

*This press release was distributed at the press conference of Ministry of Land, Infrastructure, Transport and Tourism.



Press Release

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For press—October 27, 2016

**Price of Grade-A Offices per tsubo in Central Tokyo
decrease by 6.2% year-on-year**
Grade-A offices increase by 8.1%, Grade-B offices decrease by 0.3% quarter-on quarter
'Office Price Index' in 3Q 2016 (Jul-Sep)
by Daiwa Real Estate Appraisal

Daiwa Real Estate Appraisal (Headquarters: Nishi-ku, Osaka/ President: Shigeki Yasugi) releases 'Office Price Index' in 3Q 2016 on October 27, 2016.

<Summary of 'Office Price Index #10', in 3Q 2016 (July -September)>

- The price of Grade-A offices in Central Tokyo is 8,170,000 yen/tsubo in 3Q 2016; it increased by 8.1% quarter-on-quarter (7,560,000 yen/tsubo in 2Q 2016), and decreased by 6.2% year-on-year (8,710,000 yen/tsubo in 3Q 2015).
- The price of Grade-B offices in Central Tokyo is 3,870,000 yen/tsubo in 3Q 2016; it decreased by 0.3% quarter-on-quarter (3,880,000 yen/tsubo in 2Q 2016), and increased by 6.0% year-on-year (3,650,000 yen/tsubo in 3Q 2015).
- The price of Grade-A offices (year-on-year) has decreased for two consecutive quarters since 2Q 2016. On the other hand, the price of Grade-B offices (year-on-year) has risen consecutively from 4Q 2012.

For further Information, please contact:

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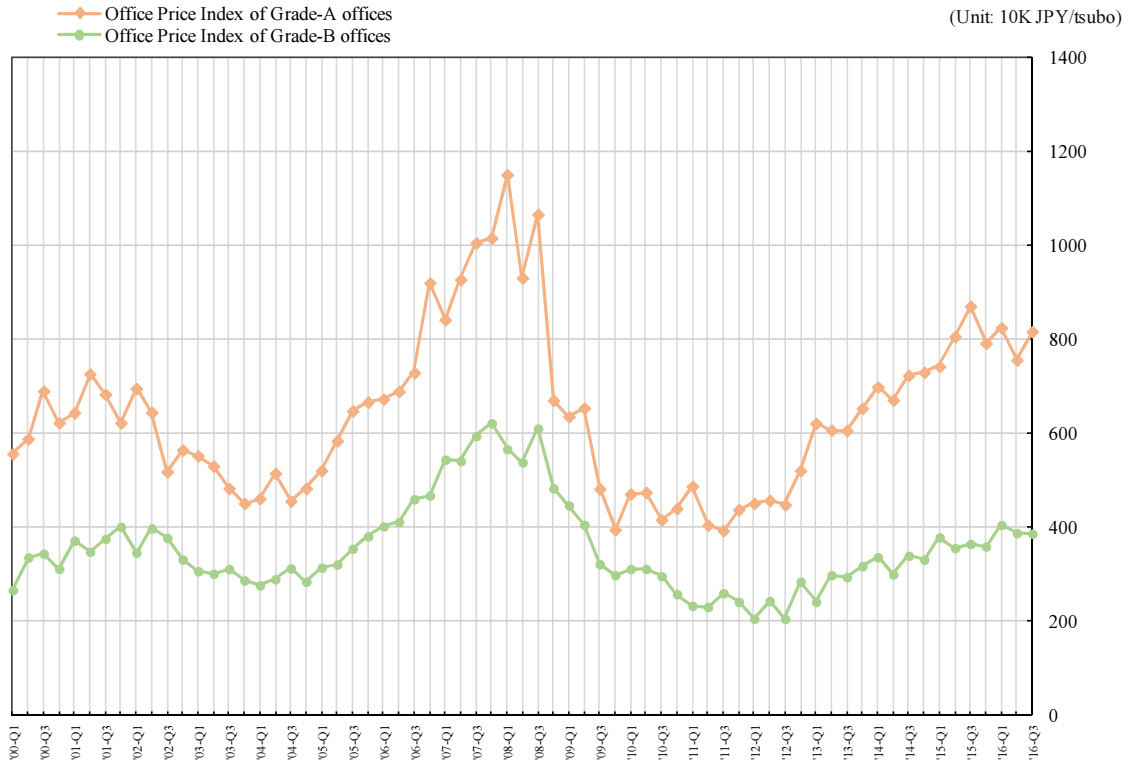
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‘Office Price Index’ in 3Q 2016

(Price per tsubo of Grade-A and -B offices in Central Tokyo from 1Q 2000 to 3Q 2016)



Office Price Index	'13Q3	'13Q4	'14Q1	'14Q2	'14Q3	'14Q4	'15Q1	'15Q2	'15Q3	'15Q4	'16Q1	'16Q2	'16Q3
Grade-A offices in Central Tokyo	606	654	699	671	723	730	743	806	871	792	825	756	817
Grade-B offices in Central Tokyo	294	317	336	300	340	331	379	356	365	359	405	388	387

(Unit: 10K JPY/tsubo)

● **Methodology of ‘Office Price Index’**

‘Office Price Index’ is generated based on the income capitalization approach (direct income capitalization method: annual net cash flow is capitalized by cap rate.)

To estimate gross income, the rent is adopted from ‘Office Rent Index’ Grade-A and Grade-B offices in Central Tokyo (data from Sanko Estate·NLI Research Institute).

Expenses are estimated by Daiwa Real Estate Appraisal.

● **‘Office Rent Index’**

The ‘Office Rent Index’ is the rent index based on contract rents jointly developed by Sanko Estate and NLI Research Institute. The ‘Office Rent Index’ has been published quarterly since January 2011. A press release and published data of the current ‘Office Rent Index’ can be seen from the following URL.

<http://www.sanko-e.co.jp>

●Definition of ‘Grade-A and -B office in Central Tokyo’

The definition of the ‘Grade-A and -B office in Central Tokyo’ in the ‘Office Price Index’ is the same as the one by Sanko Estate·NLI Research Institute.

‘Grade-A office’

Standard floor area: 600 tsubo

Floor above the ground: 35 floors

Age of building: 12 years

Distance from the nearest station: 3minutes’walk

‘Grade-B office’

Standard floor area: 450 tsubo

Floor above the ground: 18 floors

Age of building: 16 years

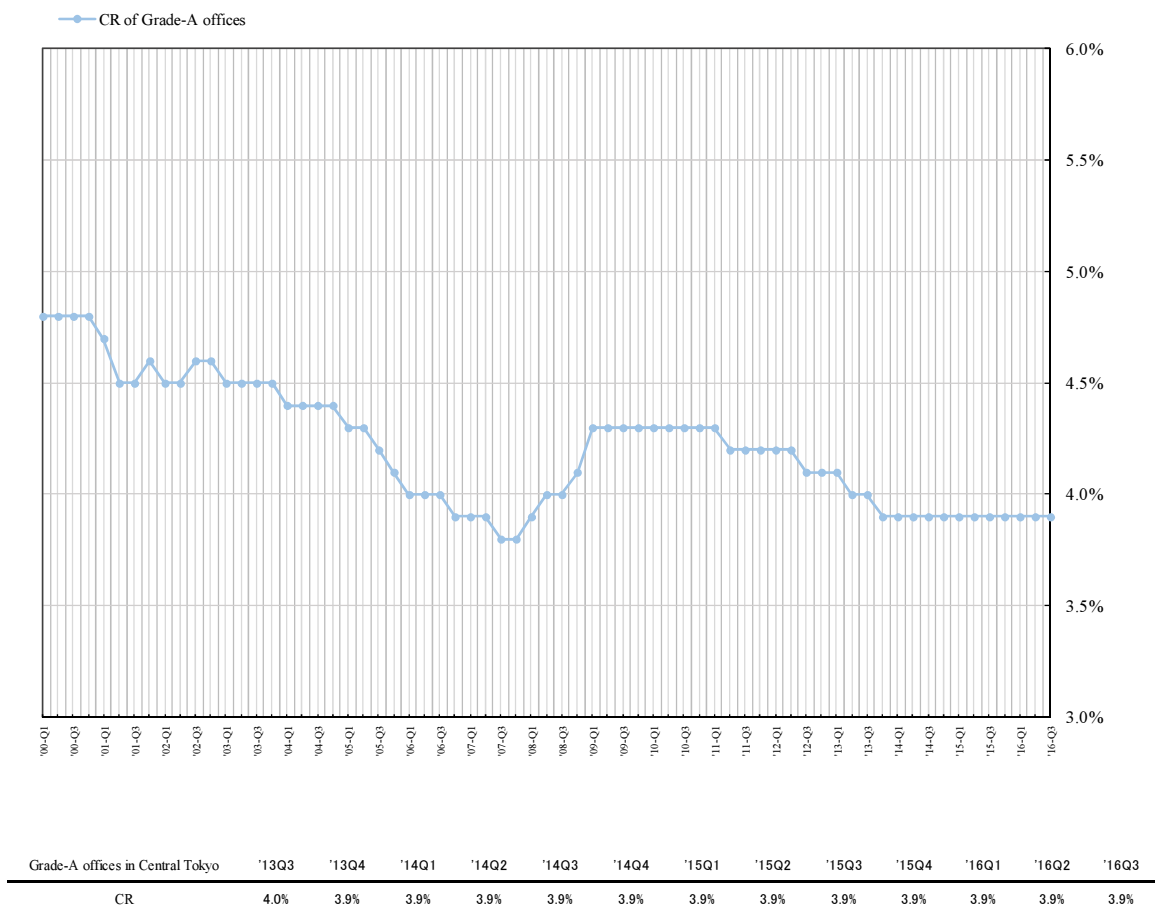
Distance from the nearest station: 3minutes’walk

‘Central Tokyo’

Tokyo Central 5 Wards and major business districts in surrounding areas

●Transition of ‘Capitalization Rate (Cap rate)’

The ‘Office Price Index’ is generated based on the income capitalization approach. Cap rate which is used to capitalize annual Net Cash Flow is seen in the graph below.



About DAIWA REAL ESTATE APPRAISAL

DAIWA REAL ESTATE APPRAISAL CO., LTD is an all-around consulting firm related to real estate with many license holders including licensed real estate appraisers and first-class architects. We offer various consulting services including real estate appraisal, fixed assets system valuation, real estate consulting, compensation consultation and architectural engineering including creating engineering reports and soil contamination assessment. DAIWA will help you create new business opportunities.