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CBRE releases Q3 2018 Japan Logistics MarketView

Rents Rise for the Fifth Consecutive Quarter in Greater Tokyo area

Large-scale New Supply in Q1 2019 Expected to Have Limited Impact

CBRE Expects Vacancy Rate to Remain Around 6.5% in Q1 2019

CBRE today released its Japan Logistics MarketView for Q3 2018.

Highlights:

- The vacancy rate for large-scale multi-tenant logistics facilities (LMT) in the Greater Tokyo Area rose by 0.8 points q-o-q to 6.1% in Q3 2018. This was mainly due to unlet space remaining at two out of the four properties completed during the period. That said, the other two new properties reached full occupancy and there was stable take up at existing properties, indicating that demand for LMTs remains solid.
- By sub-area, the vacancy rate was 2.9% in the Tokyo Bay Area, 1.5% in the Gaikando Area, 2.1% in the Route 16 Area, and 21.2% in the Ken-O-do Area. During the quarter, the disparity in the vacancy rate between sub-areas increased due to a 3.1 point rise in the vacancy rate in the Ken-O-do Area. Meanwhile, effective rents in the Greater Tokyo area overall rose by 0.5% q-o-q to JPY 4,140 per tsubo, as rents rose in the three central areas where demand is particularly strong.
- New supply in Q4 2018 will total 89,000 tsubo, in line with the historical average, while Q1 2019 is expected to see new supply of 206,000 tsubo, the highest ever quarterly record. However, several of the properties scheduled for construction are already fully let, reflecting the robust level of demand. CBRE therefore expects the vacancy rate to remain around 6.5% in Q1 2019.
- The vacancy rate in the Greater Osaka Area LMT market was 15.0%, representing a decline of 6.2 points over the past six months. Net absorption stood at 69,000 tsubo, the third highest since the survey started recording this figure in 2007, as three properties completed this quarter opened with high occupancy. Effective rents were JPY 3,480 per tsubo, unchanged from the previous quarter. While rents are rising in areas where there are almost no vacancies, they tend to be weaker in areas and properties where vacancies are prolonged, resulting in a polarized rental market.
- Over the next two quarters, new supply in the Greater Osaka Area will be 65,000 tsubo, which

is below the historical average. Considering the recent robust levels of demand, CBRE expects the vacancy rate to fall to around 14% in Q1 2019.

- In the Greater Nagoya Area LMT market, the vacancy rate was unchanged at 8.6% as no new properties were completed. CBRE expects the vacancy rate to fall to 8.2% in Q1 2019. While no new buildings will come on stream during this period, there have been enquiries for existing properties, and pre-leasing for properties due for completion in Q1 2019 is progressing well.

For further details, please refer to the Q3 2018 Japan Logistics MarketView published by CBRE.

<https://www.cbre.co.jp/en/research-reports/industrial-reports>

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