CUSHMAN & WAKEFIELD

JAPAN EMERGES AS A CROSS-BORDER REAL ESTATE INVESTMENT HUB: Growth in both inbound and outbound investment

CROSS-BORDER REAL ESTATE TRANSACTIONS SURVEY, H1 2026



Executive Summary

Global

- In the commercial real estate (CRE) market, investor appetite continues to recover, supported by moderate GDP growth and the stabilization of market fundamentals.
- Transaction volumes have increased across all sectors, with offices and data centers leading growth.
- Cross-border investment is on an upward trajectory, with the Americas and Asia Pacific serving as the primary recipients of overseas capital. Within Asia Pacific, the share of foreign investors has risen in Singapore, India, Japan and South Korea.

Definitions of Terms Used in This Report

- Foreign Investor: Refers to a buyer whose headquarters are located outside the country or region where the subject property is located.
- Japanese Investor: Refers to a buyer whose headquarters are located in Japan.

Inbound Investment into Japan

- Real estate investment in Japan has continued to increase since 2023, with foreign investors accounting for about 39% of investment volume in H1 2026.
- Attractive yield spreads have historically supported capital flows into Japan; however, recent interest rate hikes have narrowed this advantage.
- Key sectors attracting foreign capital are:
  - **Office:** Lowest vacancy rates in the Asia Pacific region and expectations of continued rental growth.
  - **Residential:** Highly favored sector due to large investable market and strong underlying fundamentals.
  - **Data Centers:** Japan continues to grow as one of Asia's largest data center markets. The country serves as a major landing point for submarine cable systems connecting Asia with the west coast of North America, reinforcing its role as a regional digital hub. Long-term economic growth policies, political stability, and a proactive approach to AI investment further enhance its appeal.

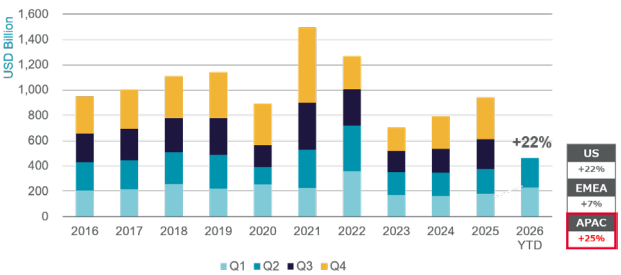
Outbound Investment by Japanese Investors

- Japanese investors continue to expand overseas investments, focusing on the U.S., UK, Australia, and India.
- Growth narratives in Australia, driven by population growth and housing shortages, and in India, supported by the expansion of Global Capability Centers (GCCs) and the technology sector, are attracting interest from Japanese investors.

1. Global Real Estate Investment Volumes Continue to Recover

Global real estate investment volumes have continued to recover since 2023, reaching approximately US$940 billion in 2025 and rising a further 22% year-on-year in H1 2026. The Americas and Asia Pacific have led this rebound, and investors' capital allocation is beginning to shift again. However, unlike in previous cycles driven by abundant liquidity and broad risk-taking, investors remain selective, focusing on markets with rental growth potential, sectors supported by structural demand, and assets that have become more attractively priced following market corrections. The investment market is entering a new phase characterized not only by a recovery in market activity and investment volume, but also by a qualitative reallocation of capital toward more attractive opportunities.

Global Real Estate Transaction Volumes



Source: MSCI, as of the end of July 2026

By sector, residential remains the largest investment category. The office sector has emerged as a symbol of the market's recovery, while data centers have become a key growth sector driven by new sources of demand. Office investment has rebounded as demand for high-quality space strengthens, supported by return-to-office trends, limited new supply, and the expansion of AI-related

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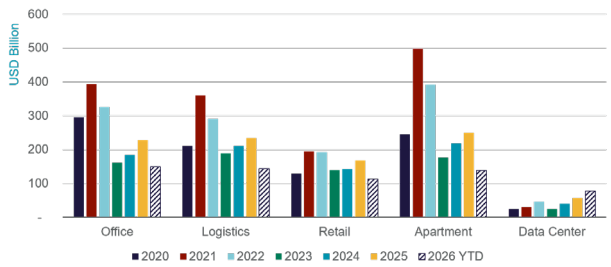
companies, all of which are driving demand for relocations to prime locations and increased investment in workplaces that enhance the employee experience. As a result, global office transaction volume increased 23% year-on-year in 2025, particularly in markets where pricing adjustments have largely been absorbed and value opportunities have re-emerged.

Meanwhile, data centers are emerging as a prominent asset class with growth drivers distinct from those of the traditional real estate sector, supported by the expansion of AI, cloud computing, and digital services. Transaction volumes increased 42% in 2025, while investment activity in the first half of 2026 already exceeded the full-year 2025 total by around 60%. Persistent supply constraints, including power availability, land, connectivity, permitting, and construction costs, have further enhanced investor interest in existing assets and development opportunities.

Logistics and retail transactions have also recovered, although investors are placing greater emphasis on location quality, tenant profiles, and rental growth prospects. Overall, the market in H1 2026 has been characterized by capital flowing toward assets that combine stable income with long-term growth potential, following the period of rising interest rates.

Against this backdrop, a key question is not only the scale of the recovery, but also how cross-border capital is being deployed across markets and sectors.

Global Real Estate Investment Volume by Sector

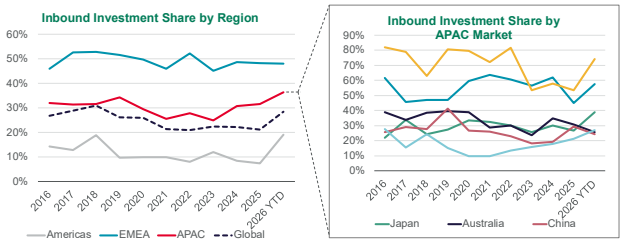


Source: MSCI, as of the end of July 2026

2. Cross-Border Investment: Japan, Australia, and India Attract Growing Foreign Capital in Asia Pacific

Cross-border capital flows are an important indicator of market recovery, as they reflect investors' decisions to allocate capital beyond their home markets in pursuit of growth opportunities and diversification benefits that may not be readily available domestically. Trends in cross-border investment are shaped by changes in global investor sentiment, interest rate differentials, currency movements, sector preferences, and regulatory environments. In H1 2026, the share of transactions involving foreign investors increased, indicating a revival of international capital flows.

The composition of cross-border investment is also evolving. Foreign investors' share of global transaction volumes increased from around 20% to 30% year-on-year. Regionally, the Americas and Asia Pacific recorded the largest gains in cross-border activity. Within Asia Pacific, the region's appeal as a destination for global capital continues to strengthen. In markets such as India and Singapore, where foreign capital has long played a significant role, international investors continue to be a key driver of market growth. Meanwhile, in markets with deep domestic capital bases, including Japan, Australia, South Korea, and China, local investors have traditionally dominated transaction activity. However, a notable shift is underway as international capital increasingly flows into markets such as Japan and South Korea.

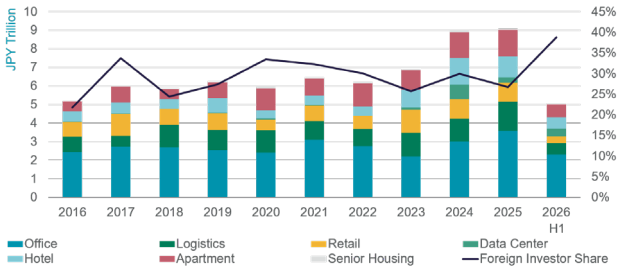


Source: MSCI, as of the end of July 2026

3. Foreign Investor Participation in Japan's Real Estate Market

Real estate transaction volume in Japan has continued to increase since 2022. In the first half of 2026, foreign investors accounted for approximately 39% of total transaction volume, driven by several large-scale acquisitions.

Japan Real Estate Transaction Volume and Foreign Investor Share



Source: Cushman and Wakefield Research, as of the end of July 2026

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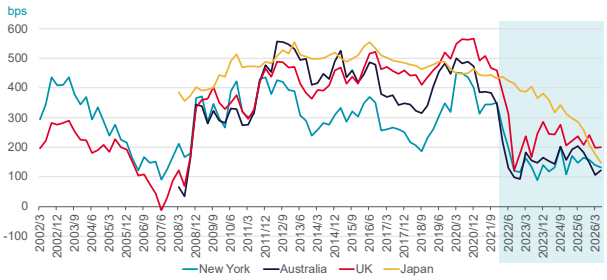
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3.1 From Yield Advantage to Growth Prospects

A key shift in Japan's investment appeal is the growing importance of growth prospects over yield differentials. Historically, overseas investors were attracted by Japan's low interest rate environment and relatively attractive yield spreads. However, rising domestic interest rates have compressed yield spreads, narrowing the gap between Japan and other major markets.

The continued inflow of foreign capital despite this trend suggests that investors' evaluation criteria are evolving. Rather than focusing solely on current yield levels, investors are placing greater emphasis on factors such as future rental growth prospects, supply constraints, urban competitiveness, and the quality of tenant demand. In particular, Tokyo's office market is supported by limited new supply and resilient occupier demand, underpinning expectations for continued rental growth. Even amid upward pressure on cap rates, investors view rental growth as a potential offset, supporting the market's long-term attractiveness. This suggests that foreign investors increasingly regard Japan not as a source of short-term arbitrage opportunities, but as a strategic destination for long-term capital allocation.

Yield Spread Trends by Market (All Sectors)



Source: MSCI, as of the end of July 2026

Looking at the major transactions completed in H1 2026, foreign investors primarily targeted large office assets, multifamily residential portfolios, and data centers.

PROPERTY NAME	PRIMARY USE	LOCATION	SQM	PRICE (JPY BN)	DATE	YIELD	BUYER	SELLER
Acquisition of Sapporo Real Estate Development (15 properties)	-	-	-	477.00 (company value)	Jun. 2026 (first closing transfer)	-	KKR, PAG	Sapporo Holdings
Yebisu Garden Place	Office	Shibuya-ku, Tokyo	284,723	-	-	-	-	-
-Sapporo Factory	Retail	Sapporo, Hokkaido	123,318	-	-	-	-	-
Dentsu Head Office Building	Office	Minato-ku, Tokyo	225,890	30.00	Mar. 2026	4.30%	Brookfield AM	Hulic, Mizuho Leasing
Colt Kyoto Data Center	Data Center	Seikacho, Kyoto	41,197	15.60	May. 2026		Mitsui Fudosan Realty Management, Capitaland Ascendas REIT	Colt Data Centre Services, Fidelity Investments, CPPIB
Tokyo C-NX	Logistics	Koto-ku, Tokyo	151,341	10.00	Feb. 2026	3.40%	Blackstone	Mizuho Leasing
Dash Living Tokyo Residential Portfolio (7 properties)	Residential	-	-	5.84	Mar. 2026		Dash Living	Undisclosed
Yebisu First Square	Office	Ebisu, Shibuya-ku, Tokyo	10,093	4.71	May. 2026		Alyssa Partners	Mitsui, Tozai Asset Management
Hulic Fuchu Tower	Office	Fuchu-shi, Tokyo	34,165	3.00	Mar. 2026		Fortress	Hulic
Sekisui House REIT Residential Portfolio (12 properties)	Residential	-	-	2.52	Jan. 2026	4.60%	LaSalle	Sekisui House REIT
Weave Co-Living, BGO Tokyo Residential Portfolio (10 properties)	Residential	-	-	2.20	Jan. 2026		BGO, Weave Co-Living	Undisclosed

Source: MSCI, Nikkei Real Estate Market Report, press releases on each company's website, as of the end of June 2026

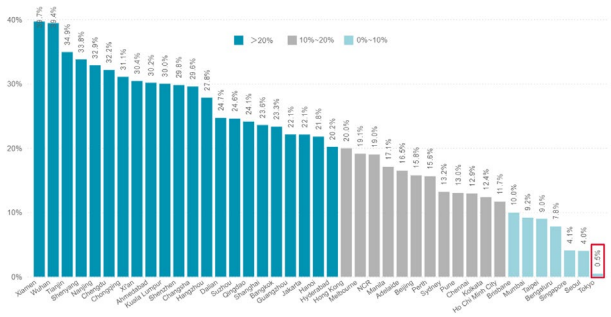
3.2 Office: Rental Growth Supported by Strategic Workplace Investment and Supply Constraints

In Tokyo's Grade A office market, rental growth is being supported not only by low vacancy rates but also by a qualitative shift in demand. Companies increasingly view offices as strategic assets that support talent attraction, employee engagement, organizational culture and productivity, driving demand for buildings that are well-located, sustainable, and offer efficient floor plates, attractive common areas, a rich amenity set, and flexible workplace solutions. At the same time, rising construction costs and project delays are limiting new supply, creating favorable conditions for both rental growth and occupancy stability. With average annual rental growth of around 5% expected over the next five years, Tokyo office assets remain attractive to investors seeking both stable income and long-term growth. Growing adoption of CPI-linked rent review mechanisms is also supporting expectations for income growth.

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Office Vacancy Rates Across Major APAC Cities



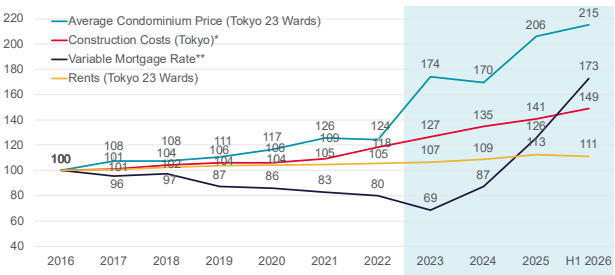
Source: Cushman and Wakefield Research, as of the end of March 2026

3.3 Residential: Housing Affordability Supports Rental Demand

Japan's residential market is also undergoing structural change. Rising construction costs and mortgage rates have made homeownership less affordable, driving more households toward the rental market. As a result, rental demand is expanding beyond traditional single-person households to include a broader range of tenants, including families.

For overseas investors, multifamily assets offer resilient demand, stable cash flows, and strong income visibility. Combined with Japan's mature property management market and the ability to achieve scale through portfolio investments, the sector remains attractive for investors seeking both stable returns and long-term rental growth

Trends in Rents, Condominium Prices, Mortgage Interest Rates, and Construction Costs (2016=100)

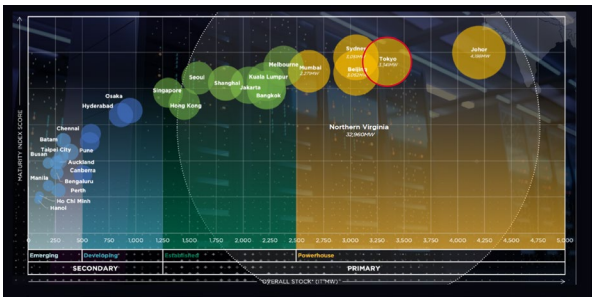


Source: ARES, Real Estate Economic Institute, Construction Research Institute, Home Loan Doctor, as of the end of June 2026
**RC apartment buildings, construction cost*
***DH Loan Index: Monthly average effective mortgage rate, including fees and other costs, across 15 major financial institutions, jointly compiled by Diamond Real Estate Research Institute and Home Loan Doctor Co., Ltd.*

3.4 Data Centers: Connectivity Drives Long-Term Demand

Tokyo is recognized as one of the world's leading data center markets in terms of both maturity and scale. Its key strengths include a stable political and business environment, a deep pool of highly skilled talent, robust telecommunications and power infrastructure, and a strategic position as a major landing point for subsea cables connecting Asia and the U.S. West Coast. At the same time, constraints related to power availability, land supply, permitting processes, and construction costs continue to limit new development, resulting in a persistent supply-demand imbalance. These supply-side constraints are increasing not only demand pressures but also the scarcity value of operational facilities and development projects that have already secured power capacity and connectivity. As a result, investment demand is likely to extend beyond development opportunities to include stabilized, income-generating assets and fully operational facilities. Supported by the continued expansion of AI and cloud computing, demand for data centers is expected to grow over the long term. Consequently, investors are likely to place greater value not only on capacity expansion potential, but also on facilities that offer secure power procurement, strong sustainability credentials, and low-latency connectivity.

Tokyo: One of APAC's Leading Data Center Markets



Source: Cushman and Wakefield Research

4. Outbound Investment: Japanese Investors Pursue Structural Growth Opportunities Overseas

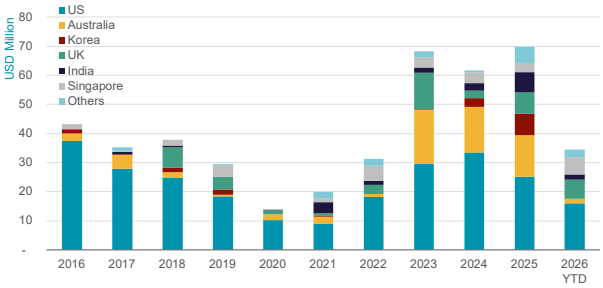
Outbound real estate investment by Japanese investors continues to expand as they seek growth opportunities beyond the mature domestic market. While the U.S. and UK remain key destinations, investment activity in Australia, India, and South Korea has also increased, driven by mid- to long-term growth themes such as population growth, urbanization, industrial upgrading, digitalization, and housing shortages.

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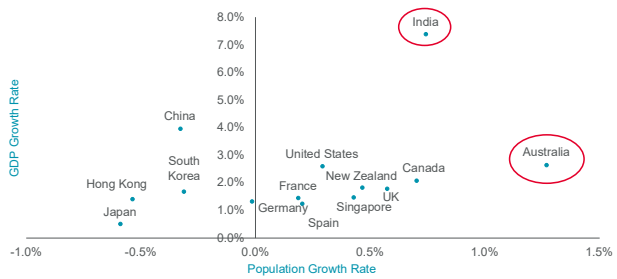
Japanese Overseas Real Estate Investment Volume Trends



Source: MSCI, as of the end of July 2026

For Japanese investors, outbound investment is no longer solely about geographic diversification. Against a backdrop of domestic population decline and constraints on economic growth, investing in overseas markets has become a strategic means of accessing growth, diversifying income streams, and expanding business networks. Increasingly, investors are pursuing long-term partnerships and platform investments to secure a pipeline of future opportunities rather than focusing only on individual transactions.

Average Annual GDP and Population Growth Rate in Major Markets (2026-2036, Annual Average)



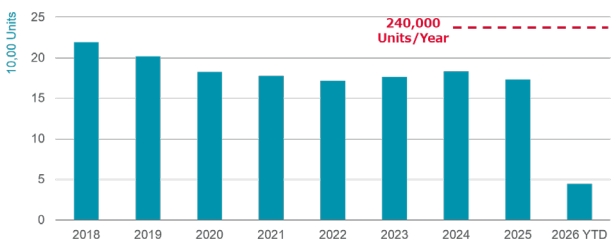
Source: Moody's Analytics, Cushman and Wakefield Research

4.1 Market Spotlight: Australia's Housing Shortage Fuels BTR Investment

Since 2022, Australia's population growth has been driven largely by overseas immigration, while it has been widely noted that housing supply has struggled to keep pace. Although the government aims to deliver 1.2 million new homes over the five years to June 2029, current forecasts suggest that actual supply will reach only around 980,000 homes. This structural housing shortage has increased investor interest in the build-to-rent (BTR) sector, including among Japanese investors. Investment approaches have become more diversified, ranging from joint developments with local developers and investments in individual projects to capital commitments to BTR platforms.

For Japanese investors, Australia's supply-demand imbalance presents an attractive opportunity to generate stable rental income and capture long-term capital growth. BTR is particularly attractive as it combines development expertise, operational capabilities, and long-term capital, enabling investors to build sustainable competitive advantages. It also provides Japanese investors with an opportunity to leverage the residential asset management expertise developed in their home market.

New Housing Supply Trend



Source: Australian Bureau of Statistics, Cushman and Wakefield Research

Property Name	District Living	West Melbourne BTR	899 Collins Street	Melbourne Quarter West Project	Harbourside	LIV series
						
Location	Melbourne	Melbourne	Melbourne	Melbourne	Sydney	Sydney, Melbourne, Brisbane
Developer / Investor	Marubeni, Haseko, Mizuho Leasing, AsheMorgan	Sekisui House Real Estate Development, Novus Holdings	Tokyo Tatemono, Nippon Steel Kowa Real Estate, Lendlease	Daiwa House, Lendlease	Mitsubishi Estate, Mirvac	Mitsubishi Estate, Mirvac, Clean Energy Finance Corporation
Scale	24 stories, 626 units, 456 sqm of retail	20 stories, 190 units	24 stories, 499 units	45 stories, 797 units	48 stories, 260 units; 27,025 sqm of office; 7,889 sqm of retail	LIV Anura: 396 units (2025) LIV Indigo: 316 units (2020) LIV Munro: 490 units (2022) LIV Aston: 474 units (2024) LIV Albert: 498 units (2025)
Completion	Sep. 2027	Nov. 2027	Jan. 2027	Mar. 2026	H2 2027	

Source: press releases on each company's website

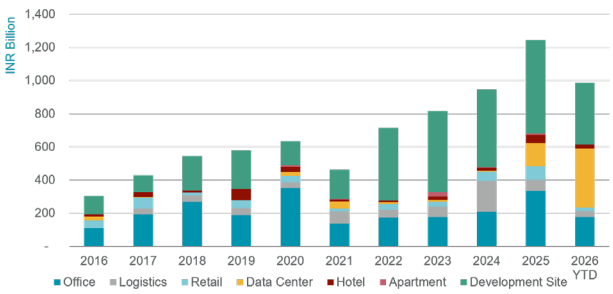
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4.2 Market Spotlight: India's GCC Expansion Drives Office Demand

India's real estate investment market continues to expand, with transaction volume in H1 2026 already reaching approximately 80% of the full-year 2025 total. Office, data center, and development land assets remain the primary investment sectors.

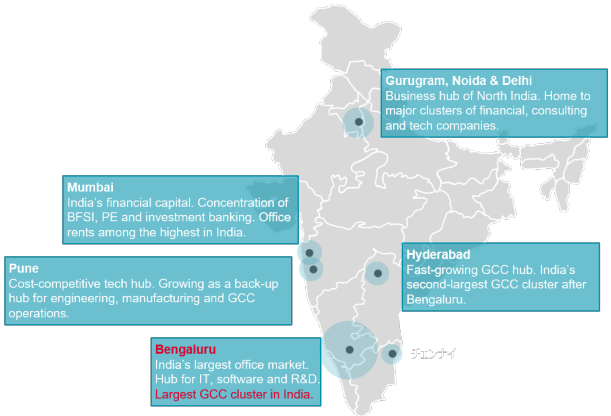
India Real Estate Investment Volume Trend



Source: MSCI, as of the end of July 2026

Global Capability Centers (GCCs) are functional hubs established by global companies to access highly skilled talent and to benefit from lower operating costs, providing services such as IT, R&D, and business support functions. India is currently home to more than 1,700 GCCs, with the number expected to increase to approximately 2,550 by 2030. These GCCs currently support approximately 1.9 million jobs and make a significant contribution to India's economic growth. Reflecting their growing importance, GCC occupiers account for roughly 40% of the total leasing volume handled by Cushman & Wakefield's India business, underscoring their role as a key driver of demand in the office market.

Major Office Markets and GCC Hubs in India

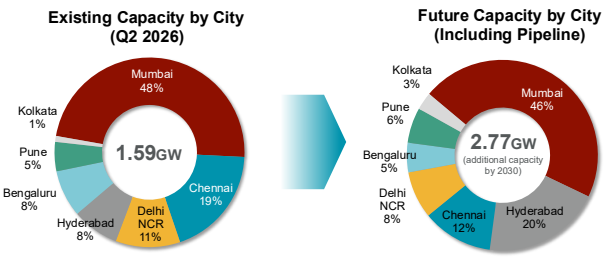


Source: JETRO, NASSCOM, Cushman and Wakefield Research

These trends are likely to have spillover effects beyond the office sector, supporting demand for residential housing, data centers, and urban infrastructure. As global companies continue to expand their operations in India, demand for high-quality office space, employee housing, digital infrastructure, and transportation networks is expected to grow in tandem, creating a broad range of investment opportunities for Japanese investors.

India's data center market has now reached 1.59 GW of operational capacity. With a substantial development pipeline scheduled to come online, total capacity is expected to increase to 2.77 GW, including future supply. As a result, India is emerging as one of the key data center markets in the Asia-Pacific region, offering growing investment opportunities for international capital.

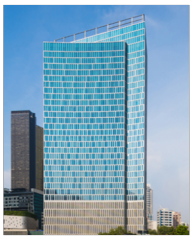
Current and Future Outlook for India's Data Center Market



Source: Cushman and Wakefield Research.
Major cities covered: Mumbai, Bengaluru, Chennai, Hyderabad, Delhi, NCR, Pune and Kolkata. Existing and planned capacity includes both colocation facilities and hyperscaler-owned facilities.
Capacity is based on total IT load.

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Property Name	Capitaland India Data Centre Trust	NTT Mumbai 10	Plot C13 and C19	Balaii IT Park	Land at Saki Vihar Road	One Lodha Place (29-30FL)
				No image	No image	
Location	Mumbai, Chennai, Hyderabad	Mumbai	Mumbai	Mumbai	Mumbai	Mumbai
Buyer	Mitsui Fudosan (Investment)	NTT Global Data Centers	Sumitomo, Mitsubishi Estate, Hines	NTT Global Data Centers	Panasonic	Nippon Life Insurance
Use	Data Center	Data Center	Development Site (Office)	Office	Development Site	Office (Business Operations)
Scale	Total power generation capacity: approx. 200 MW		Office, Retail: B7F/12F Residential: 6 towers, total 321 units			
Completion	Feb. 2026	Jan. 2026	Office, Retail: 2028 Residential: 2029	May. 2025	Jan. 2025	Dec. 2024

Source: press releases on each company's website, MSGI, as of the end of July 2026

5. Outlook and Implications: A New Era of Two-Way Capital Flows

Overall, cross-border real estate investment is shifting away from a strategy focused primarily on yield differentials and short-term currency advantages toward one that seeks to capture long-term growth by identifying the structural demand drivers of individual markets. In this environment, investors are expected to become increasingly selective in their investment decisions. Persistently elevated interest rates, elevated financing costs, currency volatility, and geopolitical risks will continue to influence investment decisions. Even so, capital is likely to remain focused on markets and sectors supported by strong structural demand.

Japan is likely to remain an attractive destination for foreign investors, supported not only by solid real estate demand and the weaker yen, but also by prospects for rental growth and ongoing supply constraints. Office, residential, and data center assets are expected to remain the primary targets for foreign capital. However, investors are expected to adopt a more selective approach to asset selection in order to ensure resilience against higher financing costs. In the office market, location, building quality, tenant profile, and rent revision potential will be key considerations. In residential, population inflows, rental growth prospects, operational efficiency, and portfolio scale will be important factors. For data centers, access to power, connectivity, development potential, and sustainability credentials will be critical differentiators.

For outbound investment, Japanese investors are expected to continue seeking exposure to structural growth opportunities overseas. While mature markets such as the U.S. and the UK may offer attractive value following price corrections, including opportunities arising from distressed properties and recapitalization needs, growth markets such as Australia and India are drawing interest due to favorable demographics, industry expansion, housing shortages, and rising demand for digital infrastructure.

Japan is increasingly serving not only as an inbound market that attracts foreign capital, but also as a source of capital for investment in high-growth overseas markets.

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