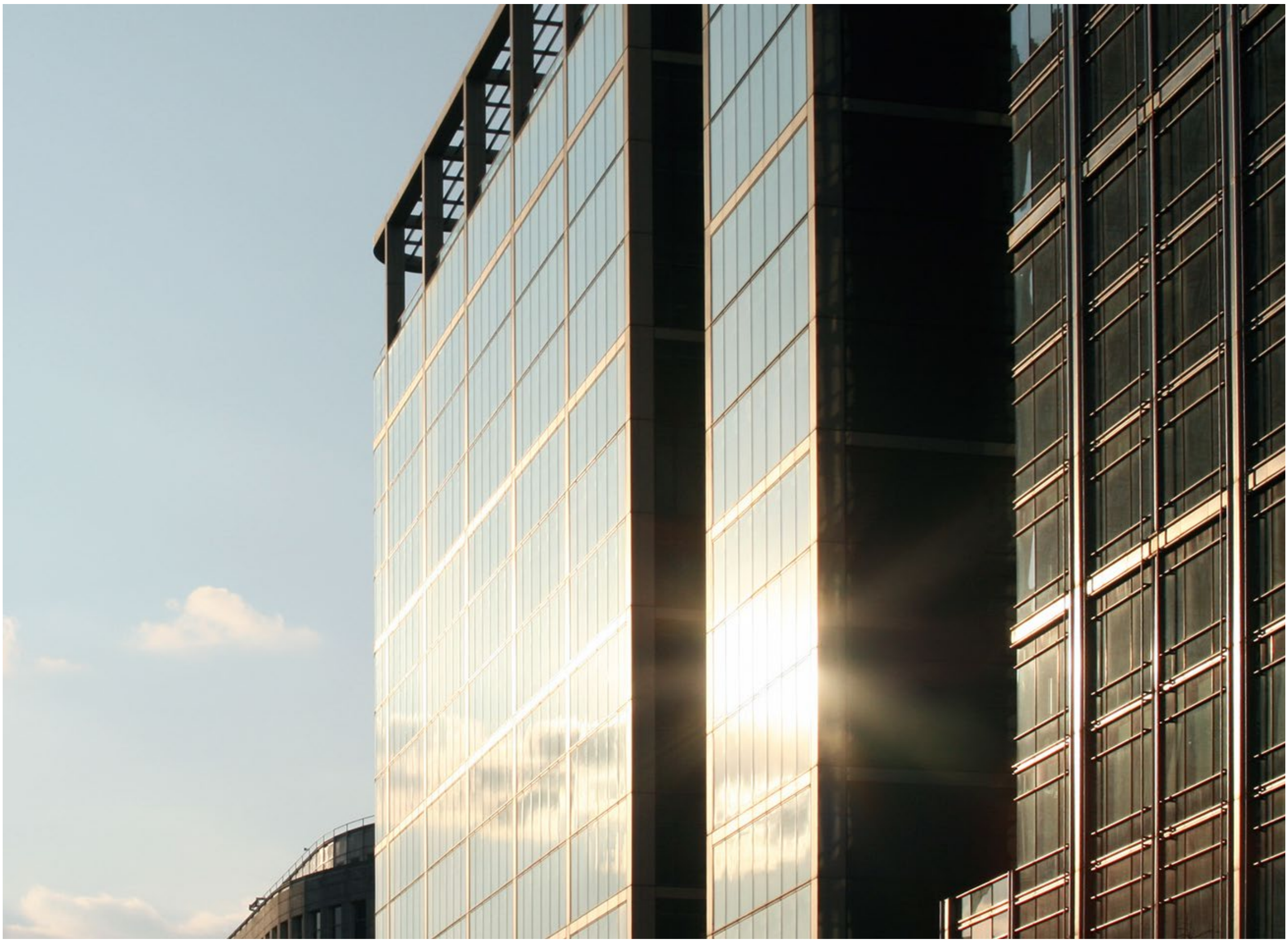
Intelligent Investment

Strategic Real Estate Acquisitions and Capital Efficiency

VIEWPOINT

STRATEGIC REAL ESTATE ACQUISITIONS CAN SUPPORT BUSINESS GROWTH WHILE SIMULTANEOUSLY ENHANCING CAPITAL EFFICIENCY

CBRE RESEARCH
SEPTEMBER 2026



Summary

CBRE's analysis of capital efficiency metrics before and after listed companies announced real estate acquisitions found that companies acquiring existing properties experienced the most significant improvements in capital efficiency. These companies also demonstrated relatively strong business performance prior to the acquisition announcement, suggesting that the acquisition of existing real estate served as a strategic investment for high-performing companies seeking to expand their core businesses. Moreover, among companies that acquired real estate with the aim of transitioning from leased premises to owner-occupied properties, improvements in capital efficiency were even more pronounced. Against a backdrop of rising construction costs, continued rental growth, and tightening vacancy rates, the benefits of corporate real estate ownership are becoming increasingly evident. The findings suggest that, for certain companies, strategic real estate acquisitions can support business growth while simultaneously enhancing capital efficiency.

Companies acquiring existing properties report higher level of improvements in capital efficiency

Press releases issued by Japanese listed companies since 2020 announcing acquisitions of domestic real estate assets largely fall into two broad categories: acquisitions driven by corporate operational needs and acquisitions of investment properties intended to complement a company's core business. To evaluate how the timing of post-acquisition profitability effects differs across acquisition types, CBRE further subdivided the operational-use category into three groups: (1) acquisitions of existing properties (land and buildings) for corporate use; (2) acquisitions of land for the future development of headquarters, factories, or other corporate facilities; and (3) investments in new construction or expansion projects on owned or leased sites. A fourth group, consisting of investment property acquisitions, was added to enable comparisons across four distinct categories of acquiring companies.

For each group, CBRE analyzed changes in Return on Invested Capital (ROIC), Weighted Average Cost of Capital (WACC), and the Economic Value Added (EVA) spread, defined as the difference between ROIC and WACC, before and after the acquisition announcement. The analysis examines how capital efficiency evolved following the acquisitions and highlights the differences observed across the four groups. The methodology is described in detail below.

Methodology

Survey Period and Data: CBRE reviewed 524 press releases announcing the acquisition of tangible fixed assets related to domestic real estate between January 2020 and the first half of 2026. These acquisitions were classified into four groups based on their purpose and characteristics, with observations that did not fit any of the four categories excluded from the analysis. CBRE then calculated and compared the financial metrics of ROIC, WACC, and EVA spread for the companies in each group to assess changes in capital efficiency before and after the acquisitions.

Calculation Method: Using Year 0 as the acquisition announcement year, changes in each financial metric were measured relative to the pre-announcement period for each company.

(a) Pre-acquisition announcement: The mean value of the metric calculated for each of Year -3, Year -2, Year -1, Year 0

(b) Post-acquisition announcement: The mean value of the metric calculated for each of Year +1, Year +2, and Year +3

(c) Change: Post-acquisition announcement value (b) — pre-acquisition announcement value (a)

Companies for which either pre-announcement or post-announcement data were unavailable were excluded from the analysis. The median change in each metric was then calculated for each of the four company groups.

Cases Involving Multiple Announcements by the Same Company: To prevent companies that made multiple acquisition announcements during the survey period from exerting a disproportionate influence on the overall results, a consolidation approach was adopted. Changes in the relevant financial metrics were first calculated for each announcement using the methodology described above. The average of these changes was then calculated and used as the representative value for each company.

Defining Investment Property Acquisitions: To qualify as an "acquisition of an investment property," the announcement was required to explicitly state that the property was acquired for investment or asset management purposes. In addition, the acquiring company could not belong to either the financial or real estate sectors.

Figure 1: Changes in ROIC, WACC, and EVA Spread (Median of Companies in Each Group)

Median	ROIC (change, pp)	WACC (change, pp)	EVA Spread (change, pp)
Group 1: Acquisition of Existing Properties (n=36)	+0.84	-0.90	+1.94
Group 2: Acquisition of Development Land (n=53)	+0.02	-0.62	+0.21
Group 3: Building Construction (n=66)	+0.42	-0.92	+1.72
Group 4: Acquisition of Investment Properties (n=18)	+0.41	-0.72	+0.58

* Note that, because the change in ROIC, WACC, and EVA spread are calculated independently, the changes in ROIC and WACC and the change in EVA spread do not necessarily match. For each company, the change in EVA spread is always equal to ROIC change — WACC change.
Source: CBRE Research, Bloomberg, August 2026.

A comparison of changes in the financial metrics across the four groups found that Group 1, comprising companies that acquired existing properties, recorded the largest improvement in EVA spread, at 1.94 percentage points (Figure 1). EVA spread, defined as the difference between ROIC and WACC, measures the value created by a company relative to its cost of capital and serves as a key indicator of capital efficiency. The results indicate that companies acquiring existing properties achieved substantially greater improvements in capital efficiency than companies in the other groups.

The magnitude of ROIC improvement varied across the four groups. By contrast, changes in WACC were negative across all groups and exhibited relatively little variation. These findings suggest that differences in EVA spread performance were driven primarily by changes in ROIC rather than by changes in the cost of capital.

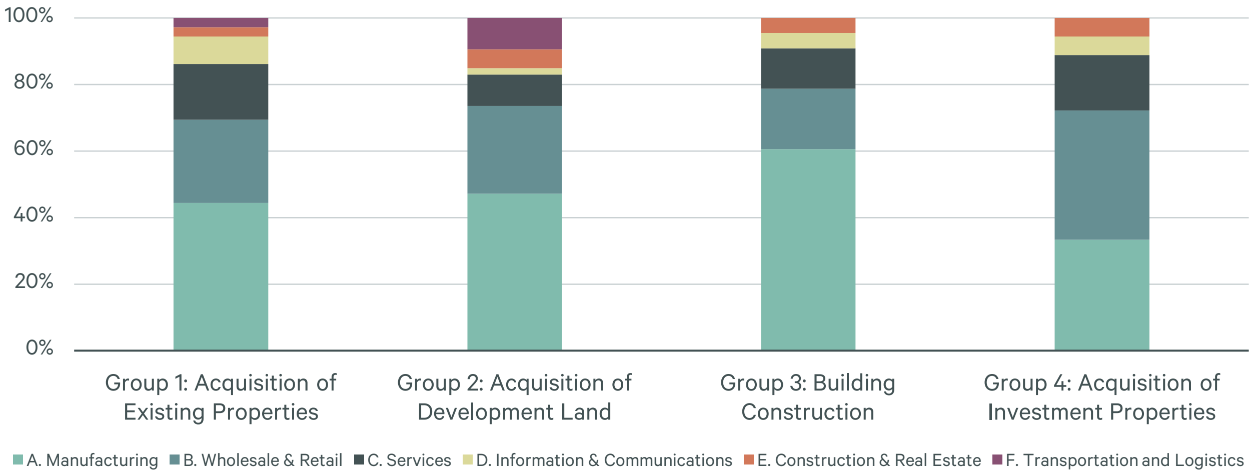
Timing of profitability gains differ by purpose of acquisition

CBRE's analysis of the sector composition of each group reveals that manufacturing companies accounted for the largest share across all four groups, particularly in Group 3, which comprises new construction and expansion projects (Figure 2). When constructing new production facilities, a certain lead time is required before operations can commence. As a result, such investments are generally not expected to contribute meaningfully to profitability in the short term.

A comparison within the two sectors for which sufficiently large samples were available, namely manufacturing and wholesale/retail, revealed a similar pattern. In the manufacturing sector, changes in ROIC were either negative or close to zero for Group 2 (land acquisition) and Group 3 (building construction). By contrast, Group 1 (acquisition of existing properties) recorded the most significant improvement in ROIC (Figure 3). A similar trend was observed in the wholesale/retail sector, suggesting that the immediate operational and financial benefits associated with existing properties contribute more directly to improvements in capital efficiency than investments requiring a longer development and ramp-up period.

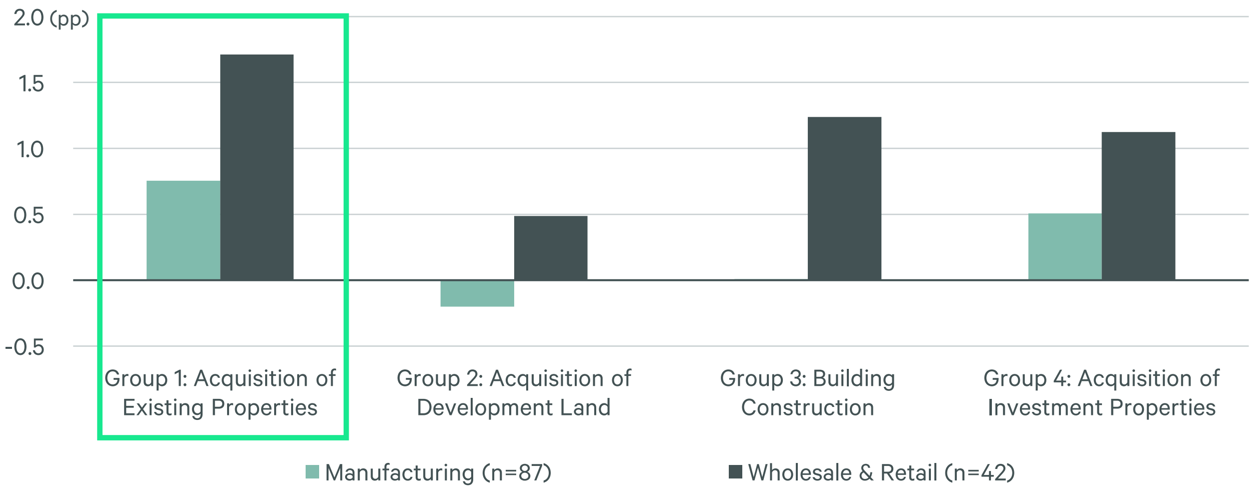
With construction costs continuing to rise and labor shortages persisting across the construction industry, development timelines for new projects are likely to become even longer. As a result, the acquisition of existing properties is expected to become increasingly attractive from the perspective of near-term profitability and capital efficiency.

Figure 2: Industry Composition of Each Group



Source: CBRE Research, Bloomberg, August 2026.

Figure 3: Changes in ROIC of Companies in the Manufacturing and Wholesale & Retail Sectors by Group



Source: CBRE Research, Bloomberg, August 2026.

Companies with strong earnings momentum are more likely to acquire existing properties

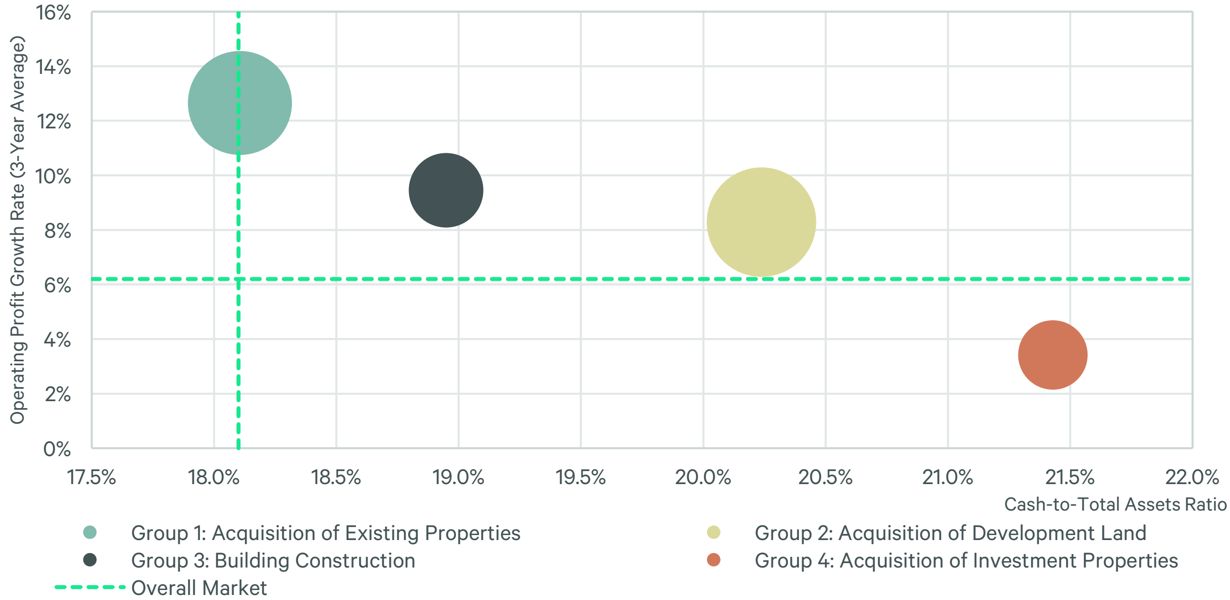
Capital efficiency improvements are also driven by a company's investment capacity and earnings momentum. To better understand the characteristics of each acquisition type, CBRE compared the median pre-announcement cash-to-total-assets ratio (cash and cash equivalents as a percentage of total assets) and the average operating income growth rate over the preceding three years for companies in each group against those of the broader market.

While the cash-to-total-assets ratios of companies that acquired existing properties were broadly in line with the market average, their operating income growth rates significantly outperformed the market, highlighting their strong earnings momentum (Figure 4). This suggests that the acquisition of existing real estate serves as a strategic investment for high-performing companies seeking to expand their core businesses.

In contrast, companies that acquired investment properties recorded operating income growth rates below the market average, while also exhibiting the highest cash-to-total-assets ratios among the four groups. This suggests that these companies acquired real estate as a means of deploying excess cash reserves.

While there was no significant difference in total asset size among the four groups, companies that acquired existing properties tended to have larger market capitalizations and the highest price-to-book ratios (PBRs), exceeding 1.0x on average. This suggests that these companies were viewed by equity investors as having stronger growth prospects and greater potential to generate future earnings.

Figure 4: Comparison of Pre-Announcement Cash-to-Total Assets Ratio and Operating Profit Growth Rate



* The size of each bubble represents the median value of each group's companies' market capitalization.
* Total market values: Median values of TOPIX component stocks (not including finance and real estate) as of just prior to each announcement.
Source: CBRE Research, Bloomberg, August 2026.

Capital efficiency improvements achieved by companies transitioning from leasing to ownership

Of the 36 companies that announced the acquisition of existing real estate assets during the survey period, 14 indicated that the acquisition was intended to facilitate a transition from leased premises to owner-occupied properties. The median increase in the EVA spread for these 14 companies was 2.44 percentage points, exceeding the 1.59 percentage point increase recorded by the remaining 22 companies. Companies transitioning from leasing to ownership also experienced greater improvements in ROIC and larger reductions in WACC (Figure 5).

Figure 5: Changes in ROIC, WACC, EVA Spread of Companies Switching from Leasing to Ownership (Median)

* "Cases other than switching from leasing to owning" include acquisitions for the purposes of business expansion and acquisitions of new properties following sales of previously owned properties.

Source: CBRE Research, Bloomberg, August 2026.

With vacancies diminishing and rents rising against the backdrop of a robust leasing market, owning properties may be a more rational option for certain companies, given the potential to reduce occupancy costs over the long term. While the survey findings do not suggest that ownership is always superior to leasing, they indicate that, for some companies, transitioning from leasing to ownership may not necessarily be at odds with achieving capital efficiency.

Conclusion

CBRE's analysis found that companies that acquired existing properties achieved improvements in capital efficiency following their acquisition announcements. One reason is that existing properties can begin generating cash flow and profits relatively quickly, allowing the benefits of the investment to be realized sooner. In addition, many of these acquisitions were undertaken by companies with strong earnings momentum, creating a direct link between robust earnings growth and improvements in ROIC.

Against a backdrop of construction delays, rising construction costs, sustained rental growth, and tightening vacancy rates in Japan's real estate market, the advantages of corporate real estate ownership are becoming increasingly apparent. While the disposal of real estate assets is often cited as a key strategy for improving capital efficiency, CBRE's analysis indicates that companies with strong earnings momentum were able to further enhance capital efficiency while simultaneously acquiring real estate. These findings suggest that strategic real estate acquisitions need not be at odds with capital efficiency objectives and provide support for real estate acquisition as a viable corporate strategy.

Contact

Tomoya Nose
Associate Director
Investment Team Leader
tomoya.nose@cbre.com

Tatsuya Onoda
Analyst
Investment Team
tatsuya.onoda@cbre.com

Chinatsu Hani
Senior Director
Head of Japan Research
chinatsu.hani@cbre.com