

# The Investment Appeal of Offices in Japan's Regional Cities

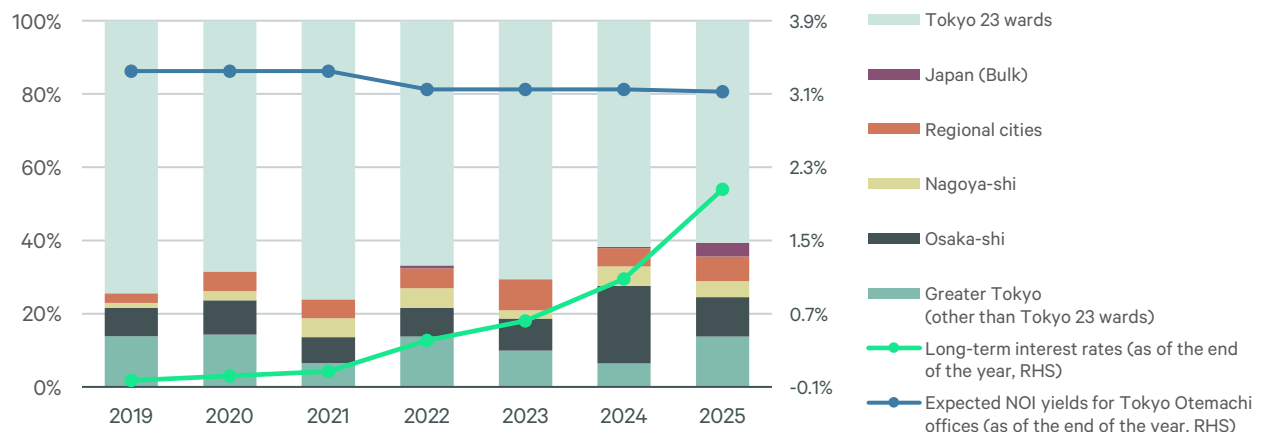
April 2026

An increasing number of investors in Japan are showing an interest in office buildings located outside central Tokyo, largely because expected yields for offices in cities other than Tokyo are still relatively high. Given improved liquidity driven by a widening investor base, along with regional cities' robust leasing fundamentals, yields for well-located offices may compress further, further increasing their investment appeal.

## 1. Historical investment in offices outside central Tokyo

While many investors have held a long-standing interest in office buildings in cities other than Tokyo, capital inflows into regional cities have increased since 2022. This trend was likely driven by the further decline in central Tokyo yields and the upturn in interest rates. CBRE data show the share of office investment volume (transactions of JPY 1 billion or larger) in areas outside the Tokyo 23 wards has increased since 2022, reaching approximately 40% in 2025 (Figure 1).

Figure 1: Share of Office Investment Volume by Region, Long-Term Interest Rates, and Expected NOI Yields for Tokyo Offices (since 2019)



Source: CBRE Cap Rate Survey, MSCI Real Capital Analytics, Macrobond, CBRE, Q4 2025.

J-REITs have been the drivers of rising office investment outside Tokyo. In 2025, the share of areas outside the Tokyo 23 wards in J-REIT office acquisition volume (transactions of JPY 1 billion or larger) was approximately 70%, the highest since surveys began. The launch of private REITs by local infrastructure companies with a focus on their respective regions has also contributed to the increase in non-Tokyo office investment, with roughly one in four private REITs launched since 2021 targeting investment in properties outside Tokyo (Figure 2).

Figure 2: J-REITs and Private REITs Targeting Properties Outside Tokyo (since 2016)

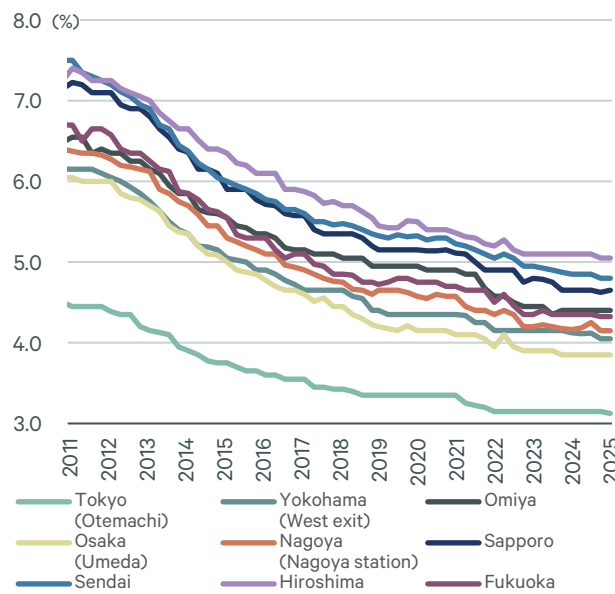
Commencement	Category	Name	Investment policy
16-Jul	Listed	Marimo Regional Revitalization REIT	Maintain investment ratio of 70% or more in regional cities
18-Mar	Private	Hiroshima Regional Revitalization REIT	Primarily target Hiroshima, Okayama, Yamaguchi, and Ehime prefectures
19-Jul	Private	Kanden Private REIT	Maintain 50% or more in the Kansai area (Osaka, Kyoto, Hyogo prefectures)
21-Jun	Listed	Tokaido REIT	Maintain 60% or more in industrial areas centered on Shizuoka
22-Mar	Private	JR Kyushu Private REIT	Primarily target the Kyushu area
22-Sep	Private	FJ Private REIT	Primarily target the Fukuoka metropolitan area
23-Sep	Private	Osaka Gas Urban Development Private REIT	Maintain 50% or more in the Kinki area
23-Sep	Private	JR West Private REIT	Maintain investment ratio of 70% or more in areas along JR West lines
23-Nov	Private	Nankai Private REIT	Maintain 60% or more in the Kansai area
24-Feb	Private	Hokkaido REIT	Principally target real estate located in Hokkaido
26-Feb	Private	Kyuden Private REIT	Aiming to build a portfolio centered on the Kyusyu region

Source: Websites of individual J-REITs, ARES, April 2026.

## 2. Office yields and spreads in regional cities

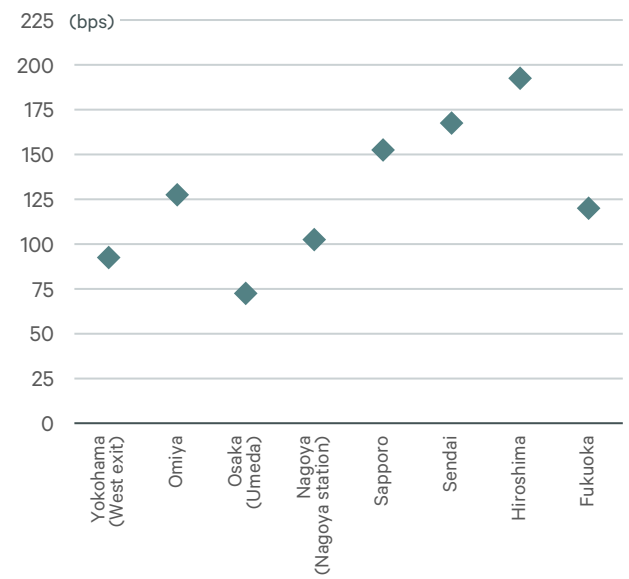
As office investment in cities outside Tokyo has expanded, expected NOI yields for offices have declined nationwide, according to the results of CBRE's latest Cap Rate Survey (Figure 3). Nevertheless, regional office yields still carry a spread. As of Q4 2025, expected NOI yields for offices in cities outside Tokyo were approximately 70-200bps higher than Tokyo (Otemachi) (Figure 4). The increase in core investors targeting Tokyo suburbs and other cities over the past few years suggests a broader pool of potential buyers for future exits. Increased market liquidity may lead to a further lowering of investors' cap rate expectations.

Figure 3: Expected NOI yields for offices



Source: CBRE Cap Rate Survey, December 2025.

Figure 4: Yield Spreads of Expected NOI for Each City Relative to Tokyo (Otemachi) (Q4 2025)

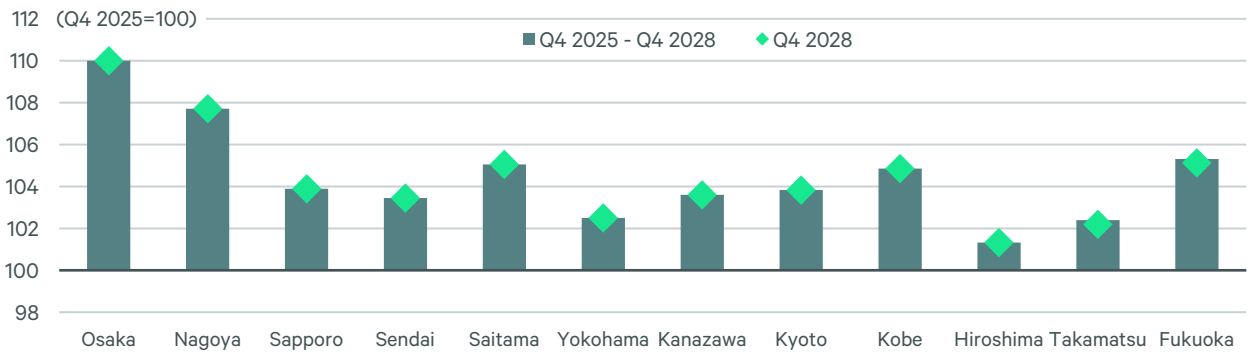


Source: CBRE Cap Rate Survey, December 2025.

### 3. Robust outlook for office leasing in regional cities

As in Tokyo, office upgrading, such as relocating from suburbs to city centers and from older buildings to new properties with enhanced facilities, is a key trend in Japan’s regional cities. Office supply and demand is expected to remain tight nationwide, with vacancy rates generally falling in cities outside Tokyo. Even in cities with a concentration of new supply, the rise in vacancy rates is expected to be limited. While rental growth momentum may not match that of central Tokyo, CBRE forecasts that office rents will rise in all cities over the next three years (Figure 5).

Figure 5: All-Grade Assumed Achievable Rent Forecast (Q4 2025 – Q4 2028)



Source: CBRE, Q4 2025.

### 4. Conclusion

Although office yields have fallen nationwide, yields for offices located in regional cities remain relatively high. Due to improved liquidity arising from the increasing number of investors targeting offices in regional cities, combined with the upbeat leasing market outlook, yields for well-located properties may compress further. Combined with the benefits of regional diversification, CBRE believes these factors indicate that investing in office buildings outside central Tokyo will remain an attractive proposition.

### Contacts

**Tomoya Nose**  
Associate Director  
Investment Team Leader  
tomoya.nose@cbre.com

**Tatsuya Onoda**  
Analyst  
Investment Team  
tatsuya.onoda@cbre.com

**Chinatsu Hani**  
Senior Director  
Head of Research  
chinatsu.hani@cbre.com

© Copyright 2026. All rights reserved. This report has been prepared in good faith, based on CBRE’s current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE’s control. In addition, many of CBRE’s views are opinion and/or projections based on CBRE’s subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE’s current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE’s securities or of the performance of any other company’s securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.