

**January “Office Vacancy Rate” in Tokyo’s five central Wards improved moderately**

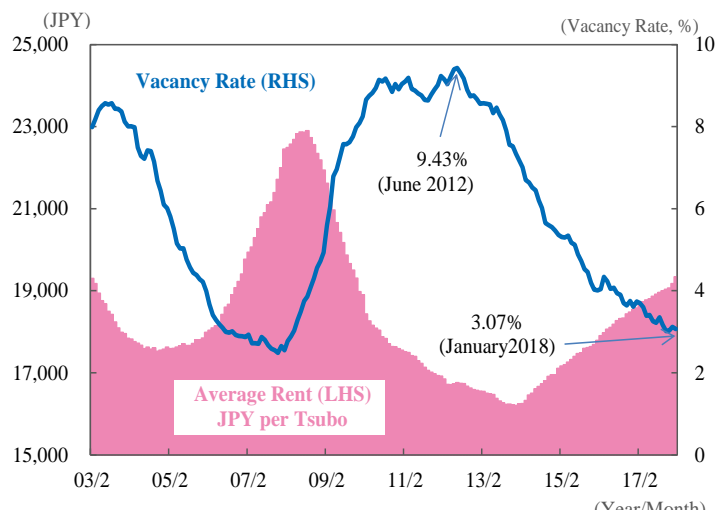
The “Office Vacancy Rate” is posted on the web site of Miki Shoji, a major property agent in Japan, and is released around the middle of every month. The vacancy rate improved to around 3% from the recent peak of 9% in 2012. However, the average office rent has only increased moderately despite such a tight vacancy rate of 3% level. It is important to watch the trend of vacancy rate and average office rent, as the large supply of new office buildings is in the pipeline beyond July 2018.

**Point 1**

**“Office Vacancy Rate” has improved to 3.07%  
Extremely in good condition**

- “Office Vacancy Rates” in January were published on 8<sup>th</sup> February 2018 by Miki Shoji. The vacancy rates in Tokyo’s five central wards (Chiyoda, Chūō, Minato, Shinjuku and Shibuya) improved by -0.05 points MoM to 3.07% in January. Vacancy rate has been improving (falling) since its recent peak of 9.43% in June 2012. It is significantly low compared to past 15 year (February 2003 – January 2018) average of 6.00%.
- In January, vacancy rate improved only moderately as some newly-built buildings were launched without full occupation, despite number of office rent contracts of both newly-built (launched within 1 year) and existing buildings have increased.

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



(Note) Data period is from February 2003 to January 2018.  
(Source) SMAM, based on Miki Shoji Co., Ltd. data.

**Point 2**

**Average office rent rose for 49 consecutive months  
Moderate rise of existing building’s office rent continues**

- The average office rent of Tokyo’s five central wards in January was JPY 19,338 per Tsubo\* (=JPY 5,849 per Square Meter) which rose +0.86% MoM (+ 4.07% YoY) increasing for 49 consecutive months. The level of the rent this month was the highest since October 2009.
- In January, while average office rent of Tokyo’s five central wards of existing buildings was + 1.03% MoM (+ 4.66% YoY), that of newly built buildings was - 1.44% MoM (- 6.95% YoY). Although the average office rent of newly-built buildings had fallen sharply in April 2017, it has been almost flat since then.

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

## “Office vacancy rate” is expected to be underpinned by persistent corporate demand

- Office building market in Tokyo is expected to see launch of large-scaled newly-built buildings mainly in Chiyoda Ward beyond July 2018. Although office rent contract of newly-built buildings with large supply has been buoyant as demand of large enterprises for newly-built buildings with good location is still strong, we expect to see negative effect on existing buildings’ vacancy rate due to relocation of tenants to newly-built buildings going forward. However, low long-term interest rate and persistent rent demand of office buildings by the corporations seems to underpin vacancy rate as BOJ’s accommodative monetary policy is likely to continue in Japan.

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