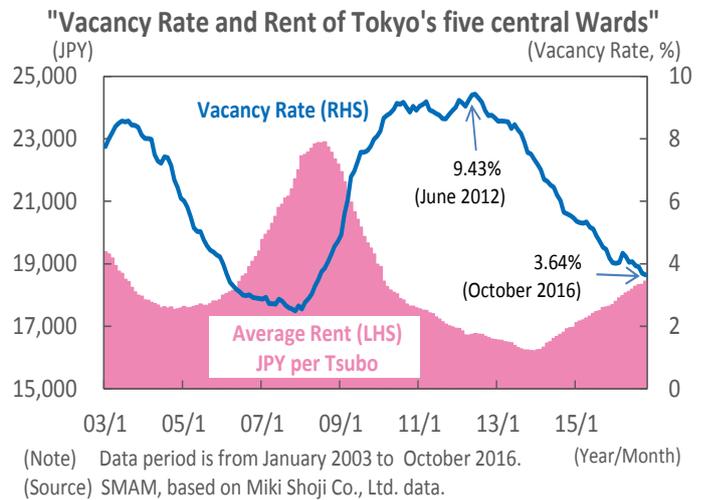


Today's Topic **Office Vacancy Rate (October 2016)**

## Office rent of Tokyo's central business district rose for 34 consecutive months

### Point 1 October Vacancy rate : 3.64% Declined for 4 consecutive months

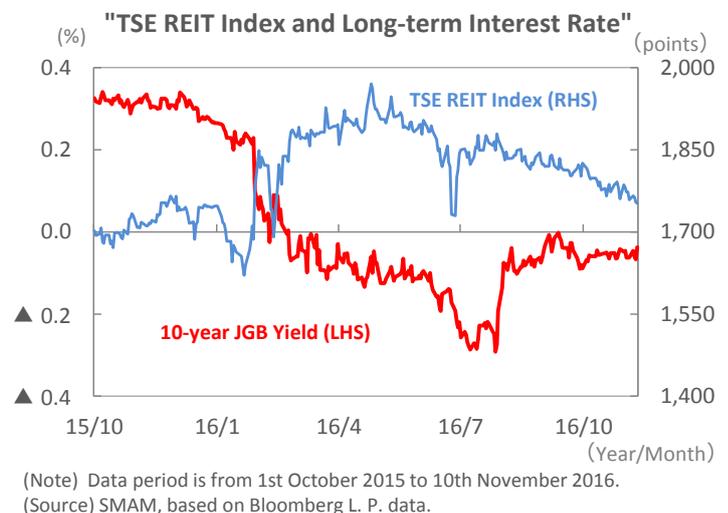
- Office vacancy rates in October were published on 10<sup>th</sup> November. The vacancy rates in Tokyo's five central Wards (Chiyoda, Chūō, Minato, Shinjuku and Shibuya) improved by -0.06 points MoM to 3.64%. The rate has fallen below 4% level in July for the first time in almost 8 years and continued to fall for 3 consecutive months since then. The rate has fallen moderately in October as existing buildings saw continued flow of lease agreements offsetting a provision of office space by new properties.



### Point 2 Office rent continued to rise for 34 consecutive months Office demand remains solid

- Office rent continues to rise reflecting tight supply-demand balance. The average office rent of Tokyo's five central Wards in October was JPY 18,435 per Tsubo\* (=JPY 5,576 per Square Meter) which rose +4.7% YoY and +0.5% MoM.
- The office rent continued to rise for 34 consecutive months since January 2014. Office Vacancy Rate of existing buildings alone in Tokyo's five central Wards in October was low at 3.34% due to tight supply-demand balance as demand of office relocation and expansion is tenacious amongst companies with strong performance.

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



### Future Outlook Trend of rising office rent is a tailwind to REIT market

- In October, office vacancy rate has improved not only in Tokyo but also in the rest of 7 major cities (Sapporo, Sendai, Yokohama, Nagoya, Osaka, Fukuoka). Office space demand is strong as trajectory of improving office vacancy rate can be observed even in business districts other than Tokyo. We can see trend of rising office rent due to limited supply of newly-built office buildings.
- The Japanese REIT market is consolidating due to rise of long-term interest rate. However, it is expected to recover in future with a tail wind such as (i) low interest rate environment is likely to persist owing to the introduction of BOJ's new monetary policy (Yield Curve Control) and (ii) trend of rising office rent rate.



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