

The cover image features a low-angle, upward-looking shot of a modern glass skyscraper against a clear blue sky. The right side of the image is overlaid with a large, textured red shape that tapers towards the top right corner, serving as a background for the title and logo.

# Tokyo Office Market Update

JLL Research Japan  
November 2017

## **Monetary policy maintained**

At the Monetary Policy Meeting held in October, the Bank of Japan decided to, by an 8-1 majority vote, maintain the current guideline for yield curve control. For the short-term policy interest rate, a negative interest rate of minus 0.1 percent will be applied. For the long-term interest rate, BOJ will purchase Japanese government bonds (JGBs) so that 10-year JGB yields will remain at around zero per cent.

## **Grade A Office vacancy rate decreases for the first time in three months**

The vacancy rate in the Grade A office market in Tokyo stood at 2.9% at end-October, decreasing 10 bps m-o-m but increasing 150 bps y-o-y. This was a decrease for the first time in three months. Amid robust demand for new lease and expansion, submarkets including Hibiya, Shinagawa and Otemachi absorbed extra space.

## **Grade A Office rental growth stabilises for the first time in three months**

Rents in the Grade A office market in Tokyo averaged JPY 36,620 per tsubo per month, flat m-o-m but increasing 1.8% y-o-y. Growth slowed for the first time in three months and stabilised, although marginal growth was observed in some submarkets.

## **Major new supply due in 2018 and healthy commitment from occupiers**

New supply in 2018 is expected to total 597,000 sqm in 2018. This will be the third largest supply historically, equivalent to about 220% of the past 10-year average. With robust demand and no further new supply scheduled in the remainder of 2017, coupled with little vacancy in the Grade A office market in Tokyo, occupier commitment remains at healthy levels.



## Key Performance Indicators

	Apr-Jun 2017	Prev	Outlook
Real GDP growth q-o-q SAAR (%)	2.5	1.2	
Capital expenditure q-o-q SAAR (%)	2.1	2.1	-
	Sep 2017	Prev	y-o-y
Core CPI (Index base: 2015=100)	100.3	99.6	+0.7%
	Sep 2017	Prev	m-o-m
Unemployment rate (%)	2.8	2.8	0 bps
	Oct 2017	Prev	m-o-m
Long-term interest rate (%)	0.071	0.062	+0.009
TSE REIT Index	1,629.26	1,653.72	-24.46

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



## Office Market Indicators

	Oct 2017	Prev	m-o-m
Vacancy rate	2.9%	3.0%	-10 bps
Rents per tsubo per month	JPY 36,620	JPY 36,605	+0.0%
	Jan-Oct 2017	Nov-Dec 2017	2017F
New supply	202,000 sqm	0 sqm	202,000 sqm

Source : JLL



## Headline Transactions

### Occupational Market

Date	Premise	Location	Occupier	Industry
Jan 2018	Sumitomo Fudosan Roppongi Grand Tower	Minato-ku	Remixpoint	Information and communication
Mar 2019	Marunouchi Nijubashi Building	Chiyoda-ku	Mitsubishi Materials	Manufacturing

### Investment Market

Date	Premise	Location	Acquirer	Vendor	Price	Investment yield
Oct 2017	Tokyo Front Terrace	Shinagawa-ku	Mirai Corporation	GK Tennozu 1	JPY 10,592 million (50.2% quasi co-ownership)	4.1%
Feb 2018 or date agreed otherwise	Shinagawa Seaside Park Tower	Shinagawa-ku	GK SS2	Mirai Corporation	JPY 12,004 million (36.6% quasi co-ownership)	4.3%

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