

RENT AND VACANCY RATE FORECAST FOR TOKYO AND OSAKA OFFICE MARKETS

(2012 - 2020)

FORECASTING METHOD

(1) Development of Rent Index for 1985 - 2011 Period	<p>We created our rent index for the period between 1985 and 2011 by applying a hedonic approach to the following rental data:</p> <ul style="list-style-type: none"> • Approximately 2,500 rental data collected by Miki Shoji during the above period in Tokyo's Chiyoda, Chuo, Minato, Shinjuku, and Shibuya Wards. All those data were chosen from leases in office buildings with more than 100-<i>tsubo</i> typical floorplate. • Approximately 2,700 rental data gathered by Miki Shoji during the above period in Osaka's Umeda, Minami Morimachi, Yodoyabashi/Honmachi, Semba, Shinsaibashi/Namba, and Shin Osaka submarkets. All the data were observed in office buildings with over 1,000-<i>tsubo</i> total floor area.
(2) Building of Office Rent Forecast Model	<ul style="list-style-type: none"> • Our rent forecast is generated from three separate regression models: total office space demand forecast model; total office space supply forecast model; and rent index forecast model. • We included economic statistics, such as real GDP figures, aggregate corporate sales, and corporate capital equipment spending, as some of independent variables. • We employed some interpolation methods to arrive at our office rent forecast model. • $Vacancy\ Rate = 1 - (Total\ Office\ Demand)/(Total\ Office\ Supply)$
(3) Forecast of Office Rent	<p>We forecasted the trend of rent and vacancy rate for the period between 2012 and 2020 by using the following data:</p> <ul style="list-style-type: none"> • Mid-term economic forecast published by Japan Center for Economic Research on March 2, 2012 • Short-term economic forecast published by Japan Center for Economic Research on August 22, 2012 • New office space supply forecast for 2012 by Miki Shoji • New office space supply forecast for 2013 through 2015 by Japan Real Estate Institute based on JREI Nationwide Building Survey

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