

*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—May 10, 2019

**Price of Grade-A and Grade-B Offices per tsubo in Central Tokyo
slightly decreased quarter-on- quarter
Grade-C offices slightly increased
'Office Price Index' in 1Q 2019 (Jan.-Mar.)
by Daiwa Real Estate Appraisal**

Daiwa Real Estate Appraisal (Headquarters: Nishi-ku, Osaka/ President: Shigeo Watanabe) releases 'Office Price Index' in 1Q 2019 on May 10, 2019.

<Summary of 'Office Price Index #20', in 1Q 2019 (January -March)>

- The price of Grade-A offices in Central Tokyo is 9,340,000 yen/tsubo in 1Q 2019; it decreased by 3.3% quarter-on-quarter (9,660,000 yen/tsubo in 4Q 2018), and increased by 11.7% year-on-year (8,360,000 yen/tsubo in 1Q 2018).
- The price of Grade-B offices in Central Tokyo is 4,300,000 yen/tsubo in 1Q 2019; it decreased by 1.4% quarter-on-quarter (4,360,000 yen/tsubo in 4Q 2018), and increased by 7.2% year-on-year (4,010,000 yen/tsubo in 1Q 2018).
- The price of Grade-C offices in Central Tokyo is 3,320,000 yen/tsubo in 1Q 2019; it increased by 1.2% quarter-on-quarter (3,280,000 yen/tsubo in 4Q 2018), and increased by 23.0% year-on-year (2,700,000 yen/tsubo in 1Q 2018).

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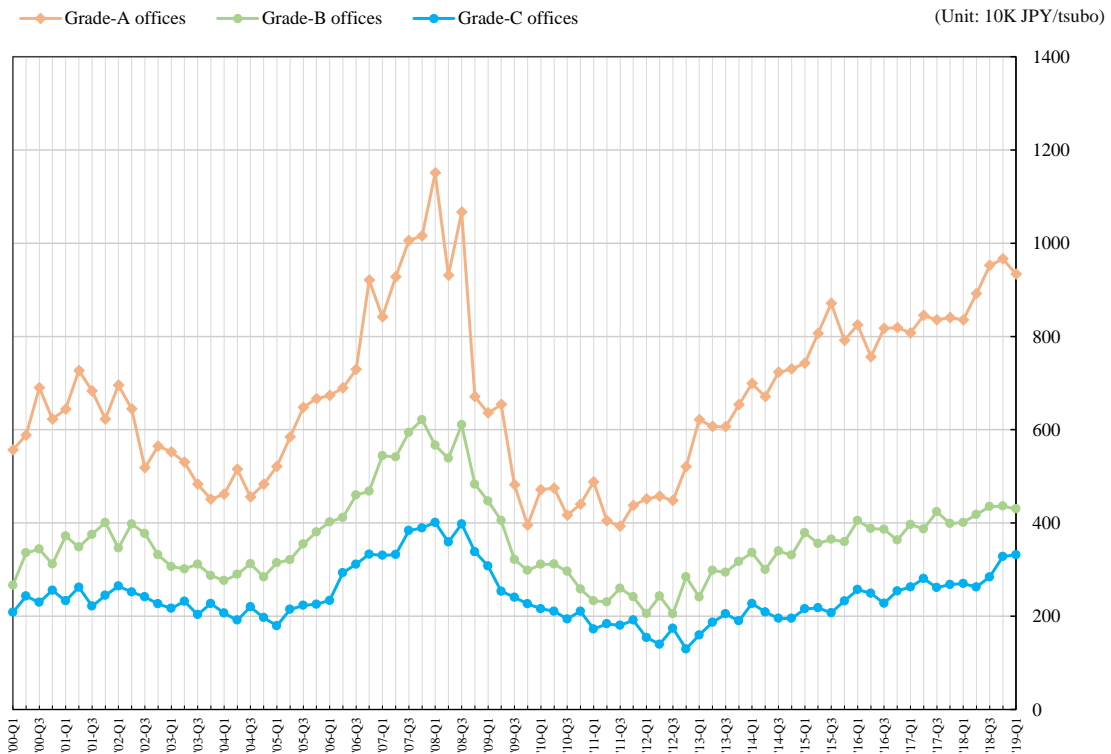
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‘Office Price Index’ in 1Q 2019

(Price per tsubo of Grade-A , -B and -C offices in Central Tokyo from 1Q 2000 to 1Q 2019)



(Unit: 10K JPY/tsubo)

Office Price Index	'16Q1	'16Q2	'16Q3	'16Q4	'17Q1	'17Q2	'17Q3	'17Q4	'18Q1	'18Q2	'18Q3	'18Q4	'19Q1
Grade-A offices in Central Tokyo	825	756	817	819	808	845	836	840	836	892	952	966	934
Grade-B offices in Central Tokyo	405	388	387	363	397	387	424	399	401	418	435	436	430
Grade-C offices in Central Tokyo	257	249	227	254	263	280	261	268	270	263	284	328	332

● 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 , -B and -C 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, -B and -C office in Central Tokyo’

The definition of the ‘Grade-A, -B and -C 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

‘Grade-C office’

Standard floor area: 145 tsubo

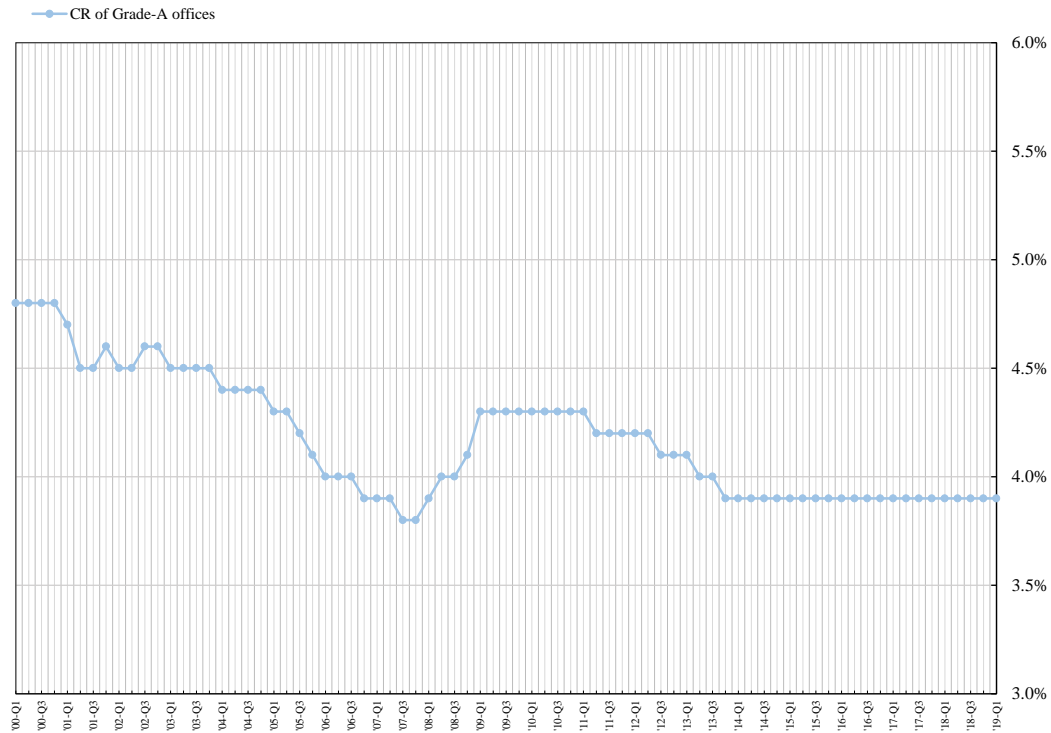
Floor above the ground: 9 floors

Age of building: 15 years

Distance from the nearest station: 3minutes’walk

● **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.



Grade-A offices in Central Tokyo	'16Q1	'16Q2	'16Q3	'16Q4	'17Q1	'17Q2	'17Q3	'17Q4	'18Q1	'18Q2	'18Q3	'18Q4	'19Q1
CR	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%

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 architects. We offer various consulting services including real estate appraisal, systematic valuation for property tax, real estate consulting, compensation consultation and architectural engineering including creating engineering reports and soil contamination assessment. DAIWA will help you create new business opportunities.