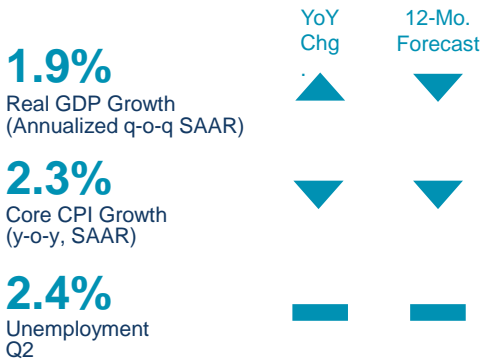




Note : Above refers to reported cap rates for the transactions executed during 2023, Source: RCA, Cushman & Wakefield

JAPAN ECONOMIC INDICATORS Q4 2023



Source: Cabinet Office, MIC

¹ Survey on Motor Vehicle Transport, Survey on Coastwise Vessel Transport, MLIT

² Ministry of General Affairs, Statistics Bureau of Japan

³ Bank of Japan, the latest monthly data up to February 2024

Survey scope: C&W quarterly survey target is based on Large Multi-Tenant Logistics Facilities (LMT) with GFA 15,000 tsubo and over, except Nagoya and Fukuoka with GFA 5,000 tsubo and over.

Note: All data is as of June 30, 2023, unless otherwise stated.

Demand: Growing concerns on labor shortage prompts demand for improved supply chain management

Annual domestic freight volume¹ saw the third consecutive year of decline, down 1.3% y-o-y, led by lower demand for construction materials (down 1.6% y-o-y) and consumer goods (down 1.3% y-o-y). International trade also remained weak, with freight volume down 4% y-o-y, expanding the annual net trade deficit to JPY 9.3 trillion.

Despite the corporate price index² already having peaked, up by +2.4%, core CPI continued to rise to +2.8%, indicating a continued, albeit moderate, passing on of costs through to the broader consumer base. However, the fragmented structure of the logistics industry restricted efficient cost transfers. According to the BoJ's Land Freight Price Index³, home delivery parcel services grew at a CAGR 1.6%, while the other land freight pricing growth softened to a CAGR 0.6%, falling well below recent inflation trends since 2000. Earnings at logistics companies are yet to see any signs of improvements, restricting landlord's ability to impose meaningful rental increases. With new regulations intending to modernize the logistics industry structure, more providers are expected to rethink their nation-wide location strategies to achieve cost saving ahead.

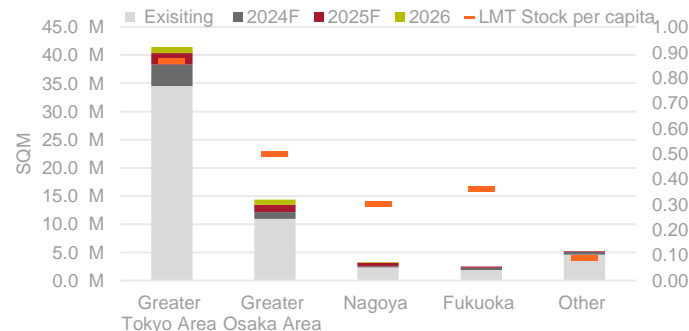
Supply: Stock Per Capita in Greater Tokyo expanded nine fold in comparison to other Regional Cities.

In 2H 2023, the Greater Tokyo Area saw elevated annual supply of 3.4 million sq.m, with more than 1.7 million sq.m in the Greater Osaka Area and 0.8 million sq.m in Nagoya. In 2024, Tokyo expects to maintain an elevated levels of supply, a contrast to Osaka, down 30% y-o-y and Nagoya, down 70% y-o-y. The supply gap led to a corresponding change to LMT stock per capita in Tokyo (0.9 sq.m), expanding nine folds compared to regional cities (0.1 sq.m), followed by Nagoya (0.3 sq.m), and Osaka (0.5 sq.m).

During 2H 2023, major completions included Logoport Nagoya (GFA: 354,000 sqm) in Nagoya Bay, Tokyo Distribution Center - New Building A (GFA: 205,000 sq.m) near Haneda airport. Elsewhere, regional cities such as Fukuoka saw larger completions including Mapletree's Chikushino Logistics Center Phase 1 (GFA: 111,000 sq.m). See further details on the table on page 3.

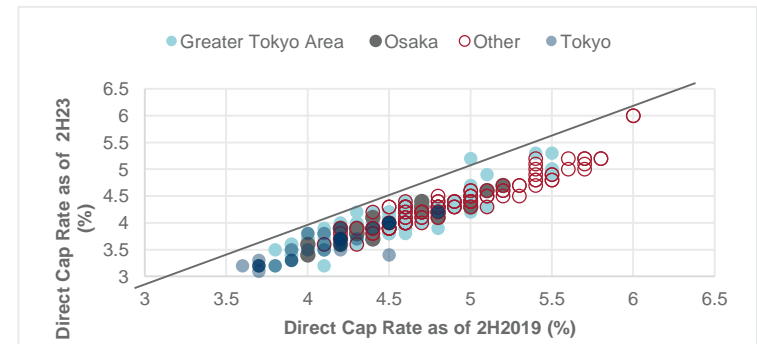
Major development continues on the back of increasing sales and leasebacks from owner-occupiers or third-party redevelopments with the objective of achieving rental increases and cost reductions through modernized infrastructure. GLP plans to redevelop its existing facilities in Narashino (GFA: 128,000 sq.m). Unified Industrial also broke ground on its third logistics center (GFA: 205,000 sq.m) in Shiga leveraging the reduced driving time between Osaka and Nagoya via the new Shin-Meishin Highway.

Comparing LMT Supply/ LMT stock per capita by Metro



Source: LNEWS, Publicly available company data, Cushman & Wakefield

Comparing Appraisal Cap Rate by Metro (against 2H 2019)



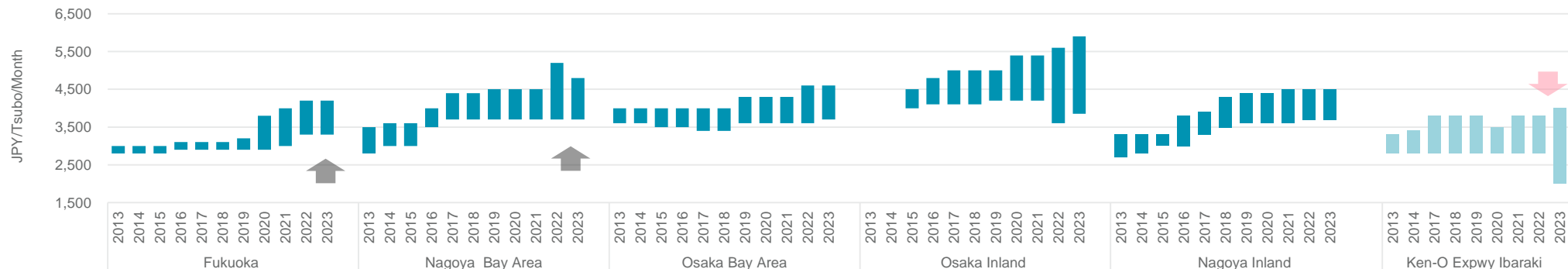
Regional Cities : Expect Mid-to Long-Term Rent Increases from New Overtime Restrictions

The government of Japan has implemented new overtime restrictions capping annual truck drivers hours at 960. This is a delayed policy response to poor labor conditions, with approximately 10% lower wages and 20% longer working hours in comparison to the overall industry average. Under the new restrictions, one-way driving hours are expected to be restricted to three hours. Mapping of the three-hour driving distance from existing submarkets indicates overlapping coverage between Nagoya Inland and Osaka Inland (refer to the map on the last page). This overlap also creates potential benefits from consolidation, assuming corporate tenants handling manufacturing and construction materials maintain the nation-wide distribution network. The potential negative impacts also include predicted disruption to long-distance delivery services to remote areas such as Northern Japan, Tottori and Southern Kyushu. Unsurprisingly, with limited modern stock available in regional cities, a wide range of cap rates are reported for similar regional assets (see the bottom right chart on page 1), creating value-added opportunities from mispriced properties due to delayed adjustment to appraisal values. Among few investment transactions, GLP has managed to sell their holdings in Hokkaido at a 40% premium to the appraised value as an example.

Outlook

- **Expect the regional network consolidation** : The new policy package aims to consolidate / share / optimize the logistics distribution network platform. A strong policy push to modernize regional infrastructure is anticipated to increase market liquidity pushing prices upwards over the medium to long term.
- **Expect vacancy to remain low** : A pocket of weakness exists in Keno-do / Tohoku-do, as expansion toward outer areas becomes harder to justify with more consolidation of fulfilment centers. Conversely, regional cities remain underserved, with incoming LMT supply being matched by greater pent-up demand.
- **Expect pricing bifurcation**: Further upgrades to modern logistics facilities will lift pricing in emerging regional cities as well as urban facilities adjacent to the Tokyo CBD. However, landlords in the remaining properties are unlikely to achieve similar rent increases given tenant's limited capacity to pay additional rent.

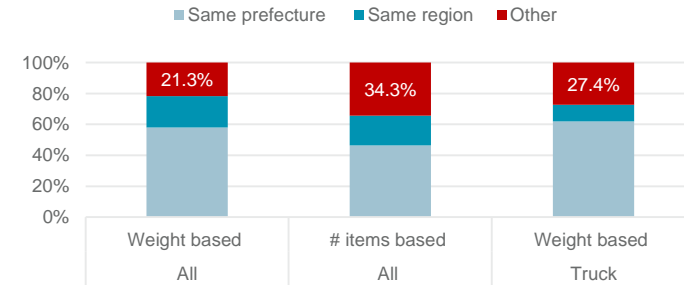
Asking Rent Price Ranges by Metro/ Submarket



Note: Rent refers to the median of asking rent under C&W survey
Source: Cushman & Wakefield

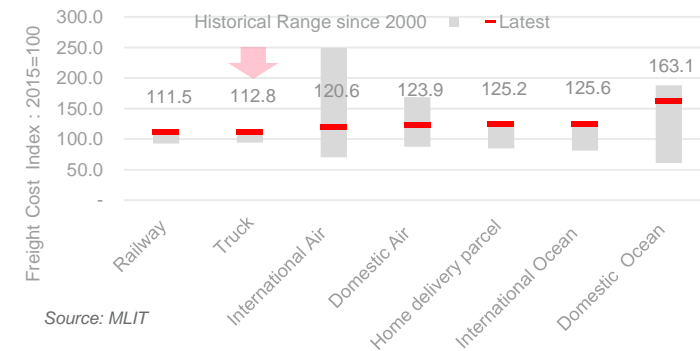
By distance traveled : All transportation methods / Truck

Approx. 30% of Freight Requires Long Driving Hours



Source: MLIT

Comparing Pricing Range by Transportation Method



Source: MLIT

BY SUBMARKET: INCOMING SUPPLY OVER THE NEXT TWO YEARS AS A % TO TOTAL STOCK

SUBMARKET	PREFECTURE	SQ.M	NO. OF FACILITIES	% OF EXISTING STOCK
Route 16	Saitama, Tokyo	1,068,685	18	13.8%
Osaka Inland	Osaka	965,488	15	24.8%
Kanagawa Inland	Kanagawa	749,165	14	14.8%
Other areas in Kanagawa	Kanagawa	738,350	7	51.8%
Ken-O Expwy Ibaraki	Ibaraki	673,862	11	30.6%
Gaikan Road	Saitama, Tokyo	590,056	10	22.9%
Osaka Bay Area	Osaka	545,420	10	12.3%

Source: LNEWS, Cushman & Wakefield calculations based on publicly available data

REGIONAL CITIES : KEY SUPPLY BY COMPLETION DATE

PROPERTY	SUBMARKET	DEVELOPER	NO. OF FLOORS	DATE	GFA (SQ.M)
Maple Tree Chikuno Logistics Center Phase 1	Fukuoka Inland	Maple Tree Investments Japan	4	Jul 2023	111,103
OAK LOGISTICS CENTER Hassamu	Sapporo	Obayashi-Shinseiwa Real Estate Corporation	4	Oct 2023	70,909
Prologis Park Morioka	Tohoku Expwy Iwate	Prologis Japan	3	Nov 2023	99,605
GLP Fukuoka Ogori	Saga Tosu	GLP Japan	4	Dec 2023	91,752
T-LOGI Fukuoka Island City	Hakata Port Area	Tokyo tatemono/ Tokyu Land Corporation/ Nishinippon Shimbun/ Marubeni Corporation	6	Feb 2024	148,100

Source: LNEWS, publicly available data, Cushman & Wakefield

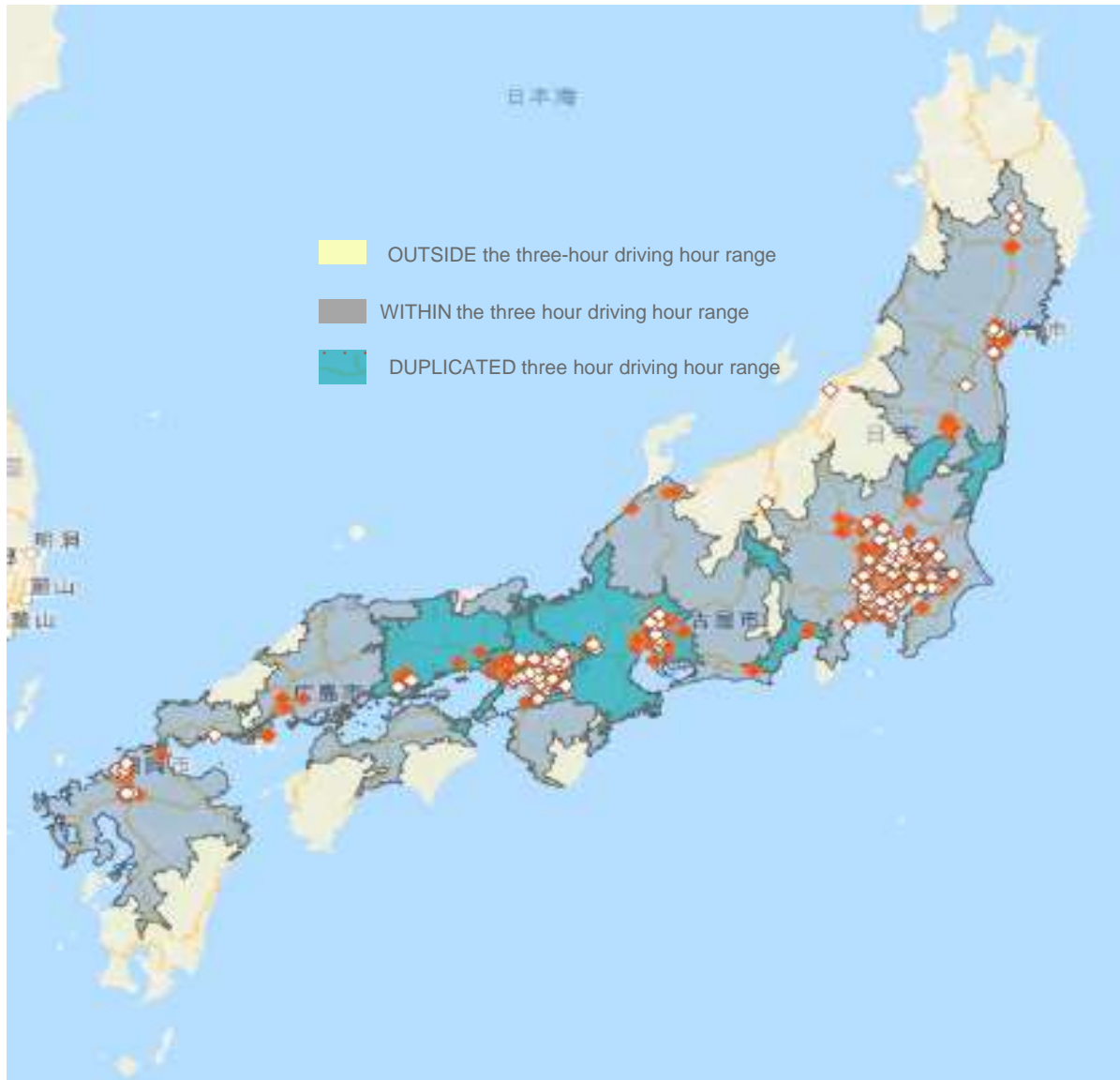
REGIONAL CITIES : KEY INVESTMENT TRANSACTIONS

PROPERTY	PREFECTURE/ SUBMARKET	SELLER/BUYER	BUILT YEAR	GFA (SQ.M)	TRANSACTION DATE	CAP RATE	PRICE (JPY BN)/ SQ.M (JPY)	REMARKS
Ishikari Logistics Center	Ishikari, Hokkaido	Fuyo Lease / JLF	1992	21,872	Mar 2024	6.8%	2.4 / 108,983	—
GLP Ebetsu	Ebetsu, Hokkaido	Unknown / GLP REIT	2009	18,489	Aug 2024	3.7%	3.5 / 90,926	Sold with 40% premium to appraisal value
Logistics facility portfolio (total of 28 facilities) including IIF Fukuoka Hisamaya Logistics Center	Fukuoka, Greater Tokyo Area	Logisteed / IIF REIT	2004	41,172	Mar 2024	4.1%	14.9 / 300,680	Related party transactions under KKR totaling 108.2 billion yen in sales

Note: The above portfolio transactions refer to the pricing of individual properties with property name specified.

Source: Nikkei Real Estate Market Report, RCA, publicly available data, Cushman & Wakefield

Nationwide: Mapping 3 Hour Driving Range from Major Submarkets from incoming LMT facilities (◇) and existing LMT facilities (◆)



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