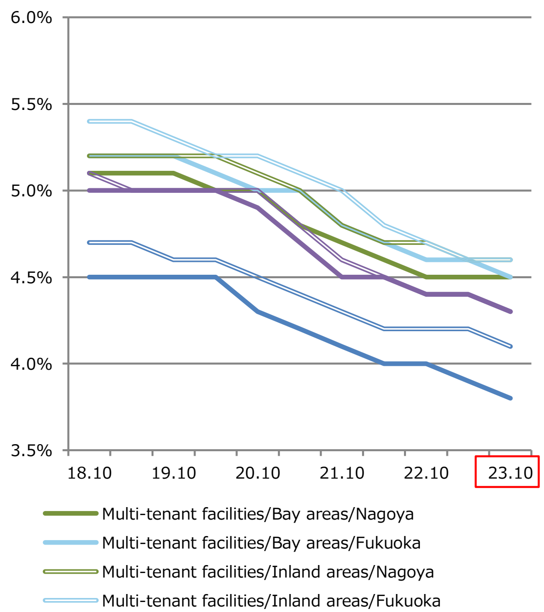
6-4 Expected Yields on Logistics Facilities/Warehouses

- 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)



■ 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	
[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
		Hakata 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

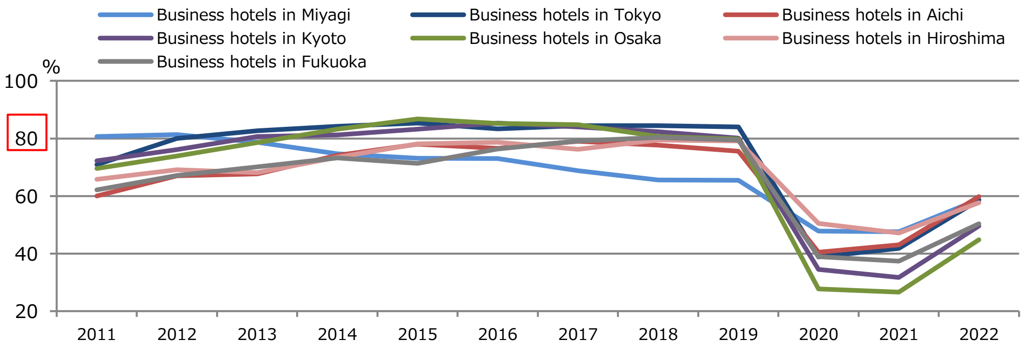
Source: "Survey of Real Estate Investors" published by Japan Real Estate Institute (compiled by Nomura Real Estate Solutions)

7. Hotels

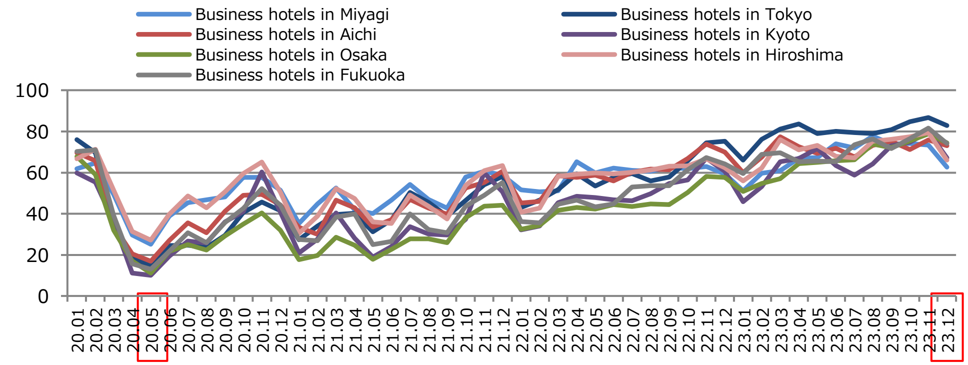
7-1 Hotel Trends

- 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 December 2023 were 62.7% (73.4 % in November) in Miyagi, **82.8%** (86.70% in November) **in Tokyo**, 73.0% (75.8 % in November) in Aichi, 67.1% (79.8% in November) in Kyoto, 74.4% (78.9% in November) in Osaka, 66.1% (79.5% in November) in Hiroshima, and 74.2% (81.6% in November) in Fukuoka.
- The occupancy rates of city hotels in December 2023 were 62.6% (70.9% in November) in Miyagi, **77.4%** (80.4% in November) **in Tokyo**, 67.5% (71.1% in November) in Aichi, 72.1% (77.7% in November) in Kyoto, 76.6% (79.1% in November) in Osaka, 65.7% (79.9% in November) in Hiroshima, and 72.9% (73.3% in November) in Fukuoka.

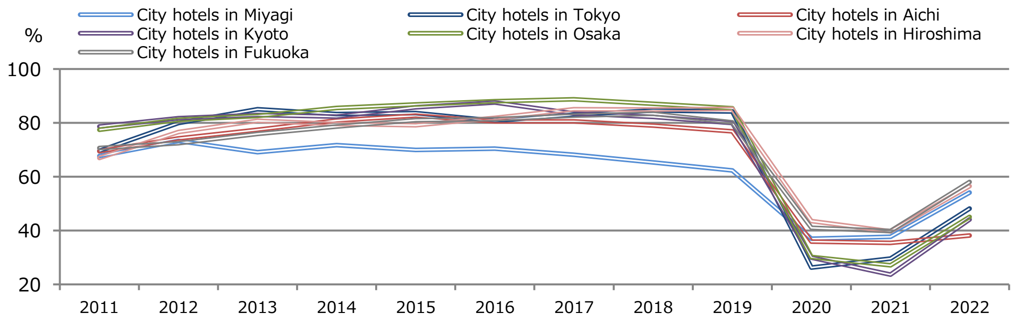
■ Occupancy rates of business hotels (through 2022)



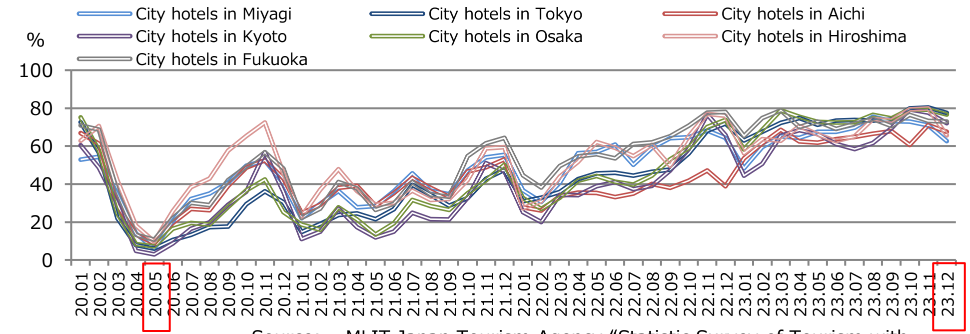
■ Occupancy rates of **business hotels** (2020 onward)



■ Occupancy rates of city hotels (through 2022)



■ Occupancy rates of **city hotels** (2020 onward)

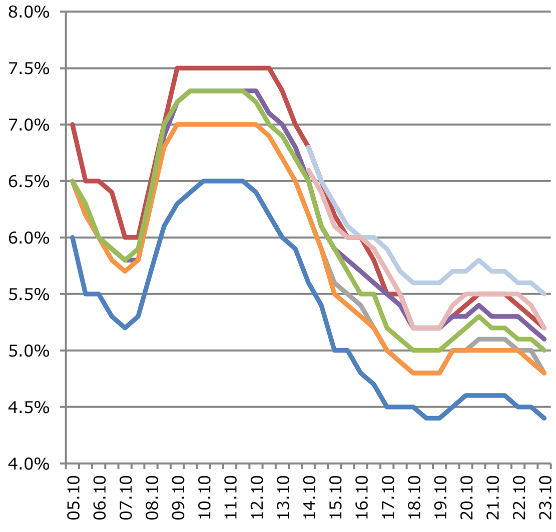


Source: MLIT Japan Tourism Agency "Statistic Survey of Tourism with Accommodation" (compiled by Nomura Real Estate Solutions)

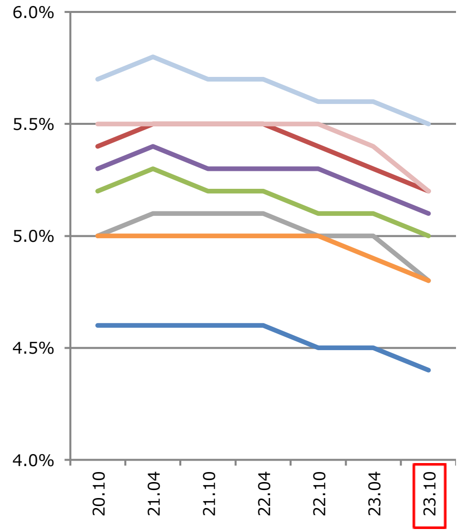
7-2 Expected Yields on Accommodation-specialized Hotels

- 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
[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

- Out of all 80 areas, there were upward changes in 79 areas (78 in the previous survey), little change in 1 area (2 in the previous survey) and downward changes in 0 areas (0 in the previous survey). Amid gradual recovery of the economy, in addition to strong demand for condominiums in areas with excellent convenience and living environments, demand for stores continues to recover, among other things. For the fifth consecutive quarter, there were upward changes or little change in all areas.
- Of the 79 areas with upward changes, by change category (increase, unchanged, or decrease), seven areas saw an increase of more than 3% and less than 6%, and 72 areas saw a less than 3% increase.

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

City	Area	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	23.10.1 ～ 24.1.1
23 wards of Tokyo	Marunouch	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Increase (>0,<3%)	Increase (>0,<3%)
	Ginza, Chuo	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (≥3%,<6%)	Increase (≥3%,<6%)
	Yaesu	Unchanged (0%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
	Toranomon	Unchanged (0%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
	Shinjuku 3-chome	Unchanged (0%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
	Shibuya	Unchanged (0%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
Yokohama	W Exit Yokohama Sta.	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
Saitama	W Exit Omiya Sta.	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
Chiba	Chiba Sta. front	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Unchanged (0%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
Sapporo	Ekimaedor	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
Sendai	Chuo 1-chome	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
Osaka	Shinsaibashi	Decrease (≥0%,<3%)	Unchanged (0%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
Nagoya	Nagoya Sta. front	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
Kyoto	Kawara-machi	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)
Hiroshima	Kamiyacho	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	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%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)	Increase (>0,<3%)

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

: Decrease (≥0%,<3%) : Decrease (≥3%,<6%) : Decrease (≥6%,<9%)

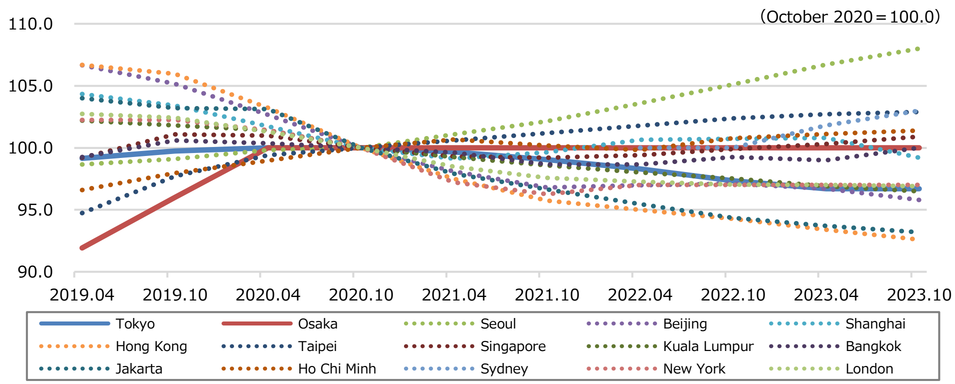
: Decrease (≥9%,<12%) : Decrease (≥12%)

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

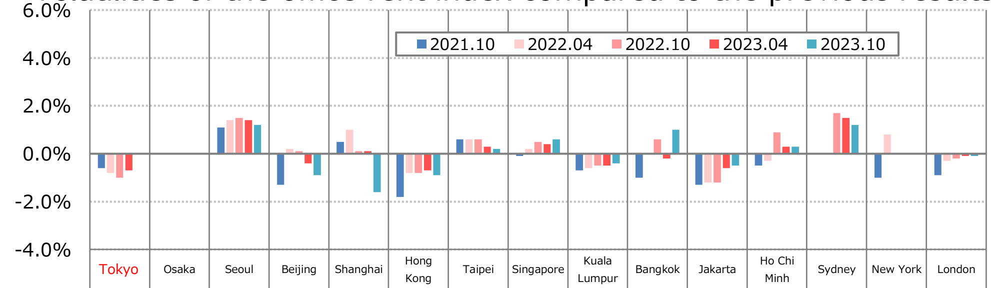
Reference: Trend of Land Prices in High-level Use Districts of Major Cities

- **Office rents 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

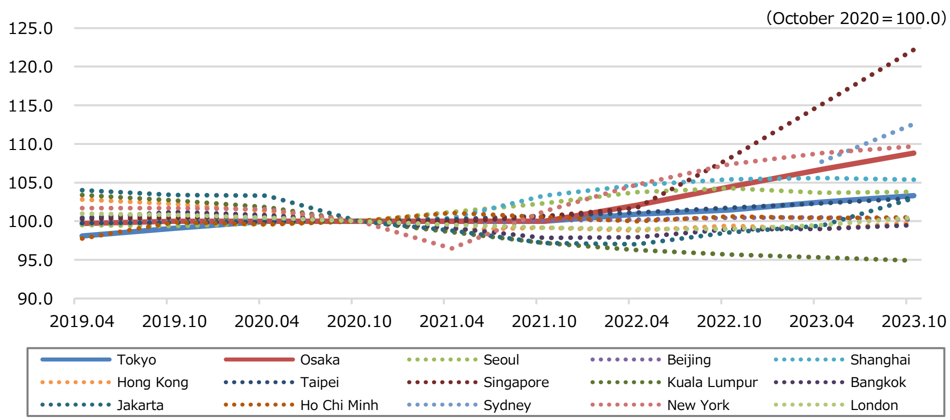


■ Volatilities of the office rent index compared to the previous results

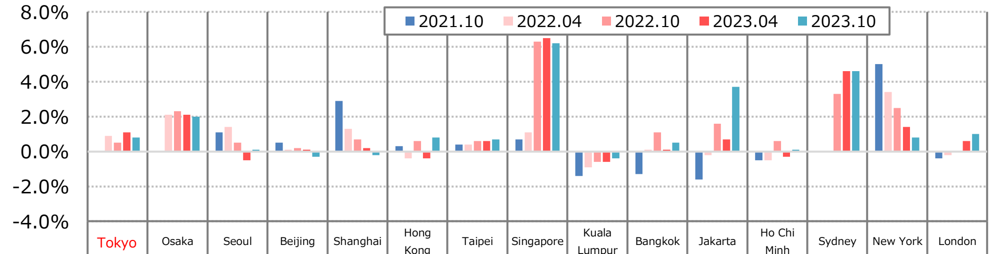


	Tokyo	Osaka	Seoul	Beijing	Shanghai	Hong Kong	Taipei	Singapore	Kuala Lumpur	Bangkok	Jakarta	Ho Chi Minh	Sydney	New York	London
2021.10	-0.6%	0.0%	1.1%	-1.3%	0.5%	-1.8%	0.6%	-0.1%	-0.7%	-1.0%	-1.3%	-0.5%	—	-1.0%	-0.9%
2022.04	-0.8%	0.0%	1.4%	0.2%	1.0%	-0.8%	0.6%	0.2%	-0.6%	0.0%	-1.2%	-0.3%	—	0.8%	-0.3%
2022.10	-1.0%	0.0%	1.5%	0.1%	0.1%	-0.8%	0.6%	0.5%	-0.5%	0.6%	-1.2%	0.9%	1.7%	0.0%	-0.2%
2023.04	-0.7%	0.0%	1.4%	-0.4%	0.1%	-0.7%	0.3%	0.4%	-0.5%	-0.2%	-0.6%	0.3%	1.5%	0.0%	-0.1%
2023.10	0.0%	0.0%	1.2%	-0.9%	-1.6%	-0.9%	0.2%	0.6%	-0.4%	1.0%	-0.5%	0.3%	1.2%	0.0%	-0.1%

■ Changes in the condominium rent index



■ 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	Sydney	New York	London
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%
2022.10	0.5%	2.3%	0.5%	0.2%	0.7%	0.6%	0.6%	6.3%	-0.6%	1.1%	1.6%	0.6%	3.3%	2.5%	0.0%
2023.04	1.1%	2.1%	-0.5%	0.1%	0.2%	-0.4%	0.6%	6.5%	-0.6%	0.1%	0.7%	-0.3%	4.6%	1.4%	0.6%
2023.10	0.8%	2.0%	0.1%	-0.3%	-0.2%	0.8%	0.7%	6.2%	-0.4%	0.5%	3.7%	0.1%	4.6%	0.8%	1.0%

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