

1.0% (YoY)

Greater Tokyo Rent Growth

YoY
Chg



12-Mo.
Forecast



0.8% (YoY)

Greater Osaka Rent Growth



0.0% (YoY)

Nagoya Rent Growth



Source: Cushman & Wakefield

Note: Growth of Assumed Achievable Rent (average, incl. CAM)

JAPAN ECONOMIC INDICATORS Q4 2021 FORECAST

1.5%

Real GDP Growth

YoY
Chg



12-Mo.
Forecast



0.5%

Core CPI Growth



2.8%

Unemployment



Source: Japan Center for Economic Research (JCER), Cabinet Office, Statistics Bureau. GDP Growth is annualized, based on the real seasonally-adjusted quarterly figure. Core CPI is YoY figure, seasonally-adjusted.

¹ West Texas Intermediate (WTI) crude oil prices

² Our World in Data in the first week ended on January 8, 2021

³ UNCTAD 2020

⁴ Ministry of Economy, Trade and Industry

⁵ C&W quarterly survey target is based on Large Multi-tenant Logistics Facilities at around GFA 15,000 tsubo.

Note: All data is as of December 31st unless otherwise stated.

Rising input prices and the growing shadow of the Omicron variant likely to extend supply chain disruptions globally

Global supply chain disruptions, in combination with doubling oil prices (up 99% y-o-y)¹, shortage of shipping container supply, and more frequent severe weather conditions have continued to cause larger cargo price hikes mostly through international ocean freight and air freight. Looking ahead, we remain cautious on tightening social movement restrictions. Japan's international border has remained closed since November. However, Japan has started to see a wave of rising infection cases measured as the percentage of daily new infections nationwide. The latest indicator has increased to 0.004%² albeit this is much lower than Australia (0.30%), the U.S. (0.21%) and the U.K. (0.26%). The current wave of infections is projected to peak no earlier than May 2022, suggesting that a period of supply chain disruption is likely to persist at least until 1H 2022.

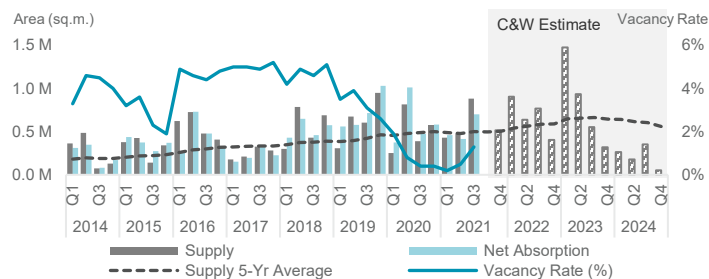
Increasing logistics space demand from e-commerce players

Japan's e-commerce market continues to grow, albeit at a lower rate than peer economies³ such as Australia (9.4%), the U.S. (14.0%), China (24.9%) and South Korea (25.9%). Japan's e-commerce sales⁴ grew 21.71% y-o-y to reach an 8.1% penetration ratio. Leading product categories, with sales reaching more than JPY2 trillion, suggest a somewhat maturing industry landscape with high penetration rates, including home electronics (37.5%) and household goods and furniture (26.0%). However, the large consumption base in food and beverage, at just 3.3% penetration, is yet to adopt new online purchase options over visiting neighborhood grocery stores. Looking ahead, we expect the overall logistics space demand from the e-commerce sector will continue to drive the market, either through an existing platform expansion or via more frequent new entries of specialized online retailers (e.g., Oisix Ra Daichi).

Proximity to large consumer bases continues to lift rent in select locations offering greater convenience

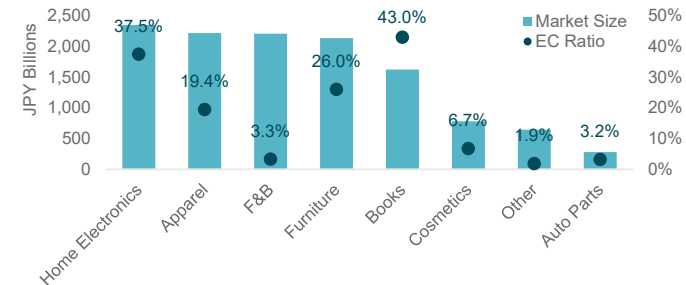
Vacancy rates remain below 2.0% across most locations. The Greater Tokyo Area saw vacancy increasing to around 2.0% from 0.5%, or the bottom, in early 2021, although the Greater Osaka Area recorded the lowest vacancy since 2017 at mid-1.0%. Through new supply, modern logistics facilities in proximity to large consumer bases have continued to benefit from rental improvements. In the Greater Tokyo Area, rents in the Tokyo Bay Area rose by 4.2% y-o-y to reach JPY7,500, with Kanagawa Inland area rising 2.2% y-o-y to JPY4,600. Similarly, in Greater Osaka Area, average rent rose by 0.8% y-o-y, led by rent growth in Osaka Inland by 2.3% y-o-y to JPY4,500. New supply during 2H 2021 congregated around the Route 16 area, including DPL Nagareyama IV and GLP ALFALINK Nagareyama 8, occupied by high numbers of EC-related tenants. The Nagareyama area is set to see a concentration of multi-tenant logistics facilities through the scheduled delivery of five buildings with a total GFA of 174,000 tsubo (575,209 sqm) over the next two years. However, given the city's structural advantages, benefitting from population growth sufficient to address the acute labor shortage, a younger demographic profile, and convenient location to access the large consumer base in Tokyo CBDs, we expect temporary upticks in Nagareyama's (Route 16) vacancy to be absorbed, leading to a vacancy tracking below 5.0% in the Greater Tokyo Area over the next two years.

Greater Tokyo Area : Large-Scale Logistics Supply⁵



Source: Ichigo Real Estate Service, LNEWS, Cushman & Wakefield

B2C Product EC Market Size and EC Ratio (2020)



Source: Ministry of Economy, Trade and Industry

AVERAGE ASSUMED ACHIVABLE RENT BY SUBMARKET

AREA	JPY/TS/MO	USD/SF/YR	GROWTH (YoY)	FORECAST
Greater Tokyo Bay	7,500	21.97	4.17%	▲
Kanagawa Inland	4,600	13.48	2.22%	▲
Ken-O Ibaraki	3,300	9.67	3.13%	▲

USD/JPY = 115.12

MAJOR MARKET SUPPLY BY SUBMARKET

AREA	PREFECTURE	SQ.M.	SF	FACILITIES	VS. EXISTING AREA
Route 16	Saitama, Chiba	689,369	7,420,298	4	15.8%
Kanagawa Inland	Kanagawa	331,343	3,566,548	1	13.3%
Shin-Meishin	Hyogo	376,824	4,056,093	2	-

Source: LNEWS, Cushman & Wakefield

RELOCATION/EXPANSION BY MAJOR TENANT

TENANT NAME	EXPECTED DATE	AREA	PROPERTY NAME
Oisix Ra Daichi	Aug 2021	Ebina	LogiSquare Osaka Katano
Amazon (Delivery Station)	Aug - Oct 2021	Fuchu, Toda, Funabashi, Machida, Hasuda, and others	DPL Kunitachi Fuch, ESR Toda Distribution Center, MFLP Funabashi III, Yokohama Machida Logistics Center, and others
ASKUL	Sept 2021	Edogawa	Kasai Truck Terminal JMT Kasai A Tower
MonotaRO	Nov 2021	Hyogo	Prologis Park Inagawa 1

Source: LNEWS

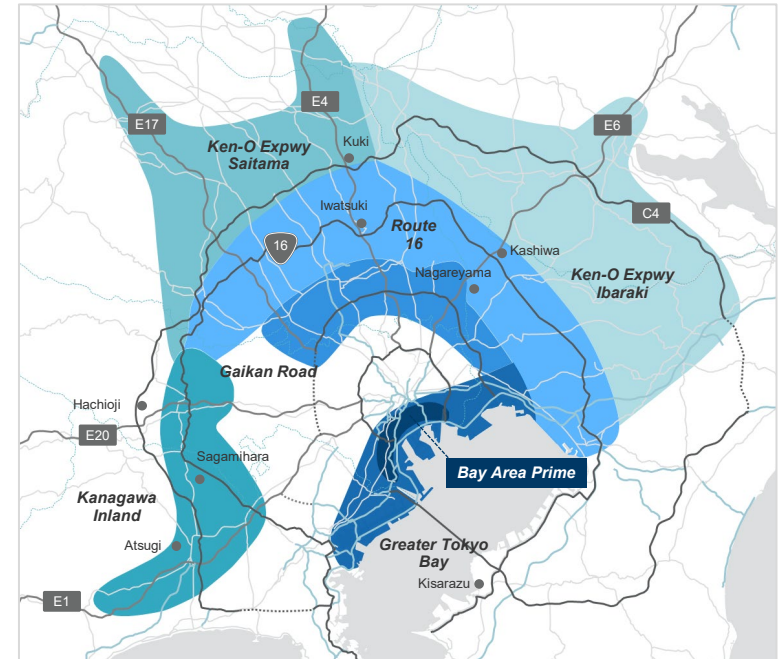
GLP ALFALINK SAGAMIHARA 1

ALPHALINK Sagamihara 1 (331,343 sq.m / 100,231 tsubo) is the largest facility completed in H2 2021, together with ALPHALINK Sagamihara 3 (101,603 sq.m / 30,735 tsubo).



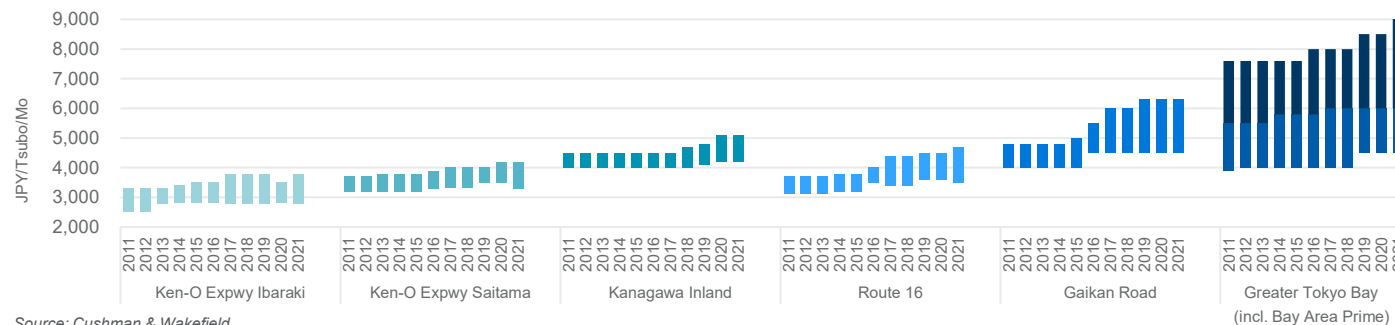
Source: GLP

GREATER TOKYO LOGISTICS MAP BY SUBMARKET



Source: Cushman & Wakefield

ASKING RENT BY SUB-MARKET



Source: Cushman & Wakefield

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