Japan Real Estate Market Outlook Report

Japan on a recovery track.

IN A NUTSHELL

_ After a sharp rebound of the economy in the first half of 2021 in Japan, more modest growth is expected in the second half of the year as all the domestic restrictions were lifted by the end of October 2021.
_ The investment market showed clear recovery signs. Cap rates compressed to an all time low while Tokyo ranked top in the region for the aggregate amount of transactions.
_ Logistics and residential sectors are expected to continue to lead the recovery, while rental adjustments are expected to continue in the office sector.

1 / Macro Economy

Due to frequent waves of COVID-19 infection surges since April 2020, Japan has announced a state of emergency[1] multiple times but all the restrictions were lifted by the end of October 2021 as the number of infection cases dropped. Japan's economy is estimated to have expanded by 7.6% (year-on-year) in the second quarter of 2021 on a preliminary basis[2], while a more moderate recovery is expected to follow in the second half of the year.[3] Full year growth is forecast at around 2% in 2021[4], as the recovery slows down due to disruptions of global supply chain and increasing energy prices. More than 72% of the country's population had been fully vaccinated by the end of October 2021 and this is expected to increase to around 80% in November 2021.[5]

[1] The Japanese government doesn't have the legal authority to impose a lockdown. Under the state of emergenecy, instead, many restaurants and nonessential shops remain open with shorter business hours. There have been four declarations of the stateof emergency so far, in April 2020, January 2021, April 2021, and then July 2021.

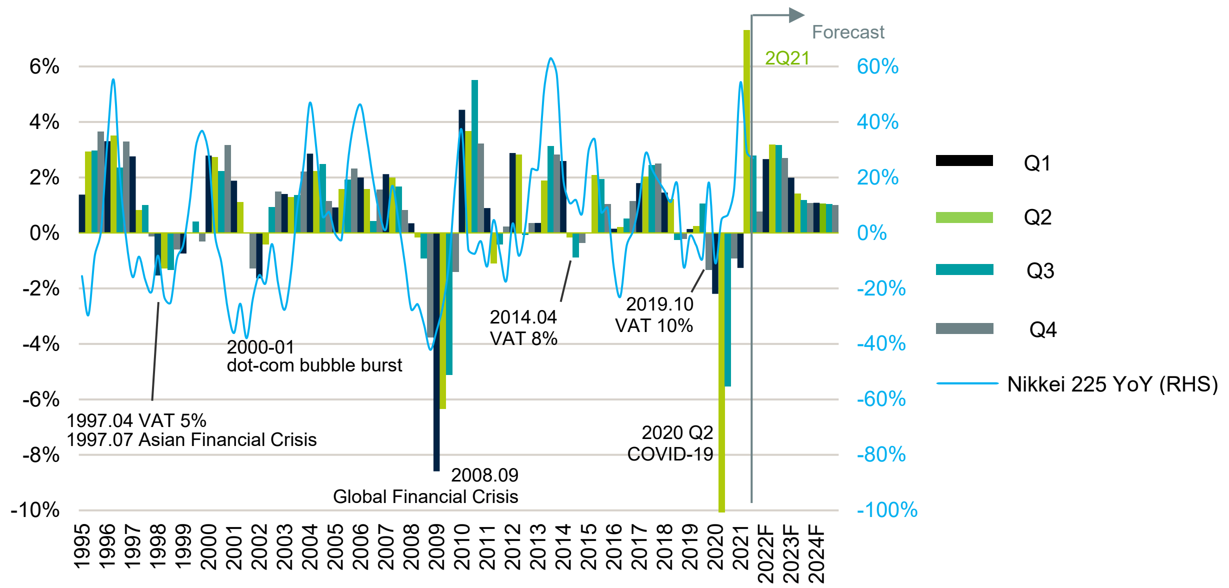
[2] The Cabinet Office Japan, November 2021.

[3] DWS, November 2021.

[4] DWS, November 2021.

[5] Ministry of Health, Labor and and Welfair Japan, November 2021.

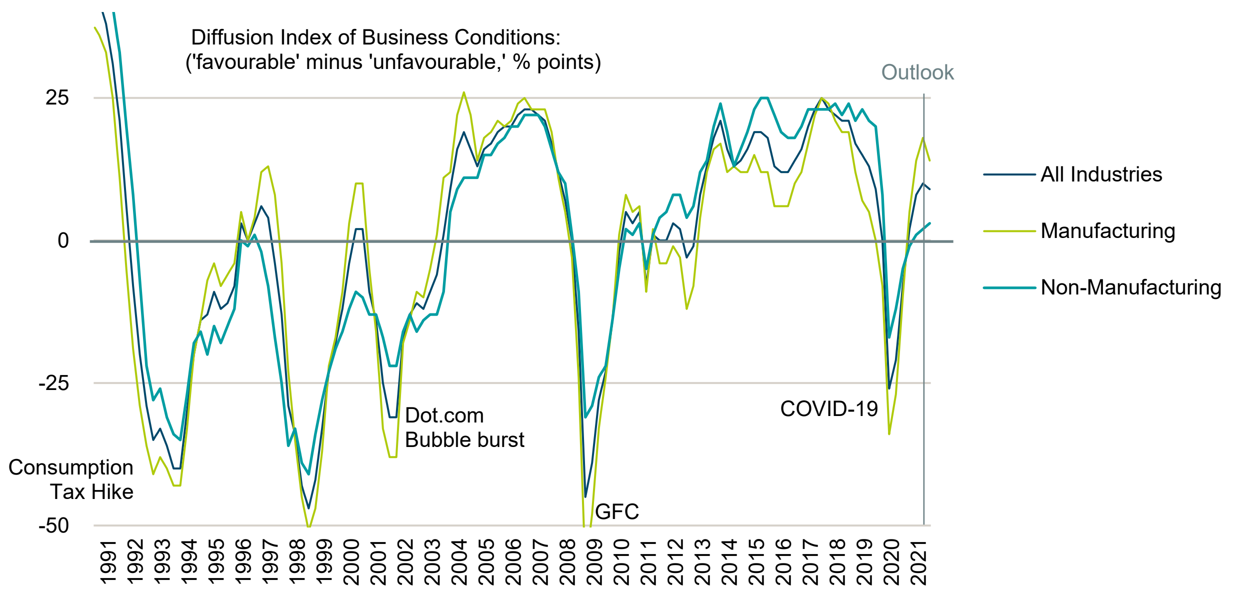
EXHIBIT 1: JAPAN'S GDP GROWTH OUTLOOK AND NIKKEI



Sources: Bank of Japan, Oxford Economics, DWS. As of November 2021.
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.

Corporate Japan continued to show recovery in 2021. The Diffusion Index (DI) of the Tankan Survey conducted by the Bank of Japan (BoJ) made a healthy recovery from a reading of 3 in March 2021 for all industries, to a reading of 10 in September 2021. A recovery was strong especially in the manufacturing sector, such as machinery and chemicals, while business conditions remained challenging in hospitality, dining and transportation sectors.

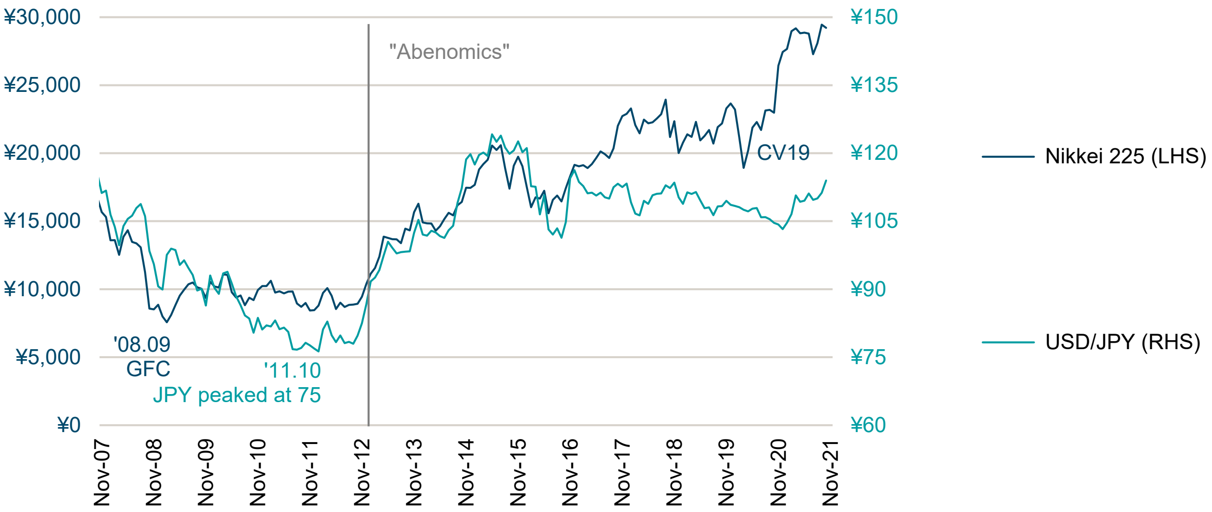
EXHIBIT 2: DIFFUSION INDEX OF BUSINESS CONDITION



Sources: Bank of Japan, Japan's Cabinet Office, DWS. As of November 2021.
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.

Thanks to monetary easing by authorities on a global basis and also ample liquidity in the system, the capital market further strengthened this year. The Nikkei 225 posted 7.3% growth in the first nine months in 2021, and it marked JPY30,000 reading in September 2021 for the first time in 30 years. The Japanese yen has weakened by 10 percent to 114 yen per US dollar as of the end of October, from 103 yen per US dollar in December 2020 reflecting the gradually widening interest rate gap between the two countries.

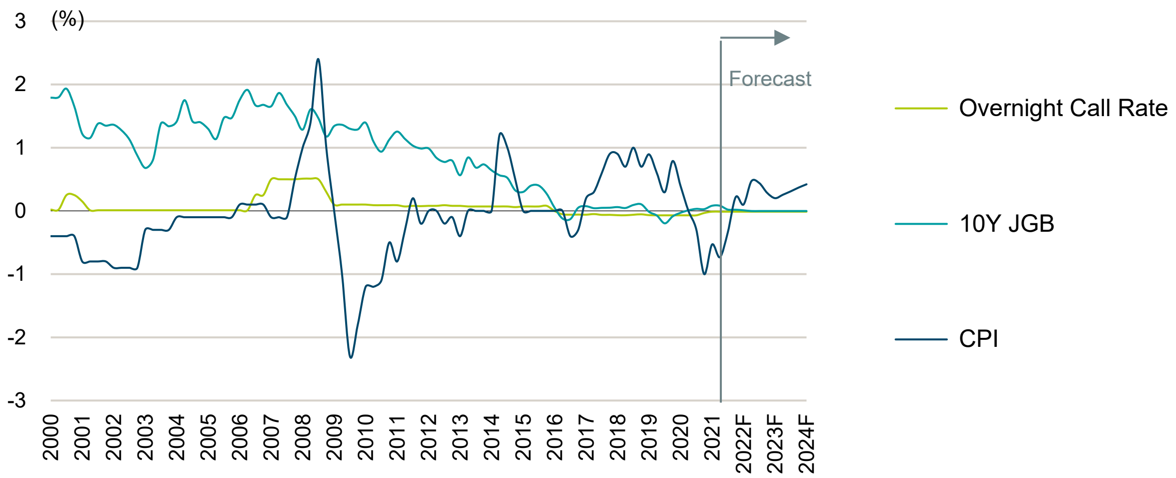
EXHIBIT 3: STOCK (NIKKEI) AND FOREX



Sources: The Bank of Japan, Japan's Cabinet Office, DWS. As of November 2021.
Past performance is not a reliable indicator of future performance.

The yield of ten-year Japanese government bonds has marginally increased to 0.1% in October 2021, from around 0.0% in July 2021. Core CPI recovered from minus 1.0% in December 2020 to positive territory of 0.1% in September 2021, but this was partially due to the increase of energy prices rather than demand recovery. (Please refer to "DWS Strategic CIO View August 2021" 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 November 2021.
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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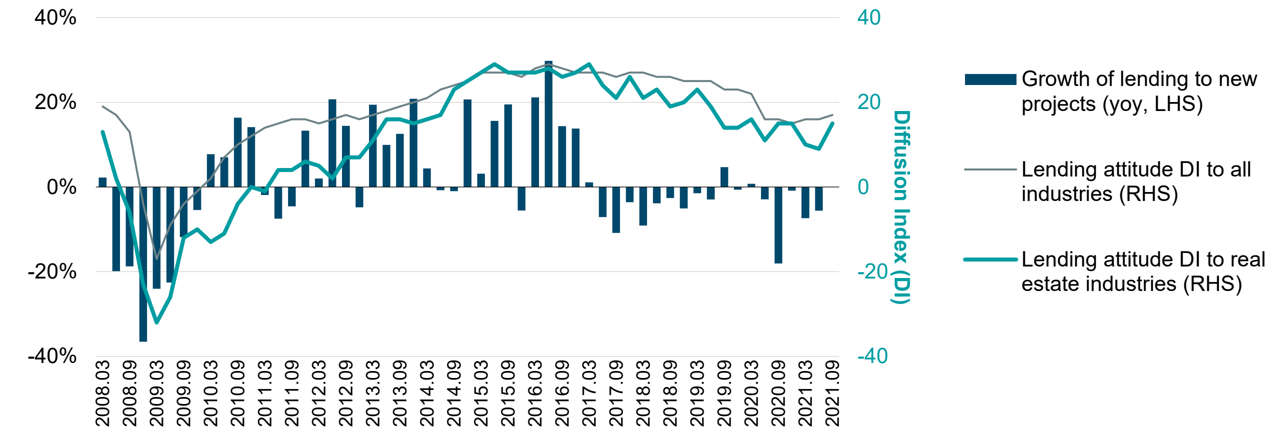
2 / Capital and Investment Market

2.1 Lending

The BoJ's Diffusion Index for lending attitudes of banks to the real estate industry (green line in Exhibit 5) has picked up from the recent trough of an index value of 9 in June 2021 to 15 in September 2021. Lenders became less cautious over real estate lending as the infection cases receded after the peak in summer 2021, while lending volumes for new real estate projects have continuously been weakening since the initial outbreak of COVID-19 in 2020.

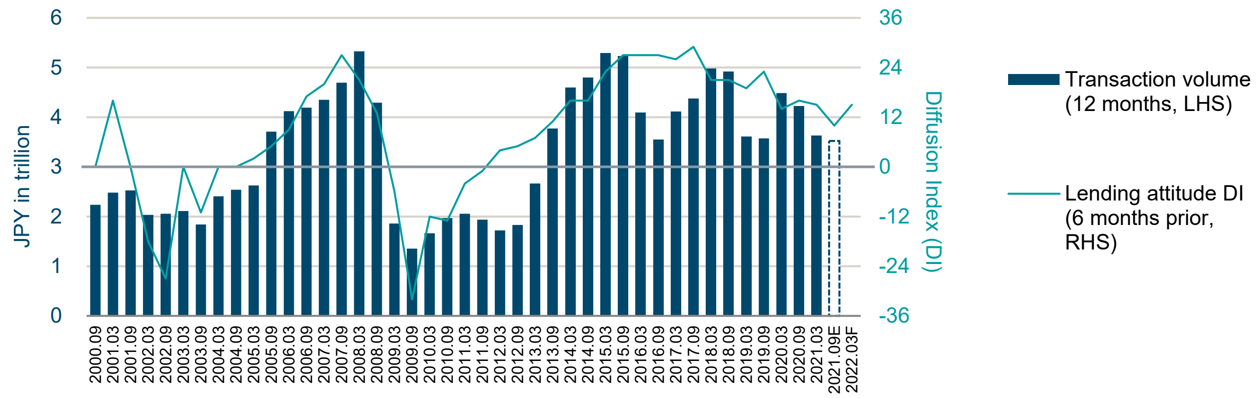
EXHIBIT 5: REAL ESTATE LENDING BY JAPANESE BANKS



Sources: The Bank of Japan, Japan's Cabinet Office, DWS. As of November 2021.
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 estimated to be around JPY 3.5 trillion (preliminary estimate), a 17% decline from the same period the previous year, but this number is expected to increase to the same level as the previous year as recently confirmed transactions get fed into the statistics over coming months. Domestic and foreign investors are still trying to deploy more capital in the market while the current challenge for them is the tight yields for core opportunities in the core locations in the key cities.

EXHIBIT 6: REAL ESTATE TRANSACTION VOLUME AND LENDING ATTITUDE DI



Sources: Urban Research Institute, Bank of Japan, Real Capital Analytics, DWS. As of November 2021.
Notes: E = preliminary estimate, F=forecast. Please refer to Important Notes (see end of report).
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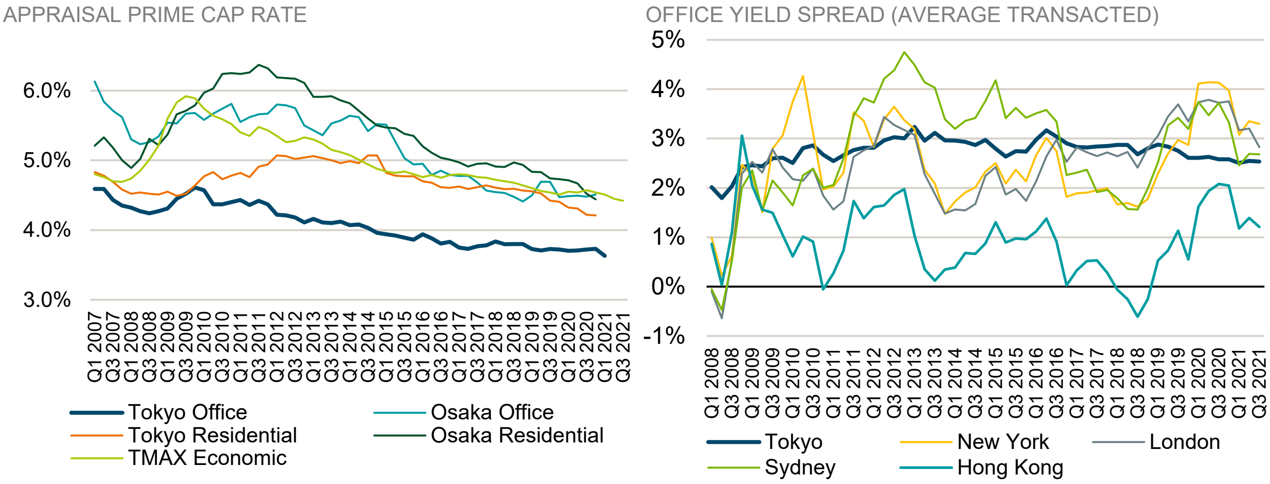
2.2 Pricing

Office appraisal cap rates in Tokyo were a preliminary 3.6% in the first quarter of 2021 (the latest period available), a further marginal compression from previous quarters, while TMAX Economic cap rate indicates further compression in coming quarters. Gradual compressions also continue in the residential sector reflecting investors' strong interest in the sector, which brought down the average appraisal residential cap rates to 4.2% in the first quarter 2021, recording all time low. The office yield spread in Tokyo — the difference between the cap rates and 10-year bond yields — remained flat at 2.5% in the third quarter of 2021 (preliminary), a comparable level to some global cities, such as London and Sydney.

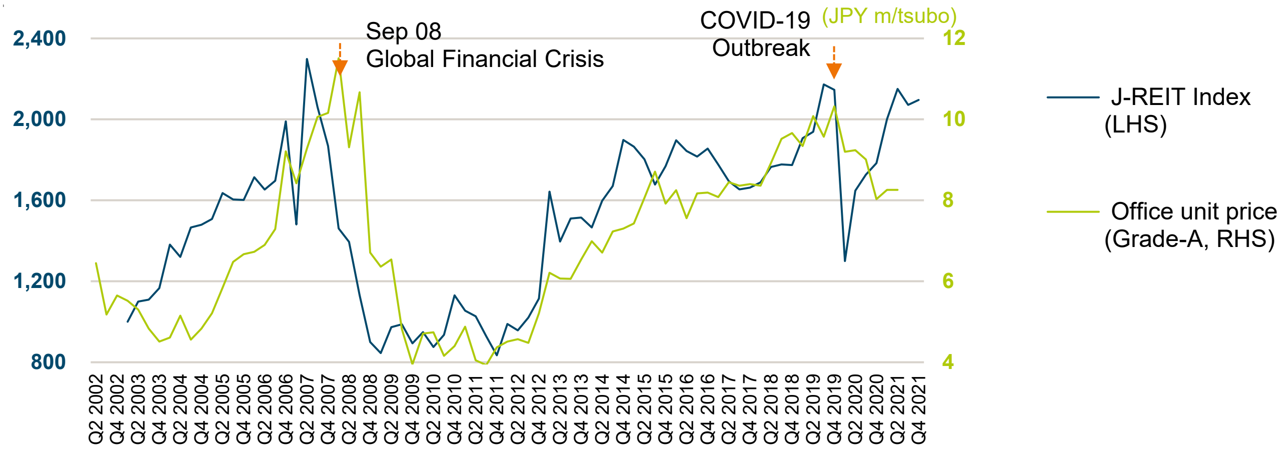
EXHIBIT 7: CAP RATE AND YIELD SPREAD



Sources: Association for Real Estate Securitization, TMAX, Real Capital Analytics, DWS. As of November 2021.
Past performance is not a reliable indicator of future performance.

The listed J-REIT index continued to stay above 2000 point in the third quarter of 2021, close to the record high level fueled by a robust capital market. On the other hand, the capital value for grade-A office in Central Tokyo stood at JPY 8.3 million per tsubo in the second quarter 2021, only a moderate recovery from the recent trough and was still 20% below the peak in the fourth quarter of 2019, reflecting the current 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 November 2021.
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 April 2021, the market witnessed a series of high-profile transactions. The largest transaction was the disposition of the headquarter building by Dentsu (advertising) for JPY 270 billion in May 2021 while the highest disclosed unit price recorded in the period was a partial sale of Idabashi Gran Bloom acquired by Nippon Building Fund, a major J-REIT, at JPY 2.49 million per square meter. There were seven sizable deals over JPY 30 billion acquired by listed REITs (green highlighted cells below) in the period, and especially in the industrial sector all the large sized transactions were acquired by listed REITs.

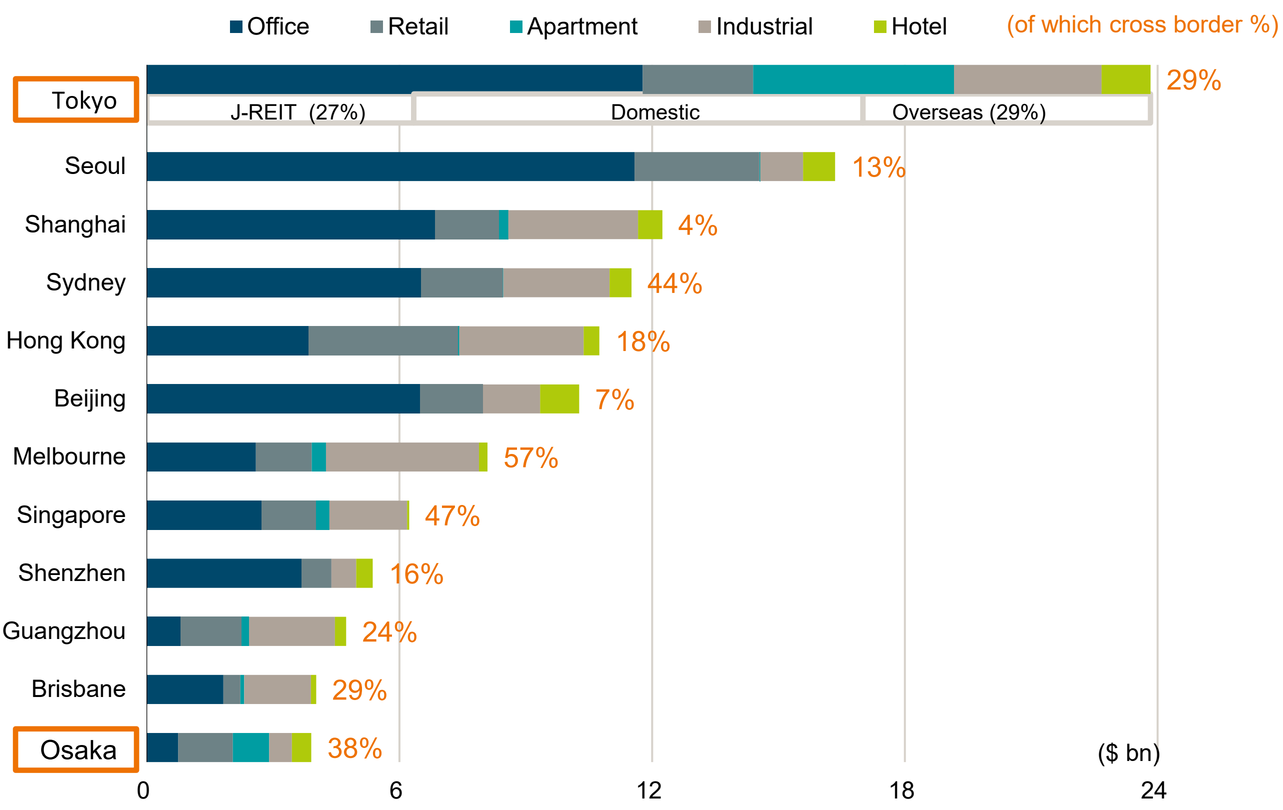
EXHIBIT 9: MAJOR REAL ESTATE TRANSACTIONS ANNOUNCED SINCE APRIL 2021

Type	Asset	Price (JPY bn)	Unit price (JPYm /GFA sqm)	Cap rate	Location	Month	Acquired by	Investor Origin
Office	Dentsu HQ Bldg.	270	1.17	-	Minato	May-21	Unknown Investor	Japan
	41% of Idabashi Gran Bloom	78	2.49	3.5%	Chiyoda	Aug-21	Nippon Building Fund	J-REIT
	Nakano-Sakaue Sun Bright Twin etc. (4 props)	75	0.85	2.7-5.5%	Nakano etc.	Aug-21	Hulic and Unknown Investor	Japan
	Q Plaza Shinjuku 3 Chome (3 props)	44	2.05	3.5-3.6%	Shinjuku etc.	Aug-21	Activia Property REIT	J-REIT
	HP Japan HQ Bldg	39	0.91	-	Koto	May-21	Mapletree North Asia Commercial Trust	Singapore
	50% of Yokohama Nomura Bldg	33	0.84	-	Yokohama	May-21	Morgan Stanley	US
	Est. 8% of Kamiyacho Trust Tower	32	2.13	-	Minato	Sep-21	SMFL Mirai Partners	Japan
	25% of Shingawa Seaside TS Tower etc. (4 props)	25	0.58	3.3-5.0%	Shinagawa	Aug-21	Sankei REIT	J-REIT
Retail	Aeon Mall Takasaki etc. (4 props)	50	0.13	5.6-6.9%	Gunma etc.	Aug-21	Aeon REIT	J-REIT
	Orinas Mall etc. (2 props)	42	0.15	-	Sumida etc.	May-21	Fuyo Lease, Sojitsu, SMFL Mirai Partners	Japan
	Mitsui Shopping Park Lala Port Shin-Misato etc. (3 props)	22	0.45	2.9-4.9%	Chiba etc.	Jun-21	Frontier REIT	J-REIT
Industrial	DPL Nagareyama etc. (3 props)	58	0.31	4.0-4.5%	Chiba etc.	Aug-21	Daiwa House REIT	J-REIT
	70% of GLP Zama etc. (4 props)	49	0.29	4.0-5.9%	Kanagawa etc.	May-21	GLP J-REIT	J-REIT
	Logiport Osaka Bay	40	0.29	4.4%	Osaka	Apr-21	Lasalle Logiport REIT	J-REIT
	Logisquare Osaka Katano	22	0.29	4.4%	Osaka	Sep-21	CRE Logistics Fund	J-REIT
Apartment	Prime Maison Nakameguro etc. (5 props)	21	48/unit	3.6-3.9%	Meguro etc.	Jul-21	Sekisui House REIT	J-REIT
	Esti Maison Yotsuya Sakamachi (9 props)	17	23/unit	3.4-4.7%	Shinjuku etc.	Jul-21	Unkown Investor	Japan
Cross-sector	Logiport Sakai etc. (10 props)	35	-	-	Osaka etc.	May-21	Lasalle Logiport REIT	J-REIT
	Ichigaya Square Bldg. etc. (2 props)	30			Chiyoda etc.	Apr-21	JMF REIT	J-REIT

Source: Real Capital Analytics, Nikkei Real Estate Market, DWS. As of As of November 2021.
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 September 2021 (preliminary) was US $23.8 billion, a 32% increase from the previous 12-month period ended in March 2021. Tokyo continued to rank top in the Asia Pacific region for the aggregate amount, while Osaka ranked twelfth in the same period. According to our own estimates about 27% of transactions in Tokyo were purchased by listed J-REITs while 29% were acquired by foreign capital in the period.

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



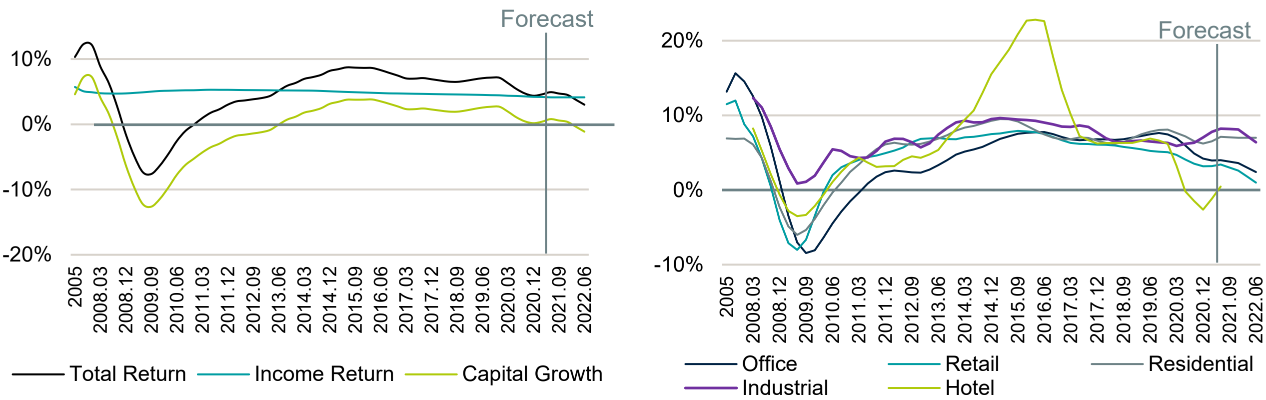
Sources: Real Capital Analytics, DWS. As of November 2021.
Notes: Commercial real estate transactions exclude non-income producing assets, such as development site transactions. Tokyo transaction volume is the sum-up of transaction volumes in Tokyo metro, Saitama, Chiba, Kawasaki and Yokohama. Past performance is not indicative of future results.

2.4 Performance

The average annual total return for unlevered direct real estate investments in Japan continued to show gradual moderation, softening marginally from 5.4% in June 2020 to 4.9% in June 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 June 2021. Returns recovered from -2.6% in December 2020 to 0.5% in June 2021 in the hotel sector. We expect return moderation to continue in the office and retail sectors in the coming quarters as rental adjustments are still ongoing in the leasing market.

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

TOTAL RETURN BY COMPONENT | TOTAL RETURN BY SECTOR



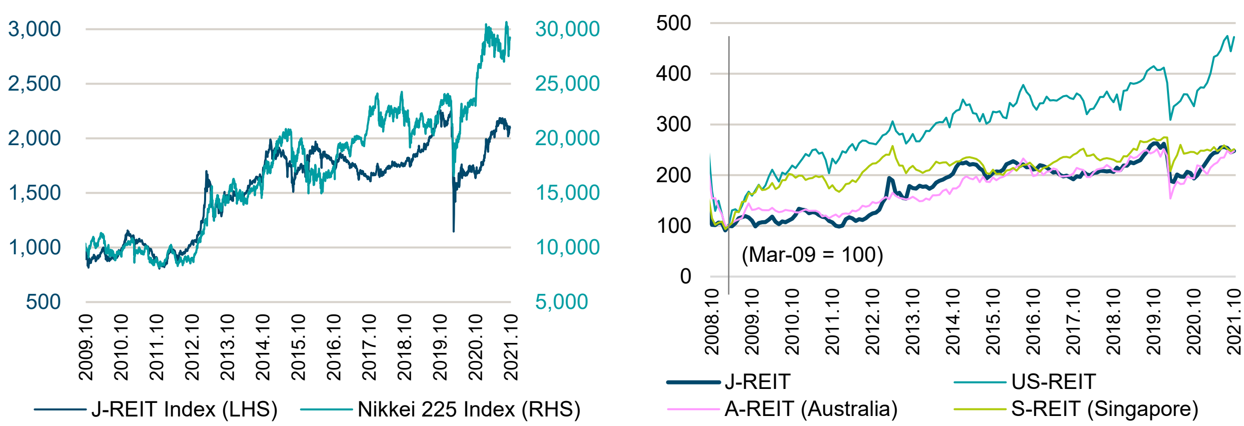
Sources: MSCI Real Estate - IPD, DWS. As of November 2021
Notes: There is a time lag because of raw data being collected through semi-annual reports. Past performance is not indicative of future results.

2.5 J-REITs

The J-REIT index value recovered 2,000 points in March 2021 and has been traded at around 2,100 points in October 2021, comparable to the highest level achieved in the broader Nikkei 225 in the last 30 years. The recovery of the J-REIT index was consistent with other Asia Pacific listed REIT indices while it lagged behind the US REIT index.

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

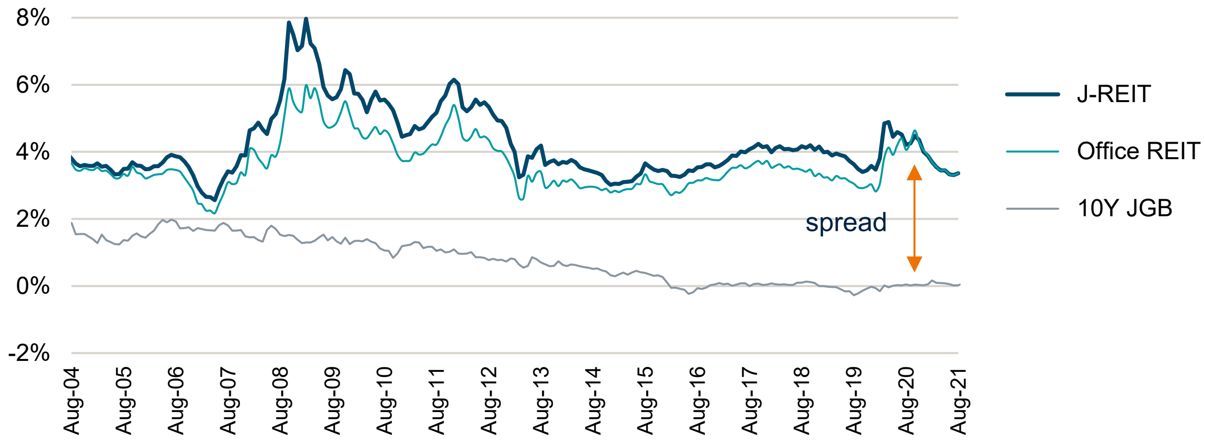
J-REIT Index and Nikkei 225 (daily) | Global REIT Comparison (monthly)



Sources: DWS. As of November 2021
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 3.4% in August 2021 compressing more than 110 basis points since October 2020. Similarly, the spread over ten-year government bond yields narrowed to 334 basis points in Japan in August 2021, while it's still well above the 225 basis points spread for US REITs in the same period.

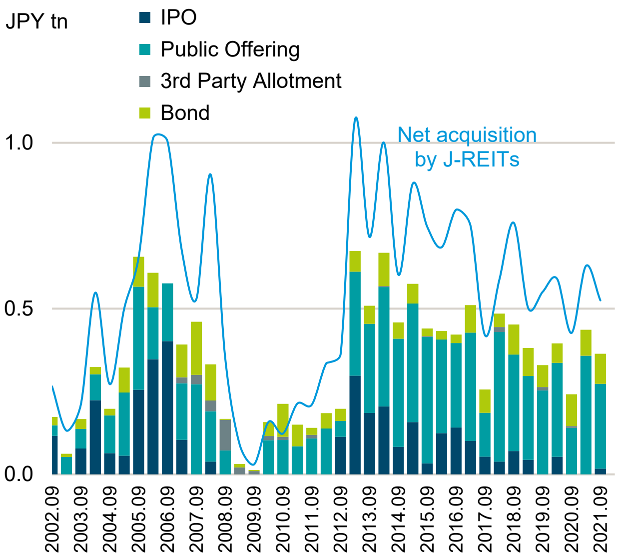
EXHIBIT 13: J-REIT EXPECTED DIVIDEND YIELD



Sources: DWS. As of November 2021.
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 256 billion in the trailing six months ended September 2021 (preliminary), more than 80 percent increase from the same period last year, while there was only one IPO, Tokaido REIT, reported in the period. The net acquisition volume by J-REITs was JPY 524 billion, a 23% increase from the same period last year.

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

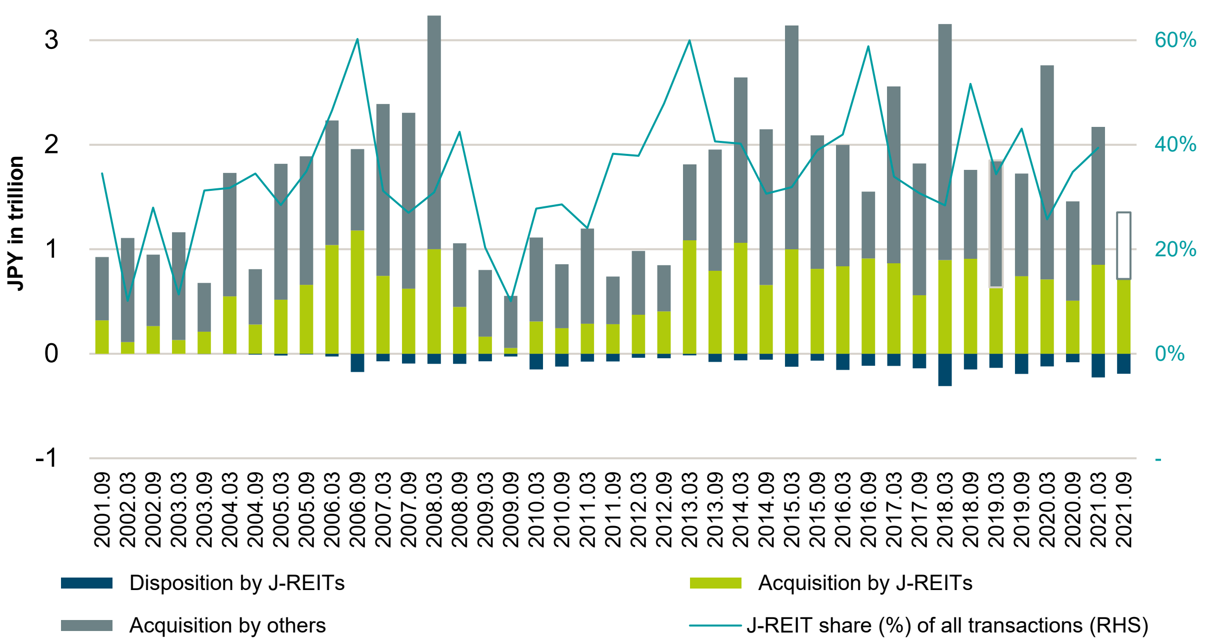


Public Offerings	Month	JPY bn
Activia Property REIT	Sep-21	44
Daiwa House REIT	Aug-21	38
Aeon REIT	Aug-21	26
GLP J-REIT	Jun-21	26
Lasalle Logiport REIT	Apr-21	23
Frontier REIT	Jun-21	14
CRE Logistics Fund	Sep-21	13
Sankei REIT	Aug-21	13
Takara Leven REIT	Aug-21	13
Kenedix REIT	Apr-21	12
Other POs	Apr-Sep	35
	Total	**256**
Initial Public Offerings	**Month**	**JPY bn**
Tokaido REIT	May-21	17
	Total	**17**

Sources: ARES, Nikkei, DWS. As of November 2021.
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 1.4 trillion, a marginal decrease from JPY 1.5 trillion in the same period last year. This decline is partly due to the limited data coverage of deals closed in recent months, and the number is expected to increase as more deals get 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 November 2021
Notes: E = preliminary estimate. Commercial real estate transactions exclude non-income producing assets, such as development site transactions.
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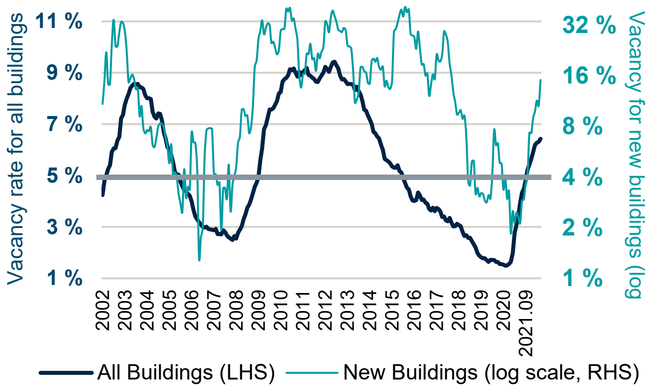
3 / Market Fundamentals

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 September 2021, and the average vacancy of new buildings (completed within twelve months) increased from 3.0% to 15.1% in the same period, reflecting the muted space demand among corporate Japan. Majority of companies remain on the sideline for relocation and expansion plans as work-from-home arrangements are widely implemented at major large-sized companies especially during the period of the state of emergency. The vacancy rate in Tokyo is expected to remain at the elevated level given the expected additional backfill space to be provided based on the continuous supply pipeline of new buildings.

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

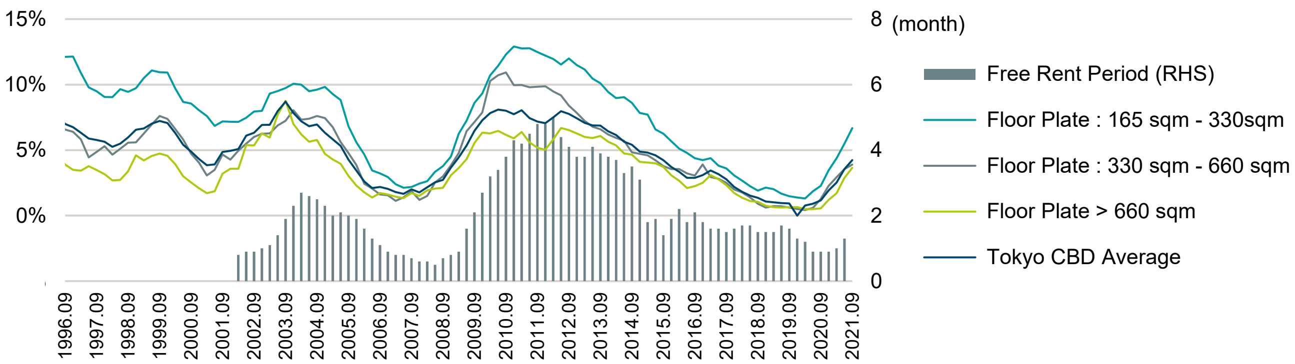


Major Planned Supply in Tokyo			
Building	Date	Floors	GFA (sqm)
Hibiya Fort Tower	Jun-21	27	105,572
Tokiwa Tower	Jun-21	38	145,860
Nippon Express New HQ	Aug-21	14	42,599
Kabuto One	Aug-21	15	39,170
Sumitomo RE Osaki Higashi PJ	Feb-22	19	47,509
JR Meguro MARC Bldg	Mar-22	13	38,720
Kudan-Minami 1chome 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

Sources: Mori Building, Miki Shoji, Sanko Estate, Nikkei Fudosan Market, DWS. As of November 2021.
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 to 1.3 months in Tokyo in June 2021 from 0.9 month in December 2020. Due to the ongoing increase in the vacancy rate and the current recession, the rent-free level is expected to go up further in the coming quarters.

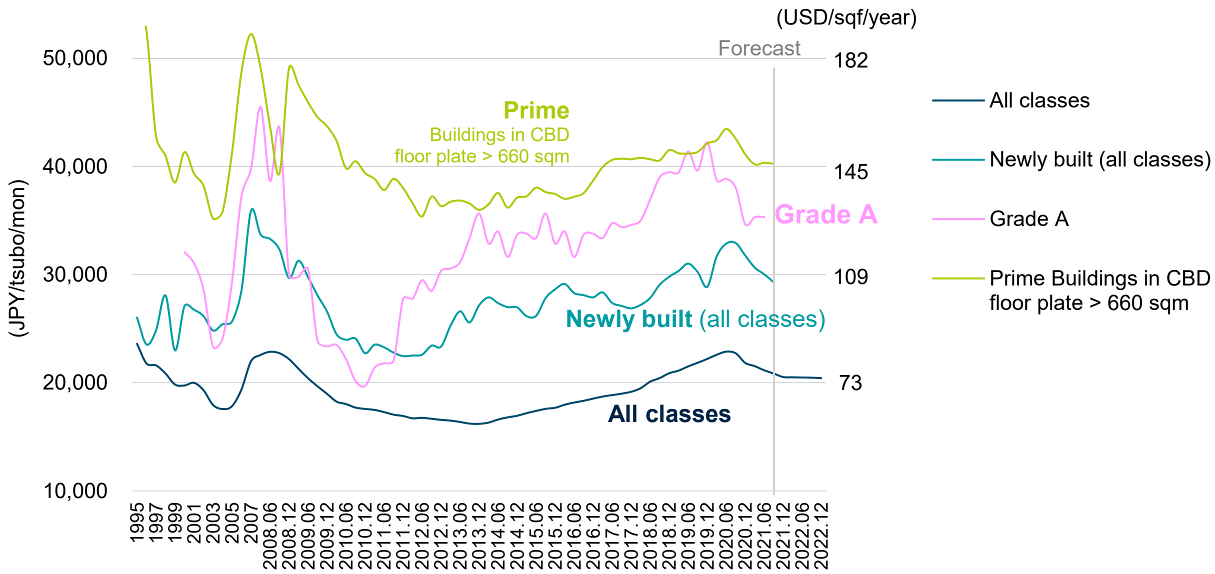
EXHIBIT 17: OFFICE VACANCY RATE AND RENT-FREE PERIOD IN TOKYO



Sources: Sanko Estate, Xymax Real Estate Institute, DWS. As of November 2021.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 decline in the second half of 2020 and declined by 8.2% in the year to September 2021. Average grade A office building rents posted a sharper decline of 9.1% in the year to June 2021, and the average rents for newly built office also declined below JPY 30,000 mark per tsubo in September 2021. Office rents are expected to further soften moderately over the coming quarters as the vacancy rate increases.

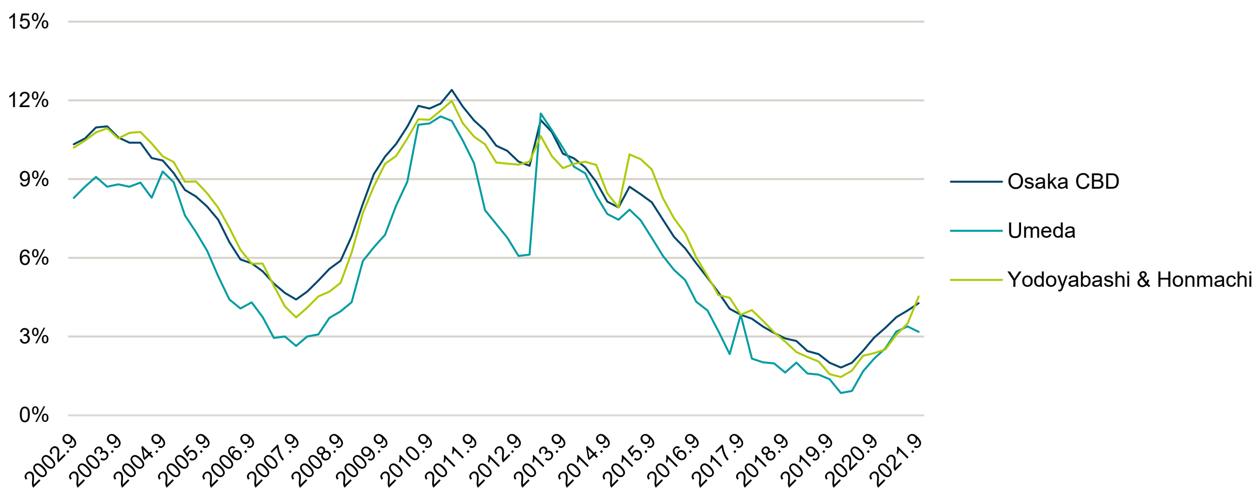
EXHIBIT 18: OFFICE ASKING RENTS IN CENTRAL TOKYO BY BUILDING FLOOR PLATE



Sources: Miki Shoji, Sanko Estate, DWS. As of November 2021.
Notes: F = forecast, there is no guarantee forecast rents will materialise. Please refer to Important Notes (see end of report).

The average office vacancy rates in Osaka also increased from 1.8% in December 2019 up to 4.3% in September 2021. The vacancy rate in the Umeda area, Osaka's central business district (CBD), stayed flat at 3.2% on the other hand in the last six months.

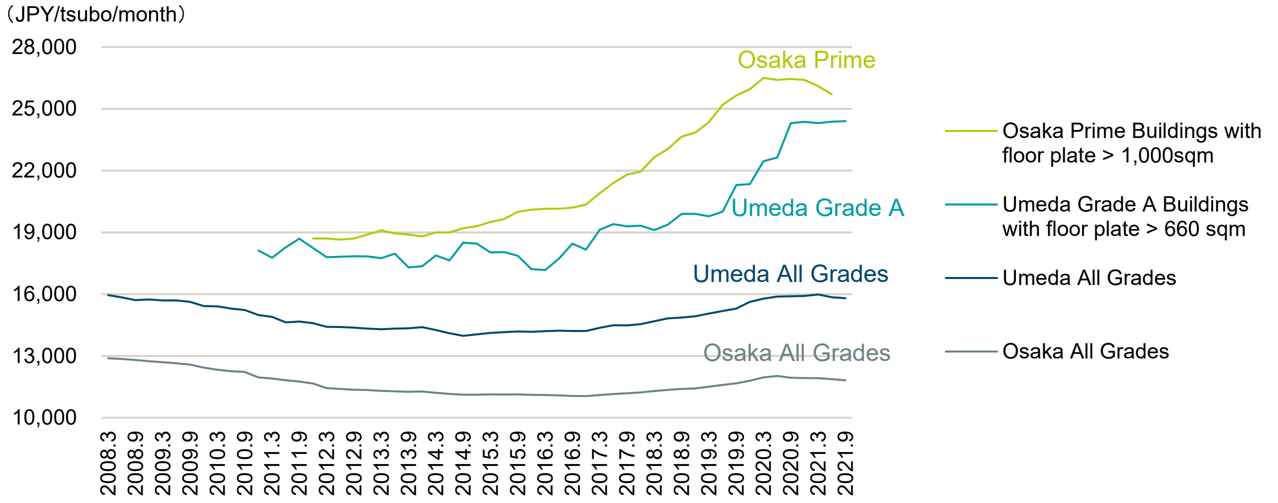
EXHIBIT 19: OFFICE VACANCY RATES IN OSAKA



Sources: Miki Shoji, DWS. As of November 2021
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.

The average asking office rent (all classes) in Central Osaka was JPY 11,818 per tsubo per month in September 2021, a marginal decline of 1.1% from a year earlier. It remained flat for the same period last year, but has recorded gradual quarterly declines since June 2020. Prime rents in Osaka also posted a decline of 2.7% (year-on-year) in the most recent statistics in June 2021, while rents stayed firm at Umeda area. The declining speed of rent is more moderate in Osaka than in Tokyo, reflecting the tighter vacancy rates and the lower implementation of work-from-home arrangements in the city.

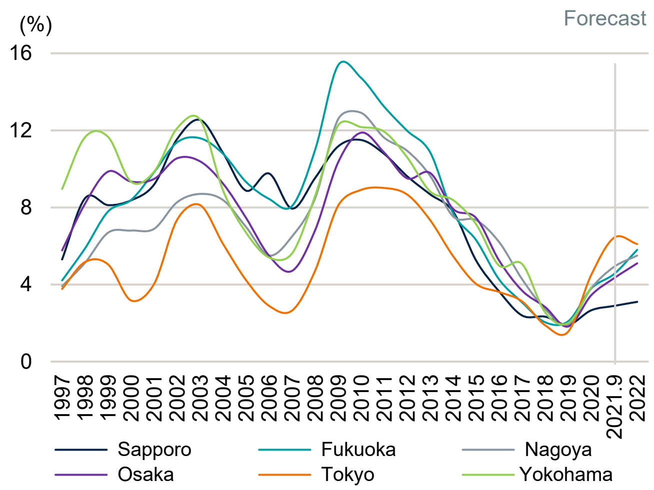
EXHIBIT 20: OFFICE ASKING RENTS IN OSAKA



Sources: Miki Shoji, Sanko Estate, DWS. As of November 2021.

Office vacancy rates increased in all the major markets in 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 4-5% in September 2021 in Nagoya, Fukuoka, Yokohama and Osaka, while in Sapporo they remained tight (below 3%) in the same period. A moderate correction in the occupier market is expected to continue as space demand remains muted among major companies in Japan.

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



Large-sized Supply Pipeline in Regional Cities			
Building	Date	# of floors	GFA (sqm)
Yokohama Gate Tower (Yokohama)	2021/9	21	85,800
Tenjin Business Center (Fukuoka)	2021/9	16	60,250
Honmachi Sankei Bldg. (Osaka)	2021/9	10	30,189
Bizrium Nagoya (Nagoya)	2021/10	6	29,947
Kanden Fushimi Bldg. (Nagoya)	2021/11	13	13,780
Shin-Osaka Office PJ (Osaka)	2021/12	13	25,502
Urbanet Nagoya Nexta Bldg. (Nagoya)	2022/1	20	30,346
Nagoya Bldg. East (Nagoya)	2022/3	12	11,309
Umeda Twin Towers South (Osaka)	2022/3	12	20,513
Maitsuru Office PJ (Fukuoka)	2022/3	9	20,500

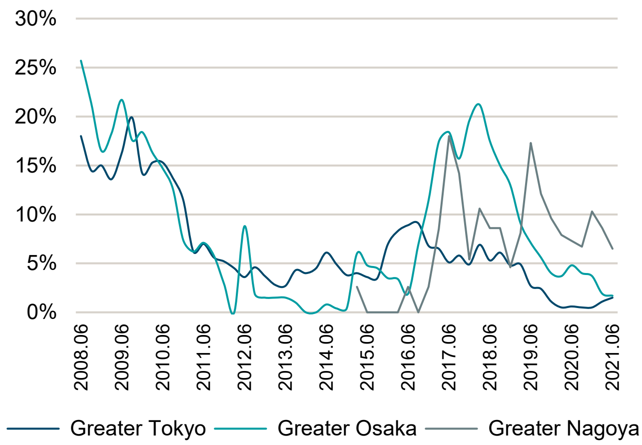
Sources: Miki Shoji, Sanko Estate, DWS. As of November 2021. Notes: GFA = gross floor area. sqm = square meters
Past performance is not a reliable indicator of future growth. There is no guarantee the supply pipeline will materialize. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

3.2 Industrial

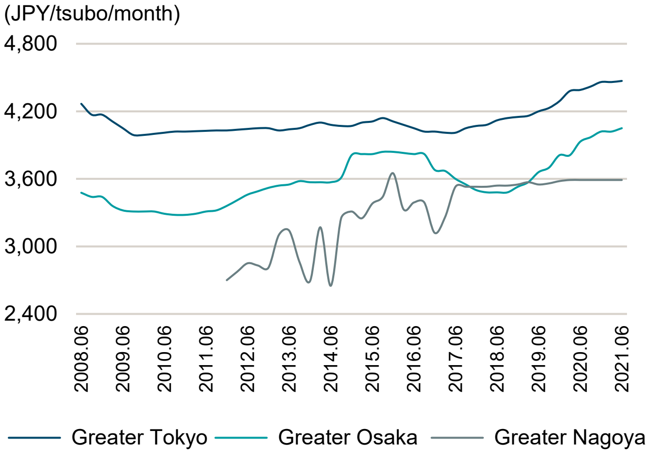
Space demand in quality logistics remained robust on the backdrop of the imposed movement restrictions during the state of emergencies and ongoing online retail boom. Vacancy rates at multi-tenant logistics assets in Greater Tokyo remained tight at 1.5% in June 2021 and 1.7% in Greater Osaka in the same period, whilst they declined from 10.3% in December 2020 to 6.5% in June 2021 in Nagoya. Rents strengthened by 1.8% in Greater Tokyo and 3.8% in Greater Osaka accordingly from the same period last year, and they remained flat in Nagoya in the same period.

EXHIBIT 22: LOGISTICS LEASING IN JAPAN BY METRO

VACANCY RATES OF MULTI-TENANT LOGISTICS



LOGISTICS RENTS

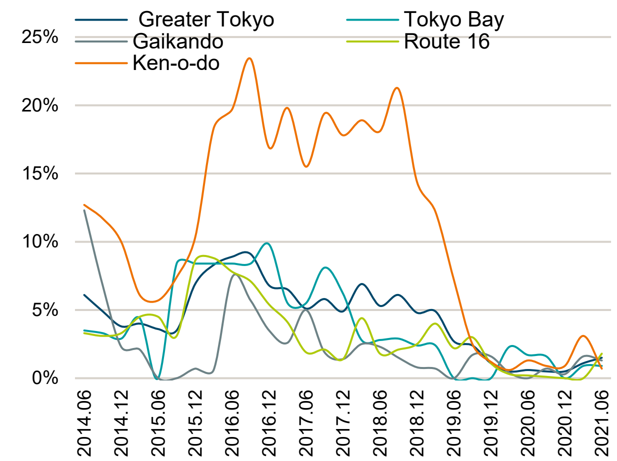


Sources: CBRE, DWS. As of November 2021.
Notes: Past performance is not indicative of future results.

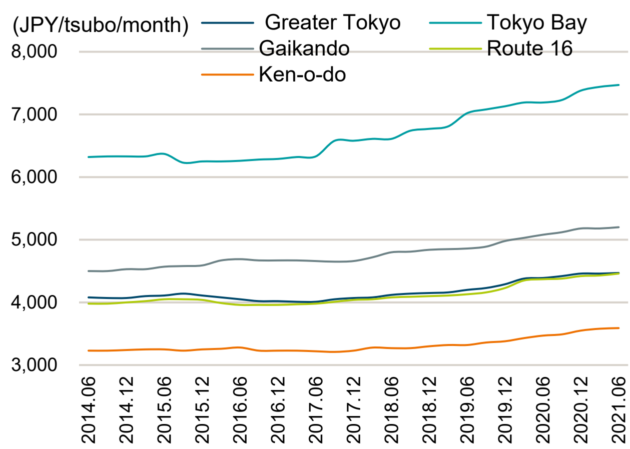
Vacancy rates in all logistics precincts in Greater Tokyo, i.e. Tokyo Bay, Gaikando, Route 16 and then Ken-o-do (the outer ring road), remained tight below 2% as of June 2021. Rents also continued to record healthy growths in the period at around 2-4% p.a. across all precincts in June 2021.

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

VACANCY RATE BY SUB-MARKET



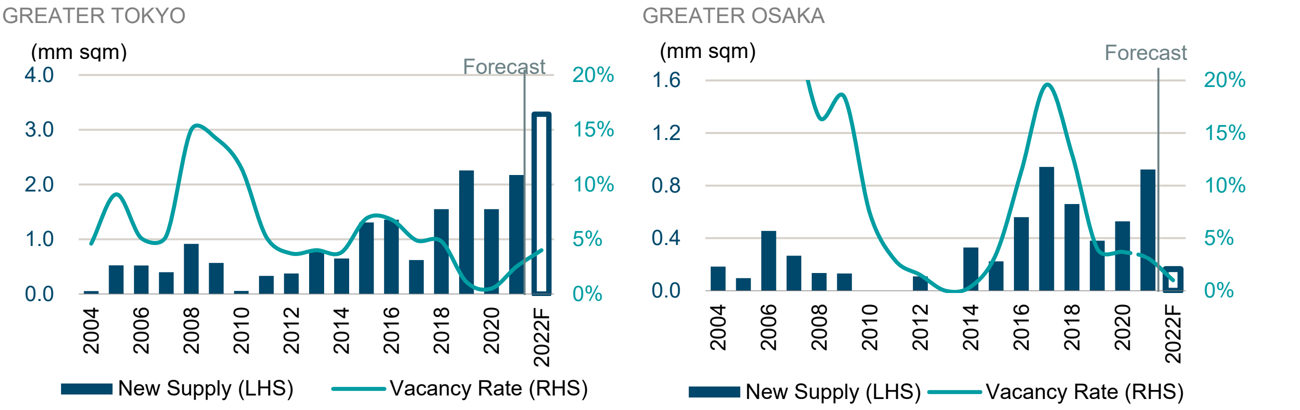
RENT BY SUB-MARKET



Sources: CBRE, DWS. As of November 2021
Notes: Past performance is not indicative of future results.

The supply of modern multi-tenant logistics in Greater Tokyo is expected to be around 2.2 million square meters in 2021, the second largest supply in history. This is expected to be followed by even larger supply in 2022, with vacancy rates expected to loosen moderately to mid-single digits accordingly. Greater Osaka observed supply surge of over 0.9 million square meters in 2021 is expected to be followed by limited supply in the following year, with vacancy rates forecast to remain tight at, or below, 3% over the period.

EXHIBIT 24: LOGISTICS SUPPLY IN GREATER TOKYO AND GREATER OSAKA

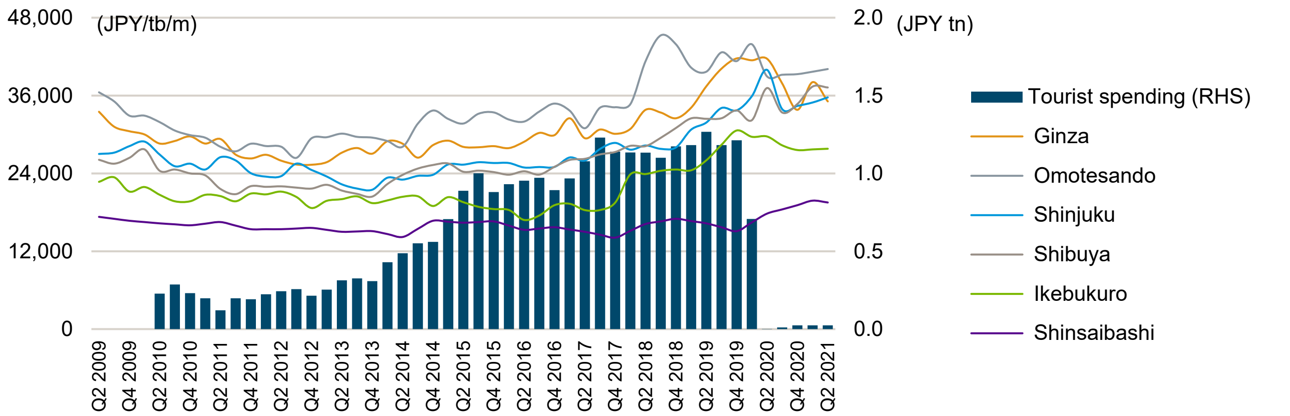


Sources: CBRE, DWS. As of November 2021
Notes: F = forecast, there is no guarantee forecast returns will materialise.
Past performance is not indicative of future results. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models 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 and all travelers to the country, including fully vaccinated travelers, are required self-quarantine.[6] Under this backdrop, average high street rents in Tokyo are around 10% below the pre-COVID19 levels in most retail precincts including Ginza, Omotesando, Shinjuku and Ikebukuro as of the second quarter of 2021, while they remain close to the peak levels in Shibuya and Shinsaibashi (Osaka). The government will gradually reopen borders to inbound business travelers, but it is expected to take a while for international tourism to return to pre-COVID19 levels.

EXHIBIT 25: HIGH STREET AVERAGE RENTS IN TOKYO AND OSAKA

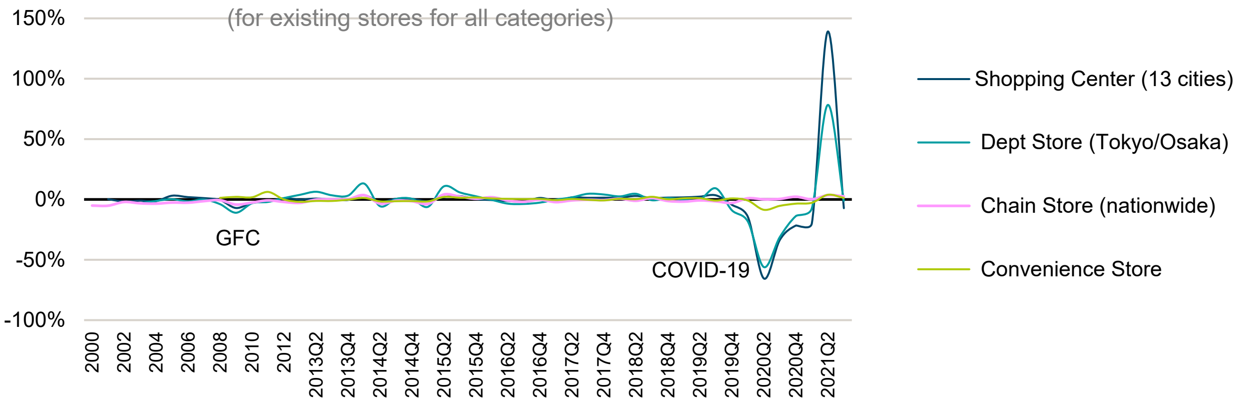


Sources: Style Act, Japan Tourism Agency, DWS. As of November 2021.
Note: Past growth is not a reliable indicator of future growth.

[6] Government considers shortning the self quarantine period to 3 days, instead of 14 days, for fully vaccinated corporate sponsored business travellers.

After the sharpest sales decline was recorded in 2020, retail sales in Japan have made a recovery in 2021. Chain stores continued to show the most resilient performance as demand for fresh foods and daily necessities remained healthy during times of restrictions while convenience stores also recorded sales growth in the last two quarters. Shopping malls and department stores saw temporally sales declines again in the same period, due to the state of emergency IV (from July 8th till September 30th, 2021).

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

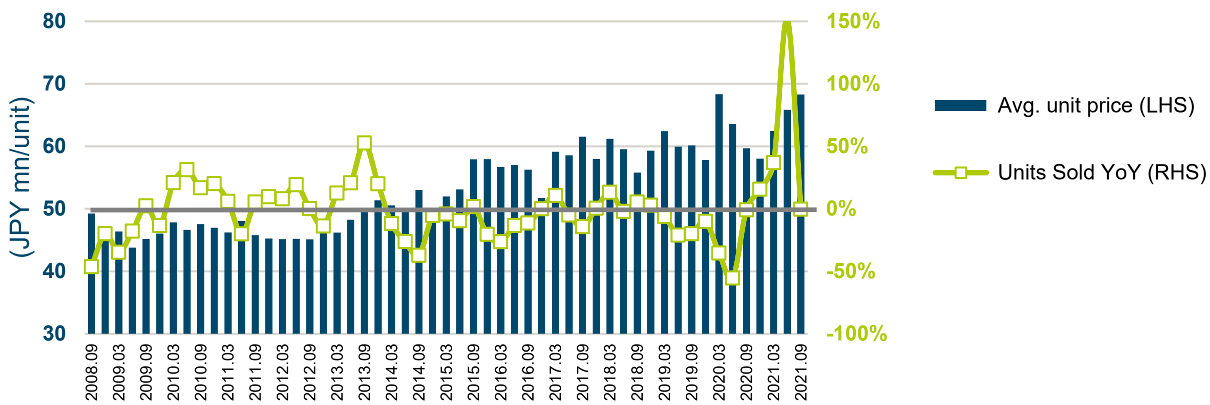


Source: Japan Council of Shopping Center, Japan Franchise Association, Japan Chain Store Association, Japan Department Store Association, DWS. As of November 2021.
Note: Past growth is not a reliable indicator of future growth. Forecasts are based on assumptions, estimates, views and hypothetical models 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 68 million (per unit) in the third quarter of 2021, a more than 14% increase from the same period in the previous year and one of the highest levels in decades. Office workers started to experience work-from-home arrangements during the pandemic and realized their condominiums in Tokyo were not large enough to cater for this. The number of units sold in Greater Tokyo have rebounded strongly since the second half of 2020 while increasing number of first-time buyers became gradually priced out at the elevated housing prices. The number of units sold was therefore flat in the third quarter of 2021 compared to the same period in the previous year.

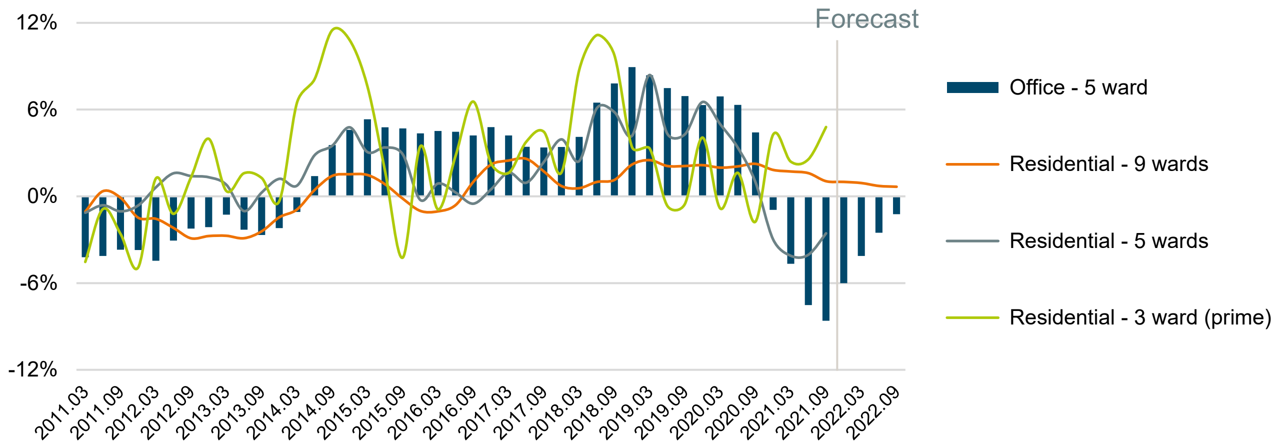
EXHIBIT 27: AVERAGE NEW CONDO PRICE AND THE GROWTH OF UNITS SOLD IN GREATER TOKYO



Sources: Real Estate Economic Institute, DWS. As of November 2021.
Notes: Past performance is not a reliable indicator of future growth.

Due to the increasing uncertainties over the macro economy, rental demand in Tokyo started to show a mixed picture. Rents increased by 4.8% for prime apartments in the Central 3 wards in Tokyo in the year to September 2021, and more moderately by 1.0% for the broader nine wards (orange line in the exhibit) in the period, while rents declined by 2.6% in five wards on average. Residential rents are expected to make modest corrections in some areas, especially the smaller units in the central areas adjacent to dining and drinking districts.

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

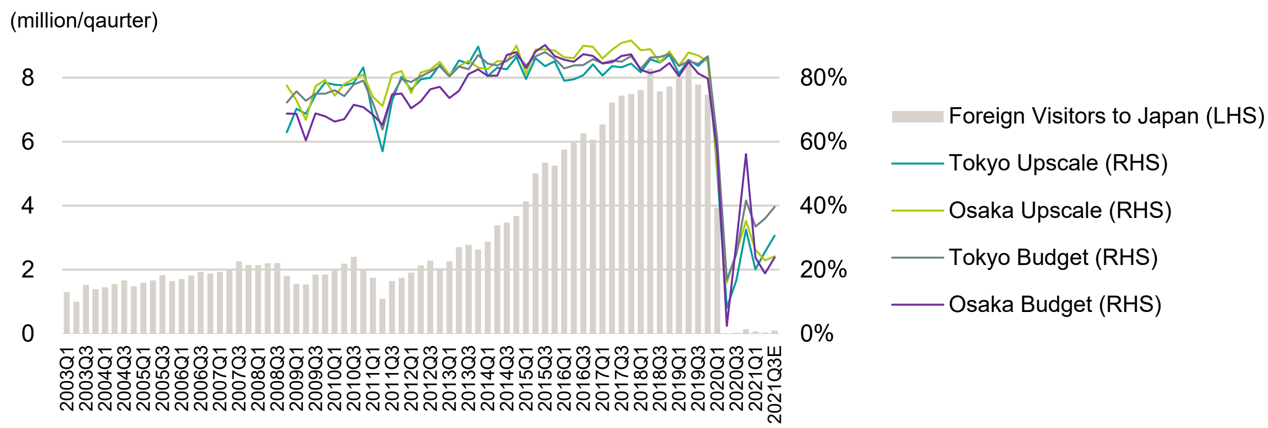


Sources: REINS (9-ward rent), Leasing Management Consulting (5-ward asking rent), Ken Corporation (3-ward rent), Miki Shoji, DWS. As of November 2021. Past performance is not a reliable indicator of future growth. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, 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, partially driven by the government's travel campaign that focused on domestic tourism; however, the performance in 2021 has been impacted by periods of high infection cases and state of emergencies. While a meaningful recovery in international tourists is not expected in the short term, hoteliers are expected to focus on domestic travelers now the movement restrictions have been lifted.

EXHIBIT 29: QUARTERLY HOTEL OCCUPANCY RATES IN TOKYO AND OSAKA



Sources: Japan Tourism Agency, DWS. As of November 2021.
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

The real estate investment market in Japan continued on a recovery path both in the listed and the private sectors. The listed J-REIT index has been trading above 2,000 index points with a number of sizable public offering activities in recent months while cap rates continued to tighten in the office and residential sectors.[7] Although the office occupier market has continued to observe space demand softening as large sized corporations implemented work-from-home arrangements during multiple state of emergency declarations, investors seem to be optimistic in rental recoveries in the longer term.

The ultra-low interest rate environment is expected to continue in Japan[8] and relative performance of real estate is expected to be attractive comparative to other asset classes.[9] By property type, logistics and residential sectors are expected to continue to lead the recovery, while rental adjustments are expected to continue in the coming quarters in the office sector.[10] Due to the tightest ever cap rates, institutional investors need to consider active asset management strategies, emerging locations or alternative sectors in their acquisition plans in order to meet required cash returns.

[7] Sources: DWS. As of November 2021

[8] Sources: Oxford Economics, DWS. As of November 2021.

[9] Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

[10] Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

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