

y-o-y Chg. 12-Mo. Forecast

**4.0%**  
Vacancy Rate



**4,218K**  
Net Absorption, SF



**2.8%**  
Rent (y-o-y)



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 Q2 2024

y-o-y Chg. 12-Mo. Forecast

**8.4M**  
Tokyo Employment<sup>1</sup>



**2.5%**  
Tokyo Unemployment Rate<sup>1</sup>



**2.5%**  
Japan Unemployment Rate<sup>1</sup>



Source: Tokyo Metropolitan Government, MIC  
<sup>1</sup> Average for Q1 2024  
<sup>2</sup> Mizuho Research & Technologies  
<sup>3</sup> Business Outlook Survey by Ministry of Finance as of Q2 2024. The figures are for "Corporations with a capital of 1 billion yen or over" of "All industries" excluding financial/ insurance services.  
<sup>4</sup> The number of office workers is estimated by allocating the number of workers based on occupational classifications by industry based on the Population Census (2020) and the Labor Force Survey (annual average).  
<sup>5</sup> Non-seasonally adjusted figures from January to March 2024

### ECONOMY: Tokyo's Total Office-Using Employment Growth Records CAGR of 1.8% Since 2019

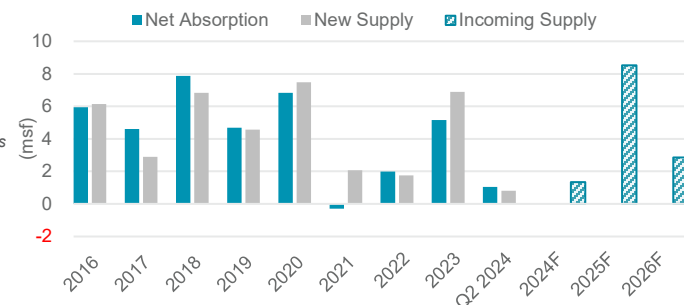
Japan's annual real GDP is now expected to shrink by 0.3%<sup>2</sup> in 2024 as the damage from the Noto Peninsula earthquake contributes to weak consumer spending. An improvement in real wages and a moderate consumption recovery expected in 2025 is forecasted to lift GDP growth back to 1.2%. Temporary weakness in the manufacturing sector, down 4.4% y-o-y<sup>3</sup>, has also led to lower corporate earnings, with the aggregate ordinary income down 1.8% y-o-y<sup>3</sup> for the current fiscal year. However, the level of corporate earnings remains strong, tracking around 30% above the 10-year historical average. Positively, Tokyo's employment continues to expand with CAGR of 0.8% from Q1 2019 to Q1 2024, outpacing the corresponding national employment CAGR of 0.1%. Total office-using employment has expanded by 249,000 over the past four years, recording CAGR of 1.7%<sup>4</sup>. By industry, the technology sector has led employment growth, adding headcount of 193,000, recording CAGR of 4.5%<sup>5</sup> since Q4 2019.

### SUPPLY & DEMAND: Higher Relocation Costs Boosting Tenant Demand for Enhanced Common Facilities

The Tokyo Central 5 Wards Grade A office annual net absorption was at 4,218 ksf, down 4.3% y-o-y due to lower supply, However, the availability rate declined by 1.3pp y-o-y to 5.6%, and the vacancy rate by 0.5pp y-o-y to 4.0%, during Q2 2024. Vacancy in most submarkets is tightening, falling below 2% in 23 out of the 35 submarkets in our survey. Major tenant relocations are intended to enable consolidations and office upgrades as further office amenitization continues with enhanced common facilities, typically among Grade A buildings. Increasing fit-out costs, with the Tokyo office construction cost index recording CAGR of 5% over the past four years, means higher relocation costs for tenants. As such, common facilities to accommodate an unexpected increase in office occupancy have attracted growing tenant demand through reduced initial fit out costs.

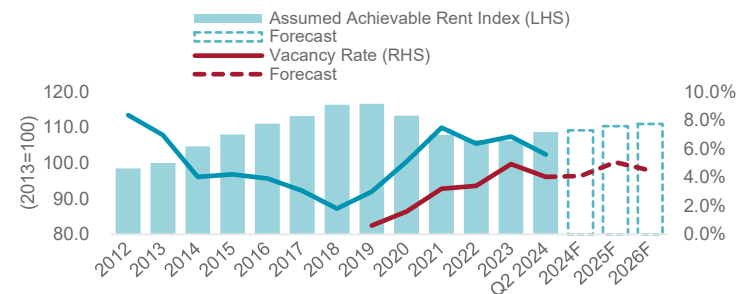
As illustrated in the top right chart overpage, the quarter-end pre-commitment level is estimated at 81.1% for newly completed buildings (NLA: 3.8 msf) and at 70.3% for incoming supply within the next twelve months (NLA: 6.6 msf). Lower pre-commitment rates are reported for incoming supply in the vicinity of Akasaka /Roppongi, while relatively higher rates are reported in Shinagawa Konanguchi, where rents are discounted by 20% from the Tokyo C5W average rent. Newly completed buildings saw mixed trends. Despite full occupancy at Shibuya Axsh, Akasaka Green Cross's large vacant blocks almost doubled Akasaka submarket's vacancy rate to 9.0%. For buildings completed in 2023, remaining vacancy in Mita/Tamachi and Toranomon/Kamiyacho totaled 1,352 ksf. Elsewhere, large blocks of vacancy remaining since Q3 2023 keep the Harumi/Kachidoki's vacancy rate elevated at 22.3%.

### NET ABSORPTION/ INCOMING SUPPLY



Source: Commercial Property Research Institute, Cushman & Wakefield

### GRADE A OFFICE: VACANCY & RENT INDEX



Source: Cushman & Wakefield

### PRICING: Rent Remains Lower Than the Pre-COVID Level by 6.8%

The Tokyo C5W Grade A average assumed achievable rent ("rent") rose 2.8% y-o-y in Q2 2024 to ¥35,267, outpacing the corresponding growth in asking rent. More transactions are being executed with a narrowing discount to asking rents, leading to higher rent growth. Pricing is yet to recover the pre-COVID-19 level or Q4 2019 level, with rents discounted by 6.8%, while rent excluding deliveries after 2019 is discounted by 8.4%.

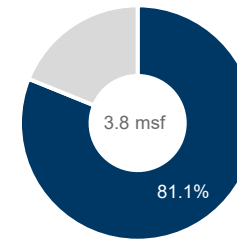
By submarket, a pocket of weakness exists in in Roppongi and Shibaura/Kaigan as landlords have started to offer steeper rent discounts in response to incoming vacancies. In Otemachi/Marunouchi and Kyobashi/Yaesu/Nihonbashi, stable demand from large corporations have lifted rents, with most buildings recording rent growth outpacing the market average. In the vicinity of Shinbashi, Toranomon, Akasaka and Roppongi, office space reduction led by non-domestic companies after the pandemic has led to rents falling more than the average in Tokyo C5W. Large incoming supply in Toranomon/Kamiya-cho, where Grade A office stock has tripled from Q4 2019, has also contributed to lower rent growth during the period.

### Outlook

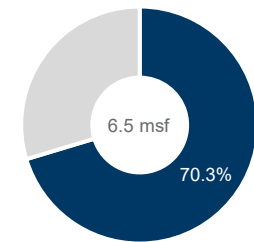
- Expect a measured increase of vacancy to 5% on increasing supply from 2025:**  
 We expect Tokyo C5W Grade A office vacancy to trail from mid-3% to mid-4% in 2024, followed by a gradual rise towards 5%, with incoming supply to triple from 2025. However, vacancy is expected to remain low in most submarkets. We also expect the net addition of vacant stock from deliveries after 2023 to be less than the initial consensus, as more time is required for relocations into newly completed buildings.
- Expect nominal rent to tick up by 2% except in the vicinity of Toranomon and Mita**  
 Over the next two years, most submarkets are projected to experience rental growth at CAGR of 2%. We also expect higher asking rents ahead for incoming buildings to offset incremental construction costs since the pandemic. For tenants aiming to relocate to 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. A pocket of weakness exists in Toranomon/ Kamiyacho and Mita/Tamachi, with a projected rental decline of 1% in response to recent deliveries. For those buildings with low pricing power, we recommend that landlords maintain a flexible leasing strategy by expanding sales concessions, extending free-rent periods, offering smaller leasing blocks, and / or waiving fit-out charges or enhancing tenant amenities.

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

Jul. 2023 - Jun. 2024 New Buildings

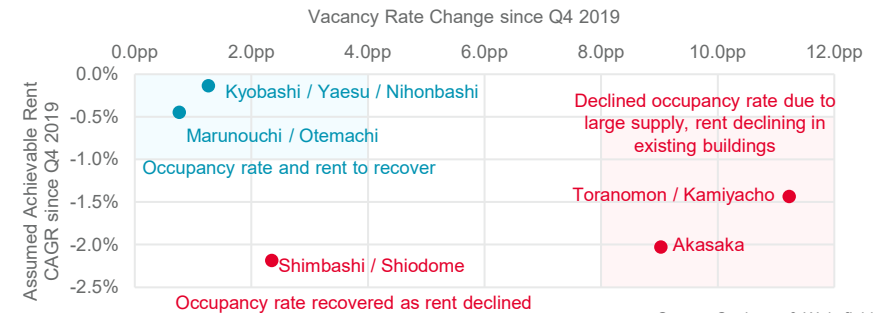


Jul. 2024 - Jun. 2025 Incoming Supply



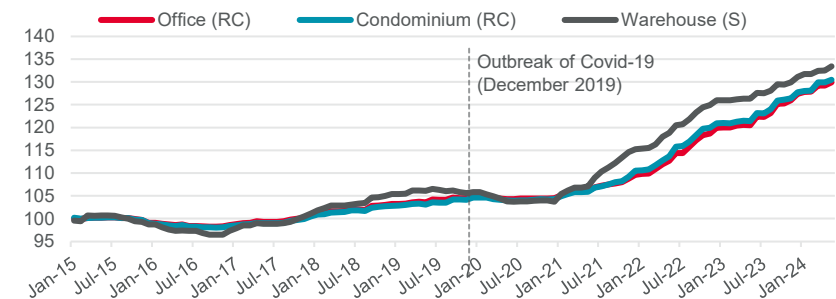
Source: Cushman & Wakefield

### Change in Rent and Vacancy Rates by Submarket, vs Q4 2019



Source: Cushman & Wakefield

### Tokyo Construction Cost Index



Source: Construction Research Institute

## 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	20,886,899	20,513,652	3.2%	-1.4%	1.8%	-0.4%	74,652	0	0	\$104.65	2.9%	\$100.15	6.1%
Kyobashi / Yaesu / Nihonbashi	6,507,474	6,425,296	2.7%	-2.8%	1.3%	-1.5%	95,654	0	371,632	\$92.91	0.4%	\$90.76	5.3%
Shibuya	5,206,726	5,155,164	1.2%	-1.2%	1.0%	-0.9%	1,371,502	1,348,156	0	\$94.06	4.5%	\$88.15	5.2%
Toranomon / Kamiyacho	8,349,443	7,374,319	13.4%	-3.0%	11.7%	-3.0%	1,236,172	1,151,742	805,744	\$84.50	-1.2%	\$75.38	-0.7%
Roppongi	7,304,504	6,995,304	5.7%	-0.7%	4.2%	1.0%	(73,818)	0	179,546	\$83.15	-3.6%	\$73.12	-3.7%
Kasumigaseki / Uchisaiwaicho	3,540,147	3,499,131	1.5%	0.0%	1.2%	-0.2%	7,261	0	0	\$77.35	-0.4%	\$71.92	2.7%
Akasaka	3,751,263	3,412,546	10.8%	5.9%	9.0%	4.8%	187,943	385,901	1,138,666	\$76.19	1.3%	\$71.07	1.4%
Bancho / Kojimachi	2,448,487	2,448,487	2.4%	-0.8%	0.0%	-3.2%	77,796	0	223,479	\$74.67	2.1%	\$68.88	3.0%
Shimbashi / Shiodome	4,285,546	4,144,871	3.7%	-2.4%	3.3%	-1.0%	207,399	170,890	0	\$73.96	0.8%	\$69.28	5.8%
Hamamatsucho/ Onarimon	3,574,912	3,556,883	0.7%	-3.8%	0.5%	-2.1%	74,833	0	0	\$70.12	0.5%	\$64.55	1.0%
Shibaura / Kaigan	2,382,800	2,326,578	5.0%	-7.4%	2.4%	0.3%	(5,995)	0	1,480,043	\$69.24	-5.3%	\$63.76	-1.7%
Mita / Tamachi	3,602,951	3,011,659	19.7%	-14.1%	16.4%	-13.7%	937,076	634,503	530,298	\$67.43	1.1%	\$61.18	2.9%
Shinagawa Konanguchi	4,843,314	4,700,510	3.1%	-1.5%	2.9%	1.7%	(81,748)	0	1,796,957	\$66.27	0.0%	\$61.72	2.6%
Nishi-Shinjuku	3,594,696	3,513,405	8.6%	-5.0%	2.3%	-2.8%	101,006	0	0	\$64.25	2.9%	\$59.40	1.1%
Harumi / Kachidoki	3,202,177	2,489,253	23.8%	-4.3%	22.3%	9.4%	(300,965)	0	0	\$40.69	0.0%	\$37.39	6.3%
<b>Central 5 Wards</b>	<b>102,586,049</b>	<b>98,449,881</b>	<b>5.6%</b>	<b>-1.3%</b>	<b>4.0%</b>	<b>-0.5%</b>	<b>4,217,848</b>	<b>3,839,314</b>	<b>6,526,364</b>	<b>\$81.85</b>	<b>0.3%</b>	<b>\$76.31</b>	<b>2.8%</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>	2,882,983	2,766,744	37,826	0.3%	35,267	12.8%

**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 = 155.86 JPY (quarterly average)

## KEY LEASE TRANSACTIONS Q2 2024

TENANT	INDUSTRY	Relocated to	SUBMARKET	Relocated from	SUBMARKET	RSF	REASONS FOR RELOCATION
Mitsubishi HC Capital	Financial Services	TOKYO TORCH Torch Tower (Tower B)	Marunouchi / Otemachi	Shin Marunouchi Building, Nishi-Shinbashi Square	Marunouchi / Otemachi, Shimbashi / Shiodome	213,500	Consolidation
PayPay	Financial Services	Yotsuya Tower	Yotsuya / Ichigaya	Tokyo Port City Takeshiba Office Tower, Tokyo Garden Terrace Kioicho, a building in Marunouchi	Hamamatsucho / Onarimon, Bancho / Kojimachi, Marunouchi / Otemachi	177,917	Consolidation
Bank of America	Financial Services	Nihonbashi Ichome Naka Area Redevelopment Project Block C	Kyobashi / Yaesu / Nihonbashi	Nihonbashi Ichome Mitsui Building	Kyobashi / Yaesu / Nihonbashi	138,775	(Undisclosed)
Ajinomoto	Manufacturing	TODA BUILDING	Kyobashi / Yaesu / Nihonbashi	A company owned building, Sanei Building Annex	Kyobashi / Yaesu / Nihonbashi	128,100	Consolidation
Mitsui Knowledge Industry	TMT*	Minami-Aoyama Sanchoe Project	Aoyama / Omotesando	Atago Green Hills Mori Tower	Toranomon / Kamiyacho	118,848	(Undisclosed)

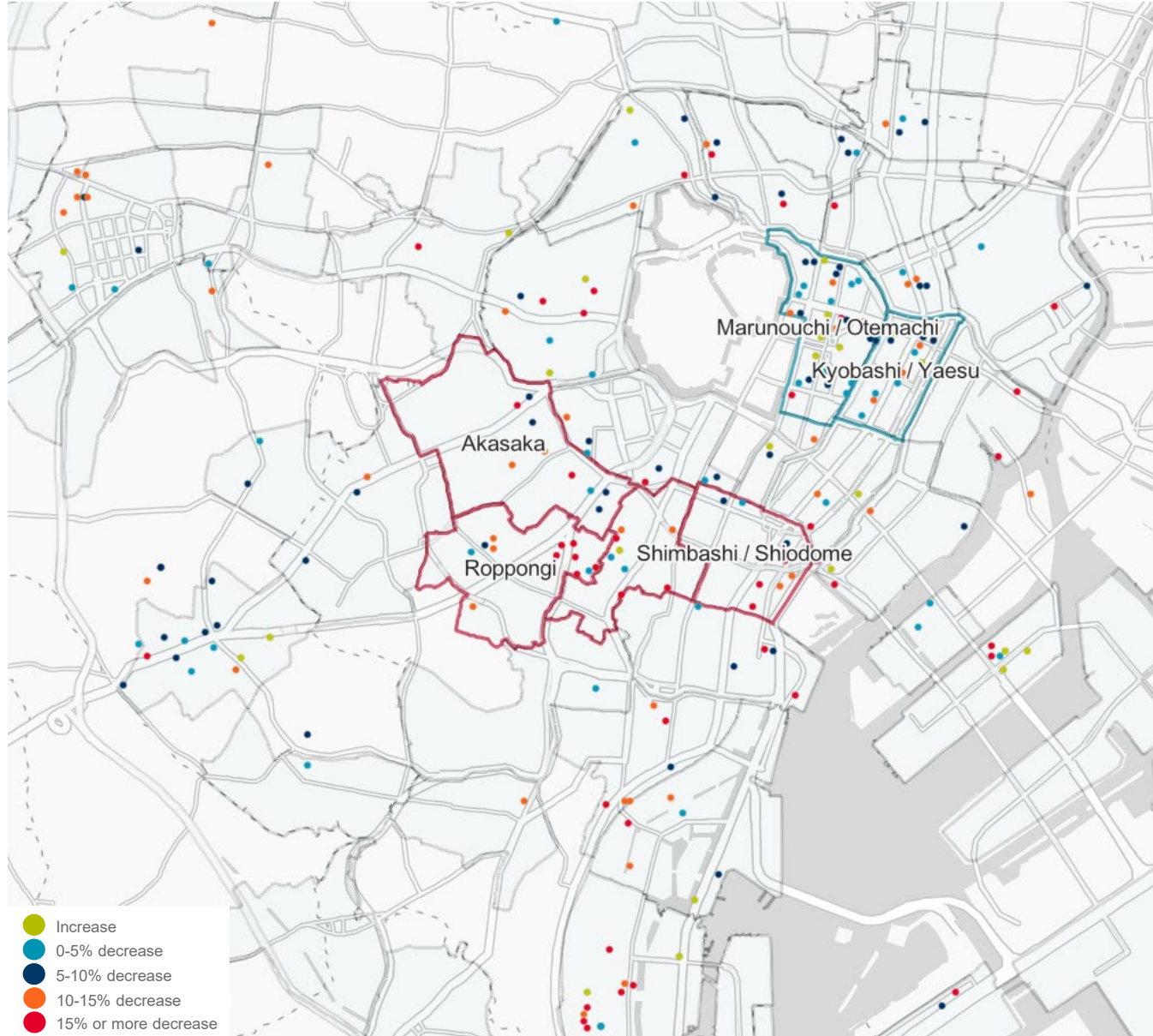
\*Telecom Media Technology (TMT) industry  
Source: Nikkei Real Estate Market Report, Cushman & Wakefield

## KEY PLANNED GRADE A OFFICE SUPPLY Q2 2024

PROPERTY	SUBMARKET	MAJOR TENANT	TYPICAL FLOOR AREA (SF)	ASSUMED GROSS FLOOR AREA (SF)	PLANNED COMPLETION	OWNER / DEVELOPER
Akasaka Trust Tower	Akasaka	-	36,473	1,512,112	2024/8/31*	Mori Trust
TODA BUILDING	Kyobashi / Yaesu / Nihonbashi	Cosmo Energy	25,656	1,020,422	2024/9/30	Toda
Toranomon Alcea Tower	Toranomon / Kamiyacho	Honda	37,505	1,156,208	2025/2/28	Nippon Steel Kowa Real Estate, Dai-ichi Life
Shibaura Ichome Project S Tower	Shibaura / Kaigan	Nomura Real Estate	55,368	2,959,356	2025/2/28	East Japan Railway, Nomura Real Estate
THE LINKPILLAR 1 NORTH	Shinagawa Konanguchi	KDDI	53,375	3,053,403	2025/3/31	East Japan Railway
THE LINKPILLAR 1 SOUTH	Shinagawa Konanguchi	Maruha Nichiro	35,583	1,899,899	2025/3/31	East Japan Railway
Tokyo Station Yaesu Ichome East B Redevelopment	Kyobashi / Yaesu / Nihonbashi	-	26,865	2,422,547	2025/7/31	Tokyo Tatemono
Meiji Yasuda Seimei Building	Nishi-Shinjuku	-	29,072	733,977	2025/11/30	Meiji Yasuda Life Insurance
Uchikanda Ichome Project	Uchikanda / Kajimachi	-	22,311	919,223	2025/12/31	Mitsubishi Estate
THE LINKPILLAR 2	Shinagawa Konanguchi	-	39,142	2,240,645	2026/1/31	East Japan Railway

\*Planned date for phase 1 completion. Phase 2 Completion is planned for October 2025.  
Source: Press releases of each company, Cushman & Wakefield

**Change in Assumed Achievable Rents by Major Existing Office Buildings, since Q4 2019**



Source: GSI, Esri, HERE, Garmin, Foursquare, GeoTechnologies, Inc, METI/NASA, USGS, Cushman & Wakefield

**The scope of market survey / Office grade definition**

	Grade: Grade A /B Office in Central 5 Wards
Surveyed	Number of Buildings: 213/334
	Net Leasable Area: 102.6 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

**CONTACT:**

**Manami Chisaki**  
 Head of Tenant Advisory Group  
 Tel: +81 3 3596 7077  
[manami.chisaki@cushwake.com](mailto:manami.chisaki@cushwake.com)

**Author:**  
**Mari Kumagai**  
 Head of Research & Consulting  
 Tel: +81 3 6625 3727  
[mari.kumagai@cushwake.com](mailto:mari.kumagai@cushwake.com)

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