

September “Office Vacancy Rate” improved

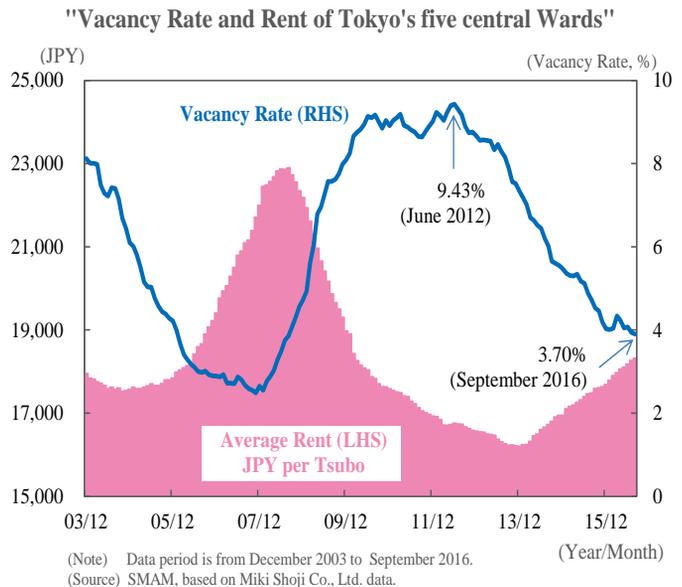
The “Office Vacancy Rate” is posted on the web site of Miki Shoji, a major property agent in Japan, and is released around the middle of every month. The report shows useful data, such as vacancy rates, average rent prices and the numbers of office buildings. The data are categorized by seven business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

Point 1

Vacancy rates in Tokyo’s five central wards was 3.70% in September Office rent rose + 0.08% MoM for 33 consecutive months

- Office Vacancy Rates in September were published on 13th October 2016. The vacancy rates in Tokyo’s five central wards (Chiyoda, Chūō, Minato, Shinjuku and Shibuya) improved by -0.20 points MoM to 3.70% in September. In July, the rate dropped to 3% for the first time in about 8 years and continued to improve in August and September.
- The office rents continued to rise reflecting tight supply-demand balance. The average office rent of Tokyo’s five central wards in September was JPY 18,336 per Tsubo* (=JPY 5,546 per Square Meter) which rose +4.22% YoY and +0.08% MoM for 33 consecutive months.

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



Point 2

Vacancy rates of other major cities in Japan also improved Supply of new buildings is limited

- “Office vacancy rate” improved not only in Tokyo’s five central wards but in all of 7 major business districts (Sapporo, Sendai, Tokyo, Yokohama, Nagoya, Osaka, Fukuoka) in September.
- Supply of new office buildings in Tokyo was 25 blocks which was not that substantial compared to total number of those in Tokyo (2,590 blocks). While, we saw only 5 blocks of newly-built office buildings in Nagoya, merely 0 to 1 building was launched in other major cities.

Improvement of office vacancy rate is expected to continue. BOJ's monetary easing is positive to Japanese REIT market.

■ **Vacancy rate and office rent are expected to continue to improve going forward**

“Office Vacancy Rate” is expected to improve as supply of new buildings in the market is limited. The office rate is also expected to continue rising in future due to tight supply-demand balance.

■ **Continuation of BOJ's monetary easing policy is positive to Japanese REIT market**

BOJ announced its intention to continue the monetary easing policy to achieve the price stability target of 2% without specific target date by keeping 10-year JGB yields at around 0%, based on their assessment result at Monetary Policy Meeting in September. This announcement made market participants expect long-term interest rate to stay low in future, which will underpin Japanese REIT market.

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