

## “Office Vacancy Rate” Improved Further in January

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, categorized by location (Sapporo, Sendai, Tokyo, Yokohama, Nagoya, Osaka and Fukuoka), and if the building was newly built or is an existing one.

### Point 1

## Vacancy rates in Tokyo’s five central Wards have improved to 4.01% in January

The rate is below half of its peak in 2012

- Office Vacancy Rates in January were published on 10<sup>th</sup> February. The vacancy rates in Tokyo’s five central Wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya) declined by 0.02 points MoM to 4.01%. The rate fell to the level that is less than half of its peak in June 2012 (9.43%).
- The background is the limited supply of new office buildings despite the growing office space demand supported by the upbeat in corporate earnings.

### Point 2

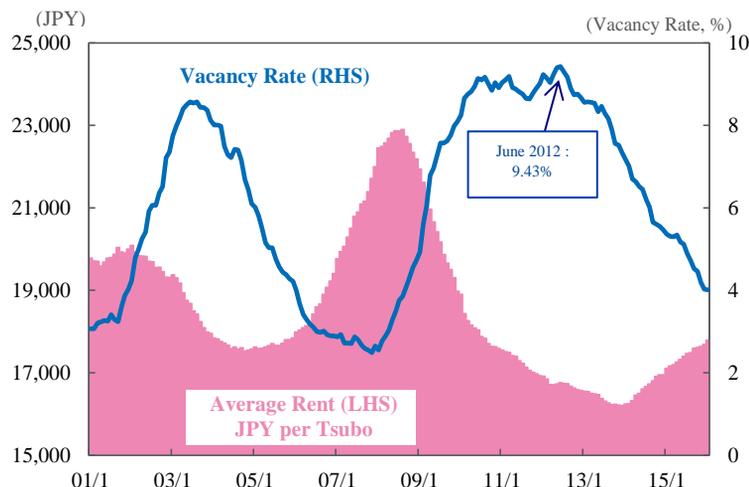
## Office rent rose for 25 consecutive months

Vacancy is scarce in popular office districts

- Office rent continued to rise reflecting tight supply-demand balance. The average office rent of January was JPY 17,790 per Tsubo\* (=JPY 5,381 per Square Meter) which rose +4.0% YoY and +0.6% MoM. It rose for 25 consecutive months MoM.
- The pace of the decline in Office Vacancy Rate in January was somewhat weaker due to a cancellation of large office space by a company moving to its own building. Meanwhile, new leasing by a major company for the integration of its offices has offset the negative impact.

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

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



(Note) Data period is from January 2001 to January 2016.  
(Source) SMAM, based on Miki Shoji Co., Ltd. data.

**■ Vacancy rate below 5% triggers the office rent to rise**

Once the vacancy rate falls below 5%, rents tend to start rising as the office rent market turns to a so called “sellers’ market”. The office rent is expected to continue rising due to the limited supply of new office space. The office rent is rising not only in Tokyo but also in Osaka and Nagoya. Rising rent is common in major cities in Japan.

**■ TSE REIT Index drop was smaller than that of Nikkei 225 Index**

For the Japanese REIT market, rise of office rent is a tailwind since many of them are focused on office buildings. The TSE REIT Index dropped only 3.2% from the previous year end (based on the closing price as of 12<sup>th</sup> February 2016), showing a stable performance compared to that of Nikkei 225 index which has dropped 21.4% over the same period.

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