Investment volume rises 17% y-o-y; expected NOI yields for offices and hotels set new record lows

▲ +17% y-o-y
Total investment volume (Q2 2026)

▼ 3.10% −5 bps q-o-q Otemachi Office
Expected NOI yield (June 2026)

▲ 2.64% +28 bps q-o-q
10-year JGB yield (end of June 2026)

- Japan commercial real estate investment volume*1 increased by 17% y-o-y to JPY 1,121.0 billion in Q2 2026, marking the first time that second quarter investment volume has exceeded JPY 1 trillion since 2008, shortly before the onset of the Global Financial Crisis (GFC). The largest transaction of the quarter was the sale of Sapporo Holdings' real estate business, while the period also witnessed several acquisitions of JPY 10 billion or more by domestic investors in the office, hotel, and logistics sectors. Investment volume in the office and logistics sectors recorded double-digit percentage increases y-o-y, but volumes for the residential, retail, and hotel sectors declined y-o-y.
- Acquisition volume by J-REITs for the quarter (all transactions, including those below JPY 1 billion) totaled JPY 102.8 billion, down 78% from the previous quarter, when acquisitions through capital raises were active. Difficulties in growing their asset size through equity offerings prompted some J-REITs to focus on asset reshuffling. The period witnessed several residential acquisitions by J-REITs alongside disposals of land with leasehold interests.
- Expected NOI yields for prime assets*2 in Tokyo fell by 5 bps q-o-q for both offices and hotels in Q2 2026, setting new record lows. Logistics facilities also saw expected yields decline by 1 bps q-o-q. Looking ahead to end-2027, the proportion of CBRE survey respondents expecting yields to rise expanded compared to the previous survey conducted in June 2025. With further interest rate increases anticipated, investors are expected to display even stronger demand for already scarce properties offering income upside potential.

*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	Q2 2026 (JPY, bn)	y-o-y (%)
Total investment volume	1,121	+17
Domestic (J-REITs)	101	+45
Domestic (Others)	611	+11
Overseas	409	+20
Expected NOI Yield *2	**Jun. 2026 (%)**	**q-o-q (bps)**
Office (Otemachi, Tokyo)	3.10	−5
Retail (Ginza Chuo-Dori, Tokyo)	3.15	±0
Industrial (Tokyo Bay area)	3.65	−1
CBRE Tankan Survey *3	**Grade A Office (q-o-q: pp)**	**Multi-tenant Logistics (q-o-q: pp)**
Sales prices	29 (+3)	3 (+1)
Expected yield	−7 (±0)	−4 (±0)
Lending attitude of financial institutions	11 (−2)	12 (−2)
Stance on investment and loans	25 (+1)	2 (−3)

Source: CBRE, Q2 2026.

Investment volume rises 17% y-o-y

Japan commercial real estate investment volume increased by 17% y-o-y to JPY 1,121.0 billion in Q2 2026, marking the first time that second quarter investment volume has exceeded JPY 1 trillion since 2008, shortly before the onset of the GFC. H1 2026 investment volume totaled JPY 3,023 billion, up 2% y-o-y, broadly flat compared to the same period of the previous year.

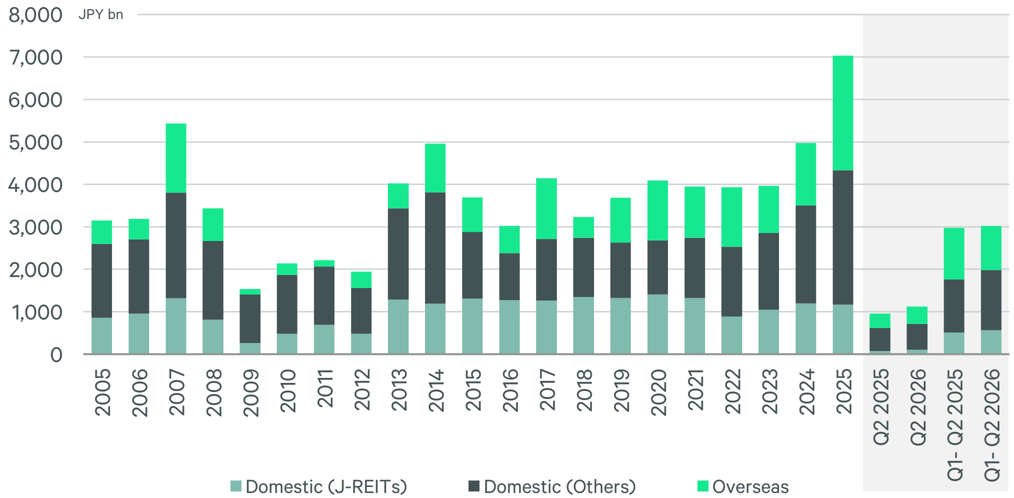
Acquisition volume by overseas investors rose 20% y-o-y, supported by the purchase of Sapporo Holdings' real estate business by PAG and KKR, which was the largest transaction of the quarter. The enterprise value of Sapporo Real Estate was reported at JPY 477 billion, with the transfer due to be completed in three tranches through 2029, of which a 51% stake was transferred in June. Acquisition volume by non-J-REIT domestic investors rose 11% y-o-y, driven by transactions of JPY 10 billion or more in the office, hotel and logistics sectors. Among J-REITs, transactions below JPY 10 billion were prevalent, and mostly centered on residential assets.

By asset type, investment volume for office properties recorded a significant increase of 88% y-o-y. Among transactions of JPY 10 billion or more, acquisitions by domestic investors included PASONA SQUARE and Kamiyacho Trust Tower, alongside purchases by multiple overseas investors. Logistics investment volume rose 40% y-o-y, with acquisition volume by non-J-REIT domestic investors and overseas investors increasing over the quarter. By region, Greater Tokyo, including Kanagawa and Chiba prefectures, drove overall volume, with the capital region accounting for more than 80% of total logistics investment volume and surpassing the five-year average of 50%.

Investment volume in the residential, retail, and hotel sectors declined y-o-y this quarter. Residential investment volume fell 43% y-o-y, reflecting a high base effect from the same period of the previous year, when multiple portfolio transactions of JPY tens of billions or more, including the share house portfolio "Tokyo β", were completed. There were no transactions of JPY 10 billion or more for retail assets this quarter, although some acquisitions by J-REITs for urban facilities and land with leasehold interests were concluded. Investment volume in the hotel sector declined 12% y-o-y, as the decrease in acquisition volume by overseas investors (-89% y-o-y) was partially offset by an increase in acquisition volume by non-J-REIT domestic investors (+49% y-o-y).

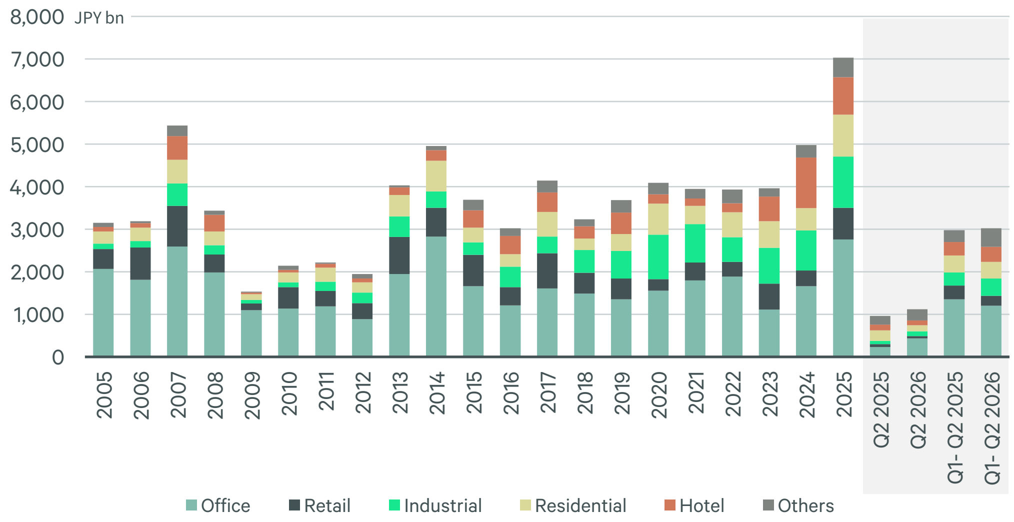
While no large-scale data center transactions were recorded during the quarter, it was reported in June that Blackstone intends to expand its data center footprint in Japan, with plans to invest USD 30 billion (approximately JPY 4.8 trillion) in development over the next three to five years. Also in June, The Investment Management Association of Japan amended its "Rules on Real Estate Investment Trusts and Real Estate Investment Corporations," removing the cap on excess distributions by J-REITs. The amendment may facilitate J-REIT investment in data centers.

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, Q2 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, Q2 2026.

J-REIT disposals of land with leasehold interests indicate greater focus on income upside

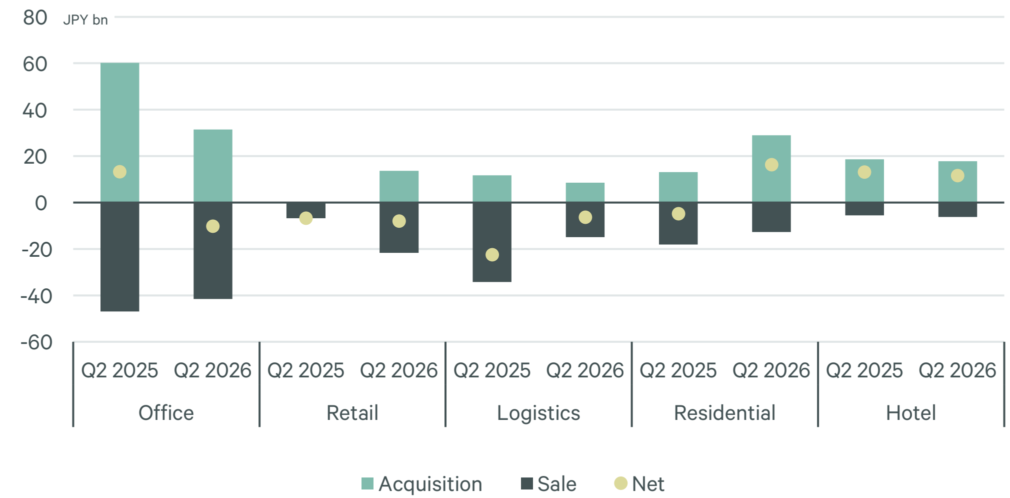
J-REIT investment volume (all transactions, including those below JPY 1 billion) totaled JPY 102.8 billion in Q2 2026, a decline of 1% y-o-y and 78% from the previous quarter, when acquisitions through capital raises were active. Difficulties in growing their asset size through equity offerings prompted some J-REITs to focus on asset reshuffling during the quarter.

Residential, retail and healthcare all recorded y-o-y increases in investment volume in Q2 2026. Residential recorded investment volume of JPY 29.0 billion, 2.2x the volume in the same period of the previous year (Figure 4). More than half of total investment volume in the sector was accounted for by acquisitions from third parties, including KDX Residence Nakano Fujimicho (JPY 2.8 billion) acquired by KDX Realty, and RESIDIA Yokohama Tobe (JPY 2.2 billion) acquired by Advance Residence. Some J-REITs acquired residential assets in place of other asset types as residential properties are smaller in size, allowing for acquisitions without the need for additional capital. In the retail and healthcare sectors, there were no deals in the same period of last year, while transaction volumes of JPY 13.7 billion and JPY 2.4 billion, respectively, were recorded in the current quarter.

Sales volume by J-REITs totaled JPY 105.2 billion this quarter, down 13% y-o-y. Sales volumes in the retail and healthcare sectors rose significantly y-o-y to JPY 21.7 billion (3.2x y-o-y) and JPY 8.0 billion (2.3x y-o-y), respectively. Hotel sales reached JPY 6.2 billion, up 12% y-o-y, the first y-o-y increase in four quarters. Disposals of land with leasehold interests were prominent during the quarter and included the largest transaction of the quarter, which involved the sale of Hulic Kudan Building (land) (JPY 15.3 billion) as well as leasehold rights of retail land sold by Japan Metropolitan Fund and KDX Realty. Sales volume from land transactions accounted for approximately 30% of total sales volume by J-REITs this quarter. Land with leasehold interests typically involves long-term lease contracts, leaving limited room for upside through rent increases. In an environment of rising inflation and interest rates, some J-REITs are disposing of land leasehold rights and shifting to assets with potential for future income growth.

The Tokyo Stock Exchange REIT Index declined 2.3% from the end of Q1 2026, extending its decline for a second consecutive quarter (Figure 5). All sectors except logistics-focused and hotel-focused J-REITs posted declines, with residential-focused J-REITs falling the most at -6.6%. While the real estate leasing market continues to perform well, rising long-term interest rates and expectations of further rate hikes in both Japan and the United States have weighed on performance. Against this backdrop, capital raises (including third-party allotments) during the quarter were limited to two transactions totaling JPY 12.1 billion. With investment unit prices remaining soft, acquisitions through equity offerings may continue to face headwinds.

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



Source: CBRE, Q2 2026.

Figure 5: J-REIT unit price by asset type

Source: Macrobond, CBRE, Q2 2026.

CBRE Cap Rate Survey:
Expected yields decline for office, logistics, and hotels

CBRE's quarterly investor survey on expected yields (CBRE Cap Rate Survey) found that expected NOI yields for Tokyo prime assets (averages, Figures 6 and 8) in Q2 2026 fell by 5 bps q-o-q for offices (Otemachi), reaching 3.10%. Expected office yields also declined in many major cities outside Tokyo. For hotels (Tokyo 5 wards, management contract), expected yields fell by 5 bps q-o-q to 4.15%. Both offices and hotels set new record lows. For logistics (Tokyo Bay area), expected yields had risen by 1 bps q-o-q in Q1 2026 but fell again by 1 bps q-o-q in Q2 2026 to 3.65%. Expected yields for retail (Ginza) and residential apartments (both studio and family-type) were unchanged q-o-q.

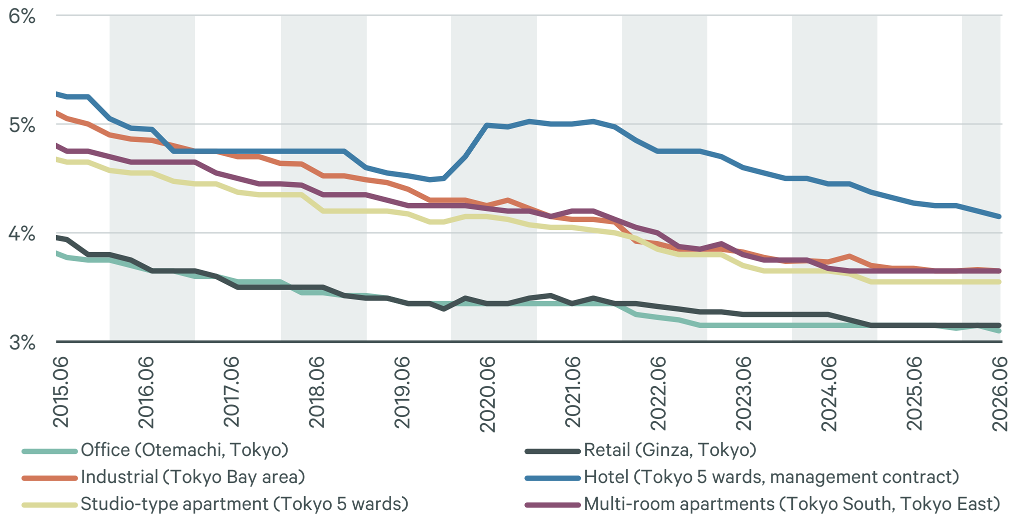
The CBRE Tankan Survey DI for Q2 2026 (Figure 9), reflecting investment conditions, showed improvements of 3 pp for both "sales prices" and "NOI" in the office sector. In the logistics sector, the DI for "rents" improved by +9 pp and "vacancy rate" by +12 pp, continuing the significant improvement seen in the previous quarter. While "lending attitude of financial institutions" deteriorated by 2 pp for both office and logistics facilities, the DI remained in double-digit territory.

Investors turn more selective amid continued rise in interest rates

CBRE's Q2 2026 Cap Rate Survey asked respondents about their outlook for long-term interest rates (benchmark 10-year government bond yields) through end-2027, and about expected changes in yields for major asset types based on those assumptions. The proportion of respondents expecting long-term interest rates to remain at or below 3% by end-2027 reached 79%. In July, long-term interest rates rose sharply due to concerns regarding the fiscal status of Japan and the resurgence of geopolitical risks. Should long-term interest rates continue to rise to above 3% during 2026, this would represent a pace of rate increases exceeding the assumptions of the majority of investors.

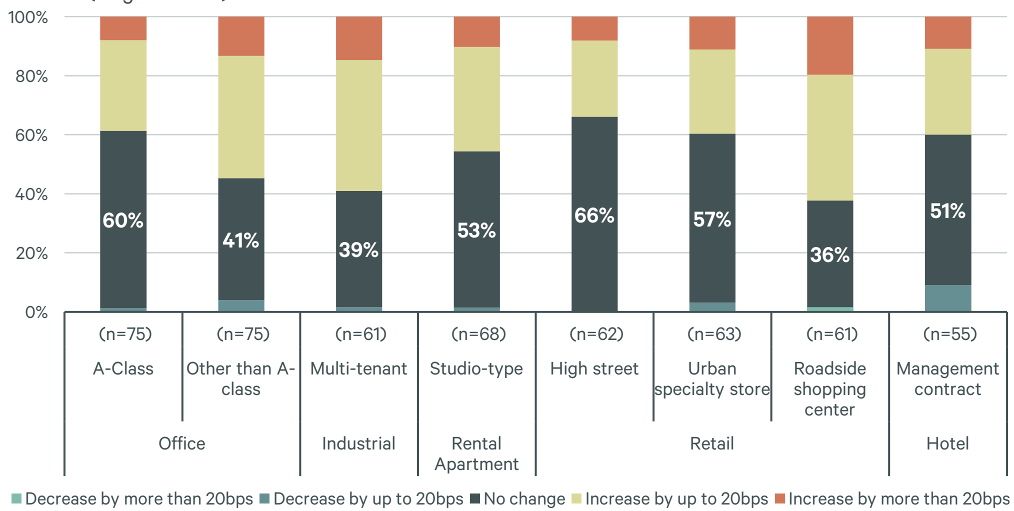
Regarding expected changes in yields, the proportion of respondents expecting yields to "remain unchanged" declined across all asset types compared to the previous survey conducted in June 2025, while the proportion expecting yield rises grew. For office yields, the proportion of respondents expecting them to "remain unchanged" accounted for a majority at 60% for A-class buildings, while the figure was limited to 41% for lower class buildings (Figure 7). For retail, the proportion of responses expecting yields to "remain unchanged" was 66% and 57% for high street and urban specialty stores, respectively, while the figure was limited to 36% for roadside shopping centers, with most other respondents expecting yield increases. With further interest rate increases anticipated, investors are likely to display an even stronger preference for already scarce properties with income upside potential.

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



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

Figure 7: Expected change in yields based on long-term interest rate projections through end-2027 (single answer)



Source: CBRE Cap Rate Survey, June 2026.

Figure 8: Expected NOI Yield

		Jun. 2026 (%)	q-o-q (bps)
Tokyo	Office (Otemachi, Tokyo)	3.10	−5
	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	−1
	Retail (Ginza Chuo-Dori, Tokyo)	3.15	±0
	Hotel (Management contract, Tokyo 5 wards)	4.15	−5
Osaka	Office	4.15	−10
Nagoya	Office	4.45	±0
Sapporo	Office	4.60	−5
Sendai	Office	4.75	−5
Hiroshima	Office	4.99	−6
Fukuoka	Office	4.23	−8

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, June 2026.

Figure 9: CBRE Tankan Survey (DI)

		Jun. 2026	q-o-q (pp)
Office buildings (Tokyo Grade A)	Transaction volume	14	−1
	Sales prices	29	+3
	NOI (Net Operating Income)	32	+3
	Expected yield	−7	±0
	Lending attitude of financial institutions	11	−2
	Stance on investment and loans	25	+1
Logistics facilities (Greater Tokyo, multi-tenant)	Transaction volume	−4	+4
	Sales prices	3	+1
	Rent	31	+9
	Vacancy rate	18	+12
	Expected yield	−4	±0
	Lending attitude of financial institutions	12	−2
	Stance on investment and loans	2	−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, June 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 (%)
May-26	PASONA SQUARE	Minato-ku, Tokyo	Office	Goldcrest	GK Kalmia (BentallGreenOak)	100,000	—	—
Apr-26	IHI Corporation Tokyo Portfolio	Koto-ku, Tokyo	Office	Undisclosed	IHI Corporation	39,300	—	—
Jun-26	Kamiyacho Trust Tower (4-5F)	Minato-ku, Tokyo	Office	MORI TRUST	HIS	32,500	—	—
May-26	M&G Six Residential Assets Portfolio	Tokyo	Residential	M&G Real Estate	Undisclosed	19,400	—	—
Jun-26	Hulic Kudan Bldg (Land Only)	Chiyoda-ku, Tokyo	Office	Hulic	Hulic REIT	15,300	—	2.9
Jun-26	Hulic Ginza Bldg	Chuo-ku, Tokyo	Office	Hulic REIT	Hulic	14,700	21,320	2.6
May-26	Kawasaki Logistics Center	Kawasaki-shi, Kanagawa	Industrial	a domestic investment corporation	Japan Logistics Fund	12,400	878	4.8
Jun-26	A-FLAG Kyoto Shijo	Kyoto-shi, Kyoto	Hotel	Activia Properties	a special purpose company	11,500	6,138	4.2

*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, Q2 2026.

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