

TOKYO, August 25

Sanko Estate – NLI Research Institute release

“Office Rent Index” for Q2 2020 (Apr – Jun)

Sanko Estate announces Q2 2020 Office Rent Index of Class A, B and C* in central Tokyo**. This innovative index, developed jointly with NLI Research Institute, is based on the contracted rent instead of the asking rent which is commonly referred to monitor market trend.

Summary for Q2 2020

Class A office rent in central Tokyo remains within a small range around 40,000 yen/tsubo.

Class B office rent appears to be passing the peak.

Class C office rent had kept an upward trend for long and looks like hitting the peak finally.

* Class A, B and C: Refer each guideline on page 2, 3 and 4 respectively
** Central Tokyo: Tokyo Central 5 Wards and major business districts in surrounding areas
***CAM: Common Area Maintenance
****1 tsubo ≙ 3.3 sq m ≙ 35.58 sq ft

“Office Rent Index” for Q2 2020 (Apr – Jun)

Class A	Rent (excluding CAM*** fees)	38,871 yen/tsubo****	Q-O-Q 132 yen/tsubo ▲
	Vacancy	0.6 %	Q-O-Q +/- 0 points
Class B	Rent (excluding CAM fees)	21,883 yen/tsubo	Q-O-Q 58 yen/tsubo ▼
	Vacancy	0.7 %	Q-O-Q 0.3 points ▲
Class C	Rent (excluding CAM fees)	19,301 yen/tsubo	Q-O-Q 1,851 yen/tsubo ▼
	Vacancy	1.1 %	Q-O-Q 0.5 points ▲

This release data (PDF) of Office Rent Index is available on;
<https://www.sanko-e.co.jp/en> (English) <https://www.sanko-e.co.jp> (Japanese)

Methodology

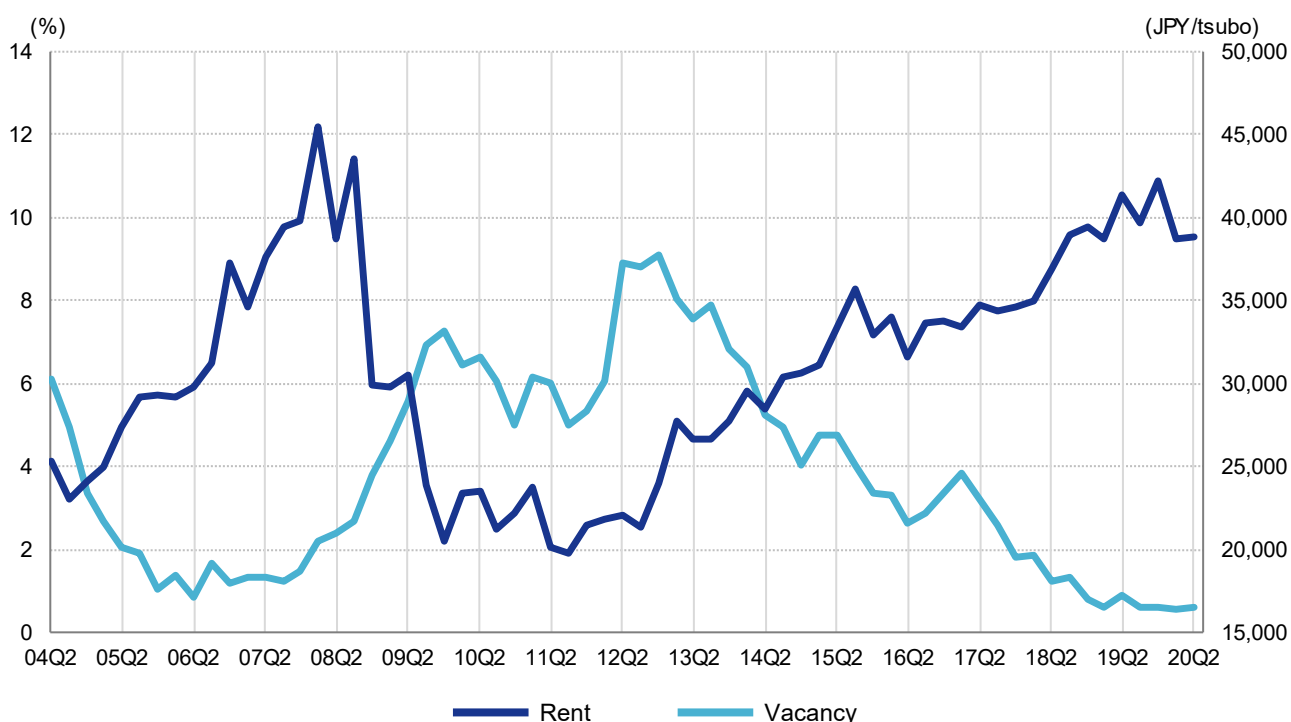
Office Rent Index is constructed on the bases of contracted rent data collected by Sanko Estate. NLI Research Institute receives the anonymous data excluding detailed address and applies statistical analysis, the multi-variable hedonic regression modeling. Sanko Estate releases monthly rent (JPY/tsubo) and its Y-O-Y change every quarter by three building categories namely Class A, Class B and Class C.

For further information, please contact:

International Department, Sanko Estate Co., Ltd.
Tel: +81-3-3564-8051
Email: contact@sanko-e.co.jp

PRAP Japan, Inc.
Email: r-oikawa@prap.co.jp, h-tegawa@prap.co.jp

Central Tokyo Class A Office Rent and Vacancy



(Rent: excluding CAM fees)

Class A	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2
Rent (JPY/tsubo)	34,755	34,401	34,599	35,013	36,952	39,003	39,468	38,733	41,392	39,624	42,242	38,739	38,871
Vacancy (%)	3.2	2.6	1.8	1.8	1.2	1.3	0.8	0.6	0.9	0.6	0.6	0.6	0.6

Source: Sanko Estate (Vacancy Rate), Sanko Estate · NLI Research Institute (Office Rent)

Central Tokyo Class A office rent slightly increases by 132 yen/tsubo to 38,871 yen/tsubo (excluding CAM fees). While the market is slowing down by the COVID-19 outbreak, the demand-and-supply balance remains significantly tight. Not many property owners are reviewing their leasing strategy, and the rent remains within a small range around 40,000 yen/tsubo.

Corresponding vacancy rate levels off at 0.6% at the record low since the inception of the index for four consecutive quarters. It also remains below 1% for seven straight quarters and appears touching the bottom.

Class A office guidelines

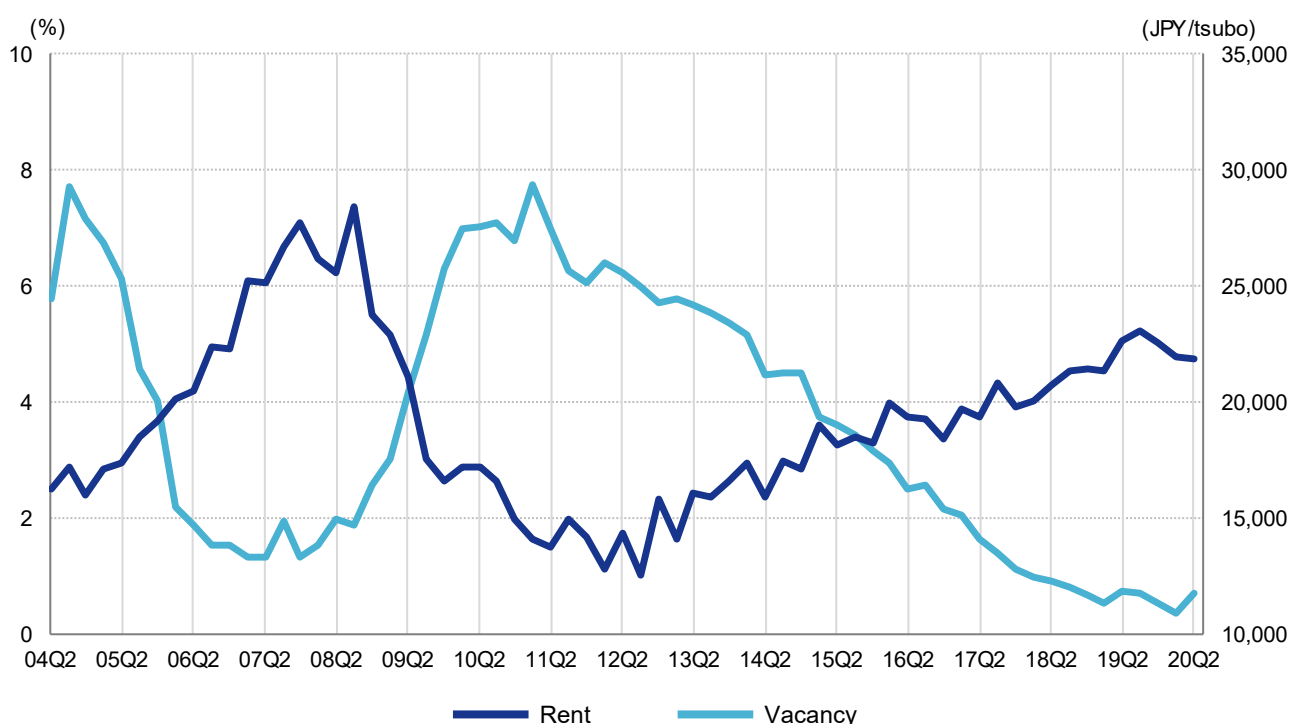
Subject areas: Tokyo Central 5 Wards and major business districts in surrounding areas (such as Osaki, Meguro, and Iidabashi)

Total floor area: 10,000 tsubo or larger / Area per standard floor: 300 tsubo or larger

Years since construction: 15 years maximum, while major refurbishment is also considered.

Facilities (as a general rule): Ceiling height 2.7m or more, individual air conditioning, high anti-seismic and environmental performance

Central Tokyo Class B Office Rent and Vacancy



(Rent: excluding CAM fees)

Class B	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2
Rent (JPY/tsubo)	19,375	20,824	19,824	20,044	20,732	21,387	21,429	21,312	22,609	23,060	22,521	21,941	21,883
Vacancy (%)	1.6	1.4	1.1	1.0	0.9	0.8	0.7	0.6	0.7	0.7	0.6	0.4	0.7

Source: Sanko Estate (Vacancy Rate), Sanko Estate · NLI Research Institute (Office Rent)

Central Tokyo Class B office rent decreases by 58 yen/tsubo from the previous quarter to 21,883 yen/tsubo (excluding CAM fees). Its Q-O-Q decline continues for three quarters, and the rent appears to be passing the peak.

Corresponding vacancy rate increases by 0.3 points to 0.7% and turned to increase for the first time in the last four quarters. It remains below 1% for nine consecutive quarters. The impact of COVID-19 seems more visible in Class B than in Class A, and the vacancy rate appears hitting the bottom.

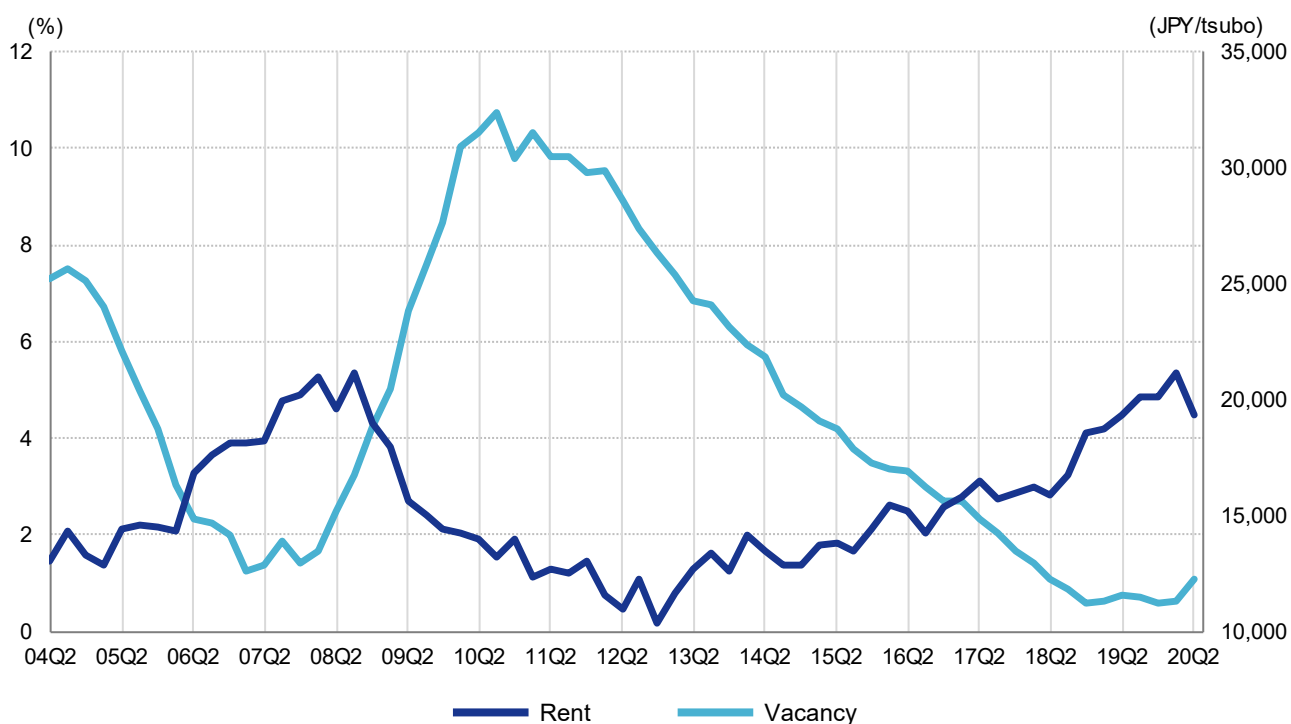
Class B office guidelines

Excluding the buildings classified as Class A, Class B includes all the remaining buildings with 200 tsubo or larger area per standard floor including ex-Class A.

Subject areas: the same as Class A

Years since construction: No limitation

Central Tokyo Class C Office Rent and Vacancy



(Rent: excluding CAM fees)

Class C	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2
Rent (JPY/tsubo)	16,491	15,706	15,978	16,212	15,919	16,782	18,564	18,761	19,366	20,111	20,133	21,152	19,301
Vacancy (%)	2.3	2.0	1.7	1.4	1.1	0.9	0.6	0.6	0.8	0.7	0.6	0.6	1.1

Source: Sanko Estate (Vacancy Rate), Sanko Estate · NLI Research Institute (Office Rent)

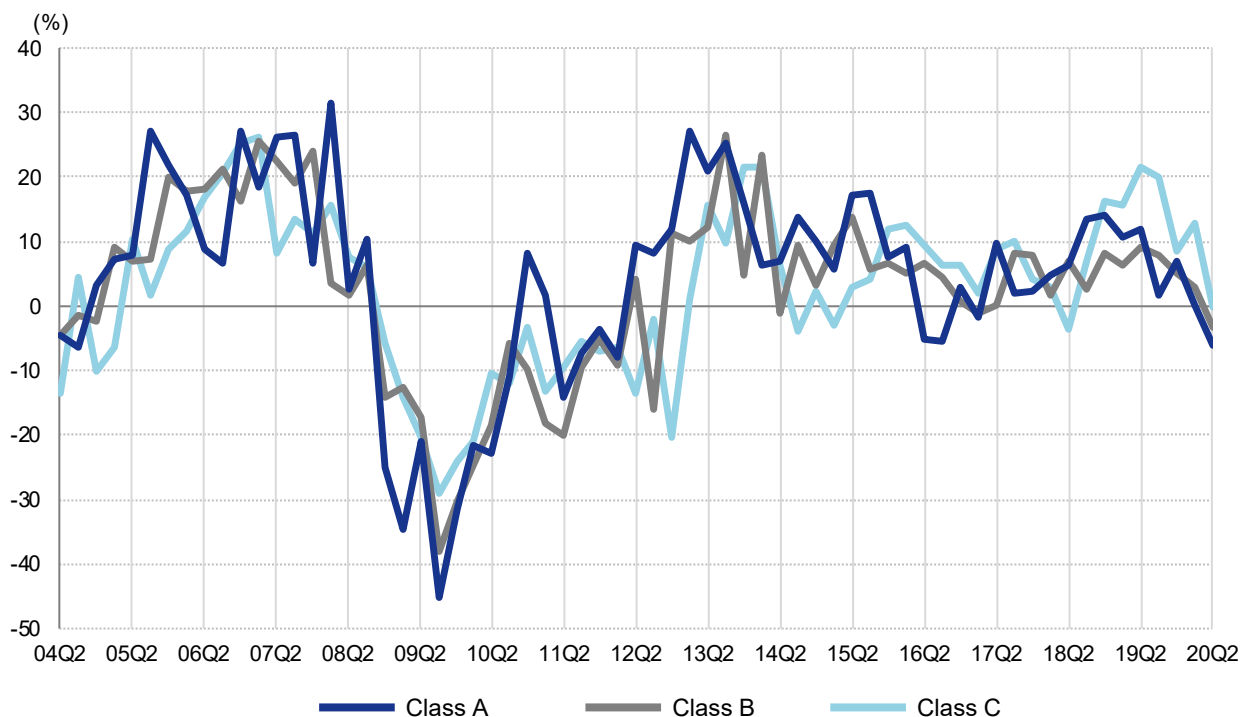
Central Tokyo Class C office rent decreases by 1,851 yen/tsubo to 19,301 yen/tsubo (excluding CAM fees). While the rent had kept an upward trend for long, it looks like hitting the peak finally.

Corresponding vacancy rate increases by 0.5 points to 1.1%, and turns to increase from the record low for the first time in four quarters. It remains relatively low, but the spreading impact of COVID-19 might keep it pushing up in the foreseeable future.

Class C office guidelines

Class C includes all the buildings with 100 to less than 200 tsubo area per standard floor.
 Subject areas: the same as Class A
 Years since construction: No limitation

Central Tokyo Class A, B, and C Office Rent Index Y-O-Y Change



	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2
Class A	9.9%	2.1%	2.4%	4.8%	6.3%	13.4%	14.1%	10.6%	12.0%	1.6%	7.0%	0.0%	-6.1%
Class B	0.2%	8.0%	7.8%	1.5%	7.0%	2.7%	8.1%	6.3%	9.1%	7.8%	5.1%	3.0%	-3.2%
Class C	8.9%	10.0%	4.1%	2.8%	-3.5%	6.9%	16.2%	15.7%	21.7%	19.8%	8.5%	12.7%	-0.3%

Source: Sanko Estate · NLI Research Institute

Y-O-Y changes of each Class A, B, and C Office Rent Index are -6.1%, -3.2%, and -0.3%, respectively. Negative Y-O-Y change of Class A and B is the first time since Q1 2017, and that of Class C is since Q2 2018. Negative Y-O-Y change of all classes is the first time since Q1 2012. While Class A office rent is ending its upward trend, Class B and C rents also display a similar trend as well.

About Sanko Estate

Sanko Estate is regarded as the leading provider of real estate services in Japan; consistently representing the largest percentage of office space transactions owned by major developers and landlords. Since 1977, Sanko Estate has helped thousands of foreign and domestic firms find the best office space throughout Japan for their needs and budgets. The company offers comprehensive real estate services including consulting and market research as well as office leasing services.