

Intelligent Investment

JAPAN

2025

Lender Survey

REPORT

CBRE RESEARCH
JUNE 2025

CBRE



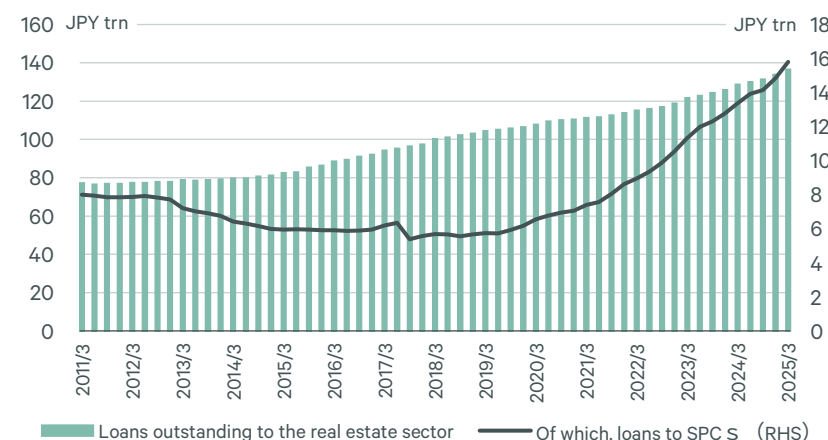
Executive Summary

Financing environment remains strong despite rising uncertainty

- The policy rate in Japan was raised last year for the first time in over a decade, but the financing environment for real estate remains accommodative. Bank of Japan (BoJ) data show outstanding loan volume to the real estate sector by Japanese financial institutions (includes domestic banks, Shinkin banks, and other financial institutions) reached JPY 137 trillion as of the end of March 2025, up 6% from the end of the previous fiscal year. Some JPY 16 trillion of this volume was extended to special purpose companies (SPCs) for real estate securitization, an increase of 18% y-o-y (Figure 1). While lending for SPCs slowed temporarily in H1 2024, it surged once again from H2 2025. The BoJ's Tankan Survey showed the diffusion index (DI) for lending conditions to the real estate sector at +12 for large companies (+1 q-o-q) and at +8 for small and mid-sized companies (-1 q-o-q) as of March 2025, providing further evidence of the accommodative nature of the current financing environment.

- CBRE recently carried out its 2025 Japan Lender Survey, an annual survey of companies providing real estate loans. Conducted in April and May of this year, the survey asked respondents about the loans extended during the 2024 fiscal year (FY 2024, which in Japan runs from April 2024 to March 2025), and their expectations for FY 2025. Despite the survey being carried out during a period of increased uncertainty following the announcement of U.S. reciprocal tariffs, no major changes were observed in terms of lending attitudes, further underscoring the fact that the lending environment remains generally accommodative.
- The percentage of respondents indicating that 100% of their loan volume was for new acquisitions in FY 2024 reached 32% for senior lenders, an increase from the previous year. While the equivalent figure for mezzanine lenders fell from 50% to 45%, this still indicates strong support for new real estate acquisitions. In terms of lending conditions, required spreads remained stable for senior lenders, but rose for mezzanine lenders. As was the case last year, residential properties remained the most preferred asset type.
- Approximately half of surveyed senior lenders indicated that they expected their new loan volume in FY 2025 to exceed that of FY 2024, with the remaining half projecting no change. Among mezzanine lenders, 35% anticipated an increase in loan volume, down significantly from the 60% figure reported the previous year. When asked to forecast spreads over the next year, the percentage of respondents projecting a rise increased from the previous year for both senior and mezzanine lenders. However, the consensus was that any increase would be within the range of 25 bps.
- Among anticipated risk factors, rising interest rates remained uppermost in the minds of lenders. However, this concern was indicated by just 60% of respondents, well down from roughly 80% last year. Concerns over economic recession were mentioned by more respondents than a year ago. The general understanding among lenders was that future interest rate rises will be gradual, with one or two additional interest rate hikes expected for FY 2025.

Figure 1: Loans outstanding to the real estate sector
(total of domestically licensed banks, Shinkin banks and other financial institutions)

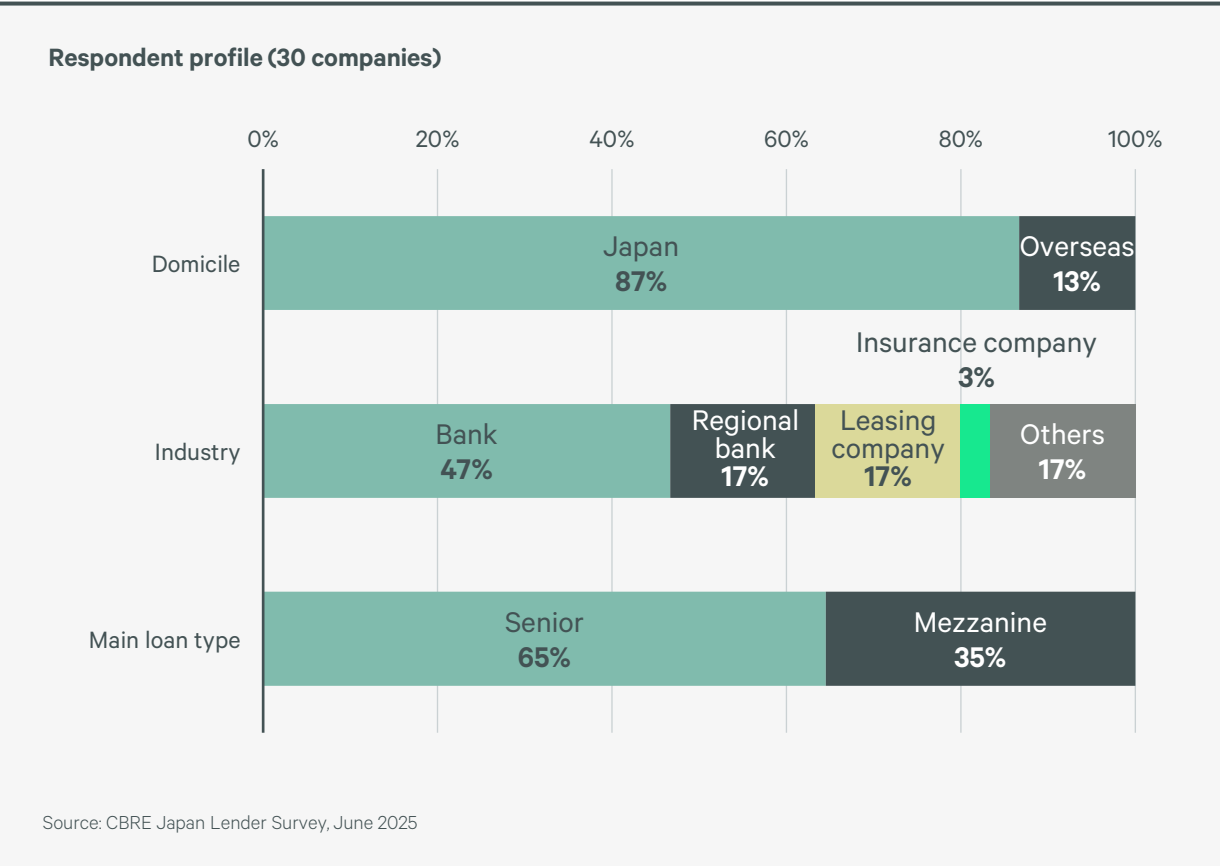


Source: Bank of Japan, Macrobond, CBRE Research

Survey Overview

- Purpose: To analyze lenders' approach to real estate financing
- Target: Parties engaged in non-recourse loans for real estate
- Survey period: April 2025 to May 2025
- Total number of respondents: 30 companies
- Respondent companies (in random order):

Crédit Agricole Corporate and Investment Bank, Tokyo Branch
The Hokuriku Bank, Ltd.
Star Asia Investment Management Co., Ltd.
TOPAZ CAPITAL, INC.
MUFG Bank, Ltd.
Sumitomo Mitsui Trust Bank, Limited
Yamaguchi Financial Group, Inc.
Chugoku Bank, Ltd.
Mizuho Leasing Company, Limited
Kiraboshi Bank, Ltd.
Societe Generale, Tokyo Branch
The Shoko Chukin Bank, Ltd.
Mitsubishi HC Capital Realty Inc.
The ChibaBank, Ltd.
Mizuho Bank, Ltd.
Fuyo General Lease Co., Ltd.
Resona Bank, Limited
Suruga Bank Ltd.
MetLife Insurance K.K.
ORIX Bank Corporation
North Pacific Bank, Ltd.
NCS RE Capital Limited
SBI Shinsei Bank, Limited
The Bank of Fukuoka, Ltd.
Diamond Realty Management Inc.
(And 5 other companies)



Appendix: Assumed Property Attributes

	OFFICE	RETAIL	LOGISTICS		HOTEL		RESIDENTIAL	
Type	Multi-tenant	n/a	Multi-tenant	BTS	Management contract, specialized accommodation type, business hotel	Lease, specialized accommodation type, business hotel	Single	Family
Location	Otemachi/ Marunouchi, Chiyoda-ku, Tokyo	Ginza Chuo-dori in Chuo-ku, Tokyo; high street area where leading brands have stand-alone stores	Greater Tokyo area	Greater Tokyo area	Within 5 minutes' walk of a main rail terminal within the Tokyo central five wards	Within 5 minutes' walk of a main rail terminal within the Tokyo central five wards	Within 10 minutes' walk of a rail terminal within the Tokyo central five wards	Tokyo south/ west district
Age	Less than five years	n/a	n/a	n/a	About five years	About five years	About five years	About five years
Size	Typical effective floor area 500 tsubo or above, around 20 to 25 floors above ground	n/a	Total floor area: 10,000 tsubo or more	Total floor area: 10,000 tsubo or more	About 100 units	About 100 units	Average exclusive occupancy area 25m ² , total number of units around 50	Average exclusive occupancy area 50–80 sq. m. (3LDK), total number of units around 50
Property price	JPY 50 billion or higher	JPY 20 billion or higher	n/a	n/a	n/a	n/a	n/a	n/a
Other	Free access floor, ceiling height of at least 2,800mm, air conditioning adjustable by zone	n/a	Five to 10-year fixed term lease	Five to 10-year fixed term lease	Occupancy rate: 80% or higher	Occupancy rate: 80% or higher	n/a	n/a

Source: CBRE Japan Lender Survey, June 2025

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Lenders' Attitudes

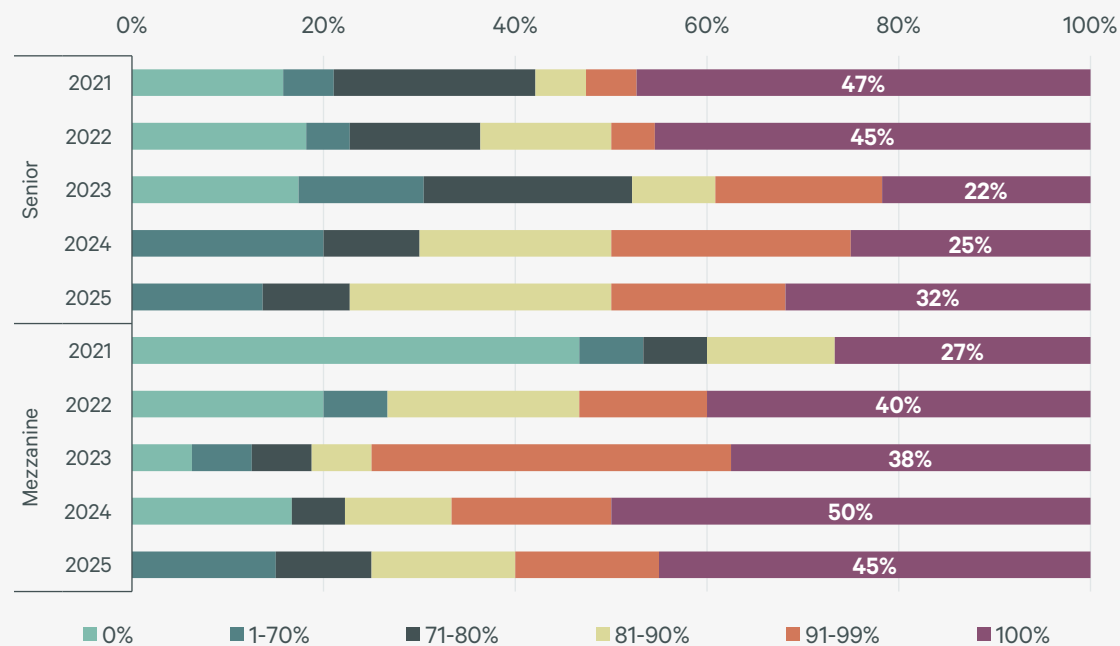
Lending activity in FY 2024

Lenders continue to actively fund new acquisitions

When asked what percentage of their loans in FY 2024 were for new acquisitions, 32% of senior lenders and 45% of mezzanine lenders said all (100%). This represented an increase from the previous year's figure for senior lenders (Figure 2). Considering the percentage of senior lenders responding "81-90%" and "91-99%", nearly 80% of senior lenders provided more than 80% of their financing to new acquisitions in FY 2024.

As for mezzanine lenders, the proportion of loans to new acquisitions declined from the previous year. However, roughly 80% of respondents from this category still provided more than 80% of their financing to new acquisitions. No respondents to this year's survey indicated that they provided 0% of their loan volume for new acquisitions; a fact which further underscores lenders' commitment to new purchases.

Figure 2: Percentage of loans for new acquisitions in the previous fiscal year (by loan volume)



Excludes no answer/ not applicable

Source: CBRE Japan Lender Survey, June 2025

Lending activity in FY 2024

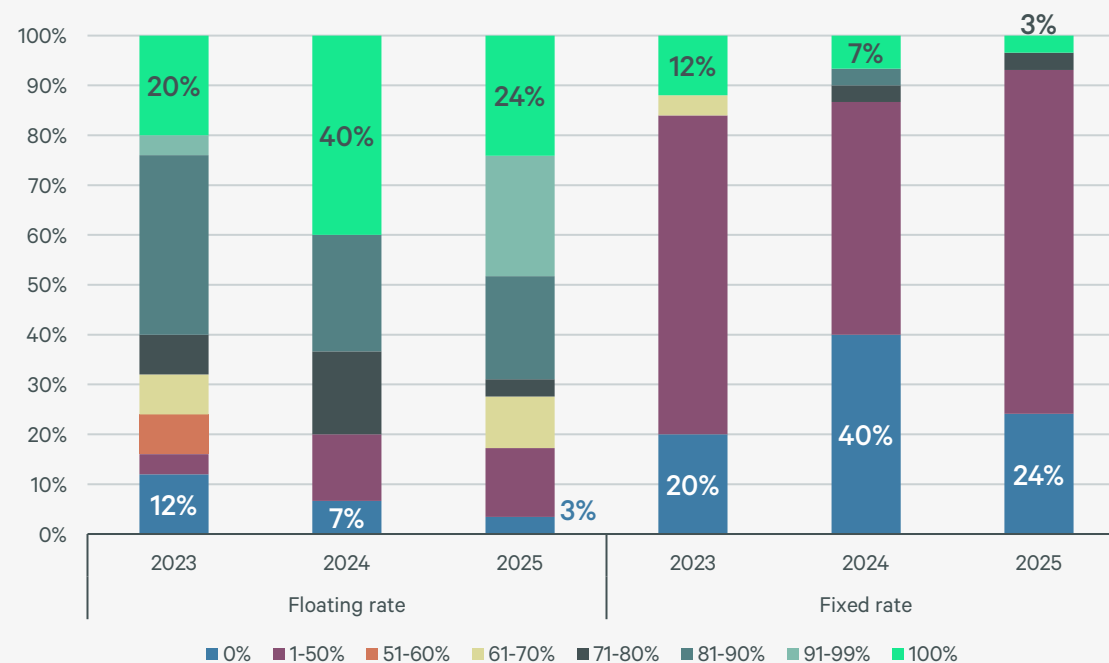
Borrowers look to partially adopt fixed interest rates

When asked what interest rate type was used for their loans in FY 2024, 24% of respondents answered “100% floating rate” (0% fixed rate), down from the previous years’ 40%. At the other end of the scale, just 3% of lenders replied that 100% of their loans were fixed rate, down for a third consecutive year (Figure 3).

The decline in 100% floating rate loans may be due to a conscious effort on behalf of borrowers to partially adopt fixed rates. Amid a rising base interest rate (the three-month TIBOR stood at 0.82% at the end of March, up 56 bps y-o-y), borrowers appear to be increasingly wary of future interest rate rises.

Another key feature is that average loan terms are shortening. In a separate question, respondents were asked to project loan terms in the coming fiscal year. While 15% of lenders projected seven-year loan terms during the previous year’s survey, none did this year, with almost all respondents anticipating loan periods of five years. Some respondents also indicated that they planned to ask their borrowers to enter into hedging agreements to offset any sudden interest rate surges.

Figure 3: Percentage of loans by interest rate type in the previous fiscal year (by number of loans)



2023: n=25, 2024: n=30, 2025: n=29 (Excludes no answer)

Source: CBRE Japan Lender Survey, June 2024

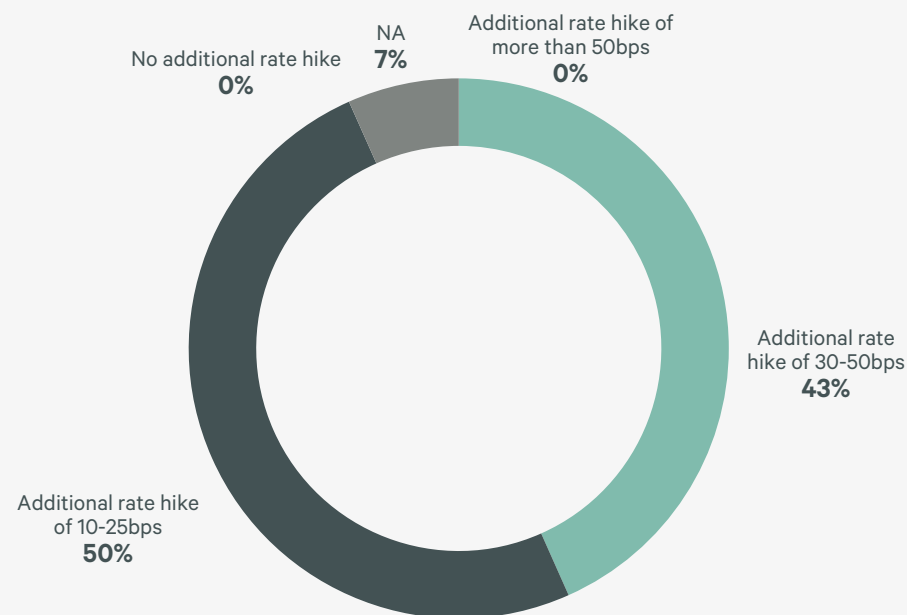
Outlook for FY 2025

One to two additional interest rate hikes anticipated in FY 2025

Lenders were asked to provide their opinions regarding the possibility of additional interest rate hikes during FY 2025. 50% anticipated additional policy rate hikes of 10 to 25 bps, with a further 43% forecasting increases of 30 to 50 bps. No respondents anticipated no further increase in the policy rate, or an increase of more than 50 bps (Figure 4). If each policy rate hike is 25 bps, this suggests that most lenders are anticipating one to two further increases over the course of FY 2025.

The increasing uncertainty brought about by the U.S. tariffs announced in April has led many market observers to revise their projections of additional BoJ policy rate hikes. In the Outlook for Economic Activity and Prices (Outlook Report) released following the monetary policy meetings of April 30 to May 1, both economic growth and Consumer Price Index (CPI) rate growth were adjusted downward from the previous report, reflecting the BoJ's cautious view of the economy and inflation. However, BoJ Governor Kazuo Ueda is on record as indicating that the policy rate will continue to be raised, provided that underlying inflation remains on track to meet its target levels. This background is leading lenders to anticipate moderate interest rate increases in FY 2025.

Figure 4: Projected policy rate hikes in FY 2025



n=30
Source: CBRE Lender Survey, June 2025

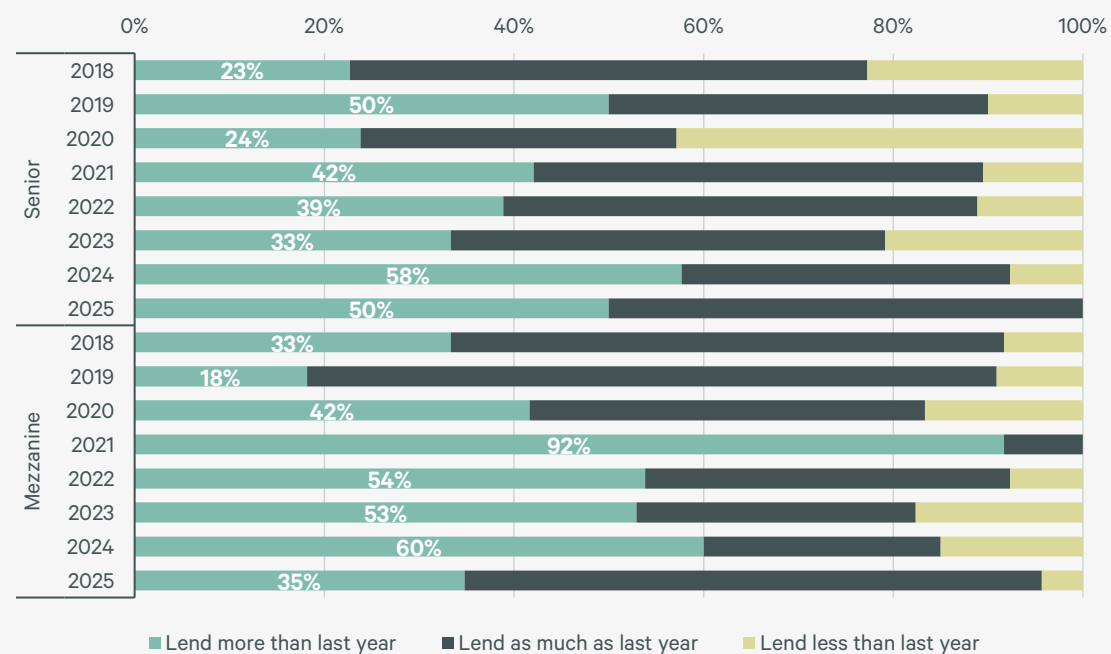
Outlook for FY 2025

Financing environment remains accommodative

Approximately 50% of senior and 35% of mezzanine lenders indicated that they expected new loan volume in FY 2025 to exceed that of the previous year (Figure 5). Of the senior lenders, none anticipated that their loan volume would decrease, with the remaining 50% saying that loan volume would likely remain unchanged.

While there was a significant drop from 60% to 35% in mezzanine lenders anticipating a y-o-y increase in loan volume, 96% of respondents expected their loan volume to at least remain unchanged from the previous year. Overall, these results suggest that lenders are likely to maintain an accommodative lending stance into FY 2025.

Figure 5: Anticipated new loan volume in FY 2025 compared to FY 2024



Excludes no answer/ not applicable

Source: CBRE Japan Lender Survey, June 2025

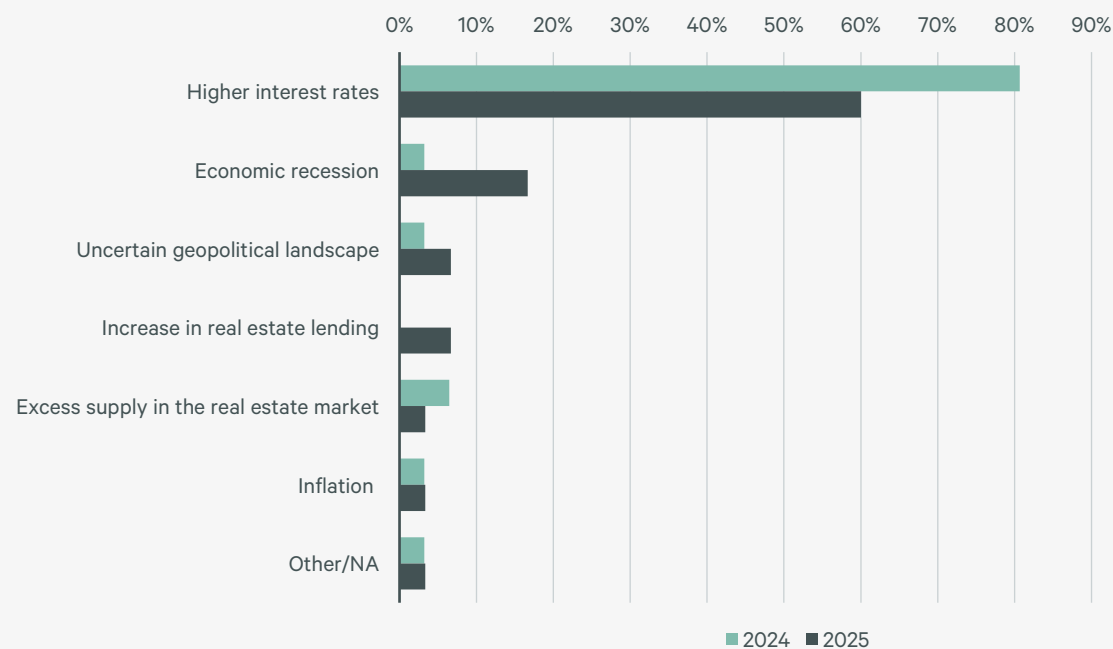
Outlook for FY 2025

Concerns over economic recession rise as risk of rising interest rates recedes

When asked what they saw as the greatest risk factor threatening debt market expansion over the next 12 months, roughly 60% of respondents selected “higher interest rates”, which maintained top spot for the second straight year (Figure 6). However, some 80% of respondents selected “higher interest rates” in last year’s survey, suggesting that concern over interest rates rising at a pace that exceeds expectations has receded. On the other hand, the percentage of respondents selecting “economic recession” as the number one risk factor increased from last year, rising to 17%, reflecting concern for the uncertain future of the global economy, particularly following the announcement of U.S. reciprocal tariffs.

When asked in a separate question (allowing free written responses) how they would respond to a significant change in interest rates, many respondents indicated that while it would not trigger a major change in lending policy, it would likely result in a tightening of lending conditions and increased selectivity. Several responses expressed concern over the risk of falling asset values should cap rates rise on the back of higher interest rates.

Figure 6: Greatest risk factor to the debt market in FY 2025 (single answer)



2024: n=31, 2025: n=30

Source: CBRE Japan Lender Survey, June 2025

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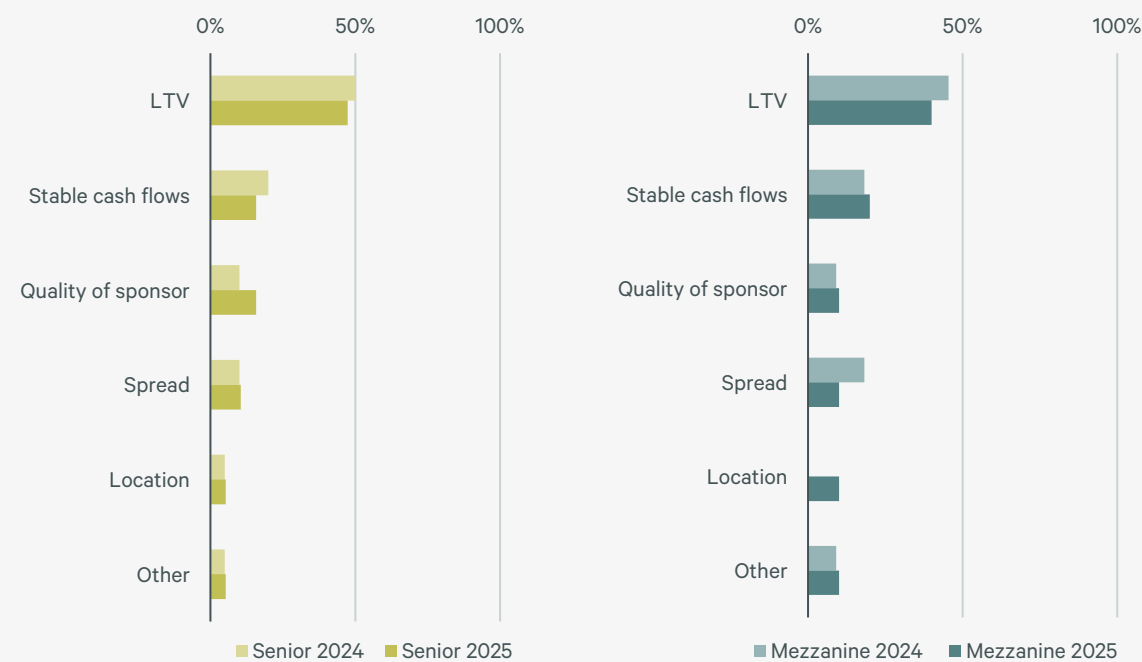
Lending Conditions

Key lending criteria

Mezzanine lenders look for stability

As in previous years, both senior and mezzanine lenders mentioned LTV as the single most important factor for lending judgements in 2025 (Figure 7). Stable cash flow was the next most important factor, with mezzanine lenders in particular more likely to select stable cash flow (20% of all respondents) over spread compared to the previous year.

Figure 7: Priority lending criterion (single answer)



2024:n=20, 2025:n=19 (Excludes no answer)
Source: CBRE Lender Survey, June 2025

2024:n=11, 2025:n=10 (Excludes no answer)
Source: CBRE Lender Survey, June 2025

Changes in LTV and spread criteria

LTV criteria drop slightly for senior lenders but remain unchanged for mezzanine lenders

LTV criteria demanded by lenders dropped slightly for senior lenders and largely maintained the levels of the previous year for mezzanine lenders. In addition to a drop in the lower end of the LTV range accepted by senior lenders for office and logistics facilities, the upper end of the range dropped for hotels, while both the upper and lower ends of the range dropped for residential assets, bringing the average down. For logistics facilities, these adjustments may be a result of the worsening of leasing fundamentals. For offices, hotels, and residential assets, the robust leasing market has led to higher property valuations, which may have led lenders to adopt lower LTV criteria (Figure 8).

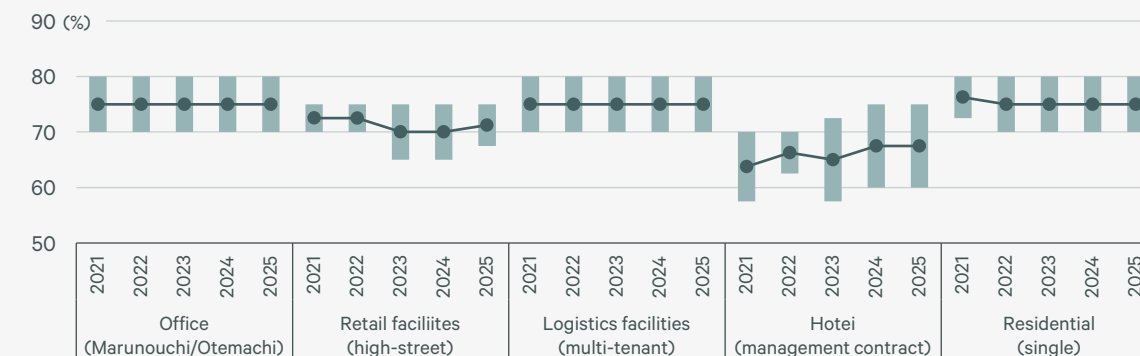
LTV criteria demanded by mezzanine lenders generally maintained the levels of the previous year. Retail properties saw the lower end of their LTV range raised, indicating a slight improvement in the leasing environment, but other asset types remained unchanged (Figure 9).

Figure 8: Prime asset loan LTV criteria (range and average figures - Senior)



Maximum and minimum range values taken from median value of all answers, average values taken from mean of maximum and minimum values.
Source: CBRE Japan Lender Survey, June 2025

Figure 9: Prime asset loan LTV criteria (range and average figures - Mezzanine)



Maximum and minimum range values taken from median value of all answers, average values taken from mean of maximum and minimum values.
Source: CBRE Japan Lender Survey, June 2025

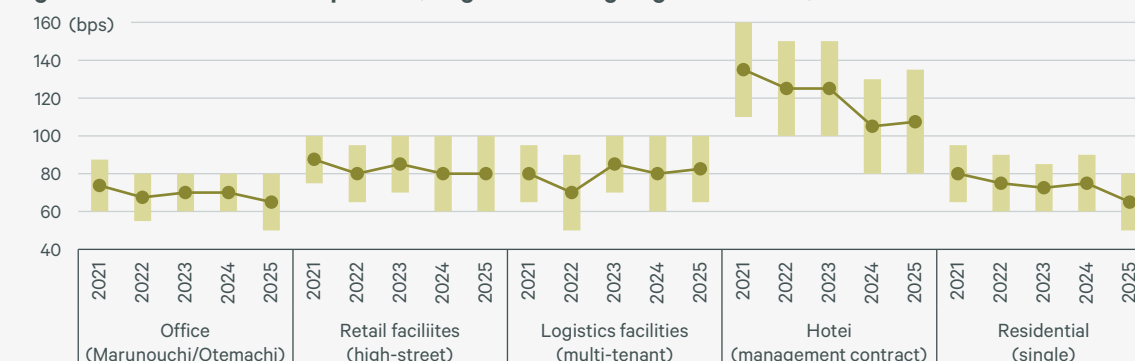
Changes in LTV and spread criteria

Spread trends diverge for senior and mezzanine lenders

Trends in spread criteria differed significantly between senior and mezzanine lenders. Among senior lenders, spread criteria tightened for office and residential properties, and remained unchanged or widened only slightly for the other asset types. This suggests that senior lenders' lending conditions remain generally accommodative (Figure 10). Of particular note are office loan spreads, which had remained unchanged y-o-y in the previous year's survey but saw the lower end drop by 10 bps in this year's survey. This underscores a positive change in senior lenders' stance toward the office sector over the past year.

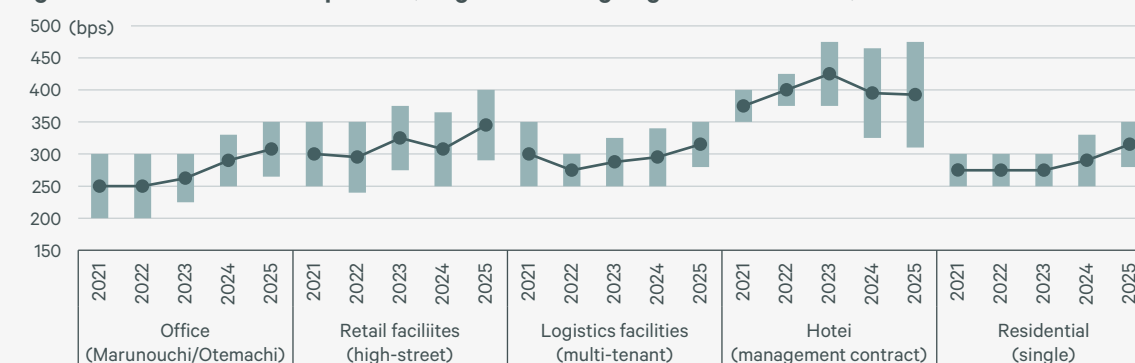
Spreads demanded by mezzanine lenders increased for all asset types other than hotels (Figure 11). In the logistics sector, spreads demanded by both senior and mezzanine lenders are expanding, reflecting increasing caution towards this asset class from both lender types.

Figure 10: Prime asset loan spreads (range and average figures - Senior)



Maximum and minimum range values taken from median value of all answers, average values taken from mean of maximum and minimum values.
Source: CBRE Japan Lender Survey, June 2025

Figure 11: Prime asset loan spreads (range and average figures - Mezzanine)



Maximum and minimum range values taken from median value of all answers, average values taken from mean of maximum and minimum values.
Source: CBRE Japan Lender Survey, June 2025

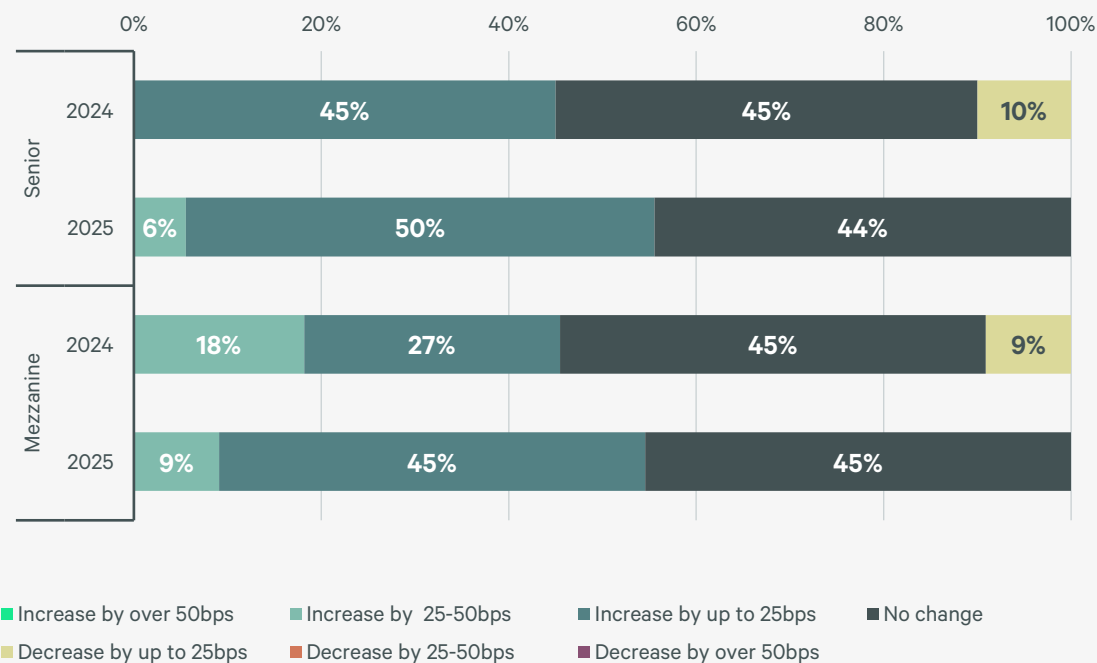
Projections for lending conditions

Spreads projected to increase slightly

When asked for their projections of spread changes within the next 12 months, the percentage of those who indicated that they expected loan spreads to widen increased from the previous year for both senior and mezzanine lenders (Figure 12). None expected spreads to narrow. However, the survey results on page 14 show that senior loan spread criteria narrowed for offices and residential properties in the recent survey. While overall spreads are on an upward trend, lending conditions may vary for individual asset types.

Among mezzanine lenders, the percentage of respondents projecting spreads to expand up to 25 bps was 45%, up from 27% last year. Meanwhile, 45% of mezzanine lenders expected spreads to remain unchanged. The overall picture suggests that lenders continue to anticipate a gradual increase in spreads, as was the case a year ago.

Figure 12: Projected spread changes in FY 2025



2024: Senior n=20 Mezzanine n=11, 2025: Senior n=18 Mezzanine n=11 (Excludes no answer)

Source: CBRE Lender Survey, June 2025

Projections for lending conditions

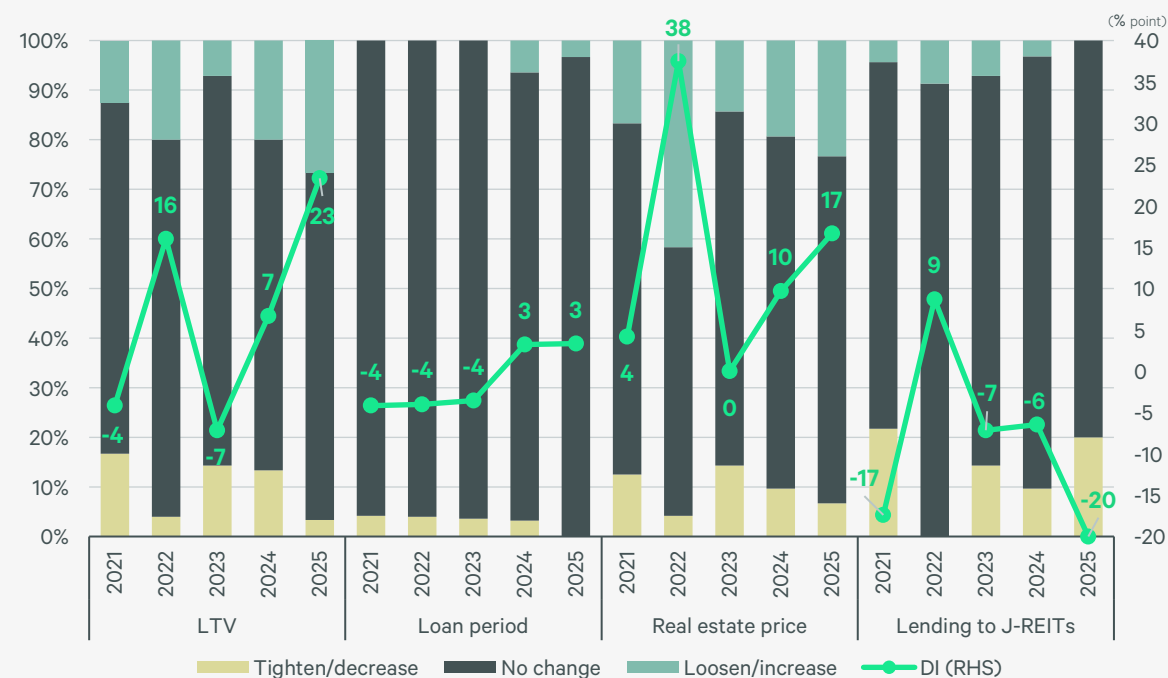
More lenders expecting stricter lending terms for J-REITs

Lender opinions regarding future movements in lending criteria other than spreads (LTV, loan period, property prices) over the next 12 months remain largely optimistic.

The diffusion indices (DI; the percentage of respondents predicting the criterion to tighten/decrease subtracted from the percentage of respondents predicting the criterion to loosen/increase) for LTV and property prices all recorded y-o-y improvements, while the DI for loan period remained unchanged from the previous year (Figure 13). Lenders appear to have a positive view on real estate property values on the back of the robust leasing market performance. However, results of the survey shown on page 13 implies that aggressive real estate valuations may lead to a drop in the LTV criteria adopted by lenders.

As for loans to J-REITs, no response anticipated a loosening of terms, while the number of responses predicting stricter terms increased compared to the previous year. Concerns over weaker earnings and credit quality of J-REIT due to rising interest rates appear to be leading to a negative outlook on lending terms.

Figure 13: Projections for lending conditions (DI = “loosen/increase” - “tighten/decrease”)



Excludes no answer

DI is calculated by subtracting the percentage of respondents who anticipated a tightening in each metric (indicating a contraction of the real estate market) from the percentage anticipating a loosening in the same metric (indicating an expansion of the market).

Source: CBRE Japan Lender Survey, June 2025

03

Preferred Assets and Locations

Preferred asset types

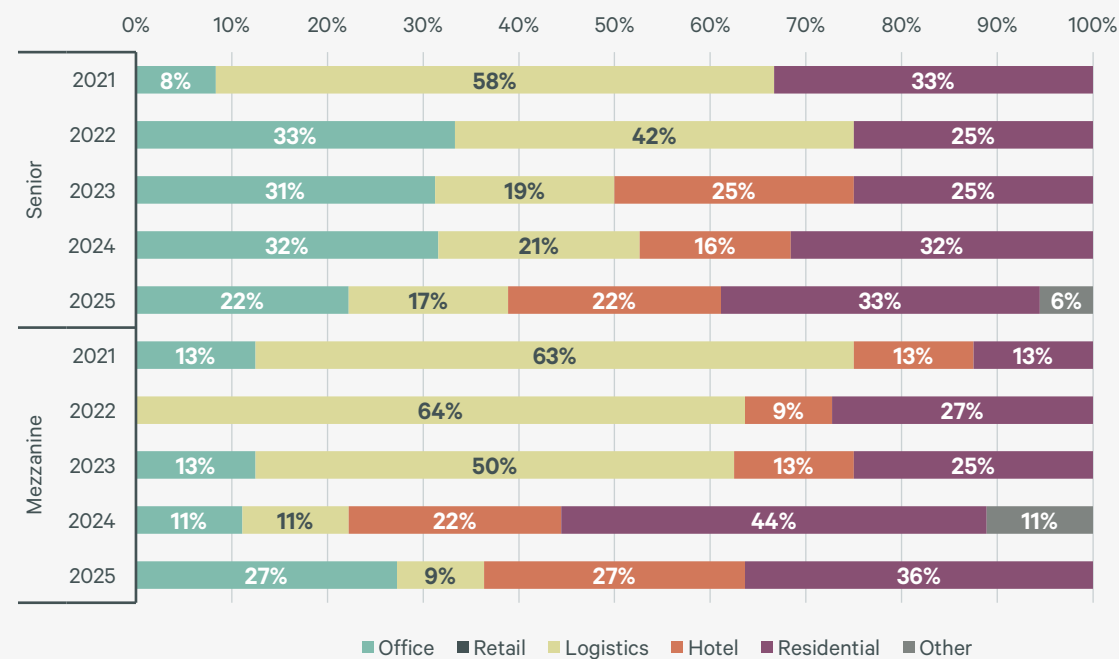
Preference for office properties increases among mezzanine lenders

Residential properties remained the most popular asset type among both senior and mezzanine lenders for the second consecutive year. Other key findings included stronger interest in office properties among mezzanine lenders. While the office sector was selected by only 22% of senior lenders (down from 32% a year ago), it was chosen by 27% of mezzanine lenders (up from 11%).

Hotels also recorded a rise in popularity among lenders, with 22% of senior lenders and 27% of mezzanine lenders selecting the sector as their most preferred asset type, up from 16% and 22%, respectively, a year ago. The popularity of these asset types is underpinned by their potential for cash flow upside, driven by anticipated rental hikes on the back of inflation in the case of office and residential properties, and the benefits from the increase in the number of inbound tourists in the case of hotels (Figure 14).

Logistics facilities continue to be less favored, with only 17% of senior lenders and 9% of mezzanine lenders selecting the sector.

Figure 14: Preferred asset type (single answer)



Excludes no answer

Source: CBRE Japan Lender Survey, June 2025

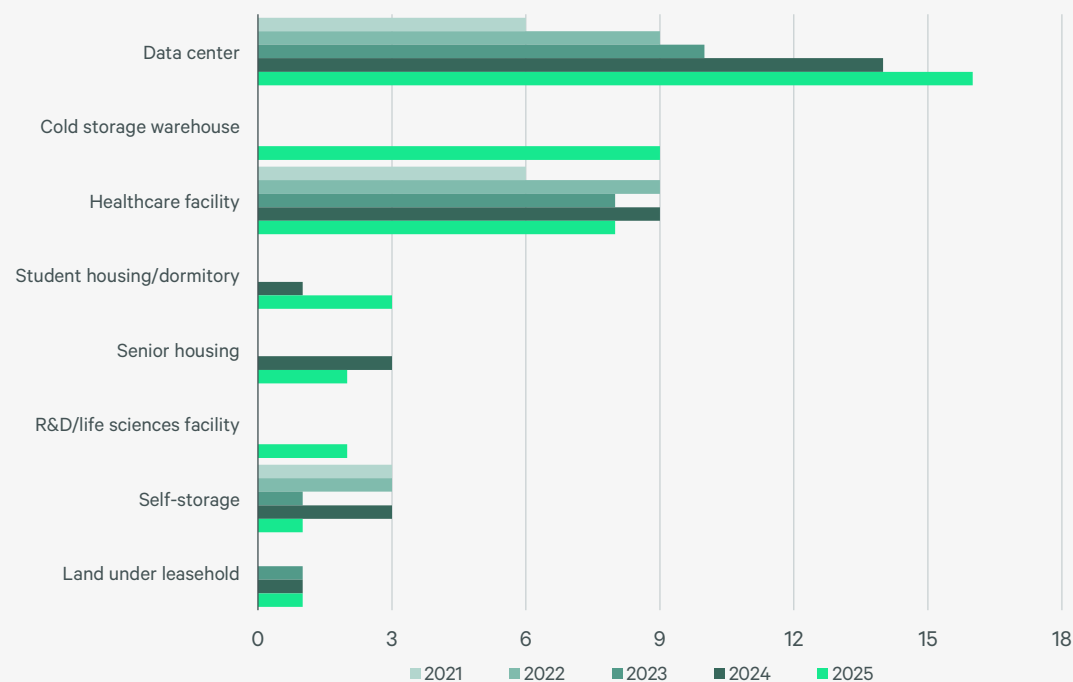
Alternative asset types

Increased diversification of eligible asset types

Recent years have seen an increase in the number of lenders extending loans for non-traditional (alternative) assets. Some 23 respondents indicated that they were prepared to provide loans for alternative assets in this year's survey, the highest figure in the past five years. Data centers were mentioned by a steadily increasing number of lenders as an eligible asset type, reflecting the sector's growing importance (Figure 15).

Cold storage facilities and health care facilities were also raised as eligible asset types by a relatively large number of respondents. A total of eight different alternative asset types were given as answers to this question this year, suggesting the growing diversification of asset types for which lenders are willing to extend loans.

Figure 15: Alternative asset type eligible for lending (up to 3 multiple answers permitted)



2021: n=24, 2022: n=26, 2023: n=28, 2024: n=31, 2025: n=30

Source: CBRE Japan Lender Survey, June 2025

Attractive locations

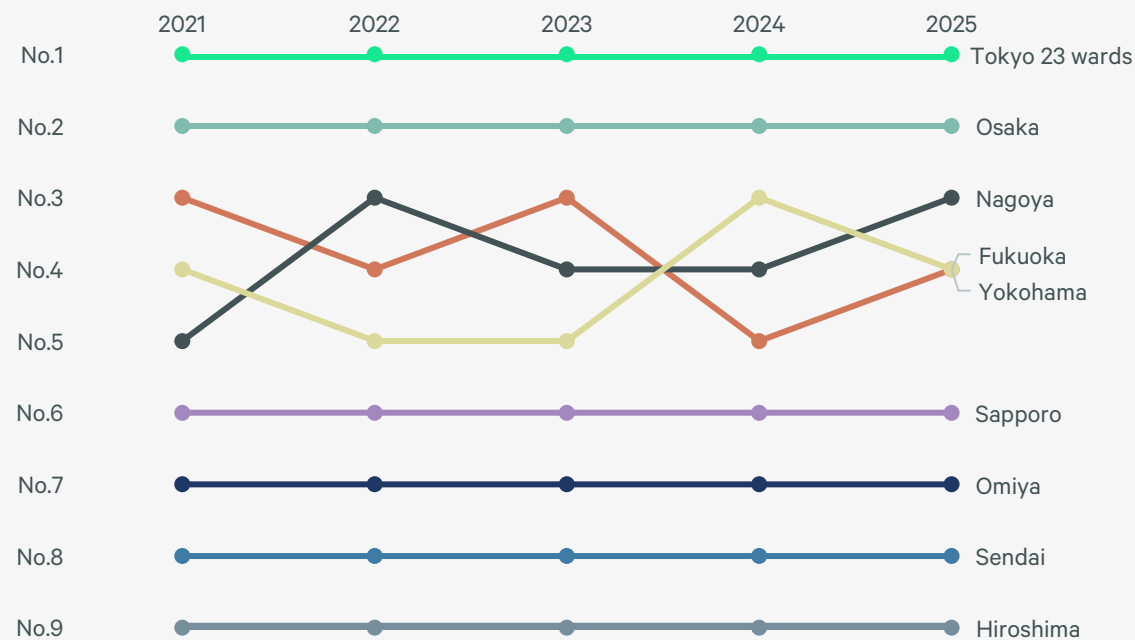
Middle-ranked cities change position

CBRE's Japan Lender Survey asked respondents to rank major cities of Japan in terms of their attractiveness to lenders. The results are then compiled to give an overview of the most popular locations.

While Tokyo 23 wards and Osaka remained the top two cities in the office category, Fukuoka slid from third to fourth place this year (Figure 16). While this may be a result of the significant new supply planned for the city, Fukuoka remains popular. Nagoya improved from fourth place to third, while Yokohama rose from fifth to fourth. The office leasing market for both cities are robust, with projections of large rent increases likely contributing to their rising popularity.

The rankings for logistics facilities remained unchanged from the previous year, with Greater Tokyo retaining top spot despite the loose supply-demand balance, particularly in the Ken-o-do area (Figure 17). In the hotel sector, Tokyo 23 wards, Osaka, and Fukuoka maintained the top three positions, while Kyoto capitalized on surging foreign tourist numbers to climb from fifth to fourth (Figure 18).

Figure 16: Most attractive area for office buildings (tied rankings permitted)

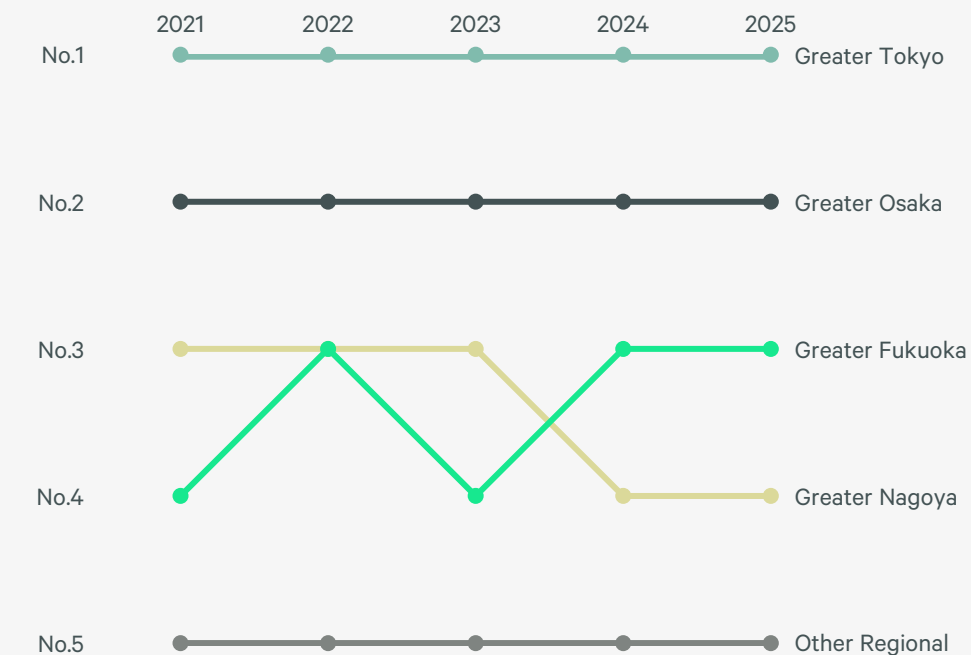


Areas ranked by quantifying the rankings given by individual answers

Source: CBRE Japan Lender Survey, June 2025

Attractive locations

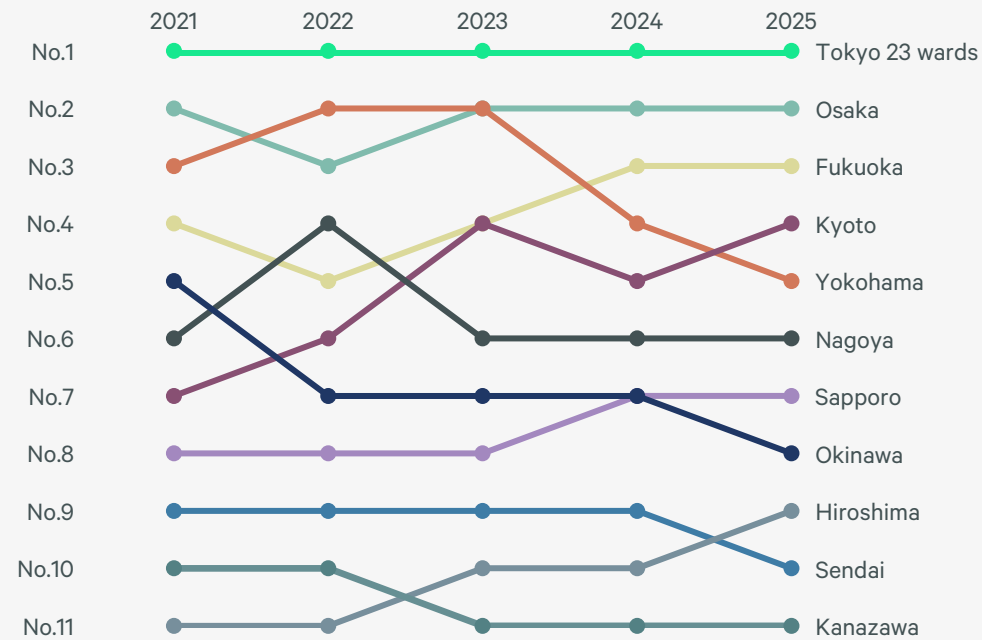
Figure 17: Most attractive area for logistics facilities (tied rankings permitted)



Areas ranked by quantifying the rankings given by individual answers

Source: CBRE Japan Lender Survey, June 2025

Figure 18: Most attractive area for hotels (tied rankings permitted)



Areas ranked by quantifying the rankings given by individual answers

Source: CBRE Japan Lender Survey, June 2025

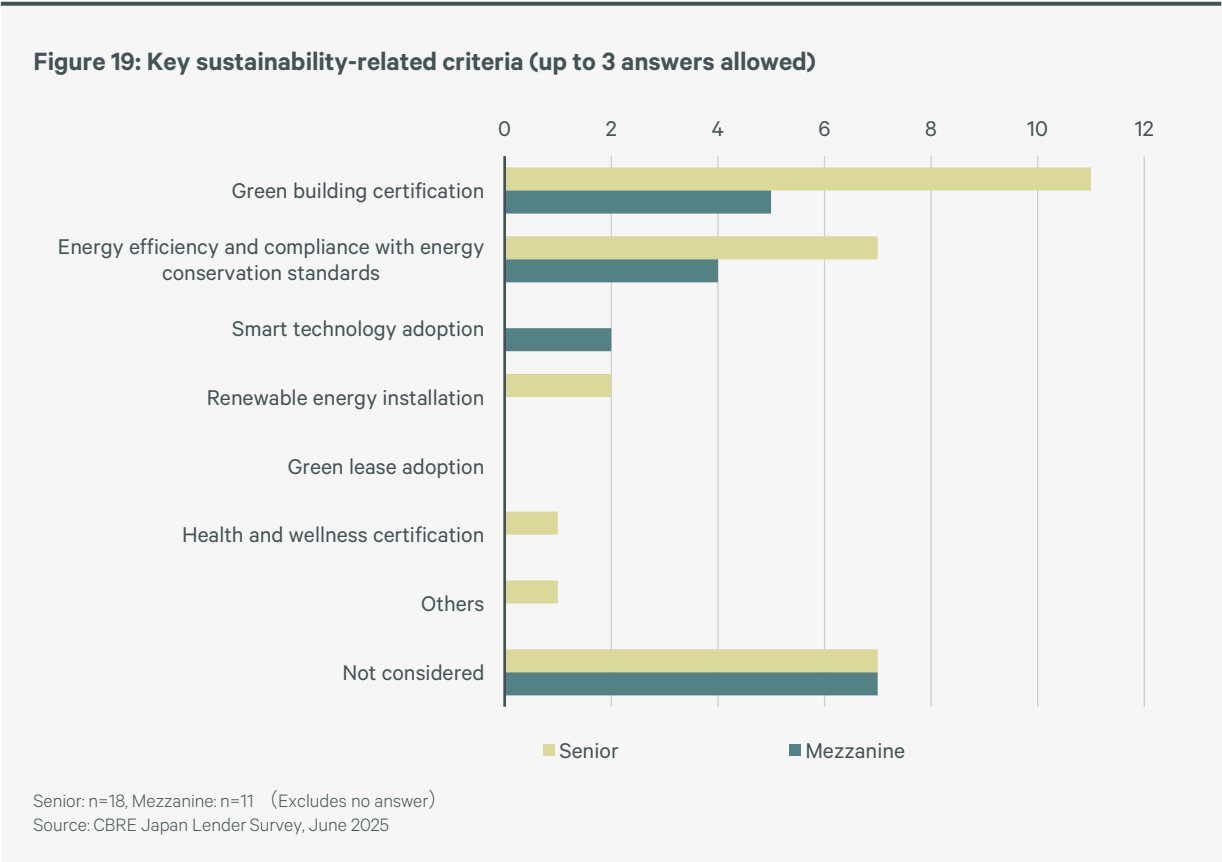
04

Sustainability

Sustainability

Priority placed on green building certification

Lenders were asked to identify which sustainability-related criteria they valued when considering loan extensions. While some lenders declared that they did not take any such criteria into account, many respondents said that they placed priority on “green building certification” and “energy efficiency and compliance with energy conservation standards” (Figure 19). Senior lenders appear to consider a broader range of sustainability-related criteria in their lending process compared to mezzanine lenders.



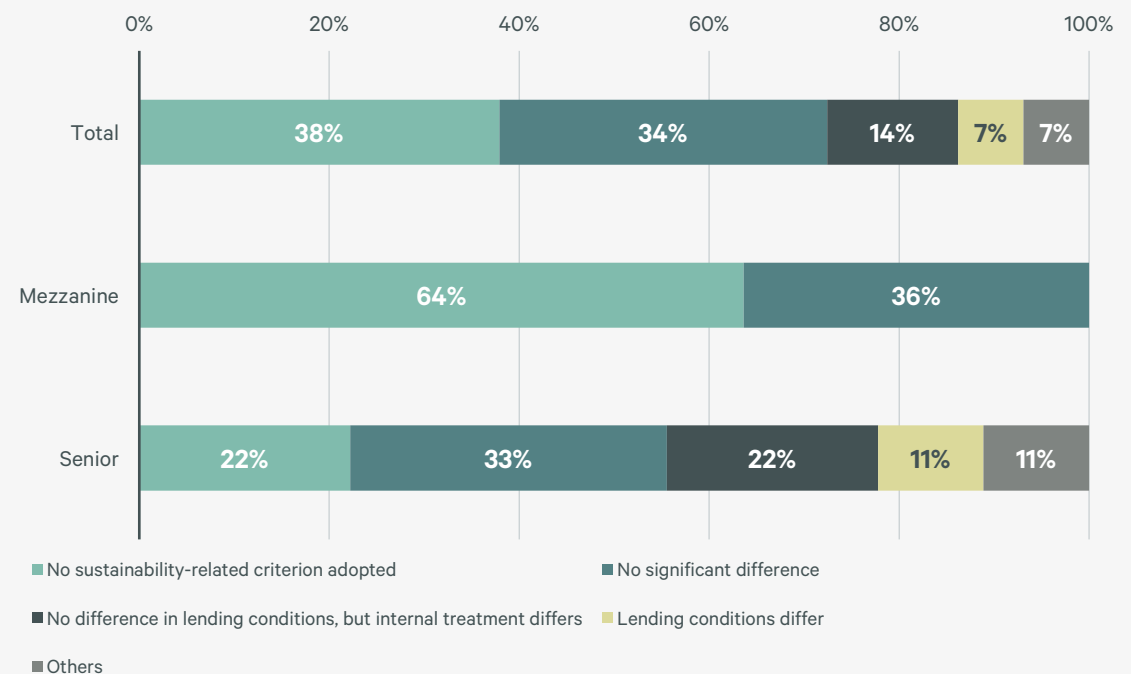
Sustainability

Limited impact on lending conditions

Respondents were asked about the differences in lending conditions for properties that fulfill sustainability-related criteria compared to those that do not. Over 70% of respondents said that they had either not introduced any sustainability criteria into their loan assessment process, or that such criteria did not make a clearly defined difference (Figure 20). The impact of sustainability-related criteria on lending conditions appear to be limited to loans extended by only a handful of senior lenders.

Lenders who answered that internal treatment differs or that lending conditions differ for buildings fulfilling sustainability-related criteria were asked to provide specific examples. Of the respondents that said internal treatment differs, some noted that sustainable project/loan classifications would be applied to loans for properties that meet certain criteria, while others noted eligibility for the BoJ's "Funds-Supplying Operations to Support Financing for Climate Change Responses" program to assist the private sector's efforts on climate change. Of the respondents that said lending conditions differ, a few mentioned economic benefits for borrowers, such as lower spreads.

Figure 20: Treatment of loans for properties that meet sustainability-related criteria (single answer)



Senior: n=18, Mezzanine: n=11 (Excludes no answer)

Source: CBRE Japan Lender Survey, June 2025

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