

August 9, 2018

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## CBRE Releases Q2 2018 Japan Retail MarketView Covering Trends in Retail Properties in Major Cities

### Ginza High Street Vacancy Rate Drops 0.1 points q-o-q

CBRE today released its Q2 2018 Japan Retail MarketView covering retail property market trends in major cities across Japan.

#### HIGHLIGHTS

- ◆ The number of tourists visiting Japan rose by 15.3% y-o-y to 2,705,000 in June 2018, a record high for that month. This was due to a range of factors including new air routes, more flights, solid demand for cruises, and promotional offers for trips to Japan.
- ◆ Nationwide department store sales increased by 3.1% y-o-y in June 2018, the first increase in two months, driven by sales of cosmetics products (+15.8% y-o-y) and luxury items (+6.3%), as well as clothing sales (+4.3%), which recorded the first increase in seven months, on the back of hotter weather. Duty-free sales rose by 52.5% y-o-y, boosted by the Chinese Dragon Boat Festival holiday.
- ◆ Prime rents in Tokyo, Osaka, and Nagoya were flat q-o-q. However, store demand among retailers, particularly luxury brands, continued to show recovery.

#### GINZA HIGH STREET RENT FORECAST FOR THE NEXT TWO YEARS

Rents are expected to bottom-out in Q2 2018 and then gradually recover. Supportive factors include the increase in foreign visitors to Japan as well as a recovery in sales of luxury items.

#### Tokyo (Ginza, Omotesando, Harajuku, Shinjuku, Shibuya)

Tokyo prime rents (assumed achievable rents, including CAM) were flat in Q2 2018 for the twelfth consecutive quarter at JPY 400,000 per tsubo. In **Ginza**, the period saw increased demand from luxury brands seeking to open stores. Activity included new store openings by brands that did not previously have a boutique in Ginza, as well as several brands relocating to upgrade their location. In **Omotesando and Harajuku**, properties in prime locations attracted demand from luxury brands at rent levels exceeding the amount paid by existing tenants. In **Shinjuku**, some drugstores were seen to be seeking opportunities to open additional stores in areas already agglomerated by other drugstores. In **Shibuya**, in the prime location of Koen-dori, a lease was signed with a sports equipment retailer.

The vacancy rate in the Ginza high street area fell by 0.1 points q-o-q to 1.7% in Q2 2018; however,

on a year-on-year basis, it is 0.7 points higher. High street rents were flat for the third quarter running, at JPY 254,000.

Prince Phillips, Associate Director of CBRE's Retail Services team, commented: "Store demand among luxury brands is steadily recovering. Many such brands that already have a store in the Ginza or Omotesando area are considering opening new stores due to strong sales. Demand from drugstores also remains solid. As well as the high street shopping routes walked by foreign tourists, some new stores have opened in secondary areas. With the number of visitors to Japan increasing, we should continue to see such trends that capture inbound demand."

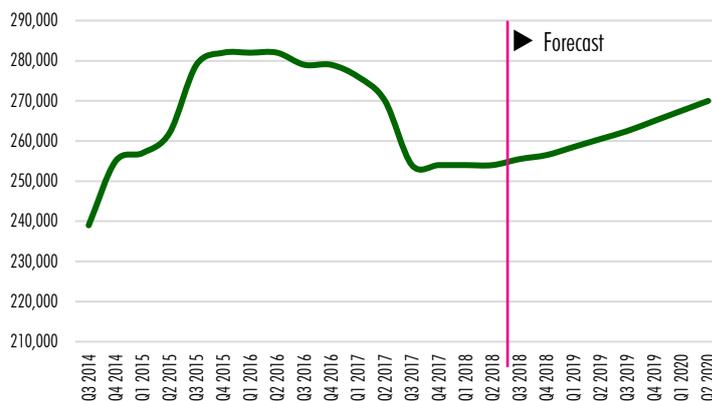
**Ginza Vacancy Rate\***

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
GINZA	1.0%	0.8%	1.5%	1.8%	1.7%

Source: CBRE, Q2 2018

\* The Ginza vacancy rate is based on high street spaces which were physically available at the time of the survey (does not include those scheduled to be vacant)

**Average Rent for Ginza High Streets\*2**



Source: CBRE, Q2 2018

\*2 Average of the upper and lower end of high street rents in Ginza.

**Osaka (Shinsaibashi, Umeda)**

Osaka prime rents (assumed achievable rents, including CAM) were flat q-o-q for the eighth consecutive quarter at JPY 300,000 per tsubo. In **Shinsaibashi**, there was continued demand from drugstores and home electronics retailers targeting inbound demand, especially in the Shinsaibashi-suji shopping area. In **Umeda**, several new hotels opened for business, leading to an increase in the number of foreign tourists, and store demand among drugstores aiming to capture this inbound demand is rising.

Tsuyoshi Hashikawa, Senior Director of CBRE's Kansai Retail Services team, commented: "Store demand among drugstores remains strong, particularly in areas that are popular with foreign tourists, such as the Shinsaibashi-suji shopping district. The level of rents contracted by drugstores has remained higher than in other business formats since around 2015, when drugstores' rent capacity

soared following a surge in spending. However, in many cases owners are putting a priority on attracting tenants other than drugstores, taking into consideration the tenant mix in the shopping district. They are aiming to encourage visits by Japanese shoppers, which have been decreasing against a backdrop of rising inbound tourists to Japan."

### **Nagoya (Sakae)**

Nagoya prime rents (assumed achievable rents, including CAM) were flat q-o-q for the second consecutive quarter at JPY 140,000 per tsubo in Q2 2018. In the Sakae area, while several tenants vacated or downsized due to poor performance, replacement tenants were found at almost the same rent level, reflecting retailers' upbeat view towards this location.

Hideo Oue, Senior Director of CBRE's Nagoya Retail Services team, commented: "Store demand among luxury brands, including luxury watches, is recovering. On the other hand, some apparel brands with poor performance either closed stores or withdrew from Japan. However, the Sakae area remains highly regarded, and replacement tenants are likely to be identified quickly. That said, there are very few inquiries for properties with a relatively large floor area and a high total rental cost. Many owners of such properties, therefore, are offering sub-divided units in accordance with retailer requirements."

A detailed discussion of market conditions can be found in the Q2 2018 Japan Retail MarketView published today on the CBRE website.

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

#### About CBRE Group, Inc.

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