

TOKYO, Feb 28

Sanko Estate – NLI Research Institute release

“Office Rent Index” for Q4 2019 (Oct – Dec)

Sanko Estate announces Q4 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 Q4 2019 (Oct – Dec)

Class A	Rent (excluding CAM*** fees)	42,242 yen/tsubo	Q-O-Q 2,618 yen/tsubo ▲
	Vacancy	0.6 %	Q-O-Q +/- 0 points
Class B	Rent (excluding CAM fees)	22,521 yen/tsubo	Q-O-Q 539 yen/tsubo ▼
	Vacancy	0.6 %	Q-O-Q 0.1 points ▼
Class C	Rent (excluding CAM fees)	20,133 yen/tsubo	Q-O-Q 22 yen/tsubo ▲
	Vacancy	0.6 %	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 Q4 2019

Class A office rent in central Tokyo reaches the highest after the Lehman Shock.

Class B office rent halts its consecutive rise, but it is likely to keep a moderate pace of increase.

Class C office rent is approaching the record high in 3Q 2008 at 21,175 yen/tsubo.

* 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

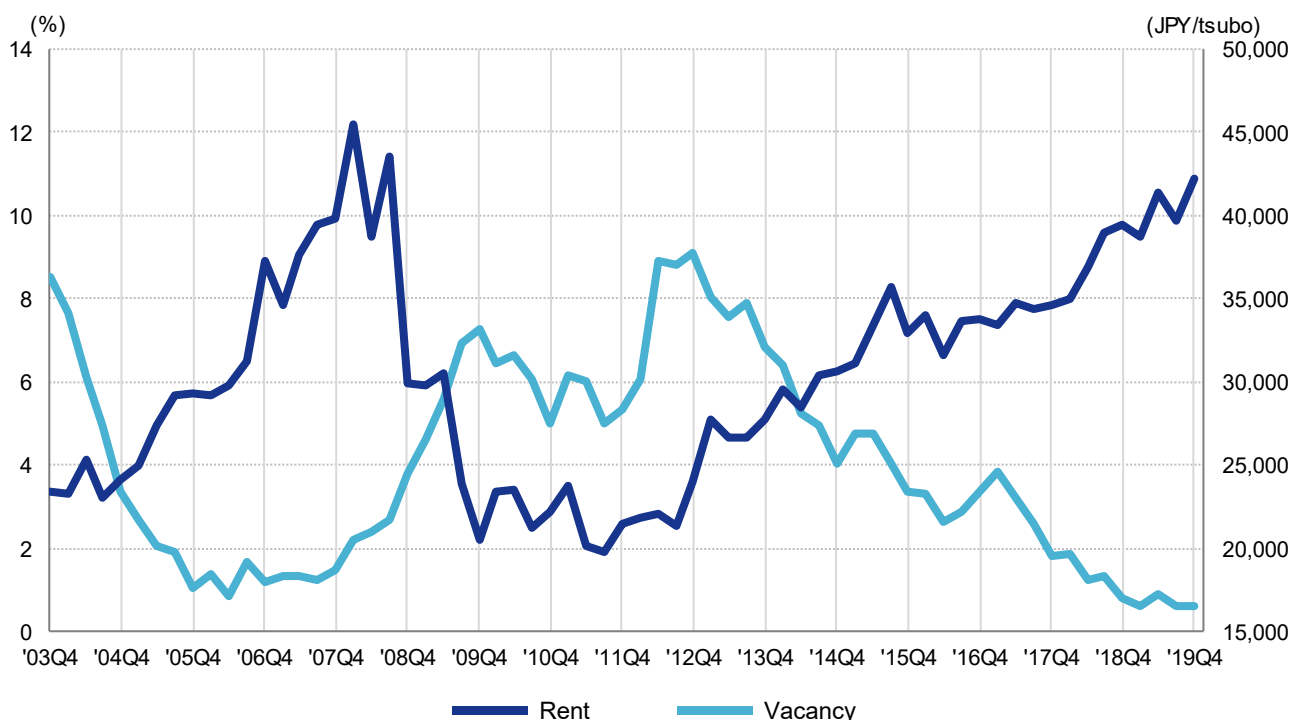
Office Rent Index is constructed on the bases of contracted rent data collected by Sanko Estate. NLI Research Institute receives the anonymous data excluding detailed address and applies statistical analysis, the multi-variable hedonic regression modeling. Sanko Estate releases monthly rent (JPY/tsubo)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

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Central Tokyo Class A Office Rent and Vacancy



(Rent: excluding CAM fees)

Class A	'16Q4	'17Q1	'17Q2	'17Q3	'17Q4	'18Q1	'18Q2	'18Q3	'18Q4	'19Q1	'19Q2	'19Q3	'19Q4
Rent (JPY/tsubo)	33,785	33,398	34,755	34,401	34,599	35,013	36,952	39,003	39,468	38,733	41,392	39,624	42,242
Vacancy (%)	3.4	3.9	3.2	2.6	1.8	1.8	1.2	1.3	0.8	0.6	0.9	0.6	0.6

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

Central Tokyo Class A office rent increases by 2,618 yen/tsubo to 42,242 yen/tsubo (excluding CAM fees) and reaches the highest after the Lehman Shock. The record-high rent since the inception of the index in Q1 2000, 45,513 yen/tsubo, is coming into view as the rent exceeds 40,000 yen/tsubo again. The increase is more significant in this quarter due to the severe lack of available space in the market. As a result, the gap of acceptable rents between lessors and lessees is widening, particularly in the areas where the rents are relatively expensive.

Corresponding vacancy rate levels off at 0.6%, the record low since the inception of the index. It has also remained below 1% for five consecutive quarters. The vacancy rates of all three classes become equal to 0.6%, and significantly tight demand-and-supply balance continues across the market.

Class A office guidelines

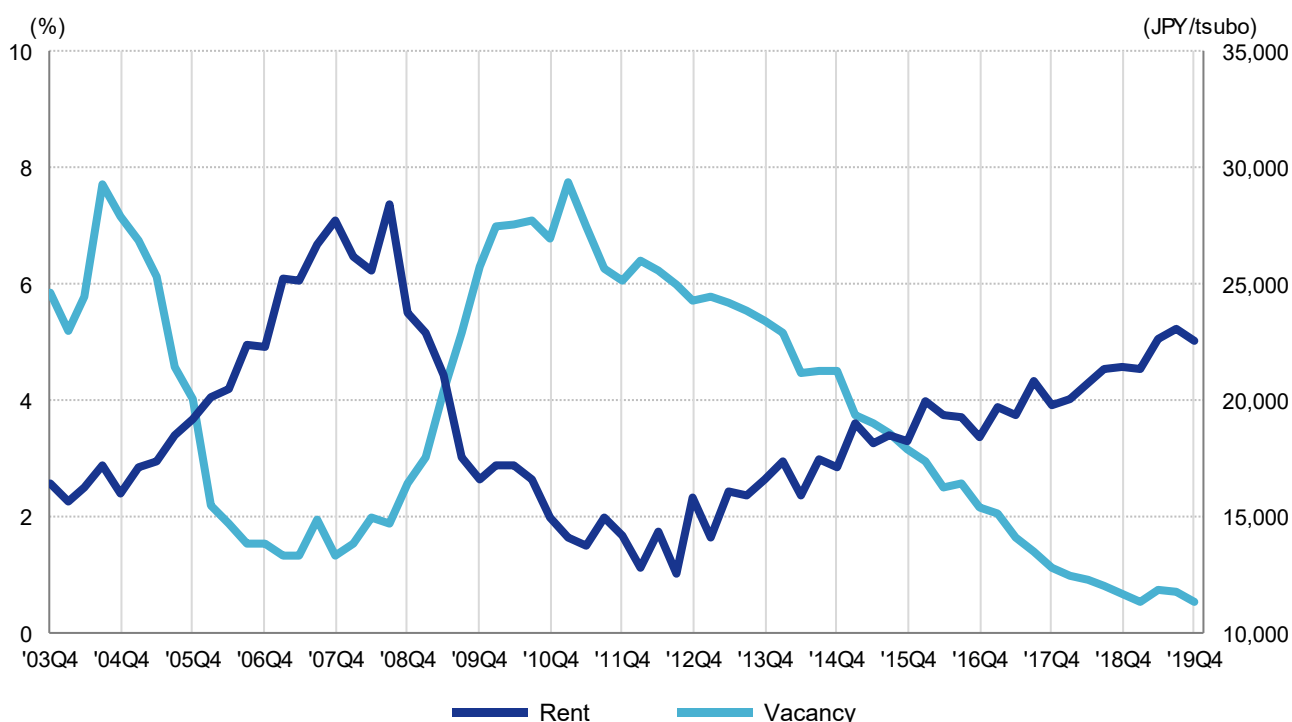
Subject areas: Tokyo Central 5 Wards and major business districts in surrounding areas (such as Osaki, Meguro, and Iidabashi)

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	'16Q4	'17Q1	'17Q2	'17Q3	'17Q4	'18Q1	'18Q2	'18Q3	'18Q4	'19Q1	'19Q2	'19Q3	'19Q4
Rent (JPY/tsubo)	18,385	19,742	19,375	20,824	19,824	20,044	20,732	21,387	21,429	21,312	22,609	23,060	22,521
Vacancy (%)	2.2	2.0	1.6	1.4	1.1	1.0	0.9	0.8	0.7	0.6	0.7	0.7	0.6

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

Central Tokyo Class B office rent decreases by 539 yen/tsubo from the previous quarter to 22,521 yen/tsubo (excluding CAM fees). Q-O-Q decline is the first time in the last three quarters. Although Class B office rent halts its consecutive rise, it is likely to keep a moderate pace of increase thanks to its relative inexpensiveness.

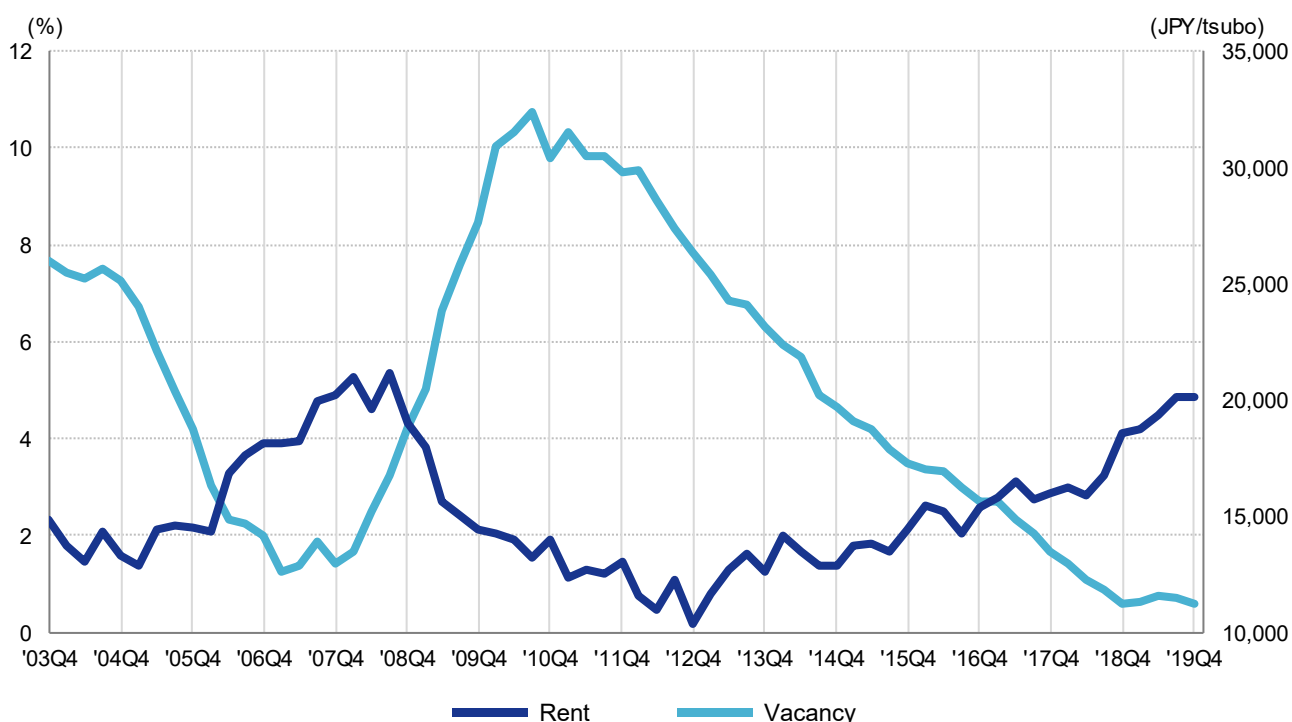
Corresponding vacancy rate declines by 0.1 points and reaches the lowest since the inception of the index in Q1 2000. It has remained below 1% for seven consecutive quarters and appears to be bottomed.

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	'16Q4	'17Q1	'17Q2	'17Q3	'17Q4	'18Q1	'18Q2	'18Q3	'18Q4	'19Q1	'19Q2	'19Q3	'19Q4
Rent (JPY/tsubo)	15,345	15,771	16,491	15,706	15,978	16,212	15,919	16,782	18,564	18,761	19,366	20,111	20,133
Vacancy (%)	2.7	2.7	2.3	2.0	1.7	1.4	1.1	0.9	0.6	0.6	0.8	0.7	0.6

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

Central Tokyo Class C office rent increases by 22 yen/tsubo to 20,133 yen/tsubo (excluding CAM fees). It has exceeded 20,000 yen/tsubo for two consecutive quarters and is approaching the record high in 3Q 2008 at 21,175 yen/tsubo.

Corresponding vacancy rate decreases by 0.1 points and reaches the record low since the inception of the index in Q1 2000 again. Relative inexpensiveness of the rent continues to attract decent demand, and the vacancy rate remains below 1% for six consecutive quarters.

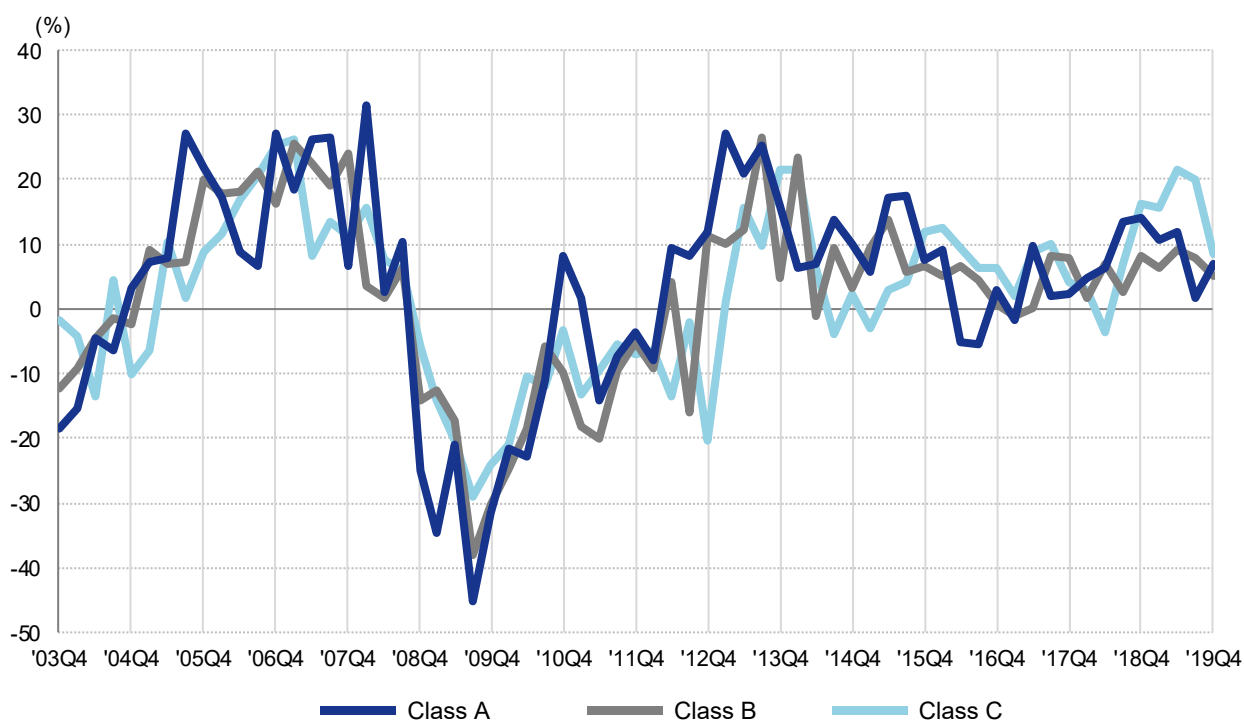
Class C office guidelines

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



	'16Q4	'17Q1	'17Q2	'17Q3	'17Q4	'18Q1	'18Q2	'18Q3	'18Q4	'19Q1	'19Q2	'19Q3	'19Q4
Class A	2.8%	-1.8%	9.9%	2.1%	2.4%	4.8%	6.3%	13.4%	14.1%	10.6%	12.0%	1.6%	7.0%
Class B	0.7%	-1.1%	0.2%	8.0%	7.8%	1.5%	7.0%	2.7%	8.1%	6.3%	9.1%	7.8%	5.1%
Class C	6.2%	2.0%	8.9%	10.0%	4.1%	2.8%	-3.5%	6.9%	16.2%	15.7%	21.7%	19.8%	8.5%

Source: Sanko Estate · NLI Research Institute

Y-O-Y changes of each Class A, B, and C Office Rent Index are +7.0%, +5.1%, and +8.5%, respectively. Displaying upward trends across the market, each rent of all three classes has recorded growth consecutively in the last six quarters.

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.