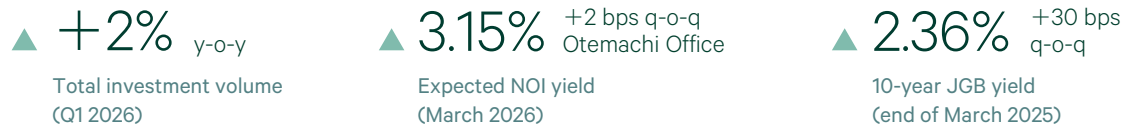


Investment volume edges up to record high for a first quarter; large-scale acquisitions by overseas investors continue



- Commercial real estate investment volume*¹ increased by 2% y-o-y to JPY 2.043 trillion in Q1 2026. This figure marked a record high for a first quarter, with the onset of the Middle East conflict during the period not impacting investment activity. Overseas investors remained active, completing a large-scale acquisition exceeding JPY 100 billion, while acquisition volume by J-REITs and other domestic investors remained robust. While investment volume in the office and retail sectors fell y-o-y, the residential, logistics, and hotel sectors each saw double-digit y-o-y growth.
- J-REIT acquisition volume (all transactions, including those below JPY 1 billion) grew by 5% y-o-y to JPY 466.2 billion, with many acquisitions funded by equity offerings. Acquisitions of central Tokyo office buildings from sponsors were prominent, while hotel investment volume reached a record quarterly high, buoyed by the largest-ever acquisition by a J-REIT.
- Expected NOI yields for Tokyo prime assets*² rose by 2 bps q-o-q to 3.15% for the office sector (Otemachi). After falling for the first time in three years in Q4 2025, yields returned to their previous levels this quarter. Expected yields for logistics facilities rose by 1 bps, but those for the hotel sector fell by 5 bps to a new record low. While expectations for rent increases remain strong amid robust tenant demand, investors remain cautious of further rises in interest rates. That said, no significant change in overall investment appetite has been observed thus far.

*¹ Investment volume covers transactions of JPY 1 billion or larger, excluding land transactions and acquisitions by J-REITs at IPO.
 *² Expected yields are based on the results of CBRE's investor survey (CBRE Cap Rate Survey), calculated as the average of the median of upper/lower value on a NOI basis. Surveys started in July 2003 for offices; in October 2007 for residential; and in January 2009 for retail, hotels, and industrial.
 *³ CBRE Tankan Survey (DI = Diffusion index) subtracts the ratio (%) of respondents that expected an "improvement" from the ratio (%) of respondents that expected a "deterioration".

Figure 1: Quick Stats

Investment volume* ¹	Q1 2026 (JPY, bn)	y-o-y (%)
Total investment volume	2,043	+2
Domestic (J-REITs)	461	+5
Domestic (Others)	809	+16
Overseas	774	-12
Expected NOI Yield * ²	Mar. 2026 (%)	q-o-q (bps)
Office (Otemachi, Tokyo)	3.15	+2
Retail (Ginza Chuo-Dori, Tokyo)	3.15	±0
Industrial (Tokyo Bay area)	3.66	+1
CBRE Tankan Survey * ³	Grade A Office (q-o-q: pp)	Multi-tenant Logistics (q-o-q: pp)
Sales prices	26 (+2)	2 (-2)
Expected yield	-7 (±0)	-4 (-9)
Lending attitude of financial institutions	13 (+1)	14 (+1)
Stance on investment and loans	24 (+3)	5 (+3)

Source: CBRE, Q1 2026.

Investment volume rises slightly, marking a record high for a first quarter

Commercial real estate investment volume for Q1 2026 (transactions of JPY 1 billion or larger, Figures 1 to 3) increased by 2% y-o-y to JPY 2.043 trillion, establishing a new record high for a first quarter. Investment activity was unaffected by the onset of the Middle East conflict toward the end of the quarter.

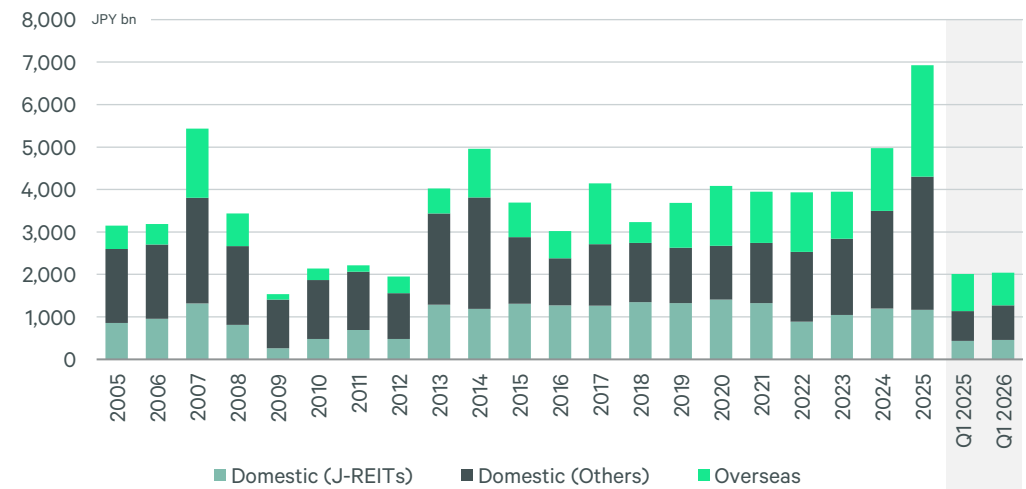
Acquisition volume by overseas investors fell by 12% y-o-y, marking the first decline in seven quarters. While an ultra-large transaction, namely the Dentsu Headquarters Building (JPY 300 billion), was seen, the high base of comparison from the previous year, which included major deals such as those for Tokyo Garden Terrace Kioicho (JPY 400 billion) and GinzaNovo (formerly Tokyu Plaza Ginza) (JPY 150 billion), ensured investment volume declined. Acquisitions by J-REITs and other domestic investors grew by 5% and 16% y-o-y, respectively (Figure 2). J-REIT acquisition volume increased y-o-y for the second consecutive quarter, with purchases via equity offerings being prominent. Among domestic investors, many transactions exceeding JPY 10 billion related to security tokens and acquisitions by SPCs funded by multiple investors, including J-REITs, were observed.

Office investment volume fell by 31% y-o-y while retail investment dropped by 29%. In the office sector, several acquisitions by J-REITs of sizes in the tens of billions of yen and sales of headquarter buildings by corporates approaching the end of their fiscal year were recorded. The retail sector saw the completion of multiple transactions exceeding JPY 10 billion for suburban shopping centers and urban retail facilities.

Residential investment volume surged by 60% y-o-y, with overseas investors continuing to be active in portfolio deals. Logistics investment rose by 48%, with J-REIT acquisition volume decreasing but that by non-J-REIT domestic investors growing significantly. Hotel investment volume rose 33%, up for the first time in four quarters, thanks to an increase in J-REIT acquisitions. The tender offer for a J-REIT sponsored by The Sankei Building and a data center transaction exceeding JPY 100 billion in the Greater Osaka area also contributed to total investment volume.

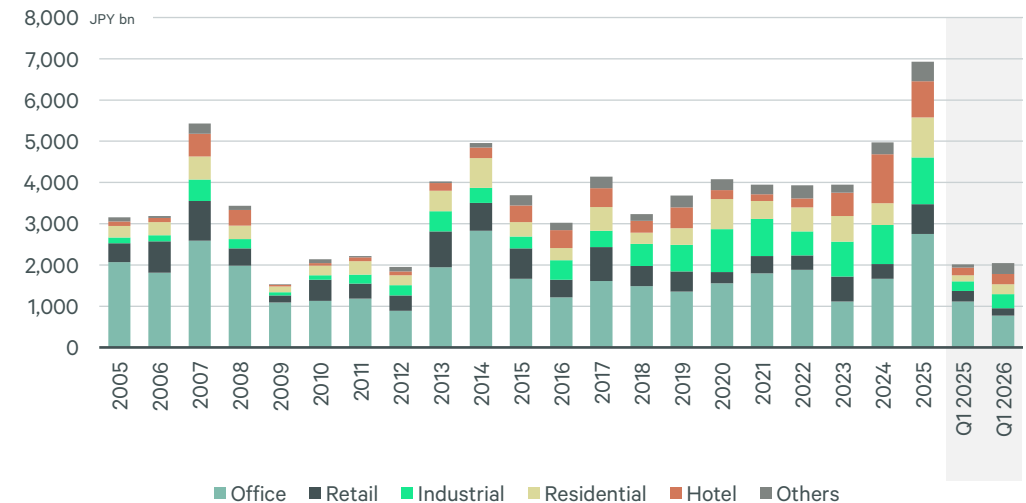
Asset securitization remains robust among Japanese corporates, with recent reports regarding Fuji Media Holdings planning to sell its real estate business. Several major domestic and international funds looking to capitalize on this trend have announced investment plans ranging in scale from the hundreds of billions to the trillions of yen. The release of a draft revision to Japan's Corporate Governance Code in April, which will require listed companies to verify and explain the appropriate allocation of management resources, is likely to further support this trend.

Figure 2: Investment volume by investor type (acquisition)



Note: Includes transactions of JPY 1bn or larger, excluding acquisitions by J-REITs at IPO.
Source: MSCI Real Capital Analytics, CBRE, Q1 2026.

Figure 3: Investment volume by asset type



Note: Includes transactions of JPY 1bn or larger, excluding acquisitions by J-REITs at IPO.
Source: MSCI Real Capital Analytics, CBRE, Q1 2026.

J-REIT equity offerings robust this quarter; hotel acquisitions reach record-high

J-REIT acquisition volume (all transactions, including those below JPY 1 billion) reached JPY 466.2 billion in Q1 2026, a 5% increase y-o-y. The period saw a series of acquisitions via equity offerings, with the nine offerings (including third-party allotments) totaling JPY 153.7 billion announced by J-REITs this quarter exceeding the six offerings totaling JPY 71.1 billion for the full year 2025.

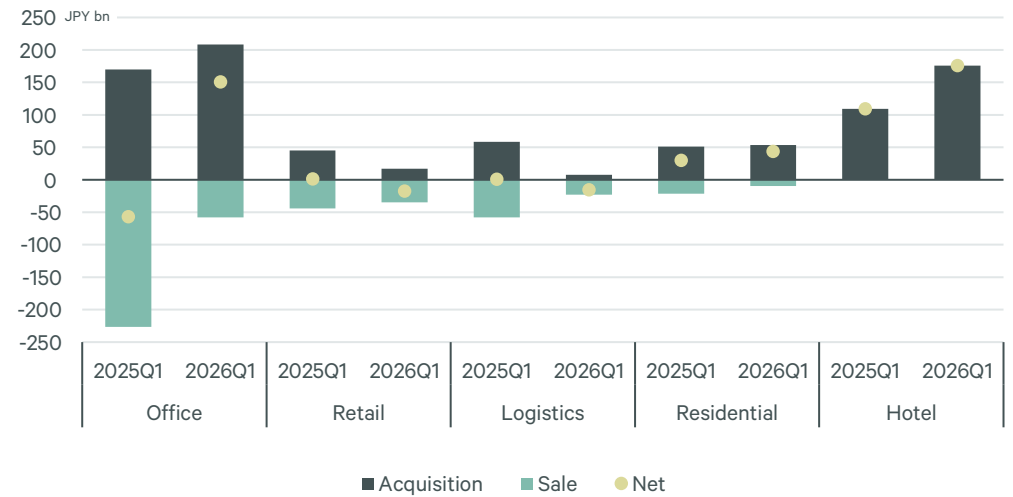
Office acquisition volume by J-REITs reached JPY 208.5 billion (up 23% y-o-y), led by the prominent acquisitions of buildings located in the Tokyo CBD from sponsors. These included Nihonbashi Honcho M-SQUARE (JPY 32.1 billion) and Shinjuku Eastside Square (additional acquisition of co-ownership interest; JPY 20.4 billion). Hotel acquisition volume reached a quarterly record high of JPY 175.6 billion (up 61% y-o-y), bolstered by the purchase of Hyatt Regency Tokyo (JPY 126.0 billion), the largest-ever hotel acquisition by a J-REIT. Residential acquisition was JPY 53.5 billion (up 5% y-o-y), but volumes for other asset types fell y-o-y (Figure 4).

Note that, while logistics acquisition volume by J-REITs dropped to JPY 7.5 billion, marking a substantial 87% y-o-y decline, the period saw a series of announcements by logistics REITs regarding equity investments in SPCs, with underlying assets valued in the tens of billions of yen. Key advantages for J-REITs in securing indirect ownership through SPCs include obtaining preferential negotiation rights for future direct purchases of underlying assets, as well as the potential to achieve dividend yields that exceed those from direct ownership. J-REITs are becoming increasingly focused on capital efficiency and are effectively timing their asset acquisitions.

J-REIT sales volume for the quarter fell by 64% y-o-y to JPY 125.4 billion. This figure included JPY 57.9 billion for offices (down 74%), JPY 34.7 billion for retail (down 21%), JPY 22.9 billion for logistics (down 60%), and JPY 9.8 billion for residential (down 54%). For the second consecutive quarter, no hotel sales were recorded.

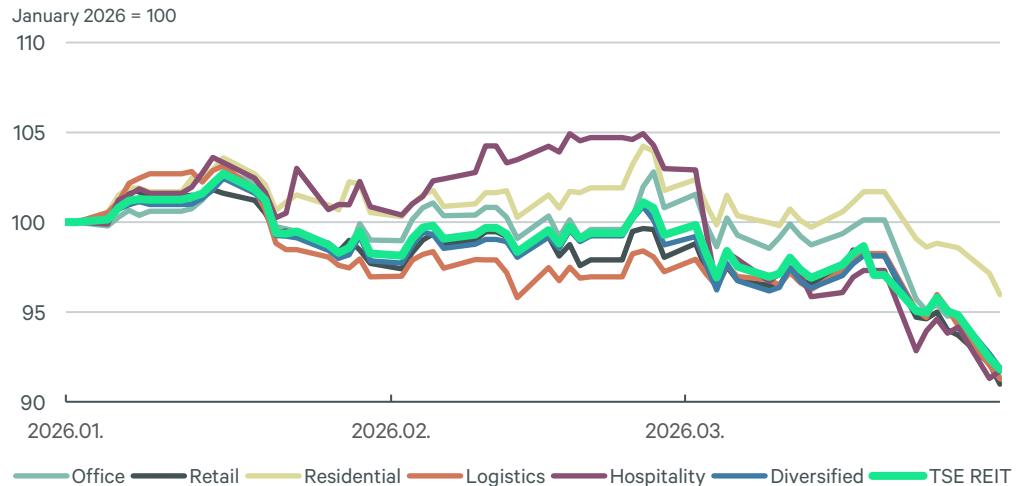
The Tokyo Stock Exchange REIT Index fell by 8.2% from the end of the previous quarter, down across all asset types (Figure 5). While the Index had been weak since mid-January due to rising interest rates, the general decline in the stock market caused by the onset of the Middle East conflict from late February spilled over into J-REIT unit prices this quarter. However, unit prices remain high compared to the same quarter of the previous year. Of the nine offerings announced this quarter, four were announced in March.

Figure 4: Acquisition, sale and net investment volume by J-REITs



Source: CBRE, Q1 2026.

Figure 5: J-REIT unit price by asset type



Source: Macrobond, CBRE, Q1 2026.

**CBRE Cap Rate Survey:
Hotel yields fall to new record low**

CBRE’s quarterly Cap Rate Survey found that expected NOI yields (averages, Figures 6 and 8) for Tokyo prime assets in Q1 2026 rose by 2 bps q-o-q to 3.15% for offices (Otemachi). While yields fell for the first time in three years in the previous quarter, the results this quarter showed a return to previous levels. Logistics (LMT in Tokyo Bay area) yields rose 1 bps, while hotel (five central wards of Tokyo, management contract) yields fell 5 bps, establishing a new record low. Residential apartment (both studio and family-type) yields remained unchanged q-o-q.

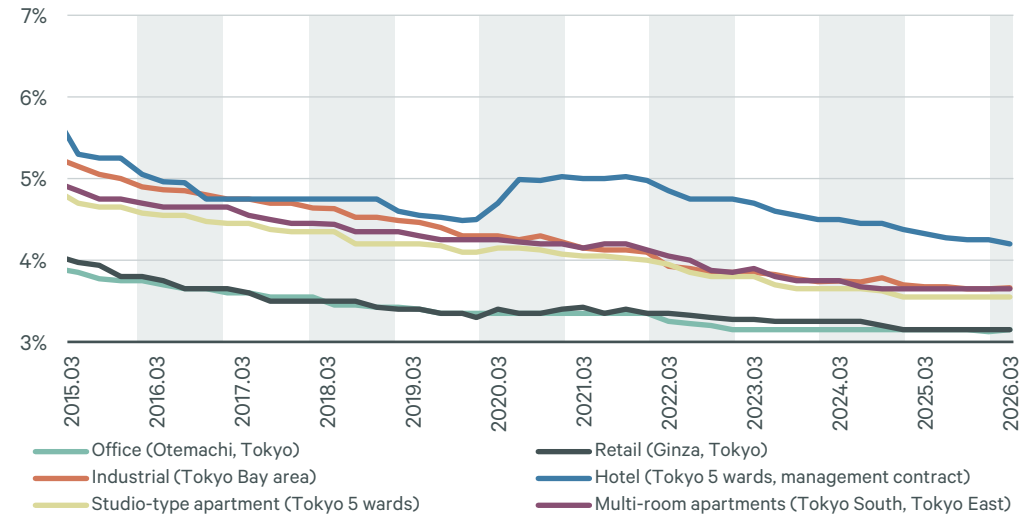
The CBRE Tankan Survey (DI, Figure 9) for this quarter showed improvements across the board for offices, except for "expected yield" and "NOI". While "expected yield" remained unchanged, the deterioration of "NOI" was limited to -1 pp. In the logistics sector, although the DI for "expected yield" worsened by 9 pp, "rent" improved for the third consecutive quarter, rising by 8 pp. "Vacancy rate" improved significantly by 10 pp, and the DI level turned positive for the first time since 2022. Signs of the Greater Tokyo logistics rental market bottoming out appear to be reflected in investor sentiment.

**Investors expect strong tenant demand to continue;
focus shifting to impact of rising interest rates and tenants' ability to pay rent**

CBRE’s Q1 2026 Cap Rate Survey asked investors their views on the outlook for tenant demand and risk factors. For offices, residential, hotels, and data centers, more than half of respondents predicted an expansion in tenant demand over the next three years. In the logistics sector, the proportion of responses predicting demand to increase rose from the previous survey conducted in Q1 2025 (Figure 7). Regarding investment risk factors, “rising construction costs” was the most common response, as was the case in the previous survey. In addition, more than half of respondents cited "rising cap rates due to higher interest rates," while the number of respondents citing "tenants' ability to pay rent" increased. The results appear to reflect investors’ concerns over the marked increase in interest rates from the end of last year, persistent inflation, and the onset of the Middle East conflict during the survey period (March).

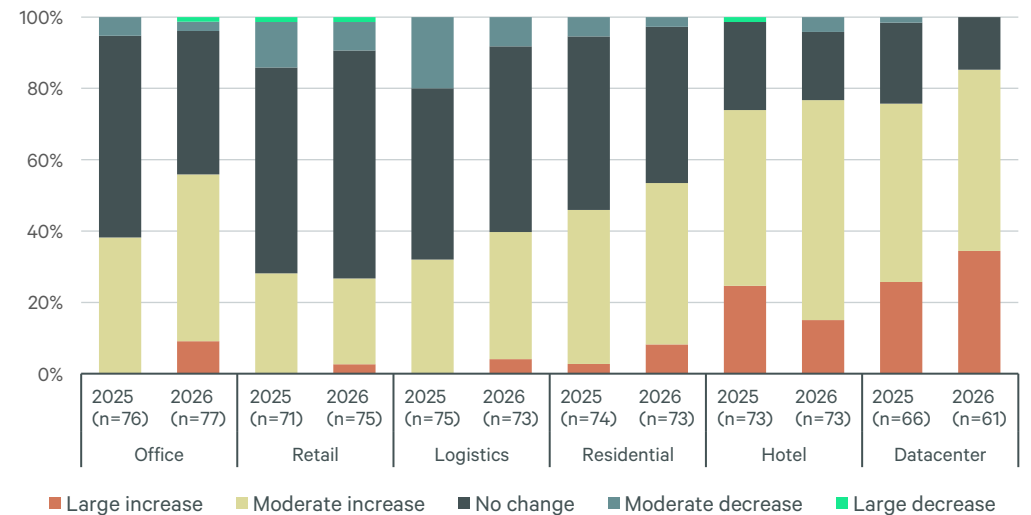
The survey results also suggest that while expectations for rent increases remain strong—driven by robust tenant demand, particularly in the office and hotel sectors—investors are becoming increasingly wary of rising interest rates. However, with the former outweighing the latter, investors' overall appetite remains largely unchanged, resulting in persistently low expected yields and solid investment volume.

Figure 6: Expected NOI yield (prime assets in Tokyo)



Note: The average of the median of upper/lower value
Source: CBRE Cap Rate Survey, March 2026.

Figure 7: Tenant demand outlook for the next three years (single answer)



*Excludes 'not sure'
Source: CBRE Cap Rate Survey, March 2026.

Figure 8: Expected NOI Yield

		Mar. 2026 (%)	q-o-q (bps)
Tokyo	Office (Otemachi, Tokyo)	3.15	+2
	Residential (Studio, Tokyo 5 wards)	3.55	±0
	Residential (Family-type, Tokyo south/ east)	3.65	±0
	Industrial (Multi-tenant, Tokyo Bay area)	3.66	+1
	Retail (Ginza Chuo-Dori, Tokyo)	3.15	±0
	Hotel (Management contract, Tokyo 5 wards)	4.20	-5
Osaka	Office	4.25	±0
Nagoya	Office	4.45	±0
Sapporo	Office	4.65	±0
Sendai	Office	4.80	±0
Hiroshima	Office	5.05	±0
Fukuoka	Office	4.30	-3

Note: Expected yields are based on the results of CBRE's investor survey, calculated as the average of the median of upper/lower value on a NOI basis. Surveys started in July 2003 for offices and residential, and in January 2009 for retail, hotels, and logistics. Source: CBRE Cap Rate Survey, March 2026.

Figure 10: Selected Major Transactions

Date*1	Building Name	Location	Sector	Seller	Buyer	Acquisition Price*2 (JPY Million)	Price per Tsubo*2 (JPY Thousand)	Cap Rate*3 (%)
Feb-26	Dentsu Headquarters Building	Minato-ku, Tokyo	Office	GK Shibaguchibashi Investment (Hulic, etc.)	Brookfield	300,000	—	—
Mar-26	Data Center in Greater Osaka	Undisclosed	Data Center	Undisclosed	a core fund managed by Mitsui & Co. Realty Management (51%), CapitaLand Ascendas REIT (49%)	156,000	—	—
Feb-26	Hyatt Regency Tokyo (50% ownership)	Shinjuku-ku, Tokyo	Hotel	GK Midtown Tokyo (Japan Hotel REIT Advisors)	Japan Hotel REIT	126,000	5,799	4.9
Jan-26	TOB Buyout of Sankei Real Estate Inc. Portfolio	Japan	Bulk/Mixed	The Sankei Building	Tosei Corporation, GIC	93,938	—	—
Mar-26	UI Konan Logistics Center II	Konan-shi, Shiga	Industrial	UI Konan Kansai 2 TMK (UIB Group)	UIB Konan 2 TMK (UI Boustead REIT)	52,100	—	—
Feb-26	Ajinomoto Head Office	Chuo-ku, Tokyo	Office	Ajinomoto	Shimizu Corporation	45,100	—	—
Mar-26	Sosila Chuo-Rinkan	Yamato-shi, Kanagawa	Industrial	Undisclosed	SOSiLA Private Fund 3 GK (SOSiLA Logistics REIT, etc.)	40,700	—	3.5
Mar-26	Centara Grand Hotel Osaka	Osaka-shi, Osaka	Hotel	Centara Osaka TMK (Centara Hotels & Resorts, Taisei Corporation, Kanden Realty & Development)	Osaka Namba Investors GK (Nomura Real Asset Investment)	38,500	—	—

*1 Announcement/release, or contract/delivery date. *2 Acquisition price may be approximate, estimated, appraised, book value, or total asset value. *3 J-REIT cap rates are based on NOI estimated by the J-REIT's asset manager or appraisal NOI, and the acquisition price. Source : MSCI Real Capital Analytics, CBRE, Q1 2026.

Figure 9: CBRE Tankan Survey (DI)

		Mar. 2026	q-o-q (pp)
Office buildings (Tokyo Grade A)	Transaction volume	15	+3
	Sales prices	26	+2
	NOI (Net Operating Income)	29	-1
	Expected yield	-7	±0
	Lending attitude of financial institutions	13	+1
	Stance on investment and loans	24	+3
Logistics facilities (Greater Tokyo, multi-tenant)	Transaction volume	-8	+1
	Sales prices	2	-2
	Rent	22	+8
	Vacancy rate	6	+10
	Expected yield	-4	-9
	Lending attitude of financial institutions	14	+1
	Stance on investment and loans	5	+3

Note: CBRE Tankan Survey (Diffusion Index = DI) subtracts the ratio (%) of respondents that expected an "improvement" from the ratio (%) of respondents that expected a "deterioration." Expected yield DI subtracts the ratio of respondents that expected a "fall" from the ratio of respondents that expected a "rise". Source: CBRE Cap Rate Survey, March 2026.

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