Alternatives Research
Real Estate

May 2022

JAPAN REAL ESTATE MARKET OUTLOOK REPORT

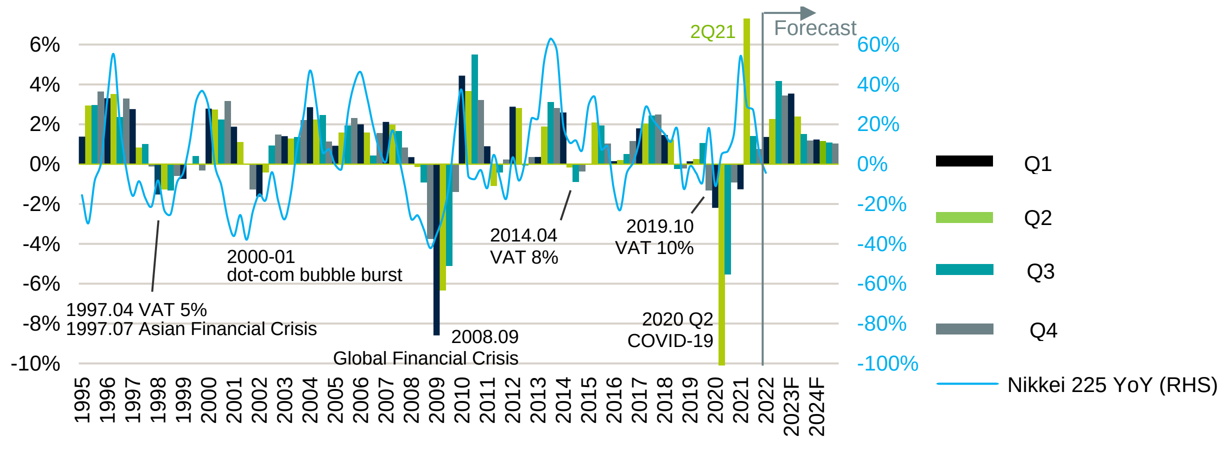
IN A NUTSHELL

- The capital market saw increased volatility especially following the escalation of the Russia-Ukraine crisis, while the Japanese yen weakened to its lowest level in two decades.
- Average office vacancy rates in Tokyo's five wards, and generally across regional cities of Japan, increased reflecting muted space demand among corporate Japan.
- The ongoing proliferation of online retail continued to favour industrial as rents remained at the highest levels of the last ten years across Japan with vacancy rates remaining tight.
- With ultra-low interest rates expected to continue in Japan, real estate is expected to remain attractive comparative to other asset classes.

1 / Macro Economy

Japan has experienced a series of COVID-19 infection waves since 2020. With another spike triggered by the omicron variant at the beginning of 2022, the government again imposed tightened restrictions. Japan's economy is estimated to have expanded by 0.8%[1] in the fourth quarter of 2021 (year-on-year) while further healthy recovery is expected in 2022 with most restrictions lifting by the end of March 2022. However, uncertainties are mounting due to increasing energy prices triggered by Russia's aggression in the Ukraine and ongoing global supply chain disruptions by the ongoing lockdowns in some Chinese cities including Shanghai. As a result, consumer sentiment still remains cautious around spending.

EXHIBIT 1: JAPAN'S GDP GROWTH OUTLOOK AND NIKKEI

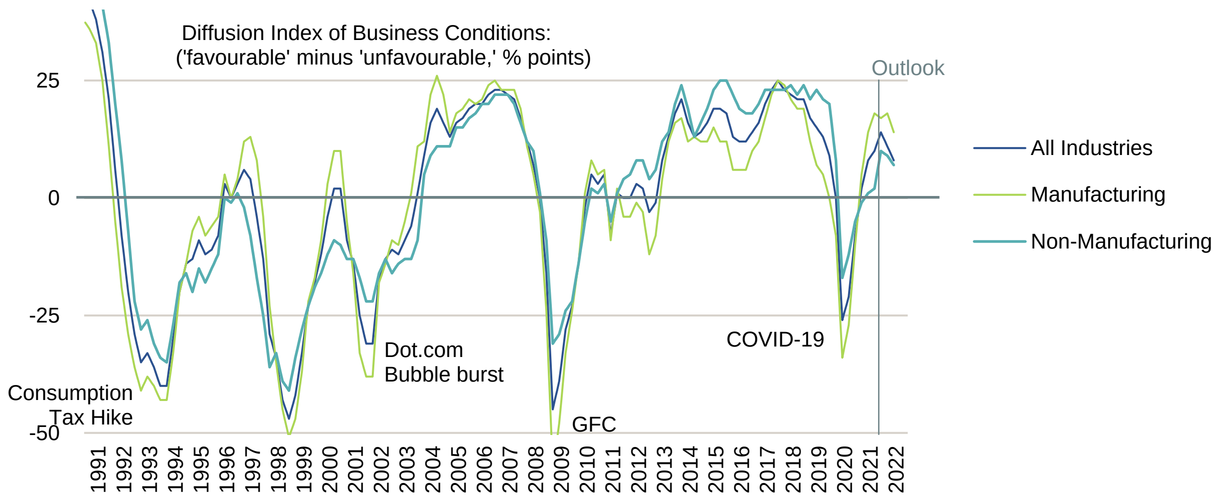


Sources: Bank of Japan, Oxford Economics, DWS. As of May 2022.
F = forecast, there is no guarantee forecast growth will materialise. Please refer to Important Notes (see end of report).
Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect. There is no guarantee the estimates shown will materialize.

[1] DWS, As of May 2022.

Corporate Japan shows signs of moderating in 2022. The Diffusion Index (DI) of the Tankan Survey conducted by the Bank of Japan (BoJ) made a rapid, healthy recovery throughout 2021 while posting a moderation from a reading of 14 in December 2021 for all industries, to a reading of 11 in March 2022. The recovery was stronger in the manufacturing sector, such as machinery and chemicals, while business conditions remained relatively weaker in the service industries including the hospitality, dining and transportation sectors.

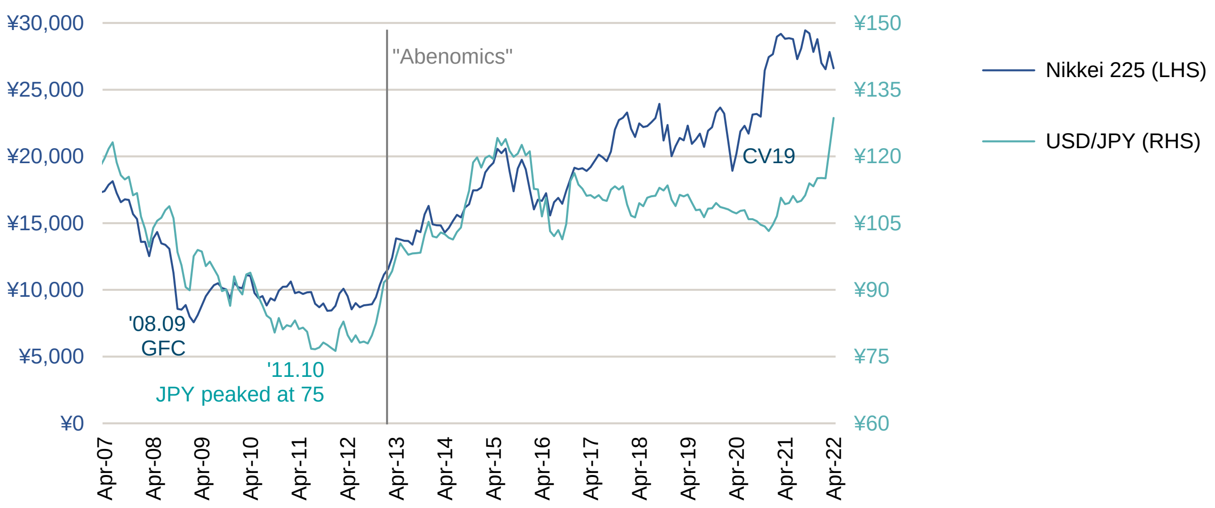
EXHIBIT 2: DIFFUSION INDEX OF BUSINESS CONDITION



Sources: Bank of Japan, Japan's Cabinet Office, DWS. As of May 2022.
Past performance is not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect. There is no guarantee the estimates shown will materialize.

The capital market saw increased volatility especially after the escalation of the Russia-Ukraine crisis in February 2022. The Nikkei 225 posted a decline of more than 8 percent since the beginning of the year to mid-April 2022, following a peak in September 2021. Due to the gradually widening gap of interest rates between the United States and Japan, the Japanese yen weakened by more than 20 percent over the last sixteen months to 129 yen per US dollar as of 22nd April 2022, the weakest level in two decades.

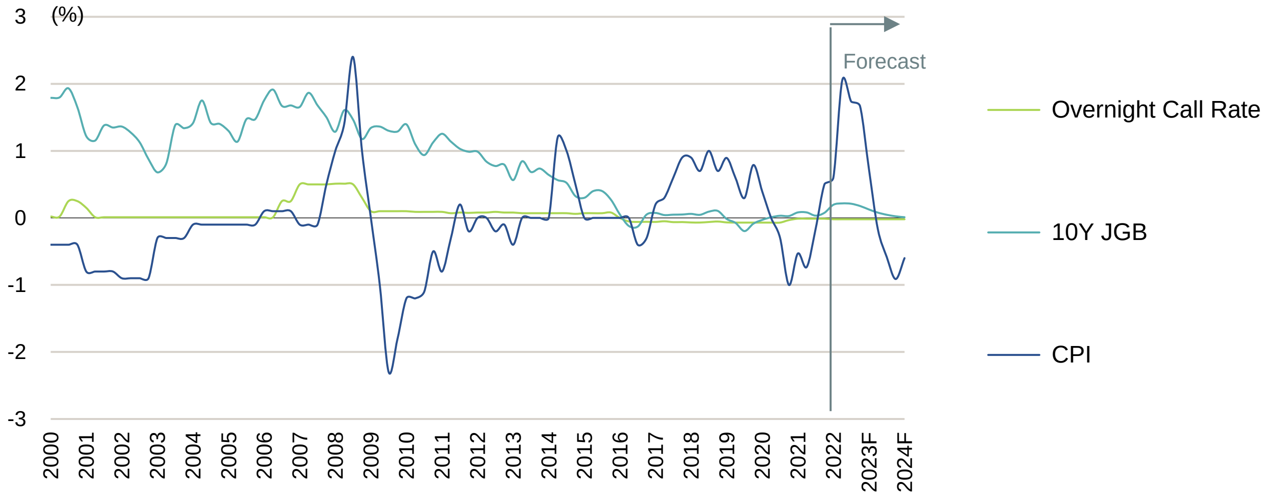
EXHIBIT 3: STOCK (NIKKEI) AND FOREX



Sources: The Bank of Japan, Japan's Cabinet Office, DWS. As of May 2022.
Past performance is not a reliable indicator of future performance.

The yield of ten-year Japanese government bonds marginally increased to 0.2% in April 2022, from around 0.1% in December 2021. Core CPI rose from 0.1% in September 2021 to 0.6% in February 2022 reflecting increased energy prices rather than gross demand recovery. However, Japan faces lower inflationary pressure than other key economies (Please refer to “DWS Strategic CIO View April 2022” report for the latest house-view forecasts of DWS).

EXHIBIT 4: FORECAST OF INTEREST RATE AND CPI



Sources: Oxford Economics (forecasts for 10Y JGB, Overnight Call Rate), The Bank of Japan, Japan’s Cabinet. DWS (CPI forecast). As of May 2022.
Notes: F = forecast, there is no guarantee rates forecasted will materialise. JGB = Japanese Government Bond. CPI = Consumer Price Index. Please refer to Important Notes (see end of report).
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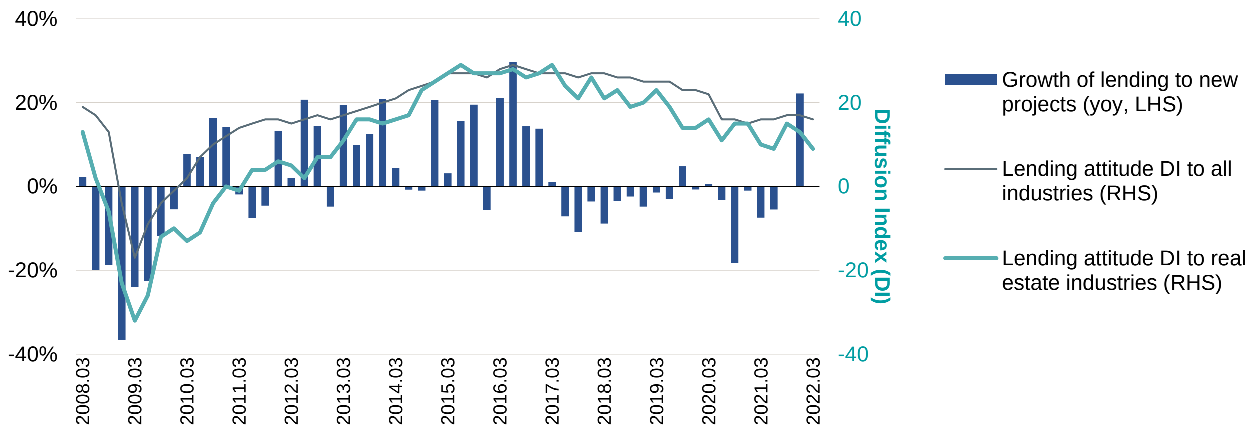
2 / Capital and Investment Market

2.1 Lending

The BoJ's Diffusion Index for lending attitudes of banks to the real estate industry (green line in Exhibit 5) has declined from an index value of 15 in September 2021 to 9 in March 2022. The index still indicates relatively favorable conditions for borrowers, while lenders became more cautious over margin discount competition to real estate lending as space demand remains muted in some asset types including the office and retail sectors.

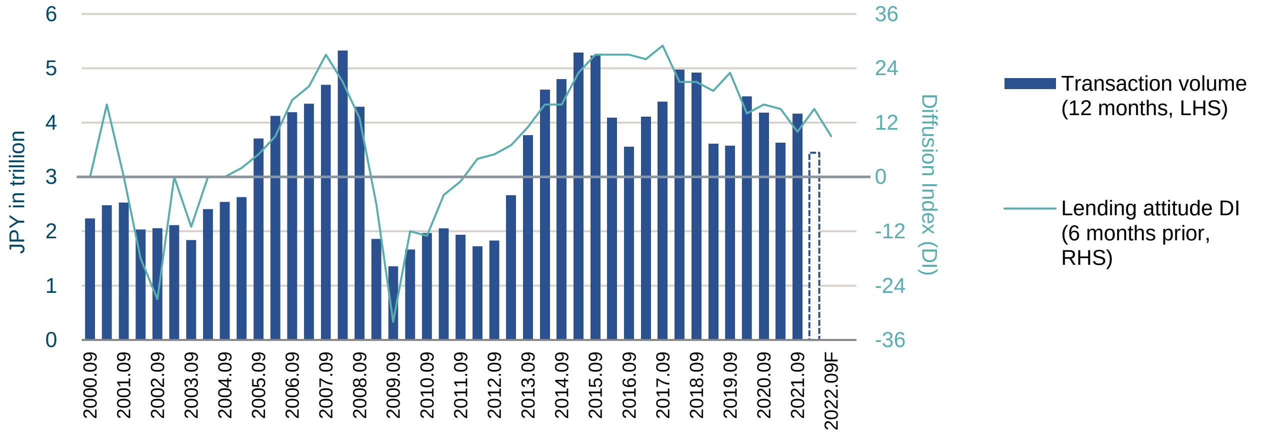
EXHIBIT 5: REAL ESTATE LENDING BY JAPANESE BANKS



Sources: The Bank of Japan, Japan's Cabinet Office, DWS. As of May 2022.
Past performance is not a reliable indicator of future performance.

The volume of commercial real estate transactions in Japan in the rolling 12 months to September 2021 was around JPY 4.2 trillion, almost the same level posted in the same period the previous year. As domestic and foreign investors still try to deploy more capital in the market, tight yields for core opportunities in Tokyo and Osaka remains a challenge with some investors seeking opportunities in other regional big cities.

EXHIBIT 6: REAL ESTATE TRANSACTION VOLUME AND LENDING ATTITUDE DI



Sources: Urban Research Institute, Bank of Japan, Real Capital Analytics, DWS. As of May 2022.
Notes: E = preliminary estimate, F=forecast. Please refer to Important Notes (see end of report).
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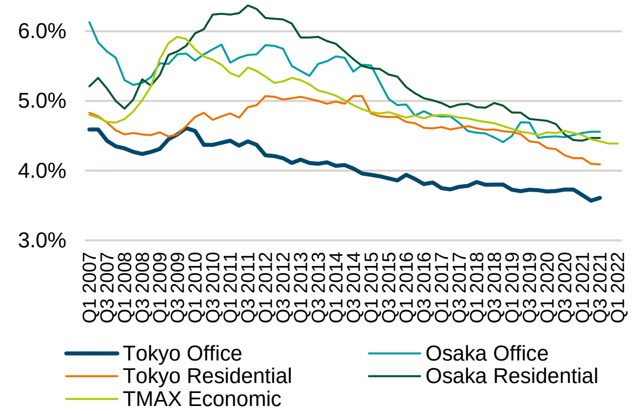
2.2 Pricing

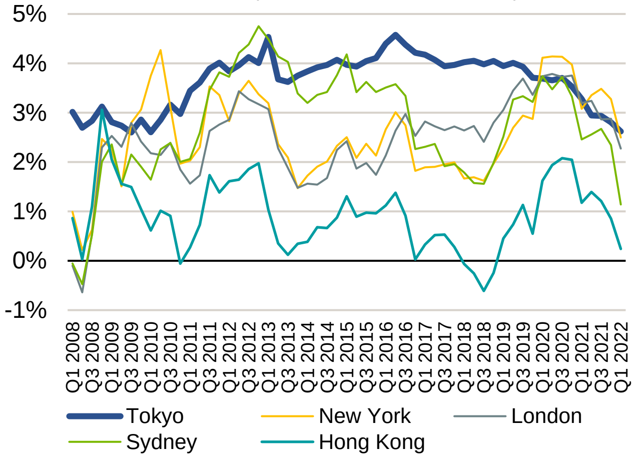
Office appraisal cap rates in Tokyo were a preliminary 3.6% in the third quarter of 2021 (the latest period available), remaining flat over the previous six months, while the TMAX Economic cap rates indicated further marginal compression in the fourth quarter of 2021. Gradual compression continued in the residential sector reflecting investors' strong interest, which brought the average appraisal residential cap rates down to 4.1% in the third quarter of 2021, recording an all-time low. The office yield spread in Tokyo — the difference between the average cap rates and 10-year bond yields — compressed by 70 basis points from 3.3% in the first quarter of 2021 to 2.6% in the first quarter of 2022 (preliminary), while still providing slightly more attractive spreads than other global cities, such as London, New York and Sydney.

EXHIBIT 7: CAP RATE AND YIELD SPREAD

APPRAISAL PRIME CAP RATE



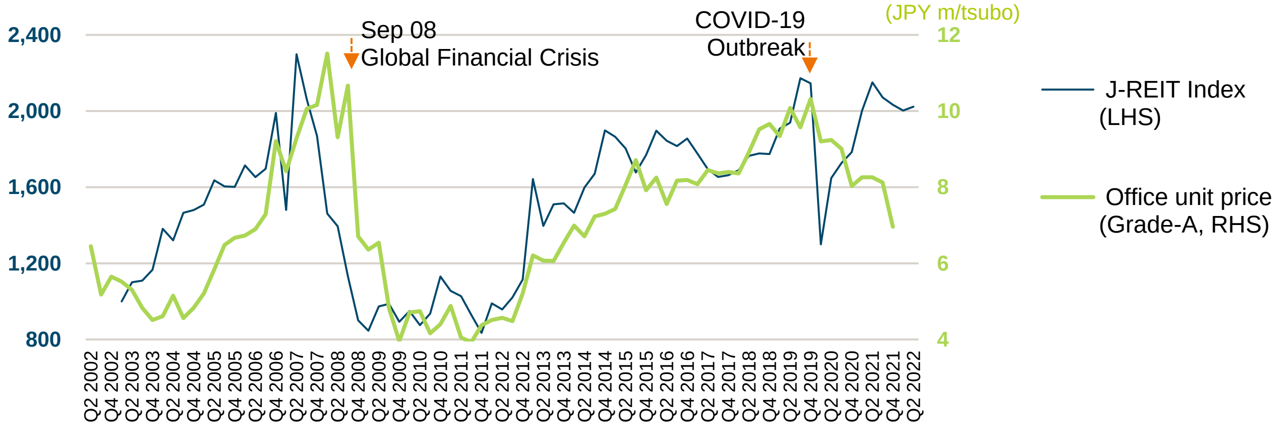
OFFICE YIELD SPREAD (AVERAGE TRANSACTED)



Sources: Association for Real Estate Securitization, TMAX, Real Capital Analytics, DWS. As of May 2022.
Past performance is not a reliable indicator of future performance.

The listed J-REIT index experienced only a mild correction amid capital market volatility and is still hovering at around 2,000 points in mid-April 2022. On the other hand, the capital value for grade-A office in Central Tokyo declined to JPY 7.0 million per tsubo in the fourth quarter of 2021, posting a 13% drop from the same period of the previous year. This reflects muted space demand with the rental adjustment observed in the occupier market (see Chapter 3.1).

EXHIBIT 8: REAL ESTATE CAPITAL VALUE IN JAPAN



Sources: Daiwa Real Estate Appraisal, DWS. As of May 2022.
Past performance is not a reliable indicator of future returns.
*Tsubo is a Japanese unit of area. It is equivalent to 3.3 square meters (35.6 square feet). Past performance is not a reliable indicator of future growth.

2.3 Transactions

Since October 2021, the market witnessed some high-profile mega deals. The largest reported transaction was the acquisition of four prime logistics assets including ESR Amagasaki by the ESR Japan Income Fund for JPY 238 billion announced in October 2021, followed by the acquisition of Mitsubishi Corp.-UBS Realty (MC-UBS Realty), one of the largest real estate asset managers in Japan with JPY1.7 trillion in assets under management, at JPY230 billion by KKR, announced in March 2022. These were followed by the acquisition of the Prince Hotel portfolio (32 properties) by GIC for JPY 150 billion (ongoing). The highest disclosed unit price recorded in the period was G-Building Minami-Aoyama, a high street retail asset acquired by Hulic at JPY 6.26 million per square meter.

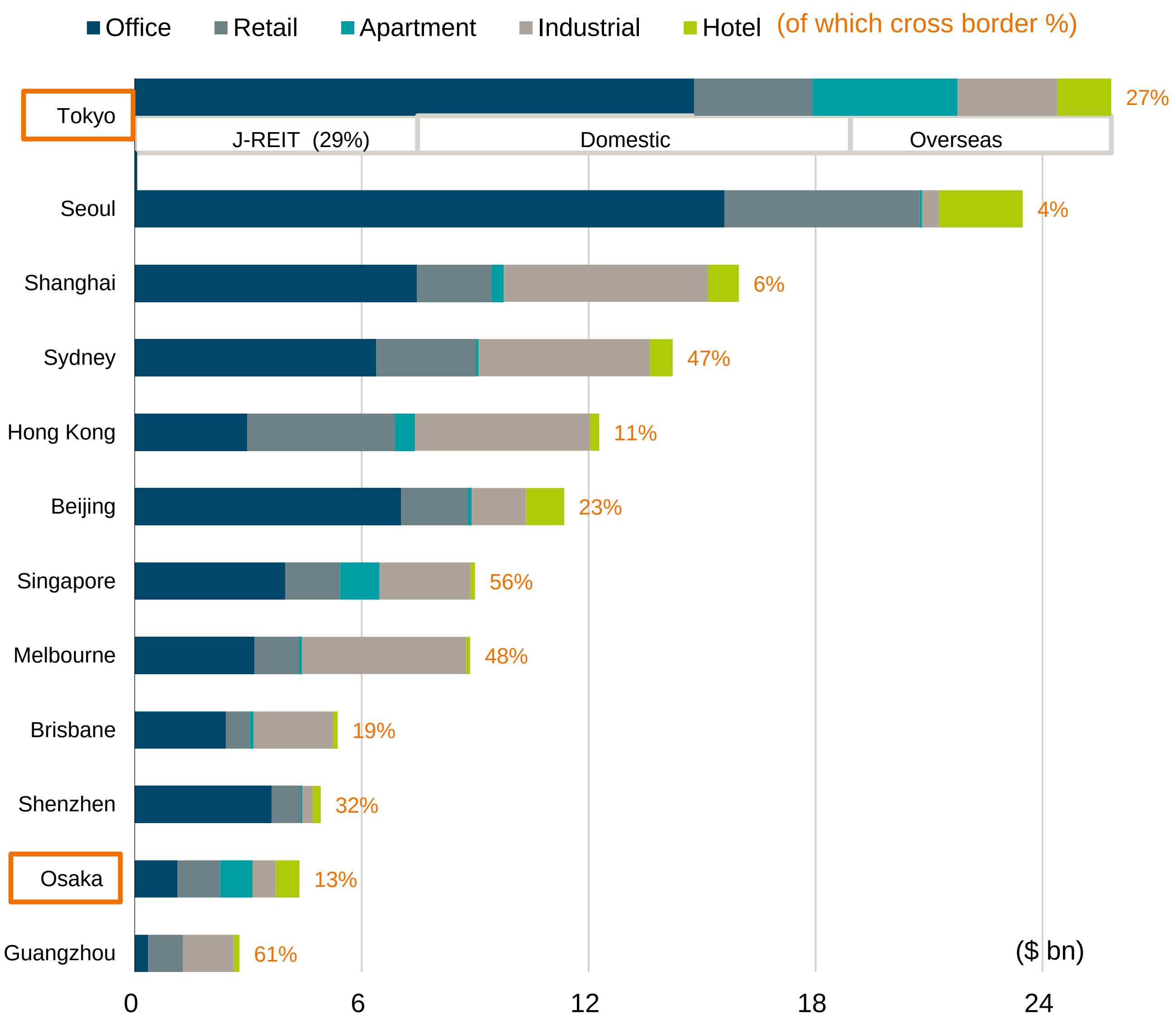
EXHIBIT 9: MAJOR REAL ESTATE TRANSACTIONS ANNOUNCED SINCE OCTBOER 2021

Type	Asset	Price (JPY bn)	Unit price (JPYm /GFA sqm)	Cap rate	Location	Month	Acquired by	Investor Origin
Office	Former HQ of Nippon Express	73	1.38	-	Minato	Dec-21	Minebea Mitsumi	Japan
	Nakanoshima Mitsui Bldg	44	0.65	4.6%	Osaka	Jan-22	Nippon Building Fund	J-REIT
	50% of Yokohama Blue Avenue	44	1.00	-	Yokohama	Dec-21	Capitalnd Investment (Private REIT)	Singapore
	Akasaka Star Gater Plaza	42	2.43	2.9%	Minato	Dec-21	Hulic	Japan
	17% of Idabashi Gran Bloom	36	2.74	3.5%	Chiyoda	Jan-22	Nippon Building Fund	J-REIT
	55% of Setagaya Business Sqaure	27	0.47	-	Setagaya	Nov-21	GMO Internet	Japan
	24% of Toyosu Front	26	1.01	3.8%	Koto	Mar-22	Japan Real Estate REIT	J-REIT
	24% of Tokyo Opera City	22	0.40	5.4%	Shinjuku	Oct-21	NTT Urban Development REIT	J-REIT
Retail	G-Bldg Ginza 01 etc. (3 props)	21	3.11	3.7%	Chuo etc.	Dec-21	Japan Metropolitan Fund	J-REIT
	G-Bldg Minami-Aoyama	10	6.26	2.9%	Minato	Dec-21	Hulic	Japan
Industrial	ESR Amagasaki DC etc. (4 props)	238	0.38	-	Hyogo etc.	Nov-21	ESR Japan Income Fund	Japan
	Prologis Park Inagawa 2 etc. (3 props)	58	0.27	4.2-4.6%	Hyogo etc.	Nov-21	Nippon Prologis Fund	J-REIT
	45% of Logiport Kawasaki Bay etc (2 props)	46	0.28	4.3-4.4%	Kanagawa etc.	Feb-22	MEL REIT	J-REIT
	MFLP Yachiyo-Katsudtadai etc. (3 props)	45	0.27	4.0-4.3%	Chiba etc.	Jan-22	MFLP REIT	J-REIT
Apartment	Comforia Sakura-Josui etc. (6 props)	16	22/unit	3.6-5.9%	Suginami	Dec-21	Comforia Residential REIT	J-REIT
Hotel/ Healthcare	Seibu Holdings Hotel & Resort Portfolio (31 props)	150	-	-	Shinagawa	May-22	GIC	Singapore
	Heart Land Kawaguchi Meiseien etc. (10 props)	11	15/unit	4.7-5.6%	Saitama etc.	Sep-21	Healthcare & Medical REIT	J-REIT
	Hotel Beppu etc. (2 props)	11	94/unit	5.3-5.8%	Oita etc.	Nov-21	Hoshino Resort REIT	J-REIT
Corporate	Acquisition of 100% equity of MC-UBS Realty	230	-	-	-	Mar-22	KKR	US

Source: Real Capital Analytics, Nikkei Real Estate Market, DWS. As of As of May 2022.
Notes: Acquisitions by foreign managers are highlighted in grey and by J-REITs in green. This table is prepared solely for information purposes and not intended to recommend or endorse any specific company's shares or other products. Although information in this document has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness, and it should not be relied upon as such.

Tokyo's volume of commercial real estate transactions for the rolling 12-month period ended December 2021 was US $25.8 billion, an 8% increase from the 12-month period ended September 2021. Tokyo continued to rank top in the Asia Pacific region for the aggregate amount, while Osaka ranked eleventh in the same period. According to our own estimates about 29% of transactions in Tokyo were purchased by listed J-REITs while 27% were acquired by foreign capital in this period.

EXHIBIT 10: TRANSACTION VOLUME BY CITY (12 MONTHS ROLLING ENDED DECEMBER 2021)



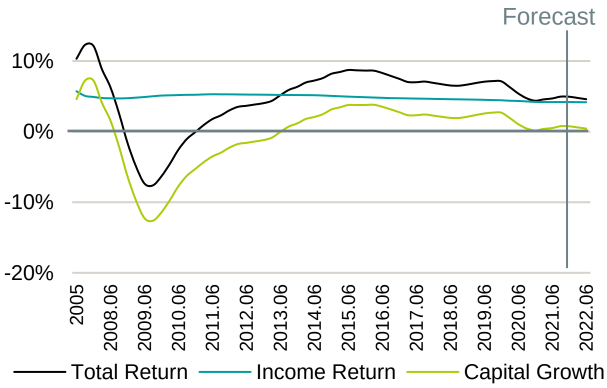
Sources: Real Capital Analytics, DWS. As of May 2022.
Notes: Commercial real estate transactions exclude non-income producing assets, such as development site transactions. Tokyo transaction volume is the sum-up of transaction volumes in Tokyo metro, Saitama, Chiba, Kawasaki and Yokohama. Past performance is not indicative of future results.

2.4 Performance

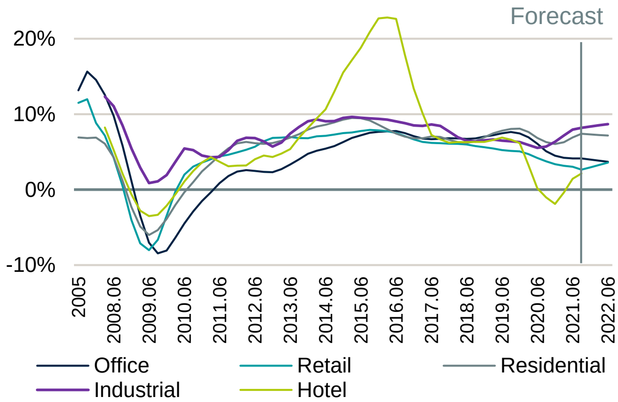
The average annual total return for unlevered direct real estate investments in Japan has been flat, moving up marginally from 4.7% in June 2020 to 4.9% in December 2021 on a preliminary basis (the latest period available). Unlevered returns hovered at around 7-8% in the industrial and residential sectors, respectively, while more modest returns of 3-4% were recorded in the retail and office sectors in the year to September 2021. Returns recovered from -2.6% in December 2020 to a positive 2.1% in September 2021 in the hotel sector. We expect similar level market returns in the coming quarters while performance bifurcation by sector will continue due to the ongoing rental adjustments across the office and retail leasing markets.

EXHIBIT 11: REAL ESTATE TOTAL RETURNS IN JAPAN (UNLEVERED)

TOTAL RETURN BY COMPONENT



TOTAL RETURN BY SECTOR



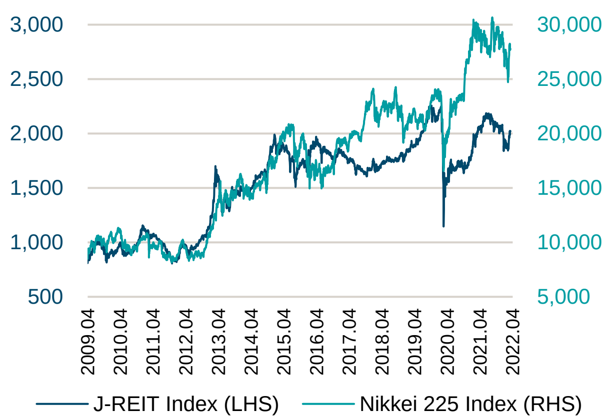
Sources: MSCI Real Estate - IPD, DWS. As of May 2022
Notes: There is a time lag because of raw data being collected through semi-annual reports. Past performance is not indicative of future results.

2.5 J-REITs

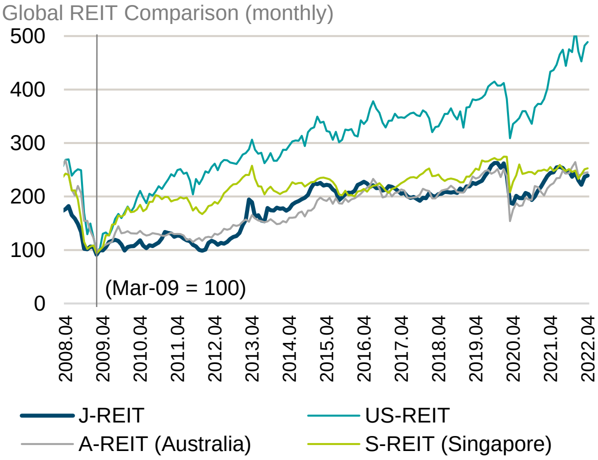
The J-REIT index value has traded below 2,000 points since February 2022, a moderate decline from the recent highest level of 2,160 achieved in July 2021. The performance of the J-REIT over the past two years has remained consistent with other Asia Pacific listed REIT indices including Singapore and Australia while lagging behind the US REIT index.

EXHIBIT 12: J-REIT INDEX AND LONG-TERM GLOBAL COMPARISON

J-REIT Index and Nikkei 225 (daily)



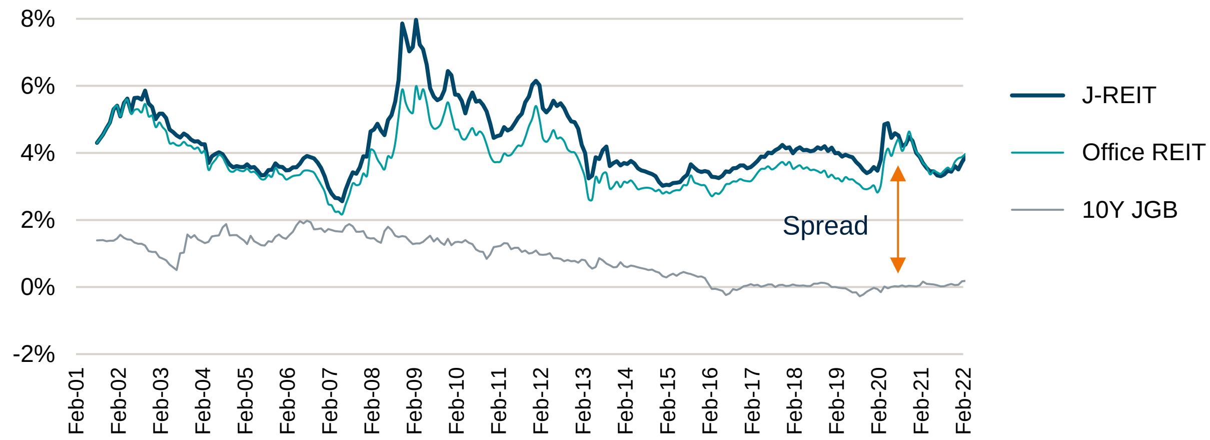
Global REIT Comparison (monthly)



Sources: DWS. As of May 2022
Notes: Past performance is not indicative of future results. Tokyo Stock Exchange REIT Index (J-REIT), FTSE NAREIT All Equity REITS Index (US-REIT), S&P/ASX 200 A-REIT Index (A-REIT), FTSE ST REIT Index (S-REIT).
Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

On average, the J-REIT dividend yield was 3.9% in February 2022, an expansion of 50 basis points since August 2021. Similarly, the spread over ten-year government bond yields widened to 370 basis points in Japan in February 2022, well above the 110-130 basis points spread for U.S. and U.K. REITs, respectively, in the same period.

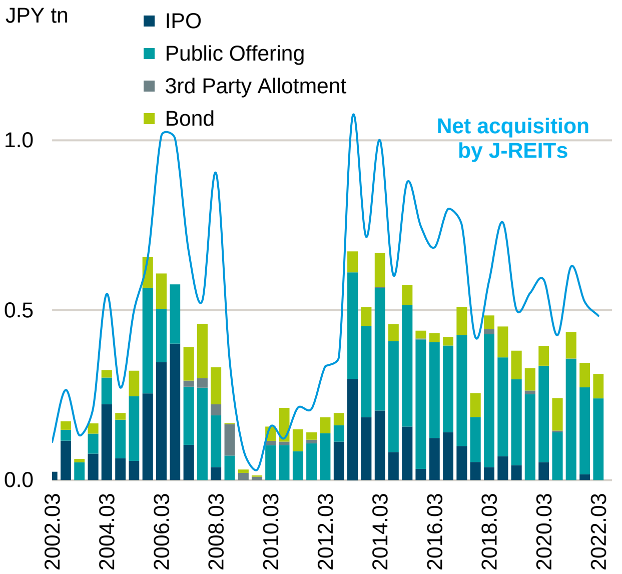
EXHIBIT 13: J-REIT EXPECTED DIVIDEND YIELD



Sources: DWS. As of May 2022.
Notes: Past performance is no guarantee of future results. JGB = Japanese Government Bond.

There were multiple public offerings of listed REITs in the period. The aggregate amount of capital raised by J-REITs through public offerings was JPY 241 billion in the trailing six months ended March 2022 (preliminary), a 32% drop from the same period last year, while maintaining similar levels to the previous six months ended September 2021. The net acquisition volume by J-REITs was JPY 484 billion, a 23% decrease from the same period last year.

EXHIBIT 14: CAPITAL RAISING AND TRANSACTIONS BY REITS IN JAPAN (6 MONTHS ROLLING)

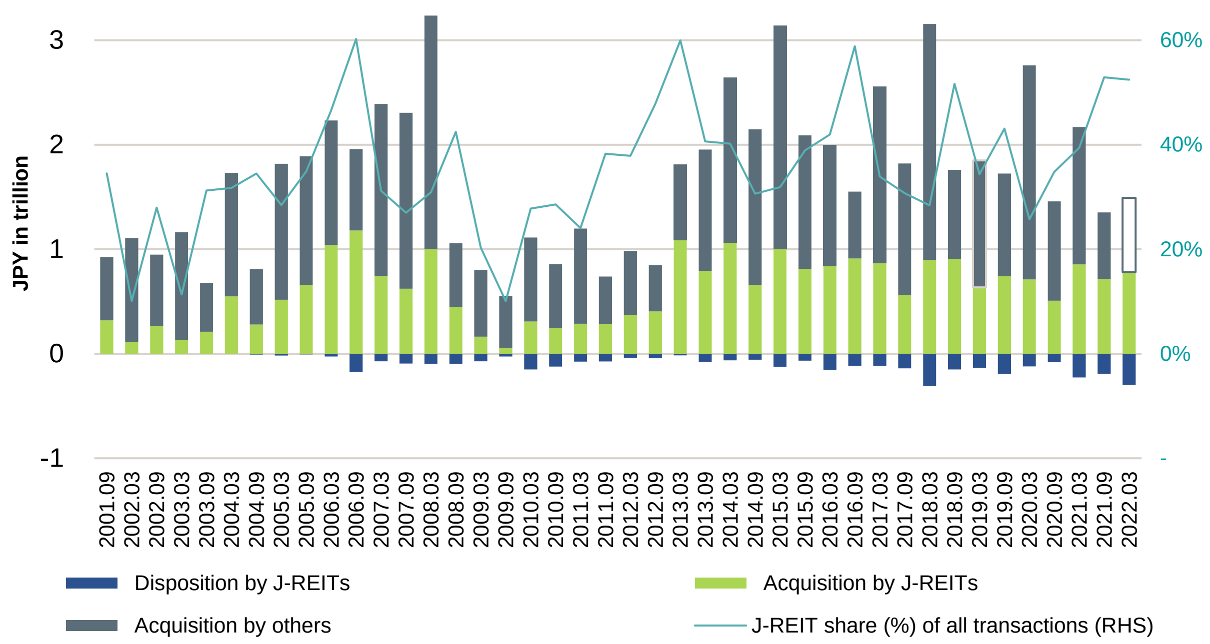


Public Offerings	Month	JPY bn
Nippon Building Fund	Jan-22	33
Nippon Prologis REIT	Dec-21	31
MEL-REIT	Feb-22	24
MFLP REIT	Jan-22	20
Japan Prime Realty REIT	Jan-22	16
Hulic REIT	Jan-22	15
Hoshino Resort REIT	Nov-21	14
Sekisui House REIT	Oct-21	12
NTT Urban Development	Oct-21	12
SOSiLA Logistics REIT	Nov-21	11
Other POs	Apr-Sep	53
	Total	**241**
Initial Public Offerings	**Month**	**JPY bn**
N/A	N/A	0
	Total	**0**

Sources: ARES, Nikkei, DWS. As of May 2022.
Notes: E = Preliminary estimate.
Commercial real estate transactions exclude non-income producing assets, such as development site transactions. This table is prepared solely for information purposes and not intended to recommend or endorse any specific company's shares or other products. Although information in this document has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness, and it should not be relied upon as such. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

The preliminary volume of commercial real estate transactions in Japan in the six months to September 2021 was around JPY 1.5 trillion, a marginal increase from JPY 1.4 trillion in the previous six months ended September 2021, while recording a 31% decrease from the same period last year. This decline is partly due to limited data coverage of deals closed in recent months and is expected to increase as more deals are reflected in the statistics.

EXHIBIT 15: REAL ESTATE TRANSACTIONS IN JAPAN AND J-REIT SHARE (6 MONTHS ROLLING)



Sources: ARES, Urban Research Institute, Real Capital Analytics, DWS. As of May 2022
Notes: E = preliminary estimate. Commercial real estate transactions exclude non-income producing assets, such as development site transactions.
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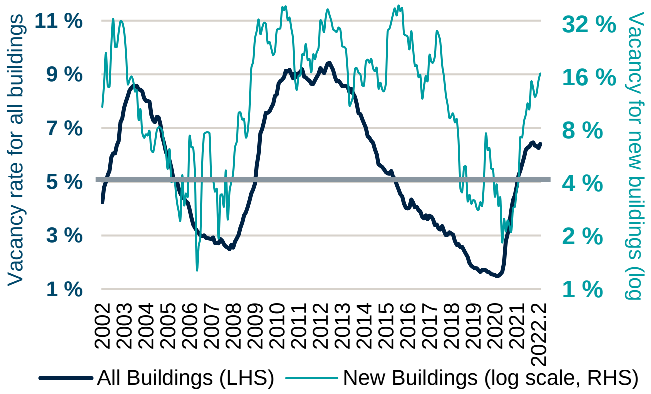
3 / Market Fundamentals

3.1 Office

The average office vacancy rates in Tokyo's central five wards increased from a low of 1.5% in March 2020 to 6.4% in February 2022. The average vacancy of new buildings (completed within twelve months) increased from 3.0% to 16.9% in the same period, reflecting the muted space demand among corporate Japan. As a number of large-sized companies start to consider flexible working arrangements as a long-term option, including a hybrid model of `work-from-home' and free seating offices, this could potentially have a further negative impact on office space demand. The vacancy rate in Tokyo is expected to remain at elevated levels given the expected additional backfill space to be provided based on a continuous supply pipeline of new buildings.

EXHIBIT 16: OFFICE VACANCY RATES IN CENTRAL TOKYO (5 WARDS*)



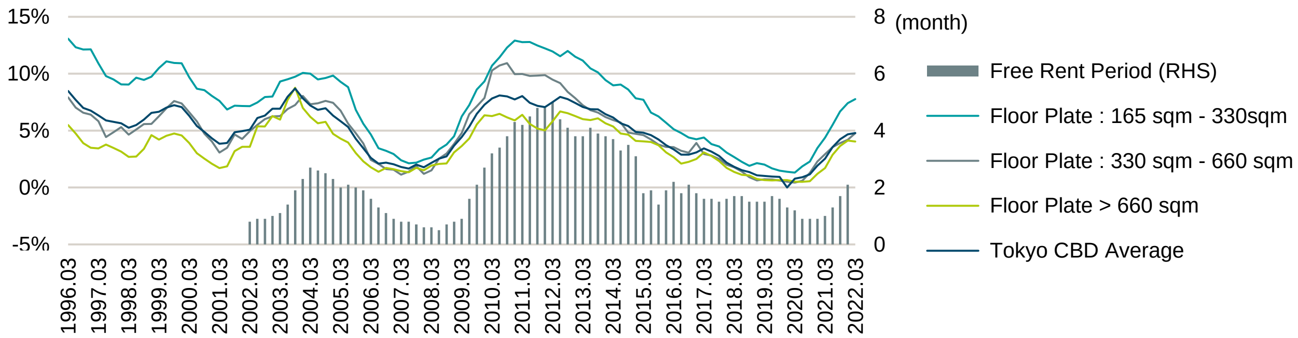
Major Planned Supply in Tokyo

Building	Date	Floors	GFA (sqm)
JR Meguro MARC Bldg	Mar-22	13	38,720
Kyodo Printing Koishikawa Bldg	Mar-22	7	33,021
Kudan-Minami 1chome PJ	Jul-22	17	67,738
Tokyo Midtown Yaesu A-1	Aug-22	45	283,896
Sumitomo RE Nishi-Shinjuku 5	Oct-22	33	89,995
Mita Redev. PJ Office Twr.	Jan-23	42	200,540
Toranomon-Azabudai PJ Main Twr	Mar-23	64	461,877
Dogenzaka 2 Dev. PJ	Mar-23	28	41,950
TTM PJ	May-23	29	112,179
Toronomon Hills Station Twr	Aug-23	49	238,442

Sources: Mori Building, Miki Shoji, Sanko Estate, Nikkei Fudosan Market, DWS. As of May 2022.
Notes: GFA = gross floor area. sqm = square meters. *5 Wards includes Chiyoda, Chuo, Minato, Shibuya and Shinjuku. There is no guarantee the supply pipeline will materialize. Past performance is not a reliable indicator of future growth. This information is intended for informational purposes only and does not constitute investment advice, a recommendation, an offer or solicitation.

The average rent-free period offered to tenants increased from 0.9 months in December 2020 to 2.1 months in December 2021. Due to the elevated vacancy rate and current muted demand, the rent-free level is expected to rise further in the coming quarters.

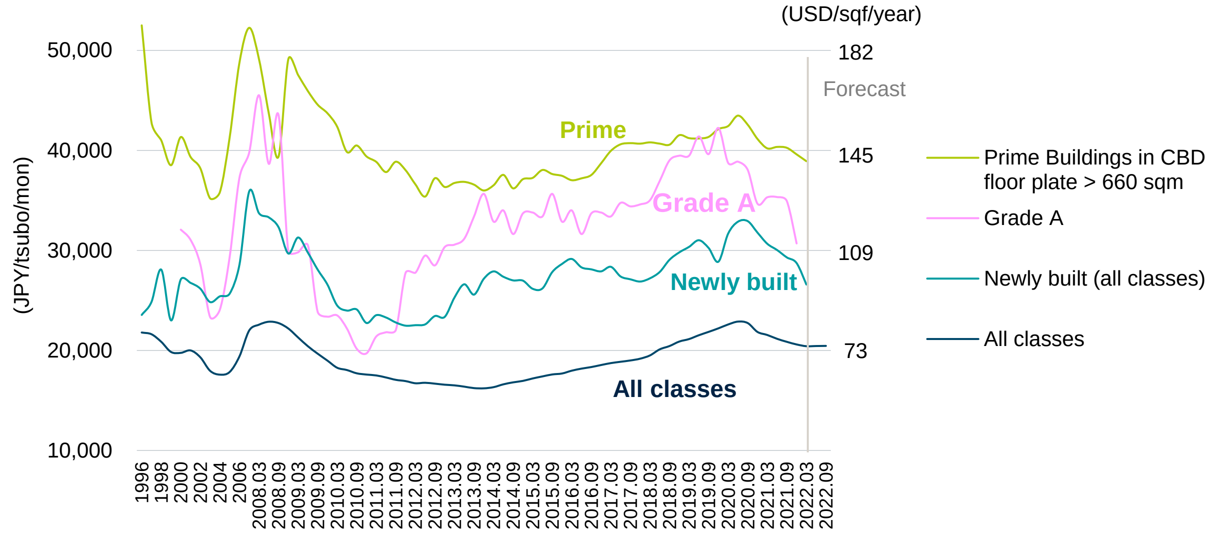
EXHIBIT 17: OFFICE VACANCY RATE AND RENT-FREE PERIOD IN TOKYO



Sources: Sanko Estate, Xymax Real Estate Institute, DWS. As of May 2022.Notes: sqm = square meters. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect. Past performance is not a reliable indicator of future growth.

The average asking office rent (all classes) in Central Tokyo started to decrease in the second half of 2020, declining by 5.6% in the year to March 2022. Average grade A office building rents posted a sharper decline of 11.5% in the year to December 2021, with the average rents for newly built office also declining by more than 10% in the year to March 2022. Office rents are expected to further soften over the course of the year as the vacancy rate remains elevated.

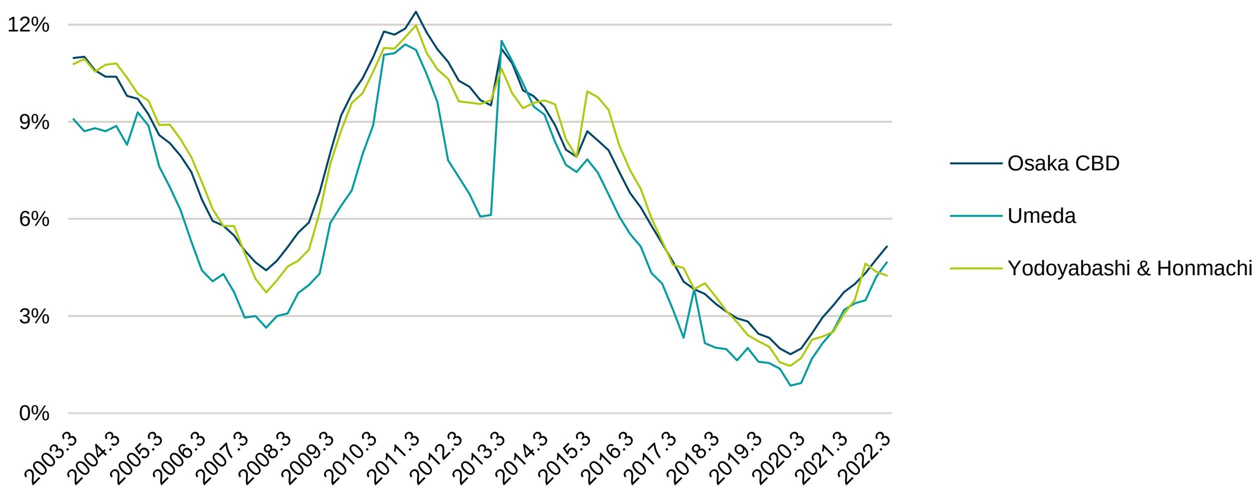
EXHIBIT 18: OFFICE ASKING RENTS IN CENTRAL TOKYO BY BUILDING FLOOR PLATE



Sources: Miki Shoji, Sanko Estate, DWS. As of May 2022.
Notes: F = forecast, there is no guarantee forecast rents will materialise. Please refer to Important Notes (see end of report).

Similarly, the average office vacancy rates in Osaka increased from 1.8% in December 2019 up to 5.2% in March 2022. The vacancy rate in the Umeda area, Osaka's central business district (CBD), also rose from 0.9% to 4.7% in the same period.

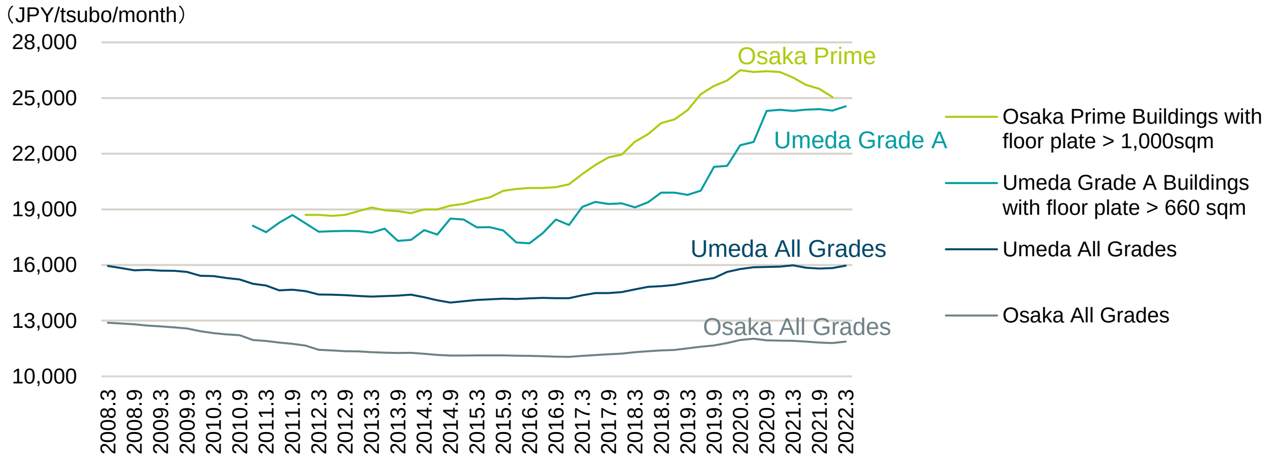
EXHIBIT 19: OFFICE VACANCY RATES IN OSAKA



Sources: Miki Shoji, DWS. As of May 2022
Past performance is not a reliable indicator of future growth. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

Compared to Tokyo, office rents look more resilient in Osaka, especially for average grade assets. The average asking office rent (all classes) in Central Osaka continued to hold up steadily, with only a marginal decline of 0.4% in the year to March 2022, while prime rents in Osaka posted a decline of 5.1% (year-on-year) in the most recent statistics from December 2021. Rents remained firm in the Umeda area both for Grade A and average buildings in the most recent periods. Space demand remains relatively healthy for Grade B buildings in Osaka offering more affordable rents even prior to the COVID-19 pandemic, and as the implementation of work-from-home arrangements for small and medium-sized traditional companies in the local market remains lower - the main target for this type of average grade building.

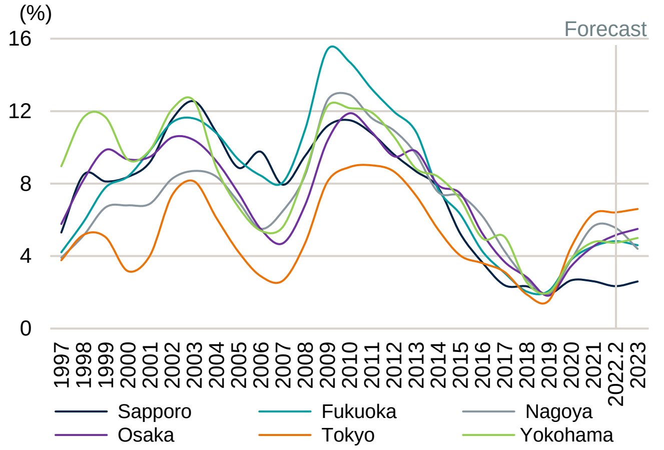
EXHIBIT 20: OFFICE ASKING RENTS IN OSAKA



Sources: Miki Shoji, Sanko Estate, DWS. As of May 2022.

Office vacancy rates increased in most major regional cities in Japan over the last twelve months, while at a more moderate pace than Tokyo. They increased from around 2% or below across all major markets as of December 2019 to a range of 5-6% in February 2022 in Nagoya, Fukuoka, Yokohama and Osaka. The only exception was Sapporo where vacancy remained tight at 2.3% in the same period. The level of flexible working arrangements is limited in the major provincial cities including Fukuoka and Sapporo, especially among call center operators, a major tenant industry in these markets, so the correction in the occupier market is expected to be more moderate in these cities than in Tokyo.

EXHIBIT 21: OFFICE VACANCY RATES IN MAJOR CITIES IN JAPAN (ALL GRADES)



Large-sized Supply Pipeline in Regional Cities

Building	Date	Floors	GFA (sqm)
Urbanet Nagoya Nexta Bldg. (Nagoya)	Jan-22	20	30,344
Nagoya Bldg. East (Nagoya)	Mar-22	12	11,309
Umeda Twin Towers South (Osaka)	Mar-22	6	143,000
New Yodoyabashi Bldg (Osaka)	Oct-22	25	51,500
Daimyo Garden Square (Fukuoka)	Dec-22	24	30,000
Hakata East Terrace (Fukuoka)	Jun-22	10	29,116
Nippon Life Yodoyabashi Bldg (Osaka)	Oct-22	25	51,500
Daimyo Sqaure Garden (Fukuoka)	Dec-22	24	30,000
Namba 2 Dev. PJ (Osaka)	Jan-23	14	19,652

Sources: Miki Shoji, Sanko Estate, DWS. As of May 2022. Notes: GFA = gross floor area. sqm = square meters
Past performance is not a reliable indicator of future growth. There is no guarantee the supply pipeline will materialize. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

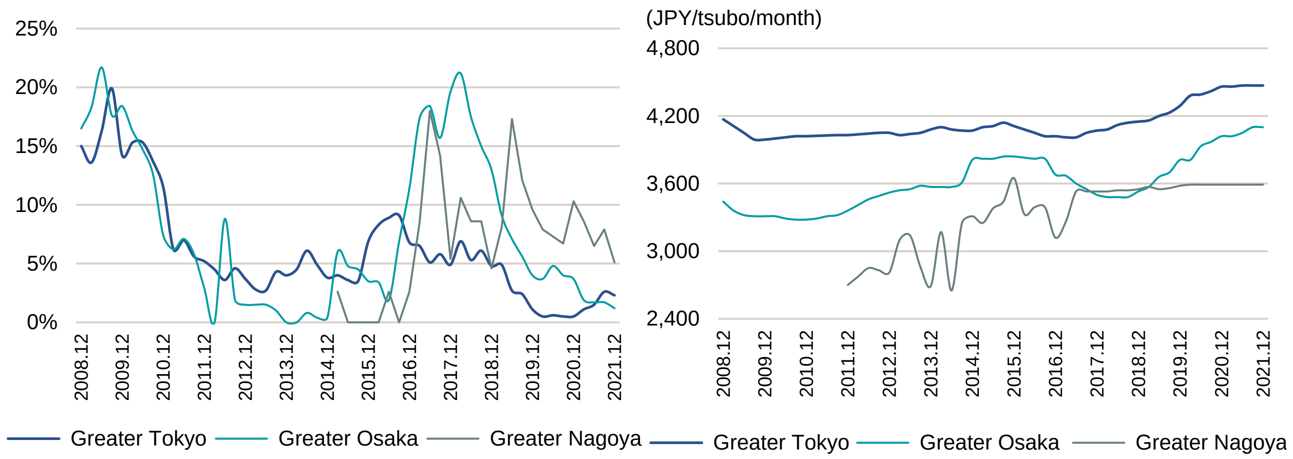
3.2 Industrial

Space demand for quality logistics space remained robust on the backdrop of the rapidly increasing proliferation of online retail, triggered by movement restrictions implemented amid the COVID-19 pandemic. Vacancy rates at multi-tenant logistics assets remained tight at 2.3% in Greater Tokyo and at 1.2% in Greater Osaka, respectively, in December 2021, whilst tightening from 10.3% in December 2020 to 5.1% in December 2021 in Nagoya. As of December 2021, rents remained at the highest levels of the last ten years across these respective markets.

EXHIBIT 22: LOGISTICS LEASING IN JAPAN BY METRO

VACANCY RATES OF MULTI-TENANT LOGISTICS

LOGISTICS RENTS



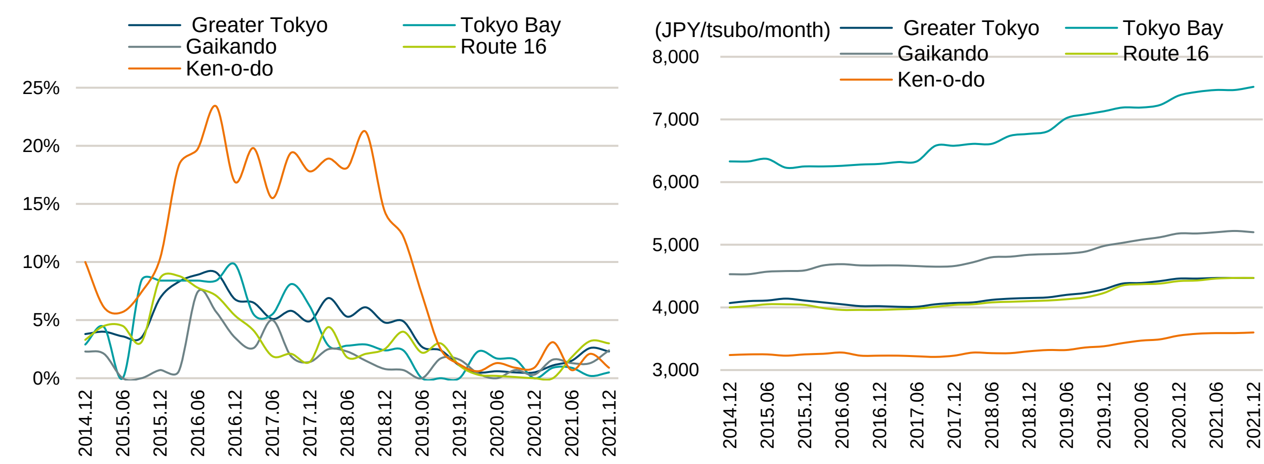
Sources: CBRE, DWS. As of May 2022.
Notes: Past performance is not indicative of future results.

Vacancy rates in all logistics precincts in Greater Tokyo, i.e. Tokyo Bay, Gaikando, Route 16 and then Ken-o-do (the outer ring road), remained tight at or below 3% as of December 2021. Rents continued to record healthy growth at around 1-3% in the year to December 2021 across all precincts.

EXHIBIT 23: LOGISTICS LEASING BY SUB-MARKET IN GREATER TOKYO

VACANCY RATE BY SUB-MARKET

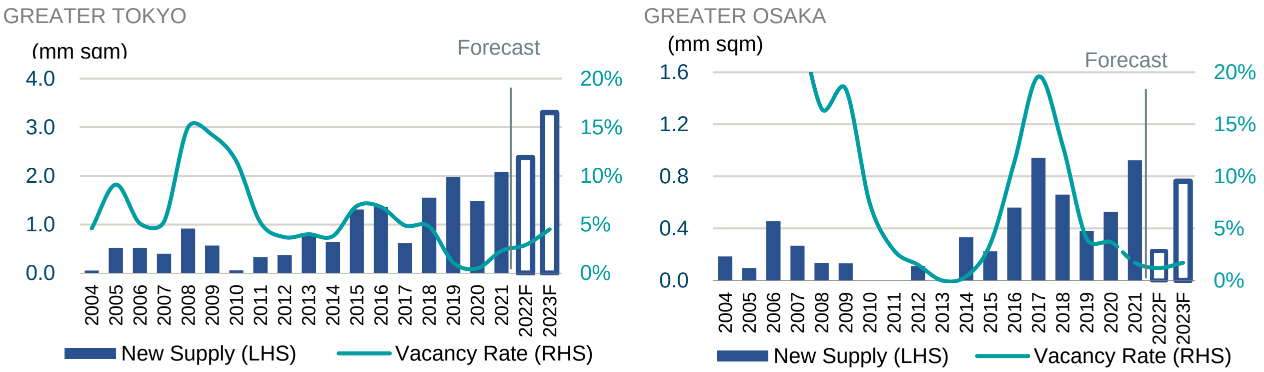
RENT BY SUB-MARKET



Sources: CBRE, DWS. As of May 2022
Notes: Past performance is not indicative of future results.

The supply of modern multi-tenant logistics in Greater Tokyo is expected to be around 2.3 million square meters in 2022, the largest supply in history, to be followed by an even bigger supply of over 3 million square meters expected in 2023. The vacancy rates are expected to loosen moderately to mid-single digits accordingly. On the other hand, supply is expected to remain more limited in Greater Osaka over the same period with vacancy rates forecast to remain tight at around 3%. The impact of rising construction costs is more acute in the logistics sector due to the smaller proportion of land value compared to other sectors, and a further cost increase could potentially create delays in new supply.

EXHIBIT 24: LOGISTICS SUPPLY IN GREATER TOKYO AND GREATER OSAKA

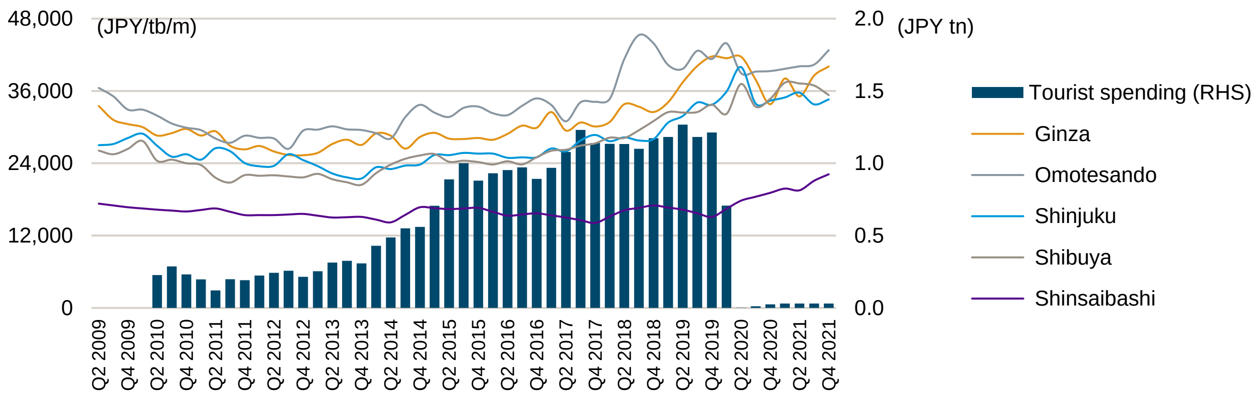


Sources: CBRE, DWS. As of May 2022
Notes: F = forecast, there is no guarantee forecast returns will materialise.
Past performance is not indicative of future results. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

3.3 Retail

Even after the lifting of most business restrictions at the end of October 2021, inbound tourism in Japan remains tightly controlled. As of April 2022, the border is open only for a limited number of pre-approved arrivals such as long-term foreign students and corporate sponsored short-term business travelers. Under this backdrop, tourist spending remains extremely muted. The average asking high street rent looks to be holding up firmly in major precincts in Tokyo or even growing in Osaka according to the statistics, while this does not necessarily translate into healthy leasing demand. The current asking rents are inflated by a number of rare prime retail spaces that are currently vacant, while they were not the sample spaces included in the statistics in the pre-COVID-19 periods. Whilst the government will gradually increase the number of inbound business travelers, it is expected to take some time for international tourism to return to pre-COVID-19 levels.

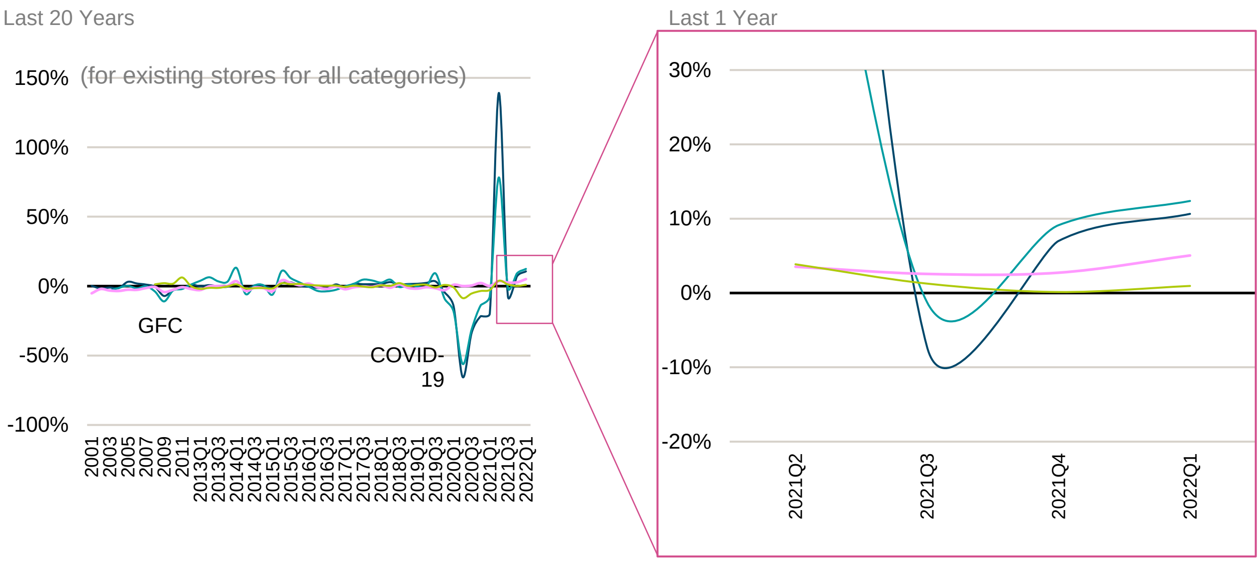
EXHIBIT 25: HIGH STREET AVERAGE RENTS IN TOKYO AND OSAKA



Sources: Style Act, Japan Tourism Agency, DWS. As of May 2022.
Note: Past growth is not a reliable indicator of future growth.

Sales at department stores and shopping malls made healthy recoveries in the last two quarters as consumers started to resume their shopping habits as restrictions were relaxed. Chain stores and convenience stores continued to show slower but more resilient growth as demand for fresh foods and daily necessities remained firm even during the restricted times.

EXHIBIT 26: RETAIL SALES GROWTH BY STORE CATEGORY (YEAR ON YEAR)

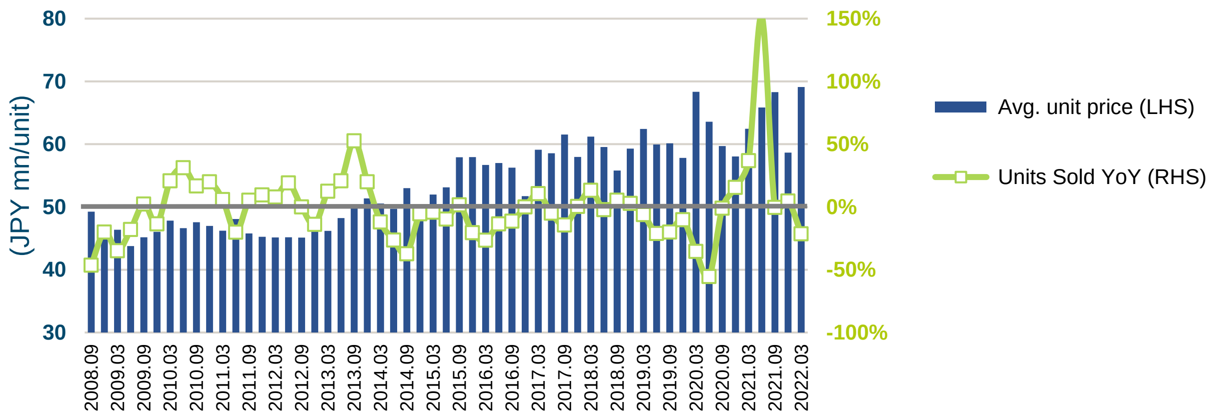


Source: Japan Council of Shopping Center, Japan Franchise Association, Japan Chain Store Association, Japan Department Store Association, DWS. As of May 2022.
Note: Past growth is not a reliable indicator of future growth. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

3.4 Residential

The average sale price of newly built condominiums sold in Greater Tokyo further increased to JPY 69 million (per unit) in the first two months of 2022, higher than the previous high. This arose as work from home arrangements during the pandemic caused office workers to realize their Tokyo condominiums were not large enough to cater to this. The number of units sold in Greater Tokyo declined by 21% in the period as an increasing number of buyers felt gradually priced out at the record high housing prices.

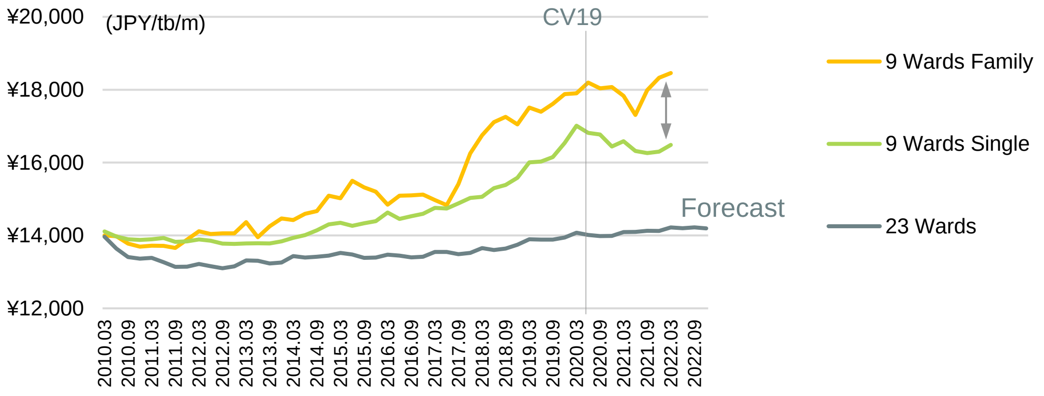
EXHIBIT 27: AVERAGE NEW CONDO PRICE AND THE GROWTH OF UNITS SOLD IN GREATER TOKYO



Sources: Real Estate Economic Institute, DWS. As of May 2022.
Notes: Past performance is not a reliable indicator of future growth.

Since the initial COVID-19 outbreak, residential rents in Tokyo have shown clear bifurcated trends. Rents for single rooms and studios in the central nine wards of Tokyo have moderately declined by 4.4% in eighteen months to September 2021 and has been flat since. On the other hand, residential rents for family types with multiple bedrooms in the central nine wards started to recover strongly in the second half of 2021, growing by 6.6% in nine months to March 2022 as tenants in inner city apartments, mostly young couples and professionals preferenced greater space as they spent longer hours at home during their work-from-home arrangements. As for-sale condo prices continue to rise in Tokyo, demand for rental houses is expected to be underpinned as the economy normalizes.

EXHIBIT 28: RESIDENTIAL RENT IN TOKYO (YEAR-ON-YEAR)

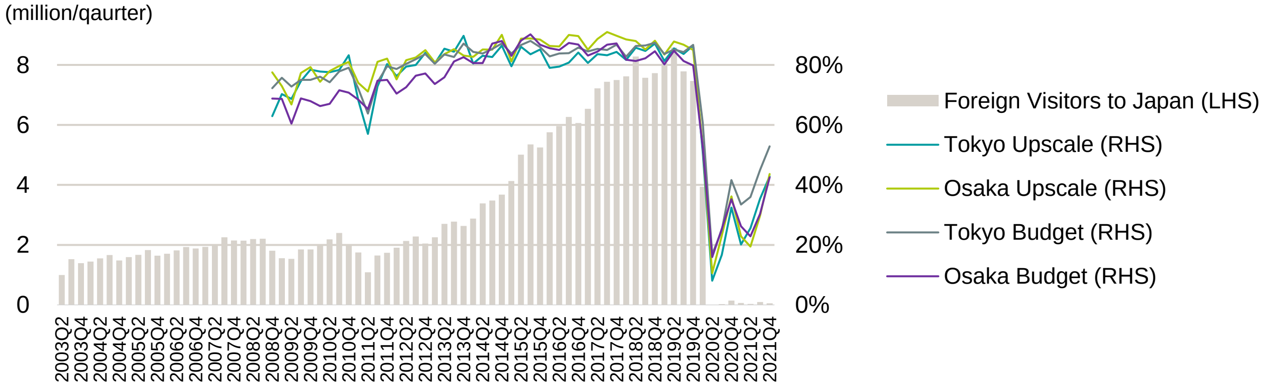


Sources: REINS (9-ward rent), Leasing Management Consulting (5-ward asking rent), Ken Corporation (3-ward rent), Miki Shoji, DWS. As of May 2022.
Past performance is not a reliable indicator of future growth. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

3.5 Hotel

Hotel occupancy rates in Tokyo and Osaka started to recover in the second half of 2020, although they continue to be negatively impacted by multiple infection waves and the ensuing restrictions, including the state of emergency announcements. Hotel room occupancy rates recovered to the 40-50% range in the fourth quarter of 2021 when infection cases muted across the country before the omicron variant hit in early 2022. As the recovery in international tourists is still very slow, hotel operators continue to focus on domestic travelers.

EXHIBIT 29: QUARTERLY HOTEL OCCUPANCY RATES IN TOKYO AND OSAKA



Sources: Japan Tourism Agency, DWS. As of May 2022.
Past growth is not a reliable indicator of future growth.
Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

4 / Conclusion

After posting a rapid healthy recovery through 2021 corporate Japan showed signs of moderating in 2022. As COVID-19 infection cases surged in the first quarter of the year, energy prices started to further increase prompted by the escalating geopolitical risks and ongoing global supply chain disruptions triggered by the lockdown in Shanghai. Yield remains very tight in most sectors while capital values show weakening in the office sector as rents continue to post corrections amid muted space demand in Tokyo while supply is expected to surge in 2023 and onward.

That being said, the ultra-low interest rate environment is expected to continue in Japan and relative performance of real estate is expected to remain attractive comparative to other asset classes, as ample capital is forecast to flow into Japanese real estate markets. By property type, logistics and residential sectors are expected to continue to outperform, while further rental adjustments are expected in the coming quarters in the office sector. Due to the tightest ever cap rates, challenges for some institutional investors will be to identify active asset management strategies, emerging locations or alternative sub-sectors in order to meet required cash returns.

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IMPORTANT INFORMATION