

2023 VOL. 36

Summary

DAIWA REAL ESTATE MARKET REPORT

English

Capitalization Rate *Office*

Some Declines in All Areas

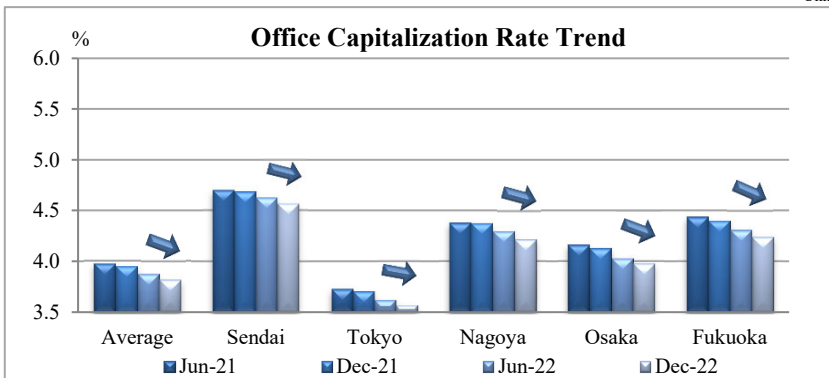
In December 2022, there was a 0.05 point decline in the national average capitalization rate compared to the previous six-month period.

By areas, the rate decreased by 0.06 points in Sendai, 0.05 points in Tokyo, 0.09 points in Nagoya, 0.05 points in Osaka and 0.07 points in Fukuoka.

The capitalization rate decline in Sendai and Nagoya worsened slightly from the previous period, but showed a slight improvement in Tokyo, Osaka, and Fukuoka.

	Jun-21	Dec-21	Jun-22	Dec-22
Average	3.98	3.95	3.87	3.82
Sendai	4.70	4.68	4.63	4.57
Tokyo	3.73	3.71	3.62	3.57
Nagoya	4.38	4.37	4.30	4.21
Osaka	4.16	4.13	4.03	3.98
Fukuoka	4.44	4.40	4.31	4.24

Unit: %



Occupancy Rate *Office*

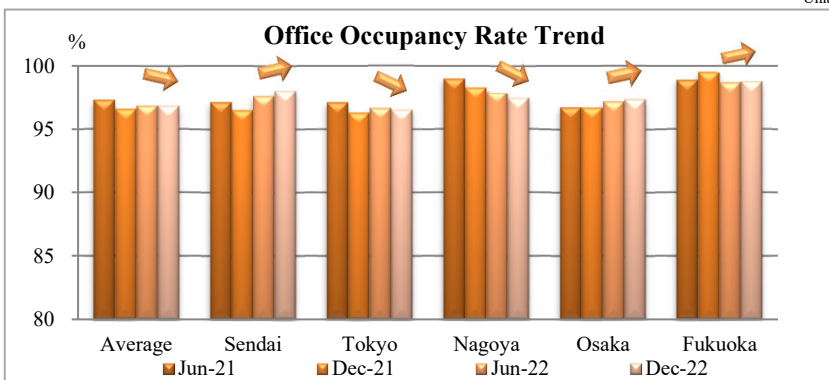
Average Occupancy Rates Decreased Slightly Nationwide

In December 2022, there was a 0.03 points decrease in the national average occupancy rate compared to the previous six-month period.

By areas, the rate increased by 0.39 points in Sendai, 0.15 points in Osaka and 0.09 points in Fukuoka, while it decreased by 0.15 points in Tokyo and 0.47 points in Nagoya .

	Jun-21	Dec-21	Jun-22	Dec-22
Average	97.27	96.57	96.82	96.79
Sendai	97.15	96.53	97.62	98.01
Tokyo	97.10	96.30	96.66	96.51
Nagoya	98.95	98.22	97.89	97.42
Osaka	96.75	96.71	97.23	97.38
Fukuoka	98.85	99.47	98.65	98.74

Unit: %



Contract Rent *Office*

Declining Rate in Many Areas, but Increasing in Osaka

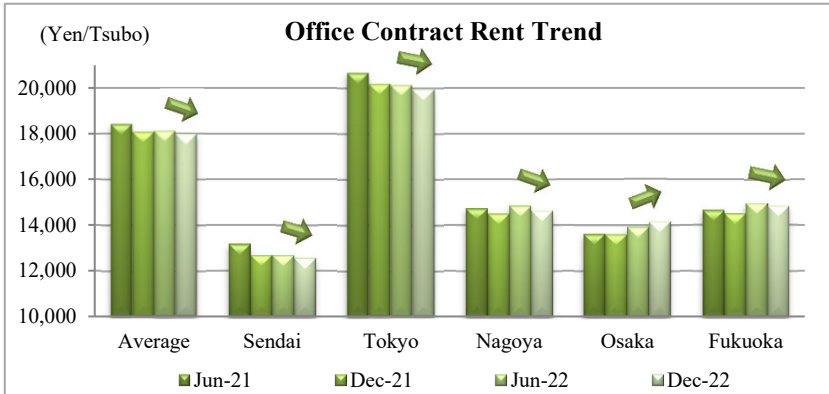
In December 2022 contract rents decreased slightly by 148 yen/tsubo in the national average in comparison with the previous six-month period.

By areas, it decreased by 124yen/tsubo in Sendai , 200 yen/tsubo in Tokyo, 211 yen/tsubo in Nagoya and 105 yen/tsubo in Fukuoka, while it increased by 243 yen/tsubo in Osaka.

There was an increase only in Osaka as contract rents decreased in all other areas.

	Jun-21	Dec-21	Jun-22	Dec-22
Average	18,410	18,078	18,119	17,971
Sendai	13,154	12,685	12,666	12,542
Tokyo	20,671	20,194	20,130	19,930
Nagoya	14,731	14,502	14,842	14,631
Osaka	13,614	13,611	13,920	14,163
Fukuoka	14,644	14,494	14,930	14,825

Unit: Yen/Tsubo, Monthly



Number of Acquisitions Decreased Compared to the Previous Period

- Acquisition: 5 properties in Tokyo, 1 property in Osaka, 1 property in Aichi, 2 properties in Fukuoka, 1 property in Hokkaido, and 1 property in Miyagi out of all 11 properties.



Source: "Nippon Building Fund Inc." HP

Acquisition① Toyosu Bayside Cross Tower (Left)

Location: 2-2-1, Toyosu, Koto-ku, Tokyo
 Nearest Station: A 1-minute walk from "Toyosu" Station
 (Tokyo Metro Yurakucho Line,
 Yurikamome Line)
 Floor Area: 178,504.10 m²
 Construction: Mar. 2020



Source: "Japan Prime Realty Investment Corporation" HP

Acquisition② Shinjuku Center Bldg. [additional]

Location: 1-25-1, Nishishinjuku, Shinjuku-ku, Tokyo
 Nearest Station: A 5-minute walk from "Shinjuku" Station
 (JR Line, Odakyu Line, Keio Line,
 Tokyo Metro Marunouchi Line)
 A 2-minute walk from "Tochomae" Station
 (Toei Subway Oedo Line)
 Floor Area: 176,607.89m²
 Construction: Oct. 1979

[Acquisition] 8 properties out of all 11 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/Tsubo)	CR (%)
NBF	Toyosu Bayside Cross Tower	Koto-ku, Tokyo	Mar. 2020	Nov. 2022	14,700	5,369	3.3%
JPR	Shinjuku Center Bldg.	Shinjuku-ku, Tokyo	Oct. 1979	Dec. 2022	3,320	7,074	3.0%
ONE	FIELD Kita-Sando	Shibuya-ku, Tokyo	Oct. 2008	Dec. 2022	3,750	7,058	3.1%
TRE	Futako Tamagawa Rise	Setagaya-ku, Tokyo	Jun. 2015	Jan. 2023	20,200	479	3.8%
JPR	Osaka Dojima Bldg.	Kita-ku, Osaka-shi, Osaka	Jul. 1996	Jan. 2023	2,460	2,903	3.9%
IOR	Ichigo Marunouchi South Building	Naka-ku, Nagoya-shi, Aichi	Jan. 1988	Nov. 2022	1,750	3,099	4.1%
IOR	Ichigo Hakataeki Higashi Building	Hakata-ku, Fukuoka-shi, Fukuoka	Oct. 1987	Jan. 2023	3,500	3,336	4.3%
GOR	THE PEAK SAPPORO	Kita-ku, Sapporo-shi, Hokkaido	Jun. 2021	Dec. 2022	17,000	5,415	3.6%

*1 CR: Values of appraisal at the time of announcement of acquisition

*2 NRV: Net Rentable Value

[Disposal] 3 properties out of all 12 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/Tsubo)	Estimated CR (%)
TRE	Tokyu Ginza 2-chome Building	Chuo-ku, Tokyo	Aug. 2008	Nov. 2022	8,970	6,177	2.0%
NBF	Shin-Kawasaki Mitsui Bldg.	Saiwai-ku, Kawasaki-shi, Kanagawa	May 1989	Jan. 2023	24,000	1,933	4.4%
MIR	Orico Hakataeki Minami Building	Hakata-ku, Fukuoka-shi, Fukuoka	Aug. 2002	Nov. 2022	1,000	2,068	7.5%

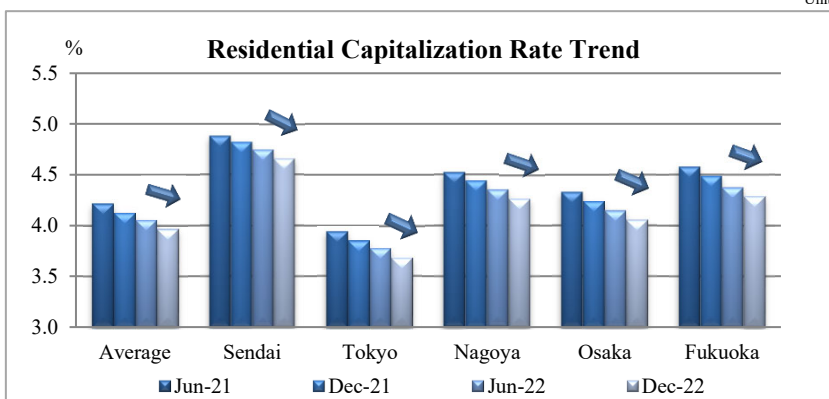
Capitalization Rate *Residential*

Still on a Downward Trend in All Areas

In terms of capitalization rates for the previous six month period in December 2022, the downward trend continued in all areas. In descending order of magnitude from the previous period, Tokyo fell 0.10 points, Osaka, Nagoya, and Fukuoka by 0.09 points, and Sendai by 0.08 points. The national cap rate average was 3.97%, a decrease of 0.09 points, falling below the 4.0% mark.

	Jun-21	Dec-21	Jun-22	Dec-22
Average	4.22	4.13	4.06	3.97
Sendai	4.88	4.82	4.74	4.66
Tokyo	3.94	3.85	3.78	3.68
Nagoya	4.52	4.44	4.35	4.26
Osaka	4.33	4.24	4.15	4.06
Fukuoka	4.58	4.49	4.38	4.29

Unit: %



Occupancy Rate *Residential*

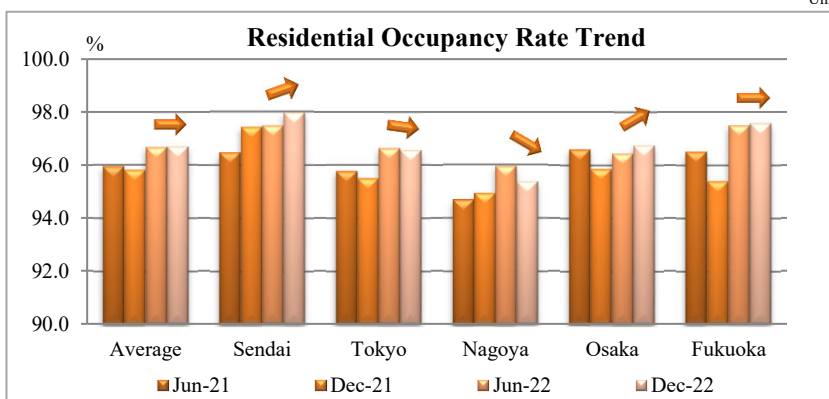
Sustaining High Occupancy Rates Nationwide

The national average occupancy rate in December 2022 was a stable 96.67%, an increase of 0.01 points.

By area, the rate increased by 0.48 points in Sendai, 0.31 points in Osaka and 0.06 points in Fukuoka, while it decreased by 0.07 points in Tokyo and 0.57 points in Nagoya. Despite the variation among these five cities, all of them maintained a high occupancy rate of 95% or higher.

	Jun-21	Dec-21	Jun-22	Dec-22
Average	95.94	95.81	96.66	96.67
Sendai	96.47	97.43	97.48	97.96
Tokyo	95.75	95.49	96.62	96.55
Nagoya	94.69	94.94	95.94	95.37
Osaka	96.60	95.85	96.43	96.74
Fukuoka	96.51	95.40	97.51	97.57

Unit: %



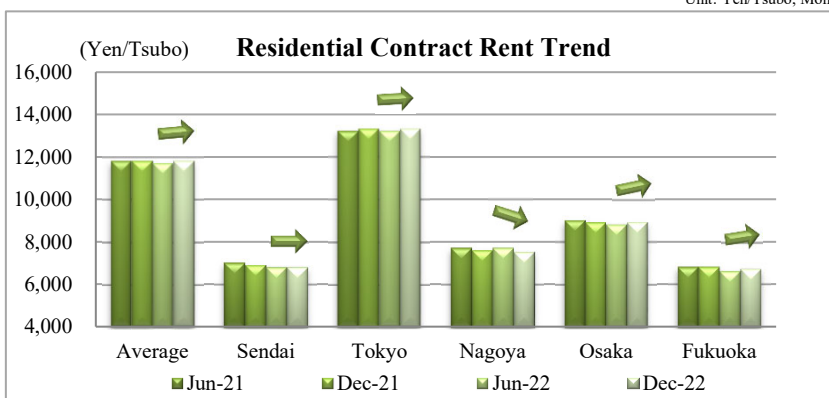
Contract Rent *Residential*

Contract Rents Trending Slightly Higher Nationwide

Contract rents in December 2022 increased by 100 yen/tsubo in Tokyo, Osaka, and Fukuoka, while decreasing by 200 yen/tsubo in Nagoya in comparison with the previous period. Sendai remained unchanged. With the exception of the Nagoya area, contract rents have remained stable or increased from the previous term. Nationally, the rents have remained level for a long term.

	Jun-21	Dec-21	Jun-22	Dec-22
Average	11,800	11,800	11,700	11,800
Sendai	7,000	6,900	6,800	6,800
Tokyo	13,200	13,300	13,200	13,300
Nagoya	7,700	7,600	7,700	7,500
Osaka	9,000	8,900	8,800	8,900
Fukuoka	6,800	6,800	6,600	6,700

Unit: Yen/Tsubo, Monthly



J-REITs: 17 Acquisitions and 3 Disposals in This Period

- Acquisition: 4 properties in Tokyo, 5 properties in Osaka, 2 properties in Kanagawa, 2 properties in Aichi, 2 properties in Hokkaido, 1 property in Kumamoto and 1 property in Ibaraki out of all 17 properties
- Disposal: 1 property in Tokyo, 1 property in Kanagawa, and 1 property in Aichi out of all 3 properties



Source: "Starts Proceed Investment Corporation" HP

Acquisition① Proceed Yamashita Koen The Tower (Left)

Location: 27, Yamashita-cho, Naka-ku, Yokohama-shi, Kanagawa

Nearest Station: A 2-minute walk from "Motomachi-Chukagai" Station (Minatomirai Line)

Floor Area: 12,208.74 m²
Construction Date: Dec. 2007
Rentable Room: 147



Source: "Kenedix Residential NEXT Investment Corporation" HP

Acquisition② KDX Residence Oyamadai (Right)

Location: 1-16-23, Tamazutsumi, Setagaya-ku, Tokyo
Nearest Station: A 16-minute walk from "Oyamadai" Station (Tokyu Oimachi Line)

Floor Area: 3,069.04 m²
Construction Date: Feb. 2022
Rentable Room: 46

[Acquisition] 11 properties out of all 17 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/Tsubo)	CR (%)
SPI	Proceed Yamashita Koen The Tower	Naka-ku, Yokohama-shi, Kanagawa	Dec. 2007	Nov. 2022	7,900	3,203	3.8%
SPI	Proceed Minamisunamachi	Koto-ku, Tokyo	Sep. 2021	Nov. 2022	735	2,817	3.8%
ADR	RESIDIA Kumamoto-Karashima	Chuo-ku, Kumamoto-shi, Kumamoto	Feb. 2007	Nov. 2022	4,000	1,191	4.3%
CRR	COMFORIA SAGINUMA 3-CHOME	Miyamae-ku, Kawasaki-shi, Kanagawa	Apr. 2009	Nov. 2022	2,620	2,652	3.8%
UUR	GRAND-ROUGE Joto	Joto-ku, Osaka-shi, Osaka	Jan. 2008	Dec. 2022	1,755	1,847	4.2%
JMF	JMF-Residence Osaka Noda	Fukushima-ku, Osaka-shi, Osaka	Aug. 2022	Dec. 2022	1,450	2,592	3.7%
NMF	RROUD FLAT Nezu Yanaka	Taito-ku, Tokyo	Jul. 2020	Jan. 2023	1,400	3,847	3.4%
KDR	KDX Residence Oyamadai	Setagaya-ku, Tokyo	Feb. 2022	Jan. 2023	3,205	3,942	3.7%
KDR	KDX Residence Asakusa	Taito-ku, Tokyo	Oct. 2021	Jan. 2023	932	4,081	3.5%
MRR	Artiza Mito Shiraume	Mito-shi, Ibaraki	Feb. 2022	Jan. 2023	707	1,232	5.0%
HFR	HF IMAIKE-MINAMI RESIDENCE	Chikusa-ku, Nagoya-shi, Aichi	Nov. 2006	Jan. 2023	860	1,600	3.9%

[Disposal] All 3 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/Tsubo)	Initial Acquisition Cost (Million yen)
CRR	COMFORIA NISHIOI (49% quasi co-ownership interest)	Shinagawa-ku, Tokyo	Jan. 2007	Dec. 2022	613	3,376	902
KDR	KDX Residence Higashi-sakura II	Higashi-ku, Nagoya-shi, Aichi	Mar. 2006	Dec. 2022	1,180	1,382	900
MRR	Artiza Tsuzuki Chuo koen (50% quasi co-ownership interest)	Tsuzuki-ku, Yokohama-shi, Kanagawa	Apr. 1989	Jan. 2023	665	1,019	1,050

Capitalization Rate (Urban) Retail

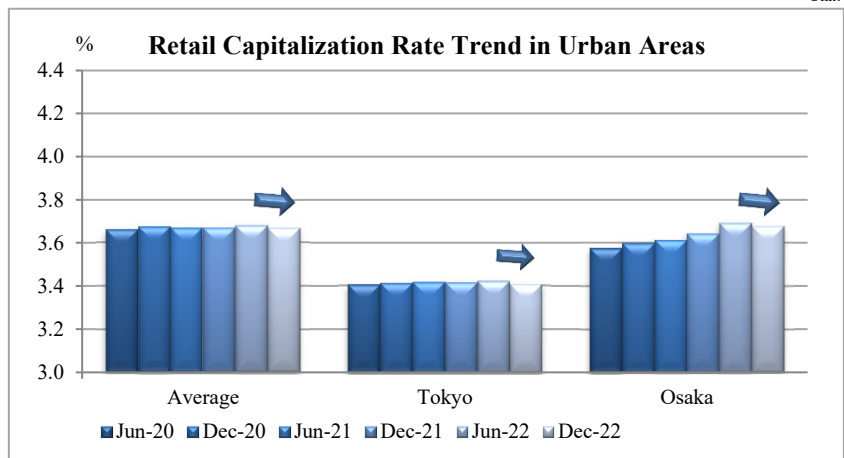
Decreased Slightly in All Areas

The capitalization rate for commercial buildings in urban areas decreased slightly in all areas, including Tokyo, Osaka, and the national average.

COVID-19's impact on the market has eased, as relaxation of mask-wearing protocols, considerations for changing infection risk levels, and the resumption of inbound travel have ushered in prospect of rising tenant sales and increased interest in property acquisition. However, concerns remain strong regarding rising inflation and financial policy changes, contributing to market uncertainty.

	Jun-20	Dec-20	Jun-21	Dec-21	Jun-22	Dec-22
Average	3.66	3.67	3.67	3.67	3.68	3.67
Tokyo	3.40	3.41	3.42	3.42	3.42	3.41
Osaka	3.58	3.60	3.61	3.64	3.69	3.68

Unit: %



Capitalization Rate (Suburb) Retail

Decreased Slightly in All Areas

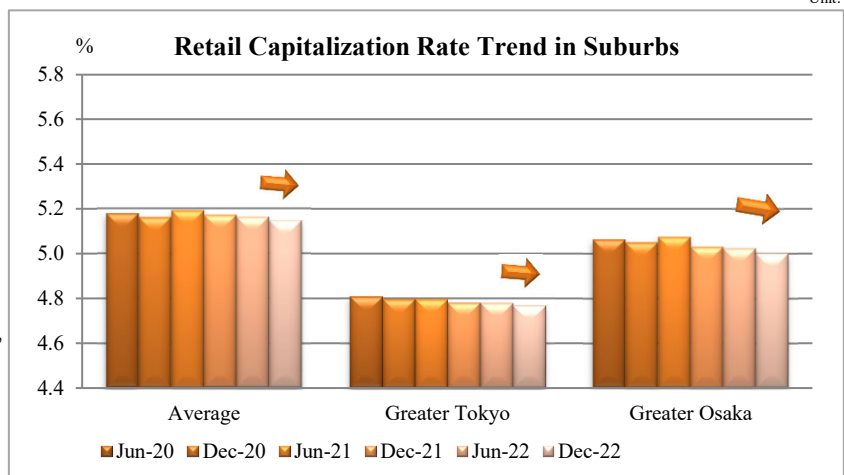
The capitalization rate for commercial buildings in suburban areas decreased slightly in all areas, including Tokyo, Osaka, and the national average.

Suburban commercial buildings have seen a continued decline for two consecutive terms. Neighborhood Shopping Centers (NSC), which are close with everyday life, continue to be valued highly.

While retailers in NSC initially benefited from "stay-at-home demand" during the COVID-19 pandemic, conditions have stabilized. However, a cautious outlook is advisable as many factors can still impact the overall real estate market.

	Jun-20	Dec-20	Jun-21	Dec-21	Jun-22	Dec-22
Average	5.18	5.16	5.19	5.17	5.16	5.15
Greater Tokyo	4.81	4.80	4.80	4.78	4.78	4.77
Greater Osaka	5.06	5.05	5.08	5.03	5.02	5.00

Unit: %



Contract Rent Retail

Contract Rents is on Downward Trend

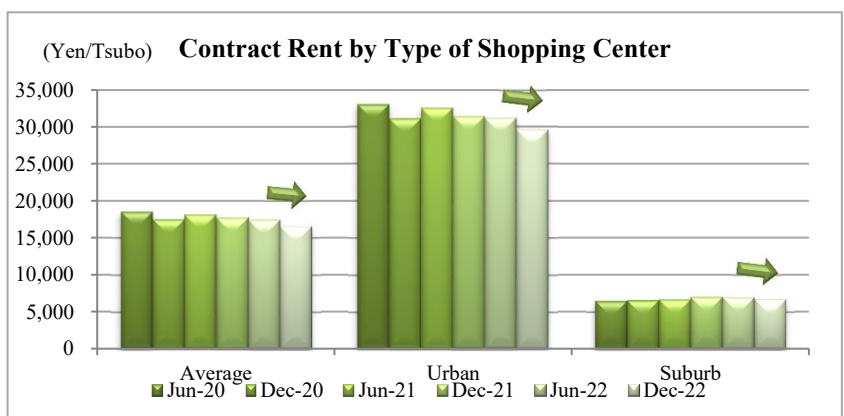
During this term, contract rents declined in all areas, including the national average, urban areas and in suburban areas.

Contract rent decreases were observed for two consecutive terms, with a national average decrease of 5.1%, urban decrease of 5.2%, and suburban decrease of 3.9% compared to the previous term.

While the COVID-19 situation is gradually improving, rent recovery is lagging slightly behind the market.

	Jun-20	Dec-20	Jun-21	Dec-21	Jun-22	Dec-22
Average	18,482	17,513	18,106	17,703	17,415	16,535
Urban	32,949	31,060	32,480	31,352	31,150	29,535
Suburb	6,488	6,584	6,701	7,039	6,981	6,707

Unit : yen/Tsubo, Monthly



Number of Acquisitions Increased Approximately 6 Properties Compared to Previous Period



Source: "Starts Proceed Investment Corporation" HP

Acquisition① Shinozaki Twin Place (Left)

Location: 7-20-19, Shinozakimachi, Edogawa-ku, Tokyo
Nearest Station: "Shinozaki" Station (Toei Shinjuku Line)

Floor Area: (Block No.20) 3,371.10 m²
(Block No.21) 505.99 m²

Construction Date: (Block No.20):Mar. 2008
(Block No.21):Apr. 2008

Main Use: Retailer

Acquisition②

H-CUBE MINAMIAOYAMA II (Right)

Location: 5-5-1, Minamiaoyama, Minato-ku, Tokyo
Nearest Station: "Omotesando" Station (Tokyo Metro)

Floor Area: 448.41 m²

Construction Date: Dec. 2021

Main Use: Retailer



Source: "Hankyu Hanshin REIT, Inc." HP

[Acquisition] 8 properties out of all 11 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/tsubo)	CR (%)
SPI	Shinozaki Twin Place	Edogawa-ku, Tokyo	Mar. 2008	Nov. 2022	1,500	1,274	4.8%
HHR	H-CUBE KITAAOYAMA	Minato-ku, Tokyo	Feb. 2021	Dec. 2022	1,410	12,760	3.1%
HHR	H-CUBE MINAMIAOYAMA II	Minato-ku, Tokyo	Dec. 2021	Dec. 2022	3,468	27,385	3.1%
JPR	FUNDES Tenjin Nishidori	Chuo-ku, Fukuoka-shi, Fukuoka	Mar. 2022	Jan. 2023	3,310	11,257	3.5%
MRR	MRR Chitose	Chitose-shi, Hokkaido	Aug. 2019	Jan. 2023	471	1,097	5.1%
MRR	MRR Iwamizawa	Iwamizawa-shi, Hokkaido	Oct. 2018 Sep. 2019	Jan. 2023	572	954	5.1%
MRR	MRR Hakodate	Hakodate-shi, Hokkaido	Sep. 2018	Jan. 2023	390	970	4.9%
MRR	MRR Ebetsu	Ebetsu-shi, Hokkaido	Jun. 2018 Jul. 2018	Jan. 2023	649	986	5.1%

[Disposal] All 2 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/tsubo)	Initial Acquisition Cost (Million yen)
JPR	JPR Umeda Loft Bldg. (30% quasi co-ownership interest)	Kita-ku, Osaka-shi, Osaka	Apr. 1990	Dec. 2022	5,250	2,490	3,900
FRI	Ito-Yokado Higashi-Yamato (20% quasi co-ownership interest)	Higashiyamato-shi, Tokyo	Nov. 2003	Dec. 2022	1,900	588	2,320

Capitalization Rate *Logistics*

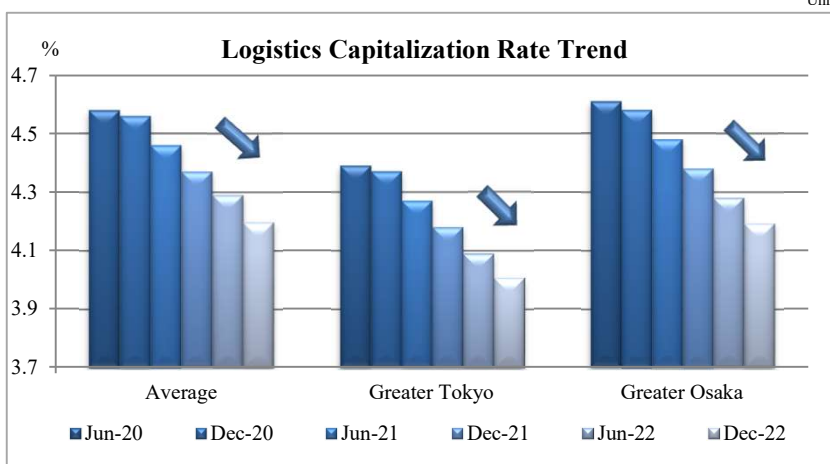
Still on a Downward Trend, Nationwide

The capitalization rate was on a downward trend nationwide.

Average national capitalization rate in December 2022 was 4.20%, while in Greater Tokyo it was 4.01% and 4.19% in Greater Osaka. In all areas, the depreciation rate in December 2022 remained stable in comparison with the previous period.

	Jun-20	Dec-20	Jun-21	Dec-21	Jun-22	Dec-22
Average	4.58	4.56	4.46	4.37	4.29	4.20
Greater Tokyo	4.39	4.37	4.27	4.18	4.09	4.01
Greater Osaka	4.61	4.58	4.48	4.38	4.28	4.19

Unit: %



Book Value at Fiscal Year End *Logistics*

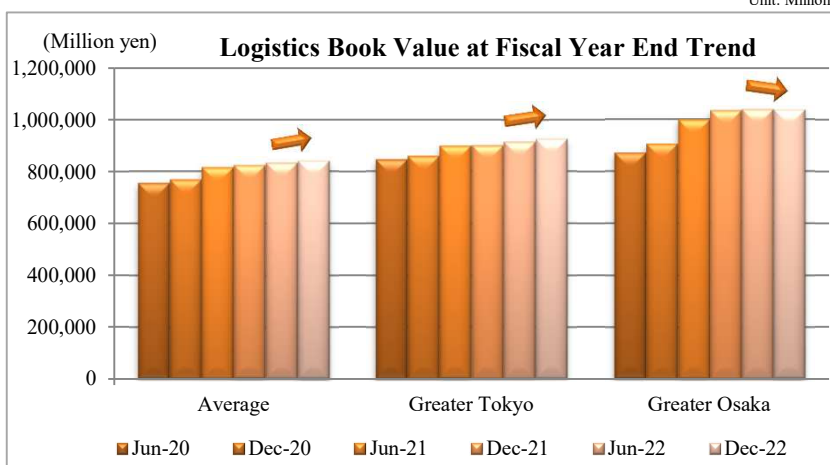
Still on an Upward Trend Nationwide

This table indicates trends in the book value at the end of the fiscal year for logistics facilities.

As capitalization rates have declined, the book value of logistics facilities has been increasing at the end of the period. Since June 2020, the book value at year-end has increased and has been rising steadily. During the period ending in December 2022, the national average and Greater Tokyo increased, but Greater Osaka declined in book value.

	Jun-20	Dec-20	Jun-21	Dec-21	Jun-22	Dec-22
Average	754,830	768,378	815,037	823,824	832,696	839,513
Greater Tokyo	845,126	858,636	898,429	899,414	913,348	924,154
Greater Osaka	871,596	906,149	998,893	1,033,727	1,037,725	1,036,325

Unit: Million yen

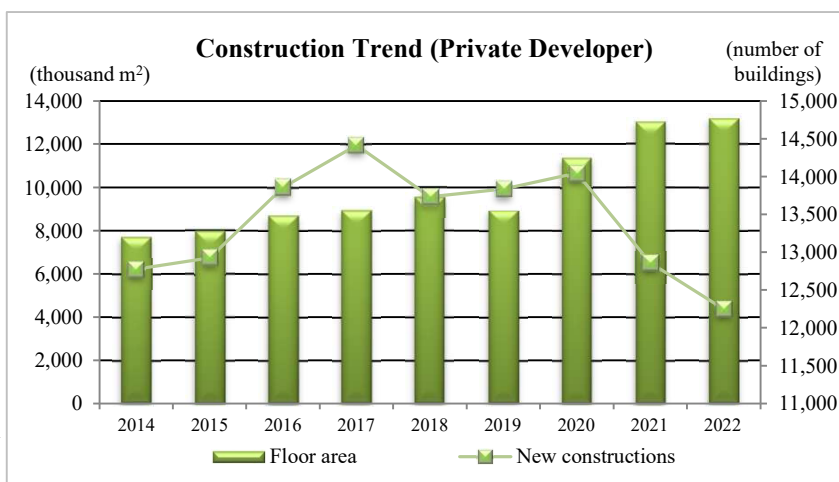


Construction Trend *Logistics*

Although the Number of New Constructions Decreased, Floor Area Increased

According to "Building Starts Statistical Survey" (Jan. 2022 - Dec. 2022), issued by the Ministry of Land, Infrastructure, Transport and Tourism, the number of new constructions in 2022 was 12,248, decreasing statistics for 2021. On the other hand, floor area increased to 13,191 thousand square meters.

New developments have been increasing, and the price for construction is also increasing.



Building construction starts

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total floor area (thousand m ²)	7,709	7,955	8,693	8,943	9,555	8,956	11,348	13,025	13,191
Number of buildings	12,775	12,925	13,856	14,416	13,732	13,832	14,044	12,861	12,248

Source: Ministry of Land, Infrastructure, Transport and Tourism "Building starts statistical survey"

Acquisition: 15 Properties

1 property in Kanto area, 1 property in Knasai area



Source: "GLP J-REIT"HP

Acquisition① GLP Kitamoto (Left)Location: 6-320-1, Shimoishito, Kitamoto-shi, Saitama
Nearest I.C.: "Okegawakano" I.C.

Structure/ Floor: S/4F

Floor Area: 50,488.55 m²

Construction Date: May 2021

Transaction Date: Nov. 1, 2022

Sales Price: 15,649 million yen

NRV: 1,077 thousand yen/tsubo

CR: 3.6%

Acquisition② GLP Amagasaki III (Right)Location: 6-79-1, Doi-cho, Amagasaki-shi, Hyogo
Nearest I.C.: "Amagasaki Nishi" I.C.

Structure/ Floor: S/4F

Floor Area: 17,256.41 m²

Construction Date: May 2021

Transaction Date: Nov. 1, 2022

Sales Price: 6,665 million yen

NRV: 1,350 thousand yen/tsubo

CR: 3.5%



Source: "GLP J-REIT"HP

[Acquisition] 10 properties out of All 15 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (thousand yen/tsubo)	CR (%)
NPR	Prologis Park Inagawa 1	Kawabe-gun, Hyogo	Oct. 2021	Dec. 2022	27,900	953	4.3%
GLP	GLP Joso	Joso-shi, Ibaraki	Jul. 2021	Nov. 2022	16,350	925	3.8%
GLP	GLP Kitamoto	Kitamoto-shi, Saitama	May 2021	Nov. 2022	15,649	1,077	3.6%
GLP	GLP Zama (Additional)	Zama-shi, Kanagawa	Jun. 2015	Nov. 2022	13,460	1,338	3.6%
NPR	Prologis Park Kobe 3	Nishi-ku, Kobe-shi, Hyogo	May 2022	Dec. 2022	9,580	835	4.3%
SLR	SOSiLA Amagasaki (Additional)	Amagasaki-shi, Hyogo	Jun. 2021	Dec. 2022	6,830	1,222	3.8%
GLP	GLP Amagasaki III	Amagasaki-shi, Hyogo	May 2021	Nov. 2022	6,665	1,350	3.5%
NPR	Prologis Park Ogori	Ogori-shi, Fukuoka	May 2022	Dec. 2022	5,920	751	4.4%
GLP	GLP Yasu	Yasu-shi, Shiga	Mar. 2021	Nov. 2022	5,820	947	4.1%
GLP	GLP Suzuka	Suzuka-shi, Mie	Aug. 2008	Nov. 2022	5,030	696	4.4%

[Disposal] All 1 property

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/Tsubo)	Initial Acquisition Cost (Million yen)
GLP	GLP Fukaya	Fukaya-shi, Saitama	Jan. 1991	Dec. 2022	4,100	550	2,380

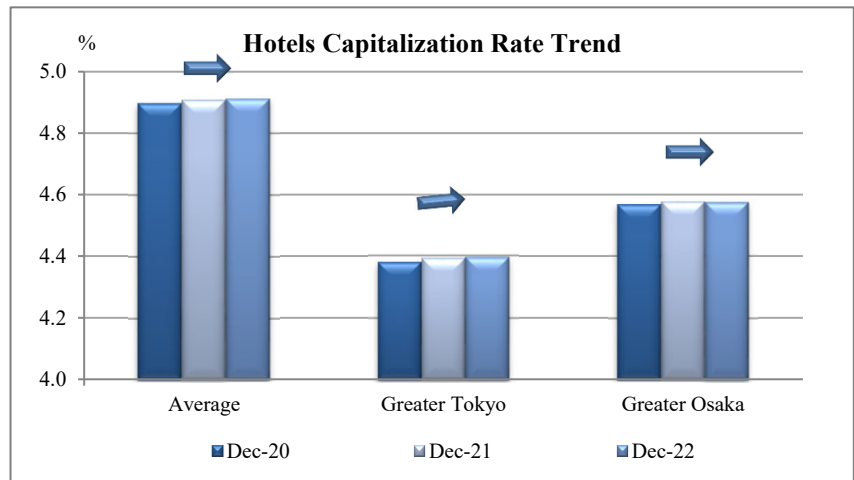
Capitalization Rate *Hotel*

Generally Leveling Off

Due to the spread of COVID-19 infection, transactions in the market stagnated, and the capitalization rate generally leveled off. However, the market environment for hotels is improving due to the recovery of domestic leisure travel demand and the number of foreign visitors to Japan. Key Performance Indicators, such as occupancy rate, ADR and RevPAR, showed a trend of gradual recovery. Further improvement is expected following a full-fledged recovery in inbound tourism.

	Dec-20	Dec-21	Dec-22
Average	4.90	4.91	4.91
Greater Tokyo	4.38	4.39	4.40
Greater Osaka	4.57	4.58	4.57

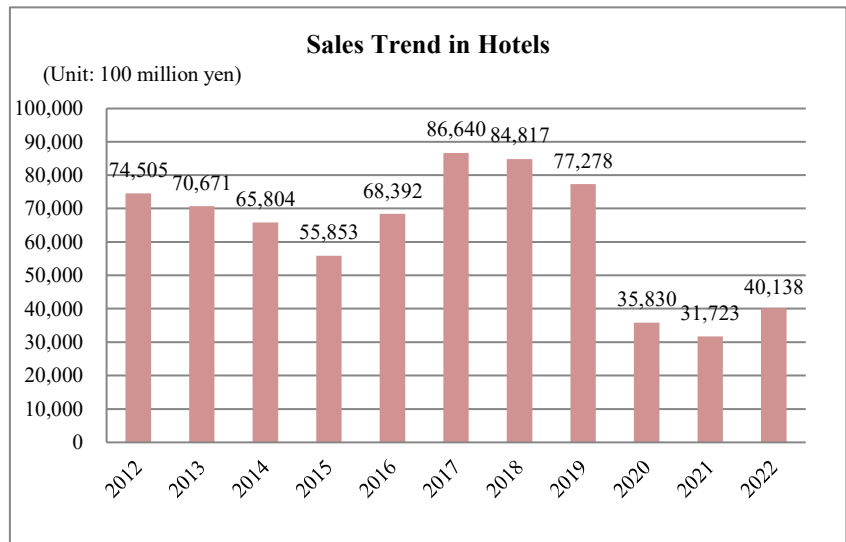
Unit: %



Hotel Sales *Hotel*

Need to Monitor the Future Trend

As of October 11, 2022, border restrictions have been eased. Measures requiring a receiving organization for Entrants, Returnees Follow-up System have been removed, the limitation on the number of entries has been lifted, and new entries for tourists and individual travelers are permitted. Accommodation sales was 4,013.8 billion yen in 2022 (+27% year-on-year) and showed a sign of recovery. Future predictions for the accommodation industry are for a full recovery due to recovering inbound tourism and government efforts to revive the tourism industry.

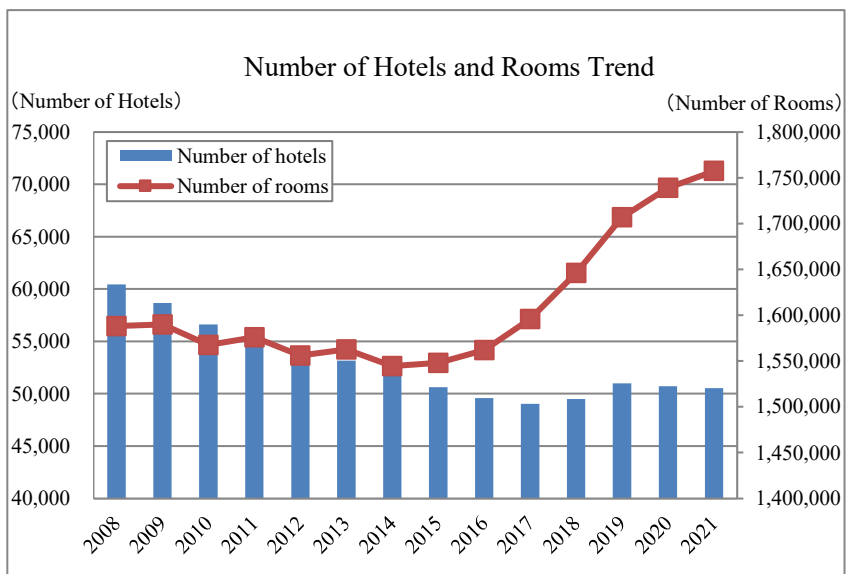


Source: Policy Research Institute, Ministry of Finance Japan

Number of Hotels and Rooms *Hotel*

A Decline of Plans for New Construction

The number of hotels and Japanese-style inns is in a downward trend due to the decreasing of numbers of inns. Although it has been leveling off recently, the number decreased by approximately 0.4% in 2021 year-on-year. The number of guest rooms has been rising since 2014. There were 1,739,124 rooms in 2020 (+1.9% year-on-year) and 1,757,557 rooms in 2021 (+1.1% year-on-year). However, due to the COVID-19 pandemic new construction plans decreased by half from 2019, when construction plans peaked. 365 facilities were scheduled to be built nationwide, of which 71 were located in Tokyo and 65 in the Kinki area, with a total of 57,216 rooms. However, it is assumed that many hotels and Japanese-style inns will go out of business. Future supply trends will require careful monitoring.



Source: Ministry of Health "Report on Public Health Administration and Services"

Acquisition: 6 Properties/ Disposal: 3 Properties

- Hoshino Resorts REIT, Inc. acquired 1 property (2,050 million yen)
- Japam Hotel REIT Investment Corporation acquired 1 property (2,050 million yen)
- Invincible Investment Corporation acquired 1 property (22 million yen)
- Ichigo Hotel REIT Investment Corporation acquired 1 property (2,200 million yen)
- Activia Properties Inc. acquired 1 property (14,300 million yen)
- marimo Regional Revitalization REIT, Inc. acquired 1 property (1,750 million yen)
- Ooedo Onsen Reit Investment Corporation disposed 2 properties (3,777 million yen)
- Takara Leben Real Estate Investment Corporation disposed 1 property (2,200 million yen)



Source: "Hoshino Resorts REIT, Inc." HP

Acquisition① Comfort Hotel Takamatsu (Left)

Location: 2-10, Nakajin-cho, Takamatsu-shi, Kagawa
 Floor Area: 4,291.09 m²
 Construction Date: Jan. 2022
 Planned operator: GREENS Co., LTD.
 Hotel Type: Limited Service
 Hotel Grade: Mid-price
 Number of Rooms: 163

Acquisition② UAN kanazawa (Right)

Location: 6-30, Oyama-machi, Kanazawa-shi, Ishikawa
 Floor Area: 2,606.85 m²
 Construction Date: Sep. 2017
 Operator: Solare Hotels and Resorts Co., Ltd.
 Hotel Type: Limited Service
 Hotel Grade: Upper-middle
 Number of Rooms: 47



Source: "Japan Hotel REIT Investment Corporation" HP

[Acquisition] 5 properties out of all 6 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/Tsubo)	CR (%)
HRR	Comfort Hotel Takamatsu	Takamatsu-shi, Kagawa	Jan. 2022	Nov. 2022	2,050	1,579	5.3%
JHR	UAN kanazawa	Kanazawa-shi, Ishikawa	Sep. 2017	Jan. 2023	2,050	2,365	4.6%
IHR	Hotel Sunshine Utsunomiya	Utsunomiya-shi, Tochigi	Feb. 1991	Sep. 2022	2,200	1,381	4.9%
API	A-FLAG NISHI SHINSAIBASHI	Chuo-ku, Osaka-shi, Osaka	Mar. 2022	Jan. 2023	14,300	3,455	4.0%
MRR	Hotel Wing International Hida-Takayama	Takayama-shi, Gifu	Dec. 2020	Jan. 2023	1,750	1,709	5.7%

[Disposal] All 3 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/Tsubo)	Difference from Acquisition Cost (Million yen)
SPA	Ooedo-Onsen Monogatari Kamoshika-so	Nasushiobara-shi, Tochigi	Feb. 1996	Nov. 2022	1,260	700	95
SPA	Ooedo-Onsen Monogatari Kinosaki	Toyooka-shi, Hyogo	Oct. 1968	Feb. 2023	2,517	785	437
TLR	Hotel Sunshine Utsunomiya	Utsunomiya-shi, Tochigi	Feb. 1991	Sep. 2022	2,200	1,381	69

Capitalization Rate *HealthCare*

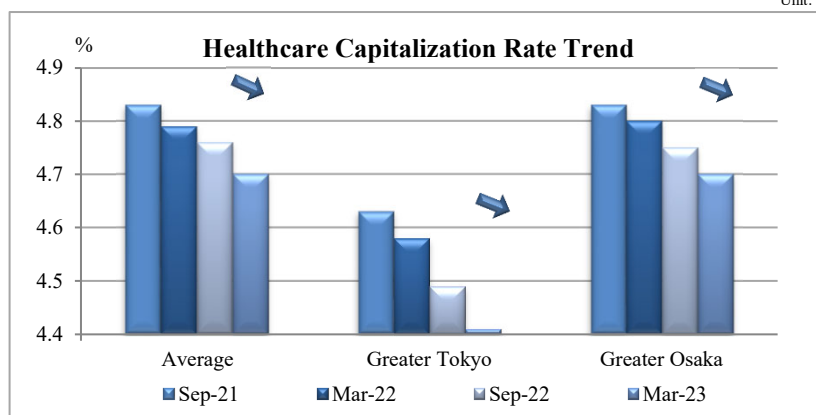
Decrease From the Previous Period

Demand for investment in healthcare assets had remained high, due to new healthcare-specialized REITs in 2014 and 2015 being listed on the stock market. The capitalization rate had been on a downward trend in all categories such as national average, Greater Tokyo and Greater Osaka.

After 2020, the CAP rate decline was temporarily halted in response to the COVID-19 pandemic. However, in this period, the CAP rate decreased by 0.08 points in Greater Tokyo, 0.06 points in the national average, and 0.05 points in Greater Osaka, declined for three consecutive quarters.

	Sep-21	Mar-22	Sep-22	Mar-23
Average	4.83	4.79	4.76	4.70
Greater Tokyo	4.63	4.58	4.49	4.41
Greater Osaka	4.83	4.80	4.75	4.70

Unit: %

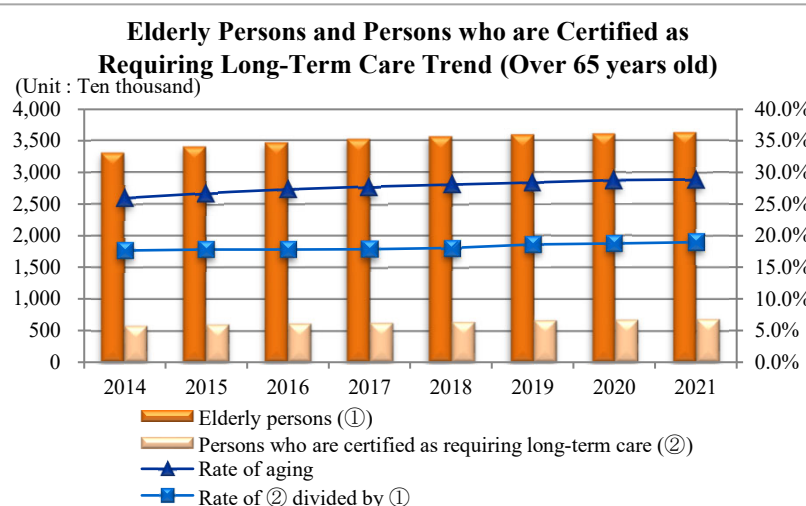


Elderly Persons and Persons who are Certified as Requiring Long-Term Care *HealthCare*

The Number Increases Steadily

The number of elderly persons and persons who are certified as requiring long-term care has been increasing yearly by approximately 0.10 million to 0.90 million and 0.10 million to 0.30 million, respectively; the former increased by 0.19 million and the latter by 0.12 million in 2021 year-on-year.

The increasing trend of elderly persons and persons who are certified as requiring long-term care is expected to continue, due to the increase of the average life span, the decrease of birth rate, and others.



①&② Unit: ten thousand

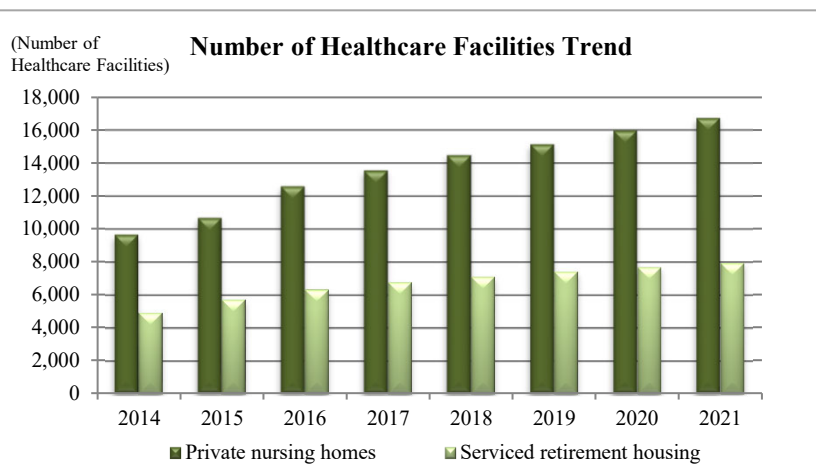
	2014	2015	2016	2017	2018	2019	2020	2021
Elderly persons (①)	3,300	3,392	3,459	3,515	3,558	3,589	3,602	3,621
Persons who are certified as requiring long-term care (②)	583	603	615	627	642	667	676	688
Rate of aging	26.0%	26.7%	27.3%	27.7%	28.1%	28.4%	28.8%	28.9%
Rate of ② divided by ①	17.7%	17.8%	17.8%	17.8%	18.0%	18.6%	18.8%	19.0%

Source: Cabinet Office "Annual Report on the Aging Society", Ministry of Health, Labour and Welfare "Long-term care insurance business report"

Healthcare Facilities *HealthCare*

More Healthcare Facilities Due to Demand

The number of elderly persons and persons who are certified as requiring long-term care is increasing as seen above. The demand for private nursing homes and serviced retirement housing is also rising as follows; in 2021, the number of private nursing homes increased by 768 and that of serviced retirement housing by 259 year-on-year.



	2014	2015	2016	2017	2018	2019	2020	2021
Private nursing homes	9,632	10,651	12,570	13,525	14,454	15,134	15,956	16,724
Serviced retirement housing	4,932	5,734	6,342	6,786	7,107	7,425	7,697	7,956

Source: Ministry of Health, Labour and Welfare "Survey of social welfare facilities etc" and "Serviced Residence Directory"

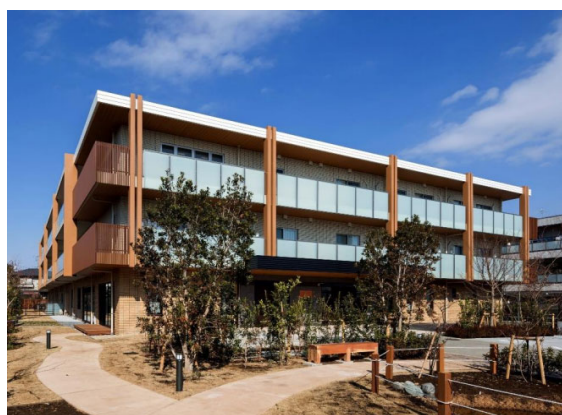
Acquisition: 10 Properties in This Period

Acquisition① Hanakotoba Oppama (Right)

Location: 1-1-11, Oppama-cho, Yokosuka-shi, Kanagawa
 Nearest Station: A 10-minute walk from
 "Keikyu Taura" Station
 (Keikyu Line)
 Floor Area: 1,899.46 m²
 Construction Date: Jul. 2011



Source: "Healthcare & Medical Investment Corporation"HP



Acquisition② Nichii Home Hachimanyama (Left)

Location: 1-19-18, Hachimanyama, Setagaya-ku, Tokyo
 Nearest Station: A 12-minute walk from
 "Kami-kitazawa" Station (Keio Line)
 Floor Area: 2,739.47 m²
 Construction Date: Jan. 2018

Source: "Kenedix Residential NEXT Investment Corporation"HP

[Acquisition] All 10 properties

REIT	Name of Property	Location	Construction Date	Transaction Date	Sales Price (Million yen)	@NRV (Thousand yen/Tsubo)	CR (%)
HCM	Hanakotoba Oppama	Yokosuka-shi, Kanagawa	Jul. 2011	Nov. 2022	500	870	4.4%
KDR	Nichii Home Hachimanyama	Setagaya-ku, Tokyo	Jan. 2018	Dec. 2022	2,065	2,492	3.8%
KDR	Life ship Oasa	Ebetsu-shi, Hokkaido	Oct. 2015	Dec. 2022	1,088	1,056	5.3%
KDR	Life ship Yunokawa	Hakodate-shi, Hokkaido	Feb. 2015	Dec. 2022	1,020	988	5.4%
KDR	Life ship Fukagawa	Fukagawa-shi, Hokkaido	Oct. 2014	Dec. 2022	758	737	5.7%
KDR	Sunny Life Tachikawa	Tachikawa-shi, Tokyo	Jan. 2023	Mar. 2023	1,850	1,768	4.0%
KDR	Rehabili-home Bon Sejour Minamisenzoku	Ota-ku, Tokyo	Dec. 2006	Mar. 2023	1,470	2,455	3.5%
DLI	Sunny Life Shibaura	Minato-ku, Tokyo	Apr. 2020	Oct. 2022	6,280	3,052	3.8%
HLC	Charm Premier Den-en-Chofu	Setagaya-ku, Tokyo	Feb. 2018	Mar. 2023	2,550	4,249	3.7%
HLC	Sonare Shakujii	Nerima-ku, Tokyo	Oct. 2018	Mar. 2023	2,400	3,456	3.8%

---Aspire to be a total property consulting firm---

Revenue of Appraisal firms in Japan

(Between January 1 to December 31 of each year)

2020		2021		2022	
Company's name	Revenue (Thousand yen)	Company's name	Revenue (Thousand yen)	Company's name	Revenue (Thousand yen)
Daiwa Real Estate Appraisal	4,175,869	Daiwa Real Estate Appraisal	4,503,502	Daiwa Real Estate Appraisal	4,626,002
Japan Real Estate Institute	9,595,772	Japan Real Estate Institute	9,156,350	Japan Real Estate Institute	9,687,733
Tanizawa Sogo Appraisal	2,978,320	Tanizawa Sogo Appraisal	2,983,364	Tanizawa Sogo Appraisal	3,233,486
MU Real Estate Appraisal	2,045,124	MU Real Estate Appraisal	1,953,044	MU Real Estate Appraisal	1,843,643
SMBC Real Estate Appraisal Services	1,485,134	CBRE	1,562,326	JLL Morii Valuation & Advisory	1,766,435
CBRE	1,289,311	SMBC Real Estate Appraisal Services	1,438,092	CBRE	1,665,409
JLL Morii Valuation & Advisory	1,144,864	JLL Morii Valuation & Advisory	1,400,344	SMBC Real Estate Appraisal Services	1,376,740
Sanyu Appraisal	1,053,983	Sanyu Appraisal	1,127,162	Sanyu Appraisal	1,242,329
TOKYO KANTEI	692,131	TOKYO KANTEI	762,551	TOKYO KANTEI	989,446
Chuo Real Estate Appraisal	614,745	COSMO SYSTEM	712,208	COSMO SYSTEM	745,263

Number of Appraisers

(As of January 1 of each year)

2020		2021		2022	
Company's name	Number of Appraisers	Company's name	Number of Appraisers	Company's name	Number of Appraisers
Daiwa Real Estate Appraisal	118	Daiwa Real Estate Appraisal	124	Daiwa Real Estate Appraisal	123
Japan Real Estate Institute	274	Japan Real Estate Institute	275	Japan Real Estate Institute	269
Tanizawa Sogo Appraisal	78	Tanizawa Sogo Appraisal	84	Tanizawa Sogo Appraisal	80
JLL Morii Valuation & Advisory	38	JLL Morii Valuation & Advisory	42	JLL Morii Valuation & Advisory	49
Sanyu Appraisal	29	Chuo-Nittochi Solutions	28	Sanyu Appraisal	26
Chuo Real Estate Appraisal	24	Sanyu Appraisal	26	CBRE	25
CBRE	22	Mitsubishi UFJ Trust Bank	24	Chuo-Nittochi Solutions	24
TOKYO KANTEI	21	CBRE	23	TOKYO KANTEI	24
Japan Valuers	21	TOKYO KANTEI	23	Japan Valuers	22
Mitsubishi UFJ Trust Bank	21	Chuo Real Estate Appraisal	21	Mitsubishi UFJ Trust Bank	21
Nihon Land Building	18	Japan Valuers	21	Chuo Real Estate Appraisal	20

---Major share in real estate securitization market---

Performance of J-REITs' Appraisal by Types of Assets and Appraisal Firms

(As of March 1, 2023)

(1) Number of Appraisals

Appraisal Firms Types	Japan Real Estate Institute	DAIWA REAL ESTATE APPRAISAL	Tanizawa Sogo Appraisal	JLL Morii Valuation & Advisory	Japan Valuers	Chuo Real Estate Appraisal	CBRE	Rich Appraisal Institute	Others	Total
Office	301	367	159	30	43	41	4	11	85	1,041
Residence	578	442	291	249	132	156	1	24	81	1,954
Retail	198	87	98	7	30	6	29	1	9	465
Hotel	104	57	50	31	35	2	2	25	10	316
Elderly Housing & Facilities	56	45	50	5		1		6		163
Logistics	158	32	202	36	11		41		17	497
Leased Fee Interests	47	24	60	19	3	2	6	1		162
Parking Lot		1								1
Others	31	5	4	3		1	8		100	152
Total	1,473	1,060	914	380	254	209	91	68	302	4,751

(2) Book Value of Appraised Assets

Unit: Million yen

Appraisal Firms Types	Japan Real Estate Institute	DAIWA REAL ESTATE APPRAISAL	Tanizawa Sogo Appraisal	JLL Morii Valuation & Advisory	Japan Valuers	Chuo Real Estate Appraisal	CBRE	Rich Appraisal Institute	Others	Total
Office	3,048,313	4,135,103	1,140,942	371,010	277,682	414,599	35,620	177,680	405,520	10,006,469
Residence	1,353,854	850,083	570,450	555,417	144,410	276,517	10,300	35,822	128,829	3,925,682
Retail	1,569,285	493,174	715,809	32,296	155,380	16,640	334,370	8,750	46,197	3,371,901
Hotel	775,761	245,907	263,331	122,264	105,435	5,120	54,393	126,411	38,334	1,736,956
Elderly Housing & Facilities	128,768	79,795	88,375	6,778		437		6,030		310,183
Logistics	1,630,767	215,995	1,880,274	436,080	134,900		504,480		354,460	5,156,956
Leased Fee Interests	189,759	174,390	157,173	91,486	2,152	7,360	18,000	10,300		650,620
Parking Lot		10,300								10,300
Others	173,826	16,300	82,240	1,138		5,590	82,560		25,788	387,442
Total	8,870,333 34.7%	6,221,047 24.3%	4,898,594 19.2%	1,616,469 6.3%	819,959 3.2%	726,263 2.8%	1,039,723 4.1%	364,993 1.4%	999,128 3.9%	25,556,509 100.0%

Abbreviations and formulas used in J-REIT report are as follows.

Capitalization Rate It is the average capitalization rate of each area announced by investment corporations on their account settlements.	NBF Nippon Building Fund Inc.	ONE One REIT, Inc.
	JRE Japan Real Estate Investment Corporation	ARI AEON REIT Investment Corporation
	JMF Japan Metropolitan Fund Investment Corporation	HLC Hulic Reit, Inc.
	OJR ORIX JREIT Inc.	NRT NIPPON REIT Investment Corporation
Occupancy Rate It is the average occupancy rate of each area at the end of terms announced by investment corporations on their settlements.	JPR Japan Prime Realty Investment Corporation	TSR Tosei Reit Investment Corporation
	NUD NTT UD REIT Investment Corporation	SHR Sekisui House Reit, Inc.
	TRE TOKYU REIT, Inc.	KRR Kenedix Retail REIT Corporation
Contract Rent It is the average income from real estate which is divided by floor area.	GOR Global One Real Estate Investment Corporation	SRR Samty Residential Investment Corporation
	UUR United Urban Investment Corporation	HCM Healthcare & Medical Investment Corporation
	MTR MORI TRUST Reit, Inc.	NMF Nomura Real Estate Master Fund, Inc.
NRV Abbreviation for Net Rentable Value It is the unit price per tsubo for the rentable area.	INV Invincible Investment Corporation	LLR LaSalle LOGIPORT REIT
	FRI Frontier Real Estate Investment Corporation	IHR Ichigo Hotel REIT Investment Corporation
	HFR HEIWA REAL ESTATE REIT, Inc.	SAR Star Asia Investment Corporation
CR Abbreviation for Capitalization Rate Capitalization Rate is shown. The values are from when the acquisition was published, thus may not be same as the sales price etc.	JLF Japan Logistics Fund, Inc.	MIR MIRAI Corporation
	FRC Fukuoka REIT Corporation	MRR marimo Regional Revitalization REIT, Inc.
	KDO Kenedix Office Investment Corporation	MFL Mitsui Fudosan Logistics Park Inc.
	IOR Ichigo Office REIT Investment Corporation	SPA Oeodo Onsen Reit Investment Corporation
	DOI Daiwa Office Investment Corporation	MEL Mitsubishi Estate Logistics REIT Investment Corporation
	HHR Hankyu Hanshin REIT, Inc.	CRE CRE Logistics REIT, Inc.
	SPI Starts Proceed Investment Corporation	XYR XYMAXREIT Investment Corporation
	JHR Japan Hotel REIT Investment Corporation	TLR Takara Leben Real Estate Investment Corporation
	JEI Japan Excellent, Inc.	ADL Advance Logistics Investment Corporation
	NAF Nippon Accommodations Fund	EJR ESCON JAPAN REIT Investment Corporation
	MHR Mori Hills REIT Investment Corporation	SRE SANKEI REAL ESTATE Inc.
	IIF Industrial&Infrastructure Fund Investment Corporation	CRR Comforia Residential Reit, Inc.
	ADR Advance Residence Investment Corporation	NPR Nippon Prologis REIT, Inc.
	KDR Kenedix Residential NEXT Investment Corporation	HRR Hoshino Resorts REIT, Inc.
	API Activia Properties Inc.	SLR SOSiLA Logistics REIT, Inc.
	DHR Daiwa House REIT Investment Corporation	TRI Tokaido REIT, Inc.
	GLP GLP J-REIT	
	DLI Daiwa Securities Living Investment Corporation	
Major transactions are compiled by our company using data from the Tokyo Stock Exchange etc.		



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