



Japan Real Estate Market Overview

CY2019 Fall

■ Japan country profile

※Location:

An island nation in East Asia. Located in the Pacific Ocean, it borders China, North Korea, South Korea, Russia, Taiwan, the Sea of Japan, the Sea of Okhotsk, and the East China Sea.

※Area: Approximately 378,000 km²

※Population: Approximately 122.6 million

※Language: Japanese

※Capital City: Tokyo

※Government system:

The government system is a parliamentary government with a constitutional monarchy; the chief of state is the emperor, and the head of government is the prime minister.

※Exchange rate: 1JPY(JPY) : Approximately 0.009000 USDs(USD)
1USD(USD) : Approximately 110 JPYs(JPY)

※Major industries: Banking, Insurance, Real estate, Retailing,
Transportation, Telecommunications and Construction



Major Cities

Osaka



Location: Located in Kansai region, positioned in approximately the west of Japan.

Area: Approximately 225 km²

Population: Approximately 2 million

Features:

- ① Second largest city following Tokyo.
- ② Kansai International Airport, Japan's only 24-hour operating airport hub, is located.

Topics:

Osaka (Yumeshima) will host the World Expo 2025.

Tokyo



Location: Located in the southern Kanto region, positioned in approximately the center of the Japanese archipelago.

Area: Approximately 627 km²

The "central" area is divided into 23 special wards.

Population: Approximately 9 million

Features:

- ① The political, economic, and cultural hub of Japan.
- ② Government offices, corporations (headquarters), and commercial facilities are concentrated in the heart of Tokyo.

Topics:

Tokyo Olympic 2020 will be held.

Fukuoka



Location : Located in the South of Japan.

Area : Approximately 343 km²

Population : Approximately 1.5 million

Features:

Known as an Asian business hub.

Close to markets in China's coastal regions and Korea.

Topics:

Fukuoka is the designation of National Strategic Special Zone for Global Startups and Job Creation by the national government.

Sapporo



Location : Located in the North of Japan.

Area : Approximately 1,121 km²

Population : Approximately 1.9 million

Features:

Japan's largest call center hub.

Topics:

Sapporo is developing toward its bid for the Olympic Games in 2026.

Nagoya



Location : Located almost at the center of Japan.

Area : Approximately 326 km²

Population : Approximately 2million

Features:

The hub of Japanese manufacturing industries.

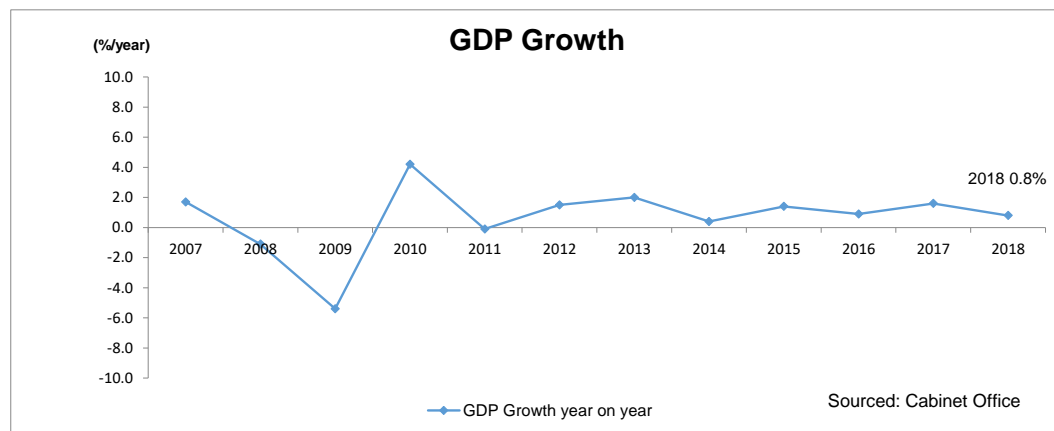
Topics:

The headquarter of Toyota Motor Corporation is located.

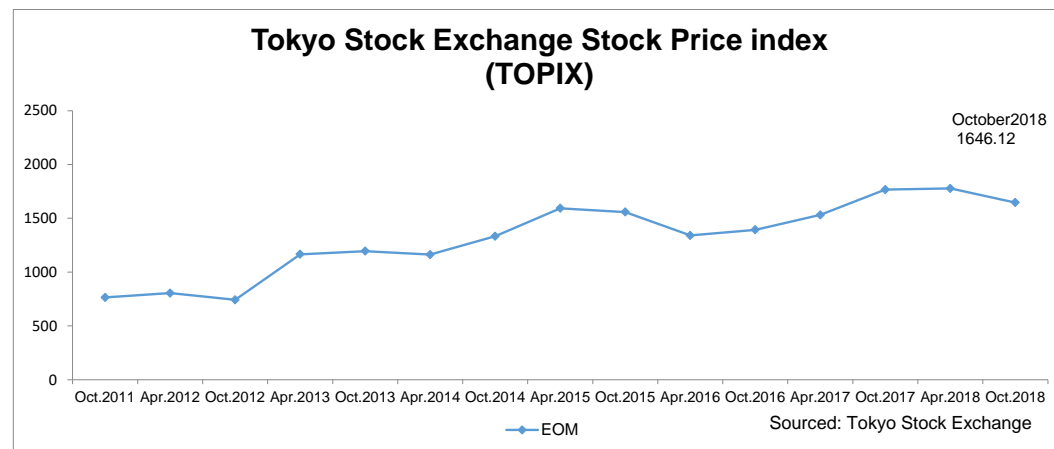
■ Japanese Economic Condition

Japan has the world's third-largest economy.

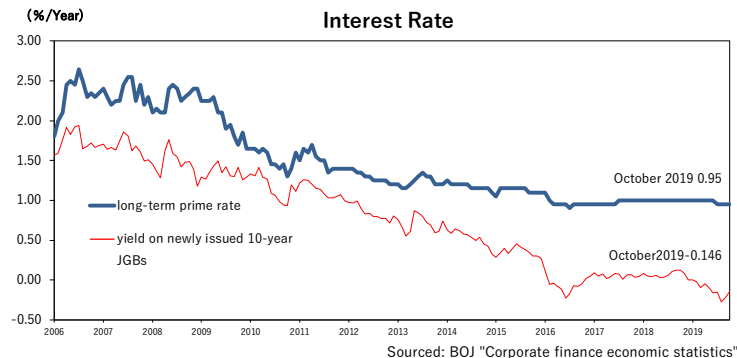
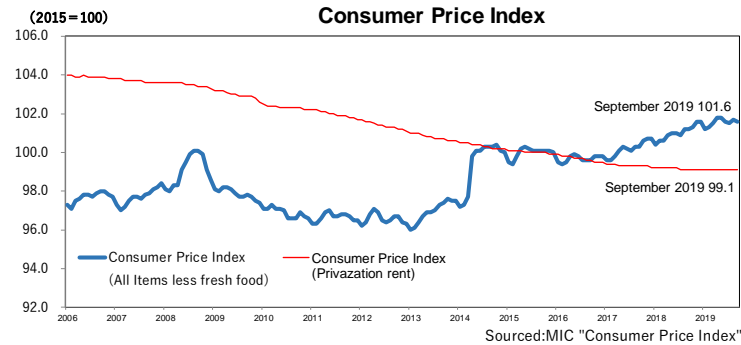
Japan's economy is likely to continue its moderate expansion.



According to Bank of Japan, Japan's economy is likely to continue on an expanding trend throughout the projection period -- that is, through fiscal 2021--despite being affected by the slowdown in overseas economies.

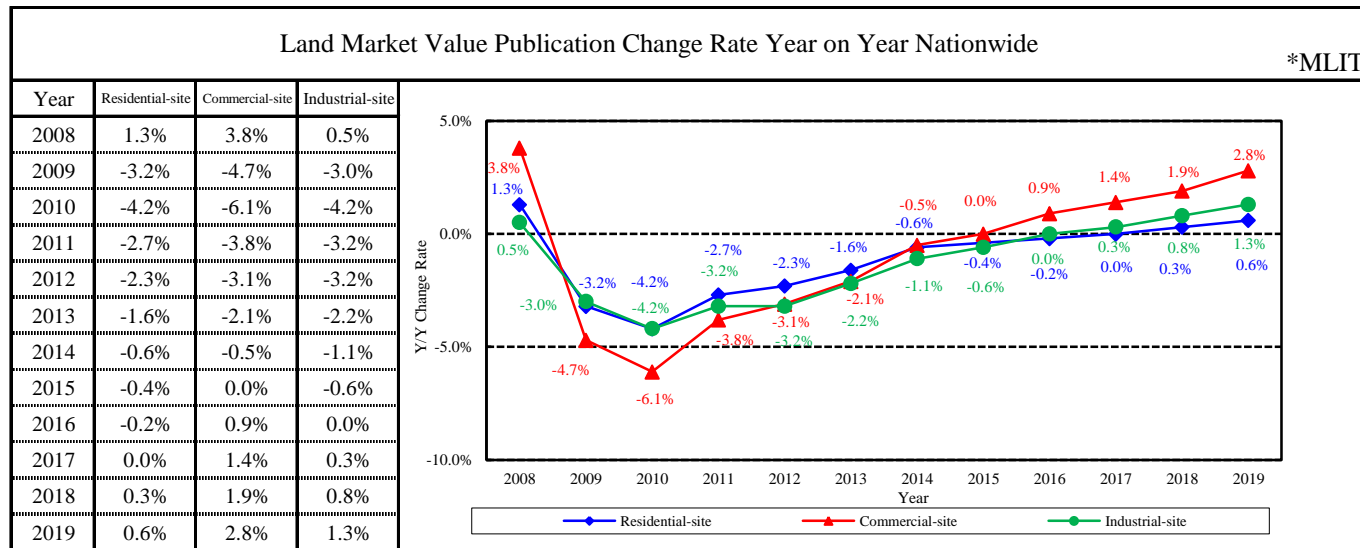


Domestic demand also affected by the consumption tax hike increased on the back of highly accommodative financial conditions and support from government expenditures.



The year-on-year rate of change in the CPI (all items less fresh food) has been positive, but has remained relatively weak compared with the expansion of the economy and tightening of labor market conditions. Behind the fact that the rise in the inflation rate takes more time than the improvement in the economic. Employment situation is the persistence of ideas and practices based on the negative thoughts due to the long-term experience of low economic growth and deflation. However, firms' stance gradually will shift toward further raising wages and prices. Households' tolerance of price rises will increase. In this situation, further price rises are likely to be observed widely and then medium- to long-term inflation expectations are projected to rise gradually. As a consequence, the year-on-year rate of change in the CPI is likely to increase gradually toward 2 percent.

Japanese Real Estate


















【1-year land market value since January 2018】

On the national average, the average for all uses has risen for four consecutive years, and the rate of increase has also been expanding for three consecutive years. Residential-site increased for two consecutive years, commercial-site increased for four consecutive years, and industrial-site increased for three consecutive years with each showing a stronger upward trend.

※Land Market Value Publication

The Land Appraisal Committee under the MLIT publishes those market values per square meter of standard sites as of January 1 every year, which have been assessed by the Committee on the basis of real property appraisal. 26,000 standard sites were selected across the country by the Committee in 2018. The Land Market Value Publication has provided basic information about the land market in Japan since 1970.

Real Estate Weather Forecast

	Current End of Jun.2019	2nd Half of 2019 Jul. - Dec.2019	1st Half of 2020 Jan. - Jun.2020
All Use	 Sunny partly cloudy	 Sunny partly cloudy	 Sunny partly cloudy
Office	 Sunny partly cloudy	 Sunny partly cloudy	 Sunny partly cloudy
Residence	 Sunny partly cloudy	 Sunny partly cloudy	 Sunny partly cloudy
Retail	 Cloudy	 Sunny partly cloudy	 Sunny partly cloudy
Logistics	 Sunny partly cloudy	 Sunny partly cloudy	 Sunny partly cloudy

The Real Estate Weather was “Sunny partly cloudy” for the all use at the 2nd half of 2019.

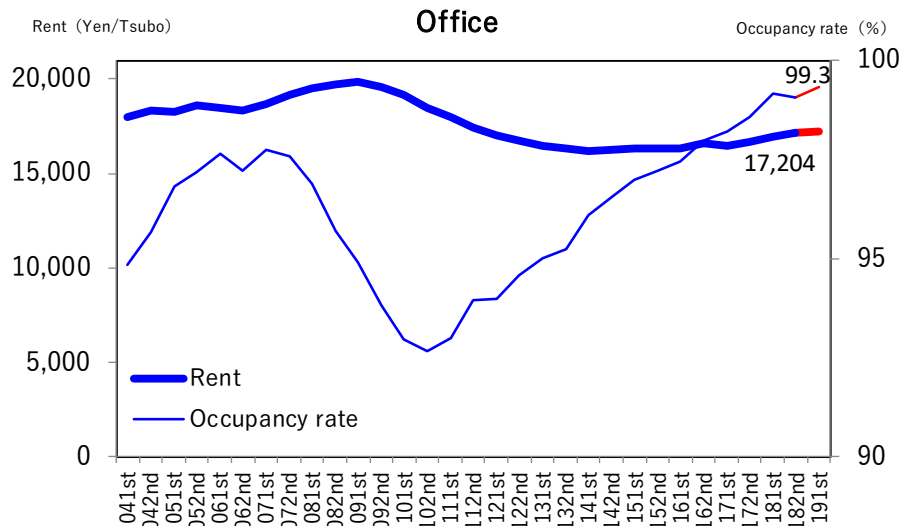
The forecasts for the end of June 2019, the 2nd half of 2019, and the 1st half of 2020 were “Sunny partly cloudy” as well. The weather forecasts for retail were “cloudy” as of the end of June 2019. Those of the 2nd half of 2019 and the 1st half of 2020 were “Sunny partly cloudy”. For all other uses were “Sunny partly cloudy” as of the end of June 2019, the 2nd half of 2019, and the 1st half of 2020.

◆What’s “TMAX Real Estate Weather Forecast”?

The standard property (250 properties in this survey) is extracted from the property owned by J REIT, and the NOI (Net Operating Income) is forecast for each property from the present to the present to six months and from the seventh to the twelfth months, and the deviation from the standard NOI, which is expected to be stable in the medium to long term, is expressed qualitatively in terms of the outlook for the real estate market based on the weather chart. This report presents weather as of the end of December 2018 and weather forecasts for the first half of 2019 (January to June 2019) and the second half of 2019 (July to December 2019)

Sourced TMAX Valuation

Office

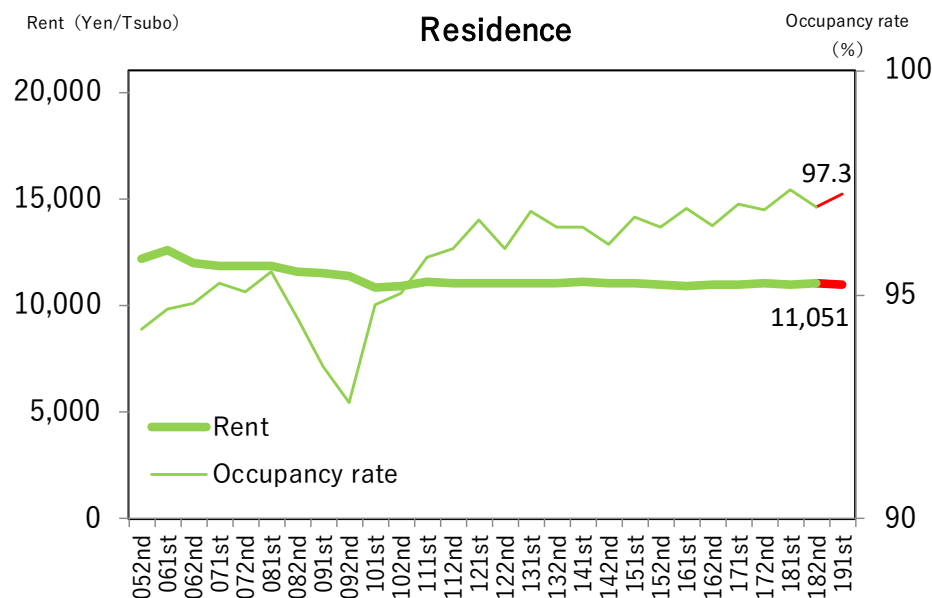


The occupancy rate of the 1st half of 2019 was 99.3%, up 0.2% from the 2nd half of 2018, and continued to record high operations. The actual rent also remained on a slight upward trend.

◆Overview

The vacancy rate in the five central wards of Tokyo dropped from 1.88% as of December 2018 to 1.71% as of June 2019 (Miki Shoji Office Data). The decline in the vacancy rate is expected to lead to an increase in rent, and the NOI is expected to increase slightly. Corporate performance is favorable, and office demand in the Tokyo metropolitan and major urban centers is robust. In June 2019, the ratio of active job openings to applicants remained high at 1.61. In 2019, the new supply of offices was approximately 201,000 tsubo (on a rental area basis) in Tokyo's 23 wards. Demand for tenants is robust, as some buildings are pre-leased. In major regional cities (Sapporo City, Sendai City, Nagoya City, Osaka City, and Fukuoka City), the new supply of offices continues to be extremely low. The vacancy rate in all five cities is at a low level, and it is expected that the rent will continue to rise due to the tight supply and demand.

Residence



The occupancy rate was 97.3%, up 0.3% from the 2nd half of 2018. The rent has remained flat since the 2nd half of 2010, and there has been little change.

◆Overview

According to MLIT's housing commencement statistics, the number of rental houses started in the six-month period of January to June 2019 was about 167,000, representing -11.3% from the same period of the previous year, indicating that the number of construction starts has leveled off. While the declining birthrate and the aging of the population and also the declining population in rural areas are factors in concern in the rental housing market, residential demand in urban areas is steady as the population shifts to special wards in Tokyo and rural urban areas.

Sourced TMAX Valuation

■ Retail

◆ Overview

Due to the competitiveness of commercial facilities and the advancement of competition between EC and retail stores, sales have been slumping. It caused an increase in the number of local department stores and general supermarkets being closed. Retailers have made a focus on the selection and concentration of management resources, and the withdrawal of unprofitable stores has been carried out by magnet stores without tolerance. This has contributed to the decline in NOI. According to the Ministry of Economy, Trade and Industry's commercial dynamics statistics, sales for the six-month period from January to June 2019 were 3.1 trillion yen (YoY-2.5%), supermarket 6.4 trillion yen (YoY-0.1%), and convenience store 5.9 trillion yen (YoY +2.4%). Sales at existing stores have remained basically unchanged, partly due to a decline in sales floor space because of the closure of department stores. The supermarket has a strong food sales that covers the slump in clothing. The number of foreign tourists to Japan in January-June 2019 increased to 16,630,000 (YoY +4.6%), with the trend of foreign tourists, which had a major impact on retailing. In January-March 2019, foreign tourists consumed 1,151.7 billion yen (YoY +3.6%), of which shopping increased to 413.5 billion yen (up YoY+4.4%), and in April-June 2019, foreign tourists consumed 1,267.3 billion yen (YoY +11.8%), of which shopping increased to 466.2 billion yen (YoY +17.8%).

■ Logistics

◆ Overview

According to JLL's Tokyo Logistics, the vacancy rate of logistics facilities in Tokyo area was 4.1% at the end of March 2019, which is leveling off from the end of December 2018. The vacancy rate was 3.3% at the end of June 2019, which declined by 0.8 points in three months. Demand for distribution facilities has been expanding due to the expansion of EC demand. Inquires have been strengthened in Tokyo area, especially in Bay Area which is near the final consumption district, and around outer ring roads.

■ Hotel

◆ Overview

According to a report by the Japan Tourism Agency (JNTO), the number of foreign visitors to Japan in 2018 was 31,190,000, which increased 8.7% from the previous year. This is the first time for exceeding 30 million since 1964, when statistics were begun to be taken. Travel was postponed due to natural disasters mainly in the East Asian Market, but all of the East Asian markets had recovered to exceed the same month of the previous year by the end of the year. In the Southeast Asia market, travel promotion in each market created a demand for visiting Japan, and in the West, Australia, and Europe, a strong demand for cruise ships and the implementation of a global campaign led to strong annual growth. By market, China reached 8,380,000, reaching 8,000,000 for the first time in all markets, Thailand reached 1,130,000, showing steady growth of more than 1 million for the first time in the Southeast Asian market. As a result, of the 20 main markets, excluding Hong Kong, the number reached a record high in 19 markets. According to the latest report, the number of foreign visitors to Japan exceeded the previous year in 2019. In order to respond to further increases in the number of hotels and other rooms in recent years, there is an urgent need to develop an acceptance system.

■ Healthcare

◆ Overview

The securitized real estate transaction market has been on a downward trend since the Lehman crisis, but the market has been active over the past few years, indicating that the number of properties to be traded has been continuously expanding. Regarding healthcare assets such as fee-based homes for the elderly, in response to the falling birthrate and aging population in Japan, which has reached the world's highest standard, the Ministry of Land, Infrastructure, Transport and Tourism presented in June 2014 the "Guidelines for the Utilization of Healthcare Assets for the Elderly," and the environment for the REITs that deal in healthcare facilities is being developed. During FY2014-2015, the three health care-specialized REITs were listed, and the market is expanding as shown by the acquisition of properties by these REITs. In recent years, in addition to these health care-specific REITs, there have been occasions of acquisition by residential REITs and comprehensive REITs, and the number of users of these types of acquisition is continuing to increase.



If you would like to know

further information,

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