

MARKET FUNDAMENTALS

	YOY Chg	Outlook
¥500,000 Ginza Prime Top Rent	▲	—
-0.1% Annual Household Income Growth, Real	▼	▲
0.0% Annual Retail Sales Growth, Nominal	—	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
-3.9% Real GDP Growth (Annualized, SAAR) ¹	▼	▲
2.9% Core CPI Growth (YOY)	▲	▼
2.5% Unemployment Rate Seasonally Adjusted	—	—

Source: MIC, METI, Mizuho Research & Technologies
1. Mizuho Research & Technologies as of October 31, 2025
2. Cabinet Office
3. Japan Department Store Association
4. Construction Research Institute

ECONOMY: RECOVERING CONSUMER SENTIMENT

Japan’s real GDP is forecast to decline in Q3 2025, mainly due to a drop in exports following the rush in the previous quarter to circumvent U.S. tariffs¹. The average real income of working households decreased slightly by 0.1% y-o-y in Q3. The y-o-y fall was smaller than in the previous quarter, at 0.8%, due to wage growth and rising asset prices. The Consumer Demand Index also continued to improve for the third consecutive month from August². Overall retail sales remained flat in Q3, resulting in a real decline. Drugstores recorded the highest growth among retail sales channels at 4.7% y-o-y. Department store sales slumped 1.4% y-o-y, largely due to a continued fall in duty-free sales from February to July, reflecting appreciation in the Japanese yen and inflation-driven price rises. However, the y-o-y drop was less than in the previous quarter, at 6.8%, due to the depreciation of the yen and greater sales of high-end goods, such as watches and jewelry, from August³.

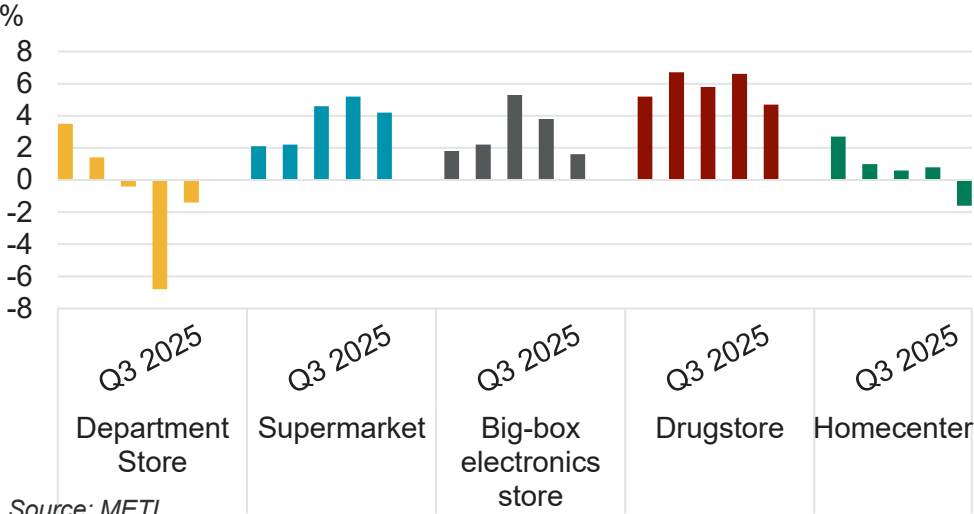
RENT: TOP RENTS SURGE WITH SHORTAGE OF PRIME SPACES

Top rents in prime retail areas increased in Q3 2025. Top rents in Shibuya rose by 20.0%, Shinsaibashi/Midosuji by 14.3%, Harajuku/Omotesando by 12.5% and Ginza 10.0% q-o-q. Global luxury brands that have already secured prime retail locations nationwide continued to exhibit weaker expansion demand. Conversely, some foreign brands, especially in the athleisure segment, are willing to accept higher rents to help drive brand recognition. In prime retail areas, rents under negotiation for new incoming projects, impacted by a 34% increase in construction costs from September 2019 to September 2025⁴, are exceeding the current top rents and pushing the overall rental level higher.

OUTLOOK

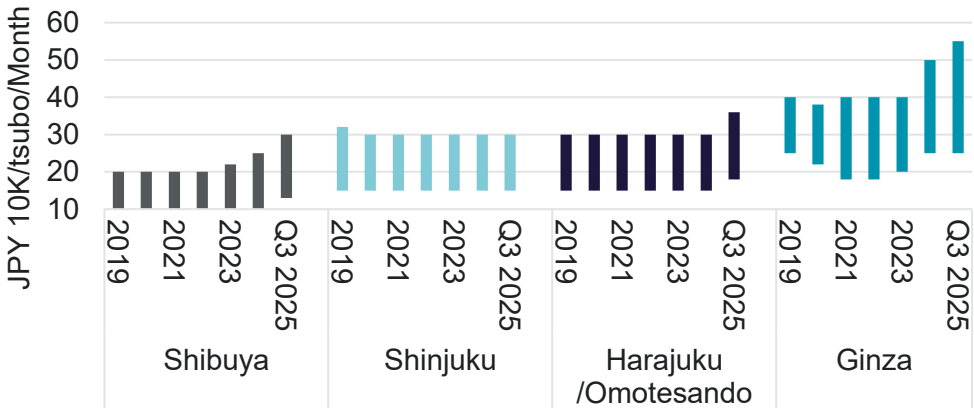
Domestic consumer sentiment is gradually improving, driven by rising asset prices and a strong stock market. With the yen also strengthening, continued relief from inflation is expected, suggesting a sustainable recovery. We forecast further growth in average prime rents, with prime retail space remaining scarce and with negotiated rents at some incoming projects now exceeding the current top rents. Additionally, multiple redevelopment projects, such as those planned for Sakae in Nagoya, are expanding the boundaries of prime retail areas.

Annual Growth of Retail Sales from Q3 2024, Quarterly

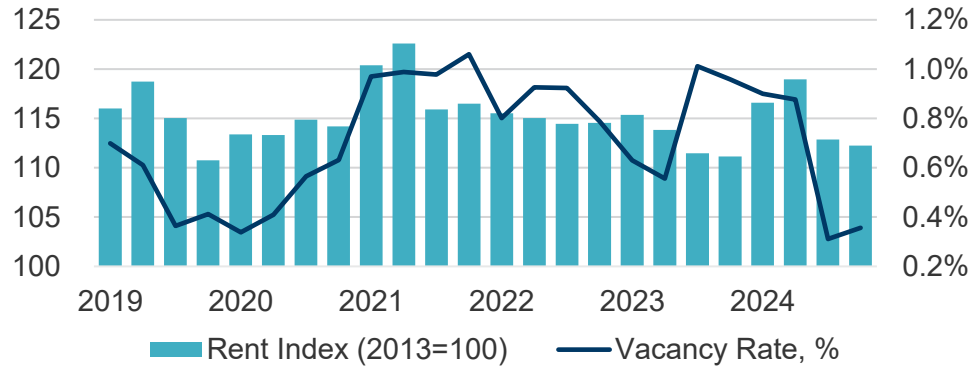


Source: METI

Prime Retail Rent Range after 2019



RENT / VACANCY RATE, GREATER TOKYO AREA*



* The latest data is as of Q4 2024
Source: ARES

KEY LEASE TRANSACTION

TENANT	PROPERTY	SUBMARKET	RSF (Approx.)
Calvin Klein	4-31-10, Jingumae, Shibuya-ku	Harajuku/Omotesando	14,162
Apple	3-5-12, Ginza, Chuo-ku	Ginza	10,675
PRADA	5-2-1, Ginza, Chuo-ku	Ginza	8,611

Source: INFAS Publications, Hearst Fujingaho, Press releases from Tenants

KEY RETAIL FACILITY OPENING

PROPERTY	PURPOSE	OWNER /DEVELOPER	SUBMARKET
NEWoMan TAKANAWA South・North	Retail and others	East Japan Railway Company	-
HARAJUKU QUEST	Retail, Office	NTT Urban Development	Harajuku /Omotesando

Source: press releases from Owner/Developer

RETAIL RENT IN PRIME AREA

SUBMARKET	TOP JPY/Tsubo/Mo	BOTTOM JPY/Tsubo/Mo	12-Month Forecast (Average)
Ginza	550,000	250,000	▲
Harajuku/Omotesando	450,000	180,000	▲
Shinjuku	300,000	150,000	▲
Shibuya	300,000	130,000	▲
Shinsaibashi/Midosuji	400,000	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.

APPLE (GINZA)



PRADA (GINZA)



NEWoMan TAKANAWA South・North



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