

MARKET FUNDAMENTALS

	YOY Chg	Outlook
¥500,000 Ginza Prime Top Rent	—	—
-0.8% Annual Household Income Growth, Real	▼	▲
2.4% Annual Retail Sales Growth, Nominal	▲	—

ECONOMIC INDICATORS

	YOY Chg	Outlook
-0.4% Real GDP Growth (Annualized, SAAR) ¹	▼	▲
3.3% Core CPI Growth (YOY)	▲	▼
2.5% Unemployment Rate Seasonally Adjusted	—	—

Source: MIC, METI, Mizuho Research & Technologies
1. Mizuho Research & Technologies as of July 31, 2025
2. Japan Department Store Association
3. Bank of Japan
4. Japan Tourism Agency

ECONOMY: WEAKER HIGH-END CONSUMPTION BY FOREIGN VISITORS

Japan’s real GDP is forecast to decline slightly in Q2 2025, mainly due to a drop-off in investment following the GDP decline in the previous quarter¹. The average real income of working households in Q2 decreased by 0.8% year-on-year. Retail sales also rose less than the core CPI, resulting in a slight real decline. Drugstores recorded the highest growth among retail sales channels at 6.6% y-o-y. Department store sales slumped 6.8% y-o-y, largely due to a continued fall in duty-free sales, which marked a severe 36.5% y-o-y drop in the Q2 period², reflecting weaker demand from foreign tourists. The approximately 7% y-o-y appreciation of the Japanese yen, combined with inflation-driven price rises, has rendered such high-end goods less attractive.

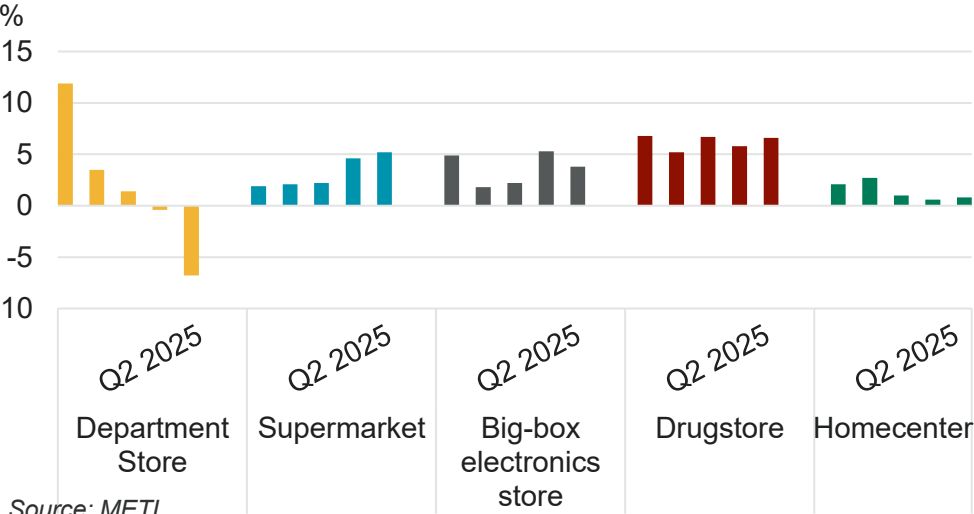
RENT: INCOMING NEW SUPPLY RENTS SURGE

Top rents in prime retail areas remained flat in Q2. High rental levels, combined with a shortage of available prime space, are limiting lease transactions. Global luxury brands are now revising expansion plans, both in response to weaker high-end consumption by foreign tourists and due to having already secured prime retail locations nationwide. Conversely, some foreign brands are willing to accept higher rents in order to drive brand recognition. In prime retail areas, rents under negotiation at incoming new projects are exceeding the current top rents. In non-prime areas, tenants unable to secure preferred prime area spaces, together with Korean brands targeting Gen Z, demonstrated robust demand. Such tenants have secured retail spaces in districts such as Harajuku in Q2, in turn pushing up non-prime area average rents.

OUTLOOK

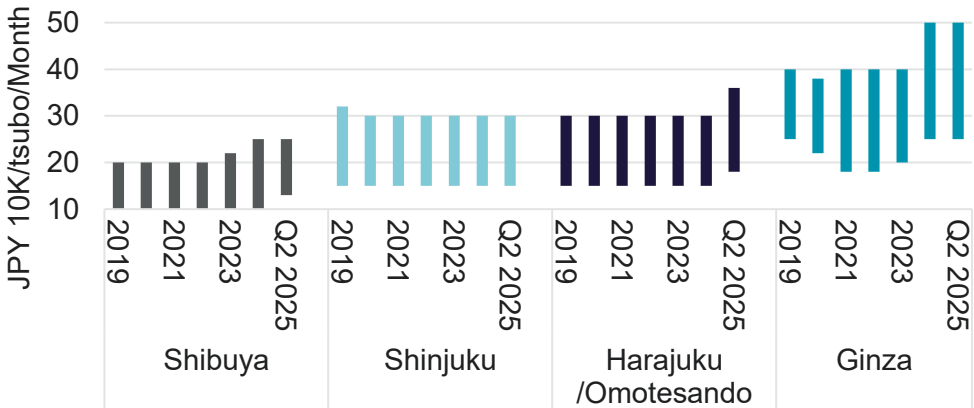
A fictional prophecy of a natural disaster in Japan in July discouraged some foreign visitors, particularly from East Asian countries, from traveling to Japan from as early as June. We expect to see a further weakening of high-end consumption among foreign tourists, particularly visitors from China, who account for around 40% of total foreign visitor spending on goods. Regardless, we forecast further growth in average prime rents, with prime retail space remaining scarce and with negotiated rents at some incoming projects now exceeding the current top rents.

Annual Growth of Retail Sales from Q2 2024, Quarterly

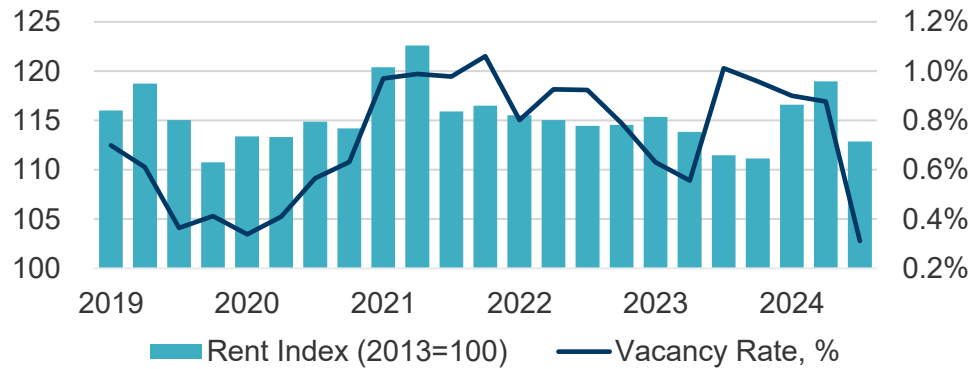


Source: METI

Prime Retail Rent Range after 2019



RENT / VACANCY RATE, GREATER TOKYO AREA*



* The latest data is as of Q3 2024
Source: ARES

KEY LEASE TRANSACTION

TENANT	PROPERTY	SUBMARKET	RSF (Approx.)
EMPORIO ARMANI	5-6-12, Ginza, Chuo-ku	Ginza	9,688
Onitsuka Tiger	6-3-9, Jingumae, Shibuya-ku	Harajuku /Omotesando	-
MARITHE + FRANCOIS GIRBAUD	4-28-10, Jingumae, Shibuya-ku	Harajuku /Omotesando	-

Source: Carlin, Press releases from Tenants

RETAIL RENT IN PRIME AREA

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	▲

Scope of Survey / Definition

Prime Area	The most prime retail areas within 20 retail submarkets across Tokyo, Osaka, Nagoya, Kyoto, Kobe, Fukuoka, Sapporo, and Sendai.
Rent	The assumed achievable rent for ground-floor retail space available for lease in existing properties located in prime areas at the end of each quarter. Rents include common area management fees but exclude concessions such as free rent periods.

EMPORIO ARMANI



ONITSUKA TIGER



MARITHE+FRANCOIS GIRBAUD



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