

# MARKETBEATS

**0.5%**

Rental growth, YoY

**2.48%**

Vacancy Rate

**101,000ts**

Planned New Supply

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NEXT

## HIGHLIGHTS

### GDP contraction to be temporary

The national economy contracted by 0.6% (the second preliminary estimate) in the first quarter of 2018, which is a dip after seeing eight consecutive quarters of positive growth. As a background, domestic demand moderated due to the higher prices of fresh produce due to unseasonable weather and sluggish apparel sales. In addition, residential investment decreased with the topping out of residential price. External demand for electronic components moderated, contributing to a slow down of exports. However, this situation is expected to improve as the latest export figures show it is recovering from April as well as the low unemployment rate indeed supporting a wage growth.

### Demand strong with rental growth restraint

The vacancy rate of Tokyo Grade A Office was 2.48% in the second quarter of 2018, which is a 1.27pp decrease in the same period of 2017 on the back of strong demand from tenants. However, rental growth is relatively restrained and has grown by only 0.5% since last year.

### Secondary vacancy more in Grade B space

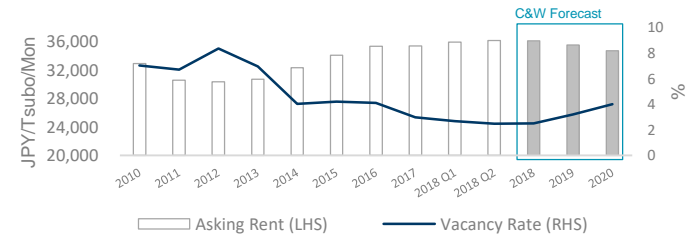
Landlords of newly completed supply are still flexible in negotiations on lease terms for key tenants. The concern over the associated secondary vacancies, however, has been eased to some extent as much of it appears to be in Grade B office spaces; secondary vacancies in Grade A space appears to have been mostly absorbed by the expansion needs of existing tenants. This is likely to be sustained in the short term. However, the influx of new office supply is still expected to gradually tilt the market in tenants favor.

### Economic Indicators (Japan)

	Q4 17	Q1 18	12 Months Forecast
Real GDP Growth	1.6%	-0.6%	▲
Core Consumer Price Index (CPI)	0.9%	0.8%	▲
Unemployment Rate	2.7%	2.5%	▼

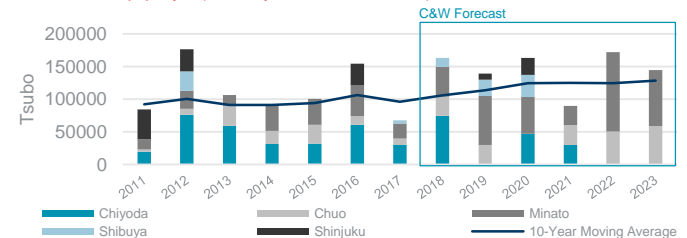
Source: Cabinet Office, Statistics Bureau. GDP growth is annualized based on the real seasonally-adjusted quarterly figure & Core CPI is YoY figure, seasonally-adjusted.

### Asking Rent & Vacancy Rate (Tokyo 5 Wards)



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.

### New Supply (Tokyo 5 Wards)



Source: Cushman & Wakefield

A Cushman & Wakefield Research Publication

DATA INTO ACTION

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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
<b>TOKYO CBD</b>								
<b>GRADE A TOTAL</b>	<b>2.48%</b>	<b>3,122,000</b>	<b>111,091,000</b>	<b>101,000</b>	<b>3,593,900</b>	<b>1,016</b>	<b>9.19</b>	<b>7.83</b>

USD/JPY = 110.59;  
EUR/JPY = 129.78

## Major Tenant Relocation to Grade A Office

TENANT	EXPECTED RELOCATION TIMING	INTO		FROM		EXPECTED OCCUPIED SPACE	
		BUILDING	SUBMARKET	BUILDING	SUBMARKET	TSUBO	SF
CyberAgent	2019 Fall - Winter	Sumitomo Fudosan Shibuya Tower/Shibuya Scramble Square East	Shibuya	Various	Shibuya	5,700/4,350	202,824/154,787
Digital Garage	Oct 2019	Shibya Udagawacho 14/15 Project	Shibuya	Digital Gate Building etc.	Ebisu	4,400	156,566
Itochu Enex	Feb 2019	Kasumigaseki Building	Kasumigaseki	Toranomon twin Building East	Toranomon	2,391	85,079
GMO Internet	2019 Fall	Dogenzaka 1-chome Project	Shibuya	Various	Shibuya	4,800	170,799
Yahoo!	Unknown	AKASAKA K-TOWER	Akasaka	-	-	1,960	69,743

## 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
	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
Under Construction	Otemachi Place West Tower	Otemachi	Chiyoda	20,000	711,664	Aug
	Otemachi Place East Tower	Otemachi	Chiyoda	30,000	1,067,495	Aug
	Nippon Life Hamamatsucho Crea Tower	Hamamatsucho	Minato	15,700	558,656	Aug
	Shibuya Stream	Shibuya	Shibuya	13,934	495,816	Sep
	Marunouchi Nijubashimae Bldg.	Marunouchi	Chiyoda	21,125	751,695	Oct

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