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For Further Information
CBRE
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Logistics Vacancy Rises to 5.8% in Greater Tokyo, Gap Between Areas Widens. Greater Osaka Records Historically High Net Absorption

CBRE today released its Q3 2017 logistics market data in Japan's three major areas: Greater Tokyo, Greater Osaka, and Greater Nagoya.

Highlights

- ◆ **Greater Tokyo Area LMT (Large Multi-Tenant Logistics Property) vacancy rose to 5.8%, although vacancy in properties more than one year old falls to 2.2%.**
- ◆ **Net absorption in the Greater Tokyo amounted to 77,000 tsubo, far exceeding the 2013–2017 quarterly average. In the Tokyo Bay Area, occupancy in newly completed Distribution B Building exceeded 80%, amid solid leasing demand.**
- ◆ **Vacancy rose to 8.1% in the Tokyo Bay Area, but fell sharply in the Gaikando Area from 5.0% last quarter to 1.9%. In the Route 16 Area, vacancy remained low at 2.1%, despite a slight increase in Q3 2017. In the Ken-O-do Area, vacancy rose again, reaching 19.4%.**
- ◆ **In the Greater Osaka Area LMT market, net absorption reached 111,000 tsubo, setting a new record and surpassing 100,000 tsubo for the first time. Vacancy fell to 15.7%.**

Greater Tokyo Area

The vacancy rate in the **Greater Tokyo Area LMT market** stood at 5.8% in Q3 2017, up 0.7 points q-o-q. The rise was mainly due to several new properties still having unlet space upon completion. However, space continued to be filled in properties which have been completed in previous quarters, and the vacancy rate for properties more than one year old fell from 2.7% in Q2 2017 to 2.2%. Net absorption for the quarter was 77,000 tsubo, far exceeding the 2013–2017 quarterly average. Occupancy in the newly completed Distribution B Building in the Tokyo Bay Area exceeded 80%, amid solid leasing demand. In the Gaikando Area, the vacancy rate fell sharply from 5.0% in Q2 2017 to 1.9%. Although the vacancy rate rose slightly in the Route 16 Area, it remained low at 2.1%. In the Ken-O-do Area, the vacancy rate rose to 19.4%, although the area has been seeing more enquiries from large tenants.

Wataru Sato, senior director of CBRE's Tokyo Industrial Services group, commented: "Space in Distribution B Building, which appeals to tenants due to its multi-purpose use and availability

of small units, is being steadily filled. The Gaikando and Route 16 areas are also registering strong demand, and available space is limited. Consequently, properties due for completion in 2018–2019 are already attracting enquiries from a wide range of sectors.”

Greater Osaka Area

In the **Greater Osaka Area LMT market**, the vacancy rate fell 2.7 points q-o-q to 15.7%. The quarter saw the completion of two large-scale properties located in the inland area of Osaka Prefecture, both of which attracted significant demand. Also with several take-ups seen in properties along the waterfront area, net absorption this quarter rose above 100,000 tsubo since CBRE's surveys began in Q4 2006.

Kenji Kitamura, senior director of CBRE's Kansai Industrial Services group, commented: “The development of areas where there were previously no large-scale facilities is driving robust tenant demand. Although there are some properties in the waterfront area which have been carrying vacancy for some time, Greater Osaka LMT market as a whole is seeing a pick up in leasing activity.”

Greater Nagoya Area

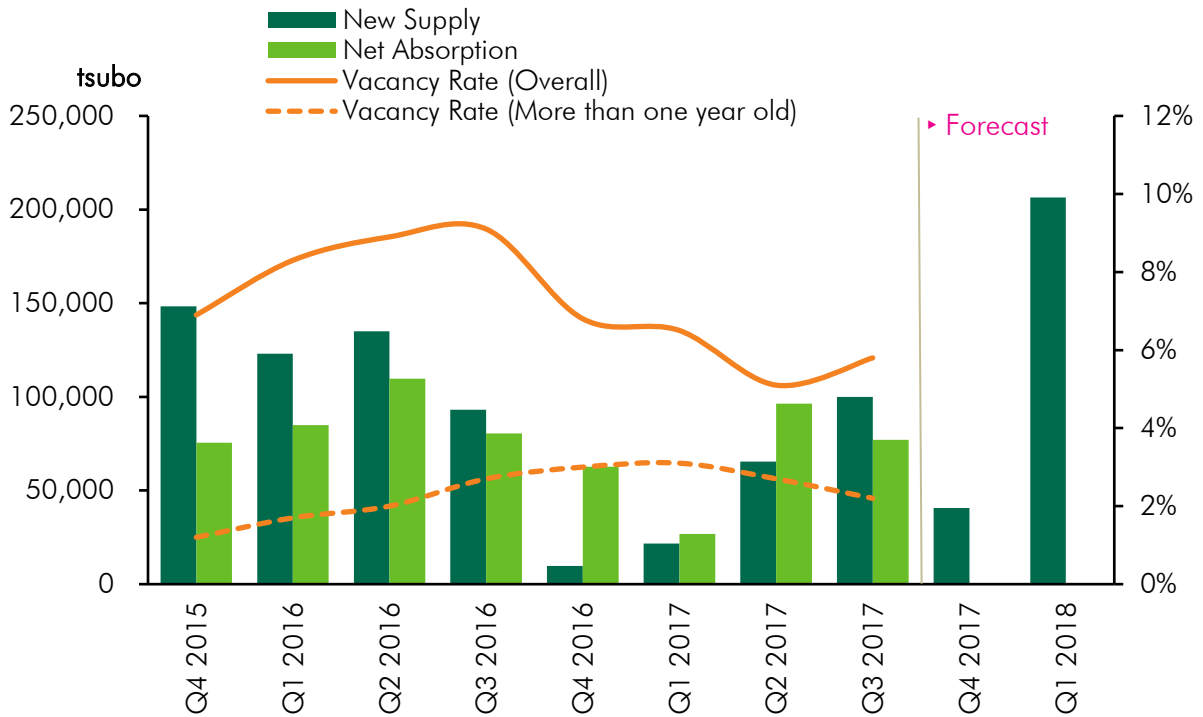
In the **Greater Nagoya Area LMT market**, the vacancy rate fell from 18.0% in Q2 2017 to 14.2%. All the new supply planned for 2017 in Greater Nagoya, totaling 89,000 tsubo, have been completed during H1 2017, and therefore no new stock was added in Q3 2017, ensuring that leasing in these newly completed properties made steady progress.

Haruo Ishikawa, senior director of CBRE's Nagoya Industrial Services group, commented: “Drugstores, e-commerce firms and companies handling consumer goods such as household items and F&B continue to be active in establishing new distribution bases and/or relocating to larger spaces. The vacancy rate is likely to decline further in Q4 2017.”

For further details on market trends and forecasts, as well as market data by area, please refer to the Q3 2017 Japan Logistics MarketView, scheduled for release on October 31. The report will be published on the CBRE Japan website at:

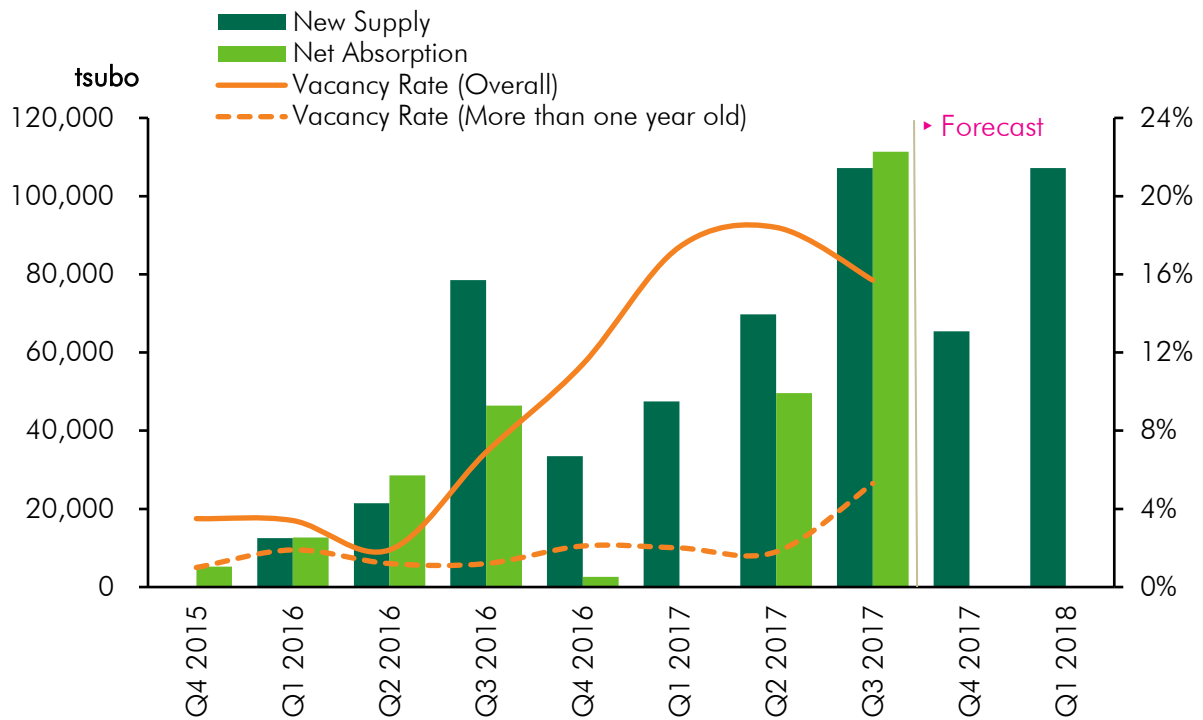
<http://www.cbre.co.jp/EN/research/Pages/MarketViews.aspx?redirect=true>

Chart 1: Greater Tokyo LMT Market: Supply/Demand Balance



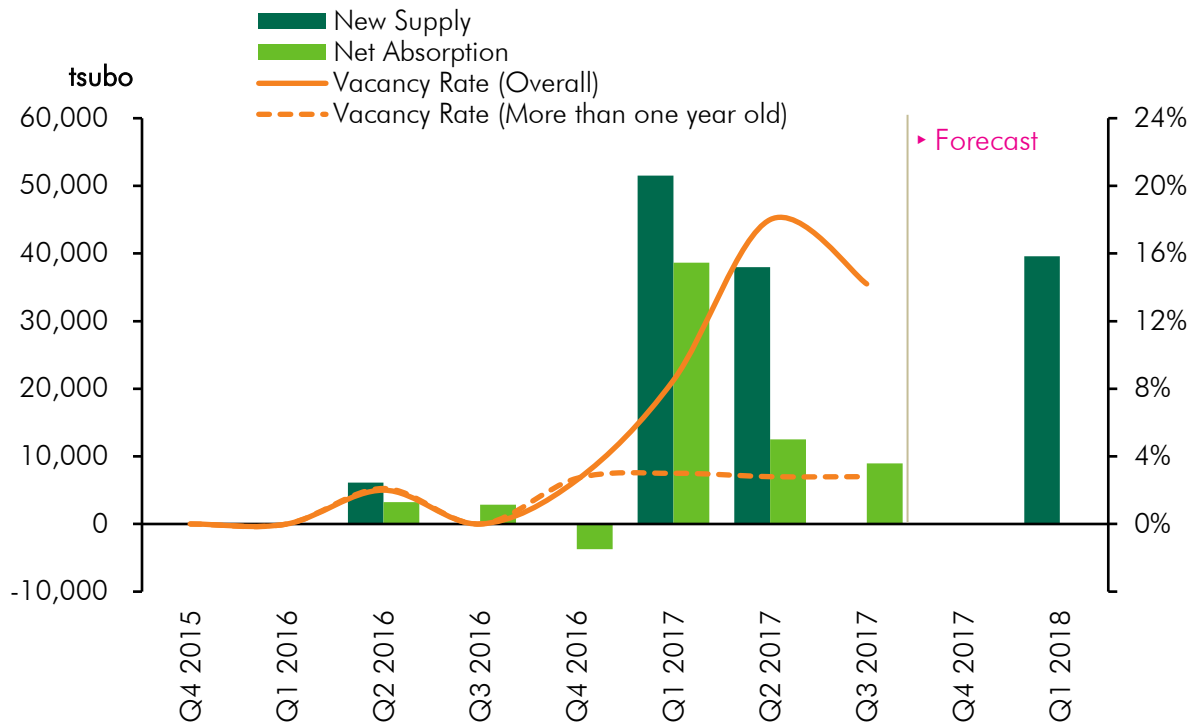
Source: CBRE, Q3 2017

Chart 2: Greater Osaka LMT Market: Supply/Demand Balance



Source: CBRE, Q3 2017

Chart 3: Greater Nagoya LMT Market: Supply/Demand Balance



Source: CBRE, Q3 2017

■ LMT Vacancy Rate and Effective Rent Index By Area

		Vacancy Rate					Effective Rent Index (JPY/tsubo)				
		Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Greater Tokyo Area	Overall	9.1%	6.8%	6.5%	5.1%	5.8%	4,020	4,020	4,010	4,010	4,050
	More than one year old	2.7%	3.0%	3.1%	2.7%	2.2%					
Tokyo Bay Area	Overall	8.4%	9.8%	5.5%	5.5%	8.1%	6,280	6,290	6,320	6,330	6,580
	More than one year old	8.4%	9.8%	5.5%	5.5%	4.2%					
Gaikando Area	Overall	5.7%	3.5%	2.6%	5.0%	1.9%	4,670	4,670	4,670	4,660	4,650
	More than one year old	0.7%	1.0%	0.0%	2.0%	2.0%					
Route 16 Area	Overall	7.1%	5.4%	4.1%	1.9%	2.1%	3,960	3,960	3,970	3,980	4,010
	More than one year old	3.3%	3.2%	3.3%	1.7%	0.6%					
Ken-O-Do Area	Overall	23.4%	16.9%	19.8%	15.5%	19.4%	3,230	3,230	3,230	3,220	3,210
	More than one year old	2.1%	4.1%	5.1%	5.3%	6.0%					

		Vacancy Rate					Effective Rent Index (JPY/tsubo)				
		Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Greater Osaka Area	Overall	6.9%	11.4%	17.4%	18.4%	15.7%	3,820	3,680	3,670	3,600	3,550
	More than one year old	1.2%	2.1%	2.0%	1.8%	5.3%					

		Vacancy Rate					Effective Rent Index (JPY/tsubo)				
		Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Greater Nagoya Area	Overall	0.0%	2.6%	8.5%	18.0%	14.2%	3,410	3,420	3,500	3,530	3,530
	More than one year old	0.0%	2.7%	3.0%	2.8%	2.8%					

DEFINITIONS

Properties Surveyed	Logistics properties for lease which are planned and developed for multi-tenant use
Large Multi-Tenant Properties (LMT)	With gross floor area (GFA) : More than 10,000 tsubo in the Greater Tokyo Area (113 properties) and Greater Osaka Area (27 properties) More than 5,000 tsubo in Greater Nagoya Area (19 properties)
	Vacancy Spaces that are ready to receive tenants at time of survey (newly built facilities are those where construction works are complete)
	Effective Rent Index: Rental index based on achievable rents with CAM for new leases during the survey period. Length of lease and free rent period are taken into account.
Mid to Large Scale Property	A logistics property for lease which has a GFA of more than 1,000 tsubo
Space Measurement	Floor space is usually measured in tsubo or in square meters. 1 tsubo = 3.3058 square meters = 35.58 square feet

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