

Market Trends

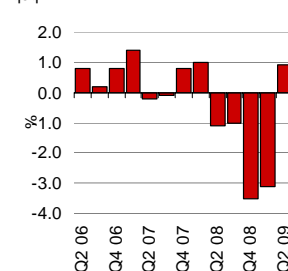
Japan Q2 2009

Economy

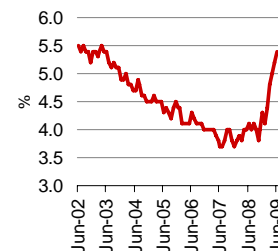
12-Months-Outlook ↘

Following a drastic slump of GDP in Q1 2009, increasing exports and a pick up of domestic consumption due to further stimulus packages of the government, influenced Japan's economy positively. Predicted by some sentiment indicators which recovered lately, GDP growth turned positive in Q2. However, a negative impact from the labour market with skyrocketing increase of the unemployment rate during the last months will put further pressure to the real estate markets.

GDP



Unemployment Rate

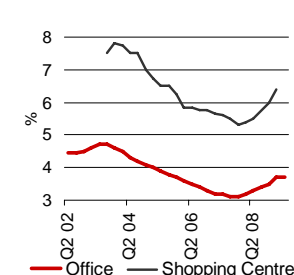


Investment

12-Months-Outlook ↘

Both domestic and international investors return to the Japanese real estate market looking especially for prime properties in prime locations. Nevertheless, investment volume is still at a very low level due to the very selective demand of potential investors, but cap rates seem to stabilize. Further pressure on market values derives from the ongoing weakening letting markets. Some significant corrections are predicted to take place in the upcoming quarters.

Yields Tokyo



Market Value Changes

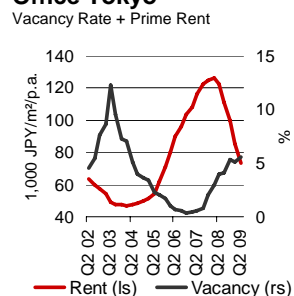
Real Estate	Previous 12 Months	Outlook 12 Months
Office	-25%	-20%
Retail	-25%	-15%
Multi-Family	-15%	-10%

Office

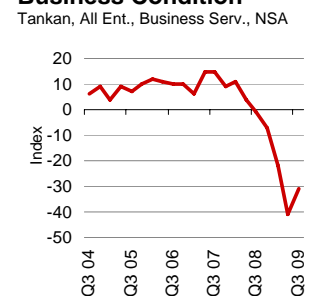
12-Months-Outlook ↘

Against the background of the economic downturn bottoming out, the major part of rent reductions should have already taken place in the CBD of Tokyo. Demand for prime CBD locations is still at a very low level due to the cost reduction policy of most companies, while some periphery locations can benefit and reduce their vacancy. New supply is restricted except some redevelopments of existing buildings and smaller new developments. This will reduce pressure on rents.

Office Tokyo



Business Condition

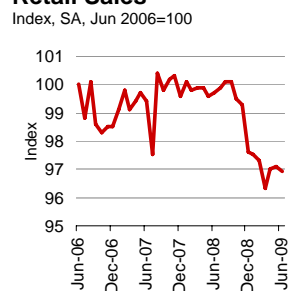


Retail

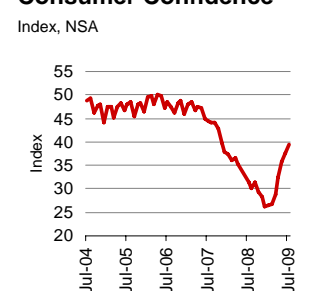
12-Months-Outlook ↘

Consumer confidence rebounded lately but retail sales continue to fall. Together with tough competition between regional retailers, prime retail rents will reduce further and vacancy will increase. Shopping centres are hit very hard due to oversupply of last years – especially in regional cities – and the reduced demand of consumers. In the medium term, the real estate retail market will face high risks due to increasing indebtedness of both consumers and retailers.

Retail Sales



Consumer Confidence

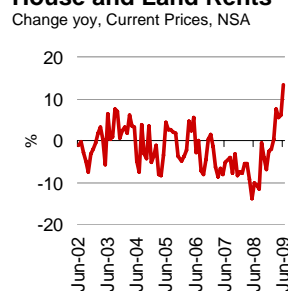


Residential

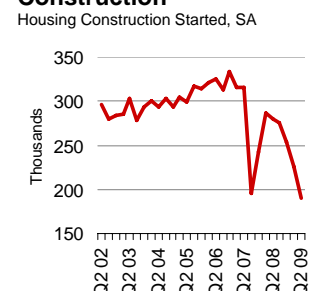
12-Months-Outlook ↘

House and land rents in common increased sharply during the last months. Nevertheless, new construction is at a very low level pointing to the difficult business environment for companies involved in home construction. According to job cuts, demand for high-end residential properties reduced significantly and caused sharp rent corrections and increasing vacancy during last quarters. Nevertheless, economic downturn seems to bottom out and should support to hence stabilize rents in the medium to long term.

House and Land Rents



Construction



ZRS RAC Research

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