

Greater Tokyo vacancy rate remains unchanged at 9.7%; vacancies fall in Osaka, Nagoya, and Fukuoka

► $\pm 0.0\text{pp}$ Q-o-Q

Greater Tokyo
Vacancy Rate of LMT* properties Q2

▼ -1.6pp Q-o-Q

Greater Osaka
Vacancy Rate of LMT* properties Q2

▼ -1.9pp Q-o-Q

Greater Nagoya
Vacancy Rate of LMT* properties Q2

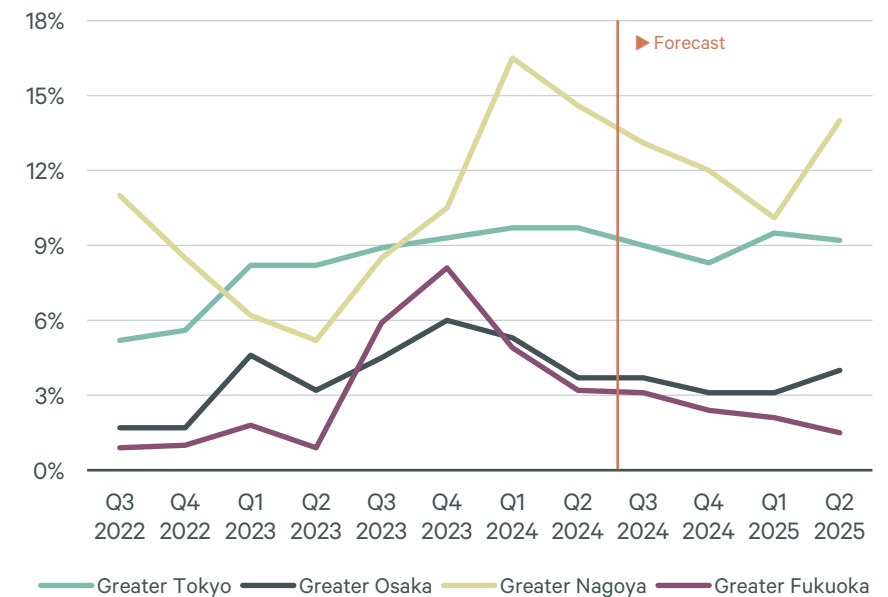
▼ -1.7pp Q-o-Q

Greater Fukuoka
Vacancy Rate of LMT* properties Q2

* Large Multi-Tenant logistics facilities

- The vacancy rate for Large Multi-Tenant (LMT) logistics facilities in the **Greater Tokyo** was unchanged from the previous quarter, ending Q2 2024 at 9.7%. Five new properties with a total floor area of 168,000 tsubo were completed this quarter. Two of these commenced operations at full occupancy, while the remaining three each had vacancies of around 70%. As several major contracts were signed for existing properties, however, total net absorption for the quarter reached 150,000 tsubo, marking the second consecutive quarter in which it exceeded the quarterly average recorded over the past five years. Effective rents slid by 0.2% q-o-q to JPY 4,490 per tsubo, the first time since Q4 2021 that effective rents have fallen below the JPY 4,500 mark.
- The LMT vacancy rate in the **Greater Osaka** fell by 1.6 pp. q-o-q to 3.7% in Q2 2024. Several major contracts were signed over the quarter, with multiple vacancies absorbed in peripheral areas. The pre-lease rate for the remaining properties due for completion in 2024 rose above 70% during the period. While effective rents remained unchanged q-o-q, standing at JPY 4,160 per tsubo, rents rose in existing facilities in desirable locations or with superior specifications.
- The LMT vacancy rate in the **Greater Nagoya** dropped by 1.9 pp. q-o-q to 14.6% this quarter. Demand was robust, with the only property completed during the period commencing operations at full capacity, and another added in the previous quarter achieving full occupancy. Effective rents rose by 0.3% q-o-q to JPY 3,640 per tsubo.
- The LMT vacancy rate in the **Greater Fukuoka** fell 1.7 pp. q-o-q to 3.2%. The sole property completed this quarter came on stream with a high occupancy rate, while multiple vacancies in existing properties were absorbed. Effective rents rose by 0.6% q-o-q to JPY 3,490 per tsubo.

Figure 1: Vacancy Rate (4 Major Metropolitan Areas)



Source : CBRE, Q2 2024

Greater Tokyo

Vacancy rates peak as major vacancies filled

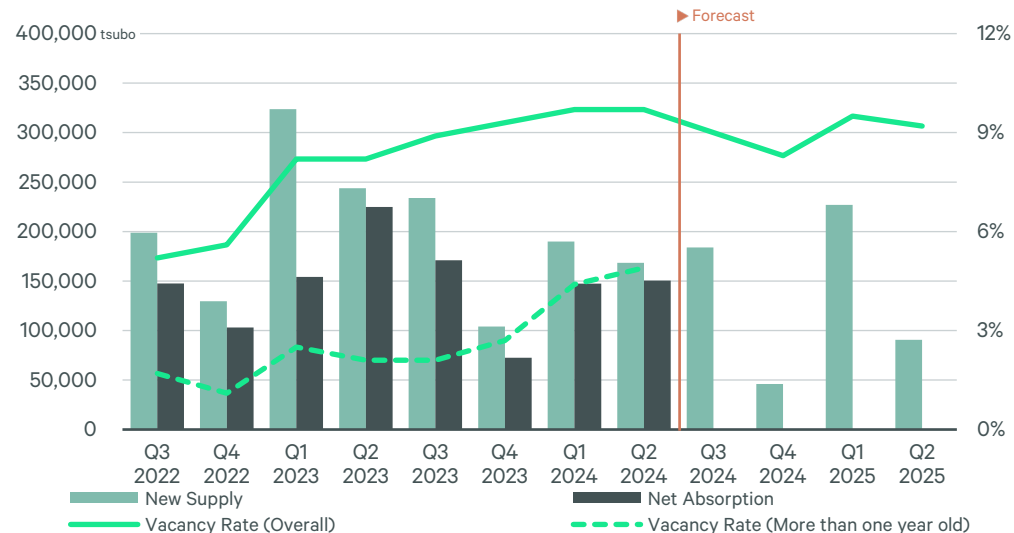
The vacancy rate for LMT logistics facilities in the Greater Tokyo area was unchanged from the previous quarter, ending Q2 2024 at 9.7%. Five new properties with a total floor area of 168,000 tsubo were completed during the period. Two of these properties commenced operations at full occupancy, while the remaining three each had vacancies of around 70% as of quarter's end. As several major lease contracts were signed for existing properties, however, total net absorption for the quarter reached 150,000 tsubo, marking the second consecutive quarter in which net absorption exceeded the quarterly average for the five years up to 2023. While logistics firms once again drove tenant demand, interest was seen from a wide range of industries, including automotive, apparel, and entertainment. Other activity this quarter was observed from a manufacturer based in a regional city who set up a new distribution base in the Greater Tokyo area.

Having risen steadily for three years since Q1 2021, the Greater Tokyo vacancy rate appears to have reached its peak. During the quarter, the vacancy rate declined for the first time since Q2 2023 in the Route 16 area, which is home to the majority of new supply and vacant space in Greater Tokyo. With new supply in the Route 16 area set to drop in 2024 and 2025 to around half of the record-breaking levels of 2023, and existing vacancies being steadily filled, the vacancy rate should continue to decline gradually in this area. This should also ensure that the vacancy rate for the entire Greater Tokyo area begins to trend downward. However, as total vacant floor space across the Greater Tokyo area reached an all-time high of 642,000 tsubo in Q2 2024, CBRE expects any decline in the vacancy rate to be moderate.

The vacancy rate for existing facilities (more than one year old) rose for the third consecutive quarter, reaching 4.9% at the end of June. This was due to the fact that approximately 30% of the rental floor space in the 11 facilities completed in Q2 2023, which entered CBRE's existing facility data for the first time, remains vacant. Around half of these properties are situated in the peripheral Ken-o-do area and are continuing to struggle to find tenants.

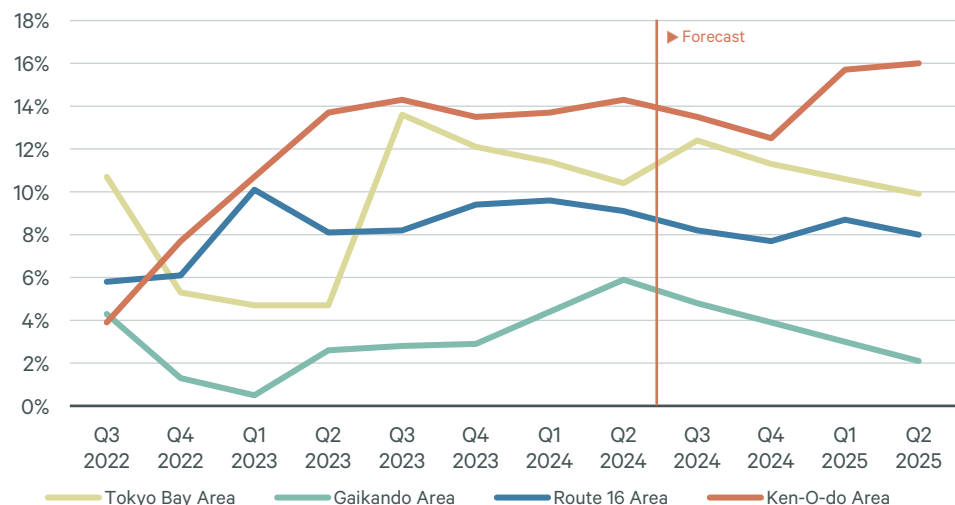
Effective rents slid by 0.2% q-o-q to JPY 4,490 per tsubo, the first time since Q4 2021 that they have dropped below the JPY 4,500 mark. In addition to falling rents in facilities with long-term vacancies in the Route 16 area, several cases were observed this quarter in which face rents were lowered in the Ken-o-do area. CBRE forecasts rents to steadily decline in the latter area between now and 2025. However, specific regions should continue to attract strong interest from potential tenants, including locations within the Gaikando area where available units are insufficient, and the Tama part of the Ken-o-do area, where future supply is limited.

Figure 2: Greater Tokyo LMT Supply/Demand Balance



Source: CBRE, Q2 2024

Figure 3: Greater Tokyo LMT Vacancy Rate by Sub-area



Source: CBRE, Q2 2024

Tokyo Bay area

The vacancy rate fell by 1.0 pp. in Q2 2024 to 10.4%. With no new supply completed this quarter, an existing high-rent property attracted new demand, leading to the absorption of some of its vacancies. As 21,000 tsubo of new supply is slated for completion in Q3 2024, the vacancy rate is projected to temporarily spike. However, limited future supply and the lack of availability in existing properties will ensure the vacancy rate begins to fall again from Q4 2024.

Effective rents remained unchanged from the previous quarter at JPY 7,630 per tsubo, with rents rising in some properties in the Koto-ku area on the back of strong interest and scant availability.

Gaikando area

The vacancy rate in the Gaikando area climbed by 1.5 pp. q-o-q to 5.9%, as the quarter's only new property commenced operations with around half of its floor space still unoccupied. Including the new completion this quarter, however, there are just three properties in the area with any vacancies. With pre-leasing of pipeline projects progressing well, CBRE expects the vacancy rate to steadily decline between now and the end of 2025.

Effective rents remained unchanged from the previous quarter at JPY 5,190 per tsubo. While rents were lowered in some units that have stood empty for some time, they were raised in locations with insufficient vacancies and where interest is strong in properties under construction.

Route 16 area

The vacancy rate fell by 0.5 pp. from the previous quarter to 9.1%. This was due to the quarter's only new property coming on stream with all 44,000 tsubo occupied, as well as the absorption of major vacancies in existing properties in Chiba Prefecture. When vacancies filled in other prefectures are also factored in, net absorption for the quarter reached 60,000 tsubo, outstripping new supply for the first time since Q2 2023. The Route 16 area nevertheless still contains over half of all vacant floor space in Greater Tokyo, equivalent to 323,000 tsubo. This is due to the record supply of 530,000 tsubo completed in the area last year, for which leasing progress remains slow. However, with new supply in the area set to drop in 2024 and 2025 to around half of 2023's levels, the vacancy rate should continue to decline gradually.

Effective rents slid by 0.2% q-o-q to JPY 4,510 per tsubo on the back of lowered rents in waterfront Kanagawa and inland Chiba, where vacant units are plentiful.

Ken-O-do area

The vacancy rate in the Ken-o-do area rose by 0.6 pp. q-o-q to reach 14.3% as of the end of Q2 2024. Three of the five new facilities completed in Greater Tokyo this quarter were situated in the area, providing 108,000 tsubo of new floor space. One located at the Tama end of the area commenced operations at full occupancy, while a major tenant was also signed for a new property in Ibaraki Prefecture, meaning that the increase in the vacancy rate was kept to a minimum. The signing of a large contract in an existing property in Chiba Prefecture also helped push up net absorption for the quarter to 84,000 tsubo, the highest among all four sub-areas in Greater Tokyo for the quarter. While the supply-demand balance has loosened, landlords' strategy of lowering face rents and offering rent-free periods has helped them secure major new tenants. With pre-leasing activity for the sizable pipeline of new supply remaining sluggish, however, CBRE expects the vacancy rate to rise once again.

Rents rose by 0.3% q-o-q to JPY 3,580 per tsubo this quarter on the back of the completion of two new properties in the Tama region, which is one of the more expensive locations within the Ken-o-do area. Rents for existing properties, however, continued to decline. CBRE projects average rents to begin falling again in Q3 2024, with several new projects scheduled for completion at the low-rent Ibaraki end of the area.

Greater Osaka

Pre-leasing of supply in H2 2024 and 2025 proceeds smoothly

The LMT vacancy rate in the Greater Osaka area stood at 3.7% in Q2 2024, a drop of 1.6 pp. from the previous quarter. The period saw the completion of just one property in southern Shiga Prefecture, which was launched at full occupancy. In terms of existing properties, vacancies were filled in several properties in peripheral areas, almost halving the total vacant floor space in such areas to 27,000 tsubo. Interest was seen from a wide variety of tenants, including logistics firms, e-commerce operators, purveyors of daily necessities and other consumer goods, and manufacturers, with some signing large contracts. Six additional properties are scheduled for completion by the end of 2024, for which more than 70% is pre-committed. This is generating demand for properties due in 2025, several of which are already fully leased. Properties with rampway facilities are proving especially successful in attracting tenants, irrespective of area.

Effective rents remained unchanged from the previous quarter, at JPY 4,160 per tsubo. While new supply in areas with low rents served to depress the average rent for the market as a whole, rents are on the rise in existing properties with sought-after and user-friendly specifications, and in properties within walking distance of major railway stations.

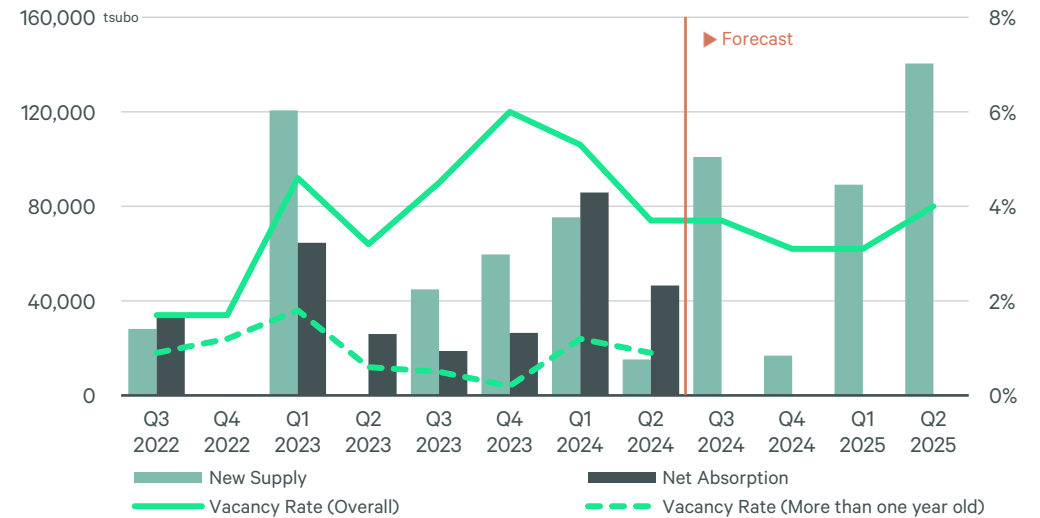
Greater Nagoya

Rents rise in areas with insufficient vacancies

The LMT vacancy rate in the Greater Nagoya area fell to 14.6% in Q2 2024, down 1.9 pp. from the previous quarter. The only new property completed this quarter was in an inland location and commenced operations at full capacity with multiple tenants. Demand was generally strong, with a property completed last quarter filling its remaining vacancies and several other properties also securing tenants. In addition to sustained demand from logistics firms, interest was seen from tenants handling consumer goods such as foodstuffs and daily necessities, as well as from manufacturers. While pre-leasing of space is proceeding smoothly for properties due in 2025, new vacancies emerged in existing facilities due to relocations to new developments. Looking ahead, the completion of just one new property in H2 2024 should ensure that the vacancy rate declines in the short term, but the slated supply of five new properties should push it back up in Q2 2025.

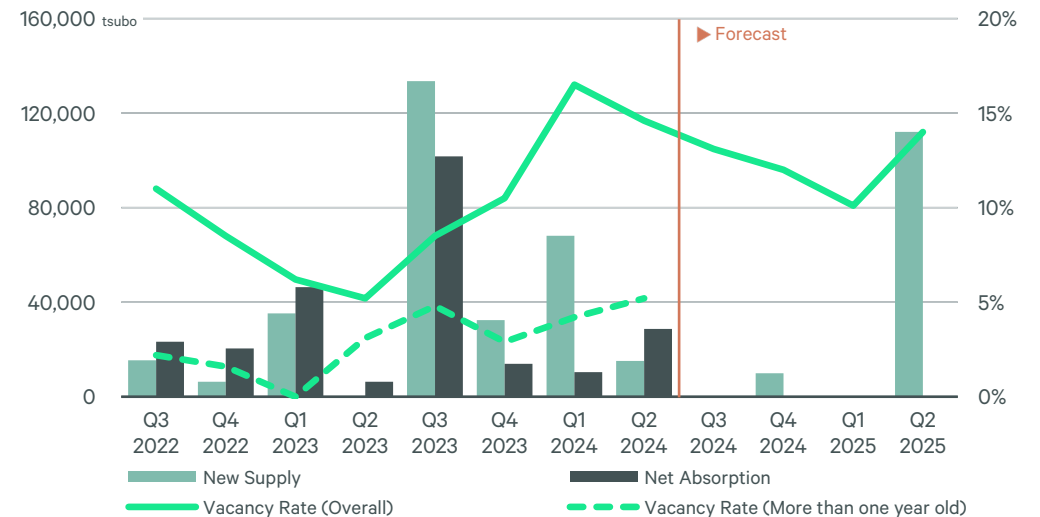
Effective rents rose by 0.3% from the previous quarter, ending Q2 2024 at JPY 3,640 per tsubo. Rents are inching up in the east, where the manufacturing industry is concentrated but available space is lacking. Rents are also on the rise in locations close to Nagoya's city center.

Figure 4: Greater Osaka LMT Supply/Demand Balance



Source: CBRE, Q2 2024

Figure 5: Greater Nagoya LMT Supply/Demand Balance



Source: CBRE, Q2 2024

Greater Fukuoka

Robust demand should ensure vacancy rate continues to fall

The LMT vacancy rate in the Greater Fukuoka area fell by 1.7 pp. q-o-q to reach 3.2% in Q2. The quarter saw just one new property completed, which entered operation at close to full occupancy. Demand was robust, leading to the absorption of vacancies in several existing properties. A wide variety of sectors expressed concrete interest in logistics space this quarter, from purveyors of consumer goods such as foodstuffs and daily necessities to semiconductor-related companies. Many more companies are considering signing contracts for large units. While several units in recently completed properties are offering sub-leases, only one new property is due for completion before the end of 2024, meaning the vacancy rate should continue to trend downward.

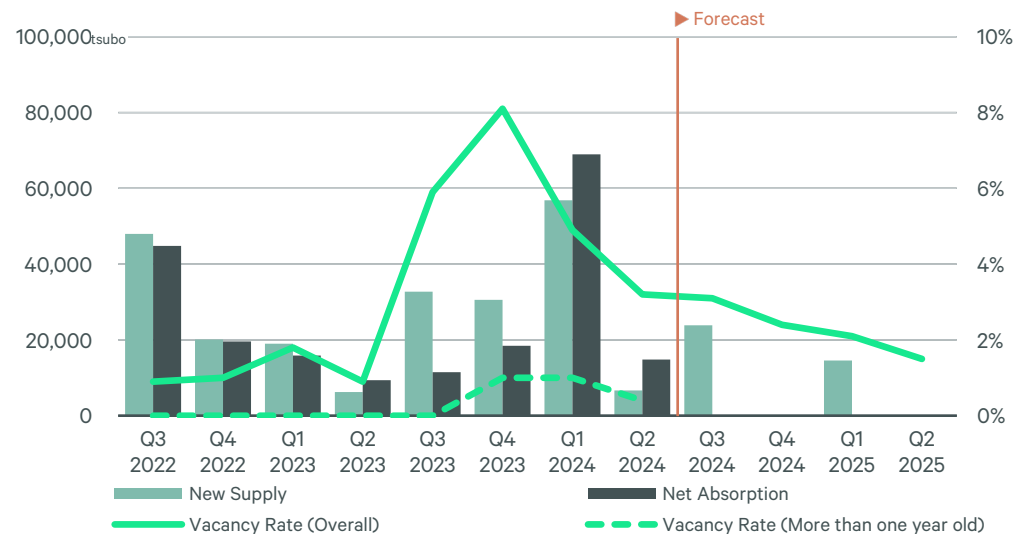
Effective rents rose by 0.6% q-o-q to JPY 3,490 per tsubo, marking a sixth consecutive quarter of increasing rents. The Tosu region, which had previously offered relatively cheap rents, has become recognized as an ideal location for logistics, and its rising rent levels are pushing up average rents for Greater Fukuoka as a whole.

Other Areas

Strong demand for storage of consumer goods seen in Greater Sendai

Three new LMT logistics facilities were completed in the Sapporo area in Q2 2024, marking the first time since Q4 2023 that multiple facilities had been completed in a single quarter. While leasing is still in progress, interest was observed from multiple logistics operators for both new and existing properties. In the Sendai area, significant demand from logistics operators was seen again this quarter, with tenants secured for around half of the space in the new property completed during the quarter, and contracts signed for units in other relatively new facilities. Firms involved in the storage and conveyance of daily necessities and other consumer goods remain the primary users of warehouse space, with local logistics operators showing growing interest in smaller units within LMT facilities.

Figure 6: Greater Fukuoka LMT Supply/Demand Balance



Source: CBRE, Q2 2024

Figure 7: Large Multi-Tenant Submarket Summary*

			Vacancy Rate					Effective Rent Index (JPY/tsubo/month)					
			Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q-o-Q
Greater Tokyo	Greater Tokyo	Overall	8.2%	8.9%	9.3%	9.7%	9.7%	4,510	4,520	4,520	4,500	4,490	-0.2%
		More than one year old	2.1%	2.1%	2.7%	4.4%	4.9%						
	Tokyo Bay Area	Overall	4.7%	13.6%	12.1%	11.4%	10.4%	7,620	7,650	7,640	7,630	7,630	±0.0%
		More than one year old	5.7%	4.8%	4.8%	4.3%	4.3%						
	Gaikando Area	Overall	2.6%	2.8%	2.9%	4.4%	5.9%	5,180	5,180	5,180	5,190	5,190	±0.0%
		More than one year old	0.2%	0.4%	0.5%	0.0%	2.4%						
	Route 16 Area	Overall	8.1%	8.2%	9.4%	9.6%	9.1%	4,520	4,530	4,530	4,520	4,510	-0.2%
		More than one year old	2.2%	2.3%	2.3%	5.5%	4.8%						
	Ken-O-do Area	Overall	13.7%	14.3%	13.5%	13.7%	14.3%	3,610	3,600	3,590	3,570	3,580	+0.3%
		More than one year old	3.0%	2.8%	5.2%	5.2%	7.5%						
	Greater Osaka	Overall	3.2%	4.5%	6.0%	5.3%	3.7%	4,120	4,110	4,130	4,160	4,160	±0.0%
		More than one year old	0.6%	0.5%	0.2%	1.2%	0.9%						
Greater Nagoya	Overall	5.2%	8.5%	10.5%	16.5%	14.6%	3,590	3,620	3,630	3,630	3,640	+0.3%	
	More than one year old	3.1%	4.8%	2.9%	4.2%	5.2%							
Greater Fukuoka	Overall	0.9%	5.9%	8.1%	4.9%	3.2%	3,410	3,440	3,450	3,470	3,490	+0.6%	
	More than one year old	0.0%	0.0%	1.0%	1.0%	0.4%							

* The Q1 2024 vacancy rate for Tokyo Bay Area was revised from 11.3% to 11.4% (Overall), from 4.2% to 4.3% (More than one year old).

Source: CBRE, Q2 2024

Figure 8: Average Asking Rent by Prefecture* (JPY/tsubo/month)

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q-o-Q
Hokkaido	3,130	—	3,240	3,240	3,240	±0.0%
Miyagi	—	—	—	—	—	—
Ishikawa	3,660	3,810	3,770	3,790	3,700	-2.4%
Okayama	3,670	3,670	3,770	3,770	4,090	+8.5%
Hiroshima	3,080	3,080	3,080	—	—	—

* Average asking rent for major prefectures for which the effective rent index is not available is provided for reference purposes only. If the number of samples for average asking rent is less than 5 properties, "No data" (-) will be displayed.

Source: CBRE, Q2 2024

Definitions

Properties Surveyed	Logistics property for lease which is planned and developed for multi-tenant use.	
Large Multi-Tenant Properties (LMT)	With gross floor area (GFA):	More than 10,000 tsubo in the Greater Tokyo Area (281 properties) and Greater Osaka Area (83 properties) More than 5,000 tsubo in Greater Nagoya Area (49 properties) and Greater Fukuoka Area (43 properties)
	Vacancy:	Spaces that are ready to receive tenants at time of survey (newly built facilities are those on which construction is complete)
	Effective Rent Index:	Rental index based on achievable rents with CAM for new leases during the survey period. Length of lease and free rent period are taken into account.
Space Measurement	Floor space is usually measured in tsubo or in square meters. 1 tsubo = 3.3058 square meters = 35.58 square feet	

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