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**CBRE releases Q4 2019 Japan Office MarketView  
Tokyo Vacancy Rate Below 1% Across All Grades  
Rents Rise in All Cities**

CBRE today released its Q4 2019 Japan Office MarketView which covers office market trends in 13 cities across Japan.

**HIGHLIGHTS FOR MAJOR CITIES**

- ◆ Tokyo All-Grade vacancy rate remains unchanged for two consecutive quarters at 0.7%
- ◆ Osaka All-Grade vacancy rate falls by 0.1 point q-o-q to 0.8%, the lowest since the survey began recording this figure in 1993
- ◆ Nagoya All-Grade vacancy rate falls by 0.2 points q-o-q to 0.7%

**CBRE RENT FORECASTS (Q4 2019 – Q4 2020)**

- ◆ Tokyo Grade A rent: Forecast to fall by 0.5% over the next year
- ◆ Osaka Grade A rent: Forecast to rise by 4.1% over the next year
- ◆ Nagoya Grade A rent: Forecast to rise by 1.9% over the next year

**■Tokyo 23 Wards**

In Q4 2019, the All-Grade vacancy rate stood at 0.7% for the second consecutive quarter. The period saw companies continuing to relocate, moving into larger premises as their businesses diversify, or moving to improve location - a trend particularly common among IT-related firms. As leading manufacturers consolidated bases or relocated due to reconstruction, several Grade A large units completed this quarter were filled, as well as at relatively new buildings where there had been vacancies. Nevertheless, it may take some time for the resulting secondary vacancies to be filled.

Tokyo All-Grade rent stood at JPY 23,150 per tsubo, a rise of 1.2% q-o-q. The rate of increase for full-year 2019 was 4.2%. Grade B rent rose by 1.5% q-o-q and by 5.6% over the full year, the highest rate of increase among all grades.

New supply totaling 300,000 tsubo is slated for 2020, the second highest annual total after the 350,000 tsubo recorded in 2003 (the highest since surveys began monitoring this in 1991). At Grade A buildings, which account for 195,000 tsubo (65%) of new supply due for completion in

2020, the tenant pre-leasing ratio as of December 2019 is estimated at around 90%. However, many of the tenants signing pre-leases appear to be relocating from existing buildings. Amid concerns about the economic outlook, secondary vacancies could arise at some existing properties in the coming quarters. CBRE sees rents falling 0.5% over the next year along with a slight increase in the Grade A vacancy rate through H2 2020.

Takashi Katono (Executive Director, Office, Advisory & Transaction Services, CBRE K.K.) commented: "There remains strong demand among tenants to move to larger premises or improve their office environment. However, at some buildings, there appears to be a gap in rental expectations between landlords and tenants, meaning that it can take some time to fill vacant spaces. At low grade buildings in non-central locations, landlords are offering reasonably long rent-free periods or fully furnished units in order to quickly secure replacement tenants."

### ■Osaka

The Osaka All-Grade vacancy rate stood at 0.8% in Q4 2019, the lowest level since CBRE's surveys began recording this figure in 1993. Across all sectors there remains solid demand for establishing new offices and expanding into larger premises. Amid very little space availability, companies are increasingly deciding to relocate early on, regardless of location or grade. The tight market conditions have pushed up All-Grade rent to its highest level in 11 years, an uptrend that looks set to continue for the time being.

The Osaka Grade A vacancy rate was 0.2% in Q4 2019, a record low for this survey (since 2005). Tenant enquiries are extremely brisk, and any vacancies that arise are filled very quickly. Osaka Grade A rent stood at JPY 25,950 per tsubo, a rise of 1.2% q-o-q, while the rate of increase for full-year 2019 was 8.8%. Amid tightening supply-demand conditions, rents are likely to climb up further in the coming quarters. CBRE forecasts an increase in Grade A rent of 4.1% over the next year.

Hideo Oue (Senior Director, Office, Advisory & Transaction Services, CBRE K.K.) based in CBRE's Kansai office commented: "With almost no vacant space currently available, many companies are opting to relocate, irrespective of location or grade, provided that the rent is not significantly different from the prevailing market level. This trend is pushing up rents in Osaka."

### ■Nagoya

The Nagoya All-Grade vacancy rate declined by 0.2 points q-o-q to 0.7% in Q4 2019, setting a record low. While there remains robust demand among tenants to establish new offices or relocate to larger premises, there continues to be a lack of available space. In some cases, companies that are unable to take additional space within their existing building have considered setting up satellite offices or moving to other areas. At buildings where leases of large units were canceled last quarter, replacement tenants have already been found for 40% or more of the space.

Grade A rent stood at JPY 27,800 this quarter, up by 1.8% q-o-q, the highest level since 2005 when CBRE's surveys began monitoring this figure. The rate of increase over full-year 2019 was 5.1%. Reflecting the tight supply-demand conditions, rents were raised at some Grade A buildings that had been inexpensive relative to the local area. Given the scarcity of new supply, it is likely to remain a landlord's market for the time being. CBRE forecasts a 1.9% rise in Grade A rent over the next year.

Junichi Miyazaki (Director, Office, Advisory & Transaction Services, CBRE K.K.) from the Nagoya branch, commented: "Buildings scheduled for completion in 2020 are close to being fully pre-committed. With very few secondary vacancies likely to arise at existing properties, the market looks set to remain tight."

#### HIGHLIGHTS FOR OTHER REGIONAL CITIES

- ◆ **Sapporo:** Vacancy rate falls by 0.4 points q-o-q to 0.5%
- ◆ **Kanazawa:** First new building in five years completed almost fully let
- ◆ **Hiroshima:** Vacancy rate at 1.9%, below 2% for first time since 2001 (survey record low)

In Q4 2019, compared to the previous quarter, the vacancy rate fell in four out of the 10 surveyed cities, rose in three cities, and was flat in three. The All-Grade vacancy rate stood at under 1% in eight out of 13 cities nationwide, including Tokyo, Osaka, and Nagoya.

In regional cities, space continued to be filled on the back of ongoing strong demand from tenants looking to establish new offices or expand into larger premises. In **Sapporo**, vacancies that arose at several buildings last quarter were filled. In **Sendai**, the vacancy rate fell due to several cases of tenants expanding within their existing building. In **Yokohama**, companies set up satellite or new offices, while a manufacturer decided to relocate its head office to a new building scheduled for completion in 2021. In **Kanazawa**, a new building – the first in five years – was completed at full occupancy. In **Kyoto**, several shared office companies signed new leases. In **Hiroshima**, while a new building in the central area was completed at full occupancy, the vacancy rate fell below 2% for the first time since surveys started recording this figure in 2001. In **Fukuoka**, the vacancy rate rose slightly (+0.1%) due to high asking rents at some properties being shunned by prospective tenants, but supply-demand conditions remain tight.

Assumed achievable rents rose in all 10 cities for the eighth consecutive quarter. Among these, **Kyoto** saw a 3.4% q-o-q rise in rents, the highest among the 10 cities and also a record high. Looking at the annual rate of increase for full-year 2019, **Kyoto** registered the strongest gain, at +11.7%, followed by **Fukuoka** at +9.3%.

■ NATIONWIDE VACANCY RATES AND ASSUMED ACHIEVABLE RENTS

		Vacancy Rate					Average Assumed Achievable Rent				
		Q4 2018	Q3 2019	Q4 2019	q-o-q	y-o-y	Q4 2018	Q3 2019	Q4 2019	q-o-q	y-o-y
Tokyo 23 Wards	Grade A	0.7%	0.7%	0.5%	- 0.2pts	- 0.2pts	37,400	38,350	38,800	+ 1.2%	+ 3.7%
	Grade A-Minus	0.9%	0.9%	0.9%	± 0.0pts	± 0.0pts	26,150	26,800	27,050	+ 0.9%	+ 3.4%
	Grade B	0.7%	0.6%	0.7%	+ 0.1pts	± 0.0pts	22,500	23,400	23,750	+ 1.5%	+ 5.6%
	All-Grade	0.8%	0.7%	0.7%	± 0.0pts	- 0.1pts	22,210	22,870	23,150	+ 1.2%	+ 4.2%
All-Grade Tokyo 5 Wards		0.5%	0.6%	0.5%	- 0.1pts	± 0.0pts	23,390	24,170	24,390	+ 0.9%	+ 4.3%
Osaka	Grade A	1.0%	0.3%	0.2%	- 0.1pts	- 0.8pts	23,850	25,650	25,950	+ 1.2%	+ 8.8%
	Grade B	1.2%	0.7%	0.5%	- 0.2pts	- 0.7pts	13,300	14,350	14,750	+ 2.8%	+ 10.9%
	All-Grade	1.7%	0.9%	0.8%	- 0.1pts	- 0.9pts	12,690	13,660	14,140	+ 3.5%	+ 11.4%
Nagoya	Grade A	0.5%	0.1%	0.1%	± 0.0pts	- 0.4pts	26,450	27,300	27,800	+ 1.8%	+ 5.1%
	Grade B	0.9%	1.0%	0.7%	- 0.3pts	- 0.2pts	13,050	13,700	13,900	+ 1.5%	+ 6.5%
	All-Grade	1.1%	0.9%	0.7%	- 0.2pts	- 0.4pts	12,720	13,480	13,690	+ 1.6%	+ 7.6%
Yokohama	All-Grade	2.3%	0.8%	0.8%	± 0.0pts	- 1.5pts	15,120	15,740	15,970	+ 1.5%	+ 5.6%
Saitama	All-Grade	0.3%	0.3%	0.4%	+ 0.1pts	+ 0.1pts	18,080	18,580	18,820	+ 1.3%	+ 4.1%
Sapporo	All-Grade	1.1%	0.9%	0.5%	- 0.4pts	- 0.6pts	13,830	14,540	14,720	+ 1.2%	+ 6.4%
Sendai	All-Grade	2.4%	1.9%	1.8%	- 0.1pts	- 0.6pts	10,490	11,120	11,250	+ 1.2%	+ 7.2%
Kanazawa	All-Grade	6.2%	4.7%	4.8%	+ 0.1pts	- 1.4pts	10,430	10,720	10,850	+ 1.2%	+ 4.0%
Kyoto	All-Grade	0.6%	0.5%	0.5%	± 0.0pts	- 0.1pts	13,980	15,100	15,610	+ 3.4%	+ 11.7%
Kobe	All-Grade	1.8%	1.8%	1.8%	± 0.0pts	± 0.0pts	11,390	11,750	11,800	+ 0.4%	+ 3.6%
Hiroshima	All-Grade	2.3%	2.1%	1.9%	- 0.2pts	- 0.4pts	11,230	11,600	11,780	+ 1.6%	+ 4.9%
Takamatsu	All-Grade	7.2%	6.0%	5.7%	- 0.3pts	- 1.5pts	9,240	9,460	9,470	+ 0.1%	+ 2.5%
Fukuoka	All-Grade	0.4%	0.6%	0.7%	+ 0.1pts	+ 0.3pts	14,800	15,850	16,170	+ 2.0%	+ 9.3%

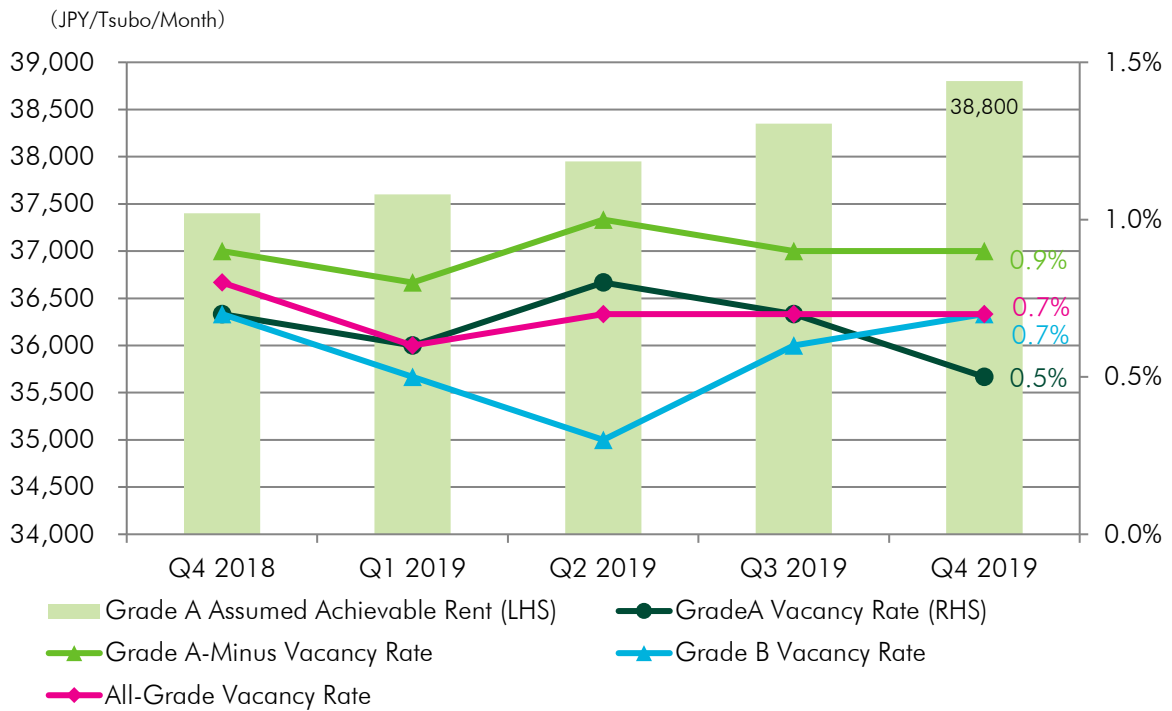
Source: CBRE, Q4 2019

■ VACANCY RATES & RENT FORECASTS IN THREE MAJOR CITIES (GRADE A)

		Vacancy Rate			Average Assumed Achievable Rent		
		Q4 2019	Q4 2020	Pts Change	Q4 2019	Q4 2020	% Change
Tokyo 23 Wards	Grade A	0.5%	1.2%	+0.7pts	38,800	38,600	-0.5%
Osaka	Grade A	0.2%	0.2%	±0.0pts	25,950	27,010	+4.1%
Nagoya	Grade A	0.1%	0.5%	+0.4pts	27,800	28,340	+1.9%

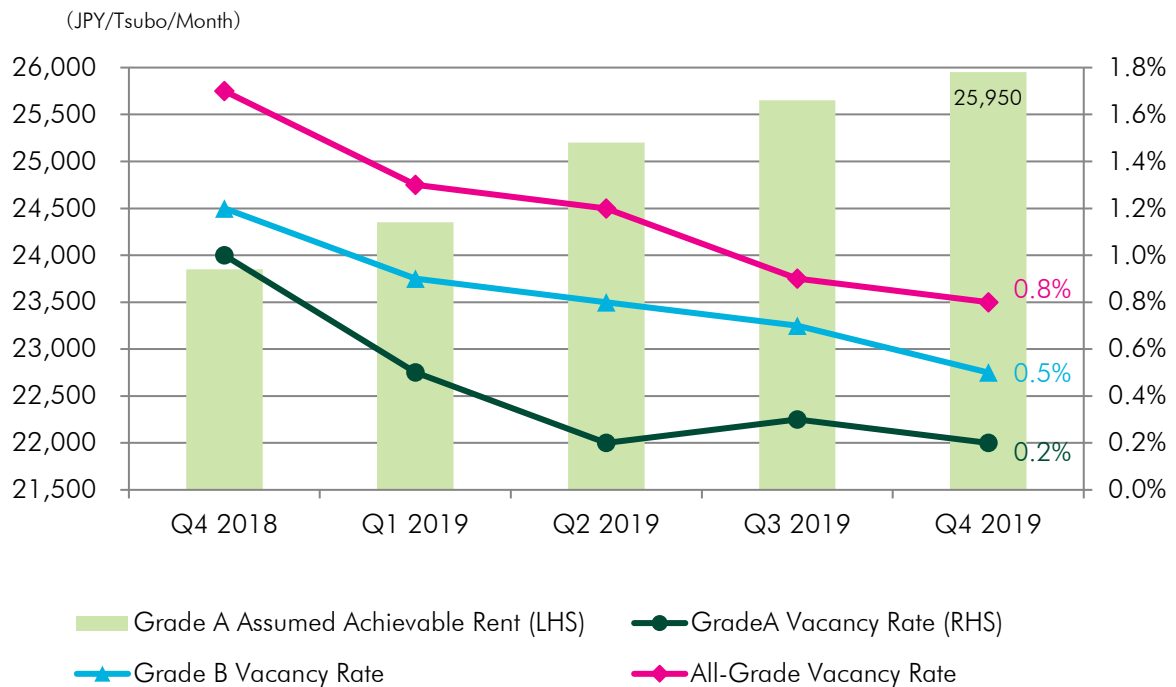
Source: CBRE, Q4 2019

■Tokyo



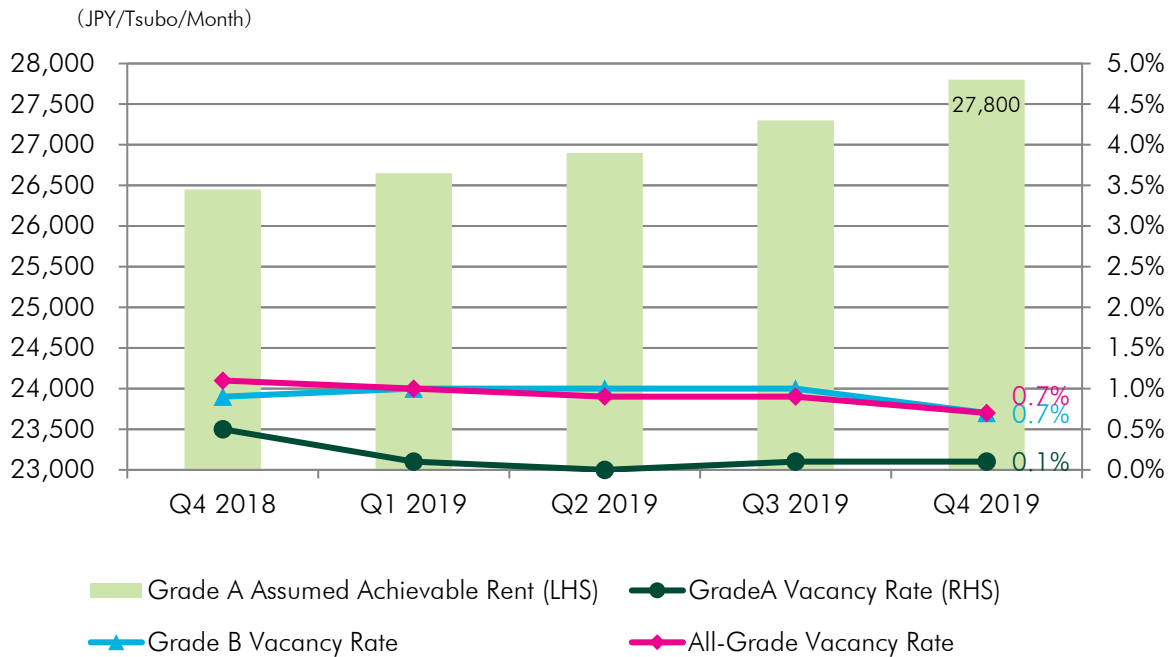
Source: CBRE, Q4 2019

■Osaka



Source: CBRE, Q4 2019

■ Nagoya



Source: CBRE, Q4 2019

TERMS AND DEFINITIONS	
<b>Space Measurement</b>	1 tsubo = 3.3058 square meters = 35.58 square feet
<b>Surveyed Buildings</b>	Office buildings for lease located in office markets in 13 major cities nationwide, with gross floor area of 1,000 tsubo or more, and compliant with the new earthquake resistance standards.
<b>Surveyed Period</b>	Quarterly Vacancy rate: (1) End of March (2) End of June (3) End of September (4) End of December Quarterly Assumed achievable rents: (1) End of March (2) End of June (3) End of September (4) End of December Annual Vacancy rate: End of December each year Assumed achievable rents: January to December each year
<b>Vacancy Rate</b>	Vacancies are those that are ready to receive tenants at time of survey
<b>Assumed Achievable Rent</b>	Assumed achievable rent of floorplate (including common area maintenance fee)
<b>Floor Space of New Supply</b>	Leasing floor space of buildings completed during each period
<b>Net Absorption</b>	Difference between occupied floor space (floor space used by tenants) in a given period and that of the previous period
<b>Grade A Samples</b>	Tokyo 88, Osaka 27, Nagoya 11 (as of Q4 2019)

BUILDING GRADE DEFINITION					
	All-Grade				
	Grade A	Grade A-Minus	Grade B		Office area in 13 cities nationwide set by CBRE
<b>Location</b>	Tokyo: Central 5 Wards* Osaka, Nagoya: Office area	Office area in Tokyo 23 Wards	Office area in Tokyo 23 Wards	Office area in Osaka & Nagoya	
<b>Size</b>	GFA: 10,000 tsubo or more NLA: 6,500 tsubo or more Typical floor plate: Greater than 500 tsubo**	GFA: 7,000 tsubo or more NLA: 4,500 tsubo or more Typical floor plate: Greater than 250 tsubo (except Grade A)	GFA: 2,000-7,000 tsubo Typical floor plate: Greater than 200 tsubo (except Grade A & Grade A-Minus)	GFA: 2,000 tsubo or more (except Grade A)	GFA: 1,000 tsubo or more
<b>Age</b>	Less than 11 years	Buildings satisfying the 1981 anti-seismic standards			

\*Central 5 Wards: Chiyoda Ward, Chuo Ward, Minato Ward, Shinjuku Ward, Shibuya Ward    \*\*350 tsubo for Osaka and Nagoya

For further details of the market data in each city and an overview of market conditions, please refer to the Japan Office MarketView Q4 2019 which is also available on the CBRE website.

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

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