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**CBRE Releases “Japan’s Emerging R&D Hub – Yokohama Minato Mirai”  
 R&D Centers Are Driving Demand for Office Space  
 Yokohama's all-grade rent expected to rise 10.5% over next two years**

CBRE today released a special report titled, “Japan’s Emerging R&D Hub – Yokohama Minato Mirai,” which looks at the rise of R&D centers in Yokohama Minato Mirai and how it has impacted the local office market. The report also discusses the future of the market and its investment potential.

● **Yokohama office vacancy rate dropped sharply in one year**

In Q1 2018, the Yokohama office vacancy stood at 4.9%. In Q1 2019, only a year later, it plunged 3.3 points to 1.6%. The demand for office space in the area has been driven by R&D centers. With investment in R&D rising again, post-GFC manufacturers, particularly those related to IoT, have been newly opening or moving into Minato Mirai to set up their bases. (Figure 1)

Figure 1: Companies that have announced their move to/opening in Minato Mirai

Company	Building/block	Lease or Acquisition
Nomura Research Institute	Yokohama Nomura Building	Lease
Shiseido Global Innovation Center	56-2 block	Acquisition
Kyocera Minatomirai Research Center (Tentative)	OCEAN GATE MINATOMIRAI	Lease
Murata Minatomirai Innovation Center	47 block	Acquisition
LG Holdings Japan	55-1 block	Acquisition
Sony Imaging Products & Solutions	Yokohama Gran Gate	Lease

Source: Compiled by CBRE from company news releases, March 2019

● **What makes Yokohama a desirable location? Three main reasons:**

**1. Attractive to young talent**

Many millennials and those in the technology field reside in Kanagawa Prefecture. As revealed in CBRE’s Millennial Survey, the younger workforce tend to prioritize work-life balance and therefore prefer shorter commutes. Relocating to Yokohama is considered a way to attract this group of talent.

**2. Continuous supply of large new buildings**

In recent years, there has been a continuous supply of large new buildings, including those suitable as a R&D base. Furthermore, this trend is set to continue. Office building stock in Q1 2019 totaled 380,000 tsubo. Between now and 2023, approximately 70,000 tsubo, or 19% of its current stock, is expected to enter the market. This will be the highest ratio nationwide.

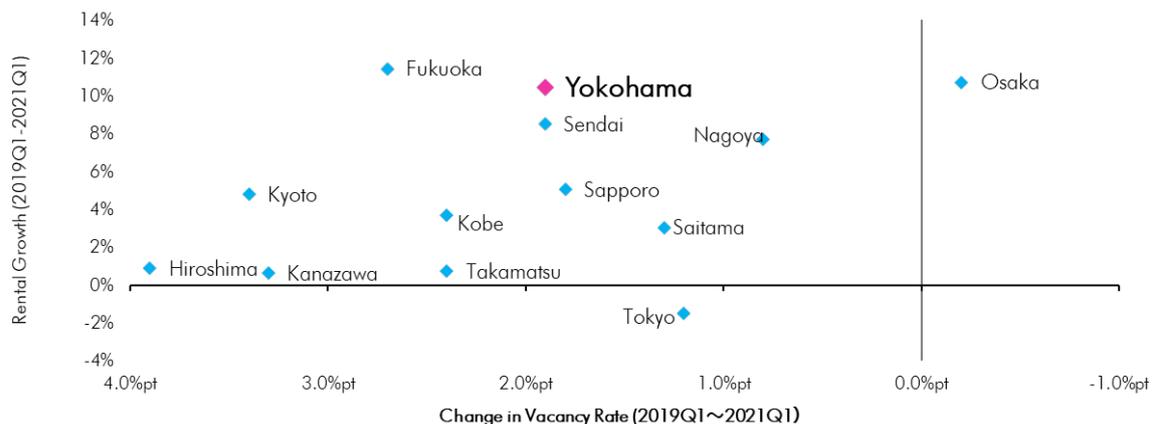
**3. Minato Mirai offers strong cost benefits\* compared to Tokyo**

Being located in Minato Mirai is more cost-effective than Tokyo. All-Grade rents are around JPY 7,000 per tsubo lower and a number of incentives, including local government grants and tax concessions, are available.

● **Yokohama is an attractive investment market - Yokohama All-Grade rents forecast to rise by 10.5% over next two years**

Yokohama All-Grade rents rose by 4.6% during the 12 months leading up to Q1 2019. When looking at nationwide office rental growth for the next two years (to Q1 2021), Yokohama ranked among the top three at 10.5%. This future rental upside has made the city an increasingly attractive market for investors. (Figure 2)

Figure 2: Forthcoming two-year rent and vacancy rate forecasts by city (All-Grade)



Source: CBRE, Q1 2019

Koichi Suzuki, senior director of CBRE Research, commented: "As the working population continues to decline and securing talent becomes more competitive, companies see Yokohama as a means to attract millennials and technical personnel. Yokohama Minato Mirai has therefore become an ideal IoT-related R&D base. In addition, cheaper rents (in comparison to Tokyo) and a robust new supply of large buildings will further entice companies to the area."

For further details, please refer to the "Japan’s emerging R&D hub – Yokohama Minato Mirai" full report below.

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

▼Related report:

【April 23, 2019】Japan Office MarketView Q1 2019

<https://www.cbre.co.jp/en/research-reports/Japan-Office-MarketView-Q1-2019>

【September 27, 2018】Japan Major Report - Coworking Office September 2018

<https://www.cbre.co.jp/en/research-reports/Japan-Major-Report---Coworking-Office-September-2018>

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