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 CBRE
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CBRE Releases Report “COVID-19’s Impact on Real Estate Investment Strategies”

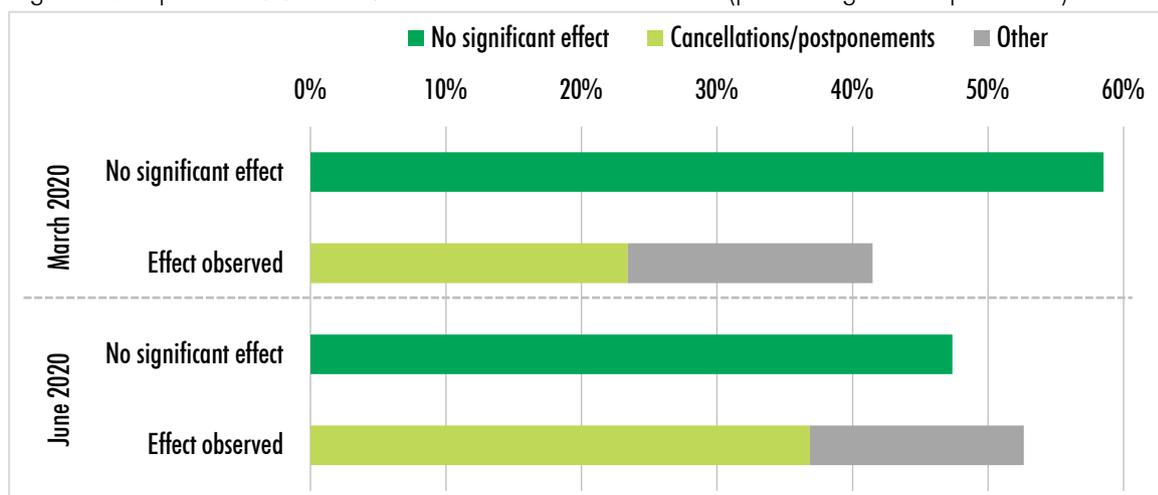
CBRE today released a report titled, “COVID-19’s Impact on Real Estate Investment Strategies.” The report analyzes and compares the results of a survey that was conducted amongst investors in March 10-31 and June 9-30. The results shed light on how the new coronavirus (COVID-19) has impacted the real estate investment market. The report also identifies strategies for investors seeking to navigate the COVID-19 era. (Details of the survey are noted on page 4)

Nationwide state of emergency leads to postponement or cancellation of deals

The June survey saw 53% of respondents agreeing that the spread of COVID-19 had affected their transactions, an increase of 12 points from March. Of these, 37% reported that “transactions had been canceled or postponed,” an increase of 14 points from March. During the nationwide state of emergency (April 7 to May 25), residents were requested by the government to refrain from leaving the house, making it difficult to conduct business activity and participate in deal negotiations (Figure 1). Commercial real estate transaction volume*1 in Q2 2020 stood at JPY 753 billion, down 22% y-o-y and investment by both J-REITs and other Japanese investors fell sharply y-o-y.

*1 Deals worth JPY 1.0 billion or more, excluding land transactions and property acquisitions at the time of J-REIT IPOs. For more information, refer to the “Q2 2020 Japan Investment MarketView.”

Figure 1: Impact of COVID-19 on real estate transactions (percentage of respondents)

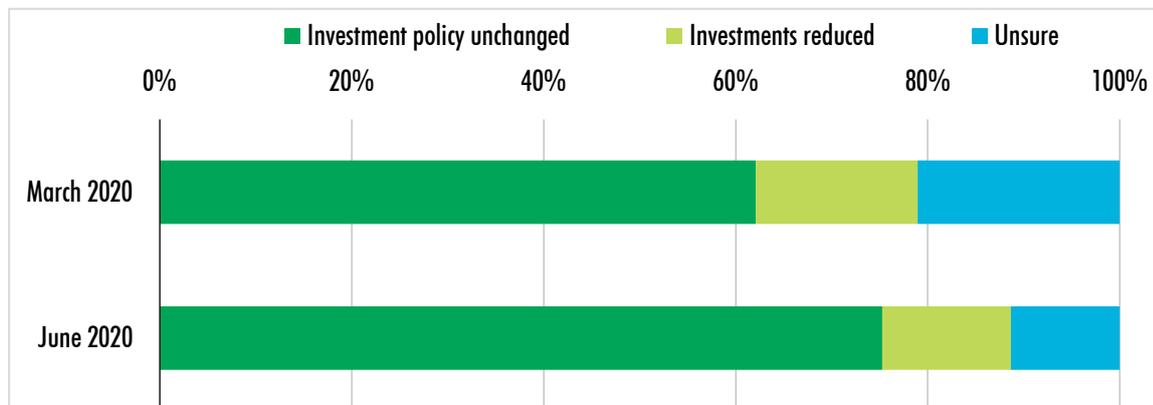


Source: CBRE Research, August 2020

Investment appetite strengthens in June

Following the lifting of the nationwide state of emergency on May 25, a gradual resumption of investor activity has been observed. This trend has been mirrored by the findings of CBRE’s June investor survey, which noted a resurgence in investor appetite compared to the previous survey conducted in March. When asked about the influence of the pandemic on real estate investment strategies (Figure 2), 75% of respondents said that their “investment strategy would be unchanged,” an increase of 13 points from the March survey. Furthermore, the number of investors who replied that their “investment would be reduced” or that they were “unsure” had decreased since March (Figure 2).

Figure 2: Effect of COVID-19 on investment policy(percentage of respondents)



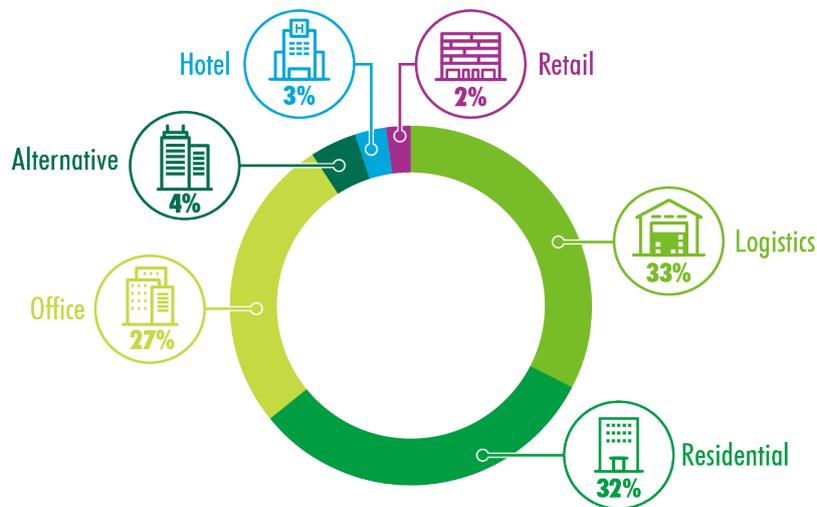
Source: CBRE Research, August 2020

Attractive asset types

Despite the recent upturn in real estate investment activity, there is a notable trend among investors to prioritize asset types providing stable cashflow as they seek to mitigate the impact of economic volatility.

CBRE’s June survey asked investors what they considered to be the most attractive asset types for investment. Logistics ranked first, selected by 33% of respondents, followed by residential (32%) and then office (27%). The results also reflect increased investor focus on logistics amid the acceleration of e-commerce growth. The relative decline in popularity of the office building as an asset type, on the other hand, may be considered a consequence of a divergence of opinion regarding the mid-to-long term demand for such properties. With a recent uptick in COVID-19 cases in July, there remains uncertainty regarding when the pandemic may be under control. Even for those assets targeted for investment, cautious decision-making on a case-by-case basis will be essential.

Figure 3: Attractive asset types (percentage of respondents)



*Respondents were asked to select three asset types they prefer to invest in
Source: CBRE Research, August 2020

CBRE Commentary

Yasuhide Yamada (Senior Director and Deputy Head of Investment Properties, Capital Markets, CBRE K.K.), commented, "As companies navigate the COVID-19 crisis, we are receiving more inquiries on financing solutions using real estate. Real estate is playing an increasingly important role as companies are required to improve their financial situations and generate cash flow to support their business performance.

There seems to be some concern about the sale and leaseback proposed by financial institutions, and whether the proposed price truly grasps the real estate value. This is driving the demand for real estate professionals' opinions and objective view of the market. At CBRE, we verify the actual space used, calculate the area when leased to other companies and the rental rate at that time, and also provide advice on the future of office spaces. This unique, consultancy insight is valued by our clients."

The full report is available at <https://www.cbre.co.jp/en/research-reports/investment-reports>.

■ Survey Overview

Survey period and survey target

- March survey: March 10-31, 2020 / Number of responses: 95 companies
- June survey: June 9-30, 2020 / Number of responses: 97 companies

Respondent attributes

- Arrangers, Lenders (senior), Lenders (mezzanine), Developers, Real property lessors, Asset managers (Mainly for J-REITs), Asset managers (Mainly for non J-REITs), Equity investors, among others.

CBRE Capital Markets Investment Property Services

The Capital Markets team is a full-service provider of capital solutions for real estate investors. CBRE Capital Markets combines investment sales, advisory and into a single, fully integrated global service offering. We serve clients across a variety of sectors, primarily Commercial Office, Industrial, Retail, R&D and Data Centers, and Hotels, with a strong track record in making even the most complex deals happen.

We have experience across all levels of the market, and are able to strategically advise you on the best way to extract a premium result for your asset sale. Through a detailed analysis, we can advise on how to optimize returns through the strategic divestment of either single assets or portfolios. Our market leading team can assist throughout the divestment process, utilizing market knowledge and a global network of potential purchasers to extract a premium result, which allows you to continue to grow based on your business objectives.

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CBRE Japan Celebrates Its 50th Anniversary

CBRE Japan marked its 50th 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. Official Twitter account for Japan: [@cbrejapan](https://twitter.com/cbrejapan)

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