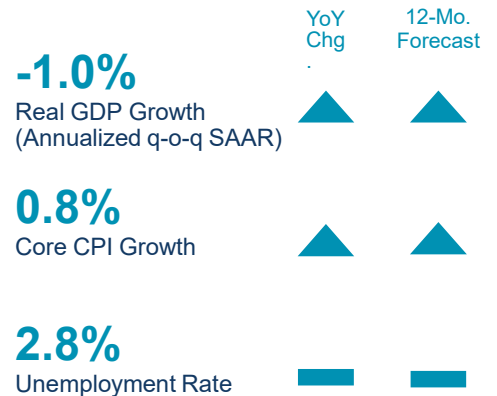


Source: MIC, METI, Moody's analytics forecast, Cushman and Wakefield

ECONOMIC INDICATORS Q1 2022 Forecast



Source: Cabinet Office, MIC, METI, Oxford Economics, Moody's analytics

¹ Japan Center for Economic Research estimates
² IATA, Oxford Economics (Tourism Economics Update as of March 2022)

Economy: Ukraine Crisis and Rising Commodity Prices Dampen Tenants' Capacity to Pay Rent

February's unemployment rate was 2.7% with little change in the outlook. However, Japan's economic pulse remains weak, with the Russia-Ukraine conflict, along with import prices hitting a forty-year high, raising the risk of stagflation ahead. Real GDP growth is revised down to +3.7% in FY2022 and +1.2% in FY2023. Through rising food and commodity prices, February's Corporate Goods Price Index rose 9.3% y-o-y for a twelfth consecutive monthly rise. However, February's CPI rise of 0.9% is unlikely to breach the 2% target. A growing gap between wholesale and consumer inflation trends, unique to Japan, means that the FY2022 annual ordinary profit is expected to fall by 32%¹, as most corporations are unwilling to pass on input price increases to consumers. Consumer sentiment remains weak relative to retail traffic recovering closer to the pre-COVID level. A weak currency outlook is also expected to dampen household spending, limiting future capacity to pay rent particularly for mass-market retailers.

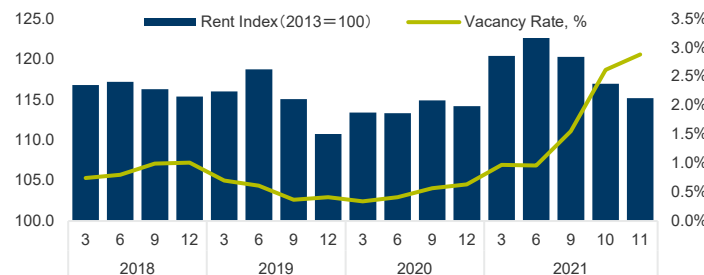
Supply and Demand: Retail Leasing Demand Sustained in Upscale Locations and Urban Redevelopment

Excluding luxury brands, the pandemic has disrupted most planned relocations in high street retail. In response to falling retail rents, some demand has emerged as more tenants seek superior locations at lower rents, and more developers are renovating current facilities. While we expect total retail footage to fall in less competitive areas, rents in top locations are unlikely to be affected. Vacancy remains high in the Central 3 Wards, but is low in suburban shopping centers, underpinning stable demand from core investors. Urban redevelopments continue mostly with older mid-sized facilities in regional cities and repurposing underutilized rail facilities in major stations.

Rent: Limited Upside Until Recovery of Overall Consumer Sentiment and Inbound Tourism From 2024

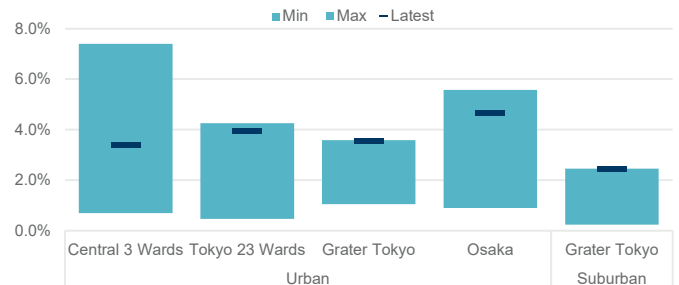
Retail leasing demand remains mixed, given rising location premiums within submarkets. We are also cautious on the expanding supply pipeline in key submarkets such as Ginza. By district, the pandemic disruption is most evident in Shinsaibashi, where the bottom rent fell 20.0% y-o-y, the lowest level since Q4 2012. Development in Umeda also impacted Shinsaibashi's top rent, recording the lowest level since Q3 2016. With inbound tourist arrivals tracking 0.6% of the 2019 level, we expect tourist demand recovery no earlier than 2024². Expect an extended period of financial stress among tenants targeting inbound tourist spending in less competitive retail locations.

RENT / VACANCY RATE, GRATER TOKYO AREA



Source: ARES

HISTORICAL VACANCY RATE BY ASSET TYPE/AREA



Source: ARES, historical since 2013

KEY LEASE TRANSACTIONS Q1 2022

TENANT	PROPERTY	SUBMARKET	RSF
H&M	1-1-6 Higashi-Ikebukuro, Toshima Ward	Ikebukuro	17,222
Adidas	4-30-3 Jingu, Shibuya Ward	Harajuku	7,615
VALENTINO BEAUTY	4-12-10 Jingumae, Shibuya Ward	Omotesando	N/A
LOUIS VUITTON	44 Akashicho Chuo-ku, Kobe City	Kobe	N/A
GUCCI	6-10-3 Roppongi, Minato Ward	Roppongi	N/A
LE LABO	5-5-24 Minami-Aoyama, Minato Ward	Aoyama	N/A

Source: Cushman and Wakefield

KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	MAJOR TENANT	OWNER/DEVELOPER	SUB MARKET	GFA / SF
Maruei Galleria	Mujirushi Ryohin	Daiwa House Realty Mgt.	Nagoya Sakae	121,995
Mikan Shimokita	TSUTAYA BOOK STORE	Keio Corporation	Shimokitazawa	57,156

Source: Cushman and Wakefield

TOP PRIME RENTAL RATES

SUBMARKET	JPY, tsubo / mo	US\$,psf / year	GROWTH (y-o-y)	FORECAST
Ginza	400,000	1,102.17	5.3%	▲
Omotesando	320,000	881.74	6.7%	▲
Shinjuku	300,000	826.63	0.0%	■
Shibuya	200,000	551.09	0.0%	■
Shinsaibashisuji	200,000	551.09	-13.0%	■
Sakae	100,000	275.54	0.0%	■
Tenjin	100,000	275.54	0.0%	■

USD/JPY = 115.02 (as of end of September 2021)

Source: Cushman and Wakefield

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Ginza Core	Ginza	Matsuya / Hulic	178,238	\$321.7M/\$1,805
Valor Kachigawa (Land Only)	Kasugai-shi / Aichi	JMF REIT / Xymax REIT	N/A	\$56.4M/NA
Tsurumi Fuga 1	Yokohama-shi Tsurumi-ku	Fuyo General Lease / Mirai REIT	79,898	\$46.0M/\$576
Kitera Plaza Aobadai	Yokohama-shi Aoba-ku	Fuyo General Lease / Kenedix Retail REIT	32,693	\$22.2M/\$678
Komyoike Act	Osaka	Ganma TMK / Marimo Regional REIT	68,677	\$17.7M/\$258

Source: Real Capital Analytics

H&M (IKEBUKURO)



ADIDAS (HARAJUKU)



MARUEI GALLERIA (SAKAE)



Source: Cushman and Wakefield



Source: Cushman and Wakefield

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