



YoY Chg 12-Mo. Forecast

-16.7% (YoY) Rent Growth Shinsaibashi

-5.0% (YoY) Rent Growth Ginza

-10.2% (Spr., YoY) Retail Sales Growth

JAPAN ECONOMIC INDICATORS Q1 2020

YoY Chg 12-Mo. Forecast

-2.2% Real GDP Growth

0.4% Core CPI Growth

2.5% Unemployment

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

Retail Sales Tumble as People Stayed Home

Overall retail sales slumped 10.2% y-o-y in the Spring period (preliminary data for Mar-May), impacted by the state of emergency imposed between April 7 and May 25 and the plunge in international tourist arrivals. A sales drop of more than 10% has not been recorded since March 1998. The breakdown reveals further concerns. Apparel sales collapsed 37.1%, with general merchandise down 32.5%. Department stores report sales drops of 72.8% in April and 65.6% in May. Even the drugs and toiletries sector, which had benefited from consumers stocking up and recorded stable growth in past quarters, managed growth of only 0.5% in the Spring period. The state of emergency was lifted on May 25 and stores are reopening, but the recovery of private consumption is still a long way off.

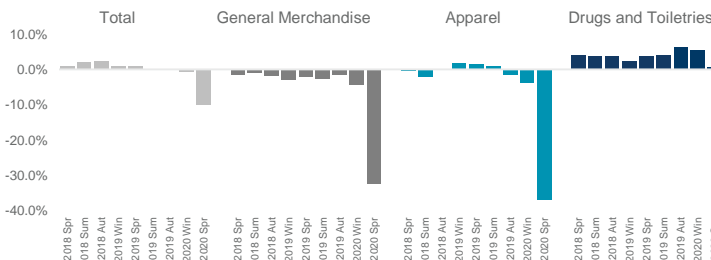
Ginza Rents Fall, Followed by Other Major Markets

The majority of stores reopened in June, following closures during the state of emergency, but footfall traffic remains well below pre-COVID-19 levels. According to NTT Docomo, customer footfall (excluding international tourists) as at 3 pm of June 28, one month after the state of emergency ended, was down 42% y-o-y in Ginza, and 40% in Shinjuku, 32% in Shibuya and 28% in Namba, Osaka. Inbound tourist numbers from April to June sank 99.9% y-o-y, due to entry restrictions. Prime retail rents in Ginza dropped 5% y-o-y in Q2, while rents in Shinsaibashi continued their fall from Q1, dropping 16.7% y-o-y. Nagoya Sakae, Kyoto Shijodori, Kobe Sannomiya, Sapporo and Sendai also experienced rental level declines. With the pandemic still “not even close to being over” (WHO), we expect other major markets such as Shinjuku, Omotesando and Ikebukuro to see rent drop in the coming months.

A Series of New Mall Openings Amid Retail's New Normal

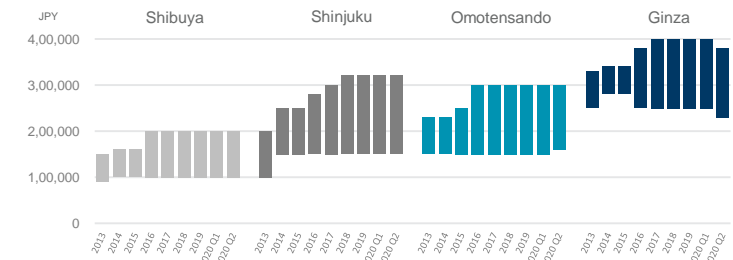
Although the Tokyo 2020 Olympics is postponed, an influx of new supply targeting the expected influx of visitors have completed in June, including With Harajuku where IKEA's has its first urban store in Japan, Toranomon Hills Business Tower, Kyoto's ShinPuhKan and two expanded outlets. Amid reopened streets and new malls, the retail industry is also shifting towards new operational norms, including avoiding the 3Cs of closed spaces, crowded spaces and close-contact settings; universal provision of hand sanitizer; and improved ventilation systems.

RETAIL SALES BY SECTOR (YoY)



Source: Ministry of Economy, Trade and Industry

PRIME RETAIL RENT BY SUBMARKET



Source: Cushman & Wakefield Research



HUBLOT, Ginza; Loro Piana, Ginza



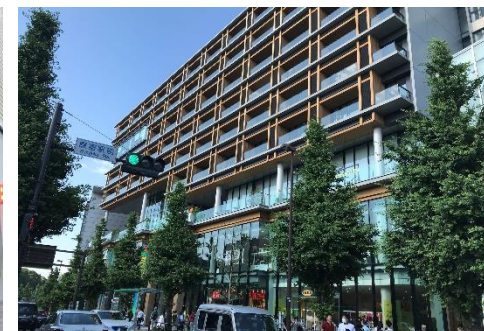
lululemon, Roppongi



UNIQLO TOKYO, Ginza



WITH HARAJUKU, Harajuku



Source: Cushman & Wakefield Research

TOP PRIME RENTAL RATES

SUBMARKET	JPY/TS/MO	USD/SF/YEAR	GROWTH (YoY)	FORECAST
Ginza	380,000	1,188.94	-5%	■
Shinjuku	320,000	1,001.21	0%	▼
Omotesando	300,000	938.64	0%	▼
Shibuya	200,000	625.76	0%	■

USD/JPY = 107.78

MAJOR NEW RETAIL FACILITIES

FACILITY	OPEN	SUBMARKET	RETAIL AREA SQ.M.	SF
WITH HARAJUKU	June	Harajuku	Approx. 7,600	81,806
ShinPuhKan	June	Kyoto	Approx. 23,000	24,757
Ariake Garden	June	Ariake	Approx. 33,200	357,361
NEWoMan YOKOHAMA	June	Yokohama	Approx. 13,000	139,931

NEW OPENINGS

RETAILER / SHOP	OPEN	SUBMARKET
HUBLOT	May	Ginza
Loro Piana	June	Ginza
lululemon	June	Roppongi
UNIQLO TOKYO	June	Ginza

CENTRAL TOKYO



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