

NEWS RELEASE



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CBRE Releases Q3 2019 Japan Investment MarketView
**Transaction Volume in Japan Rises 14% y-o-y to JPY 772 billion,
Q1-Q3 Cumulative Transaction Volume Increases 6.7% y-o-y to JPY 2.5 Trillion
Expected Big-Ticket Deals in Q4 Means 2019 Full-Year Transaction Volume Likely to
Exceed Last Year**

CBRE today released the Q3 2019 edition of its Japan Investment MarketView along with its 65th CBRE Japan Cap Rate Survey.

➤ **Global investment market**

Q3 2019 global transaction volume fell 2% y-o-y

Global commercial real estate transaction volume fell by 2% y-o-y to US\$ 260 billion in Q3 2019. Year-to-date volume was down 5% y-o-y due to fewer mergers and acquisitions, and fewer large portfolio transactions.

By region, investment in the Americas dropped by 7% y-o-y to US\$148 billion in Q3 2019, while EMEA investment volume fell by 5% y-o-y to US\$77 billion. Year-to-date investment volume is down in both regions by 3% and 13%, respectively, due to political uncertainty, low yields, and recession fears. Asia Pacific investment volume increased by 49% y-o-y to US\$34 billion, lifting year-to-date growth to 6%.

For global corporate real estate investment, CBRE's full-year outlook is for a single-digit-percentage-point decline from 2018. Despite all the uncertainties over Brexit, trade disputes and slowing economic growth, a major downturn in activity has been kept at bay by lower interest rates, tight labor markets, and confident consumers. However, the trend of fewer mega-deals will likely continue until business sentiment picks up.

➤ **Japan investment market (Figure 1)**

In Q3 2019, transaction volume recorded y-o-y increase for second quarter running

Commercial real estate transaction volume (deals worth JPY 1.0 billion or more, excluding land transactions and property acquisitions at the time of J-REIT IPOs) rose 14% y-o-y to JPY 772 billion in Q3 2019, registering a y-o-y increase for the second consecutive quarter. J-REITs accounted for the largest share of acquisitions at 42%, but transaction volume was almost unchanged from the same period last year. Domestic investors (excluding J-REITs) saw the biggest increase in transaction volume at +80% y-o-y, while transaction volume for overseas investors fell 25% y-o-y.

The period saw y-o-y increases for all the major asset types, except for offices. Retail saw the largest increase in transaction volume at +153% to JPY 158 billion, followed by hotels at +53% to JPY 132 billion. For all asset types, acquisitions by J-REITs and other domestic investors drove growth in transaction volume.

➤ **Expected yield (Figure 2)**

Expected yield for offices fell in all cities, except for Tokyo (Otemachi) and Fukuoka

CBRE's latest cap rate survey conducted in October 2019 found that compared to the previous quarter, average expected yield (NOI basis) in Tokyo fell for logistics facilities, apartments (studio-type), and hotels (management contract) but was unchanged for the other asset types. Expected yield for offices fell to a record low in all regional cities except Fukuoka.

➤ **CBRE Tankan Survey (Figure 3)**

Investor sentiment rises further for logistics

CBRE's latest Tankan Survey conducted in October 2019 found that the Diffusion Index (DI) for Tokyo Grade A office buildings improved for "lending attitude of financial institutions" and "NOI" compared with the previous quarter, but worsened for the other items. The reasons for the deterioration were an increase in those answering "lower" for "trading volume", and an increase in those answering "unchanged" for the other items. For logistics facilities (Greater Tokyo, multi-tenant type), the DI improved in all categories, except for "trading volume" and "sales prices". The DI found an improvement in "vacancy rate" for the sixth quarter running, and in "rent" for the fourth quarter running.

➤ **Noteworthy trends**

Several large deals expected to be completed in Q4 2019, pushing up annual transaction volume above 2018 level

Q1-Q3 cumulative transaction volume rose 6.7% y-o-y to JPY 2.5 trillion. While the total number of transactions decreased 12% y-o-y, the number of relatively large transactions of JPY 10 billion or greater increased by 17%, leading to the higher overall transaction volume. Several more large deals are also expected to be completed before year-end, ensuring annual transaction volume exceeds 2018.

Asuka Honda, Director of CBRE Research, commented: "CBRE sees no change in the favorable funding environment and there are also no signs that overseas investor interest in Japanese real estate is waning. With yields already at a historic low, further room for overall compression looks limited, although in some cases yields could fall below existing levels."

For further details, download the latest editions of our Japan Investment MarketView and Japan Cap Rate Survey.

<https://www.cbre.co.jp/en/research-reports/investment-reports>

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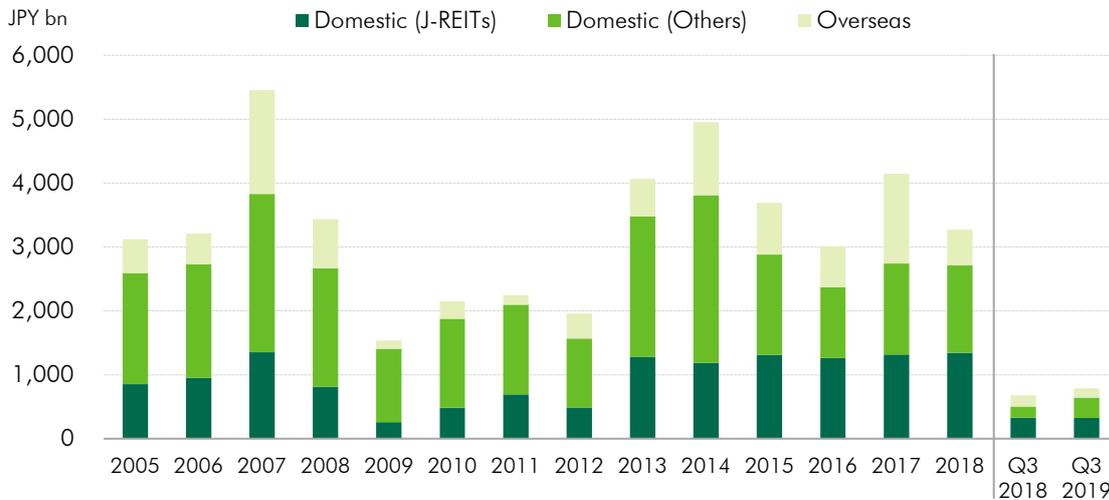
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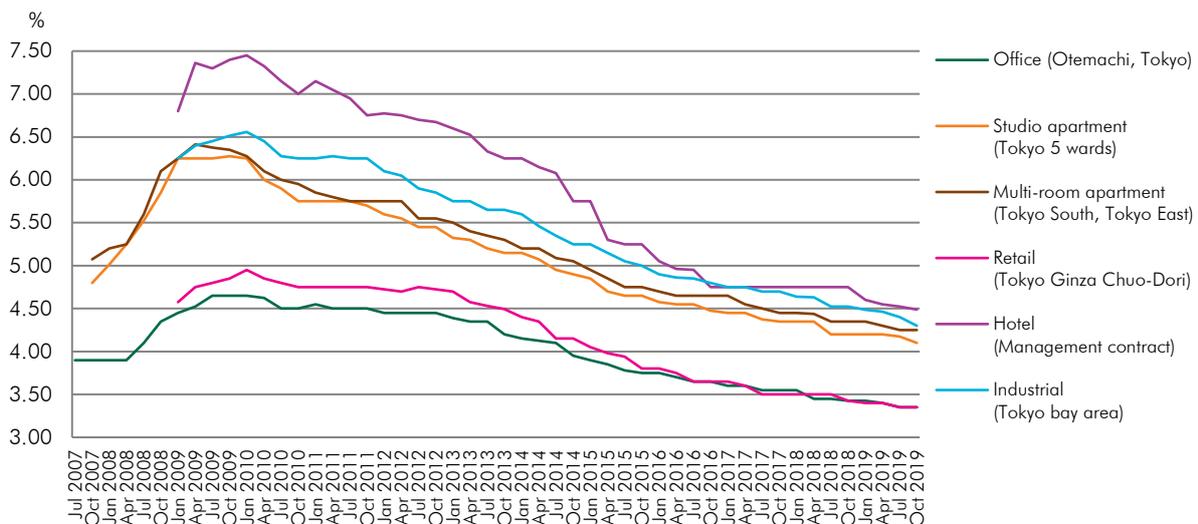
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Figure 1: Japan Transaction Volume by Investor Type



Covering transactions of at least JPY1 bn, excluding acquisitions by J-REITs at IPO Source: RCA, CBRE

Figure 2: Changes in Expected NOI Yield



Source: CBRE

Figure 3: CBRE Tankan Survey

	Real estate trading volume "Higher" – "Lower"	Sales prices "Higher" – "Lower"	NOI "Higher" – "Lower"	Expected yield "Lower" – "Higher"	Lending attitude of financial institutions "Accommodative" – "Severe"	Stance on investment and loans "Promoting" – "Restrained"	
Offices (Tokyo wards, Grade A buildings)	-15 (-5) ▼	27 (-1) ▼	33 (+1) ▲	11 (-2) ▼	33 (+3) ▲	29 (-1) ▼	
	Real estate trading volume "Higher" – "Lower"	Sales prices "Higher" – "Lower"	Rent "Higher" – "Lower"	Vacancy rate "Higher" – "Lower"	Expected yield "Lower" – "Higher"	Lending attitude of financial institutions "Accommodative" – "Severe"	Stance on investment and loans "Promoting" – "Restrained"
Logistics facilities (Greater Tokyo, multi-tenant type)	14 (-5) ▼	32 (-1) ▼	27 (+6) ▲	10 (+4) ▲	20 (+4) ▲	29 (+1) ▲	30 (+2) ▲

Source: CBRE

Note to Editors:**CBRE Japan Cap Rate Survey**

1. Objective

The objective of the survey is to collect and analyze data looking at the level of expected yields for real estate investments.

2. Survey method and period

Sent and received by e-mail primarily between September 11 to October 9, 2019.

3. Recipients surveyed and response rate

- Recipients: 153 individuals (150 corporations)
- Responses: 128 individuals (126 corporations)
- Response rate: 83.7% from individuals (84.0% from corporations)

4. Type of respondents

Arrangers, Lenders (senior), Lenders (mezzanine), Developers, Real property lessors, Asset managers (mainly for J-REITs), Asset managers (mainly for non J-REITs), and Equity investors, among other respondents.

5. Policy regarding the release of survey results

This report is an excerpt of the results from our quarterly survey. The report will be published on the CBRE Japan website at: <https://www.cbre.co.jp/en/research-reports/investment-reports>

About CBRE Group, Inc.

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