

MARKET FUNDAMENTALS

	YOY Chg	Outlook
¥500,000 Ginza Prime Top Rent	<div></div>	<div></div>
-2.0% Household Income, Real	<div></div>	<div></div>
2.9% Annual Retail Sales Growth (Nominal)	<div></div>	<div></div>

ECONOMIC INDICATORS

	YOY Chg	Outlook
-2.1% Real GDP Growth (Annualized, SAAR) <sup>1</sup>	<div></div>	<div></div>
3.2% Core CPI Growth (YOY)	<div></div>	<div></div>
2.4% Unemployment Rate Seasonally Adjusted	<div></div>	<div></div>

Source: MIC, METI  
1. Mizuho Research & Technologies  
2. Median of forecasted figures from institutions including Moody's Analytics.  
3. Cabinet Office  
4. Japan Department Store Association

ECONOMY: ELEVATED INFLATION WEIGHS ON CONSUMPTION

Japan's real GDP is expected to decline in Q1 2025, mainly due to increased imports as contrasted to a decline in the previous quarter<sup>1</sup>. Although nominal wages are forecast to rise by 3% in 2025<sup>2</sup>, the Consumer Demand Index continued to deteriorate for the fourth consecutive month, reaching a two-year low of 34.1 in March<sup>3</sup> due to elevated inflation. Despite an annual increase in nominal retail sales in Q1 2025, the growth lagged behind the core CPI. Drugstores recorded the highest growth among sales channels at 5.7% y-o-y. Department store sales fell slightly at 0.4% y-o-y, largely due to a sustained drop in duty-free sales, reflecting weaker demand from foreign tourists, marking a 10.7% y-o-y decline in March<sup>4</sup>.

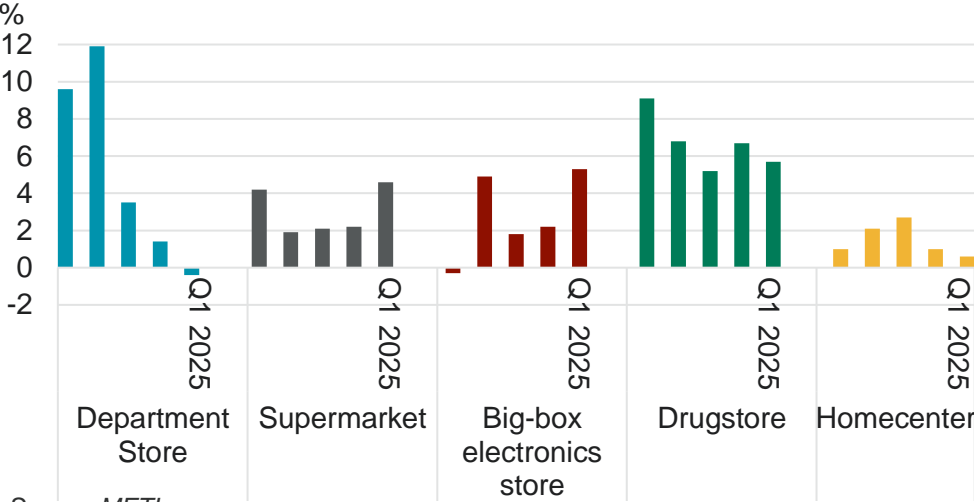
RENT: PRIME RENTS GROWTH ACCELERATE

The average prime retail rental level surged in Q1, driven by a rise in bottom rents across key submarkets. Shibuya led with a 25% increase in bottom rents q-o-q, followed by a 20% jump in Harajuku/Omotesando and an 11% gain in Sakae. This growth reflects strong demand for relatively affordable retail space, as prime space remains scarce and top rents hold firm. Demand is spilling over into surrounding areas, driving both top and bottom rents to climb in adjacent districts, with Shinjuku notably seeing an expansion of its prime area. Additionally, redevelopment projects such as One Fukuoka Building in Tenjin (April 2025) have expanded the boundaries of prime areas.

OUTLOOK

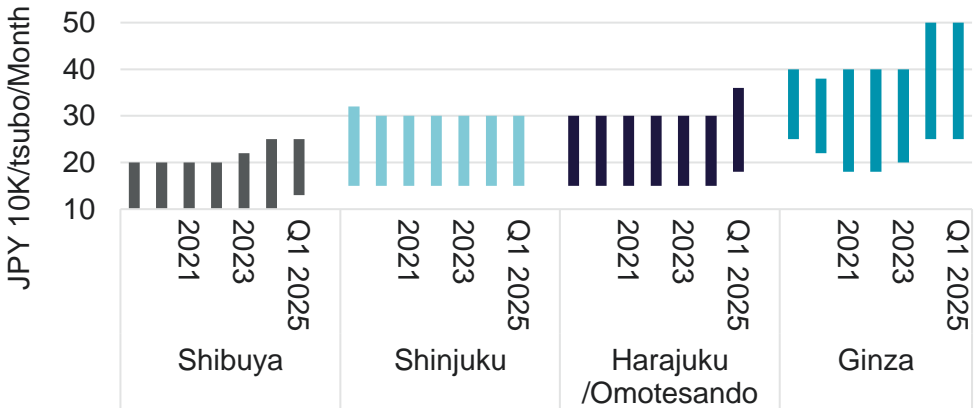
The recent appreciation of the Japanese yen is expected to further suppress high-end consumption by foreign visitors. Even global luxury brands, historically drivers of top rents in prime retail areas, are now slowing expansion plans. As a result, we expect top rents in prime locations to remain flat. Prime retail space remains scarce, and major domestic apparel brands are beginning to accept higher rents, following the lead of overseas players. This shift is expected to push up bottom rents, driving an increase in average prime rents. Additionally, multiple redevelopment projects, such as those planned for Tenjin in Fukuoka and Sakae in Nagoya, are expanding the boundaries of prime retail areas.

Annual Growth of Retail Sales from Q1 2024, Quarterly

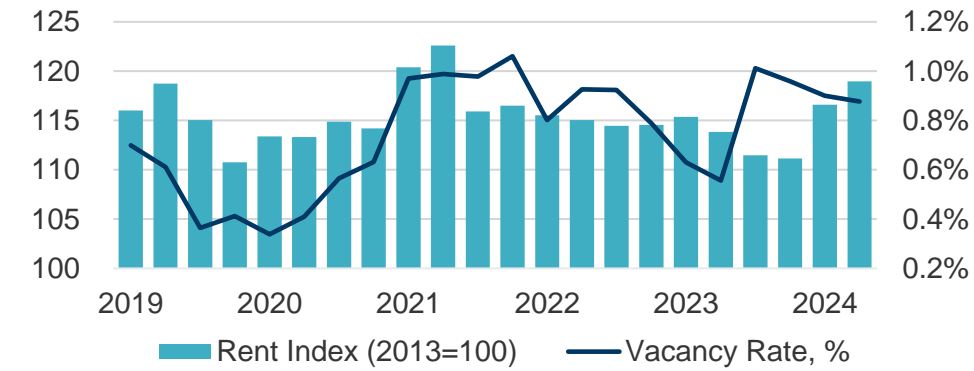


Source: METI

Prime Retail Rent Range after 2019



RENT / VACANCY RATE, GREATER TOKYO AREA\*



\* The latest data is as of Q2 2024  
Source: ARES



KEY LEASE TRANSACTION

TENANT	PROPERTY	SUBMARKET	RSF (Approx.)
GLOBAL WORK	2-3-12 Ginza, Chuo-ku	Ginza	39,141
NONFICTION	1-35-16 Ebisu-nishi, Shibuya-ku	Daikanyama	-

Source: INFAS Publications

KEY RETAIL FACILITY OPENING

PROPERTY	PURPOSE	OWNER/ DEVELOPER	SUBMARKET
Ginza Sony Park	Retail, Exhibition Hall	Sony Group	Ginza
Grand Green Osaka South Wing	Incl. Retail, Hotel	Incl. Mitsubishi Estate	Umeda
minamoa	Retail, Hotel	West Japan Railway Company	Hiroshima

Source: press releases from Owner/Developer

PRIME RETAIL EFFECTIVE RENT (TIER 1)  
FIGURES IN BLUE INDICATE UPWARD REVISIONS FOR Q1

SUBMARKET	TOP JPY/Tsubo/Mo	BOTTOM JPY/Tsubo/Mo	12-Month Forecast (Average)
Ginza	500,000	250,000	▲
Harajuku/Omotesando	400,000	180,000	▲
Shinjuku	300,000	150,000	▲
Shibuya	250,000	130,000	▲
Shinsaibashi/Midosuji	350,000	150,000	▲
Kyoto	150,000	60,000	▲
Sakae	130,000	50,000	▲
Tenjin	100,000	50,000	▲
Sapporo	70,000	40,000	▲

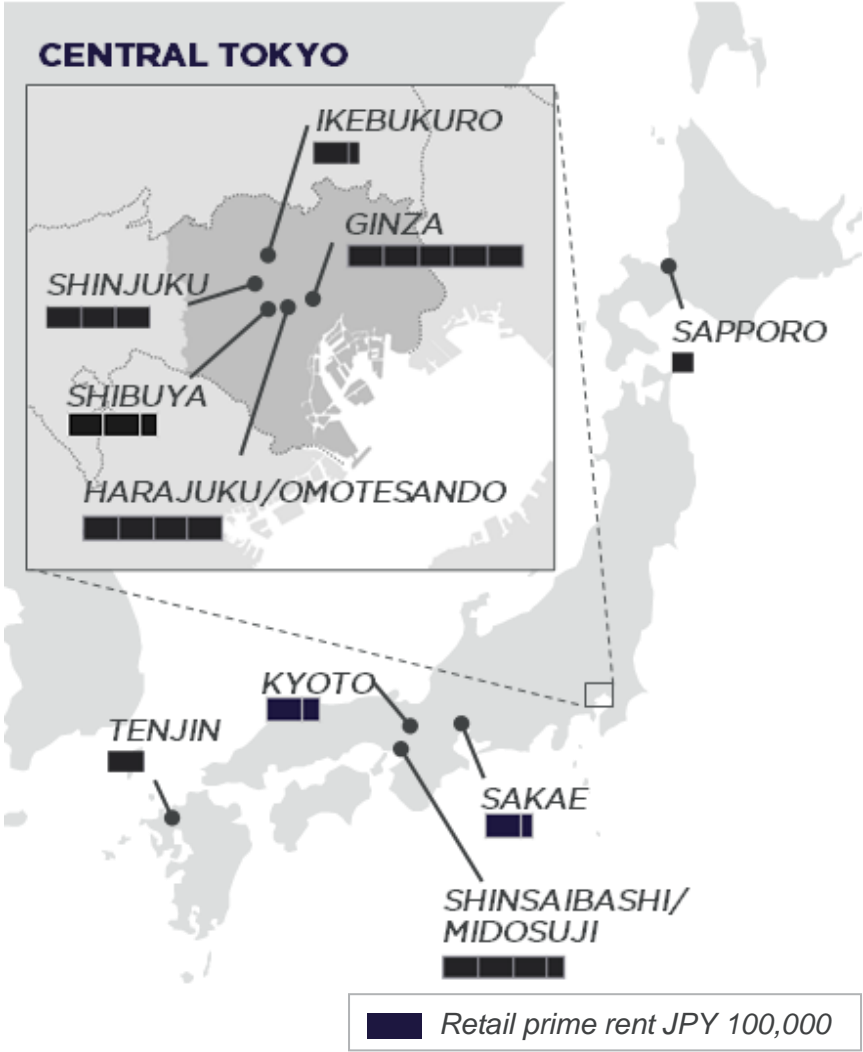
GLOBAL WORK (GINZA)



NONFICTION (DAIKANYAMA)



GRAND GREEN OSAKA (UMEDA)



ISAO SUGA

Head of Retail Service

Tel: +81 3 3596 7033

[isao.suga@cushwake.com](mailto:isao.suga@cushwake.com)

HIDEAKI SUZUKI

Head of Research & Consulting

[hideaki.suzuki@cushwake.com](mailto:hideaki.suzuki@cushwake.com)

KANAKO HATAYAMA

Senior Manager

[kanako.hatayama@cushwake.com](mailto:kanako.hatayama@cushwake.com)

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