

INVESTMENT MARKETBEAT

TOKYO

A Cushman & Wakefield Research Publication



Q4 2013



EXECUTIVE SUMMARY

After posting a slower GDP growth rate of 0.3% (quarter-on-quarter, seasonally adjusted) in the third quarter, the fourth quarter is forecast to see a pick-up in GDP growth in anticipation of resurgence in domestic demand. In the money market, the bold monetary easing policies of the current administration have been widely regarded as a success. Improved cash flows for the corporate sector are gaining momentum under a favorable lending environment, with as low as 0.7% for Japanese government bonds (10 years). Business performance, especially in the manufacturing sector, has significantly improved on the back of a weakening Yen, witnessed by the latest quarterly Tankan Survey. As such, stock prices and J-REITs index have risen significantly. Going forward, investment activities are forecast to filter down to the manufacturing sector.

With regards to the property investment market, the number of properties for sale remained limited because the main sellers, such as property funds, generally did not appear to have reasons to sell urgently in the fourth quarter. As for the office and retail markets, buyers were unable to competitively bid higher prices than their underwriting scenarios and hence, transaction volume slowed in the fourth quarter. After the market was heated, somewhat seen as a compression of yield in the third quarter, the markets took a rest and stayed healthy at just over 5% yield.

Nevertheless, markets were brisk over the course of the year. The annual volume for 2013 in each sector reached the highest volume since the global financial crisis. Going forward, transaction volume is expected to rise as a number of sellers are anticipated to gradually feel the urgency to sell.

MARKET SNAPSHOT

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ECONOMIC OVERVIEW

After posting a slower GDP growth rate of 0.3% (quarter-on-quarter, seasonally adjusted) in the third quarter, the fourth quarter is forecast to see a pick-up in GDP growth in anticipation of a resurgence in domestic demand by frontloaded demand due to the upcoming hike in consumption tax.

INVESTMENT ENVIRONMENT & STOCK MARKET

The bold monetary easing policies of the current administration have been widely regarded as a success. It aimed at increasing money stock through increased lending activity, supported by the consecutive annual rises in the overall balance of lending, according to Bank of Japan. Improved cash flows for the corporate sector are gaining momentum under a favorable lending environment, with as low as 0.7% for Japanese government bonds (10 years) at the end of December. Business performance, especially that of the manufacturers, have improved tremendously, sustained by a stabilized Japanese Yen at a relatively weak level of over 100 JPY against the US Dollar. This is evident in the latest quarterly Tankan Survey, which is regarded as the prevailing business confidence indicator. As such, stock prices and J-REITs index have risen significantly. Going forward, investment activities, which have been driven largely by the non-manufacturing sector, are forecast to filter down to the manufacturing sector.

CAPITAL TRANSACTION MARKET & OUTLOOK

IPOs were seen in J-REITs, including SIA REIT, Inc. in October and Aeon REIT Investment Corp. who announced that it plans to acquire a shopping mall in Malaysia as the ban on acquisitions of overseas properties by J-REITs was effectively removed. This acquisition is expected to be the beginning of active purchases of overseas properties by J-REITs.

Buyers remained aggressive in the fourth quarter, as far as they were able to justify their bidding prices on the basis of investment scenarios, incorporating rental growth backed by gradually improving leasing markets across the sectors driven by rising rents in Grade A market. In addition to J-REITs which remained the major buyers, private funds gradually increased their presence in the market. One example is the acquisition of large-sized office and residence premise, River Side Yomiuri Building by SPC of Aviva Investors and Secured Capital Investment Management.

On the supply side, however, the number of properties for sale remained limited because the main sellers, such as property funds, generally did not appear to have reasons to sell urgently in the fourth quarter. As for the office and retail markets, buyers were unable to competitively bid higher prices than their underwriting scenarios and hence, transaction volume slowed in the fourth quarter. After the market was heated, somewhat seen as a compression of yield in the third quarter, the markets took a rest and stayed healthy at just over 5% yield. This is well over compressed yield, compared to what was experienced in the last boom of the market. Nevertheless, markets were brisk over the

course of the year. The annual volume for 2013 in each sector marked the highest volume since the global financial crisis. Going forward, transaction volume is expected to rise as a number of sellers are anticipated to gradually feel the urgency to sell, and buyers remain aggressive for acquisitions backed by the anticipated rental growth.

The markets took a rest and stayed healthy at a healthy level of yield

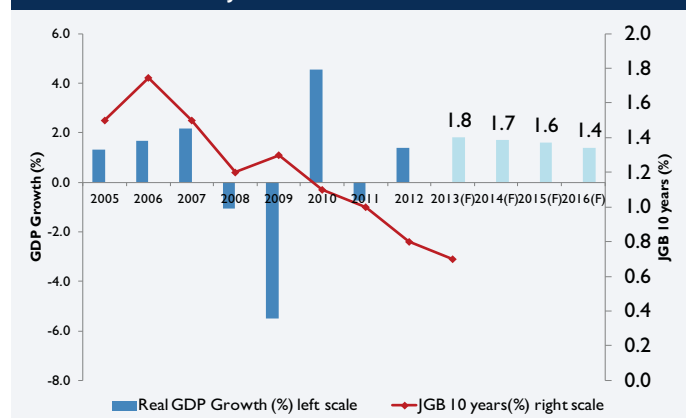
STATS ON THE GO

	LOCAL CURRENCY (JPY)	US\$ EQUIVALENT	Y-O-Y CHANGE IN LOCAL CURRENCY
OFFICE			
Investment Volume	113.3 billion	1.086 billion	-41.5%
Price	2,873,390 per Tsubo	774.30 per SF	26.2%
RETAIL			
Investment Volume	67.0 billion	0.642 billion	-23.0%
Price	1,834,923 per Tsubo	494.46 per SF	-24.1%
INDUSTRIAL			
Investment Volume	96.7 billion	0.927 billion	17.7%
Price	805,329 per Tsubo	217.01 per SF	-2.9%
YIELD			
	Q4 2013	Q-O-Q CHANGE	Y-O-Y CHANGE
Office	5.06%	+0.04pp	-0.15pp
Retail	5.28%	-0.02pp	-0.42pp
Industrial	5.75%	-0.20pp	-0.66pp

Exchange Rate: 1 USD = 104.29 Yen as of 23 December 2013

Source: Real Capital Analytics, Cushman & Wakefield Research

GDP GROWTH & JAPANESE GOVT. BOND

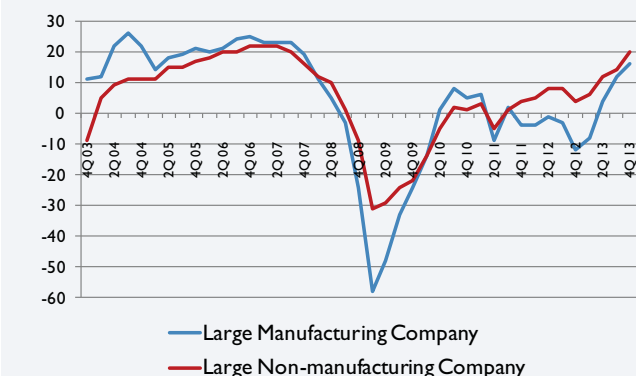


Source: Roubini Global Economics, Cushman & Wakefield Research

MARKET SNAPSHOT

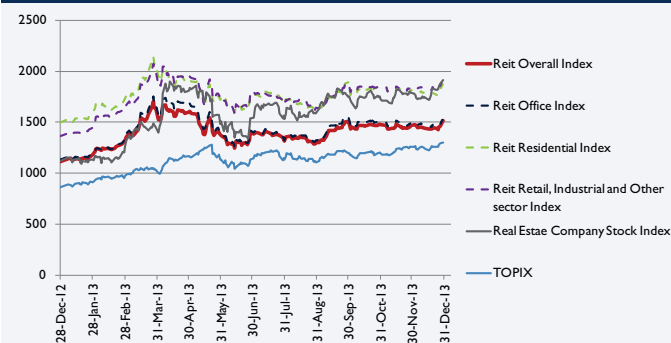
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THE QUARTERLY TANKAN SURVEY



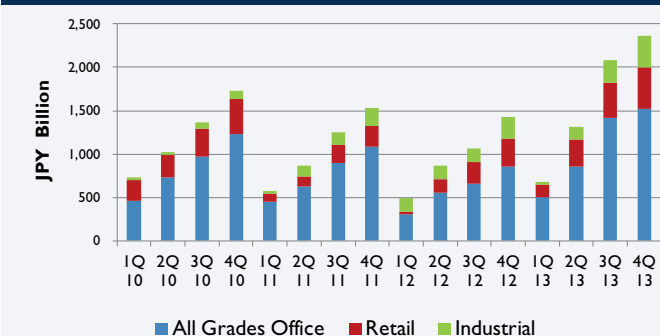
Source: Bank of Japan, Cushman & Wakefield Research

PROPERTY & STOCK PRICE INDEX



Source: Tokyo Stock Exchange, Cushman & Wakefield Research

YTD INVESTMENT VOLUME BY SECTOR

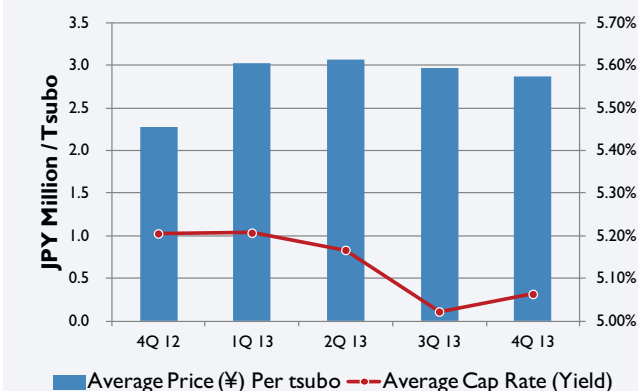


Source: Real Capital Analytics, Cushman & Wakefield Research

OFFICE TRANSACTIONS OVERVIEW & OUTLOOK

Office investment volume declined considerably in the fourth quarter because the main sellers such as property funds generally did not appear to have reasons to sell urgently in the fourth quarter, due partly to the rising trend of prices. Yet, the 2013 annual transaction volume marked the highest volume since the global financial crisis. In the fourth quarter, the average yield for all grades stopped declining and remained flat, while the buyers made attempts to bid higher prices than before. But, the market will gradually move on to a healthy level yield of 5%, backed by rental growth and the projection of continued low borrowing costs.

CAPITAL VALUE AND YIELD – OFFICE

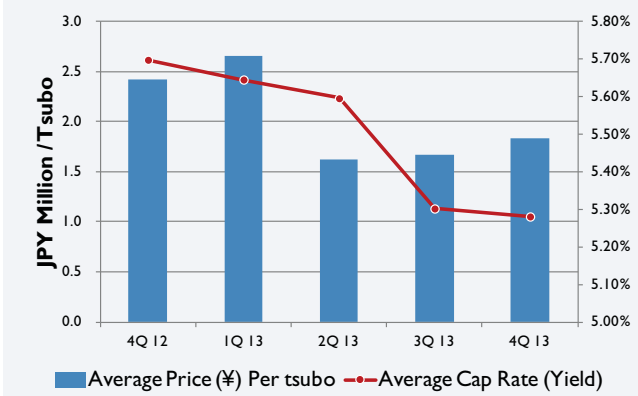


Source: Real Capital Analytics, Cushman & Wakefield Research

RETAIL TRANSACTIONS OVERVIEW & OUTLOOK

Similar to the office market, the retail investment volume slowed down in the fourth quarter because of the reduced number of large-sized deals as compared to the third quarter. Yet, the 2013 annual transaction volume marked the highest volume since the global financial crisis. The yield has remained as low as around 5.3%, driven by deals in Tokyo's main markets including Harajuku and Aoyama. The yield is forecast to be compressed, as non-professional buyers often competitively bid for prime retail space, especially during the beginning of a market recovery like this current market, and the yields could decline.

CAPITAL VALUE AND YIELD – RETAIL



Source: Real Capital Analytics, Cushman & Wakefield Research

INDUSTRIAL TRANSACTIONS OVERVIEW & OUTLOOK

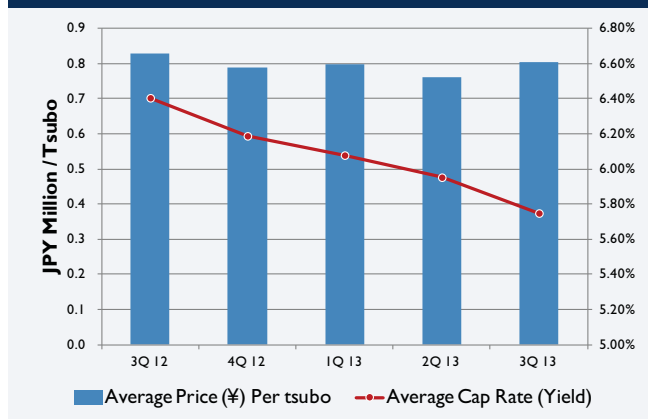
In contrast, the industrial investment volume in the fourth quarter maintained the volume in the third quarter, driven by real estate companies, J-REITs and third-party logistics firms, despite the tightened market as well as office and retail markets aforementioned. What is noteworthy is, the 2013 annual transaction volume marked the highest volume since the 2007 property boom before the global financial crisis. In response to this market momentum, the yield kept falling and is forecast to compress a little, backed by a stable rent forecast which is sustained by the robust demand for industrial property despite new completions moving forward.

Source: Real Capital Analytics, Cushman & Wakefield Research

MARKET SNAPSHOT

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CAPITAL VALUE AND YIELD – INDUSTRIAL



CONCLUSION

The fourth quarter is forecast to see a pick-up in GDP growth in anticipation of a resurgence in domestic demand. Improved cash flows for the corporate sector are gaining momentum under a favorable lending environment, with as low as 0.7% for Japanese government bond (10 years). Business performance, especially that of the manufacturers, has significantly improved on the back of a weakening Japanese Yen, witnessed by the latest quarterly Tankan Survey. As such, stock prices and J-REITs index have risen significantly. Going forward, investment activities are forecast to filter down to the manufacturing sector.

With regards to the property investment market, the number of properties for sale remained limited, but buyers were unable to competitively bid higher prices than their underwriting scenarios.

As a result, transaction volume slowed in the fourth quarter. The markets took a rest and stayed healthy at just over 5% yield.

Nevertheless, markets were brisk over the course of the year. The 2013 annual volume in each sector marked the highest volume since the global financial crisis. Going forward, transaction volume is expected to rise as a number of sellers are anticipated to gradually feel the urgency to sell.

MAJOR TRANSACTIONS

PROPERTY NAME	PROPERTY TYPE	DISTRICT / SUBMARKET	PURCHASER	AREA / GFA SF	CONSIDERATION / PURCHASE PRICE		UNIT PRICE US\$/SF
					US\$ MILLION	YEN MILLION	
Gran Park BLDG.	Office	Minato Ward/Shibaura	Premier Investment Corporation	223,497	110.17	11,490	492.9
River Side Yomiuri BLDG.	Office	Chuo Ward/Nihombashi	SPC of Aviva Investors & Secured Capital Investment Management	591,402	-	-	-
Nisseki Shibuya BLDG.	Office	Shibuya Ward/Shibuya	Daiwa Office Investment Corporation	89,776	67.12	7,000	747.6
Recipe Shimokita	Retail	Setagaya Ward/Kitazawa	Nomura Master Fund	92,062	99.79	10,407	1,083.9
Prologis Park Tokyo-Shinkiba	Industrial	Koto Ward/Shinkiba	Nippon Prologis REIT	407,051	136.46	14,231	335.2
Shiomi Center	Industrial	Koto Ward/Shiomi	Senko	583,938	134.24	14,000	229.9

Exchange Rate: 1 USD = 104.29 Yen as of 23 December 2013

Source: Real Capital Analytics, Cushman & Wakefield Research

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Profile

Keisuke surveys the entire market ranging from developments to leasing and investment markets across all property sectors. Keisuke began his career at a construction company designing shopping malls and residential blocks. He further expanded this scope as a project manager for a variety of developments such as schools and nursing homes. After he got a Masters degree in the UK, Keisuke joined Mizuho Trust & Banking where he got hands on experience in the Japanese property securitization market. Following that he moved to CBRE and analysed the investment market and various property indexes.

(Visiting researcher of Waseda University, Member of the Japanese Association of Real Estate Financial Engineering, First Class Architect)

MARKET SNAPSHOT

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(和訳)

要旨

日本経済は、第3四半期に0.3%GDP成長率（対前期比、季節調整後）と減速したが、第4四半期は国内需要が再び高まるとの見込みの下、より高い成長率が予想されている。資金市場に目を転じれば、現政権による金融緩和策は概ね成功したとの認識が広がっている。新発10年国債の低い利回り水準0.7%と併せ好ましい融資環境の下、企業への資金の流れは勢いが増している。直近の日銀短観業況判断指数に裏付けられるように、企業業績も、円安に支えられ、特に大企業製造業で著しく改善してきた。そのような中、株価とJ-REITs指数は堅調に上昇してきている。今後、投資活動は大企業製造業にも浸透していくと予想される。一方、不動産投資市場に関しては、ファンドのような主だった売り手に今期急いで売ろうとする理由が総じてなかったことも手伝い、物件の売り出し数は相変わらず限られていた。殊にオフィスとリテールの売買市場に限っては、買い手は買い取りシナリオを超える価格で競争的にビッドできるわけではなく、第4四半期の売買取引量は鈍化した。第3四半期にはイールドの圧縮に見られたように市場が多少過熱したが、今期の市場は一服感が見られ、イールドは5%を多少上回る程度の健全な水準に留まった。そうは言うものの、2013年の年間を総じてみれば活気づいた売買市場を反映し、各セクターの年間取引量は金融危機以来最高を記録した。今後は、売らなくてはならないと徐々に感じる売り手が増えてくると予想され、取引量は増えていくと期待される。

経済概観

日本経済は、第3四半期に0.3%GDP成長率（対前期比、季節調整後）と減速したが、第4四半期は2014年4月の消費税増税を目前にした駆け込み需要により国内需要が再び高まるとの見込みの下、より高い成長率が予想されている。

投資環境全般、株式市場

現政権による金融緩和策（金融機関からの貸し出し増加を通じ、マネーストックの増加を狙った）は、全体貸し出し残高が連続して前年同月比で増加していることに裏付けられるように、概ね成功したとの認識が広がっている。新発10年国債の低い利回り水準0.7%（2013年12月末時点）と併せ好ましい融資環境の下、企業への資金の流れは勢いが増している。直近の日銀短観業況判断指数に裏付けられるように、企業業績も、対米ドル為替レート100円超と安定化してきた円安基調に支えられ、特に大企業製造業で著しく改善してきた。そのような中、株価とJ-REITs指数は堅調に上昇してきている。今までは非製造業が投資活動を牽引して来たが、今後は大企業製造業にも投資活動が浸透していくと予想される。

売買市場と今後

J-REITs市場では10月のSIA不動産投資法人、11月のイオンリート投資法人等のIPOが見られた。J-REITsによる海外不動産の取得が実質的に解禁されたことにより、イオンリート投資法人はマレーシアのショッピングモールを取得する予定であると公表した。この取得がJ-REITsによる活発な海外不動産取得の皮切りになることが期待される。J-REITsは依然として主たる買い手であるが、私募ファンドも徐々に市場に登場してきた。英Aviva Investorsとセキュアード・キャピタル・インベストメント・マネジメント等のSPCによるオフィス&レジデンシャルの大型物件「リバーサイド読売ビル」の事例が挙げられる。今期の売買市場における買い手の投資シナリオには、オフィスGradeA賃料の上昇に牽引されるように賃貸市場全般の緩やかな回復に支持された賃料上昇が織り込まれている。買い手はこの投資シナリオに基づき正当化できる買値のぎりぎりの範囲内までは強気であった。

しかしながら、売り手側では、ファンドのような主だった売り手に今期急いで売ろうとする理由が総じてなかったことも手伝い、物件の売り出し数は相変わらず限られていた。殊にオフィスとリテールの売買市場に限っては、買い手は買い取りシナリオを超える価格で競争的にビッドできるわけではなく、第4四半期の売買取引量は鈍化した。第3四半期にはイールドの圧縮に見られたように市場が多少過熱したが、今期の市場は一服感が見られ、イールドは5%を多少上回る程度の健全な水準に留まった。この水準は過去直近の不動産ブームで経験したような圧縮されたイールドに比べればまだ高い。そうは言うものの、2013年の年間を総じてみれば活気づいた売買市場を反映し、各セクターの年間取引量は金融危機以来最高を記録した。今後は、売らなくてはならないと徐々に感じる売り手が増えてくると予想され、買い手も賃料上昇見込みに支えられに依然として強気であることから、取引量は増えていくと期待される。

オフィス取引市場概観と今後

第4四半期は、価格の上昇基調見込みも一部影響しているせいかファンドのような主だった売り手に今期急いで売ろうとする理由が総じてなかったことも手伝い、売買取引量はかなり減少した。しかし、年間取引量は金融危機以来最高を記録した。今期、一服感の見た市場を反映し、オールGradeオフィス市場の平均イールドは低下が止まった。買い手は以前より高い買値でのビッドを試みるも、平均イールドはほぼ止まったままと予測する。しかし、今後の市場は賃料上昇や低金利が継続するとの見通しに支えられ、健全な5%周辺の平均イールドで前進していくと予想する。

リテール取引市場概観と今後

第4四半期は、第3四半期に比べ大口の取引数が少なく、オフィス市場と同様に売買取引量は減少した。しかし、年間取引量は金融危機以来最高を記録した。平均イールドは、原宿や青山等の東京主要市場の取引に牽引され依然として5.3%周辺ものの低さである。ただ、現市況のような市場が回復していく特に初期段階では不動産プレーヤー以外の買い手がプライムなリテール物件を競争的にビッドすることがよくありイールドが下降しやすいため、今後の平均イールドも圧縮していくと予想する。

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インダストリアル取引市場概観と今後

上記のセクターとは対照的に、第4四半期の売買取引量は第3四半期の水準を維持した。上記のセクターと同様に売り出し物件数が少ない逼迫した市況にも関わらず、不動産会社、J-REITs 及び 3PL (third party logistics) 等の買い手が市場を牽引した。2013 年の年間取引量は、金融危機以前に起こった 2007 年の不動産ブームまで遠く過去に遡ってみても過去最高であったことは特筆に値する。このような取引の活況に呼応し、平均イールドも圧縮し続けた。今後盛んに新規の物件が市場に供給されるも力強い需要に支えられた安定した賃料の見通しがあるために、平均イールドは多少圧縮していくと予想する。

結論

日本経済の第4四半期は国内需要が再び高まるとの見込みの下、より高い成長率が予想されている。新発 10 年国債の低い利回り水準 0.7% と併せ好ましい融資環境の下、企業への資金の流れは勢いが増している。直近の日銀短観業況判断指数に裏付けられるように、企業業績も、円安に支えられ、特に大企業製造業で著しく改善してきた。そのような中、株価と J-REITs 指数は堅調に上昇してきている。今後、投資活動は大企業製造業にも浸透していくと予想される。一方、不動産投資市場に関しては、物件の売り出し数は相変わらず限られていた。しかし、買い手は買い取りシナリオを超える価格で競争的にビッドできるわけではなく、その結果第4四半期の売買取引量は鈍化し市場に一服感が見られ、イールドは 5% を多少上回る程度の健全な水準に留まった。そうは言うものの、2013 年の年間を総じてみれば活気づいた売買市場を反映し、各セクターの年間取引量は金融危機以来最高を記録した。今後は、売らなくてはならないと徐々に感じる売り手が増えてくると予想され、取引量は増えていくと期待される。

レポートに関するお問合せは以下にご照会ください。

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東京理科大学卒業後、建設企業にて大規模商業施設の設計をはじめナースিংホーム等の開発プロジェクトを手掛ける。不動産開発評価手法を研究するために渡英、オックスフォードブルックス大学で国際不動産学修士号を取得。みずほ信託銀行で証券化不動産実務を経験後、シービーアールイーにて不動産投資インデックスを駆使し日本のオフィス市場、世界の不動産市場を調査・分析。現在、クッシュマン・アンド・ウェイクフィールドのヘッド・オブ・リサーチ、ジャパンを務める。早稲田大学国際不動産研究所招聘研究員、日本不動産金融工学会会員、一級建築士。

<クッシュマン・アンド・ウェイクフィールドについて>

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