

October “Office Vacancy Rate” improved further 2.20%

The “Office Vacancy Rate” is posted on the web site of Miki Shoji, a major property agent in Japan, released around the middle of every month. Current office vacancy rate in Tokyo’s central five wards improved to 2% level, from 9% level in 2012. Favorable supply/demand environment continues as average rent price is modestly rising due to improving vacancy rates. As large volume of new office building supply is expected toward year 2020, the impact to vacancy rate and average rent price are to be watched.

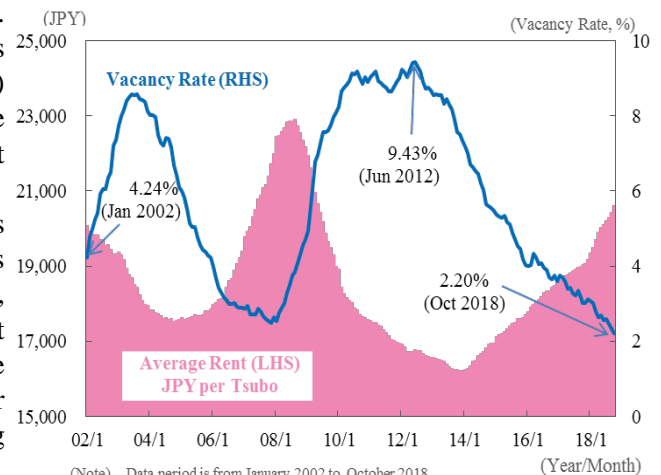
Point 1

October “Office Vacancy Rate” in Tokyo’s five central wards has improved

Both existing buildings and newly built advanced

- “Office Vacancy Rate” in October was published on 8th November 2018 by Miki Shoji. The vacancy rates in Tokyo’s five central wards (Chiyoda, Chūō, Minato, Shinjuku and Shibuya) improved by -0.13 points MoM to 2.20%, the lowest record since January 2002 (the oldest monthly data available).
- In October, vacancy rate of both new supplies and existing buildings improved by -0.81 points and -0.13 points MoM to 4.18% and 2.13%, respectively. Vacancy rate of newly built improved as the five new supplies including one large-scale building were completed fully or almost fully occupied. Vacancy rate of existing buildings improved supported by large contracts, in spite of some effects of cancellation of contracts of existing building due to relocation to new buildings.

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



(Note) Data period is from January 2002 to October 2018.
 (Source) SMAM, based on Miki Shoji Co., Ltd. data.

Point 2

Average office rent continued to increase

Increased for 58 consecutive months

- Office rent is modestly rising with the improvement of vacancy rate. Average office rent in Tokyo’s five central wards in October rose by +0.78% MoM to JPY 20,597 per Tsubo* (=JPY 6,230 per Square Meter), which was a 58 consecutive months of growth. Average rent is rising due to tighter supply/demand condition.
- In October, average office rent of new supplies and existing buildings increased by +1.16% to JPY 29,403 and +0.57% to JPY 20,286, respectively.

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

- In the beginning of this year, there was a concern over rise of “Office Vacancy Rate” due to increase in supply of office buildings from 2018. However, vacancy rate has been low due to persistent demand of office buildings by companies supported by their strong corporate earnings. It seems that companies are strengthening their real estate businesses because of tightening office demand. NTT and ORIX announced TOB on their listed real estate subsidiaries to obtain 100% of their stakes. As we expect large supply of new office buildings in 2019 and 2020, whether strong demand on newly-built buildings could sustain or not would be the focal point.

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