

# NEWS RELEASE



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## CBRE Releases Q4 2019 Japan Investment MarketView

**Japan transaction volume rises 4.7% y-o-y to JPY 1 trillion in Q4 2019**  
**2019 full-year transaction volume JPY 3.5 trillion, increase of 7.7% y-o-y**  
**Investment in Japan by funds expected to continue in 2020 and beyond**

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CBRE today released the Q4 2019 edition of its Japan Investment MarketView along with its 66<sup>th</sup> CBRE Japan Cap Rate Survey.

### ➤ Global investment market

#### **Global investment volume falls by 2% in 2019**

Global commercial real estate transaction volume, including entity-level deals, totaled US\$326 billion in Q4 2019, about level (-0.5%) with Q4 2018. For the full year, global investment was down slightly (-2%) from 2018. By region, full-year investment in the Americas fell by 2% to US\$569 billion, while EMEA investment volume fell by 2% y-o-y to US\$ 352 billion. Asia Pacific investment volume fell by 2% to US\$131 billion.

Excluding entity-level deals, full-year global investment volume was up by 5% from 2018. U.S. accounted for nearly half of global volume in 2019. With low global bond yield expectations and falling hedging costs, investors should continue to favor U.S. In EMEA, the U.K.'s full-year volume fell by 19%, largely due to prolonged political uncertainty regarding Brexit, while France (up 12%) and Germany (up 8%) saw their full-year volumes rise moderately and reach new highs. In APAC, full-year transaction volume declined slightly, but nevertheless remains above the five-year average. Q4 2019 saw the decline due to fewer big-ticket transactions and a significant decline in Hong Kong investment volume due to ongoing political turmoil. Nevertheless, several key APAC markets including Australia, China, Korea, and Japan had increased investment volume in H2 2019.

### ➤ Japan investment market (Figure 1)

#### **Growth in transaction volume driven by increase in large deals**

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 by 4.7% y-o-y to JPY 1 trillion in Q4 2019. Transaction volume for full-year 2019 was up 7.7% y-o-y to JPY 3.5 trillion, with growth in transactions driven by an increase in big-ticket deals. There was a 25% y-o-y increase in the number of transactions worth JPY 30 billion or more in 2019. J-REITs accounted for the largest share of acquisitions in 2019 at 38%, although their transaction volume was largely unchanged y-o-y. The biggest increase in transaction volume came from overseas investors at +88% y-o-y, while transactions from domestic investors (excluding J-REITs) fell by 13% y-o-y.

➤ **Expected yields (Figure 2)**

**Expected yields for Tokyo retail fall to record low**

CBRE's latest cap rate survey conducted in December 2019 found that average expected yields (NOI basis<sup>1</sup>) for retail (Ginza, Chuo-dori) fell by 5bps q-o-q to 3.3%, the lowest recorded level for this survey.

Expected yields for offices fell q-o-q in five regional cities except Nagoya, registering new record lows in all cities.

➤ **CBRE Tankan Survey (Figure 3)**

**Investor appetite remains robust despite divergence among asset types**

CBRE's latest Tankan Survey conducted in December 2019 found that the Diffusion Index (DI<sup>2</sup>) for Tokyo Grade A office buildings improved for "NOI", but worsened for five items including "stance on investment and loans". The drop in "stance on investment and loans" was mainly due to a four-point q-o-q drop in responses for "promoting" (27%). As a response rate, this equals the lowest level since surveys started in 2010. On the other hand, the DI for multi-tenant logistics facilities (Greater Tokyo) improved in four items including "rent". Among these, the 38% response rate for "promoting" in "stance on investment and loans" was the highest since January 2017. A difference between offices and logistics can therefore be seen in terms of stance on investment and loans. However, only a few investors answered "restrained" for either asset type, indicating that investor appetite remains strong.

➤ **Noteworthy trends**

**Continued inflow of overseas funds anticipated in 2020**

Institutional investors purchased JPY 311 billion worth of assets in 2019, double the previous year's level, as they turned to real estate in search of higher yields than bonds. Investment by funds also looks set to continue in 2020 and beyond, led by institutional investors.

Asuka Honda, director of CBRE Research, commented: "Overseas investor transaction volume rose by 88% y-o-y in 2019, driving the domestic market. With its high yield spreads, as well as economic and political stability, Japan remains an attractive investment destination within Asia Pacific. CBRE expects to see continued proactive investment by institutional investors in 2020 and beyond."

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>

▼ Related reports

【October 15, 2019】 Japan ViewPoint - Japanese Outbound Investment H1 2019

<https://www.cbre.co.jp/en/research-reports/Japan-ViewPoint---Japanese-Outbound-Investment-H1-2019>

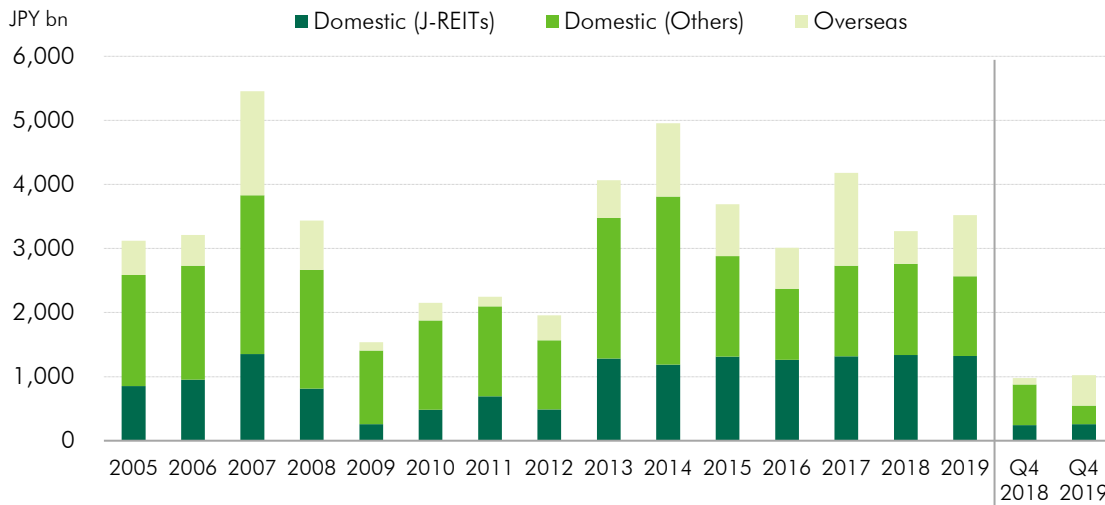
【June 13, 2019】 Japan Major Report - Lender Survey 2019

<https://www.cbre.co.jp/en/research-reports/Japan-Major-Report---Lender-Survey-2019>

<sup>1</sup> Average of lower and upper values in the range. Surveys started in July 2003 for offices and residential; and in January 2009 for retail, hotels, and industrial.

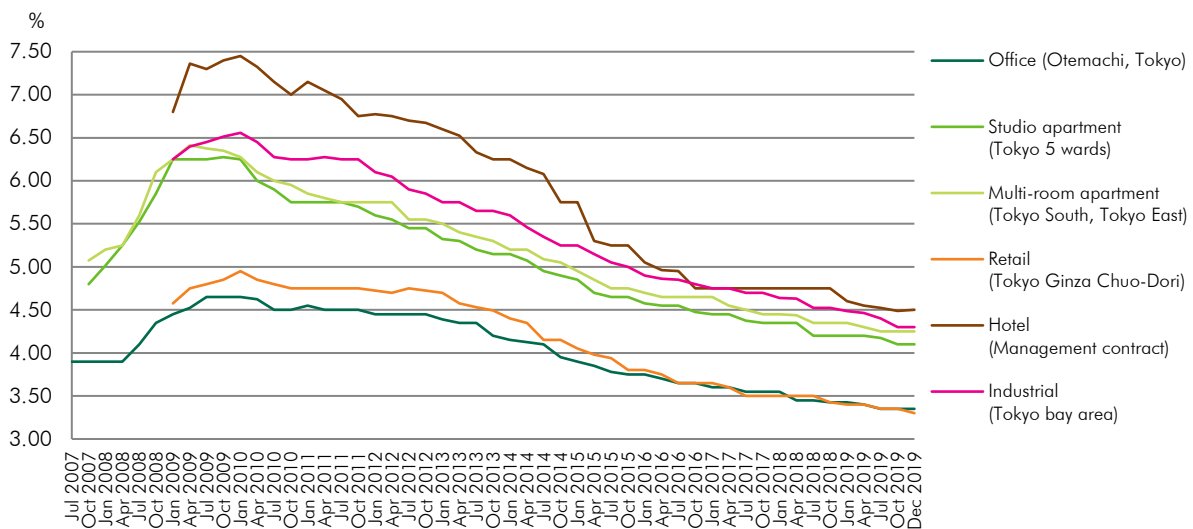
<sup>2</sup> DI (Diffusion index): Subtracts the ratio (%) of respondents that expected a "contraction (fall)" from the ratio (%) of respondents that expected an "expansion (rise)." Expected yield ID subtracts the ratio (%) of respondents that expected a "rise" from the ratio (%) of respondents that expected an "fall."

**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)	-16 (-1) ▼	24 (-3) ▼	36 (+3) ▲	5 (-6) ▼	32 (-1) ▼	23 (-6) ▼	
	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)	19 (+5) ▲	36 (+4) ▲	34 (+7) ▲	8 (-2) ▼	20 (±0) ▶	29 (±0) ▶	36 (+6) ▲

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 December 3 to December 20, 2019.

## 3. Recipients surveyed and response rate

- Recipients: 153 individuals (150 corporations)
- Responses: 126 individuals (124 corporations)
- Response rate: 82.4% from individuals (82.7% 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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