

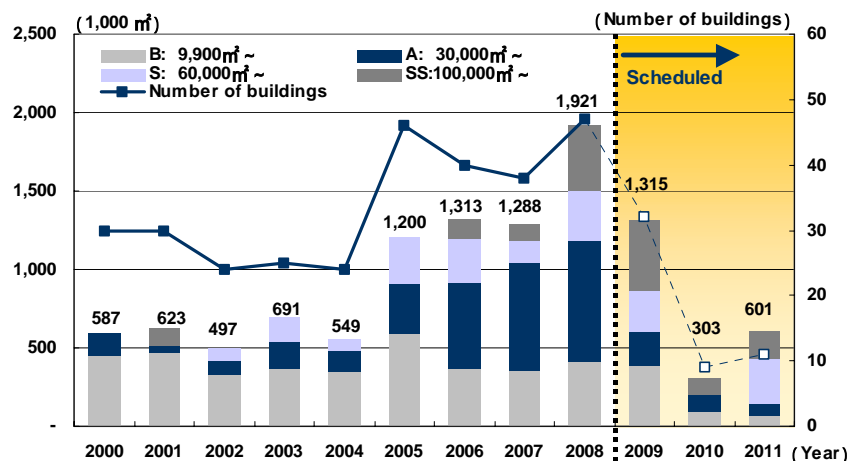
Large-scale logistics facilities in metropolitan Tokyo -- Market trends and investment strategies (2009) --

Until 2008 the leasing market for large-scale logistics facilities had been expanding steadily in metropolitan Tokyo, financed primarily by investment funds. However the market changed drastically after the so-called “Lehman shock” in the fall of that year. In Part I of this Investment Review we look at how the global financial crisis has affected the logistics facility market in the Tokyo region, and analyze future supply and demand trends. In Part II we look more specifically at the state of the leasing market for logistics facilities in metropolitan Tokyo, and analyze three possible future scenarios, “Basic”, “Pessimistic”, and “Optimistic”. We then discuss optimal investment strategies for each scenario. The main findings of Parts I and II are summarized below.

Part I Large-scale logistics facilities in metropolitan Tokyo

- New supply will drop sharply in 2010, and will remain low in 2011.
- Investment funds have been responsible for the rapid increase in leased facilities after 2005, and they will also be the major source of future new supply.
- New supply is unlikely to stage a recovery until 2012 at the earliest.
- Most next-generation leased facilities primarily handle convenience goods, which are relatively unaffected by ups and downs in the economy.
- Demand for large-scale leased facilities will be flat for a period, but will remain steady due to strong underlying demand on the part of companies facing pressure to improve logistics efficiency.
- The fall in new supply, coupled with this strong underlying demand, will tend to bring supply and demand back into balance, but there will also be a clear polarization in the market between desirable properties and those that fail to meet the needs of the market in terms of location or other factors.

New supply of large-scale logistics facilities in metropolitan Tokyo
(floor space $\geq 9,900m^2$)



Source : NRE

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Topics

Part II Investment strategies in a time of transition

- Various market indices (rents, vacancy rates, new supply, net absorption, cap rates) all indicate that the market is approaching a tipping point.
- Under our Basic scenario, the key for current investors is property selection, whereas new investors will need to focus on investment timing as well as property selection.
- Under our Pessimistic scenario, current investors should prepare to execute a carefully timed exit strategy. New investors should keep their eyes open for opportunistic investments.
- Under our Optimistic scenario, current investors should hold tight, and new investors will want to invest quickly while prices are still at a discount.

For further details see our *Investment Review, Autumn 2009* Part I and II

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