MARKETBEAT
TOKYO
GRADE A OFFICE Q1 2025

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
2.8% Vacancy Rate	▼	▼
6,725,013 Annual Net Absorption, SF	▲	▼
6.1% Assumed Achievable Rent (YOY)	▲	▲

(Figures are for Grade A office buildings in Central 5 Wards, and rents are quoted JPY per tsubo per month unless otherwise noted.)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast[2]
8.5M Tokyo Employment[1]	▲	▲
2.4% Tokyo Unemployment Rate[1]	▲	▬
2.3% Japan Unemployment Rate[1]	▼	▬

Source: Tokyo Metropolitan Government, MIC

ECONOMY: TOKYO'S OFFICE EMPLOYMENT GROWTH AT 5Y CAGR OF 1.6%

Japan's annual real GDP growth slowed from 1.5% in 2023 to 0.6% 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 1.0%[2] in 2025, despite increasing uncertainty in the global economy stemming from U.S. trade policy. Corporate earnings remain strong. The aggregated ordinary income for the fiscal year ending March 2026 is forecast to remain at approximately 30% above the 10-year historical average[3, 4]. Tokyo's total office-using employment has grown at CAGR of 1.6%[5] over the past five years, with the technology sector leading at CAGR of 2.8%[1] over the same period.

SUPPLY/DEMAND: VACANCY DEPLETION CONTINUES

Annual net absorption in Tokyo's Central 5 Wards Grade A office market rose to 6.7 msf in Q1, up 53.6% y-o-y, resulting in a 1.8pp drop in the availability rate and a 1.5pp fall in the vacancy rate. Of 35 tracked submarkets, 13 reported availability of less than 1%. Leading indicators suggest few large-scale vacancies ahead, with the quarter-end pre-commitment level at 84.4% for newly completed buildings (NLA: 5.3 msf). With rising relocation costs, existing tenants are increasingly securing additional space within the same building, reducing net expansion in vacant stock from new supply.

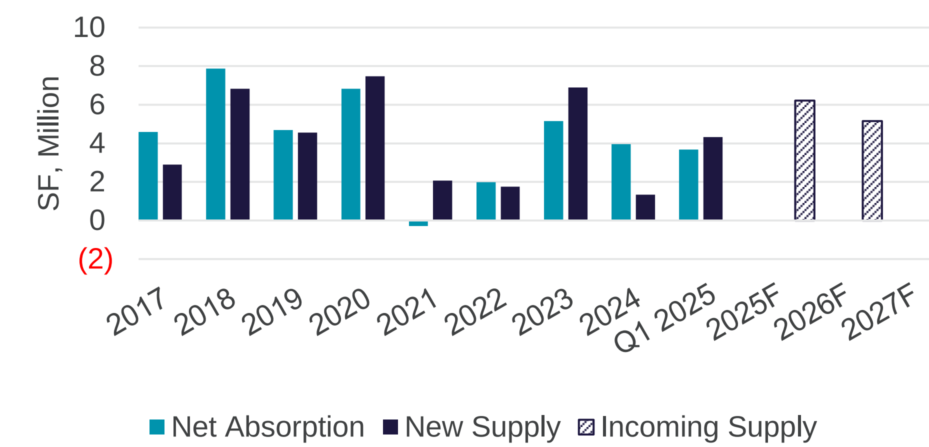
PRICING: ROBUST DEMAND AND NEW SUPPLY DRIVE FURTHER RENT GROWTH

The Tokyo Central 5 Wards Grade A assumed achievable rent rose by 6.1% y-o-y to ¥37,012, outpacing corresponding growth in the asking rent. In addition to rising occupancy rates, construction costs have increased by a cumulative 29% since 2019[6]. These greater costs are pushing up asking rents for incoming supply, elevating the overall rental level in the Grade A office market.

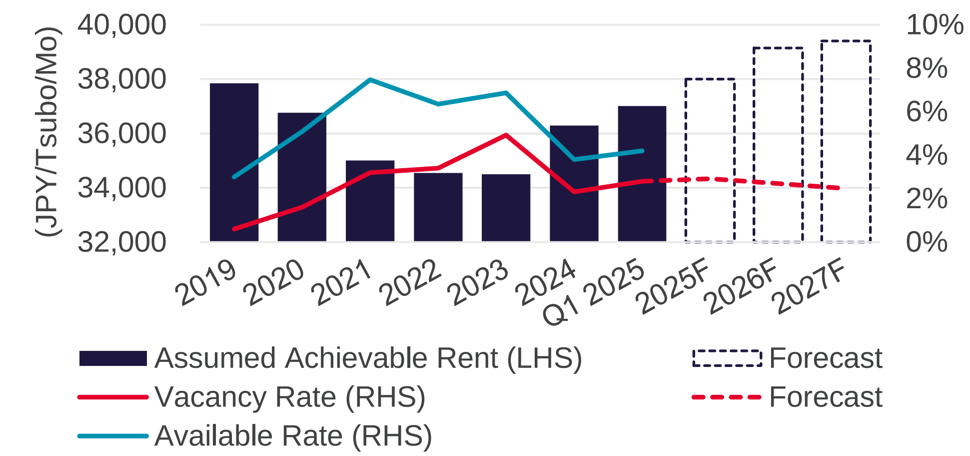
OUTLOOK

- Over the next two years, Tokyo's office-related employment is projected to grow at CAGR of 1%, adding 20k employees annually[2]. We expect the Tokyo C5W Grade A office vacancy rate to temporarily rise above 3% in 2025 due to increased supply - at 1.6 times the 10-year historical average as of 2019 - and some landlords aiming for higher rents, supported by the stable precommitment rate of 73.8%. The vacancy rate is projected to decline again in 2026, driven by limited new supply and robust demand for high-grade office space.
- During this period, we expect rental growth at CAGR of 4% in most submarkets with vacancy rates of less than 2%, and around 2% in the remaining submarkets.

NET ABSORPTION/ INCOMING SUPPLY



VACANCY & RENT INDEX



[1] Tokyo Metropolitan Government, MIC. Average for Q4 2024
[2] Median of forecasted figures from institutions including Moody's Analytics.
[3] Business Outlook Survey by Ministry of Finance as of Q1 2025. 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 for the fiscal year ending March 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 Tokyo Metropolitan Government annual average for 2024.
[6] Construction Cost Index by Construction Research Institute as of April 2025

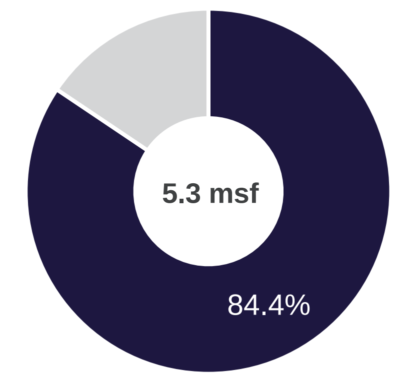
KEY LEASE TRANSACTIONS Q1 2025

TENANT	INDUSTRY	Relocated to	SUBMARKET	Relocated from	SUBMARKET **	RSF	REASONS FOR RELOCATION
HENNGE	TMT*	Meiji Yasuda Shinjuku Building	Nishi-Shinjuku	Daiwa Shibuya Square	Shibuya	56,933	Expansion
JASRAC	TMT*	Akasaka Intercity AIR	Akasaka	(a building in Uehara, Shibuya-ku)	-	55,510	BCP
Abilio Servicer	Professional Services	Toyosu Front	Toyosu	SMBC Toyosu Building	Toyosu	54,549	Upgrade
Skylark Holdings	Accommodations and dining	Nakano M-SQUARE	Nakano	(buildings incl. one in Nishikubo, Musashino-shi)	-	42,700	Consolidation
Mirait One	TMT*	Toranomon Arsea Tower	Toranomon / Kamiyacho	Toyosu Prime Square	Toyosu	37,362	BCP

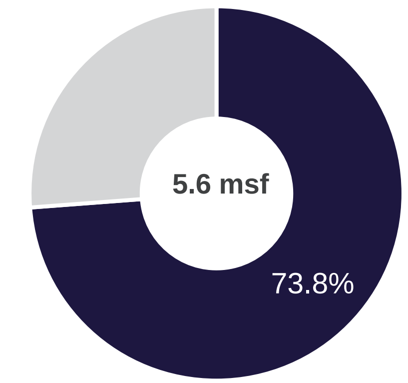
**Telecom Media Technology (TMT) industry*
***C&W's office submarket area.*
Source: Nikkei Real Estate Market Report

PRE-COMMITMENT %

LTM NEW SUPPLY
Apr 2024 – Mar 2025



INCOMING SUPPLY
Apr 2025 – Mar 2026



PLANNED GRADE A OFFICE SUPPLY Q1 2025

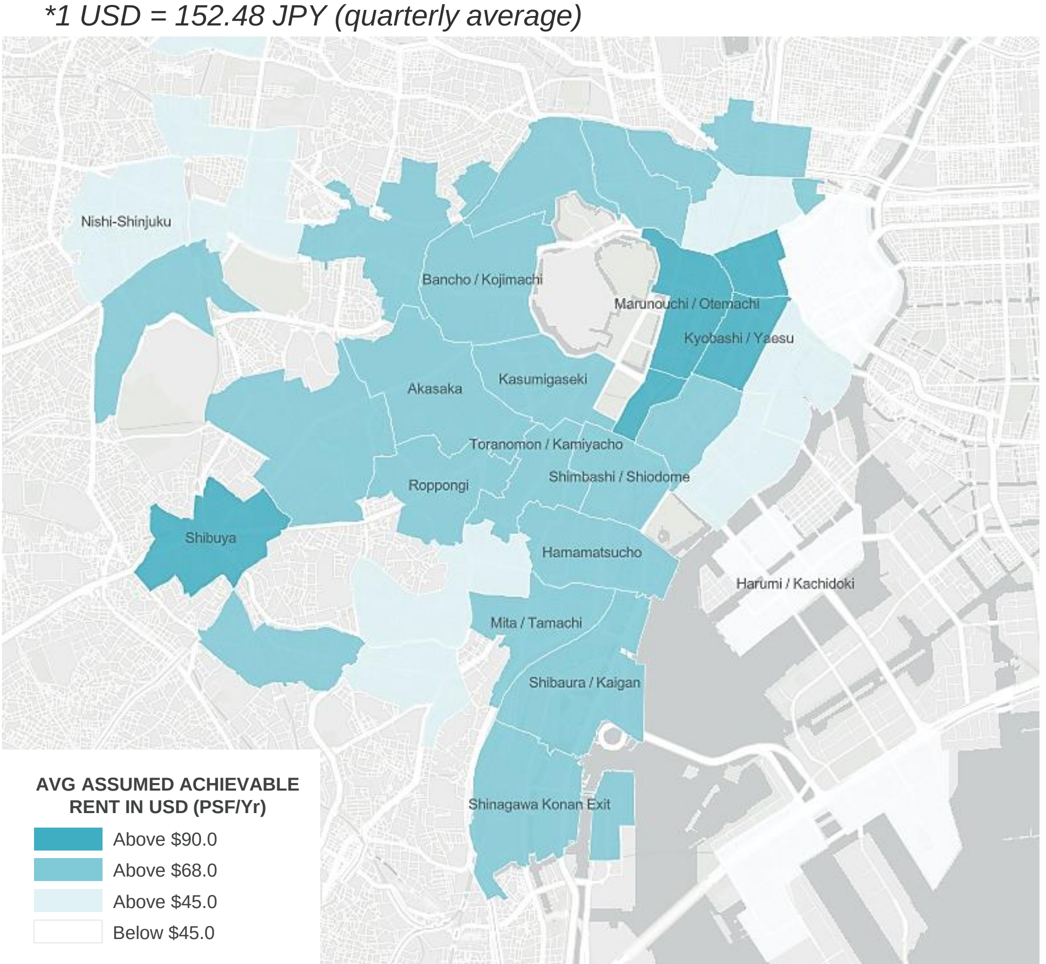
PROPERTY	SUBMARKET	MAJOR TENANT	TYPICAL FLOOR AREA (SF)	ASSUMED GROSS FLOOR AREA (SF)	PLANNED COMPLETION	OWNER / DEVELOPER
Mitamachi Terrace	Mita / Tamachi	Sanko Metal Industrial	20,676	597,396	May-25	Chuo-Nittochi
Kojimachi Kosai Building	Bancho / Kojimachi	Kenko Mayonnaise	23,841	391,806	Jun-25	Kousaikai
Sumitomo Fudosan Shiba Koen Project	Mita / Tamachi	-	14,589	419,883	Sep-25	Sumitomo Realty & Development
THE LINKPILLAR 2	Shinagawa Konanguchi	Mitsuibishi Jisho Design	39,142	2,240,659	Jan-26	Mitsubishi Estate
TOFROM YAESU TOWER	Kyobashi / Yaesu / Nihonbashi	Kobe Steel Group	26,865	2,422,558	Feb-26	East Japan Railway
Nihonbashi 1-chome Central District Redevelopment Block C	Kyobashi / Yaesu / Nihonbashi	-	48,820	1,879,887	Mar-26	Tokyo Tatemono
Otemachi Gate Bldg.	Uchikanda	Bank of America, JERA	22,327	919,237	Jul-26	Mitsui Fudosan / Nomura Real Estate Development
Meiji Yasuda Seimei Shinjuku Bldg	Nishi-Shinjuku	Hennge	29,072	733,993	Sep-26	Meiji Yasuda Life Insurance
Nomura Real Estate Nihonbashi Honcho Building PJ	Nihonbashi	-	18,191	378,296	Nov-26	Nomura Real Esate Development
Nihonbashi Honcho 1-3 Project	Nihonbashi	Hochiki	12,703	172,223	Dec-26	Mitsui Fudosan
World Trade Center Main Building	Hamamatsucho/ Onarimon	-	30,175	2,238,471	Mar-27	World Trade Center Building

Source: Press releases from Owner / Developer or Major Tenant, Nikkei Real Estate Market Report

MARKET STATISTICS

SUBMARKET	NET LEASABLE AREA (SF)	OCCUPIED SPACE (SF)	AVAILABILITY RATE	YOY	VACANCY RATE	YOY	LTM NET ABSORPTION (SF)	LTM NEW SUPPLY (SF)	INCOMING SUPPLY WITHIN 1yr (SF)	AVG ASKING RENT IN USD (PSF/Yr)	YOY	AVG ASSUMED ACHIEVABLE RENT IN USD* (PSF/Yr)	YOY
Marunouchi / Otemachi	20,886,899	20,782,464	1.3%	-2.1pp	0.5%	-1.1pp	229,756	0	0	$109.31	3.4%	$105.09	5.2%
Kyobashi / Yaesu / Nihonbashi	6,879,213	6,796,662	2.3%	-0.4pp	1.2%	-0.1pp	373,680	371,632	2,784,254	$100.49	6.1%	$96.33	5.6%
Shibuya	5,206,726	5,206,726	1.1%	-0.6pp	0.0%	-1.5pp	342,631	268,559	0	$98.63	2.6%	$92.30	2.8%
Toranomon / Kamiyacho	9,155,192	9,017,864	6.0%	-11.0pp	1.5%	-13.0pp	1,879,085	805,744	0	$92.05	6.5%	$84.41	9.2%
Roppongi	7,541,382	7,202,020	6.2%	0.2pp	4.5%	-0.7pp	277,354	236,882	0	$91.75	4.0%	$80.04	4.5%
Shibaura / Kaigan	3,862,852	2,622,876	34.7%	27.9pp	32.1%	28.6pp	323,465	1,480,043	0	$80.23	13.4%	$76.91	18.5%
Kasumigaseki / Uchisaiwaicho	3,540,147	3,533,067	0.7%	-0.5pp	0.2%	-0.8pp	28,321	0	0	$80.88	3.0%	$75.73	4.1%
Akasaka	3,751,263	3,601,212	5.3%	4.3pp	4.0%	3.0pp	269,504	385,901	1,138,666	$80.29	4.3%	$75.42	4.1%
Shimbashi / Shiodome	4,285,546	4,242,690	1.5%	-2.2pp	1.0%	-2.0pp	85,711	0	0	$77.86	3.0%	$74.09	6.5%
Shinagawa Konanguchi	6,640,271	6,573,868	2.2%	-3.0pp	1.0%	-3.1pp	1,929,130	1,796,957	960,749	$76.08	12.3%	$71.45	15.8%
Bancho / Kojimachi	2,448,487	2,433,796	2.6%	0.7pp	0.6%	0.6pp	-14,691	0	223,479	$75.42	-1.2%	$70.55	-0.6%
Hamamatsucho/ Onarimon	3,574,912	3,557,037	1.1%	0.5pp	0.5%	0.0pp	0	0	0	$75.16	4.9%	$69.46	6.9%
Mita / Tamachi	3,602,951	3,448,025	4.3%	-19.0pp	4.3%	-14.8pp	533,237	0	530,298	$74.86	8.6%	$69.34	10.9%
Nishi-Shinjuku	3,593,984	3,568,827	4.3%	-7.2pp	0.7%	-3.8pp	136,571	0	0	$69.00	6.3%	$65.32	6.6%
Harumi / Kachidoki	3,203,173	2,745,119	17.1%	-7.3pp	14.3%	-7.4pp	237,035	0	0	$41.59	0.0%	$37.91	4.2%
Central 5 Wards **(Local unit/currency)**	**107,277,494** 3,014,827 tsubo	**104,273,724** 2,930,412 tsubo	**4.2%**	**-1.8pp**	**2.8%**	**-1.5pp**	**6,725,013** 188,994 tsubo	**5,345,716** 150,231 tsubo	**5,637,447** 158,430 tsubo	**$87.18** JPY 39,419 tsubo/month	4.5%	**$81.86** JPY 37,012 tsubo/month	6.1%

1 USD = 152.48 JPY (quarterly average)



Source: *OpenStreetMap (contributors: Microsoft, Facebook and its affiliates), Esri Community Maps (contributor: Esri)*

Scope of Survey

Office buildings
- In Tokyo Central 5 Wards
- Completed after 2000
- Net leasable area of 4,000 tsubo / 142,333 sf or more
- Standard floor area of 300 tsubo / 10,675 sf or more

219 buildings as of Q1 2025

Definition

Rent: Assumed achievable rent or asking rent, gross rent including CAM, divided by total Net Leasable Area

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)

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