

## “Office Vacancy Rate” Improved Further in September

The “Office Vacancy Rate” is posted on the web site of Miki Shoji, a major property agent in Japan, and is released around the middle of every month. The report shows useful data, such as vacancy rates, average rent prices and the numbers of office buildings, categorized by location (Sapporo, Sendai, Tokyo, Yokohama, Nagoya, Osaka and Fukuoka), and if the building was newly built or is an existing one.

### Point 1

## Vacancy rates in Tokyo’s five central Wards have improved to 4.53% MoM in September

The rate is below half of its peak in 2012

- Office Vacancy Rates in September were published on October 8<sup>th</sup>. The vacancy rates in Tokyo’s five central Wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya) declined by 0.19 points to 4.53% MoM. The rate fell to the level that is less than half of its peak in June 2012 (9.43%).
- The backdrop is the limited supply of new office buildings despite the growing office space demand supported by the upbeat in corporate earnings.

### Point 2

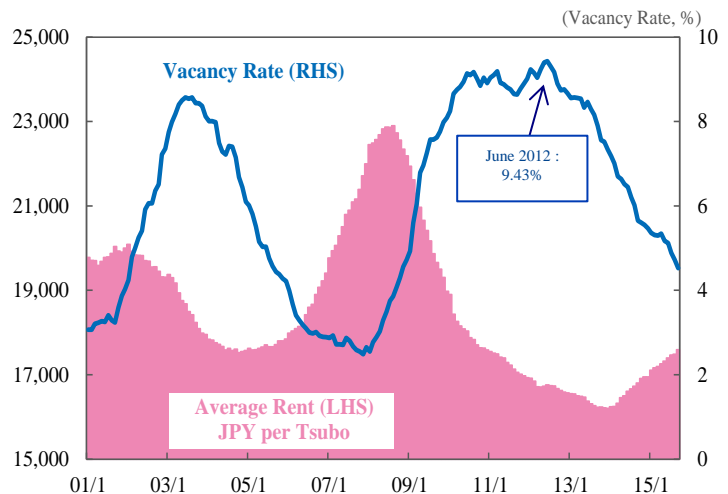
## Office rent rose for 21 consecutive months

Vacancy is scarce in central office districts such as Marunouchi

- Office rent continued to rise reflecting tight supply-demand balance. The average office rent of September was JPY 17,594 per Tsubo\* (=JPY 5,321 per Square Meter) which rose +4.7% YoY and +0.6% MoM. It rose for 21 consecutive months MoM. Vacancy is scarce in popular office districts such as Marunouchi and Otemachi (both in central Tokyo).
- Office rent is rising across the country as the office vacancy rate (September data) is falling not only in Tokyo but also in other major cities (excluding Sendai and Nagoya where large office buildings are scheduled for completion).

\* Tsubo is a traditional Japanese measurement for unit area which is equal to 3.306 square meters.

“Vacancy Rate and Rent of Tokyo’s five central Wards”



(Note) Data period is from January 2001 to September 2015.  
 (Source) SMAM, based on Miki Shoji Co., Ltd. data.

### ■ Vacancy rate below 5% triggers the office rent to rise

Once the vacancy rate falls below 5%, rents tend to start rising as the office rent market turns to a so-called “sellers’ market”. The office rent is expected to continue rising due to the limited supply of new office space. A large office building is scheduled for completion in October, right in front of Tokyo station, where the tenants are signing up steadily.

### ■ Tailwind for Japanese REITs

The TSE REIT Index is recovering after a sharp fall triggered by the global equity price plunge. Investors may reconsider investing in Japanese REITs due to their strong earnings growth, which is supported by rising land prices, in addition to the rise of average rent prices, since many are focused on office buildings.

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