

June 23, 2020

For further information:

CBRE

Marketing &amp; Communications

03-5288-9283

**CBRE Releases Results of 2020 Japan Lender Survey**  
**New non-recourse lending for real estate expected to decrease in fiscal 2020**  
**Lenders turn more selective amid concerns over COVID-19 economic impact**

---

CBRE today released "2020 Japan Lender Survey", a report that summarizes the results of a survey conducted amongst lenders that provide financing for real estate firms and real estate funds. The survey, which was conducted from late-April to end-May, asked lenders about their outlook on the real estate market and their lending policy.

Highlights:

**New non-recourse lending for real estate expected to decrease in fiscal 2020**

According to the 25 lenders that participated in the survey, new non-recourse lending to the real estate sector is expected to decrease in fiscal 2020. Forty-one percent of lenders in the case of senior loans (+31pt y-o-y), and 20% of lenders in the case of mezzanine loans (+11pt y-o-y) said that their lending volume in fiscal 2020 would "decrease" compared with fiscal 2019 (Figure 1).

**Probability of loan recovery seen as most important factor in lending decisions**

The survey indicated that lenders are focused on future real estate price movements and appear to be looking to increase the probability of exit/loan recovery. When asked to identify the most important factors they consider when deciding whether to extend a non-recourse loan for real estate, the most cited factor was "LTV" (40%, +4pt y-o-y), followed by "sponsor" (16%) and "stability of income stream" (16%), a similar finding to last year's survey (Figure 2).

**Logistics identified as most attractive asset type for lending**

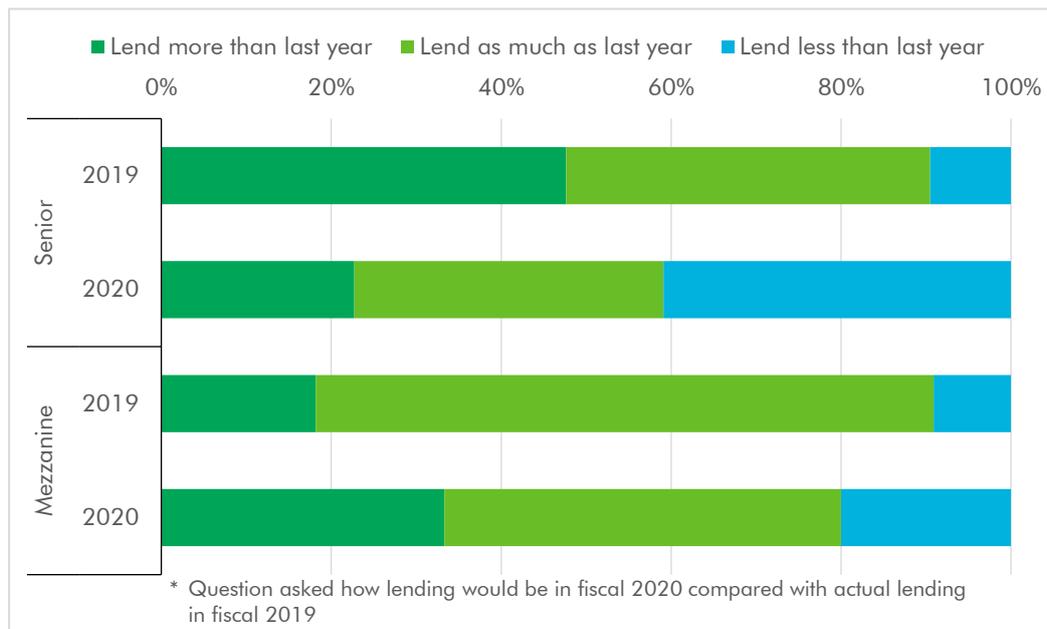
In comparison to last year, this year's survey noted sharp decreases in "retail" (cited by 79% of respondents; -23pt y-o-y) and "hotel" (58%; -32pt y-o-y) – asset types that have been severely impacted by COVID-19. The results of the survey revealed an increasingly selective approach on the part of lenders. When asked to identify the most attractive asset type for investment in fiscal 2020, "logistics" came top (cited by 55% of respondents), a substantial increase of 37 points y-o-y. This was followed by "offices" (23%) and "residential" (18%). Lenders' positive view towards logistics is likely due to the strong growth in the sector, supported by the expansion of e-commerce, and the stability of profits from long-term contracts.

**Lenders turn more selective due to economic impact of COVID-19**

The biggest threat to the real estate finance market in fiscal 2020 is seen as "domestic and global economic shock" (48%). As many as 36% of those respondents cited COVID-19 in their comments, reflecting fears that the pandemic will lead to the deterioration of the domestic and global economy. Regarding the outlook for the debt market over the next year, "spreads will widen" (80%) was the most cited answer, followed by "real estate prices will fall" (68%) and "LTV ratios will decrease" (68%). With COVID-19 likely to take some time to be eradicated, the outlook for the real estate market is unclear, prompting greater caution on the part of lenders (Figure 3).

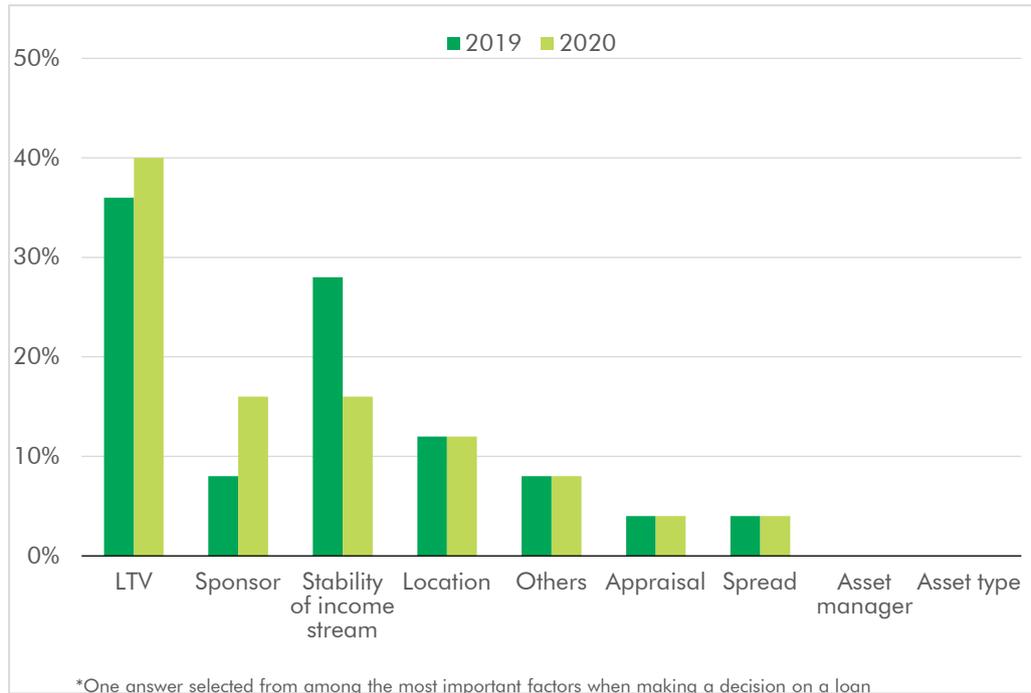
Asuka Honda, Director of CBRE Research, commented: "Lenders fear a decline in real estate investment due to the uncertainty surrounding COVID-19. The survey results indicate that lenders are becoming more selective and are likely to adopt a more cautious stance towards lending in future."

**Figure 1: New lending outlook**



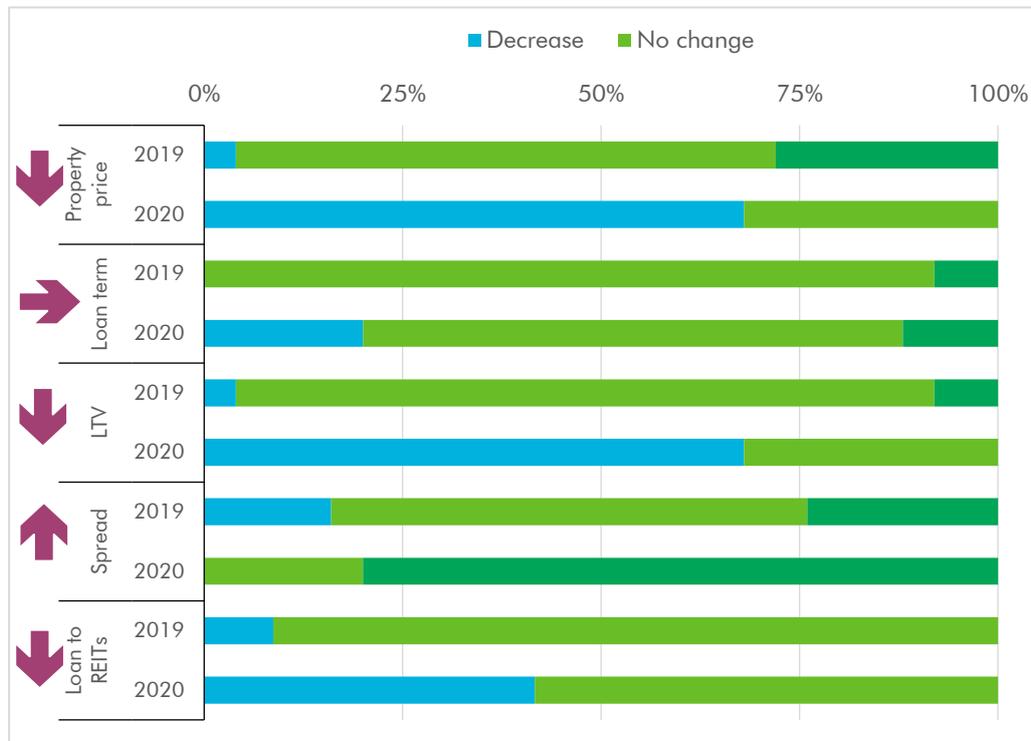
Source: CBRE, June 2020

Figure 2: Most important factors in making a lending decision



Source: CBRE, June 2020

Figure 3: Market outlook



Source: CBRE, June 2020



For further details please refer to the 2020 Japan Lender Survey released today.  
<https://www.cbre.co.jp/en/research-reports/investment-reports>

### Overview of 2020 Japan Lender Survey

#### 1. Objectives and scope of survey

To gather and analyse data to identify lenders' approach to real estate financing. The survey covered parties providing non-recourse loans for real estate.

#### 2. Survey method and period

Conducted using a questionnaire (file sent by email) and website from April to May 2020

#### 3. Respondents and response rate

Targeted companies: 41; Responding companies: 25; Response rate: 61%

#### 4. Main cooperating companies (in random order):

Societe Generale, Tokyo Branch

Fuyo General Lease Co.,Ltd.

The Tokyo Star Bank, Limited

Mizuho Securities Principal Investment Co., Ltd.

ORIX Life Insurance Corporation

AXA Real Estate Investment Managers Japan K.K.

MUFG Bank, Ltd.

Kiraboshi Bank, Ltd.

Shinsei Bank, Limited

Mizuho Bank, Ltd.

Keystone Partners Co., Ltd

Diamond Realty Management Inc.

Mitsubishi UFJ Lease & Finance Company, Limited

(And 12 other companies)

#### 5. Publication of survey results

Only some of the survey questions are included in this report

### Glossary of Terms

- Senior loan: A form of loan with higher repayment priority, for example with a first priority security interest in the property
- Mezzanine loan: A form of loan with repayment priority subordinate to that of a senior loan, for example with a second or lower priority security interest in the property
- LTV: The ratio of the loan to the value of the asset (amount of loan divided by the asset value)
- Spread: A rate added by the lender to the reference interest rate (loan interest rate = reference interest rate + spread)

▼Previous report from 2019

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

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



### **CBRE Japan Celebrates Its 50<sup>th</sup> Anniversary**

CBRE Japan marked its 50<sup>th</sup> anniversary on February 21, 2020.

We value and thank all those who have supported us over the last five decades.

We will continuously aim to deliver advantage for our clients and make a positive impact on society.

#### About CBRE Group, Inc.

CBRE Group, Inc. (NYSE:CBRE), a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services and investment firm (based on 2019 revenue). The company has more than 100,000 employees (excluding affiliates) and serves real estate investors and occupiers through more than 530 offices (excluding affiliates) worldwide. CBRE offers a broad range of integrated services, including facilities, transaction and project management; property management; investment management; appraisal and valuation; property leasing; strategic consulting; property sales; mortgage services and development services. Please visit our website at [www.cbre.com](http://www.cbre.com). Official Twitter account for Japan: @cbrejapan

**DISCLAIMER:** Neither CBRE nor its affiliated companies make any warranties or claims on the implied accuracy of the information contained herein.

