

YoY Chg 12-Mo. Forecast

-17.9% (YoY)
Rent Growth Shinsaibashi



-5.0% (YoY)
Rent Growth Ginza



-1.3% (Spr., YoY)
Retail Sales Growth



Structural Change in Consumption

Overall retail sales (preliminary figures included) in the December-February period fell 1.3% y-o-y to JPY38.1 trillion. Although the winter period ensured a state of emergency for two months, the impact on retail sales was limited. Supermarkets, electronics stores and home centers continued to perform well. Drugstore sales dropped slightly, 0.14% y-o-y, due to a reaction from consumers' prior months-long hoarding of tissue, mask, and hygiene products. Department stores and convenience stores continued to struggle, sales falling y-o-y for the 17th and 12th consecutive months, respectively. Real consumption expenditure (households with two or more members) fell 6.1% y-o-y in January due to a sharp decline in spending, especially for face-to-face service consumption such as dining, entertainment and travel. In contrast, demand for automobiles, home appliances and food was strong. Against this backdrop, only the Tankan large manufacture index turned positive, recovering to the preCOVID-19 level of September 2019, but recovery in the non-manufacture indexes was sluggish, and the K-shaped recovery is becoming clearer.

Luxury Brands Resilient During the COVID-19 Pandemic

Department store sales fell 10.7% in February, the 17th consecutive month of decline. While the pandemic accelerated the decline in department store performance, consumption of high-priced items such as luxury brands, watches and jewelry, and household goods such as cooking appliances, provided support. Consumer spending by income group in January was down y-o-y for all groups. However, the highest income group fell the least, and in December, this group was the only to grow y-o-y. Personal consumption is clearly supported by the high-income group. In Q4 2020, luxury brand sales, by local currency, grew 15.6% at Hermès. Sales dropped 3% at LVMH but increased 18% in the group's fashion and leather goods ranges. Tiffany & Co, a subsidiary of LVMH since January, recorded its best-ever holiday season sales. Luxury brand stores opening in Q1 included Hermes Omotesando, Louis Vuitton Ginza Namiki Dori, Burberry Roppongi, and a Gucci Nagoya flagship store.

Automobile Stores Becoming More Accessible

The Audi Groups' next-generation brand store "House of Progress Tokyo" opened in January at Aoyama, the high fashion and luxury brand hub. The showroom is the first in Audi's global House of Progress series and allows customers to experience the brand essence through innovative technology. In recent years many experiential automobile stores have opened in shopping areas, supplementing the traditional dealership customer engagement experience. The auto industry overall is recovering well, with Audi setting a record high quarterly sales volume in Q4. In the wake of the pandemic, high street store vacancies have grown, especially for apparel brands, and leasing has stagnated. However, retail sector performance differentiation is now become clearer and demand for new store openings is beginning to move.

JAPAN ECONOMIC INDICATORS Q4 2020

YoY Chg 12-Mo. Forecast

11.7%
Real GDP Growth



-1.0%
Core CPI Growth

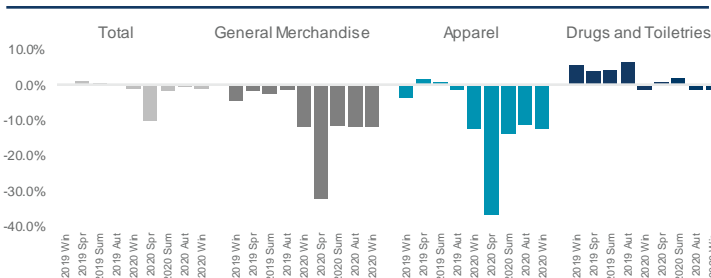


3.0%
Unemployment



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 BY SECTOR (YoY)



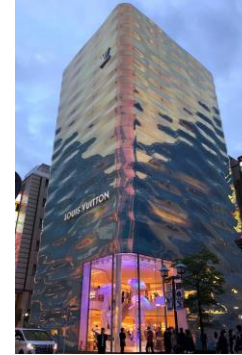
AUDI (Omotesando)



HERMES (Omotesando)



LOUIS VUITTON (Ginza)



GUCCI (Nagoya)



Source: Cushman & Wakefield Research

TOP PRIME RENTAL RATES

SUBMARKET	JPY/T5/MO	USD/SFYEAR	GROWTH (YoY)	FORECAST
Ginza	380,000	1,157.53	-5.0%	■
Shinjuku	300,000	913.84	-6.3%	■
Omotesando	300,000	913.84	0.0%	■
Shibuya	200,000	609.23	0.0%	■

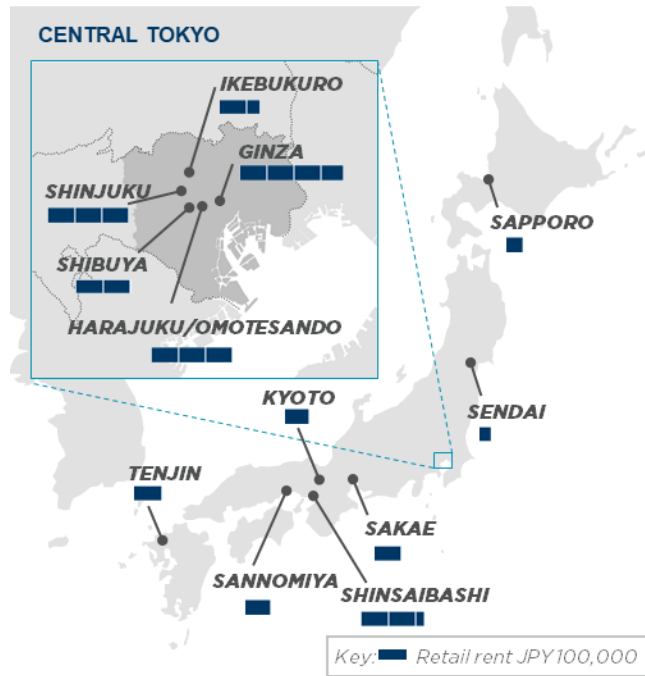
USD/JPY = 110.71

NEW OPENINGS

RETAILER / SHOP	OPEN	SUBMARKET
AUDI	January	Omotesando
HERMES	February	Omotesando
AWESOME STORE	March	Shibuya
LOUIS VUITTON	March	Ginza
BURBERRY	March	Roppongi
GUCCI	March	Nagoya

CLOSED

RETAILER / SHOP	CLOSED	SUBMARKET
BARNEYS NEWYORK	February	Shinjuku
MITSUKOSHI EBISU	February	Ebisu



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