



SMAM

“Office Vacancy Rate in Japan”

Statistics of the “office vacancy rate” of Japan can be found in the website of Miki Shoji Company, a major office property agent in Japan, updated in the middle of every month. In addition to the “vacancy rate”, average rents and numbers of available office properties can be found. The data is classified into newly-completed and existing properties by each business district of six major cities, namely, Tokyo, Yokohama, Osaka, Nagoya, Sapporo and Fukuoka.

Point 1

Average office vacancy rate in Tokyo’s central five wards has been declining for fourteen consecutive months

The office rent rose 3.7% from the recent bottom for eight consecutive months

- On October 10, the office vacancy rate of Tokyo’s central five wards (Chiyoda, Chuo, Minato, Shinjuku, Shibuya) in September was released. The average vacancy rate was 5.65%, a decrease of 0.37 points m-o-m, down for fourteen consecutive months. It fell sharply from the recent peak (June 2012) of 9.43% and came down to the 5% level for the first time in five years and seven months.
- In addition, average office rent in the Tokyo’s central five wards in September rose for eight consecutive months to 16,805 yen (per tsubo*). It was a rise of 3.7% from its recent bottom marked in December 2013.

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

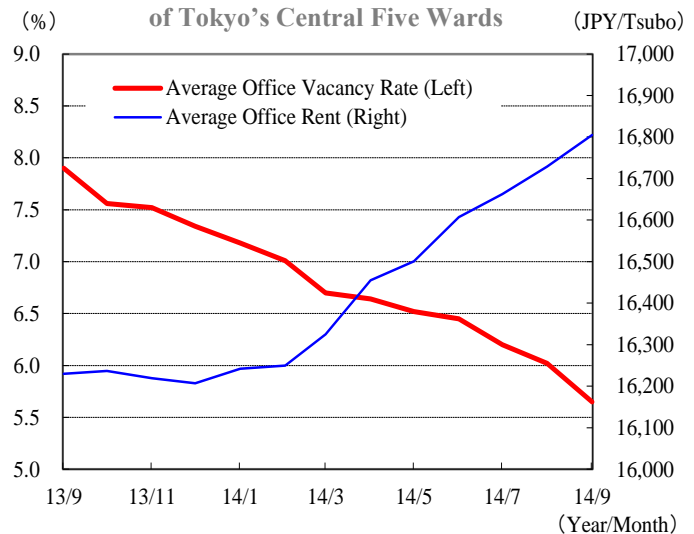
Point 2

Strong Corporate Performance is Supporting the Office Leasing Market

Situation of business districts in regional cities are also improving steadily

- In September, Tokyo’s central five wards saw large leasing agreements for both newly-completed and existing properties and a small number of leasing cancellation. Strong corporate performance seemed to have been prompting an increasing number of corporations to relocate their office to the metropolitan Tokyo area and to implement their office floor-space expansion. A new large-scale office property called “Ebisu First Square” (total floor area of approx. 4,843 tsubo), rolled out in September end are almost fully occupied, confirming the strong demand in the office leasing market.
- The office vacancy rates in the business district in regional cities have also improved. Compared to its peak in 2010, the vacancy rates of Sendai city, Fukuoka city and Nagoya city improved by 9.4%, 7.2% and 5.2% points, respectively.

Average Office Vacancy Rate & Office Rent of Tokyo’s Central Five Wards



(Note) Data from September 2013 to September 2014.

(Source) SMAM, based on Miki Shoji Company data.



The vibrant activity of property markets is expected to continue

■ Land prices of the commercial areas of the three major urban cities rose for two consecutive years

According to the benchmark land price announced on September 18, land prices of residential area of the three major urban cities (Tokyo area, Osaka area and Nagoya area) rose 0.5% y-o-y for the first time in six years and price of commercial areas rose 1.7% y-o-y for two consecutive years after seeing a long-lasting correction. Although the nation wide benchmark land price for both residential and commercial areas still declined by 1.2% and 1.1%, respectively, the pace of falling has become modest compared to that of last year. Despite of situation in regional areas being still severe except for key cities, overall land prices in Japan are observed to be bottoming out.

■ Increase in the office rent is expected to continue

Looking at the past trend of the office rent, we can find its cycle of reaching peak from the bottom is four to five years. As only one year has passed since the recent bottom of 2013 year end, the office rents are expected to maintain its upward trend. Also, the fact that Japan has many REITs specialised in office sector compared to other countries is a supporting factor for the office market to maintain its steady growth going forward.

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