

TOKYO, November 11

Sanko Estate – NLI Research Institute release

“Office Rent Index” for Q3 2019 (Jul – Sep)

Sanko Estate announces Q3 2019 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.

“Office Rent Index” for Q3 2019 (Jul – Sep)

Class A	Rent (excluding CAM*** fees)	39,624 yen/tsubo	Q-O-Q 1,768 yen/tsubo ▼
	Vacancy	0.6 %	Q-O-Q 0.3 points ▼
Class B	Rent (excluding CAM fees)	23,060 yen/tsubo	Q-O-Q 451 yen/tsubo ▲
	Vacancy	0.7 %	Q-O-Q +/- 0 points
Class C	Rent (excluding CAM fees)	20,111 yen/tsubo	Q-O-Q 745 yen/tsubo ▲
	Vacancy	0.7 %	Q-O-Q 0.1 points ▼

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

Summary for Q3 2019

Class A office rent in central Tokyo appears to be stagnating around 40,000 yen/tsubo.

Class B office rent keeps its moderate pace of increase from the bottom in Q3 2012.

Class C office rent has almost doubled from the bottom in Q4 2012.

* 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

Methodology

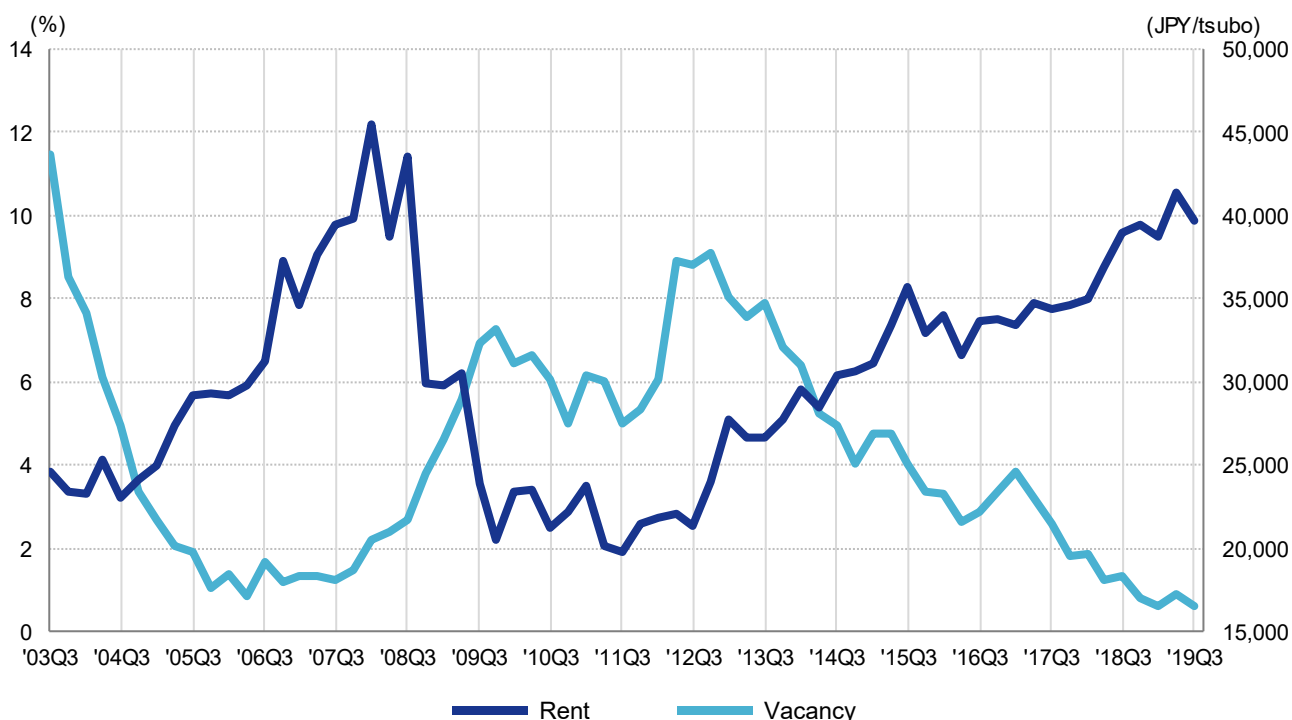
Office Rent Index is constructed on the bases of contracted rent data collected by Sanko Estate. NLI Research Institute receives the anonymous data excluding detailed address and applies statistical analysis, the multi-variable hedonic regression modeling. Sanko Estate releases monthly rent (JPY/tsubo) 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, Fax: +81-3-3564-8060
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	'16Q3	'16Q4	'17Q1	'17Q2	'17Q3	'17Q4	'18Q1	'18Q2	'18Q3	'18Q4	'19Q1	'19Q2	'19Q3
Rent (JPY/tsubo)	33,703	33,785	33,398	34,755	34,401	34,599	35,013	36,952	39,003	39,468	38,733	41,392	39,624
Vacancy (%)	2.9	3.4	3.9	3.2	2.6	1.8	1.8	1.2	1.3	0.8	0.6	0.9	0.6

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

Central Tokyo Class A office rent decreases by 1,768 yen/tsubo to 39,624 yen/tsubo (excluding CAM fees) and falls below 40,000 yen/tsubo again. The demand-and-supply balance is significantly tight, as shown by the lowest vacancy rate since the inception of the index in Q1 2000. On the other hand, tenants' budget for office space has not increased accordingly, and the rent appears to be stagnating around 40,000 yen/tsubo.

Corresponding vacancy rate decreases by 0.3 points and is equal to the record low again. The demand-and-supply balance has been tight, and the vacancy rate has remained below 1% for four consecutive quarters. In the previous quarter, a few Class A office buildings were completed with sizable vacant spaces and pushed up the vacancy rate. After a quarter, they are attracting tenants successfully and rather pushing down the vacancy rate.

Class A office guidelines

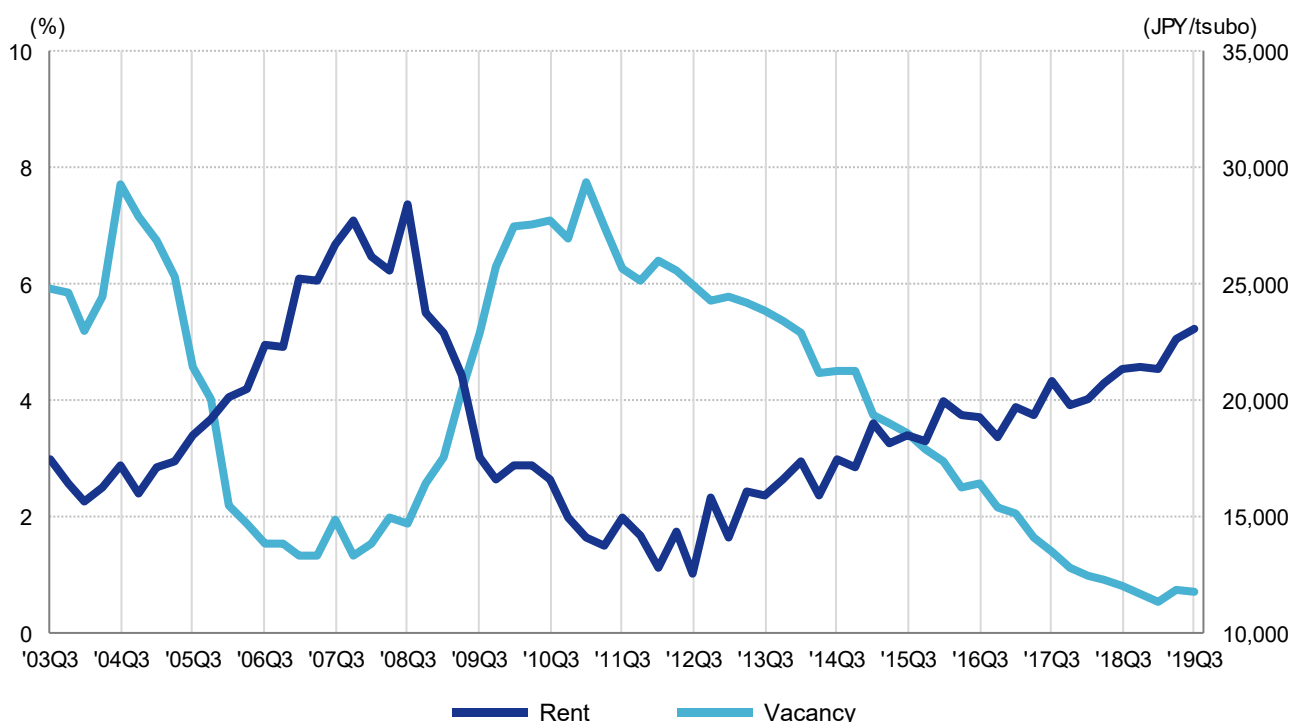
Subject areas: Tokyo Central 5 Wards and major business districts in surrounding areas (such as Osaki, Meguro, and Iidabashi)

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	'16Q3	'16Q4	'17Q1	'17Q2	'17Q3	'17Q4	'18Q1	'18Q2	'18Q3	'18Q4	'19Q1	'19Q2	'19Q3
Rent (JPY/tsubo)	19,273	18,385	19,742	19,375	20,824	19,824	20,044	20,732	21,387	21,429	21,312	22,609	23,060
Vacancy (%)	2.6	2.2	2.0	1.6	1.4	1.1	1.0	0.9	0.8	0.7	0.6	0.7	0.7

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

Central Tokyo Class B office rent increases by 451 yen/tsubo from the previous quarter to 23,060 yen/tsubo (excluding CAM fees), and exceeds 23,000 yen/tsubo for the first time since Q4 2008. Class B office rent keeps its moderate pace of increase from the bottom in Q3 2012 in contrast to stagnating Class A office rent.

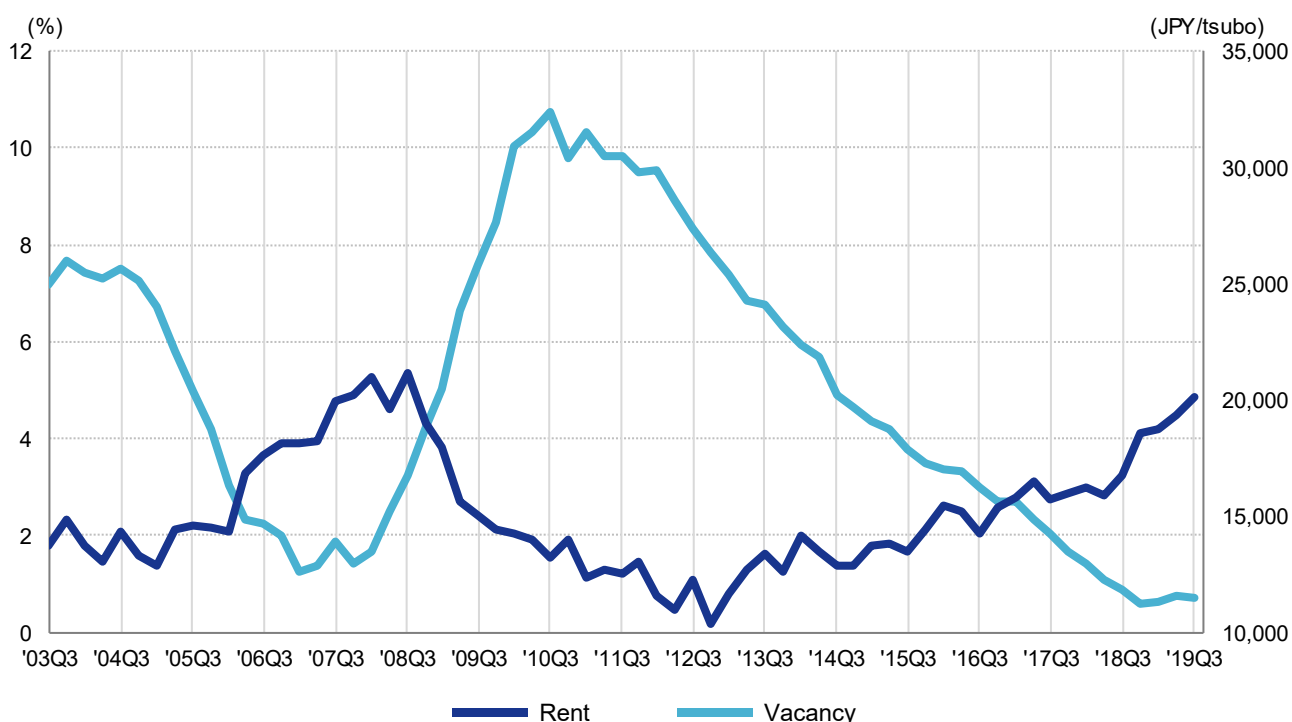
Corresponding vacancy rate stays flat from the previous quarter and has remained below 1% for six consecutive quarters. Newly vacated office space secures replacing tenants well due to the strong demand from other tenants in the same building as well as those in neighboring areas. The demand-and-supply balance stays tight due to the relatively inexpensive rents as well as its limited new supply compared to Class A.

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	'16Q3	'16Q4	'17Q1	'17Q2	'17Q3	'17Q4	'18Q1	'18Q2	'18Q3	'18Q4	'19Q1	'19Q2	'19Q3
Rent (JPY/tsubo)	14,278	15,345	15,771	16,491	15,706	15,978	16,212	15,919	16,782	18,564	18,761	19,366	20,111
Vacancy (%)	3.0	2.7	2.7	2.3	2.0	1.7	1.4	1.1	0.9	0.6	0.6	0.8	0.7

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

Central Tokyo Class C office rent increases by 745 yen/tsubo to 20,111 yen/tsubo (excluding CAM fees). It has exceeded 20,000 yen/tsubo for the first time since Q3 2008. Class C office rent keeps its moderate pace of increase and has almost doubled from the bottom in 4Q 2012 at 10,359 yen/tsubo.

Corresponding vacancy rate turned to decrease and falls to 0.7%. Just like Class B, relatively inexpensive rent attracts cost-conscious demand well, and the vacancy rate remains below 1% for five consecutive quarters.

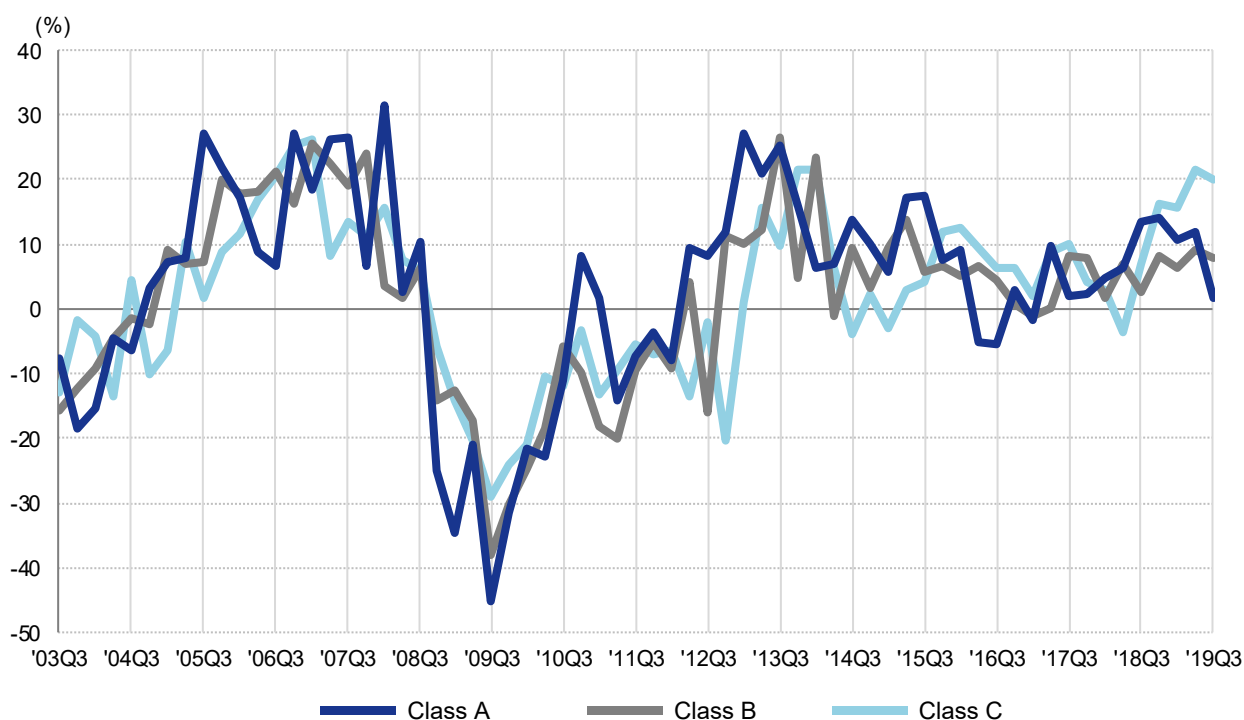
Class C office guidelines

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



	'16Q3	'16Q4	'17Q1	'17Q2	'17Q3	'17Q4	'18Q1	'18Q2	'18Q3	'18Q4	'19Q1	'19Q2	'19Q3
Class A	-5.5%	2.8%	-1.8%	9.9%	2.1%	2.4%	4.8%	6.3%	13.4%	14.1%	10.6%	12.0%	1.6%
Class B	4.3%	0.7%	-1.1%	0.2%	8.0%	7.8%	1.5%	7.0%	2.7%	8.1%	6.3%	9.1%	7.8%
Class C	6.4%	6.2%	2.0%	8.9%	10.0%	4.1%	2.8%	-3.5%	6.9%	16.2%	15.7%	21.7%	19.8%

Source: Sanko Estate · NLI Research Institute

Y-O-Y changes of each Class A, B, and C Office Rent Index are +1.6%, +7.8%, and +19.8%, respectively. All three classes have recorded growth consecutively for the last five quarters, but each Y-O-Y change shrunk from the previous quarter.

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.