

## “Office Vacancy Rate”, moderate improvement in February

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. The data are categorized by seven business locations (Sapporo, Sendai, Tokyo, Yokohama, Nagoya, Osaka and Fukuoka), and divided into two groups of newly built and existing buildings.

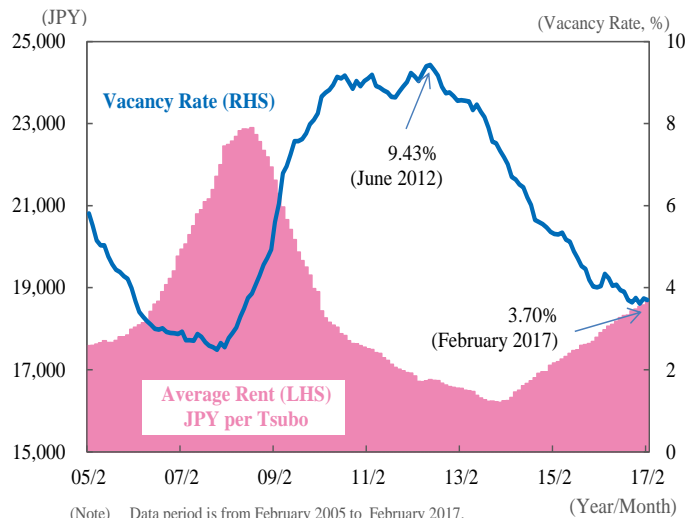
### Point 1

## Vacancy rates in Tokyo’s five central wards has moderately improved down to 3.70% in February 2017

Large vacant space of office buildings built less than 1 year ago has reduced

- Office Vacancy Rates in February were published on 9<sup>th</sup> March 2017 by Miki Shoji. The vacancy rates in Tokyo’s five central wards (Chiyoda, Chūō, Minato, Shinjuku and Shibuya) improved by -0.04 points MoM to 3.70% in February. The vacancy rate has been staying in between 3.6% and 3.7% since September 2016.
- In February, vacancy rate of existing buildings saw moderate rise due to termination of rent contract of large office space. However, overall office vacancy rate was lowered offset by falling vacancy rate of newly built buildings due to (i) the launch of one fully occupied building and (ii) decrease in large vacant space of office buildings built less than 1 year ago.

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



(Note) Data period is from February 2005 to February 2017.  
(Source) SMAM, based on Miki Shoji Co., Ltd. data.

### Point 2

## Average office rent rose for 38 consecutive months

All of Tokyo’s five central wards saw rise in average office rent

- Meanwhile, the average office rent of Tokyo’s five central wards in February was JPY 18,655 per Tsubo\* (=JPY 5,643 per Square Meter) which rose +4.19% YoY and marginally rose by +0.39% MoM for 38 consecutive months.
- In February, average office rent of both existing and newly built buildings of Tokyo’s five central wards rose from previous month by +0.46% and +1.37%, respectively. All of Tokyo’s five central wards saw marginal increase of average office rent ranging from +0.01% to +0.48%.

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

## Office vacancy rate is expected to stay low as new supply of large-scaled office will be limited this year

- “Office Vacancy Rate” is already at a favorably low level and has been staying at around current level since last summer. Through year 2017, vacancy rate will likely continue remaining at current low level, as supply of new large-scaled office buildings seem to be limited.
- Decrease in vacancy rate and increase in rent of offices are tailwinds to Japanese REIT market as many of Japanese REITs are specialized in office buildings. Furthermore, long-term interest rate seems to stay low as BOJ’s stance to go on accommodative monetary policy is likely to continue in Japan for the time being which is positive to Japanese REIT market.

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