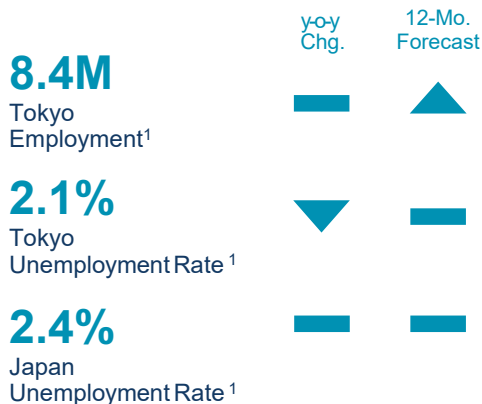


Average for Grade A Office buildings in Central 5W  
 "Rent" refers to the average assumed achievable rent unless otherwise noted. Rents are quoted JPY per tsubo per month unless otherwise noted.

### ECONOMIC INDICATORS Q1 2024



Source: Tokyo Metropolitan Government, MIC  
<sup>1</sup> Average for Q4 2023  
<sup>2</sup> Real GDP seasonally adjusted consensus estimate, annualized  
<sup>3</sup> Business Outlook Survey by Ministry of Finance as of Q1 2024. The figures are for "Corporations with a capital of 1 billion yen or over" of "All industries" excluding financial services. The fiscal year beginning April and ending March.  
<sup>4</sup> Non-seasonally adjusted figures from October to December 2023

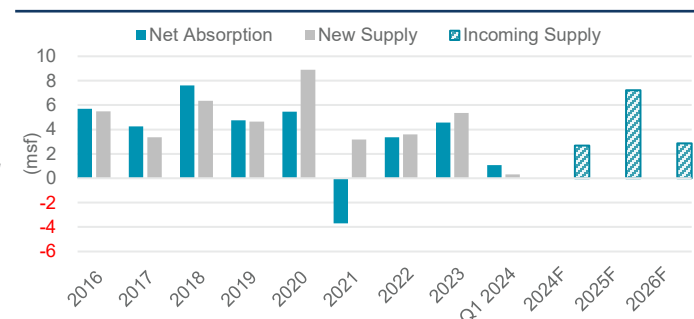
### ECONOMY: Growing Office Demand, Corporate Earnings Still 30% Above 10Y Historical Average

Japan's annual real GDP growth is expected to decelerate to 0.6%<sup>2</sup> in 2024 as global economies continue to normalize from the pandemic. The global economy, led by the U.S., is expected to recover, leading to a Japan economic growth forecast of 1.1% for 2025<sup>2</sup>. FY 2024 corporate earnings are expected to decelerate, with the aggregate ordinary income down 7.6% y-o-y, led by weakness in the manufacturing sector, down 11.1% y-o-y<sup>3</sup>. However, this still represents corporate earnings increases more than 30% above the 10-year historical average. More positively, Tokyo's employment figure continues to improve. Between Q4 2019 and Q4 2023, Tokyo's unemployment rate declined by 0.3pp, with total Tokyo employment growing at CAGR of 1.3%. This compares to the corresponding national employment figure falling 0.1%. By industry, technology sector employment grew at CAGR of 4.9%<sup>4</sup>, while construction fell by CAGR of minus 6.2%<sup>4</sup>, both from the baseline figures at Q4 2019. The number of office workers is projected to grow at a CAGR of 1.4%<sup>5</sup> until 2026, albeit decelerating from historical CAGR of 3.1%<sup>5</sup> since Q4 2019.

### SUPPLY & DEMAND: Remains Tight With Most Submarkets' Vacancy Falling Below 2%

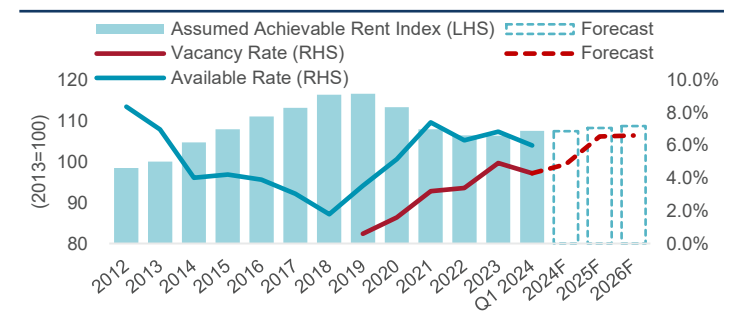
The Tokyo Central 5 Wards Grade A office annual net absorption was at 4,556 ksf, up 62.8% y-o-y, lowering the availability rate by 0.9pp y-o-y to record 6.0% in Q1 2024. However, the vacancy rate rose 0.6pp y-o-y to 4.3%, due to a large volume of supply through 2023 in Toranomon/Kamiyacho and vacant space in Harumi/Kachidoki. Despite the continued supply, demand for space in Mita/Tamachi has expanded due to its superior access to other CBDs and its cost competitiveness, leading to the area's vacancy rate falling by 12.2 pp y-o-y, to 19.1%. Vacancy in most submarkets is tightening, falling below 2% in 25 out of the 35 submarkets we survey. As illustrated in the top right chart overpage, the quarter-end pre-commitment level is estimated at 75.8% for newly completed buildings (NLA: 5.4 msf) and at 55.4% for incoming supply within the next twelve months (NLA: 6.6 msf). Lower pre-commitment rates are reported for incoming supply in the vicinity of Akasaka/Roppongi as some landlords have reduced their emphasis on full occupancy in their leasing strategies. Net addition of vacant stock from newly completed buildings is unlikely to occur during 2024. With scheduled new supply limited to 70% of the ten-year historical average, the market is expected to remain tight with a stable vacancy rate, tracking around the mid-4% range during 2024. In 2025, further new supply, representing around 1.5 times the ten-year historical average, is projected to push the vacancy rate up toward the high-6% level.

### NET ABSORPTION/ INCOMING SUPPLY



Source: Commercial Property Research Institute, Cushman & Wakefield

### GRADE A OFFICE: VACANCY & RENT INDEX



Source: Cushman & Wakefield

### PRICING: Cost-Push Inflation to Add Upward Pressure on Rent Pricing

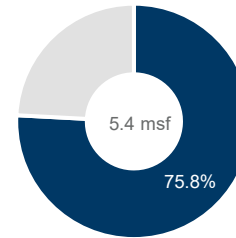
The Tokyo C5W Grade A average assumed achievable rent (“rent”) climbed 1.7% y-o-y in Q1 2024 to ¥34,896, surpassing the corresponding increase in asking rent. By submarket, upward pressures on rents are emerging, with Shinbashi/Shiodome and Shibuya via incoming new supply, and Marunouchi/Otemachi via diminishing sales concessions in completed transactions. As illustrated in the chart at middle-right, improving corporate earnings have also led to the ratio of rents to sales plummet to a record low of 1.6% in FY 2022, with the rent increase of 1.4% y-o-y remaining low against the corresponding sales growth of 9.0% y-o-y. Rising operating expenses also necessitate rent increases, with operating expenses per tsubo of occupied area having risen by approximately JPY1,000 from H1 2019 to H1 2023. As illustrated in the chart at bottom-right, operating expenses are expected to maintain an upward trajectory at a CAGR of 1.0% over the next two years in an inflationary environment, suggesting measured rental increases in most submarkets. We still expect weaker pricing power in less popular submarkets or lower quality buildings, highlighting an increasingly importance of bottom-up approach in leasing strategies ahead.

### Outlook

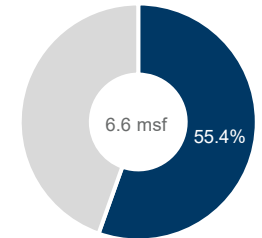
- **Expect a pause in vacancy rates in 2024 followed by an uptick towards 6% in 2025.** We expect Tokyo C5W Grade A office vacancy to trail around mid-4% in 2024, followed by a measured rise towards 6%, as incoming supply is expected to double from 2025. Despite low vacancy expected in most submarkets, incoming supply in Toranomon/Kamiyacho and Mita/Tamachi will continue to elevate these areas’ vacancy rates, resulting in bifurcated market trends by submarket.
- **Expect nominal rent to tick up along with cost-push inflation.** Over the next two years we expect the nominal rent to grow at CAGR of 1%, with the net effective rent, after deducting inflation impacts, to decline at an average annual rate of 1% on real terms. Most submarkets will see projected rental growth at CAGR of 1.5%, except Toranomon/Kamiyacho and Mita/Tamachi, with a projected rental decline of 1% over the corresponding period. We recommend landlords to maintain a flexible leasing strategy by expanding sales concessions such as extending free-rent periods or waiving fit-out charges. For tenants aiming to relocate to more popular submarkets such as Marunouchi/Otemachi, we recommend accelerating the timing of the relocation to achieve preferable leasing terms ahead of higher-than-average rent increases projected over the next two years.

### PRE-COMMITMENT % OF NEW BUILDINGS AND INCOMING SUPPLY

Apr. 2023 – March 2024 New Buildings

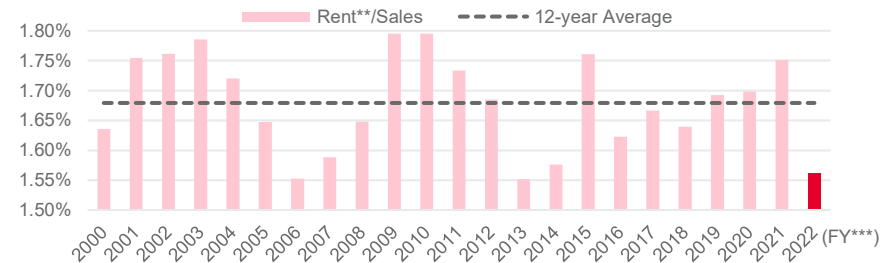


Apr. 2024 – March 2025 Incoming Supply



Source: Cushman & Wakefield

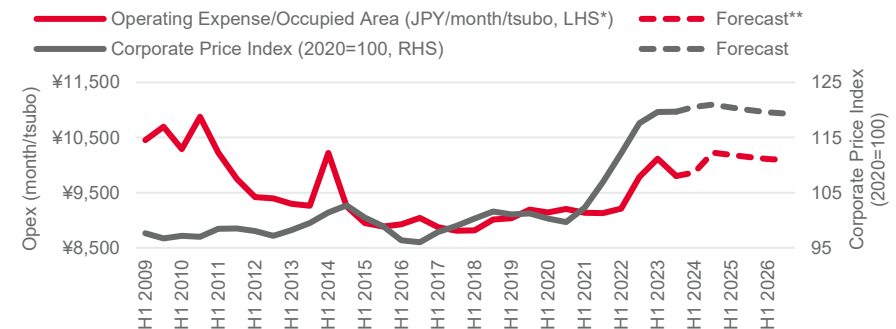
### Ratio of Rent to Total Sales: Large Companies\* excluding financial corporations



\*Corporations in Japan with a capital of 1 billion yen or over  
 \*\*Including leased properties other than real estate  
 \*\*\*\*Beginning April and ending March

Source: Ministry of Finance, Cushman & Wakefield

### Tokyo C5W: Operating Expense/Occupied Area of J-REIT Office Assets



\*The temporary cost decrease represents the impacts of government subsidy to offset abnormal increases of electricity charge until May 2024  
 \*\*Estimated based on historical trend of operating expense and corporate price index.

Source: J-REIT’s financial statements, Bank of Japan, Moody’s Analytics, Cushman & Wakefield

### MARKET STATISTICS

SUBMARKET	NET LEASABLE AREA (SF)	OCCUPIED SPACE (SF)	AVAILABILITY RATE		VACANCY RATE		LTM NET ABSORPTION (SF)	LTM NEW SUPPLY (SF)	UNDER CONSTRUCTION TO BE COMPLETED WITHIN 1yr (SF)	AVG ASKING RENT IN USD (PSF/Yr)		AVG ASSUMED ACHIEVABLE RENT IN USD (PSF/Yr)	
				Y-O-Y		Y-O-Y					Y-O-Y		Y-O-Y
Marunouchi / Otemachi	21,080,010	20,735,782	3.4%	-1.1%	1.6%	-0.6%	122,135	0	0	\$108.32	1.7%	\$102.42	4.1%
Kyobashi / Yaesu / Nihonbashi	6,507,474	6,422,496	2.7%	-2.7%	1.3%	-0.7%	46,583	0	371,632	\$97.20	-0.1%	\$93.66	3.1%
Shibuya	4,938,179	4,863,344	1.7%	-1.9%	1.5%	-0.4%	1,082,344	1,079,597	268,559	\$98.70	4.2%	\$92.17	4.7%
Toranomon / Kamiyacho	8,349,443	7,135,973	17.0%	13.1%	14.5%	13.5%	2,159,752	3,320,032	805,744	\$88.68	-4.0%	\$79.34	-2.1%
Roppongi	7,304,504	6,925,362	6.0%	-3.1%	5.2%	1.1%	-76,759	0	181,234	\$90.56	-2.6%	\$78.63	-2.7%
Kasumigaseki / Uchisaiwaicho	3,540,147	3,506,115	1.2%	-0.7%	1.0%	-0.8%	27,872	0	0	\$80.62	-1.0%	\$74.66	1.6%
Akasaka	3,365,362	3,330,168	1.0%	-4.9%	1.0%	-2.8%	95,572	0	1,518,838	\$78.97	-1.1%	\$74.32	-0.3%
Bancho / Kojimachi	2,448,487	2,448,487	1.9%	-1.5%	0.0%	-3.0%	72,636	0	223,479	\$78.33	2.1%	\$72.82	4.2%
Shimbashi / Shiodome	4,292,413	4,163,865	3.7%	-3.6%	3.0%	-1.4%	223,578	170,890	0	\$77.60	3.2%	\$71.42	5.4%
Hamamatsucho/ Onarimon	3,574,912	3,557,842	0.6%	-5.2%	0.5%	-3.4%	121,646	0	0	\$73.55	0.5%	\$66.68	-0.6%
Shibaura / Kaigan	2,382,800	2,298,221	6.8%	-1.8%	3.5%	2.5%	-59,040	0	1,480,043	\$72.63	-4.6%	\$66.60	-4.3%
Mita / Tamachi	3,602,951	2,913,723	23.3%	-13.4%	19.1%	-12.2%	875,917	634,503	0	\$71.13	-4.7%	\$64.18	-3.2%
Shinagawa Konanguchi	4,843,314	4,646,996	5.2%	-0.3%	4.1%	2.1%	-100,950	0	1,796,957	\$69.52	-2.9%	\$63.34	-0.9%
Nishi-Shinjuku	3,658,390	3,497,365	11.3%	-1.9%	4.4%	-0.9%	33,715	0	0	\$66.66	1.1%	\$62.91	3.8%
Harumi / Kachidoki	3,202,177	2,507,530	24.4%	-3.9%	21.7%	9.1%	-292,090	0	0	\$42.68	0.0%	\$37.33	0.6%
<b>Central 5 Wards</b>	<b>102,291,989</b>	<b>97,906,789</b>	<b>6.0%</b>	<b>-0.9%</b>	<b>4.3%</b>	<b>0.6%</b>	<b>4,555,965</b>	<b>5,353,144</b>	<b>6,646,484</b>	<b>\$85.63</b>	<b>0.1%</b>	<b>\$79.20</b>	<b>1.7%</b>

Submarkets in blue have more than a 500K square feet of new supply within a year.

(Local unit/currency)

	NET LEASABLE AREA	OCCUPIED SPACE	AVG ASKING RENT IN JPY		AVG ASSUMED ACHIEVABLE RENT IN JPY	
	(Tsubo)	(Tsubo)	(Tsubo/Mo)	Y-O-Y	(Tsubo/Mo)	Y-O-Y
<b>Central 5 Wards</b>	2,874,719	2,751,481	37,727	0.1%	34,896	1.7%

**Rent**

Assumed Achievable rent, gross rent including CAM

**Vacancy Rate**

Current vacancy divided by total Net Leasable Area where the space is immediately available

**Availability Rate**

Available space divided by total Net Leasable Area and includes the space not yet vacated but lease cancellation notice has been accepted

**Net Absorption**

(Vacant space of previous quarter) + (Net Leasable Area of New supply provided during current quarter) – (Vacant Space of current quarter)

**Exchange Rate**

1USD = 148.58 JPY (quarterly average)

## KEY LEASE TRANSACTIONS Q1 2024

TENANT	INDUSTRY	Relocated to	SUBMARKET	Relocated from	SUBMARKET	RSF	REASONS FOR RELOCATION
Persol Career	Miscellaneous services	Azabudai Hills Mori JP Tower	Toranomon / Kamiyacho	Marunouchi Bldg, Mitsubishi Bldg, Otemachi Bldg, Persol Minami Aoyama Bldg	Marunouchi / Otemachi, Aoyama / Omotesando	149,450	Consolidation
Nihon Chouzai	Retail & Wholesale	Tamachi Tower	Mita / Tamachi	GranTokyo North Tower	Marunouchi / Otemachi	71,167	Location Strategy
Japan Business Systems	TMT	Toranomon Hills Station Tower	Toranomon / Kamiyacho	Toranomon Hills Mori Tower	Toranomon / Kamiyacho	71,167	Location Strategy
Raksul and its related companies	TMT	Azabudai Hills Mori JP Tower	Toranomon / Kamiyacho	IK Building	Meguro	60,492	Expansion
Nippon Kanzai Center	Retail & Wholesale	Nomura Tameike Sanno Bldg	Akasaka	PMO Hatchobori II	Kayabacho	60,349	Expansion

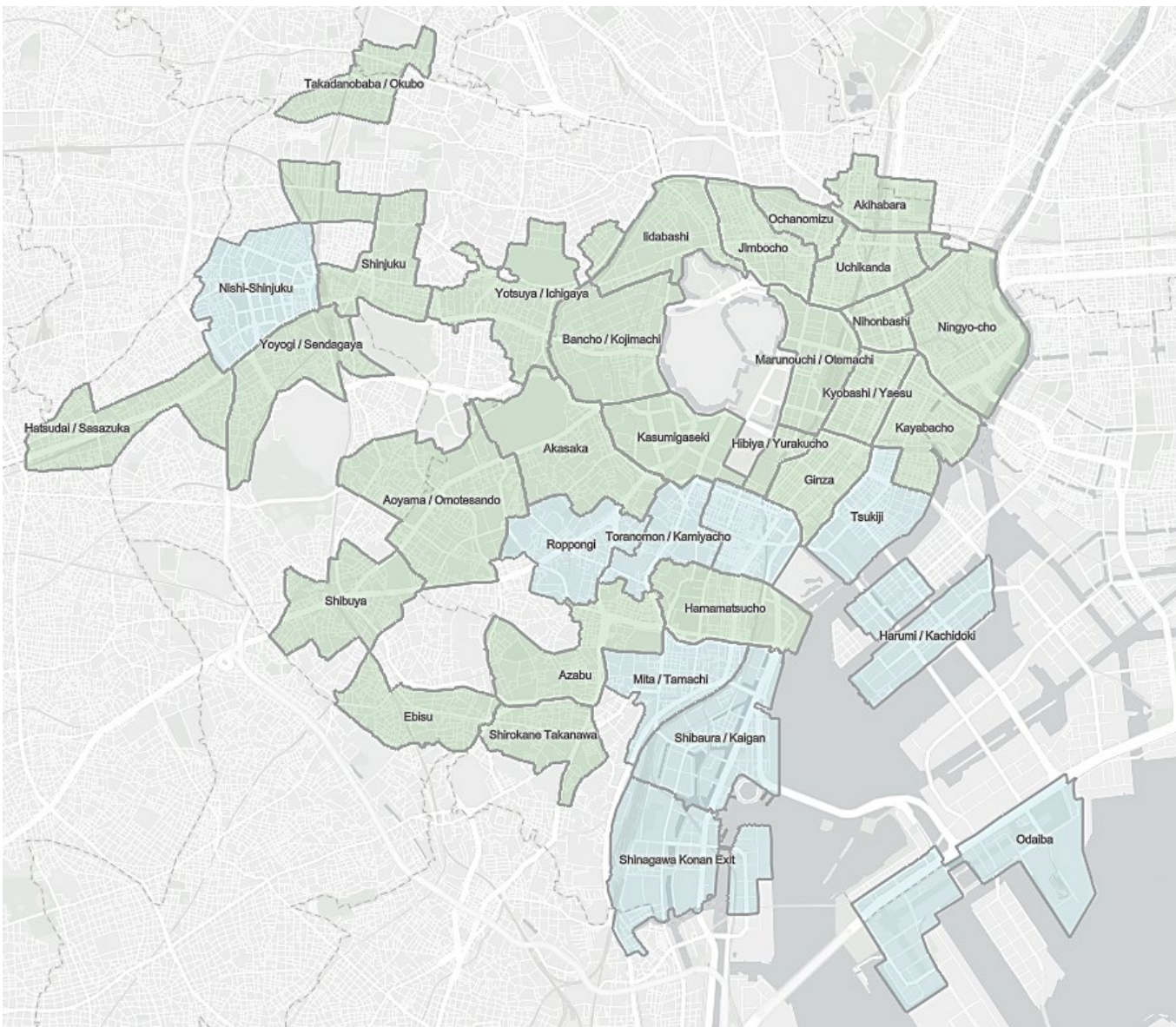
Source: Nikkei Real Estate Market Report

## KEY PLANNED GRADE A OFFICE SUPPLY Q1 2024

PROPERTY	SUBMARKET	MAJOR TENANT	TYPICAL FLOOR AREA (SF)	ASSUMED GROSS FLOOR AREA (SF)	PLANNED COMPLETION	OWNER / DEVELOPER
Akasaka Green Cross	Akasaka	-	11,397	796,356	May-24	Nippon Life Insurance / Sekisui House
Akasaka Trust Tower	Akasaka	-	36,470	1,512,109	Aug-24*	Mori Trust
TODA BUILDING	Kyobashi / Yaesu / Nihonbashi	Cosmo Energy Holdings	25,656	1,020,423	Sep-24	Toda
T-2 Project	Toranomon / Kamiyacho	Honda Motor	37,522	1,156,208	Feb-25	Nippon Steel Kowa Real Estate / Daichi Life Insurance
Shibaura 1-chome Project Tower S	Shibaura / Kaigan	Nomura Real Estate Development	55,368	2,959,356	Feb-25	East Japan Railway / Nomura Real Estate Development
The Linkpillar 1 North	Shinagawa Konanguchi	KDDI	53,375	3,053,406	Mar-25	East Japan Railway
The Linkpillar 1 South	Shinagawa Konanguchi	-	35,583	1,899,897	Mar-25	East Japan Railway
Tokyo Station Yaesu 1-chome East B District Redevelopment	Kyobashi / Yaesu / Nihonbashi	-	26,865	2,422,558	Jul-25	Tokyo Tatemono
Uchikanda 1-chome Project	Uchikanda	-	22,327	919,237	Nov-25	Mitsubishi Estate

\*Planned date for phase 1 completion. Phase 2 Completion is planned for October 2025.  
Source: Cushman & Wakefield

Tokyo Central 5 Wards Submarkets (Vacancy rates for green submarkets are below 2%)



The scope of market survey / Office grade definition

	Grade: Grade A /B Office in Central 5 Wards
Surveyed	Number of Buildings: 211/333
	Net Leasable Area: 102.3 msf / 52.7 msf
Office Grade	Grade A Grater Tokyo, Nagoya, Osaka / Completed after 2000 / rental floor area of 4,000 tsubo / 142,333 sf or more; standard floor area of 300 tsubo / 10,675 sf or more
	Grade B Grater Tokyo, Nagoya, Osaka / Completed after 1983 / rental floor area of 2,000 tsubo / 71,166 sf or more; standard floor area of 200 tsubo / 7,117 sf or more in Grater Tokyo, 150 tsubo / 5,337sf or more in Osaka and Nagoya

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