

9.4% (YoY)

Fukuoka Prime Rent Growth

YoY
Chg



12-Mo.
Forecast



6.3% (YoY)

Kanagawa Inland Prime Rent Growth



6.0% (YoY)

Osaka Inland Prime Rent Growth



Source: Cushman & Wakefield

JAPAN ECONOMIC INDICATORS Q1 2020

-2.2%

Real GDP Growth

YoY
Chg



12-Mo.
Forecast



0.4%

Core CPI Growth



2.5%

Unemployment



Source: Cabinet Office, Statistics Bureau. GDP Growth is annualized, based on the real seasonally-adjusted quarterly figure. Core CPI is YoY figure, seasonally-adjusted.

International Trade Stagnated Amid COVID-19 Outbreak

Japan's exports totaled JPY 18.1 trillion in Q1 2020, down 5.5% y-o-y. China imports dropped in February amid the pandemic, in turn creating container shortages at major ports. Global lockdowns in March and April resulted in dramatic export falls from most of the U.S., Europe and Asia, with autos and auto parts particularly hard hit. The global economy reopened in May as the lockdown eased, but exports were still down 28.3% y-o-y, the steepest drop since September 2009 following the global financial crisis. International travel restrictions weighed heavily on tourism, with inbound visitors to Japan in May plummeting 99.9 percent y-o-y, to the lowest level since 1964. Fewer scheduled flights also meant less or delayed cargo traffic, and higher air freight rates. Japan's GDP fell 2.2% y-o-y on an annualized basis in Q1, entering a technical recession with the second consecutive quarterly contraction since the October 2019 consumption tax hike. With the pandemic not yet extinguished, economic performance is expected to remain sluggish in Q2. But signs of a gradual recovery include Toyota's July announcement on easing production cutbacks.

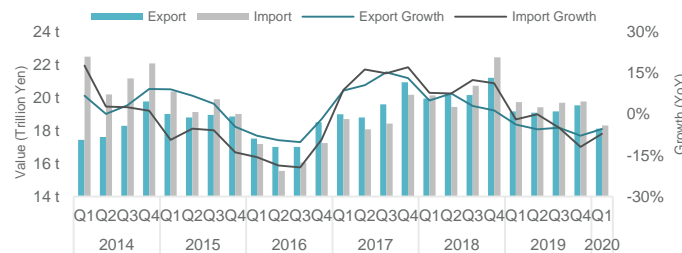
Nest-Dweller Consumption Gives Logistics Market a Tailwind

The logistics market is enjoying a tailwind, with nest-dweller consumption driving a rise in e-commerce and fresh food deliveries during the pandemic. Demand is high, although the prevailing labor shortage means that delivery delays and other challenges remain. Nonetheless, the logistics environment is expected to be improved ahead, with a major developer to announce new last-mile facility developments. In the apparel industry, warehouse demand is on the rise, partly due to a decline in in-store sales, and inventory storage needs. While E-commerce channel sales performance is gaining momentum in the sector the supply of logistics facilities is not keeping pace. Prime rents at Kanagawa Inland rose to JPY5,100 in Q2, up 2.0% q-o-q and 6.3% y-o-y. Asking rents were up across the market in the area, with bottom end rents growing 4.9% y-o-y. In Fukuoka prime rents jumped 9.4% y-o-y to JPY3,500, due in part to new supply. Osaka Inland's prime rent also rose by 6.0% y-o-y, reflecting its growing importance as a logistics hub. Sourcing for data center sites is also accelerating, making industrial land acquisition even more challenging.

Growing Momentum to Introduce Robotics to Solve Labor Shortage

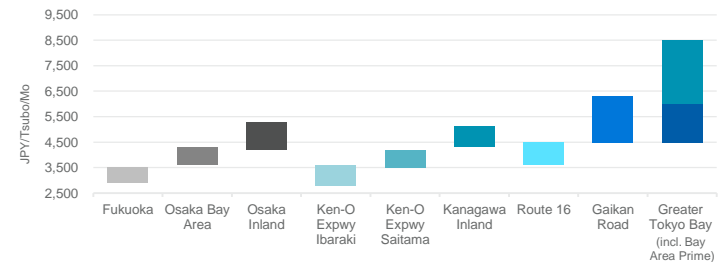
The logistics facility sector has been challenged by rising e-commerce demand during the pandemic period. As well as the chronic labor shortage, there are now increasing risks of temporary operational suspensions due to outbreaks among facility workers. In response, some firms are accelerating their efforts to automate material handling, from packaging to indoor short-distance transportation, with robots. Logistics facility owners who have been among the first to innovate, such as providing services for tenants to install robotics technology, will reap the rewards.

VALUE OF IMPORTS & EXPORTS



Source: Ministry of Finance

ASKING RENT BY LOGISTICS MARKET



Source: Cushman & Wakefield. Note: Large Multi-tenant Logistics Facilities (above 15,000 tsubo), except Fukuoka (above 5,000 tsubo)

PRIME RENT

AREA	JPY/TS/MO	USD/SF/YR	GROWTH (YoY)	FORECAST
Greater Tokyo Bay	8,500	26.59	0.00%	▲
Gaikan Road	6,300	19.71	0.00%	▲
Route 16	4,500	14.08	2.27%	■

USD/JPY = 107.78

MAJOR NEW LOGISTICS FACILITIES

FACILITY NAME	DATE	AREA	SQ.M.	SF
DPL Sakado	Mar 2020	Sakado	178,712	1,923,636
ESR Amagasaki Distribution Center	Jun 2020	Amagasaki	388,570	4,182,529
T-LOGI Kuki	Jun 2020	Kuki	70,700	761,008

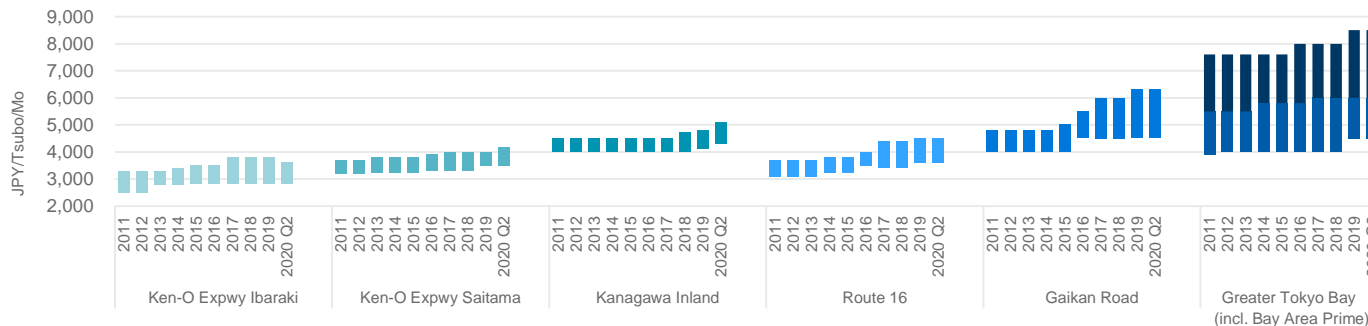
Source: LNEWS

TENANT ACTIVITIES (RENEWAL/EXPANSION)

TENANT NAME	EXPECTED DATE	AREA	PROPERTY NAME
MISUMI Group	Jan 2020	Kawasaki	LOGIPORT Kawasaki Bay
Transcosmos	Jan 2020	Kashiwa	LOGIPORT Kita Kashiwa
LOCOND	Apr 2020	Yachiyo	GLP Yachiyo II

Source: LNEWS

ASKING RENT BY SUB-MARKETS



Source: Cushman & Wakefield. Note: Large Multi-tenant Logistics Facilities (above 15,000 tsubo)

ESR Amagasaki Distribution Center



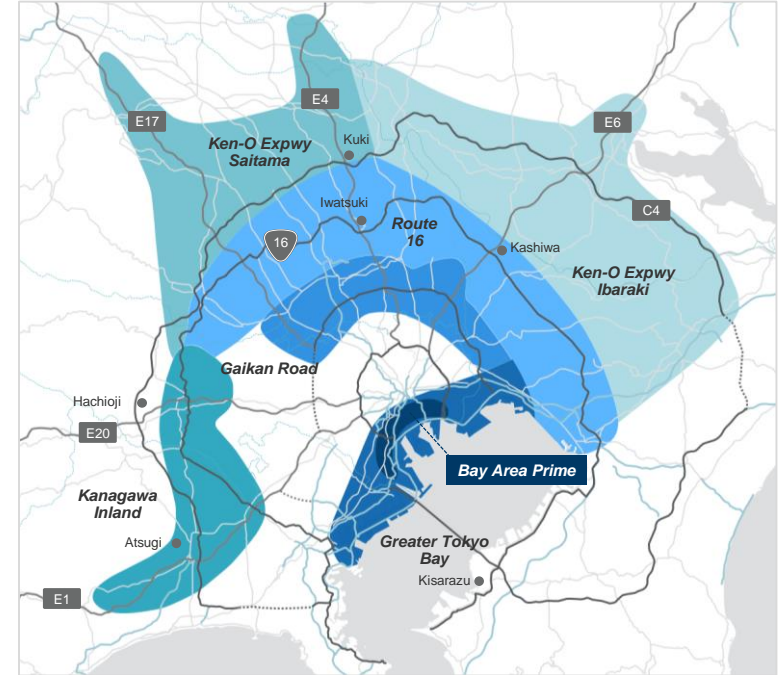
Source: ESR Ltd.

T-LOGI Kuki



Source: Tokyo Tatemono

GREATER TOKYO LOGISTICS MAP



Source: Cushman & Wakefield

HIROSHI TSURUOKA

Logistics & Industrial Services

+81 (0)3 3596 7167 / hiroshi.tsuruoka@cushwake.com

HIDEAKI SUZUKI, PhD

Head of Research & Consulting

+81 (0)3 3596 7804 / hideaki.suzuki@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com