

September “Office Vacancy Rate” in Tokyo’s five central Wards was 3.17%

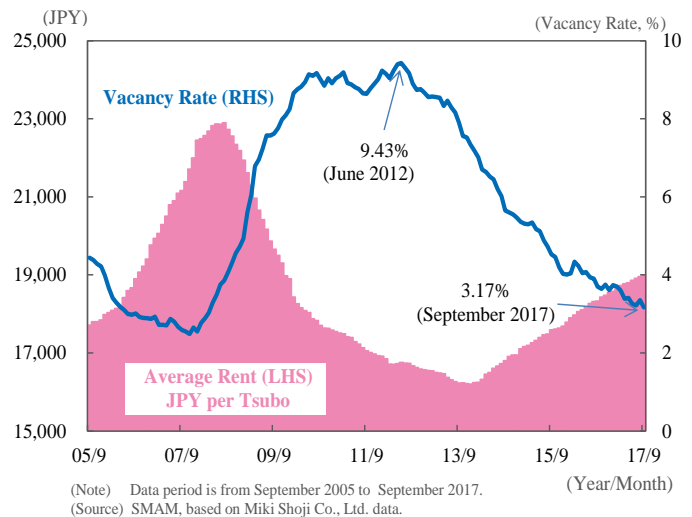
The “Office Vacancy Rate” is posted on the web site of Miki Shoji, a major property agent in Japan, and is released around the middle of every month. The report shows useful data, such as vacancy rates, average rent prices and the numbers of office buildings. The data are categorized by seven business locations (Sapporo, Sendai, Tokyo, Yokohama, Nagoya, Osaka and Fukuoka), and divided into two groups of newly built and existing buildings.

Point 1

“Office Vacancy Rate” has improved to 3.17% Significantly low compared to past average

- “Office Vacancy Rates” in September were published on 12th October 2017 by Miki Shoji. The vacancy rates in Tokyo’s five central wards (Chiyoda, Chūō, Minato, Shinjuku and Shibuya) improved by -0.18 points MoM to 3.17% in April. Vacancy rate has been improving (falling) since its recent peak of 9.43% in June 2012. It is significantly low compared to past 15 year (October 2002 – September 2017) average of 6.10%.
- In September, (1) closing of large-scaled contract of both newly-built and existing buildings and (2) few termination of office rent contract and acceptance of new tenants contributed to improve office vacancy rate.

“Vacancy Rate and Rent of Tokyo’s five central Wards”



Point 2

Average office rent rose for 44 consecutive months Moderate rise of existing building’s office rent continues

- The average office rent of Tokyo’s five central wards in September was JPY 18,995 per Tsubo* (=JPY 5,746 per Square Meter) which rose +0.20% MoM to +3.59% for 44 consecutive months.
- In September, average office rent of both newly built and existing buildings of Tokyo’s five central wards increased from the previous month. Comparing with the previous year, average office rent of existing buildings have been rising, while, that of newly-built buildings started to fall since March 2017. In September, it continued to decrease -3.55% YoY.

* Tsubo is a traditional Japanese measurement for unit area which is equal to 3.306 square meters.

- In 2017, vacancy rate is expected to stay low for some time due to limited supply of large-scaled building. Meanwhile, as large supply of new office buildings is in the pipeline beyond year 2018, we expect it to gradually affect “Office vacancy rate” negatively. However, low long-term interest rate and persistent rent demand of office buildings by the corporations seems to underpin vacancy rate as BOJ’s accommodative monetary policy is likely to continue in Japan.

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