

5.3% (y-o-y)
Rent Growth Ginza

YoY Chg 12-Mo. Forecast



6.7% (y-o-y)
Rent Growth Omotesando



0.8% (Spr., YoY)
Retail Sales Growth



JAPAN ECONOMIC INDICATORS 4Q 2021 FORECAST

1.5%
Real GDP Growth

YoY Chg 12-Mo. Forecast



0.5%
Core CPI Growth



2.8%
Unemployment



Source: Japan Center for Economic Research (JCER), Cabinet Office, Ministry of Internal Affairs and Communications, Oxford Economics, Moody's Analytics; annualized real GDP seasonally adjusted y-o-y change, core CPI seasonally adjusted y-o-y change.

¹Google Mobility Report (2021)

Retail Sales Fall Due to Input Price Rises, Lower Household Disposable Incomes

The latest core Consumer Price Index (CPI) increased 0.5% y-o-y in November, led by daily necessities from rising commodity prices. The CPI, excluding temporary price adjustment factors such as lower mobile phone subscription charges, rose 1.7% y-o-y. Given the time lag from producers' input price increases to be reflected in retail prices, we expect the CPI to rise at around +2% during the remainder of the year. Furthermore, the JPY's depreciating value from widening interest rate gaps globally will raise import prices, increasing household expenditure to the equivalent of JPY3 trillion and reducing consumption by 0.3%. According to the latest mobility data¹, retail/recreational traffic bottomed out at minus 20% in September 2021, from the baseline recorded during 2019, recovering to near pre-pandemic level towards the year-end. However, retail consumption remains weak, with increasing concerns around the Omicron variant from the year-end, and with diminishing prospects for market normalization by the end of 2023.

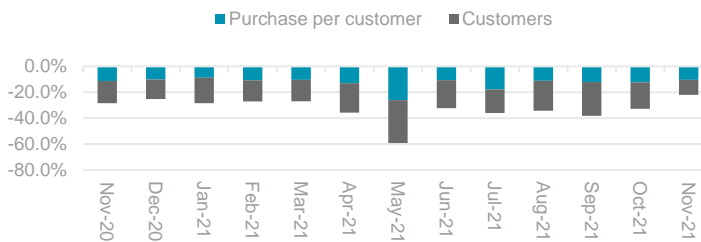
Weak Consumption Pauses All but Luxury Retail New Store Openings

In the three-month period from September 2021, retail sales rose 0.8% from a year earlier, down 0.1% from the same period two years ago. Apparel saw weak demand and global supply chain disruptions lowered durable goods sales. On the other hand, rising commodity prices and higher e-commerce sales lifted gross retail sales volume. With fading consumer attraction to apparel and mass-market brands, the appetite for retail store openings was weak in most areas except for top locations in Omotesando and Ginza. Shibuya and Shinjuku have suffered from the loss of inbound demand and consumers' increasing reluctance to frequent congested areas. According to [the latest IATA estimate](#), international travel demand is projected to remain weak for the remainder of 2022, tracking 75% down from pre-pandemic levels. With lower prospects of rental level growth given further delays in international border openings, we expect the average rental level to remain flat in most areas.

Narrowing Demand, Albeit International Luxury Brands Remain Active

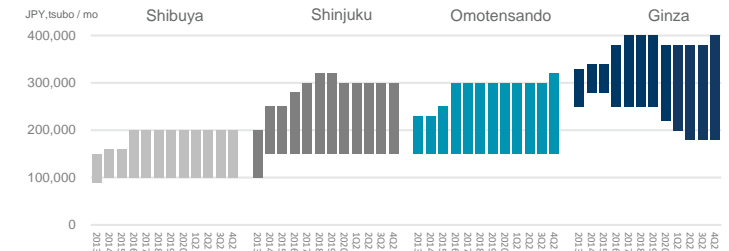
Foreign luxury brands continue to drive new store opening activities in top locations in the Tokyo CBD. Affluent domestic households continue to seek in-store shopping experiences, boosting luxury goods spending. The same trend is present in department store monthly sales trends. The key factor new store openings now is to identify higher per-customer spending, rather than expanding visitor numbers. Furthermore, increasing foreign luxury brands' demand to increase their presence is expected to lift demand for Tokyo new store openings, leading to robust performance in selective high streets such as Ginza (+5.3% YoY) and Omotesando (+6.7% YoY).

FACTOR ANALYSIS: DEPARTMENT STORE SALES TREND (2016-2018 Average = 100, Compared to the same month in base year)



Source: Cushman & Wakefield based on the data from JCB Nowcast data

PRIME RETAIL RENT BY SUBMARKET



Source: Cushman & Wakefield

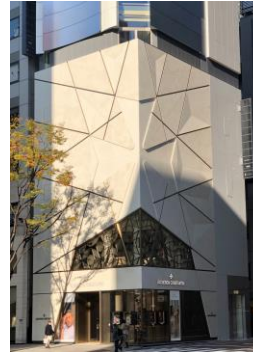
HUBLLOT (Omotesando)



Disney (Shinjuku)



VACHERON CONSTANTIN (Ginza)



VERMICULAR HOUSE (Daikanyama)



TOP PRIME RENTAL RATES

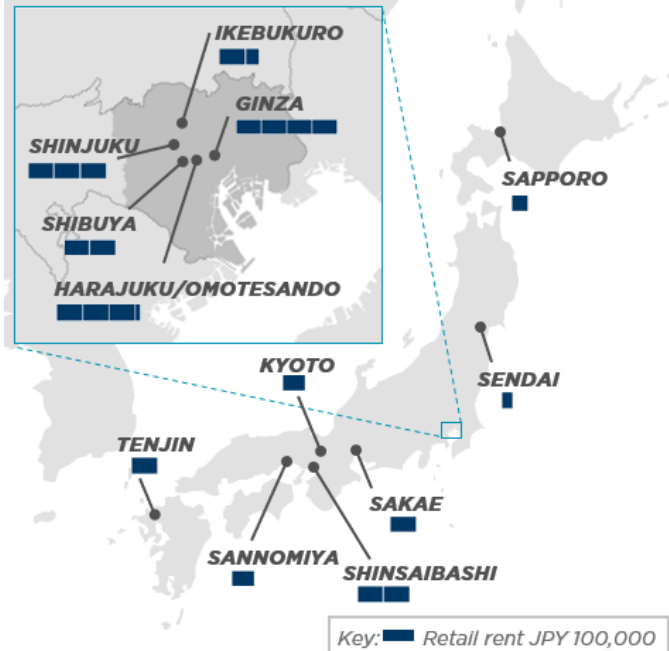
SUBMARKET	JPY, tsubo / mo	US\$,psf / year	GROWTH (y-o-y)	FORECAST
Ginza	400,000	1,172.80	5.3%	▲
Omotesando	320,000	938.24	6.7%	▲
Shinjuku	300,000	879.60	0.0%	▬
Shibuya	200,000	586.40	0.0%	▬
Shinsaibashisuji	200,000	586.40	-20.0%	▲
Sakae	100,000	293.20	0.0%	▬
Tenjin	100,000	293.20	0.0%	▬

USD/JPY = 115.02 (as of end of September 2021)

NEW OPENINGS

BY BRAND	TYPE	OPENED IN	SUBMARKET
Peter Luger	U.S. Steakhouse	October	Ebisu
b8ta	Experience store	November	Shibuya
BALMUDA	stylish electronics	November	Omotesando
GRAFF	Jewelry	November / December	Ginza / Shinsaibashi
HUBLLOT	Luxury Watches	December	Omotesando
Disney	Entertainment store	December	Shinjuku
VACHERON CONSTANTIN	Luxury Watches	December	Ginza
VERMICULAR HOUSE	Designer kitchenware	December	Daikanyama

CENTRAL TOKYO



Source: Cushman & Wakefield Research

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