

MARKETBEATS

5.70%

Rental Growth, YoY

2.00%

Vacancy Rate

1.26%

Absorption, QoQ

WHAT'S
NEXT

HIGHLIGHTS

The longest economic expansion post-war

The Japanese government announced the economy has likely expanded for the longest in the postwar period, exceeding the "Izanami Economic Expansion", which lasted from February 2002 to October 2007. GDP in the first quarter of 2019 continued to register strong momentum, growing a strong 2.1%, in addition to expectations of stimulated consumer demand with the Golden Week of 10 days and the start of the new Emperor's reign in the second quarter.

Slight uptick in vacancy rate, while asking rent continues to increase

Despite Grade A vacancy in Tokyo's Central 5 Wards rising marginally by 30 bps to 2.0%, asking rent increased by 1.77% Q-o-Q, and 5.70% Y-o-Y to JPY38,106/tsubo/mth. This can be attributed to the higher rental levels of new supply as well as landlords' confidence underpinned by the tight space availabilities.

Low liquidity continued amid robust office demand

Occupier demand remained strong in the first quarter of 2019, marking a net absorption of 1.26% Q-o-Q. Robust pre-leasing at major new developments, such as Nihombashi Muromachi Mitsui Tower and Shibuya Solasta, ensured these projects were delivered with high occupancies and hence, with limited impact on the market. However, as low space liquidity and high rental levels remained sustained, there have been increased instances where potential tenants are delaying their relocation plans for a few years.

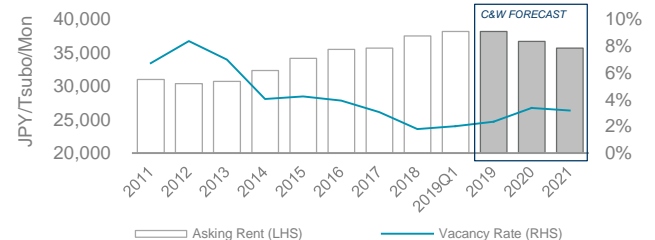
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Economic Indicators (Japan)

	Q4 18	Q1 19	12 Months Forecast
Real GDP Growth	1.6%	2.1%	—
Core Consumer Price Index (CPI)	0.7%	0.9%	—
Unemployment Rate	2.4%	2.5%	—

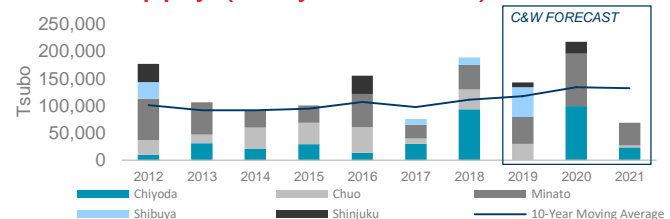
Source: Cabinet Office, Statistics Bureau. GDP growth is annualized based on the real seasonally-adjusted quarterly figure & Core CPI is YoY figure, seasonally-adjusted.

Asking Rent & Vacancy Rate (Tokyo 5 Wards)



Source: Cushman & Wakefield. Each figure shows year-end figure unless specified. Grade A Office: buildings with gross floor space of above 30,000 square meters, located in the CBD 5 wards of Tokyo.

New Supply (Tokyo 5 Wards)



Source: Cushman & Wakefield

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MARKET	VACANCY RATE	ABSORPTION RATE	STOCK (RENTABLE)		ABSORBED AREA (RENTABLE)		GRADE A ASKING RENT		
			TSUBO	SF	TSUBO	SF	JPY/TS/MO	USD/SF/MO	EUR/SF/MO
TOKYO CBD GRADE A TOTAL	2.00%	1.26%	3,326,119	118,354,290	40,671	1,447,193	38,106	9.66	8.61

USD/JPY = 110.86;
EUR/JPY = 124.39

Major Tenant Relocation to Grade A Office

TENANT	EXPECTED RELOCATION TIMING	INTO		FROM		EXPECTED OCCUPIED SPACE	
		BUILDING	SUBMARKET	BUILDING	SUBMARKET	TSUBO	SF
Yamato System Development	Feb 2019	Harumi Island Triton Square	Harumi	KR Toyosu Bldg / Prime Tower Tsukiji	Toyosu / Shintomicho	2,400	85,400
NS Solutions	Spring 2020	Toranomon Hills Business Tower	Toranomon	Multiple Locations	Multiple	6,300	224,175
Softbank Group (incl. WeWork)	FY 2020	Takeshiba Area Development Proj Office Tower	Takeshiba	Tokyo Shiodome Bldg	Shiodome	24,000	854,000
Sumitomo Life Insurance	2022	Yaesu 2-chome North Area A-1	Yaesu	Kowa Sumisei Tsukiji Bldg	Tsukiji	5,600	199,266
Yakult Honsha	Unknown	WATERS takeshiba	Takeshiba	Own Property	Shinbashi	4,500	160,125
Asahi Mutual Life Insurance	Unknown	Yotsuya Station Front Redevelopment Proj Office Tower	Yotsuya	Asahi Seimei Otemachi Bldg	Otemachi	2,800	99,633

Major Grade A Office Supply 2019

STATUS	PROPERTY	SUBMARKET	WARD	EST. GROSS FLOOR SPACE (INC. NON-OFFICE)		COMPLETION
				TSUBO	SF	(Inc. Expected)
Completed	Shinagawa HEART	Shinagawa (Konan)	Minato	11,074	394,049	February
	Abema Towers	Shibuya	Shibuya	11,480	408,496	February
	Nihonbashi-Muromachi Mitsui Tower	Nihonbashi	Chuo	50,820	1,808,343	March
	SHIBUYA SOLASTA	Shibuya	Shibuya	14,203	505,390	March
	Okura Prestige Tower	Toranomon	Minato	54,479	1,938,543	June
Under Construction	Urbannet Uchisaiwaicho Building	Shinbashi	Minato	10,920	388,570	July
	Museum Tower Kyobashi	Kyobashi	Chuo	12,656	450,342	July
	Sumitomo Fudosan Nishi Shinjuku 6-chome PJ	Nishi-Shinjuku	Shinjuku	18,760	667,543	August
	Shinjuku Minamiguchi Project	Shinjuku	Shibuya	13,007	462,832	August
	SHIBUYA FUKURAS	Shibuya	Shibuya	17,847	635,055	October
	Shibuya Scramble Square East Tower	Shibuya	Shibuya	54,752	1,948,257	October
	Shibuya Parco Rebuilt Project	Shibuya	Shibuya	19,360	688,893	October
	Toranomon Hills Business Tower	Toranomon	Minato	52,332	1,862,145	December

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