

INVESTMENT MARKETBEAT

TOKYO

A Cushman & Wakefield Research Publication



Q2 2014



EXECUTIVE SUMMARY

This quarter is forecast to see a negative GDP growth rate of -1.2%, according to the Japan Center for Economic Research, due to a reactionary fall in demand caused by frontloaded demand before the April hike in consumption tax. Nevertheless, the following quarter appears resilient as investment activities are forecast to trend upward. Although the latest quarterly Tankan Survey index declined by -5 in both manufacturing and non-manufacturing sectors to +12 and +19 respectively, stock prices and J-REIT indexes have seen a gradual upward trend over the second quarter, reflecting robust corporate and fund performances. The Abe Cabinet's growth strategy, with the series of corporate tax reductions scheduled for fiscal year 2015, will enhance the current offensive stance of the domestic corporate sector with more investment activities.

In many cases of property transaction competitions, buyers could not match offering prices raised by sellers, who may not need to dispose assets immediately and are taking advantage of the ease of refinancing amid a favorable lending market. As a result of the widening price gaps between buyers and sellers, the investment markets slowed in the second quarter. However, investment transaction volume approached to 1,500 billion Japanese Yen at the end of the first half of this year, increasing by 8.8% year-on-year.

Going forward, yields are anticipated to be compressed further and transaction volume is expected to accelerate as investors expand their criteria of investments, seeking higher yields by taking risks with properties outside of Tokyo's Central Five Wards, including suburbs of Tokyo and major cities such as Osaka, Nagoya and Fukuoka.

MARKET SNAPSHOT

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ECONOMIC OVERVIEW

The previous quarter saw a GDP growth of 1.6% (quarter-on-quarter, seasonally adjusted) driven by frontloaded demand before the April hike in consumption tax. But this quarter is forecast to see a negative GDP growth rate of -1.2%, according to the Japan Center for Economic Research, due to a reactionary fall in demand. Nevertheless, the following quarter appears resilient as investment activities are forecast to trend upward as evidenced by the significant growth of machine tool sales (48.7% in April and 24.1% in May, year-on-year), which is a leading indicator of business sentiment in the manufacturing sector.

INVESTMENT ENVIRONMENT & STOCK MARKET

The latest quarterly Tankan Survey index declined by -5 in both manufacturing and non-manufacturing sectors to +12 and +19 respectively, due to a negative GDP growth rate. However, stock prices and J-REIT indexes have seen a gradual upward trend over the second quarter, reflecting robust corporate and fund performances despite the occasional dip in GDP.

This quarter saw the introduction of the Abe Cabinet's growth strategy, or 'third arrow' in June, with a series of corporate tax reductions scheduled for fiscal year 2015. This tax policy will enhance the current offensive stance of the domestic corporate sector with more investment activities, witnessed by the optimism of large-sized companies in the manufacturing sector in the Tankan Survey index, which rose from +12 in June to +15 in September. Also, foreign corporate investment into Japan is expected to increase with this policy.

CAPITAL TRANSACTION MARKET & OUTLOOK

IPOs continued in J-REITs in the second quarter; for instance, NIPPON REIT, which comprises a variety of assets under management including mainly office, followed by residential and retail.

In many cases of competitions, buyers could not match offering prices raised by sellers who may not need to dispose of assets immediately and are taking advantage of the ease of refinancing amid a favorable lending market. As a result of the widening price gaps between buyers and sellers, the investment markets slowed. However, investment transaction volume reached to 1,500 billion Japanese Yen at the end of the first half of this year, increasing by 8.8% year-on-year.

In the meantime, the investors saw 'market polarization' where competitive buildings are more competitive and less competitive buildings become even less competitive as a result of investors' severe selection of the 'right' property. This was witnessed by bullish bidding for an iconic prime office building, taking bullish rental growth for granted against the back of improved fundamentals in the office leasing market, including downward trend of vacancy rates and gradual rises in rents. Going forward, yields are anticipated to be compressed further and transaction volume is expected to accelerate as investors expand their criteria of investments, seeking higher yields by taking risks with properties outside of Tokyo's Five Wards, including suburbs of Tokyo and major cities such as Osaka, Nagoya and Fukuoka.

Mid year's investment transaction volume exceeded that of last year.

STATS ON THE GO

	LOCAL CURRENCY (JPY)	US\$ EQUIVALENT	Y-O-Y CHANGE IN LOCAL CURRENCY
OFFICE			
Investment Volume	213.1 billion	2.092 billion	-40.1%
Price	2,701,574 per Tsubo	745.510 per SF	-12.4%
RETAIL			
Investment Volume	68.8 billion	0.676 billion	-56.9%
Price	3,279,278 per Tsubo	904.93 per SF	102.3%
INDUSTRIAL			
Investment Volume	58.3 billion	0.572 billion	-49.7%
Price	746,222 per Tsubo	205.92 per SF	-6.4%
YIELD			
	Q2 2014	Q-O-Q CHANGE	Y-O-Y CHANGE
Office	4.81%	-0.08pp	-0.33pp
Retail	4.93%	-0.07pp	-0.67pp
Industrial	6.26%	0.21pp	0.18pp

Exchange Rate: 1 USD = 101.84 Yen as of 23 June 2014

Source: Real Capital Analytics, Cushman & Wakefield Research

GDP GROWTH & JAPANESE GOVT. BOND



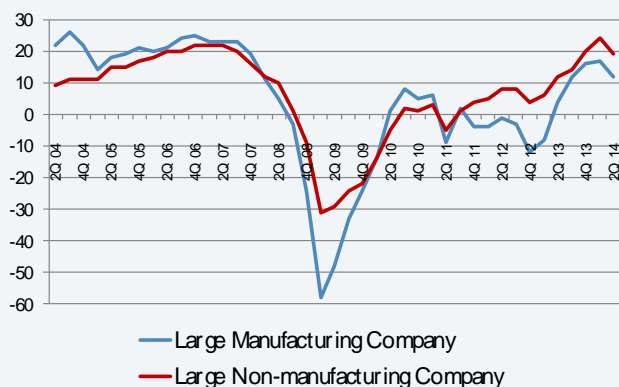
Source: Roubini Global Economics, Ministry of Finance Japan,

Japan Center for Economic Research, Cushman & Wakefield Research

MARKET SNAPSHOT

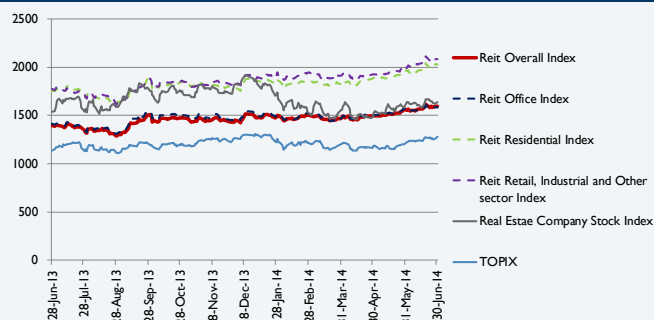
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THE QUARTERLY TANKAN SURVEY



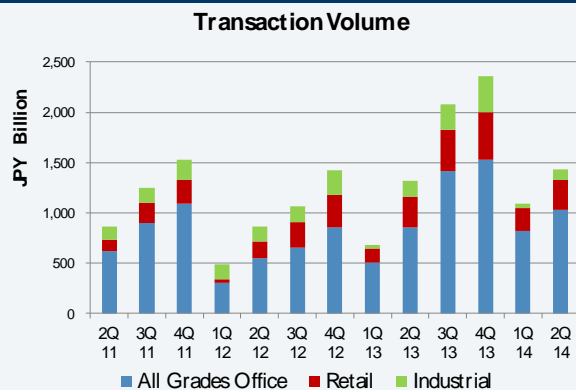
Source: Bank of Japan, Cushman & Wakefield Research

PROPERTY & STOCK PRICE INDEX



Source: Tokyo Stock Exchange, Cushman & Wakefield Research

YTD INVESTMENT VOLUME BY SECTOR

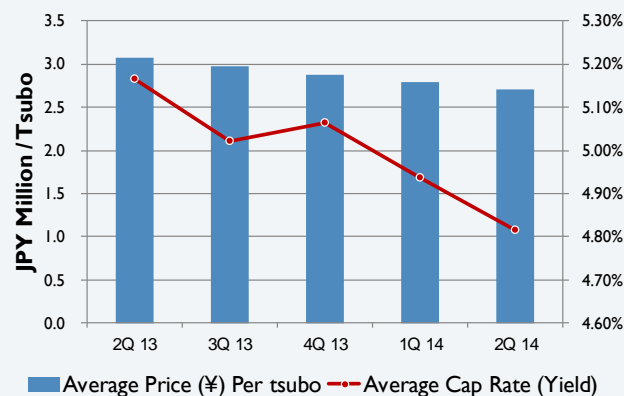


Source: Real Capital Analytics, Cushman & Wakefield Research

OFFICE TRANSACTIONS OVERVIEW & OUTLOOK

Office investment transaction volume reached over 1,000 billion Japanese Yen at the end of the first half of this year, increasing by 20% year-on-year. Yield compression continued to be driven by two IPOs in J-REITs—NIPPON REIT and Invesco Office J-REIT—as well as existing J-REITs which remained aggressive buyers. Going forward, transaction volume is expected to increase as buyers extend their criteria of investments, seeking higher yields by taking risks with properties outside of Tokyo's Five Wards including suburbs of Tokyo and major cities such as Osaka, Nagoya and Fukuoka. The market will continue to move as J-REITs and Private REITs remain aggressive buyers, and foreign investors bullish bid encouraged by rental growth.

CAPITAL VALUE AND YIELD – OFFICE

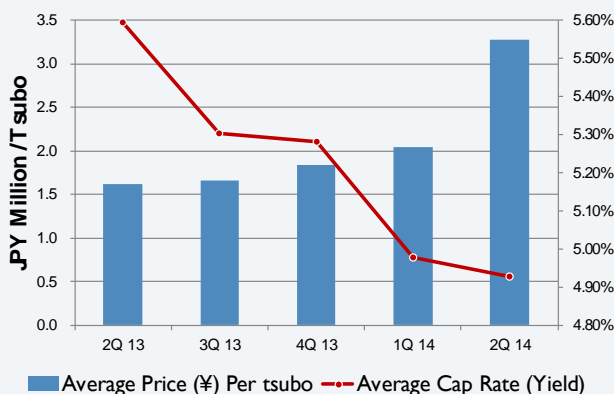


Source: Real Capital Analytics, Cushman & Wakefield Research

RETAIL TRANSACTIONS OVERVIEW & OUTLOOK

Retail investment transaction volume maintained at almost 300 billion Japanese Yen at the end of the first half of this year, and the average price per tsubo was accelerated by transactions of retail premises on the main streets in areas such as Omotesando, Shinjuku and Shibuya, which were acquired by an overseas investor (Unilmm: Europa) and J-REITs. Going forward, yields are forecast to be compressed further and transaction volume is expected to increase as price gaps between buyers and sellers remain small due to aggressive buyers on the back of upward trend of rents on the main streets.

CAPITAL VALUE AND YIELD – RETAIL



Source: Real Capital Analytics, Cushman & Wakefield Research

INDUSTRIAL TRANSACTIONS OVERVIEW & OUTLOOK

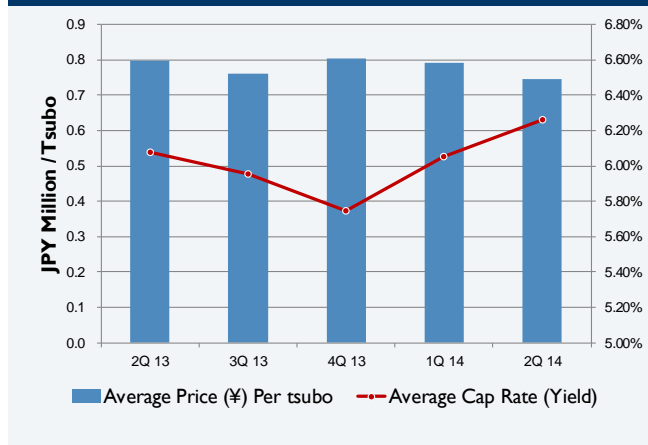
Although industrial investment transaction volume decreased by 30% year-on-year, to just over 100 billion Japanese Yen at the end of the first half of this year, the pace of its transaction volume of 58.2 billion Japanese Yen in the second quarter outperformed 46.1 in the first quarter because of the increased number of transactions. However, yield continually hiked by 20 basis points to just over 6.25%, driven by transactions with higher yields by a couple of J-REITs. Going forward, yields are forecast to compress a little, justified by an anticipated rental hike, especially by competitive facilities. This hike is believed to be derived from the likely pass-

MARKET SNAPSHOT

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through of a steep rise in construction costs, including labor and material costs.

CAPITAL VALUE AND YIELD – INDUSTRIAL



Source: Real Capital Analytics, Cushman & Wakefield Research

CONCLUSION

This quarter is forecast to see a negative GDP growth rate of -1.2%, according to the Japan Center for Economic Research, due to a

reactionary fall in demand caused by frontloaded demand before the April hike in consumption tax. Nevertheless, the following quarter appears resilient as investment activities are forecast to trend upward. Although the latest quarterly Tankan Survey index declined by -5 in both manufacturing and non-manufacturing sectors to +12 and +19 respectively, stock prices and J-REIT indexes have seen a gradual upward trend over the second quarter, reflecting robust corporate and fund performances.

In many cases of property transaction competitions, buyers could not follow offering prices raised by sellers who don't need to dispose of assets immediately and are taking advantage of the ease of refinancing amid a favorable lending market. As a result of the price gaps widening between buyers and sellers, the investment markets slowed in the second quarter. However, investment transaction volume reached 1,500 billion Japanese Yen at the end of the first half of this year, increasing by 8.8% year-on-year.

Going forward, yields are anticipated to be compressed further and transaction volume is expected to accelerate as buyers extend their criteria of investments, seeking higher yields by taking risks with properties outside of Tokyo's Five Wards.

MAJOR TRANSACTIONS

PROPERTY NAME	PROPERTY TYPE	DISTRICT / SUBMARKET	PURCHASER	AREA / GFA SF	CONSIDERATION / PURCHASE PRICE		UNIT PRICE US\$/SF
					US\$ MILLION	YEN MILLION	
Queen's Square (Towers B and C).	Office	Yokohama City / Minatomirai	Invesco Office J-REIT	1,658,926	661	67,344	399
Ebisu Prime Square	Office	Shibuya -Ward / Hiroo	Invesco Office J-REIT	727,428	501.3	51,051	689
J6 Front	Retail	Shibuya-Ward / Jingumae	Unilmmo: Europa	53,268	173.1	17,626	3,256
Gotenyama Technology Center	Office	Shinagawa-Ward / Kitashinagawa	Sumitomo Realty & Development	330,177	158.1	16,100	479

Exchange Rate: 1 USD = 101.84 Yen as of 23 June 2014

Source: Real Capital Analytics, Cushman & Wakefield Research

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Profile

Keisuke surveys the entire market ranging from developments to leasing and investment markets across all property sectors. Keisuke began his career at a construction company designing shopping malls and residential blocks. He further expanded this scope as a project manager for a variety of developments such as schools and nursing homes. After he got a Masters degree in the UK, Keisuke joined Mizuho Trust & Banking where he got hands on experience in the Japanese property securitization market. Following that he moved to CBRE and analysed the investment market and various property indexes.

(Visiting researcher of Waseda University, Member of the Japanese Association of Real Estate Financial Engineering, First Class Architect)

(和訳)

要旨

今期は、4月の消費増税前の駆け込み需要の反動減のため同-1.2%（日本経済研究センター）とマイナス成長が予測されている。しかしながら、次期は投資活動が上昇基調で推移していくと予想されるためGDP成長率の跳ね返りがあると考えられている。直近の日銀短観業況判断指数は、GDP成長率マイナスのため製造業と非製造業ともに-5ポイント低下し、それぞれ+12、+19となった。しかしながら、今期、株価とJ-REIT指数は緩やかな上昇基調を見た。安倍政権の成長戦略の一つ、2015年度から予定されている法人税率の段階的低減でさらに投資活動が増え、最近の企業の攻めの姿勢がさらに加速することであろう。

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今期は多くの売買場面で、買い手が売り手によって競り上げられたオファー価格に追いついていけなかった。売り手としては、良好な資金調達環境の下、リファイナンスがし易いことに乗じて、資産を急いで処分する必要に迫られないことも関係しているかもしれない。このように買い手と売り手の価格目線の差が開いてしまった結果、売買市場は減速した。しかしながら、上半期の売買取引高は前年比 **8.8%**増加し、**1 兆 5 千万円**に肉薄した。

今後、イールドはさらに低下していき売買取引高も加速していくと予想する。投資家が、東京都心 **5 区**以外（東京の郊外、大阪、名古屋、福岡等の主要都市）へ投資対象の範囲を広げて、イールドを求めてより大きなリスクをとっているからである。

経済概観

前期の **GDP** 成長率は、4 月の消費増税前の駆け込み需要のため **1.6%**（対前四半期比、季節調整済み）と加速したが、今期は、需要の反動減のため同 **-1.2%**（日本経済研究センター）とマイナス成長が予測されている。しかしながら、次期は **GDP** 成長率の跳ね返りがあると考えられている。これば、製造業景況感の先行指標である工作機械受注の伸びが顕著（前年同月比で 4 月は **48.7%**、5 月は **24.1%**）であったことに見られるように、投資活動が上昇基調で推移していくと予想されるためである。

投資環境全般、株式市場

直近の日銀短観業況判断指数は、**GDP** 成長率マイナスのため製造業と非製造業ともに **-5** ポイント低下し、それぞれ **+12**、**+19** となった。しかしながら、今期、株価と **J-REIT** 指数は緩やかな上昇基調を見た。一時的な **GDP** 成長率の落ち込みはあったものの堅調な企業業績やリートファンド運用成績を反映したかたちである。安倍政権の成長戦略、「第三の矢」が閣議決定され、法人税率の段階的低減が **2015** 年度から予定されている。大企業製造業短観業況判断指数が 6 月の **+12** から 9 月の見通しで **+15** と上昇しており楽観的な見通しがあることから、この減税策でさらに投資活動が増え、最近の企業の攻めの姿勢がさらに加速することであろう。なお、外国企業による日本への投資の増加も期待される。

売買市場と今後

J-REITs では今期も新規銘柄の上場も続いている。例として、日本リートは、オフィスポートフォリオの主要構成要素としレジデンシャルやリテール等を含むバリエティに富む運用資産構成になっている。今期は多くの売買場面で、買い手が売り手によって競り上げられたオファー価格に追いついていけなかった。売り手としては、良好な資金調達環境の下、リファイナンスがし易いことに乗じて、資産を急いで処分する必要に迫られないことも関係しているかもしれない。このように買い手と売り手の価格目線の差が開いてしまった結果、売買市場は減速した。しかしながら、上半期の売買取引高は前年比 **8.8%**増加し、**1 兆 5 千万円**に肉薄した。同時に、投資家の間では「市場の二極化」が言われている。そのような市場では、投資家による「投資適格物件」の選別が厳しくなった結果、競争力の高い物件はより競争力が高くなり、そうでないビルはよりその傾向が強くなる。これは、賃貸市場ファンダメンタルズの改善（空室率の低下基調、賃料の緩やかな上昇）を背景に、象徴的なプライムオフィスビルに対しては強気な賃料上昇を織り込み、強気な価格でビッドしていることから分かる。今後、イールドはさらに低下していき売買取引高も加速していくと予想する。投資家が、東京都心 **5 区**以外（東京の郊外、大阪、名古屋、福岡等の主要都市）へ投資対象の範囲を広げて、イールドを求めてより大きなリスクをとっているからである。

オフィス取引市場概観と今後

今年上半年のオフィス売買取引量は、前年比 **20%**増加し **1 兆円**を超えた。イールドも前期に引き続き低下した。依然として積極的な買い手である既存 **J-REIT** と並び、日本リートやインベスコオフィスリート等の新規銘柄にも牽引されたかたちである。今後、イールドはさらに低下していき売買取引高も増加していくと予想する。投資家が、東京都心 **5 区**以外（東京の郊外、大阪、名古屋、福岡等の主要都市）へ投資対象の範囲を広げて、イールドを求めてより大きなリスクをとっているからである。また、**J-REIT** やプライベートリートが依然として積極的な買い手であり、海外投資家も賃料上昇に勇気づけられ強気にビッドしていることから、売買取引市場は前進し続ける。

リテール取引市場概観と今後

今年上半年のリテール売買取引量は、ほぼ前年と同水準の **3 千億円**を確保した。価格の平均坪単価は、表参道、新宿、渋谷等の主要商業エリアでの海外投資家(**Unilmm: Europa**)や **J-REIT** による取引に牽引され加速した。今後、イールドはさらに低下していき売買取引高も増加していくと予想する。主要商業エリアでの賃料上昇傾向を背景とした積極的な買い手の価格設定と売り手の間の価格目線の差が依然として小さいからである。

インダストリアル取引市場概観と今後

今年上半年のインダストリアル売買取引量は、前年比 **30%**減少し **1 千億円**を僅かに超えるにとどまった。しかし、第 **2** 四半期は取引件数が増加したため、**582 億円**と第 **1** 四半期の **461 億円**を超えた。ただ、イールドは **20** ベーシスポイント増と前期に引き続き増加し、**6.25%**をやや超えた。いくつかの **J-REITs** による比較的高いイールドでの取引が影響したかたちである。ただ、特に競争力のあるインダストリアル不動産で建設費高騰（労務費と建築材料費）が賃料価格に転嫁されそうなことに由来して賃料上昇が期待されており、イールドはその賃料上昇で正当化されるため、今後は幾分低下していくと予想する。

結論

今期は、4 月の消費増税前の駆け込み需要の反動減のため同 **-1.2%**（日本経済研究センター）とマイナス成長が予測されている。しかしながら、次期は投資活動が上昇基調で推移していくと予想されるため **GDP** 成長率の跳ね返りがあると考えられている。直

MARKET SNAPSHOT

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今期は多くの売買場面で、買い手が売り手によって競り上げられたオファー価格に追いついていけなかった。売り手としては、良好な資金調達環境の下、リファイナンスがし易いことに乗じて、資産を急いで処分する必要に迫られないことも関係しているかもしれない。このように買い手と売り手の価格目線の差が開いてしまった結果、売買市場は減速した。しかしながら、上半期の売買取引高は前年比 8.8%増加し、1 兆 5 千万円に肉薄した。

今後、イールドはさらに低下していき売買取引高も加速していくと予想する。投資家が、東京都心 5 区以外（東京の郊外、大阪、名古屋、福岡等の主要都市）へ投資対象の範囲を広げて、イールドを求めてより大きなリスクをとっているからである。

レポートに関するお問合せは以下にご照会ください。

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東京理科大学卒業後、建設企業にて大規模商業施設の設計をはじめナーシングホーム等の開発プロジェクトを手掛ける。不動産開発評価手法を研究するために渡英、オックスフォードブルックス大学で国際不動産学修士号を取得。みずほ信託銀行で証券化不動産実務を経験後、シービーアールにて不動産投資インデックスを駆使し日本のオフィス市場、世界の不動産市場を調査・分析。現在、クッシュマン・アンド・ウェイクフィールドのヘッド・オブ・リサーチ、ジャパンを務める。早稲田大学国際不動産研究所招聘研究員、日本不動産金融工学会会員、一級建築士。

<クッシュマン・アンド・ウェイクフィールドについて>

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<http://www.cushmanwakefield.com>

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