



Tokyo Office Market Update

JLL Research Japan
June 2017

Real GDP grows for the fifth consecutive quarter in the January-March term

Japan's real GDP in the January-March term expanded by 0.5% q-o-q on a seasonally adjusted annualised basis, marking growth for the fifth consecutive quarter. Growth was driven by private consumption (1.4%) and exports (8.9%). Similarly, capital expenditure continued to grow (0.9%), albeit at a slower pace.

Grade A vacancy rate rises slightly

The vacancy rate in the Grade A office market in Tokyo stood at 2.7% at end-May, rising 10 bps q-o-q but declining 20 bps y-o-y. The secondary vacancy in Marunouchi offset demand for new buildings in Otemachi and expansion demand in Shinagawa.

Grade A rents flat

Rents in the Grade A office market in Tokyo at end-May averaged JPY 36,449 per tsubo per month, flat m-o-m and increasing 1.6% y-o-y. However, in some sub-markets, upward pressure on rents exists amid limited supply and healthy forward commitment of future supply in 2018.

Hibiya Park Front completes in Kasumigaseki

Hibiya Park Front completed in May. Located in the Kasumigaseki sub-market, the office-led redevelopment of Shinsei Bank's former headquarters building has 21 storeys above ground and offers 67,000 sqm in GFA. The building has formulated effective business continuity strategies in the event of disasters. In addition, it has been granted DBJ Green Building certification for its top class performance as an environmentally and socially sustainable building.



Key Performance Indicators



	Jan-Mar 2017	Prev	Outlook
Real GDP growth SAAR (%)	2.2	1.2	↗
Capital expenditure SAAR (%)	0.9	8.4	-
	Apr-17	Prev	y-o-y
Core CPI	100.1	99.8	+0.3%
	Apr-17	Prev	m-o-m
Unemployment rate (%)	2.8	2.8	0.0 bps
	May-17	Prev	m-o-m
Long-term interest rate (%)	0.05	0.016	+0.034
TSE REIT Index	1,748.56	1,733.96	+14.6

Source : Cabinet Office, Oxford Economics, Statistics Bureau, MOF, JPX



Office Market Indicators



	May 2017	Prev	m-o-m
Vacancy rate	2.7%	2.6%	+10 bps
Rents per tsubo per month	JPY 36,449	JPY 36,449	0.0 %
	Jan-May 2017	Jun-Dec 2017	2017F
New supply	98,000 sqm	102,000 sqm	200,000 sqm

Source : JLL



Headline Transactions

Occupational Market

Date	Premise	Location	Occupier	Industry
Jul 2017	Midtown Tower	Minato-ku	Zappallas	Information and communication

Investment Market

Date	Premise	Location	Acquirer	Vendor	Price	Investment Yield
Apr 2017	Dai-36 Arai Building	Chiyoda-ku	Hulic Reit	Arai	JPY 1,460 million	4.3 %

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