

### MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
<b>3.3%</b> Vacancy Rate	▼	▲
<b>3,978K</b> Annual Net Absorption, SF	▼	▲
<b>4.4%</b> Rent (YOY)	▲	▲

(\*Rent refers to the average assumed achievable rent for Grade A office buildings in Central 5 Wards, and are quoted JPY per tsubo per month unless otherwise noted.)

### ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
<b>8.4M</b> Tokyo Employment <sup>1</sup>	—	▲
<b>3.0%</b> Tokyo Unemployment Rate <sup>1</sup>	▲	—
<b>2.7%</b> Japan Unemployment Rate <sup>1</sup>	—	▼

Source: Tokyo Metropolitan Government, MIC

### ECONOMY: Tokyo's Office Employment Growth at 5Y CAGR of 1.6%

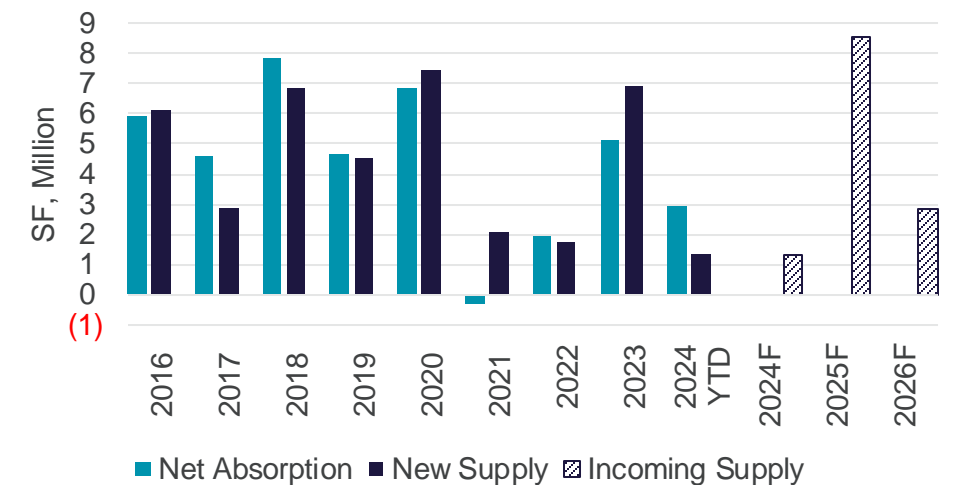
Japan's annual real GDP is expected to shrink by 0.3%<sup>2</sup> in 2024 with the Noto peninsula earthquake contributing to weak consumer spending. An improvement in real wages with a moderate consumption recovery is projected to lift the GDP growth to 1.2% in 2025. Corporate earnings remain strong. Although the aggregated ordinary income is forecast to drop 1.0% y-o-y<sup>3</sup> for the fiscal year ending March 2025, this is still around 30% above the 10-year historical average<sup>4</sup>. Positively, Tokyo's employment continues to expand with CAGR of 0.7% from Q2 2019 to Q2 2024, outpacing the corresponding national employment CAGR of 0.1%. Total office-using employment has expanded by 60K over the past five years, at CAGR of 1.6%<sup>5</sup>. By industry, the technology sector has led employment growth, adding headcount of 45K, at CAGR of 5.5%<sup>6</sup> since Q4 2019. Fading impacts of remote working also mean recovering demand for additional office space.

### SUPPLY/DEMAND: Demand Exceeding Limited Supply

The Tokyo Central 5 Wards Grade A office annual net absorption was at 3,978 ksf, down 16.6% y-o-y due to lower supply. However, the availability rate declined by 2.4pp y-o-y to 4.7%, and the vacancy rate by 1.8pp y-o-y to 3.3%, during Q3 2024. The net addition of vacant stock from deliveries after 2023 was less than the consensus estimate. Relocations into newly completed buildings has been slow, while office expansion from existing tenants has led to withdrawal of some vacant stock. Major tenants are seeking office upgrades. In Q3 2024, large relocations of 1,000 tsubo or more tend to be from owner-occupied buildings or buildings below Grade B to newly constructed Grade A buildings. Elsewhere, smaller relocations of less than 1,000 tsubo tend to enable their business expansion.

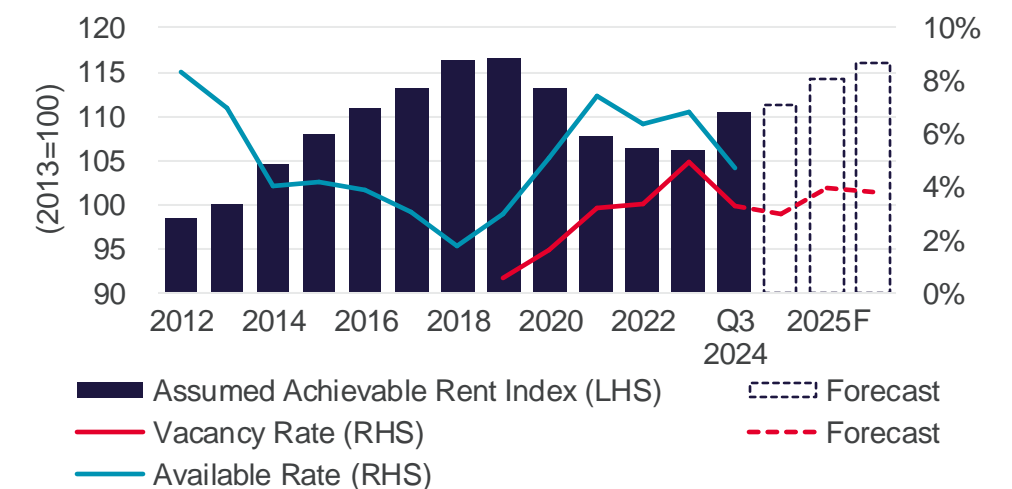
The quarter-end pre-commitment level is estimated at 83.0% for newly completed buildings (NLA: 2.3 msf) and at 73.4% for incoming supply within the next twelve months (NLA: 6.2 msf).

### NET ABSORPTION/ INCOMING SUPPLY

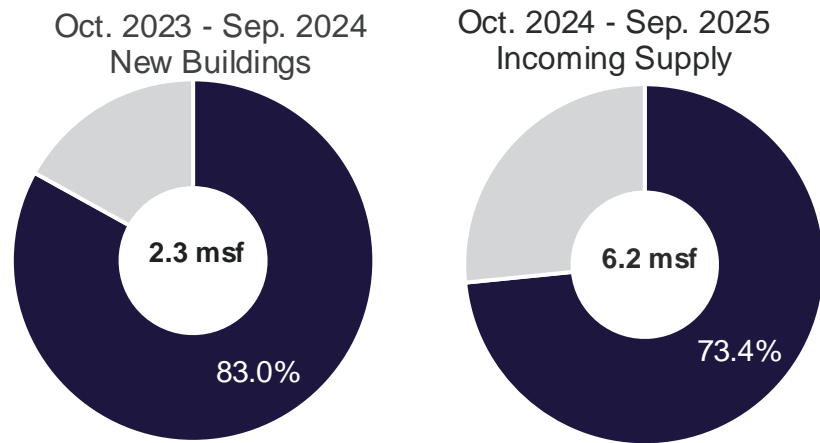


Source: Commercial Property Research Institute, Cushman & Wakefield

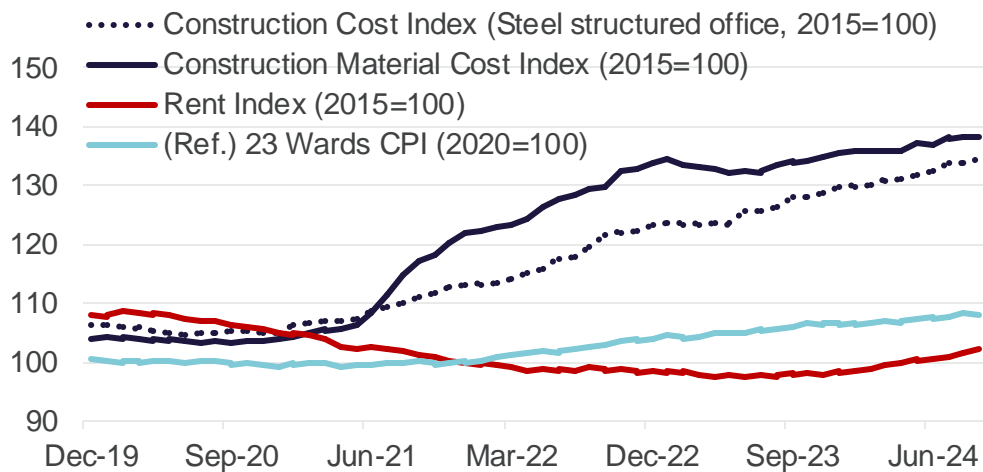
### VACANCY & RENT INDEX



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

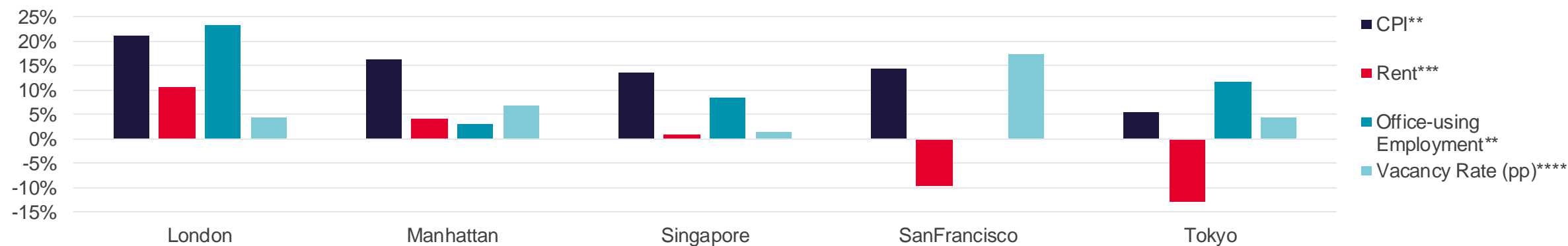


**TOKYO: CONSTRUCTION COST INDEX**



Source: Construction Research Institute, MIC

**CPI AND RENT BY GLOBAL CITIES\*: CUMULATIVE CHANGE RATE BEFORE AND AFTER THE COVID-19 (2019-2023)**



\*Areas and buildings in each city comparable to Grade A offices in Tokyo Central 5 Wards,

\*\*For the smallest unit including the areas except CPI for London, which is for the entire nation, \*\*\*Effective rents except for Manhattan (asking rent), \*\*\*\*Direct vacancy rate

Source: Moody's Analytics, Cushman & Wakefield

Although with some fully committed buildings already exist, the performance by building remains mixed; Some landlords choose to pursue higher rents rather than achieving the full occupancy.

**Tokyo's Recovery Of Pre-covid Rent Well Behind Global Cities**

The Tokyo C5W Grade A average assumed achievable rent climbed 4.4% y-o-y in Q3 2024 to ¥35,838, outpacing the corresponding growth in the asking rent. Rising occupancy, coupled with rising asking rents at incoming buildings to offset incremental construction costs. This has exerted upwards pressure on overall Grade A offices rents Even submarkets with high vacancy rates have seen rent growth.

More landlords choose to achieve higher contracted rent by offering flexible terms to tenants. This includes extending the free rent period, reducing the upfront payment required, or increasing tenant improvement allowance for incoming tenants.

In our view, the recovery in the rent has just begun and significantly behind other global cities. In major cities other than Tokyo, the rents are rising in response to the higher growth rate of the consumer price index. In London, although the vacancy rate has risen to the same level as in Tokyo, landlords are actively raising asking rents. In Manhattan and Singapore, rents have exceeded pre-COVID-19 levels, albeit by a small margin. On the other hand, the effective rent for Tokyo C5W Grade A offices remains 8.9% lower in Q3 2024 than in Q4 2019. Tokyo's recovery to the Pre-COVID rental pricing remains slow and is yet to be completed over the next 18 months and beyond.

**OUTLOOK**

• **Expect a slight increase of vacancy from 2025:** We expect Tokyo C5W Grade A office vacancy to trail around 3% in 2024, followed by a slight and temporary rise to above 4% in 2025, as the high commitment rate for incoming supply and low overall vacancy balanced with incoming supply expected to double. With limited supply, the vacancy rate will go below 4% again in 2026.

• **Expect nominal rent to tick up slightly:** Over the next two years, most submarkets are projected to experience rental growth at CAGR of 3%. As various costs, including construction costs, remain high, we expect that cost-push-type increases in the rent will continue to occur in highly competitive submarkets. We also expect rental growth at CAGR of 1% in areas where supply and demand have eased due to new supply.

<sup>1</sup> Tokyo Metropolitan Government, MIC. Average for Q2 2024  
<sup>2</sup> Mizuho Research & Technologies  
<sup>3</sup> Business Outlook Survey by Ministry of Finance as of Q3 2024. The figures are for "Corporations with a capital of ¥1 billion or over" of "All industries" excluding financial/ insurance services.  
<sup>4</sup> Financial Statements Statistics of Corporations by Ministry of Finance as of Q3 2024. The figures are for "Corporations with a capital of ¥1 billion or over" of "All industries" excluding financial/ insurance services.  
<sup>5</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>6</sup> Non-seasonally adjusted figures from April to June 2024

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		AVG ASSUMED ACHIEVABLE RENT IN USD	
				YOY		YOY				(PSF/Yr)	YOY	(PSF/Yr)	YOY
Marunouchi / Otemachi	20,886,899	20,552,156	3.1%	-0.6%	1.6%	-0.5%	103,638	0	0	\$110.37	3.7%	\$105.49	6.8%
Kyobashi / Yaesu / Nihonbashi	6,879,213	6,713,576	2.7%	-1.9%	2.4%	-0.7%	406,304	371,632	0	\$99.57	4.1%	\$95.45	6.0%
Shibuya	5,206,726	5,174,242	1.0%	0.0%	0.6%	-0.1%	1,171,841	1,176,384	0	\$98.07	4.5%	\$91.92	5.1%
Toranomon / Kamiyacho	8,349,443	7,485,115	11.7%	-5.5%	10.4%	-4.9%	409,415	0	805,744	\$89.28	-1.7%	\$81.08	1.9%
Roppongi	7,304,504	7,111,906	4.0%	-1.4%	2.6%	-0.8%	61,064	0	179,546	\$90.03	-0.8%	\$79.02	-0.9%
Kasumigaseki / Uchisaiwaicho	3,540,147	3,499,131	1.4%	0.0%	1.2%	-0.2%	5,450	0	0	\$81.71	1.0%	\$76.59	4.9%
Akasaka	3,751,263	3,425,250	10.9%	6.4%	8.7%	4.7%	192,823	385,901	1,138,666	\$79.90	2.4%	\$74.63	3.2%
Shimbashi / Shiodome	4,285,546	4,152,144	3.4%	-2.8%	3.1%	-1.2%	216,844	170,890	0	\$78.92	2.9%	\$73.68	7.2%
Bancho / Kojimachi	2,448,487	2,434,963	2.4%	0.1%	0.6%	-1.8%	44,303	0	223,479	\$77.85	2.1%	\$71.82	3.2%
Shibaura / Kaigan	2,382,800	2,345,885	4.0%	-6.5%	1.5%	-4.4%	105,693	0	1,480,043	\$72.20	0.0%	\$69.18	2.6%
Hamamatsucho/ Onarimon	3,574,912	3,556,883	1.3%	-3.0%	0.5%	-3.6%	129,011	0	0	\$73.11	0.0%	\$67.63	1.2%
Mita / Tamachi	3,602,951	3,363,019	9.1%	-15.1%	6.7%	-17.2%	620,187	0	530,298	\$72.57	2.9%	\$65.24	2.8%
Shinagawa Konanguchi	4,843,314	4,700,510	3.0%	-4.4%	2.9%	1.7%	-83,235	0	1,796,957	\$69.10	0.0%	\$64.35	2.2%
Nishi-Shinjuku	3,593,984	3,535,314	7.9%	-5.2%	1.6%	-3.9%	139,598	0	0	\$67.40	3.6%	\$63.15	3.1%
Harumi / Kachidoki	3,203,173	2,573,801	21.4%	-7.0%	19.6%	-7.1%	227,854	0	0	\$42.42	0.0%	\$38.67	5.5%
<b>Central 5 Wards</b>	<b>102,957,859</b>	<b>99,540,705</b>	<b>4.7%</b>	<b>-2.4%</b>	<b>3.3%</b>	<b>-1.8%</b>	<b>3,977,501</b>	<b>2,252,929</b>	<b>6,154,732</b>	<b>\$86.64</b>	<b>2.3%</b>	<b>\$80.85</b>	<b>4.4%</b>

(Local unit/currency)

Central 5 Wards	NET LEASABLE AREA (Tsubo)	OCCUPIED SPACE (Tsubo)	AVG ASKING RENT IN JPY (Tsubo/Mo) Y-O-Y		AVG ASSUMED ACHIEVABLE RENT IN JPY (Tsubo/Mo) Y-O-Y	
		2,893,432	2,797,399	38,404	2.3%	35,838

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: 1 USD = 149.48 JPY (quarterly average)

KEY LEASE TRANSACTIONS Q3 2024

TENANT	INDUSTRY	Relocated to	SUBMARKET	Relocated from	SUBMARKET	RSF	REASONS FOR RELOCATION
Square Enix Group	TMT*	Shibuya Sakura Stage SHIBUYA Tower	Shibuya	(Newly opened)	Marunouchi / Otemachi, Aoyama / Omotesando	288,225	Location Strategy
Kobe Steel Group	Manufacturing	THE LINKPILLAR 2	Shinagawa Konanguchi	incl. ON Bldg, Sumitomofudosan Osaki Garden Tower	Osaki / Gotanda	195,708	Upgrade
Megmilk Snow Brand	Manufacturing	Toranomon Alcea Tower	Toranomon / Kamiyacho	(owner occupied building)	Yotsuya / Ichigaya	112,443	Location Strategy
Mitsubishi Jisho Design	Professional Services	Otemachi Gate Building	Uchikanda	Marunouchi Nichome Bldg	Marunouchi / Otemachi	110,308	Upgrade
United Arrows	Manufacturing	Hulic Shogi Kaikan Sendagaya Bldg	Sendagaya	Nihon Seimei Akasaka Bldg	Akasaka	88,958	Upgrade

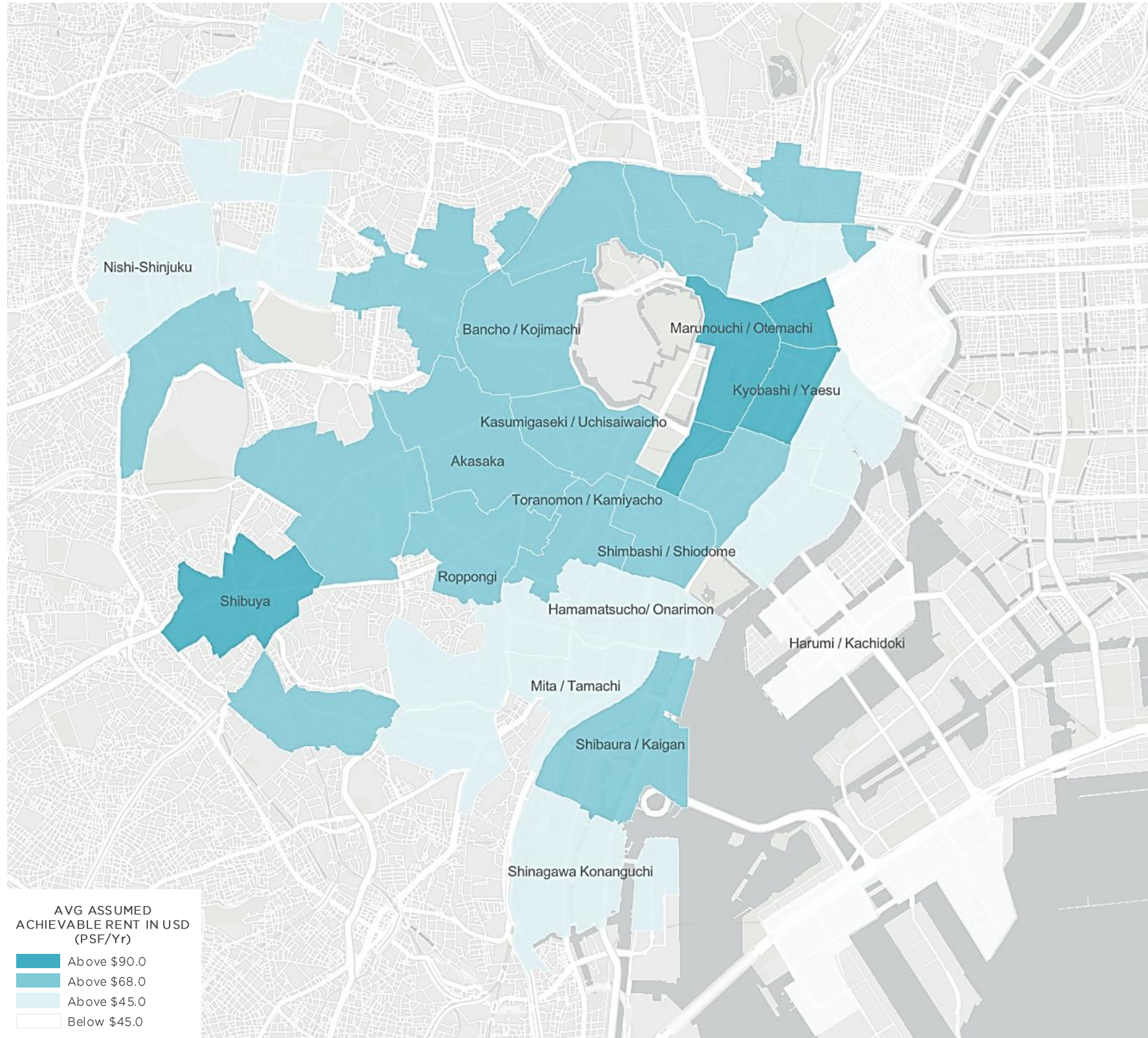
\*Telecom Media Technology (TMT) industry  
Source: Nikkei Real Estate Market Report, Cushman & Wakefield

KEY PLANNED GRADE A OFFICE SUPPLY Q3 2024

PROPERTY	SUBMARKET	MAJOR TENANT	TYPICAL FLOOR AREA (SF)	ASSUMED GROSS FLOOR AREA (SF)	PLANNED COMPLETION	OWNER / DEVELOPER
Toranomon Alcea Tower	Toranomon / Kamiyacho	Honda Motor, Megmilk Snow Brand	37,522	1,156,208	Feb-25	Nippon Steel Kowa Real Estate / Daichi Life Insurance
Blue Front Shibaura 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	Maruha Nichiro	35,583	1,899,897	Mar-25	East Japan Railway
Meiji Yasuda Seimei Shinjuku Bldg	Nishi-Shinjuku	-	26,865	2,422,558	Nov-25	Meiji Yasuda Life Insurance
Otemachi Gate Bldg.	Uchikanda	Mitsubishi Jisho Design	29,072	733,993	Jan-26	Mitsubishi Estate
THE LINKPILLAR 2	Shinagawa Konanguchi	Kobe Steel Group	22,327	919,237	Jan-26	East Japan Railway
Tokyo Station Yaesu 1-chome East B District Redevelopment	Kyobashi / Yaesu / Nihonbashi	-	39,142	2,240,659	Feb-26	Tokyo Tatemono
Nihonbashi 1-chome Central District Redevelopment Block C	Kyobashi / Yaesu / Nihonbashi	Bank of America	48,820	1,879,887	Mar-26	Mitsui Fudosan / Nomura Real Estate Development
Iidabashi Station East Dist Redevelopment	Iidabashi / Kudan	-	-	491,910	Nov-26	Shimizu / Mitsubishi Estate Residence / Mitsubishi Estate

Source: Press releases from Owner / Developer, Cushman & Wakefield

2024 3Q : RENT PRICING BY MAJOR SUBMARKET



Source: OpenStreetMap contributors, Microsoft, Facebook and its affiliates, Esri Community Maps contributors, Esri

The scope of market survey / Office grade definition

	<b>Grade:</b> Grade A/B Office in Central 5 Wards	
<b>Surveyed</b>	<b>Number of Buildings:</b> 214/335	
	<b>Net Leasable Area:</b> 103.0 msf / 53.0 msf	
<b>Office Grade</b>	<b>Grade A</b>	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
	<b>Grade B</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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