

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
2.3% Vacancy Rate	▼	▲
3,980K Annual Net Absorption, SF	▼	▲
5.2% 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
8.6M Tokyo Employment ¹	▲	▲
2.4% Tokyo Unemployment Rate ¹	▼	—
2.7% Japan Unemployment Rate ¹	▼	—

Source: Tokyo Metropolitan Government, MIC

ECONOMY: Tokyo’s Office Employment Growth at 5Y CAGR of 1.2%

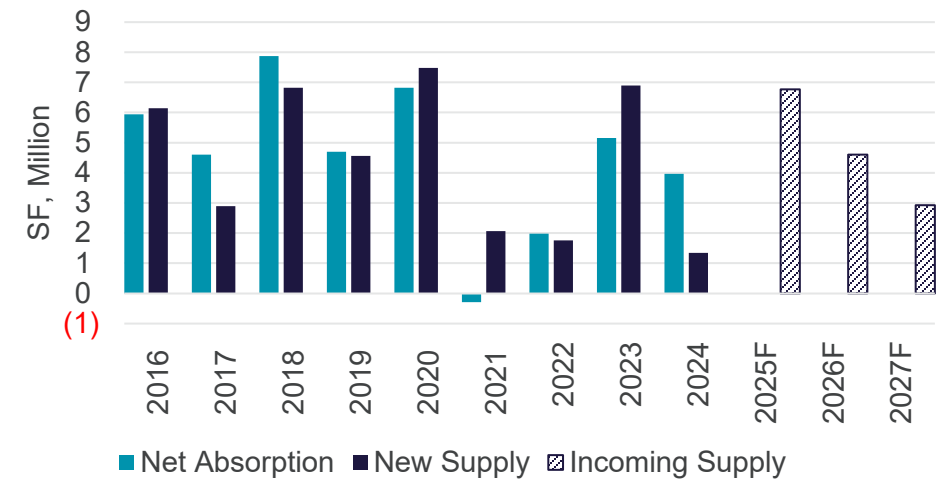
Japan’s annual real GDP is expected to shrink by 0.2%² in 2024 with the Noto peninsula earthquake contributing to weak consumer spending. An improvement in real wages with a modest consumption recovery is projected to lift GDP growth to 1.2%² in 2025. Corporate earnings remain strong. The aggregated ordinary income is forecast to increase 4.9% y-o-y³ for the fiscal year ending March 2025, around 30% above the 10-year historical average⁴. Positively, Tokyo’s employment continues to expand with CAGR of 1.0% from Q2 2019 to Q2 2024, outpacing the corresponding national employment CAGR of 0.2%. Total office-using employment has expanded by 40K, at CAGR of 1.2%⁵, over the past five years. By industry, the technology sector has led employment growth, adding headcount of 20K, at CAGR of 2.8%⁶ since Q3 2019. Fading impacts of remote working also mean recovering demand from occupiers seeking additional office space.

SUPPLY/DEMAND: Stable Demand Continues to Reduce Vacancies

The Tokyo Central 5 Wards Grade A office annual net absorption was at 3,980 ksf, down 19.3% y-o-y due to lower supply. However, the availability rate declined by 3.1pp y-o-y to 3.8%, and the vacancy rate by 2.6pp y-o-y to 2.3%, during Q4 2024. The submarkets with the greatest fall in vacancy were Mita/Tamachi (5.7%, down 17.1pp y-o-y) and Toranomom-Kamiyacho (2.2%, down 13.3 pp y-o-y), with remaining vacancies from deliveries in 2023. Among the 35 submarkets, 11 submarkets, including Shibuya, reported an availability rate of less than 1%.

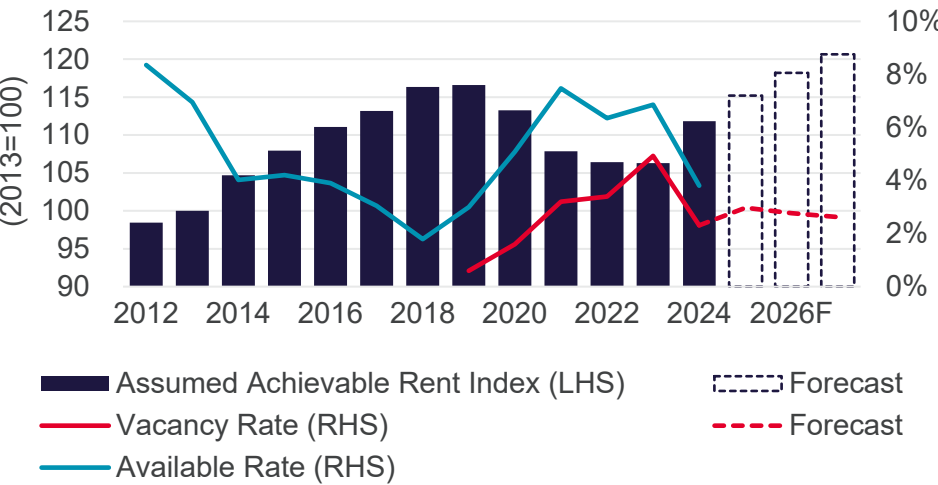
Leading signals suggest few large-scale vacancies ahead with the quarter-end pre-commitment level at 91.3% for newly completed buildings (NLA: 1.3 msf) and at 66.6% for incoming supply within the next twelve months (NLA: 6.8 msf). With rising relocation costs, existing tenants are tending to secure additional office space within the same buildings in advance. With stronger demand than expected, the net addition of vacant stock from deliveries after 2023 was lower than the consensus estimate, leading to vacancy falling below 3.0%.

NET ABSORPTION/ INCOMING SUPPLY



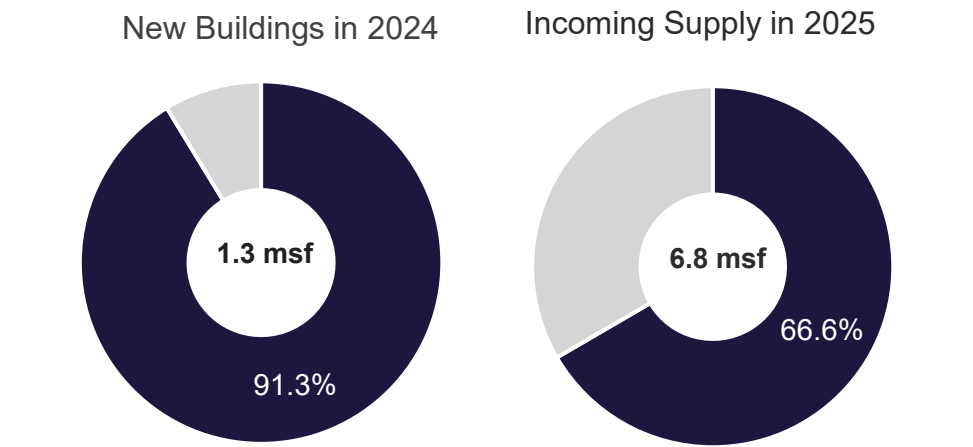
Source: Commercial Property Research Institute

VACANCY & RENT INDEX

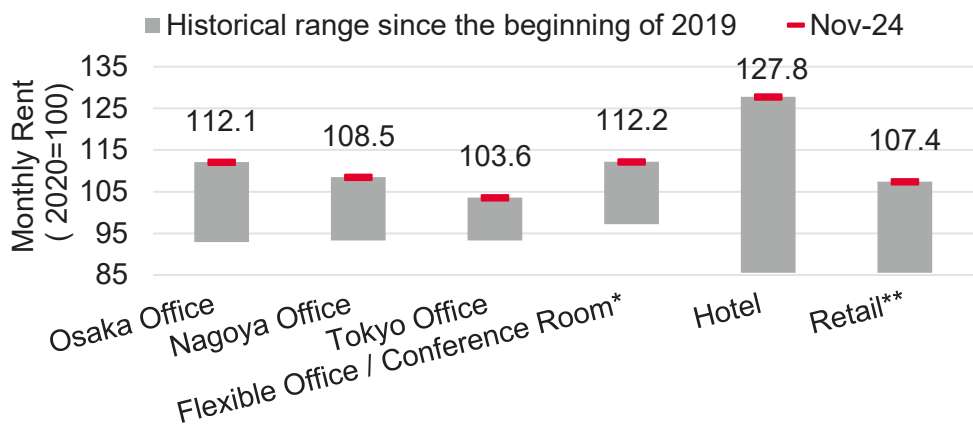


¹ Tokyo Metropolitan Government, MIC. Average for Q3 2024
² Median of forecasted figures from institutions including Moody’s Analytics.
³ Business Outlook Survey by Ministry of Finance as of Q4 2024. The figures are for “Corporations with a capital of ¥1 billion or over” of “All industries” excluding financial/ insurance services.
⁴ Financial Statements Statistics of Corporations by Ministry of Finance as of Q4 2024. The figures are for “Corporations with a capital of ¥1 billion or over” of “All industries” excluding financial/ insurance services.
⁵ 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).
⁶ Non-seasonally adjusted figures from July to September 2024

PRE-COMMITMENT % OF NEW BUILDINGS AND
INCOMING SUPPLY



COMPARING RENT GROWTH BY USE SINCE 2019



*Available from January 2020, **Available from November 2019
Source: Bank of Japan "Services Producer Price Index (SPPI) (2020 base)"

Rising Construction Costs to Lift Asking Rent for Incoming Supply

The Tokyo C5W Grade A average assumed achievable rent climbed 5.2% y-o-y in Q4 2024 to ¥36,292, outpacing the corresponding growth in the asking rent. In addition to rising occupancy rates, construction costs have increased by a cumulative 28% since 2019. Increased costs are lifting asking rents on incoming supply, lifting the overall rent level in the Grade A office market. By submarket, strong growth of assumed achievable rent was reported in Shinbashi/Shiodome (8.9%) and Nishi-Shinjuku (7.4%), rebounding from the 16% rent decline reported during the COVID-19 period. Otemachi/Marunouchi (8.4%) has also retained the top rent level while maintaining rent growth.

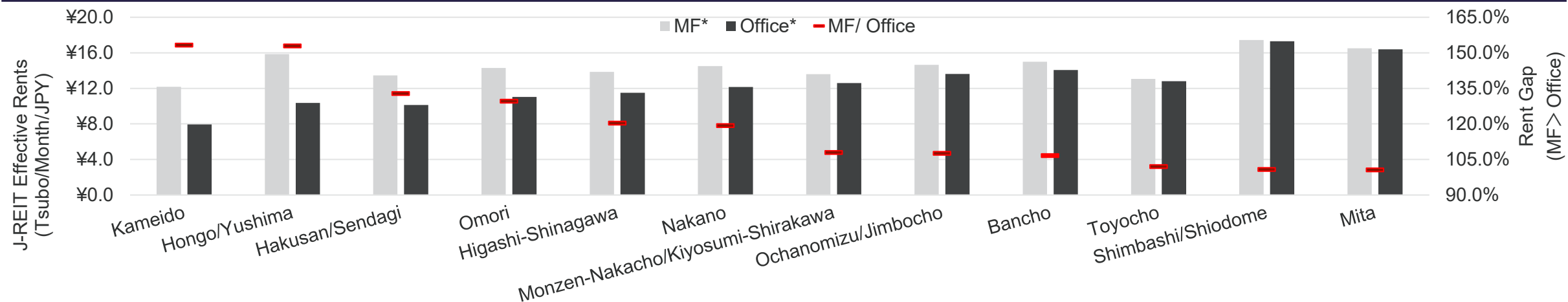
Increasing Economic Benefits of Repurposing Office Stock

According to the BoJ's monthly survey², rent growth for hotels, retail stores, and conference room / flexible offices has outpaced the corresponding growth of office rent in Tokyo (+3.6%), Osaka (+12.1%), and Nagoya (+8.5%) since the beginning of 2019. Faster rent growth of urban multi-family assets is also evident, especially in popular mixed-use areas in central districts. Beyond bay areas, former industrial zone districts (Higashi-Shinagawa, Toyochō), popular school districts in the fringe area (Hakusan, Sendagi, Hongo, Yushima), or central area with low office concentration (Bancho, Ochanomizu), together with popular luxury rental housing districts (Mita, Shimbashi, Shiodome), reported stronger rental growth in multi-family assets. Please refer to the areas highlighted in red on the map on page five.

OUTLOOK

- **Expect the vacancy rate at below 3%:** We expect Tokyo C5W Grade A office vacancy to track below 3%, followed by a temporary uptick above 3% in 2025, with projected Tokyo office-related employment growth at CAGR of 1%¹ over the next two years. Expect more tenants to seek relocations into higher-grade offices from owner-occupied buildings.
- **Expect nominal rent growth:** Over the next two years, we expect rental growth at CAGR of 4% in most submarkets with vacancy rates below 2%. With the corresponding inflation to be around 2%*, we expect 2% rental growth in a few submarkets experiencing incoming supply.
- **Increasing likelihood of repurposing less-competitive offices:** Faster rent growth in residential and data center assets, relative to office rent, is likely to accelerate reduction of obsolete office stock through repurposing to alternative uses.

TOKYO 23 WARDS : COMPARING RENT PRICING BY USE / MULTI-FAMILY AGAINST OFFICE PROPERTIES



*1,191 Multi Family assets, 687 Office assets located in Tokyo under the survey
Source: The latest quarterly disclosure of all holdings under listed J-REIT as of January 13, 2025

¹ Median of forecasted figures from institutions including Moody's Analytics.
² Bank of Japan "Services Producer Price Index (SPPI) (2020 base)" as of December 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	20,594,482	2.8%	-0.4%	1.4%	-1.0%	208,869	0	0	\$109.27	4.7%	\$104.98	8.4%
Kyobashi / Yaesu / Nihonbashi	6,879,213	6,714,112	3.0%	-1.5%	2.4%	-0.3%	382,236	371,632	0	\$100.25	6.8%	\$94.61	6.1%
Shibuya	5,206,726	5,201,520	0.9%	-1.0%	0.1%	-1.4%	337,425	268,559	0	\$97.14	1.8%	\$91.76	1.8%
Toranomon / Kamiyacho	8,349,443	8,165,756	3.8%	-14.8%	2.2%	-13.3%	1,110,476	0	805,744	\$87.74	-1.6%	\$79.41	2.3%
Roppongi	7,304,504	7,114,587	3.0%	-3.0%	2.6%	-1.7%	124,177	0	236,882	\$90.14	2.3%	\$78.57	2.0%
Kasumigaseki / Uchisaiwaicho	3,540,147	3,533,067	0.6%	-0.6%	0.2%	-0.8%	28,321	0	0	\$80.19	1.0%	\$74.77	4.3%
Akasaka	3,751,263	3,409,898	14.6%	11.5%	9.1%	6.6%	128,670	385,901	1,138,666	\$78.19	1.5%	\$73.99	2.9%
Shimbashi / Shiodome	4,285,546	4,225,548	1.9%	-2.8%	1.4%	-2.8%	283,707	170,890	0	\$77.45	2.9%	\$73.49	8.9%
Bancho / Kojimachi	2,448,487	2,433,796	2.4%	0.5%	0.6%	0.6%	-14,691	0	223,479	\$76.41	0.0%	\$70.99	0.5%
Shibaura / Kaigan	2,382,800	2,356,589	4.3%	-4.9%	1.1%	-6.2%	147,734	0	1,480,043	\$74.24	4.8%	\$69.76	5.4%
Hamamatsucho/ Onarimon	3,574,912	3,557,037	1.1%	0.5%	0.5%	0.0%	0	0	0	\$72.74	1.4%	\$67.03	3.0%
Mita / Tamachi	3,602,951	3,397,583	8.2%	-21.2%	5.7%	-17.1%	616,105	0	530,298	\$71.22	2.9%	\$66.42	6.4%
Nishi-Shinjuku	3,593,984	3,532,887	6.6%	-5.6%	1.7%	-2.8%	100,632	0	551,541	\$67.90	5.9%	\$64.80	7.4%
Shinagawa Konanguchi	4,843,314	4,727,075	2.5%	-2.8%	2.4%	-0.6%	29,060	0	1,796,957	\$67.81	0.0%	\$63.16	2.2%
Harumi / Kachidoki	3,203,173	2,626,602	19.7%	-7.1%	18.0%	-7.1%	227,425	0	0	\$41.64	0.0%	\$37.96	4.2%
Central 5 Wards	102,957,859	100,571,123	3.8%	-3.1%	2.3%	-2.6%	3,980,365	1,345,103	6,763,609	\$85.90	3.0%	\$80.35	5.2%

(Local unit/currency)

	NET LEASABLE AREA (Tsubo)	OCCUPIED SPACE (Tsubo)	AVG ASKING RENT IN JPY		AVG ASSUMED ACHIEVABLE RENT IN JPY	
			(Tsubo/Mo)	Y-O-Y	(Tsubo/Mo)	Y-O-Y
Central 5 Wards	2,893,432	2,826,357	38,795	3.0%	36,292	5.2%

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 = 152.31 JPY (quarterly average)

KEY LEASE TRANSACTIONS Q4 2024

TENANT	INDUSTRY	Relocated to	SUBMARKET	Relocated from	SUBMARKET	RSF	REASONS FOR RELOCATION
Jupiter Telecommunications Co., Ltd	TMT	Toranomon Hills Business Tower	Toranomon / Kamiyacho	Marunouchi Trust Tower N	Marunouchi / Otemachi	128,100	Upgrade
Fujitsu	Manufacturing	Hamamatsucho Exsage Building	Hamamatsucho/ Onarimon	(Unknown)	(Unknown)	127,851	Unknown
Leverages Co., Ltd.	Professional Services	Shibuya Kin-O Tower	Shibuya	(Newly opened)	-	125,766	Expansion
Canon IT Solutions Inc.	TMT	IS Bldg	Kita-Shinagawa / Higashi-Shinagawa	(Unknown)	(Unknown)	92,517	Expansion
Delta Electronics, Inc.	Manufacturing	suito Shibaura	Shibaura / Kaigan	(Unknown)	(Unknown)	83,765	Unknown

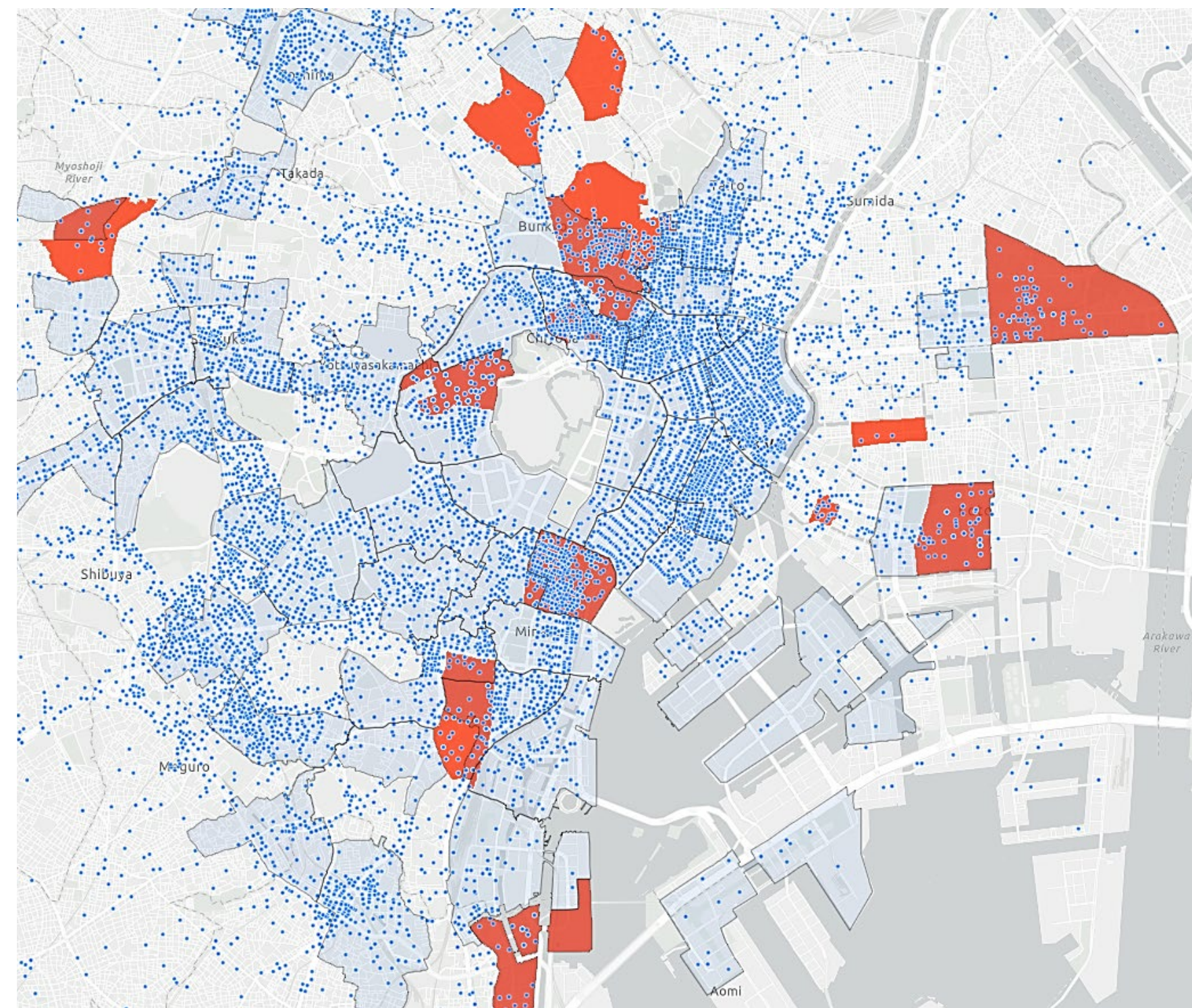
**Telecom Media Technology (TMT) industry
Source: Nikkei Real Estate Market Report*

KEY PLANNED GRADE A OFFICE SUPPLY Q4 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, Mizuho Leasing	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	HENNGE	48,820	1,879,887	Nov-25	Meiji Yasuda Life Insurance
Otemachi Gate Bldg.	Shinagawa Konanguchi	Mitsuibishi Jisho Design	29,072	733,993	Jan-26	Mitsubishi Estate
THE LINKPILLAR 2	Kyobashi / Yaesu / Nihonbashi	Kobe Steel Group	39,142	2,240,659	Feb-26	East Japan Railway
Tokyo Station Yaesu 1-chome East B District Redevelopment	Kyobashi / Yaesu / Nihonbashi	-	26,865	2,422,558	Mar-26	Tokyo Tatemono
Nihonbashi 1-chome Central District Redevelopment Block C	Uchikanda	Bank of America, JERA	22,327	919,237	Jul-26	Mitsui Fudosan / Nomura Real Estate Development
World Trade Center Main Building	Hamamatsucho/ Onarimon	-	30,175	2,238,471	Mar-27	World Trade Center Building

Source: Press releases from Owner / Developer

COMPARING RENT PER TSUBO BY USAGE / OFFICE CONCENTRATION
(AREA IN RED: MULTI-FAMILY > OFFICE RENT FOR J-REIT HOLDINGS)



Source: Latest publicly disclosed financial statements of J-REIT as of the end of Q4 2024, MIC, National Land Information Division, National Spatial Planning and Regional Policy Bureau, MLIT, ESRI

The scope of market survey / Office grade definition

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