

MARKETBEAT

1.56%

RENT GROWTH
(Q1 2018, YoY)

2.68%

VACANCY RATE
(Q1 2018)

1.02 msf

COMPLETIONS
(YTD rentable)

HIGHLIGHTS

CPI continues to improve

The consumer price index (CPI) continues to show positive signs as oil prices recovered. The Japanese economy also grew by 1.6% in the last quarter, making it the eighth consecutive quarter of positive growth. A tight labor market and an unemployment rate below 3.0% also continue putting upward pressure on wage growth.

Strong market conditions continue with occupiers' demand

Asking rent for Grade A office space increased 1.6% year-on-year. This uptick is statistically due to the remaining smaller space with tight vacancy rates, which is offered with higher rents than bigger spaces. Also, absorption is mainly influenced by two factors: increased expansion/relocation needs for talent acquisition, and stimulated relocation demand due to landlords of the new supply offering flexible lease conditions to their new tenants (mainly key tenants).

Market to continue strong until inflection point in the fourth quarter

Data for the office market showed a rather slow response due to strong pre-leasing activities of the new supply that does not reflect in official statistics. Considering a time lag of secondary vacancy caused by the tenant relocation into new supply showing up in the existing office stock, the impact of the supply will appear in the fourth quarter of the year.

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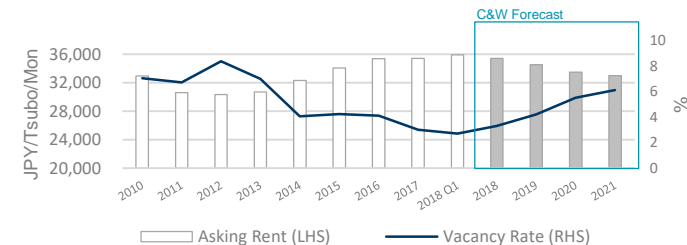
DATA
INTO
ACTION

Macroeconomic Indicators

	Q3 17	Q4 17	One Year Forecast
Real GDP Growth	2.4 %	1.6%	▲
Core CPI Growth	0.7%	0.9%	▲
Unemployment	2.8%	2.7%	▼

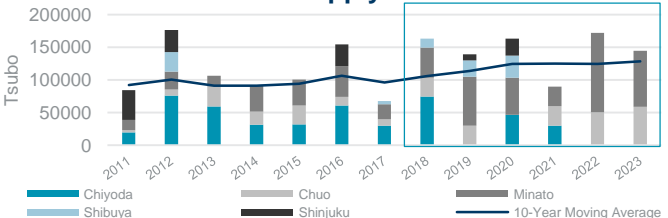
Source: Cabinet Office, Statistics Bureau. GDP growth is annualized based on the real seasonally-adjusted quarterly figure & Core CPI is YoY figure, seasonally-adjusted.

Central 5 Wards Grade A Rent vs. Vacancy



Source: Cushman & Wakefield. Each figure shows year-end figure unless specified. Grade A Office: buildings with gross floor space of above 30,000 square meters, located in the CBD 5 wards of Tokyo.

Central 5 Wards New Supply



Source: Cushman & Wakefield

TOKYO OFFICE MARKETBEAT

MARCH 2018



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MARKET	VACANCY RATE	STCOK		PLANNED & UNDER CONSTRUCTION		GRADE A ASKING RENT		
		TSUBO	SF	TSUBO	SF	JPY/SF/MO	USD/SF/MO	EUR/SF/MO
TOKYO CBD GRADE A TOTAL	2.68%	3,122,000	111,091,000	163,000	5,805,000	1,009	9.49	7.71

USD/JPY = 106.32; EUR/JPY = 130.97

Major Tenant Relocation to Grade A Office

TENANT	INDUSTRY TYPE	EXPECTED RELOCATION TIMING	INTO		FROM		EXPECTED OCCUPIED SPACE	
			BUILDING	SUBMARKET	BUILDING	SUBMARKET	TSUBO	SF
USEN-NEXT	Telecommunications	18-Sep	Meguro Central Square	Meguro	Aoyama Saint Shion Bldg.	Aoyama	2,148	76,433
Sumitomo Mitsui Trust Asset Management	Asset Management	18-Dec	Mitsui Fudosan Onarimon Tower	Onarimon	Marunouchi Eiraku Bldg. / Sumitomo Mitsui Trust Bank Shiba Bldg.	Marunouchi / Mita	3,400	120,983
Micro Focus	Software	18-Jan	Midtown Tower	Roppongi	Sumitomo Fudosan Roppongidori Bldg.	Roppongi	-	-
The Tokyo Organising Committee of the Olympic and Paralympic Games	Public	18-Mar	Harumi Island Triton Square	Harumi	N/A	N/A	10,000	355,832
Mitsui Bussan Aerospace	Trading	Spring ~Summer 18	Tekko Bldg.	Marunouchi	Shiba Park Bldg. A	Shibakoen	350	12,454

Source: Nikkei Real Estate Market Report

DATA INTO ACTION

Major Grade A Office Supply 2018

STATUS	PROPERTY	SUBMARKET	WARD	EST. NET RENTABLE		COMPLETION
				TSUBO	SF	(Inc. Expected)
Completed	Taiyo Life Nihombashi Bldg.	Nihombashi	Chuo	6,673	237,447	Jan
	Midtown Hibiya	Hibiya	Chiyoda	22,100	786,318	Feb
Under Construction	Sumitomo Fudosan Onarimon Tower	Onarimon	Minato	5,500	195,708	Apr
	msb Tamachi Station Tower S	Tamachi	Minato	23,411	833,038	May
	Nihombashi Takashimaya Mitsui Bldg.	Nihombashi	Chuo	25,600	910,929	Jun
	Otemachi 2-Chome Redevelopment A	Otemachi	Chiyoda	20,000	711,664	Aug
	Otemachi 2-Chome Redevelopment B	Otemachi	Chiyoda	30,000	1,067,495	Aug
	Shibuya Stream	Shibuya	Shibuya	13,934	495,816	Aug
	Nippon Life Hamamatsucho Crea Tower	Hamamatsucho	Minato	15,700	558,656	Aug
Marunouchi Nijubashimae Bldg.	Marunouchi	Chiyoda	21,125	751,695	Oct	

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