

## “ Office Vacancy Rate” continues to improve

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

### Point 1

## Vacancy rates in Tokyo Central’s five wards are improving and rents are rising too

### Supported by solid demands for office buildings

- Office vacancy rates in June were published on July 10<sup>th</sup>. The vacancy rates in Tokyo central’s five wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya) declined to 5.12% for two months in a row. The rates rose (deteriorated) temporarily in April after declining for one year and ten months as a new large office building, Tokyo Nihonbashi Tower (Chuo), raised the leasing spaces in April. The rates will continue to improve at least until a new large Tekko Building (Chiyoda) is scheduled to launch in October.
- Monthly average rents in June also advanced to JPY17,401 (per tsubo \*) for one year and six months in a row, rising by 7.4% for the period.

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

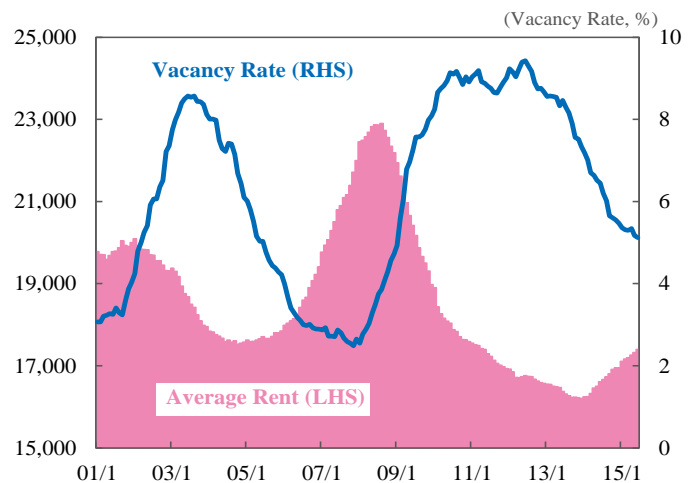
### Point 2

## Local offices also showed improvement

### Upbeat corporate earnings supported the markets

- The vacancy rates in local cities are also favourably improving. All cities of Sapporo, Sendai, Yokohama, Nagoya, Osaka and Fukuoka where Miki Shoji’s research covers, improved from the previous month. Sapporo, Nagoya and Fukuoka strengthened for more than five consecutive months, while Osaka has turned to recovery from May after softening by a newly built large building.
- The backdrop is a positive effect of upbeat corporate earnings. The office demand is increasing across the country as companies are expanding businesses and office spaces.

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



(Note) Data period is from January 2001 to June 2015.

(Source) SMAM, based on Bloomberg L.P. data.

## REITs will recover soon alongside upbeat office rents and stability in financial markets

### ■ Average rents are likely to continue rising

Historically, office rents are likely to follow behind the vacancy rates by a year to a year and a half, and the office leasing business cycle is average four years. The rents of Tokyo central's five wards have gained for only a year and a half since hitting the bottom at the end of 2013. In this sense, the Tokyo Central's rents and vacancy rates are likely to continue improving on the back of solid corporate earnings.

### ■ REITs in Tokyo market is expected to recover

Currently REITs prices in Tokyo market remain soft due to external uncertainties of Greek crisis and a tumbling Chinese stocks. However, The REIT prices are likely to bounce back eventually as a solid office demand is continuing and financial markets are stabilising across the globe.

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