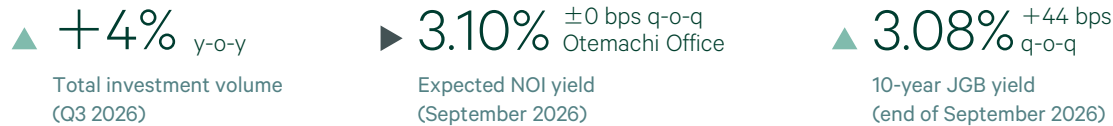


Quarterly investment volume reaches new record of JPY 2.2 trillion; Expected NOI yields remain flat despite continued rise in interest rates



- Commercial real estate investment volume*¹ reached JPY 2.21 trillion in Q3 2026, up 4% y-o-y and setting a new quarterly high. Four transactions exceeding JPY 100 billion were recorded during the quarter. Cumulative investment volume for the first nine months of the year also reached a record high. Office investment volume declined y-o-y; logistics was broadly flat; and residential, retail, and hotel posted y-o-y growth due to several large transactions.
- Acquisition volume by J-REITs (all transactions, including those below JPY 1 billion) totaled JPY 379.7 billion. Purchasing activity remained robust despite continued weakness in unit prices. Logistics was the most actively traded asset type in terms of both acquisitions and sales. The need to embark on unit repurchases and the substantial unrealized gains in their portfolios appear to be the drivers of asset sales by J-REITs.
- Expected NOI yields for Tokyo prime assets*² were unchanged across all asset types, remaining at historical lows despite rising interest rates. The CBRE Tankan Survey*³ indicates that investors continue to hold a positive outlook for office NOI and logistics rents over the next two years, suggesting that many investors are anticipating rental growth for the coming quarters.

*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	Q3 2026 (JPY, bn)	y-o-y (%)
Total investment volume	2,210	+4
Domestic (J-REITs)	386	+49
Domestic (Others)	1,049	—17
Overseas	775	+30
Expected NOI Yield * ²	Sep. 2026 (%)	q-o-q (bps)
Office (Otemachi, Tokyo)	3.10	±0
Retail (Ginza Chuo-Dori, Tokyo)	3.15	±0
Industrial (Tokyo Bay area)	3.65	±0
CBRE Tankan Survey * ³	Grade A Office (q-o-q: pp)	Multi-tenant Logistics (q-o-q: pp)
Sales prices	28 (—1)	3 (±0)
Expected yield	—8 (—1)	—6 (—2)
Lending attitude of financial institutions	12 (+1)	6 (—6)
Stance on investment and loans	24 (—1)	0 (—2)

Source: CBRE, Q3 2026.

Investment volume reaches new quarterly record high

Commercial real estate investment volume (transactions of JPY 1 billion or larger, Figures 1 to 3) reached JPY 2.21 trillion in Q3 2026, up 4% y-o-y and setting a new quarterly record. Four transactions exceeding JPY 100 billion were completed during the quarter. Cumulative investment volume for the first three quarters of 2026 reached JPY 5.24 trillion, up 4% y-o-y and marking the highest level ever recorded for the first nine months of a calendar year.

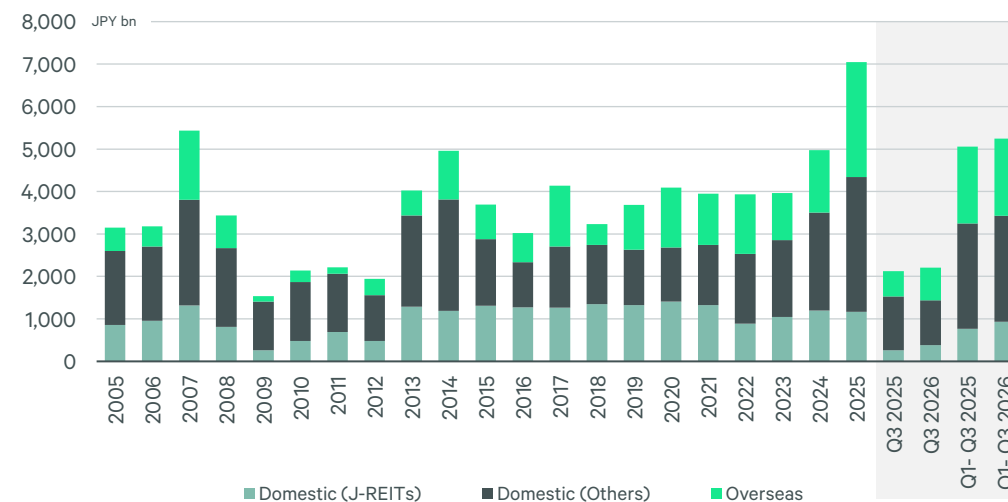
By investor type, acquisition volume by J-REITs and overseas investors grew to JPY 386 billion (+49% y-o-y) and JPY 775 billion (+30% y-o-y), respectively (Figure 2). While acquisition volume by non-J-REIT domestic investors declined 17% y-o-y to JPY 1.049 trillion, this still signified the second largest figure on record, trailing only the all-time high posted in the same period of the prior year.

Office was the only asset type to post a y-o-y decline in investment volume, falling 29% y-o-y to JPY 580 billion. The largest deal in this sector was the acquisition of Pacific Century Place Marunouchi by Hulic and other investors from GIC for JPY 230 billion. No other office deals exceeding JPY 50 billion were reported this quarter.

Residential investment volume reached JPY 419 billion (+35% y-o-y), setting a new quarterly record for this asset class. Several large-scale portfolio transactions were completed in Q3 2026, including Brookfield's acquisition of 50 multifamily properties across four major metropolitan areas for JPY 100 billion. Retail investment volume increased 26% y-o-y, while that for hotels rose 8%, both supported by multiple transactions exceeding JPY 10 billion. Logistics investment volume was broadly unchanged y-o-y, although acquisitions by J-REITs increased due to asset reshuffling.

Other major acquisitions this quarter included a JPY 171 billion deal for data center in Inzai City, the largest amount on record for this asset class. During the quarter, companies such as Mitsui Fudosan, Mitsubishi Estate, and Itochu Corporation revealed plans to invest substantial amounts in data center development over the next several years, with commitments ranging from several hundred billion yen to more than JPY 1 trillion.

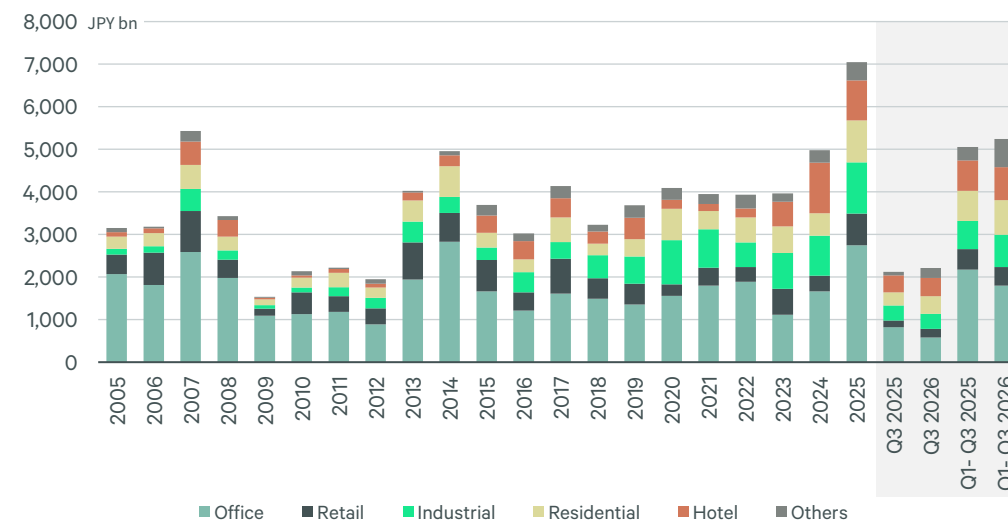
Figure 2: Investment volume by investor type (acquisition)



Note: Includes transactions of JPY 1bn or larger, excluding acquisitions by J-REITs at IPO.

Source: MSCI Real Capital Analytics, CBRE, Q3 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, Q3 2026.

J-REITs remain acquisitive despite continued weakness in unit prices

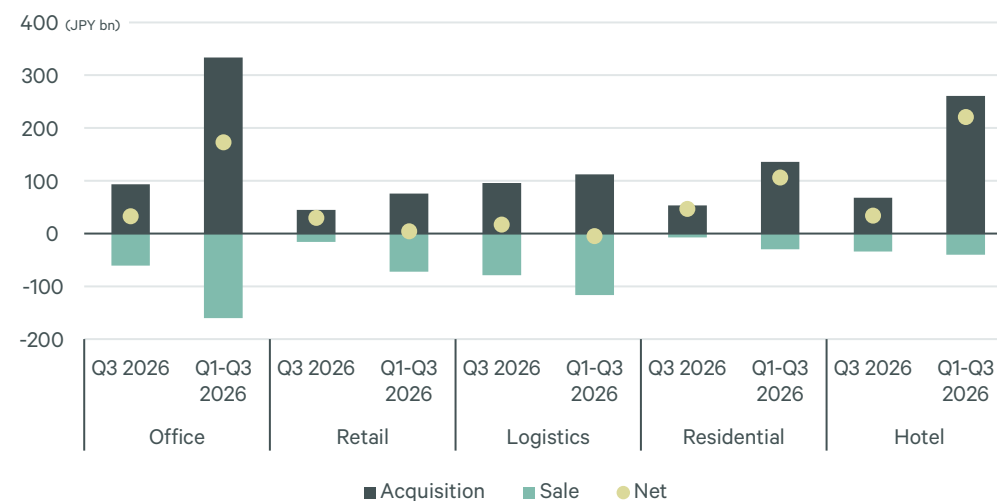
Acquisition volume by J-REITs (all transactions, including those below JPY 1 billion) accelerated to JPY 379.7 billion this quarter, 1.5x the level recorded in the same period last year. Although equity offerings (including third-party allotments) during the period were limited to just two transactions totaling JPY 20 billion amid continued weakness in unit prices, J-REIT activity remained robust due to major asset reshufflings. Sales volume by J-REITs totaled JPY 206.1 billion, down 30% y-o-y, but nearly doubling from Q2 2026.

Logistics was the most actively traded asset type in terms of both acquisitions and sales in Q3 2026 (Figure 4). Multiple large transactions valued at several tens of billions of yen were completed, such as the asset reshuffling by Mitsui Fudosan Logistics Park and the sale of four properties by LaSalle LOGIPOINT REIT. Office was the second most active sector, with Hulic REIT reshuffling its portfolio and a transaction exceeding JPY 10 billion taking place between J-REITs. While hotel acquisitions had been prominent in previous quarters, this quarter saw Japan Hotel REIT dispose of The Beach Tower Okinawa for JPY 30.9 billion, marking the largest hotel sale ever by a J-REIT. In the residential sector, acquisition volume exceeded sales volume for the fourth consecutive quarter, with acquisitions seen through equity offerings by Comforia Residential and several diversified REITs. Retail transaction activity was relatively limited, with Hulic REIT's JPY 29.5 billion acquisition of QUARTZ SHINSAIBASHI accounting for approximately half of total volume.

The TSE REIT Index declined 5.4% from the end of Q2 2026, falling for the second consecutive quarter as the Bank of Japan's (BoJ's) accelerated pace of rate hikes and rising interest rates weighed on performance. On a y-t-d basis, the index was down -15.2%, falling to its lowest level since April 2025. In response to the decline in unit prices, the total amount (upper limit) set for unit repurchase programs announced in Q3 2026 reached JPY 26 billion, the highest level since Q1 2025 (Figure 5). The need to fund these unit repurchases is one reason behind the increase in selling activity by J-REITs. In addition, appraisal values of properties owned by J-REIT had exceeded book values by a total of approximately JPY 7 trillion as of September 2026 (based on each REIT's latest fiscal period-end), and the unrealized gains to book value ratio was 29%. The ability to realize the substantial unrealized gains in their portfolios is another reason for J-REITs to dispose of their assets.

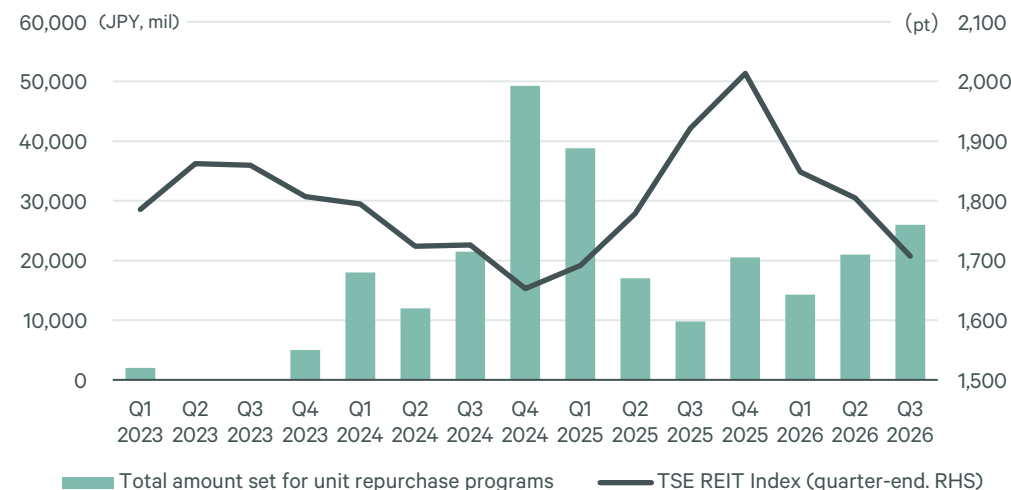
In September 2026, a tender offer was announced for Sankei Real Estate, a listed REIT affiliated with the Fuji Sankei Group. Should unit prices remain depressed, the disconnect between underlying property values and REIT unit prices may attract renewed attention, especially as consolidation and acquisition attempts by third parties gain momentum.

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



Source: CBRE, Q3 2026.

Figure 5: Total amount set for unit repurchase programs announced by J-REITs and TSE REIT Index



Source: CBRE, ARES J-REIT Databook, September 2026.

CBRE Cap Rate Survey:

Expected yields remain unchanged despite rising interest rates

At its September monetary policy meeting, the BoJ raised its policy rate from 1.00% to 1.25%, marking its first hike in three months. Earlier in the year, policy tightening had generally been expected to occur at roughly six-month intervals, suggesting that the recent pace of rate hikes has exceeded market expectations. Meanwhile, the long-term interest rate (benchmark 10-year government bond yields) rose 44bps from the previous quarter-end to 3.08%, reaching its highest level in approximately three decades.

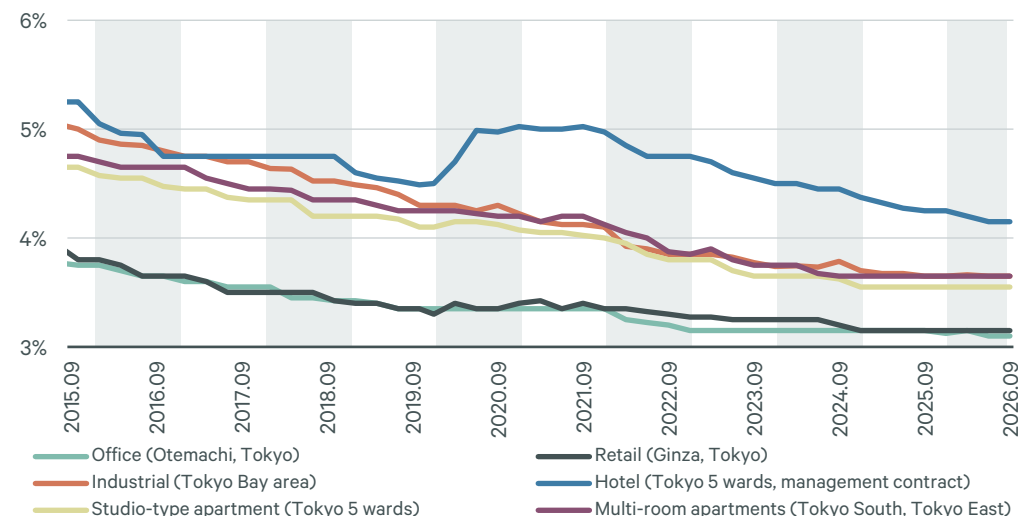
However, according to CBRE's quarterly investor survey on expected yields (CBRE Cap Rate Survey), expected NOI yields for Tokyo prime assets (averages, Figures 6 and 8) were unchanged from the previous quarter across all asset types in Q3 2026, maintaining their historical lows. In the office sector, expected yields compressed in several regional markets outside Tokyo. Expected yields for retail (Ginza) and residential apartment (studio-type) remained unchanged for the eighth consecutive quarter, while residential apartment (family-type) remained flat for the ninth consecutive quarter.

The CBRE Tankan Survey DI for Q3 2026, which measures current investment conditions (Figure 9), showed that "transaction volume" for the office sector worsened by 3 pp, while other office indicators were broadly unchanged from the previous quarter. In the logistics sector, the DIs for "rent" and "vacancy rate" each improved by 3 pp. Although the pace of improvement slowed compared with the previous quarter, indicators continued to strengthen. Other noteworthy changes included the "lending attitude of financial institutions" DI for logistics, which worsened by 6 pp.

Investors remain confident in rental growth

The CBRE Tankan Survey DI also tracks the outlook on investment conditions up to two years ahead. Among the survey indicators, the two-year outlook DI for office NOI has remained above +20, while the corresponding DI for logistics rents has stayed above +40 (Figure 7). These readings indicate that investors expecting improvements in office NOI and logistics rents over the next two years outnumber those anticipating deterioration. Many investors appear to be expecting rental growth to remain intact in the coming quarters.

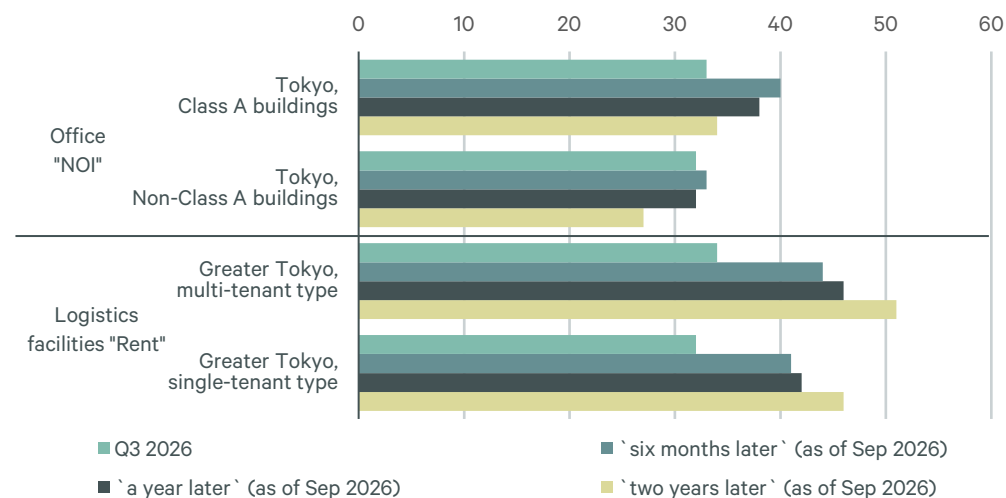
Figure 6: Expected NOI yield (prime assets in Tokyo)



Note: The average of the median of upper/lower value

Source: CBRE Cap Rate Survey, September 2026.

Figure 7: CBRE Tankan Survey outlook DI for office NOI and logistics rent



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, September 2026.

Figure 8: Expected NOI Yield

		Sep. 2026 (%)	q-o-q (bps)
Tokyo	Office (Otemachi, Tokyo)	3.10	±0
	Residential (Studio, Tokyo 5 wards)	3.55	±0
	Residential (Family-type, Tokyo south/ east)	3.65	±0
	Industrial (Multi-tenant, Tokyo Bay area)	3.65	±0
	Retail (Ginza Chuo-Dori, Tokyo)	3.15	±0
	Hotel (Management contract, Tokyo 5 wards)	4.15	±0
Osaka	Office	4.15	±0
Nagoya	Office	4.39	−6
Sapporo	Office	4.58	−2
Sendai	Office	4.75	±0
Hiroshima	Office	4.95	−4
Fukuoka	Office	4.23	±0

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, September 2026.

Figure 10: Selected Major Transactions

Date*1	Building Name	Location	Sector	Buyer	Seller	Acquisition Price*2 (JPY Million)	Price per Tsubo*2 (JPY Thousand)	Cap Rate*3 (%)
Aug-26	Pacific Century Place Marunouchi (8-31FL)	Chiyoda-ku, Tokyo	Office	Hulic, etc.	GIC	230,000	—	—
Sep-26	2 Data Centers in Inzai City	Inzai-shi, Chiba	Data Center	KDCR Tokyo3 TMK (Keppel DC REIT, Keppel Corporation)	Undisclosed	171,000	—	4.5
Sep-26	16 Hotels	Japan	Hotel	Wisteria GK (GIC)	Tailor TMK (KKR)	125,000	—	—
Aug-26	50 Residential Properties	Japan	Residential	Brookfield	MFTJPN3 TMK, etc. (JP Morgan)	100,000	—	—
Aug-26	Six Senses Kyoto	Kyoto-shi, Kyoto	Hotel	GK WRMST 1 (Wealth Realty Management)	Kyoto Higashiyamakaku TMK (Richesse Management)	46,500	—	4.4
Aug-26	Shinagawa Seaside East Tower	Shinagawa-ku, Tokyo	Office	Mitsui & Co. Digital Asset Management	Undisclosed	39,700	—	3.7
Jul-26	4 Logistics Properties	Japan	Industrial	GK Sasanqua (Japan Logistics Fund, etc.)	Undisclosed	36,911	—	—
Jul-26	The Beach Tower Okinawa	Nakagami-gun, Okinawa	Hotel	Mihama Terroir TMK	Japan Hotel REIT	30,900	5,072	1.6

*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, Q3 2026.

Figure 9: CBRE Tankan Survey (DI)

		Sep. 2026	q-o-q (pp)
Office buildings (Tokyo Grade A)	Transaction volume	11	−3
	Sales prices	28	−1
	NOI (Net Operating Income)	33	+1
	Expected yield	−8	−1
	Lending attitude of financial institutions	12	+1
	Stance on investment and loans	24	−1
Logistics facilities (Greater Tokyo, multi-tenant)	Transaction volume	−4	±0
	Sales prices	3	±0
	Rent	34	+3
	Vacancy rate	21	+3
	Expected yield	−6	−2
	Lending attitude of financial institutions	6	−6
	Stance on investment and loans	0	−2

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, September 2026.

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