

YoY Chg 12-Mo. Forecast

1.9% (YoY)
Greater Tokyo Area Rent Growth



1.8% (YoY)
Greater Osaka Area Rent Growth



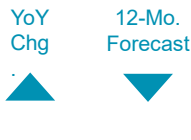
40.6% (YoY)
Logistics:
Annual Transaction Volume



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

JAPAN ECONOMIC INDICATORS Q2 2023

6.0%
Real GDP Growth
(Annualized q-o-q SAAR)



3.3%
Core CPI Growth
(y-o-y, SAAR)



2.5%
Unemployment
Q2



Source: Cabinet Office, MIC

¹ Survey on Motor Vehicle Transport, Survey on Coastwise Vessel Transport, MLIT
² Total based on the most recent semiannual disclosure from Yamato Transport, Sagawa Express, and Japan Post
³ The Japan Logistics System Association (JLSA) as of July 2023

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: Lowering Logistics Costs Through Superior Location Strategies Remains a Focus

While net exports turned positive, up 2% y-o-y, lower domestic consumption due to high prices remains a concern. Ecommerce growth lifted consumer goods cargo volume up 1.8%¹ y-o-y, but lower demand from Manufacturing left total cargo volume near flat. By product, activities related to manufacturing inputs such as timber, chemicals, and steel have been trending negative since the beginning of 2022. Elsewhere, despite the announced 10% price increases, the number of parcel deliveries continues to grow at CAGR 1%², suggesting a slow yet steady shift to frequent deliveries of smaller packets in urban logistics operations.

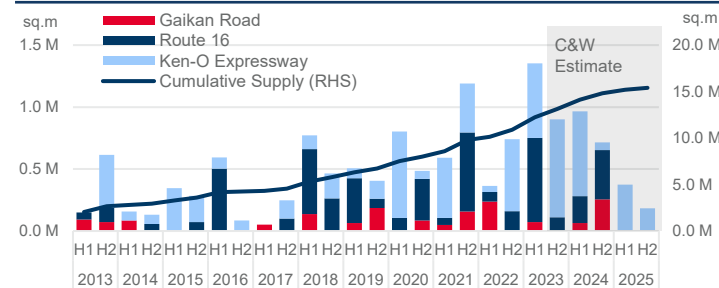
An improving corporate earnings outlook, mainly from external demand factors, did not affect business sentiment among many small logistics providers. Although the logistics cost to sales ratio has maintained an upwards trajectory over the past 20 years, it reported the first fall of 0.4 percentage points from the previous year, or 5.3%³ for 2022. With transportation costs representing nearly 60% of total logistics costs, more providers are now expected to focus harder on locational requirements for urban logistics.

Supply: Tokyo's Supply Concerns to Escalate in the Outer Area Beyond Gaikando Ring Road

In the Greater Tokyo Area (Tokyo), the scale of development has continued to hit a record in the outer area beyond the Gaikando Ring Road. For urban logistics facilities, where land supply is increasingly limited, more developers are aiming for more efficient land use through building densification. In March, ESR completed the nine-story ESR Higashi Ogishima Distribution Center, Japan's tallest multi-tenant facility. Large-scale repurposing also continues. Mitsui Fudosan and Nippon Steel Kowa RE announced a repurposing plan for the former Nippon Steel factory site as the new MFLP/LOGIFRONT Itabashi (GFA 250,000 sq.m+). In the suburbs, Nagareyama city attracted several large logistics developments. In July, GLP completed the ALFALINK Nagareyama, following the April delivery of Daiwa House's DPL Nagareyama. Nagareyama Development also announced a record floor area development (GFA 422,727 sq.m) in the adjacent area.

As shown in the map at the end of the report, a wave of incoming deliveries in Tokyo have geographically expanded outside the Gaikan-do Ring Road. Stock along the Highway 16 area now exceeds 4 million sq.m. Along Ken-O Expressway, new supply over the next two years is expected to surpass 2 million sq.m. However, outside the Gaikan-do Ring Road, nearly half of total demand is from corporations with lower rental level capabilities (see chart overpage). Together with an expected consolidation of fulfillment centers through automation, we project an excess supply tracking above flattish demand in the outer submarkets, leading to flattish rent and higher vacancy, trending above 15% over the next two years.

Greater Tokyo Area: Historical LMT Supply by Ring Road



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

Greater Tokyo Area: LMT Existing Stock by Submarket

	End of 2013 (Million sq.m)	End of June 2022 (Million sq.m)	Supply for the next 2 years (Million sq.m)
■ Gaikan Road	0.34	1.40	0.32
■ Route 16	1.01	4.18	0.73
■ Ken-O Expressway	0.95	4.20	2.09

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

Major Occupier Transactions

Rental level growth in the Tokyo and Osaka areas remained below 2% in H1 2023, tracking below the inflation rate. In response to the incoming supply volume outside the Giannan-do Ring Road, gaps in the asking rent range have widened by submarket. Major relocation transactions did strengthen the supply chain network in the period. Mitsui Foods, along with its haulage partner Narita Transport, jointly moved into the GLP ALFALINK Nagareyama 5 facility. Mitsubishi Fuso Truck and Bus will also open larger parts warehouses to support both domestic and overseas after-sales at ESR Koura Distribution Center 1.

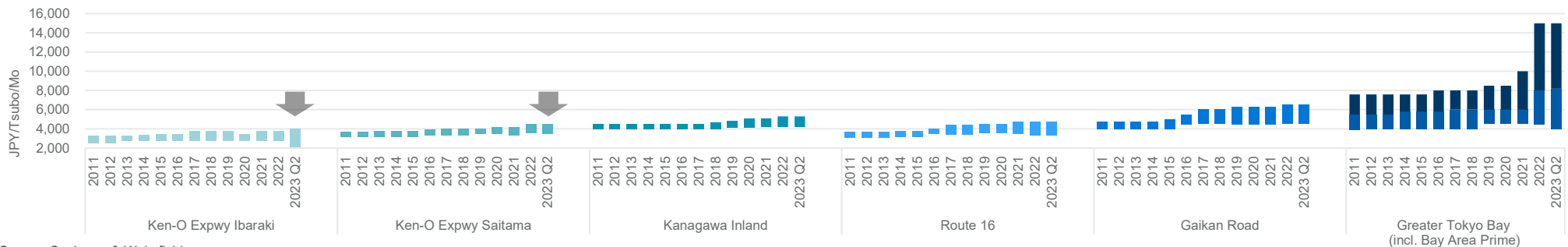
Major Investment Transactions

A series of large portfolio sales in H1 2023 boosted the rolling annual transaction volume by 40.6% y-o-y. By investor attribute, rising AUM levels attracted greater demand from core fund investors. The AUM of GLP's Japan Income Fund open-ended fund, launched in 2020, has already exceeded JPY700 billion. In June, Prologis formed a JV fund with Dai-ichi Life, enabling them to acquire up to JPY240 billion of target assets under the mandate. With steady fund inflows into logistics facilities, value-add funds sold holdings to new core fund investors. In April, Blackstone sold six logistics investment portfolios, all of which consisted of a DPL series developed by Daiwa House Industry, to GIC for USD800 million. In March, CBRE Investment Management sold a logistics portfolio comprising six buildings, primarily a CBRE GI series, to Mapletree Logistics Trust for JPY66 billion.

Outlook

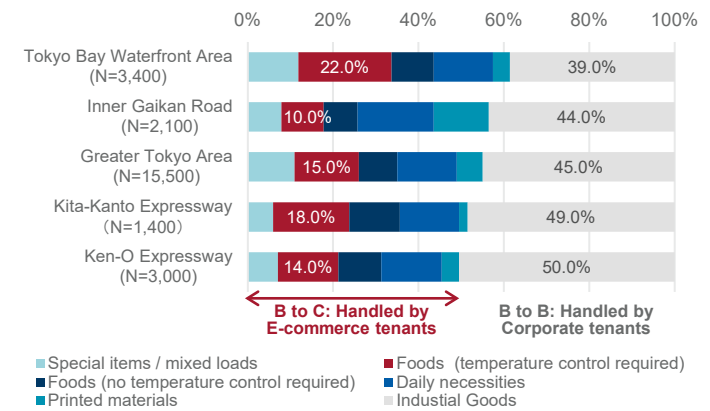
- **Expect vacancy to remain low in regional cities:** A pocket of weakness exists in Keno-do / Tohoku-do, as geographical expansion toward outer areas becomes harder to justify as more logistics providers are consolidating their fulfilment centers. Conversely, regional cities remain underserved, with incoming LMT supply being matched by greater pent-up demand in these cities.
- **Expect rent increases trending below inflation rate:** Further upgrades to incoming modern logistics facilities will lift rent levels in regional cities as well as urban facilities adjacent to the Tokyo CBD. However, landlords in the remaining properties are unlikely to impose similar rent increases given the increasing financial difficulties faced by many small logistics operators.

Greater Tokyo: Asking Rent Price Ranges in Major Submarkets



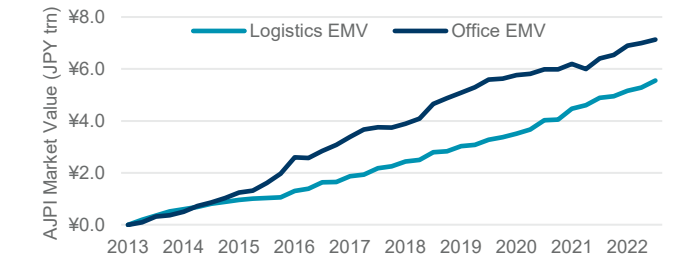
Source: Cushman & Wakefield

Composition of Handling Items by Product Category



Source: Tokyo Metropolitan Area Transport Planning Conference

Net Increase in Logistics & Office Transaction AUM since 2013



Note: EMV, End Market Value of AJPI, the AJPI fund universe covers the domestic core fund AUM both in listed and non-listed

Source: ARES, Cushman & Wakefield

MAJOR SUBMARKETS: MARKET SUPPLY % TO TOTAL STOCK

SUBMARKET	PREFECTURE	SQ.M	SF	NO. OF FACILITIES	% OF EXISTING STOCK
Route 16	Saitama, Chiba	679,400	7,312,993	6	15.7%
Kanagawa Bay Area	Kanagawa	349,003	3,756,633	1	14.2%
Ken-O Ibaraki	Ibaraki, Tokyo	304,570	3,278,361	3	52.0%
Ken-O Saitama	Saitama, Tokyo	155,236	1,670,947	2	11.2%
Tohoku Expwy	Saitama	105,414	1,134,666	1	38.6%

Source: LNEWS, Cushman & Wakefield

TENANTS: MAJOR LEASING TRANSACTIONS

TENANT NAME	PROPERTY	SUBMARKET	DEVELOPER	EXPECTED DATE	ESTIMATED GFA (SQ.M)	ESTIMATED GFA (SF)
Rakuten Seiyu Netsuper	Matsudo Logistics Center	Gaikan Road	LaSalle Investment Management / NIPPO	Jan 2023	67,000	721,181
Mitsubishi Fuso Truck and Bus	ESR Yokohama Sachiura Distribution Centre 1	Greater Tokyo Others	ESR	Jun 2023	65,500	705,035
Seino Transportation	GLP ALPHALINK Nagareyama 4	Route 16	GLP Japan	Jun 2023	52,211	561,989

Source: LNEWS, Nikkei Real Estate Market Report, Cushman & Wakefield

FACILITIES: KEY CONSTRUCTION COMPLETIONS

PROPERTY	SUBMARKET	DEVELOPER	MAJOR TENANT	DATE	ESTIMATED GFA (SQ.M)	ESTIMATED GFA (SF)
GLP ALFALINK Nagareyama 5	Route 16	GLP Japan	Mitsui Foods & Narita Transport, Peace Deli, Logistics Network	Jan 2023	165,186	1,778,046
ESR Higashi Ogishima Distribution Center	Kanagawa Bay Area	ESR	Suzuyo, Futaba	Mar 2023	349,003	3,756,633
DPL Nagareyama II	Route 16	Daiwa House Industry	First Retailing, Yamatogokoro, Domestic food company	Apr 2023	140,453	1,511,823

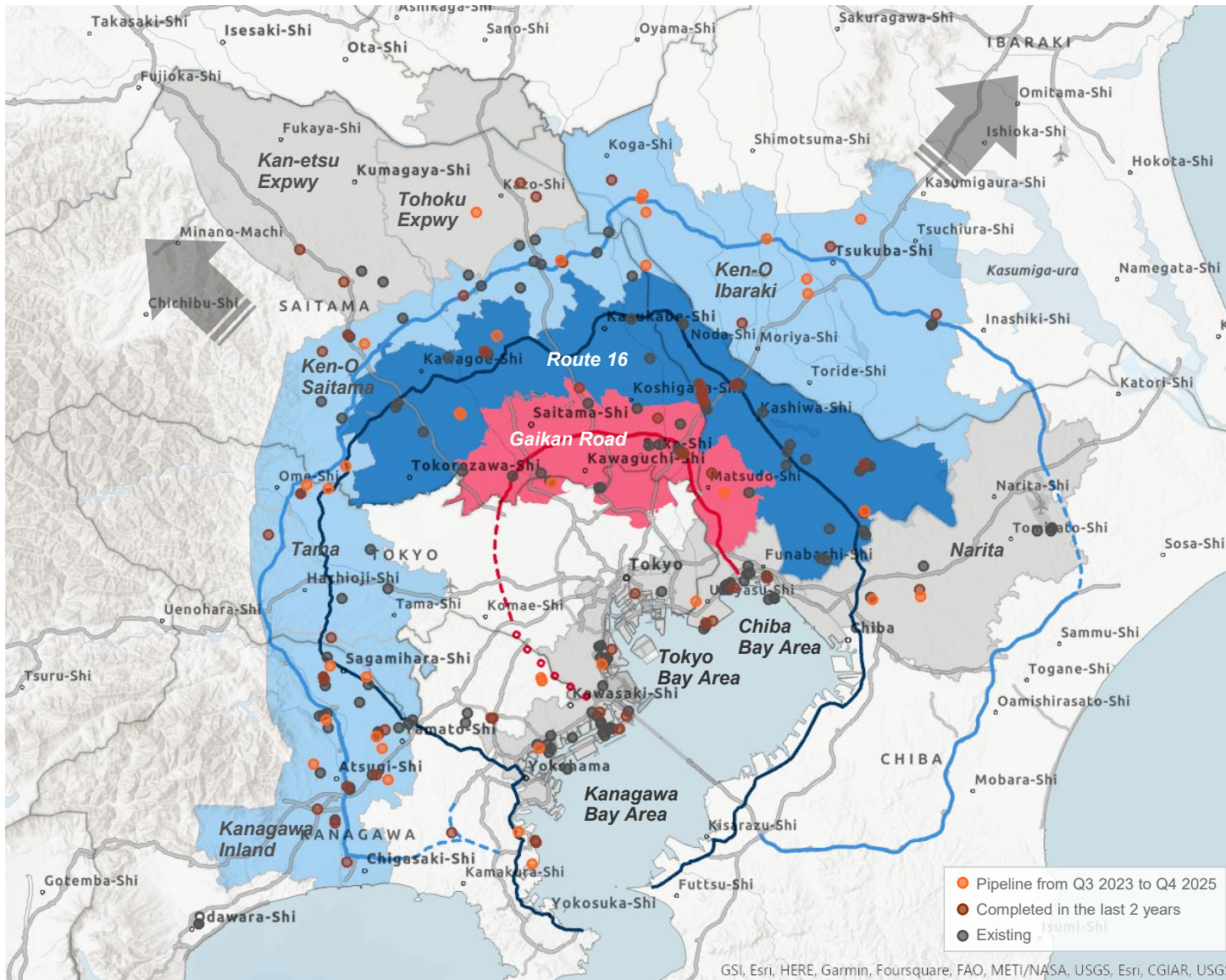
Source: LNEWS, Cushman & Wakefield

FACILITIES: MAJOR SALES TRANSACTIONS

PROPERTY	PREFECTURE	SELLER / BUYER	ESTIMATED GFA (SQ.M)	ESTIMATED GFA (SF)	CAP RATE	PRICE / JPY PER SQ.M
Logistics Portfolio (6 Facilities) including DPL Tsukuba Ami 1-A	Ibaraki, Iwate, Aichi, Fukuoka	Blackstone / GIC	373,873	4,024,332	-	¥106.2B / ¥0.3M
Logistics Portfolio (6 Facilities)	Chiba, Saitama, Gifu, Hiroshima	CBRE Investment Management / Mapletree Logistics Trust	204,101	2,196,923	-	¥66.0B / ¥0.3M
Ajinomoto Shokuhin Takatsu Plant, Ajinomoto Tamagawa Logistics Center	Kanagawa	Ajinomoto / Nippon Steel Kowa Real Estate	31,086	334,606	-	¥35.0B / ¥1.1M

Source: Nikkei Real Estate Market Report, Real Capital Analytics

GREATER TOKYO AREA: MAPPING INCOMING SUPPLY (ORANGE COLORED) AGAINST EXISTING FACILITIES (GRAY COLORED) ALONG GAIKAN-DO, ROUTE 16, AND KEN-O EXPHWY



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