

TOKYO, May 25

Sanko Estate – NLI Research Institute release

## “Office Rent Index” for Q1 2020 (Jan – Mar)

Sanko Estate announces Q1 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.

### “Office Rent Index” for Q1 2020 (Jan – Mar)

Class A	Rent (excluding CAM*** fees)	<b>38,739</b> yen/tsubo	Q-O-Q <b>3,503</b> yen/tsubo ▼
	Vacancy	<b>0.6</b> %	Q-O-Q <b>+/- 0</b> points
Class B	Rent (excluding CAM fees)	<b>21,941</b> yen/tsubo	Q-O-Q <b>580</b> yen/tsubo ▼
	Vacancy	<b>0.4</b> %	Q-O-Q <b>0.2</b> points ▼
Class C	Rent (excluding CAM fees)	<b>21,152</b> yen/tsubo	Q-O-Q <b>1,019</b> yen/tsubo ▲
	Vacancy	<b>0.6</b> %	Q-O-Q <b>+/- 0</b> 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)

#### Summary for Q1 2020

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

**Class B office rent declines for two consecutive quarters.**

**Class C office rent keeps its upward trend in contrast to Class A and B.**

\* 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

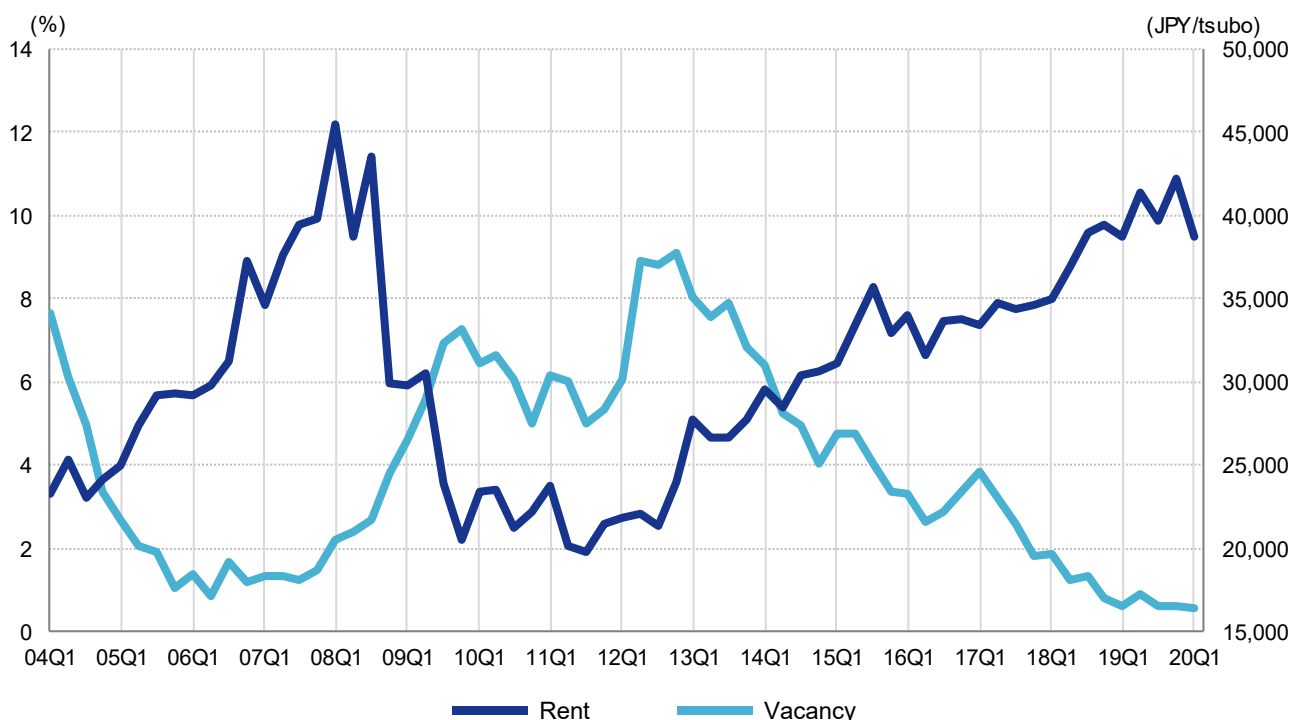
Office Rent Index is constructed on the bases of contracted rent data collected by Sanko Estate. NLI Research Institute receives the anonymous data excluding detailed address and applies statistical analysis, the multi-variable hedonic regression modeling. Sanko Estate releases monthly rent (JPY/tsubo) 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	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1
Rent (JPY/tsubo)	33,398	34,755	34,401	34,599	35,013	36,952	39,003	39,468	38,733	41,392	39,624	42,242	38,739
Vacancy (%)	3.9	3.2	2.6	1.8	1.8	1.2	1.3	0.8	0.6	0.9	0.6	0.6	0.6

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

Central Tokyo Class A office rent decreases by 3,503 yen/tsubo to 38,739 yen/tsubo (excluding CAM fees) and falls below 40,000 yen/tsubo again. The demand-and-supply balance remains significantly tight, as displayed by the lowest vacancy rate since the inception of the index in Q1 2000. However, the rent appears to be stagnating around 40,000 yen/tsubo as the gap of acceptable rents between lessors and lessees is widening, particularly among the buildings with relatively expensive rents. Most transactions in this quarter have completed the negotiations before the emergence of COVID-19. Its impact will appear in the next quarter and after.

Corresponding vacancy rate levels off at 0.6%, the record low since the inception of the index, for three consecutive quarters. It also remains below 1% for six consecutive quarters.

### Class A office guidelines

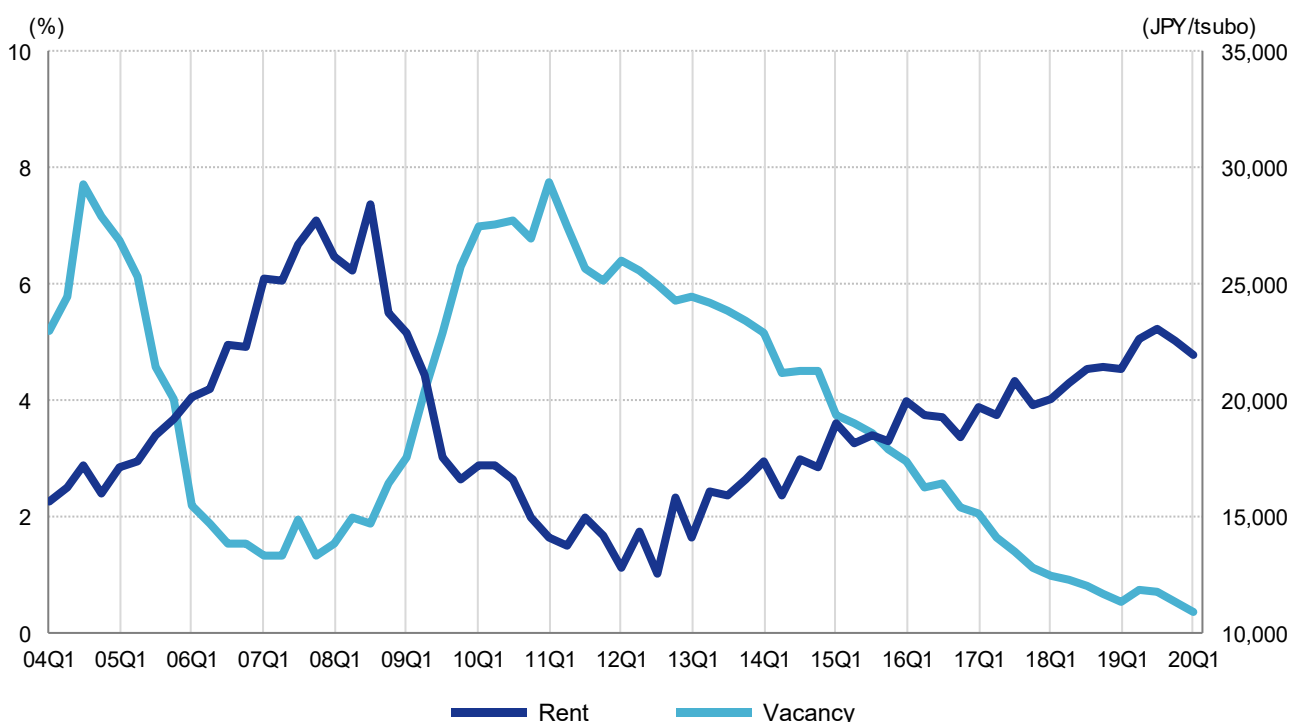
Subject areas: Tokyo Central 5 Wards and major business districts in surrounding areas (such as Osaki, Meguro, and Iidabashi)

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	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1
Rent (JPY/tsubo)	19,742	19,375	20,824	19,824	20,044	20,732	21,387	21,429	21,312	22,609	23,060	22,521	21,941
Vacancy (%)	2.0	1.6	1.4	1.1	1.0	0.9	0.8	0.7	0.6	0.7	0.7	0.6	0.4

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

Central Tokyo Class B office rent decreases by 580 yen/tsubo from the previous quarter to 21,941 yen/tsubo (excluding CAM fees), and its Q-O-Q decline continues for two quarters. Although Class B office rent had kept a moderate pace of increase thanks to its relative inexpensiveness, the rent appears to be stagnating like Class A. As mentioned in Class A, the impact of COVID-19 will likely appear in the next quarter and after.

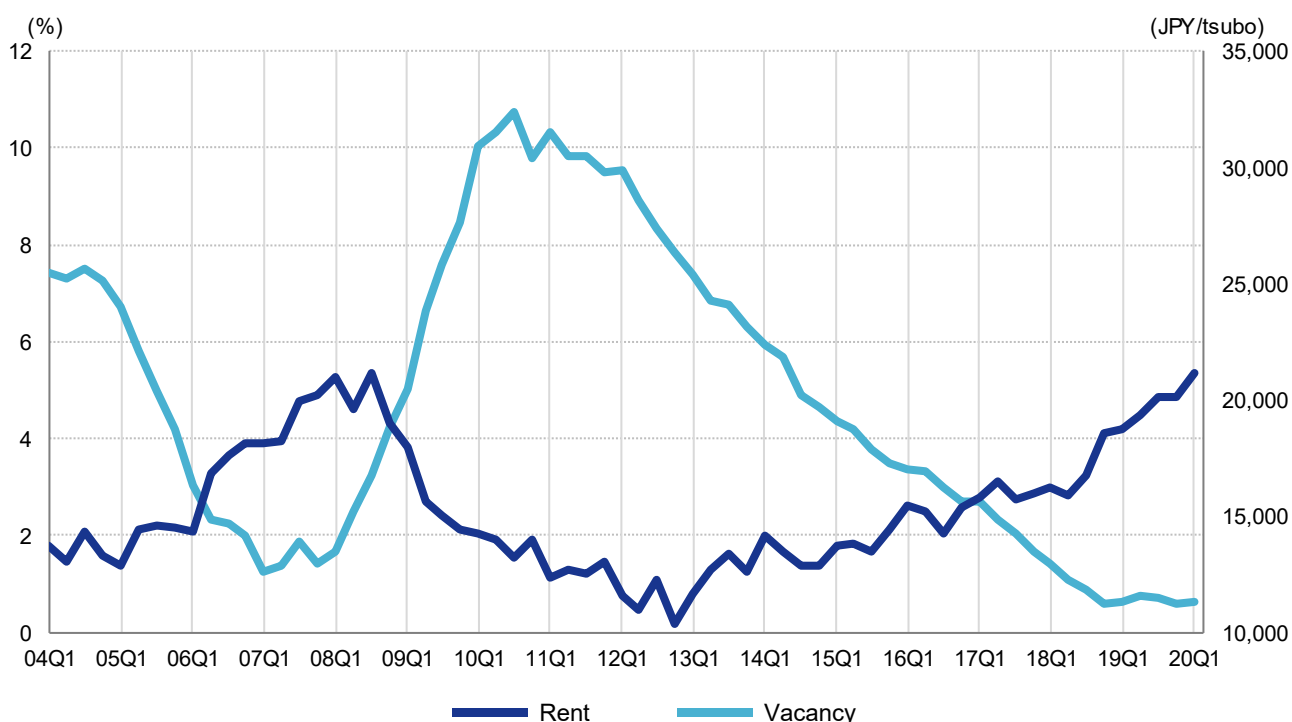
Corresponding vacancy rate declines by 0.2 points and breaks the lowest since the inception of the index in Q1 2000. It remains below 1% for eight consecutive quarters, and the demand-and-supply balance is tightened even further.

### 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	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1
Rent (JPY/tsubo)	15,771	16,491	15,706	15,978	16,212	15,919	16,782	18,564	18,761	19,366	20,111	20,133	21,152
Vacancy (%)	2.7	2.3	2.0	1.7	1.4	1.1	0.9	0.6	0.6	0.8	0.7	0.6	0.6

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

Central Tokyo Class C office rent increases by 1,019 yen/tsubo to 21,152 yen/tsubo (excluding CAM fees). It exceeds 20,000 yen/tsubo for three consecutive quarters and is approaching the record high in 3Q 2008 at 21,175 yen/tsubo. As mentioned in Class A and B, the impact of COVID-19 has not appeared yet.

Corresponding vacancy rate levels off at 0.6%, the record low since the inception of the index in Q1 2000. Relative inexpensiveness of the rent continues to attract decent demand, and the vacancy rate remains below 1% for seven consecutive quarters.

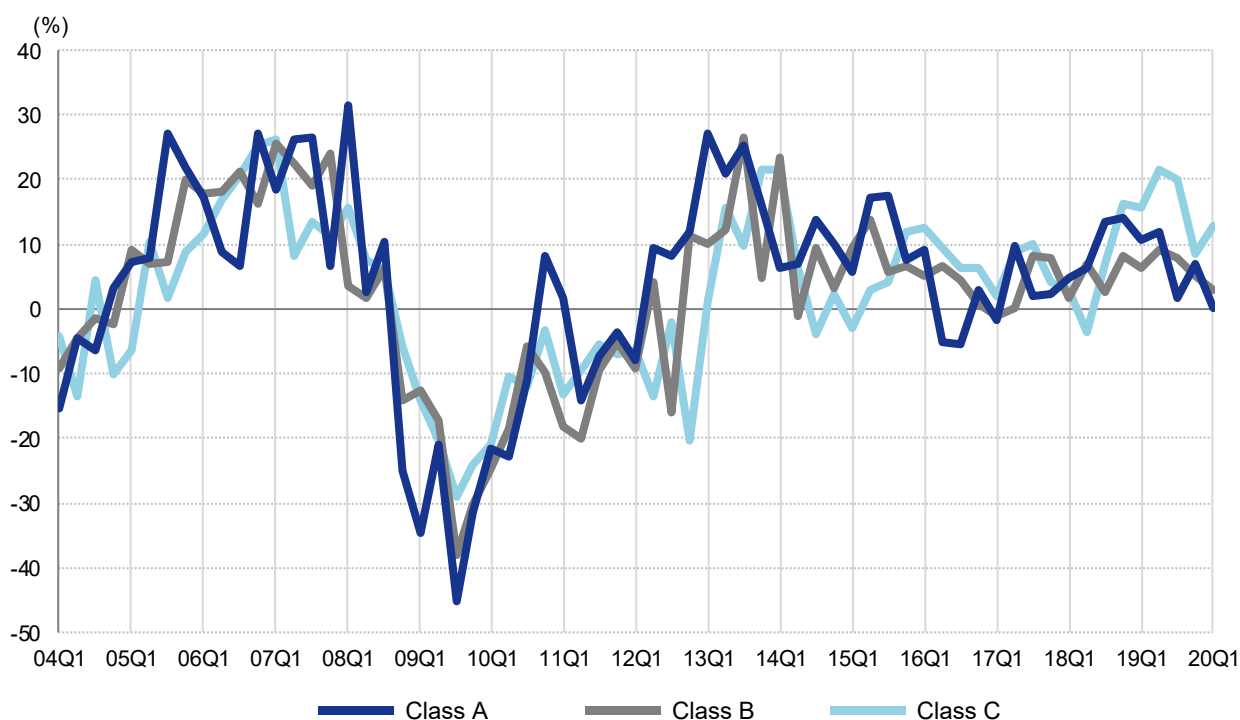
### Class C office guidelines

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



	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1
Class A	-1.8%	9.9%	2.1%	2.4%	4.8%	6.3%	13.4%	14.1%	10.6%	12.0%	1.6%	7.0%	0.0%
Class B	-1.1%	0.2%	8.0%	7.8%	1.5%	7.0%	2.7%	8.1%	6.3%	9.1%	7.8%	5.1%	3.0%
Class C	2.0%	8.9%	10.0%	4.1%	2.8%	-3.5%	6.9%	16.2%	15.7%	21.7%	19.8%	8.5%	12.7%

Source: Sanko Estate · NLI Research Institute

Y-O-Y changes of each Class A, B, and C Office Rent Index are 0.0%, +3.0%, and +12.7%, respectively. Class A office rent appears to be flattening, and that of Class B is also reducing the pace of increase. Class C office rent keeps its upward trend and records Y-O-Y growth in the last seven 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.