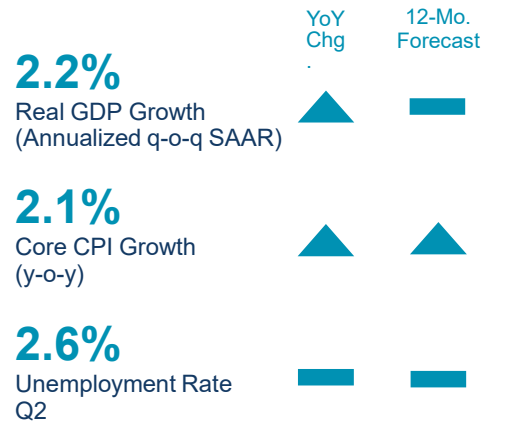


Source: MIC, METI, Moody's analytics forecast, Cushman and Wakefield

### ECONOMIC INDICATORS Q2 2022 Forecast



Source: Cabinet Office, MIC, METI, Oxford Economics, Moody's analytics

<sup>1</sup> BOJ Flow of Funds Statistics

### Economy: Headwinds from lower worker compensation under rising inflation, cost-push price increases

Labor markets remains steady with the June unemployment rate unchanged at 2.6% and the unemployed working age population decreased by 670,000 y-o-y. However, rising inflations led by the Corporate Price Index increase of 9.5% y-o-y, is unlikely to stabilize until Q1 2023. And the real GDP growth rate was revised down again to 1.8% in 2022 and 1.2% in 2023. Consumers remain defensive, keeping the saving doubled to the household's surplus of funds<sup>1</sup> of JPY34.8 trillion, down only 5.5% from the peak recorded in the mid-2021. Growth in retail sales figures are largely absorbed by the impact of inflation; consumer price increases remain low, with the CPI excluding foods/ foods & energy, increased by 2.1%/0.9% y-o-y. However, with rising cost-push inflation, we expect retail price increases to extend from luxury brands with lower cost sensitivity to mass brands with higher price elasticity in the coming quarters.

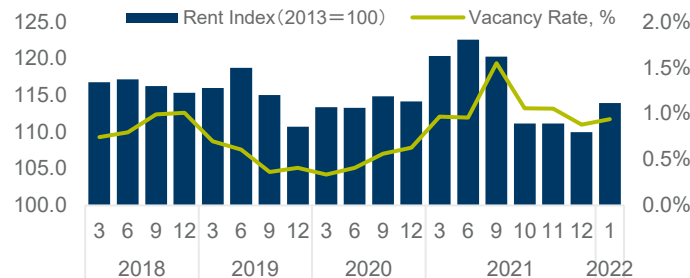
### Supply: A series of large-scale redevelopments, tenant risk diversification for more mixed-use buildings

A series of large-scale urban mixed-use redevelopment plan was announced, starting with the delivery of Toranomon Azabudai Project. A combination of office, residential, hotel, and 150 retail stores, will establish a new destination for affluent customers from 2023. Shibuya Tokyu will be redeveloped into a 36-storey building by 2027. In the west exit of Shinjuku Station, Odakyu Shinjuku will be redeveloped into a 48-storey mixed-use high rise building by 2029. This precedes similar scale redevelopments of Shinjuku Lumine Est in the east exit of Shinjuku Station by 2040s. Looking ahead, we expect traditional landlords in top urban destinations, will continue to double the size of their redevelopments to enable tenant risk diversification across broader industries in more mixed-use buildings.

### Pricing: High street rent recovery on pause, but the store format evolving toward better retail experience

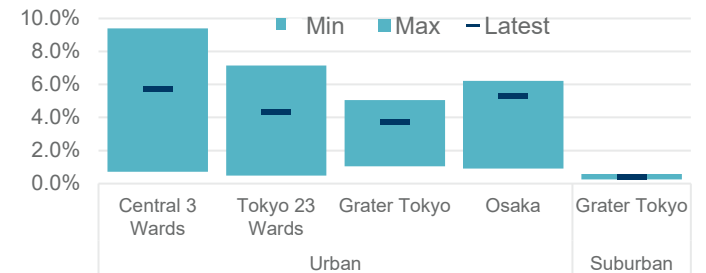
High Street's rent recovery, toward the level achieved at the end of 2019, remains on pause. Demand for luxury goods is expected to remain strong, however. During Q2 2022, top rents in Ginza rose 5.3% y-o-y and Harajuku and Omotesando rose 5.3% y-o-y. This also led to a series of luxury brands opening. JIMMY CHOO moved to a better location in Omotesando. AKRIS opened a new boutique in Ginza. In addition, more new stores are focusing to improve the Online-merge-Offline (OMO) retail customer experience. Alpen TOKYO's flagship store in Shinjuku will enable the customers to simulate the outdoor experience in physical store, along with the fully virtual 3D stores in three different locations. Nike by Yokohama is a store featuring local community networking. Elsewhere, mismatching expectation on achievable rent levels led to prolonged vacancies in less central locations within the same submarket. However, over the next 12 months, we expect a gradual recovery in prime rents in Ginza and Omotesando, where high-end tenants continued to demand top locations in limited supply.

### RENT / VACANCY RATE, GRATER TOKYO AREA



Source: ARES

### HISTORICAL VACANCY RATE BY ASSET TYPE/AREA



Source: ARES, historical since 2013

### KEY LEASE TRANSACTIONS Q2 2022

TENANT	PROPERTY	SUBMARKET	RSF
Alpen TOKYO	3-23-7 Shinjuku, Shinjuku Ward	Shinjuku	132,405
NIKE BY YOKOHAMA	2-15-3, Minamisaiwai, Nishi Ward,	Yokohama	Approx. 3,560
BREITLING	6-2-9 Jingumae, Shibuya Ward	Omotesando	Approx. 1,245
Akris Ginza	3-5-7 Ginza, Chuo Ward	Ginza	N/A

### KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	MAJOR TENANT	OWNER/DEVELOPER	SUB MARKET	GFA / SF
Hanshin Department Store Umeda Main Store	Hanshin Department Store	Hankyu Hanshin Department Stores	Umeda	Approx. 1,075,007 (Department store section)
LaLaport FUKUOKA	KidZania / MUJI	Mitsui Fudosan Retail Management	Fukuoka	Approx. 22,084

Source: Cushman and Wakefield

### TOP PRIME RENTAL RATES

SUBMARKET	JPY, tsubo / mo	US\$, psf / year	GROWTH (y-o-y)	FORECAST
Ginza	400,000	1,039.96	5.3%	▲
Omotesando	320,000	831.97	6.7%	▲
Shinjuku	300,000	779.97	0.0%	▬
Shibuya	200,000	519.98	0.0%	▬
Shinsaibashisuji	200,000	519.98	0.0%	▬
Sakae	100,000	259.99	0.0%	▬
Tenjin	100,000	259.99	0.0%	▬

USD/JPY = 129.71 (Q2 2022 BoJ quarterly average)

Source: Cushman and Wakefield

### KEY SALES TRANSACTIONS Q2 2022 (INCL. ANNOUNCEMENT)

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF/ CAP%
Kaden Sumairu-kan Nara flagship	Nara-shi / Nara	G.K. / Takara Leben REIT	105,967	\$37.0M   \$349   5.6%
Abeno nini	Abeno-ku / Osaka	G.K. / Star Asia REIT	37,469	\$73.2M   \$1,955   4.1%
Leaf Minatomirai	Nishi-ku / Yokohama-shi	Hulic / Lendlease REIT	495,070	\$101.0M+ (Est.)   -   -
Blue Cinq Point	Minami Aoyama	Hulic / FPG (Small-lot real estate products)	18,397	\$15B (Est.)   -   -

Source: Real Capital Analytics, Nikkei Real Estate Market Report

### ALPEN TOKYO (SHINJUKU)



### NIKE BY YOKOHAMA (YOKOHAMA)



### BREITLING (OMOTESANDO)



Source: Cushman and Wakefield



Source: Cushman and Wakefield

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