



Chairman's Column

AI and Real Estate: Starting From Space, How Capital Flows Are Changing, and My Current Thoughts

Last week, there was news that Elon Musk's SpaceX had gone public and reached a market capitalization ranking sixth in the world (according to Nikkei). It feels like a landmark moment—the first time the space industry has moved so prominently into the center of global capital markets, with investor expectations for Musk materializing in a tangible way. His personal net worth reportedly surpassed \$1 trillion, making him the world's wealthiest individual. The vision of combining space-based communications with AI appears to be attracting capital that previously had little interest in AI, further amplifying growth expectations.

These developments are not unrelated to real estate. The conventional narrative is that "AI advances → demand for data centers increases → real estate benefits." Indeed, the construction of data centers equipped with large numbers of GPUs is accelerating worldwide. In Japan as well, competition for suitable sites continues, particularly in areas with robust power and telecommunications infrastructure.

At the same time, AI is also influencing interest rates. During a recent ULI session I attended, there was a discussion about how AI-driven efficiency gains could boost productivity, raise overall economic activity, and ultimately create upward pressure on interest rates. The argument was quite compelling. In fact, interest rates in Japan have been gradually rising, becoming a factor contributing to higher cap rates for real estate investors.

There are also notable developments on the corporate side. Activist investors are increasingly demanding improvements in ROE, and the Tokyo Stock Exchange has been urging companies trading below a P/B ratio of 1.0 to disclose measures for improving capital efficiency. As a result, more corporations have begun selling real estate assets. Particularly, properties with lower profitability, appear to be undergoing reassessment from a capital-efficiency perspective.

Looking at the broader picture, it seems that two trends are unfolding simultaneously in the real estate market:

1. Increased capital flowing into AI-driven growth sectors; and
2. A growing supply of real estate assets coming to market due to higher interest rates and corporate restructuring.

The environment is undoubtedly complex. However, changes in corporate behavior and interest rates are bringing more properties to market, creating opportunities to encounter assets that previously would never have been available for acquisition.

As space technology and AI continue to reshape global capital flows, the real estate market appears to be entering a new phase. SpaceX reportedly recorded a loss of ¥800 billion in the previous year—a scale and valuation framework that would have been difficult to comprehend through traditional lenses. To be honest, the pace of change can feel a bit overwhelming for those of us from an older generation. Still, I believe the only sensible approach is to observe carefully and deepen our understanding step by step as these transformations unfold.

by Kazuhiro Matsuzawa, Chairman





Real Estate

Factors in Determining a Real Estate Investment Structure

In Japan's real estate investment market, a variety of investment structures are utilized, including GK-TK, TMK, REITs, and LPSs.

Over the past two decades, the market has become significantly more diverse. Domestic and international institutional investors, private funds, REITs, and operating companies have entered the market, each with distinct investment objectives and management strategies. As a result, it has become standard practice to select the most appropriate investment structure on a project-by-project basis.

Choosing an investment structure is not simply a matter of selecting a legally available vehicle. It requires a comprehensive assessment of numerous factors, including tax, legal, accounting, financing, governance, and exit strategy considerations. Moreover, even for the same underlying asset, the optimal structure may differ depending on the investors' profile and investment objectives.

One of the most important considerations is the nature of the investors. Domestic financial institutions, operating companies, private equity funds, REITs, and overseas institutional investors all have different requirements. Some prioritize long-term stable income, while others focus on capital gains through an eventual sale. These differing objectives are directly reflected in the choice of investment structure.

Tax considerations are equally critical. In real estate investment, the way investment returns are distributed to investors is a key factor, and the most appropriate structure will vary depending on the intended distribution mechanism. In cross-border investments, tax treatment, withholding taxes, and the application of tax treaties also become important considerations.

Governance is another key element. The design of the investment structure depends on the extent to which investors wish to participate in decision-making. In transactions involving multiple investors, it is essential to establish a clear framework for governance, investor rights, and decision-making processes.

Consistency with the financing structure is also important. Lenders' requirements regarding financing terms, collateral arrangements, and the degree of bankruptcy remoteness can significantly influence the choice of investment structure. These considerations become even more important in large-scale transactions.

In addition, the anticipated exit strategy should be taken into account from the outset. Whether the investment is expected to be exited through a direct property sale, a transfer of equity interests, or an acquisition by a REIT will affect the structure that should be adopted at the initial investment stage.

Finally, size of the project and operating costs are practical considerations. Although a particular structure may offer legal or tax advantages, its establishment and ongoing administrative costs may not be economically justified by the scale of the project.

In summary, the selection of an investment structure in Japanese real estate investment involves a comprehensive evaluation of multiple factors, including the investors profile, tax considerations, governance, financing, exit strategy, and operational costs.

An investment structure is a means rather than an end. The essence of real estate investment structuring lies in first identifying the investors' objectives and then designing the structure that most effectively achieves those objectives.

by Shigeru Hirai, Quality Control Office



Monthly Topic

Message from Our New COO

Thank you for your continued support of the ASA GROUP.

My name is Hiroshi Ichimoto, and I have recently assumed the role of Chief Operating Officer of ASA Reporting Professional. I would like to take this opportunity to introduce our company.

ASA GROUP offers a broad range of services centered on fund administration, including accounting and tax services for domestic and international fund vehicles such as SPCs, as well as support for investment structure formation. We also provide accounting and tax services to operating companies across various industries.

Within the Group, our company provides reporting services related to real estate fund operations and administration, including the preparation of Property Management (PM) reports and support for Asset Management (AM) companies in reviewing such reports. We also provide support services such as accounting data entry and responding to inquiries.

We strive to be more than simply an outsourced service provider. By leveraging the knowledge, experience, and market insights accumulated throughout the ASA GROUP in fund administration and investment structures, we aim to deliver greater value to our clients.

To achieve this, we actively share the accounting, tax, and investment structuring expertise developed across our Group companies, making it a common asset for all of our professionals. This enables us to provide practical, value-added solutions tailored to our clients' evolving needs.

Above all, we place our clients' perspectives at the center of everything we do. By continuously delivering high-quality, value-added services as an indispensable partner in fund operations, we seek to create an environment in which asset management companies and other stakeholders can focus on investment decisions and their core business activities with confidence.

Finally, through the services we provide, we aspire to contribute to a world's capital to flows more efficiently across markets, supporting greater investment and, ultimately, the creation of a more prosperous society. We highly value the trust we have built with our clients and business partners and remain committed to providing services that create lasting value.

We sincerely appreciate your continued support and look forward to serving you as ASA Reporting Professional continues to grow.

by Hiroshi Ichimoto, COO of ASA Reporting Professional





J - R E I T

J-REIT Trends in May

【Listed REIT Information】

(Covered Period) May 1, 2026 – May 31, 2026

<REITs Announcing Financial Results During the Period>

3 REITs announced financial results in May 2026 (all for the fiscal period ending March 2026)

<Property Transactions During the Covered Period>

Number of REITs Acquiring Properties	Total Acquisition Amount	Number of Properties Acquired
6 REITs	35.4 billion yen	13 properties
Number of REITs Disposing of Properties	Total Disposition Amount	Number of Properties Disposed
8 REITs	34.7 billion yen	11 properties

<Property Transactions by Asset Type>

		Office	Residential	Retail	Hotel	Logistics	Other Real Estate	Equity Interests, etc.	Total
Acquisitions	Amount (JPY)	13.4 billion	16.5 billion	–	5.5 billion	–	–	–	35.4 billion
	Composition (%)	38%	47%	0%	16%	0%	0%	0%	100%
	Number of Properties	3	9	–	1	–	–	–	13
	Composition (%)	23%	69%	0%	8%	0%	0%	0%	100%
Dispositions	Amount (JPY)	17.7 billion	3.8 billion	3.58 billion	1.58 billion	–	8.02 billion	–	34.7 billion
	Composition (%)	51%	11%	10%	5%	0%	23%	0%	100%
	Number of Properties	4	2	1	1	–	3	–	11
	Composition (%)	36%	18%	9%	9%	0%	27%	0%	100%

<REITs Announcing Earnings This Month>

8 REITs will announce financial results in July 2026

<Scheduled Earnings Announcements for Next Month>

Jul 15 (Wed)	8960	United Urban Investment Corporation		
Jul 16 (Thu)	3279	Activia Properties Inc.	3283	Nippon Prologis REIT Inc.
	8966	Heiwa Real Estate REIT Inc.	8977	Hankyu Hanshin REIT Inc.
Jul 17 (Fri)	2979	SOSiLA Logistics REIT Inc.	8976	Daiwa Securities Office Investment Corporation
Jul 22 (Wed)	3472	Japan Hotel & Residential Investment Corporation		

<Last Day with Rights> 7/29 (Wed)



J - R E I T

<Monthly Topic>

Compliance Services for Asset Management Companies

With respect to compliance operations in REIT management, we provide practical support from our experienced team members, enhancement of compliance functions from a third-party perspective, and support for the development of compliance personnel. Through these initiatives, we aim to contribute to the qualitative improvement of compliance practices within asset management companies by delivering industry best practices.

Services Provided (Examples):

- ◆ Compliance operations support
- ◆ Training and development of compliance officers
- ◆ Governance enhancement, internal control support, and internal audit assistance.

Please feel free to contact us for any inquiries or requests.
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by Nguyen Thi Hong, ASA REIT Partners