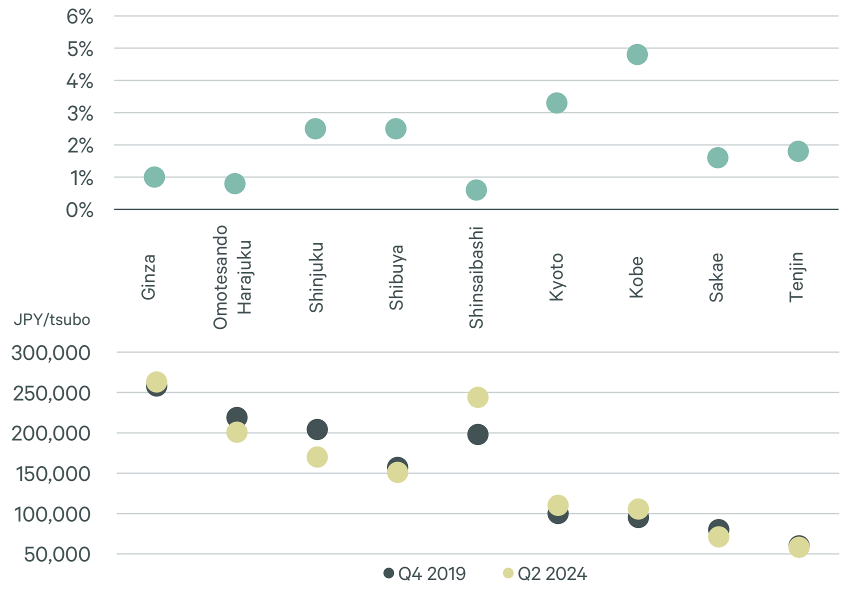
Shinsaibashi vacancy rate drops to lowest nationwide; Shinjuku records significant drop in vacancy to just above 2%

▶ ±0.0pts Q-o-Q	▶ ±0.0% Q-o-Q	▼ −1.1pts Q-o-Q	▶ ±0.0% Q-o-Q	▲ +1.6pts Q-o-Q	▶ ±0.0% Q-o-Q
Ginza Vacancy Rate	**Ginza** Average Rent	**Shinsaibashi** Vacancy Rate	**Shinsaibashi** Average Rent	**Sakae** Vacancy Rate	**Sakae** Average Rent

* As of Q1 2024, the term "High Street rent" has been changed to "Average rent".

- Vacancy rates fell on a q-o-q basis in four of the nine surveyed areas, with that in Shinsaibashi dropping to just 0.6%, the lowest level nationwide. Average rents rose in two of 10 surveyed areas, with the same four areas as in the previous quarter (Ginza, Shinsaibashi, Kyoto, Kobe) registering average rents above the pre-pandemic levels.
- The steepest drop in vacancy was recorded in Shinjuku, where vacancy fell 3.0 pp., on the back of the absorption of a relatively large vacancy by an apparel brand. The largest rise in average rents was seen in Shibuya, which logged an increase of 8.6%, reflecting retailers' strong appetite for new store space.
- Fashion brands and outdoor/sporting goods brands once again drove demand this quarter. Total new store openings across the country declined q-o-q due to fewer available units, which is encouraging retailers to turn their attention to future supply.
- Demand for store space remained strong from luxury brands and other retailers, with weaker Yen helping to drive robust inbound tourist demand. While a lack of availability is likely to slow the pace of new store openings in the coming quarters, strong leasing demand should ensure rents trend upward.

Figure 1: Vacancy rate (upper graph) & Average rent (lower graph) in Q2 2024



Source: CBRE, Q2 2024

Nationwide occupier trends

Over 10% of new store space in developments yet to be completed

Total new store openings in Q2 2024 fell by 28.8% q-o-q to 2,870 tsubo, the first drop in three quarters. A decrease in available units slowed the pace of new store openings during the period. This forced retailers to switch their attention to future supply, with some 12.2% of new store contracts were signed in developments yet to be completed.

Fashion brands and outdoor/sporting goods brands once again drove the openings this quarter. The fashion sector accounted for the leasing of the largest amount of new floor space on the back of the absorption of a large vacancy by an apparel brand in Shinjuku. This was followed by outdoor/sporting goods, driven primarily by the signing of a new store contract in Shinsaibashi by an overseas sporting brand, which accounted for over half of the sector's new floor space.

Overall leasing demand remained robust this quarter, with particularly strong activity focused on Omotesando and Shibuya from recycled goods retailers, the entertainment industry, and fashion brands.

Tokyo

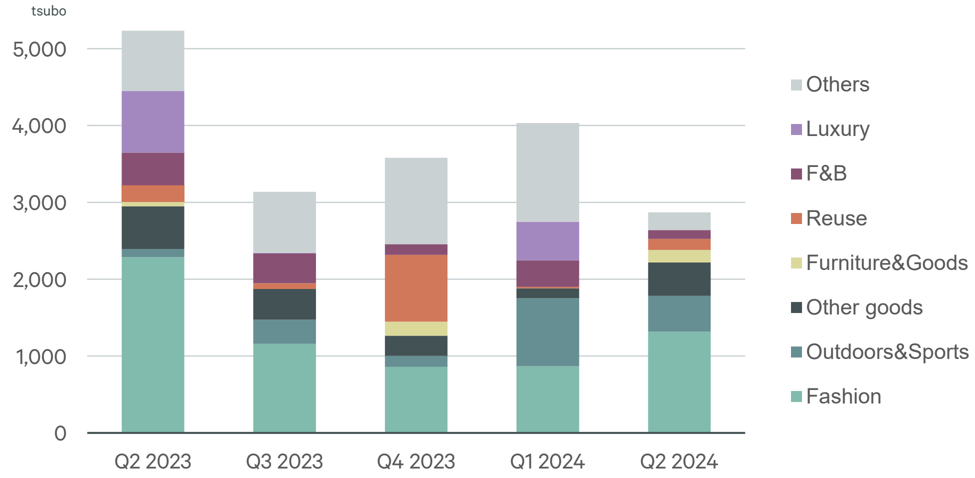
Average Shibuya rents spike by 8.6% to top JPY 150,000

During Q2 2024, new lease contracts were signed for storefront units in the prime areas of **Ginza** by recycled goods retailers and domestic apparel brands. Strong interest was also seen from luxury goods, high-end wristwatches, perfumes, and character goods. The vacancy rate remained unchanged from the previous quarter, remaining at 1.0%, with the quarter's only changes in terms of vacancy seen in two units of around 60 tsubo each. Average rents also remained unchanged q-o-q at JPY 263,000 per tsubo, with no deals affecting prime area rental market rates.

Secondary areas witnessed a number of transactions this quarter suggesting an increase in market rent levels. This is due to the fact that almost all prime area vacancies have dried up, leading tenants to turn their attention to the wider geographical area. In addition to rising rent levels in secondary areas, the quarter also saw long-term vacancies filled in even more peripheral locations.

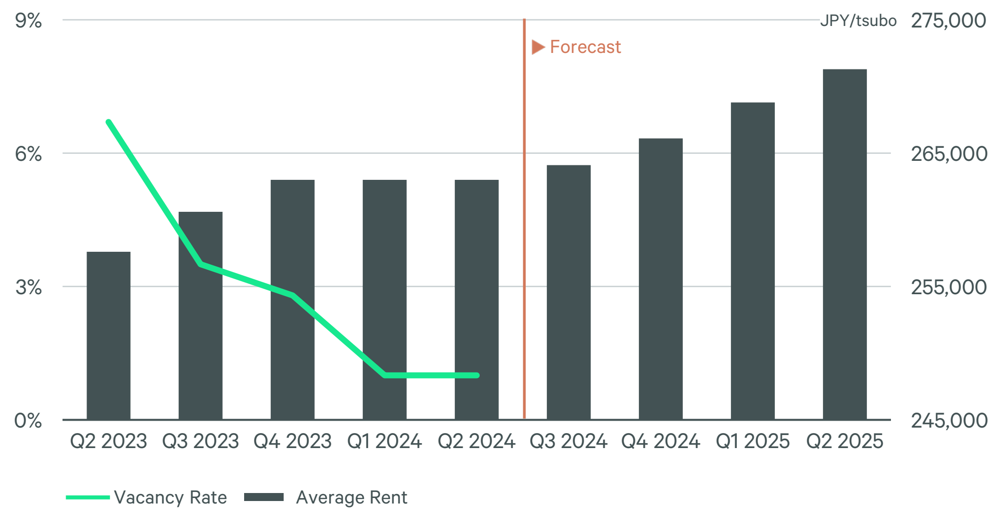
CBRE has made an upward revision to its rent projections, forecasting average rents to rise by 3.2% over the next 12 months. If achieved, this would bring them to 5.2% above Q4 2019 levels. The major reason for this is thriving inbound tourist consumption, driven by the yen remaining weak

Figure 2: New openings in prime areas



* Total floor space for all new openings or new contracts. Includes all available space in prime areas on high streets nationwide (nine areas in total) for immediate occupancy or for occupancy within 18 months of the survey date (including incomplete developments).
Source: CBRE, Q2 2024.

Figure 3: Ginza



Source: CBRE, Q2 2024.

Tokyo (cont.)

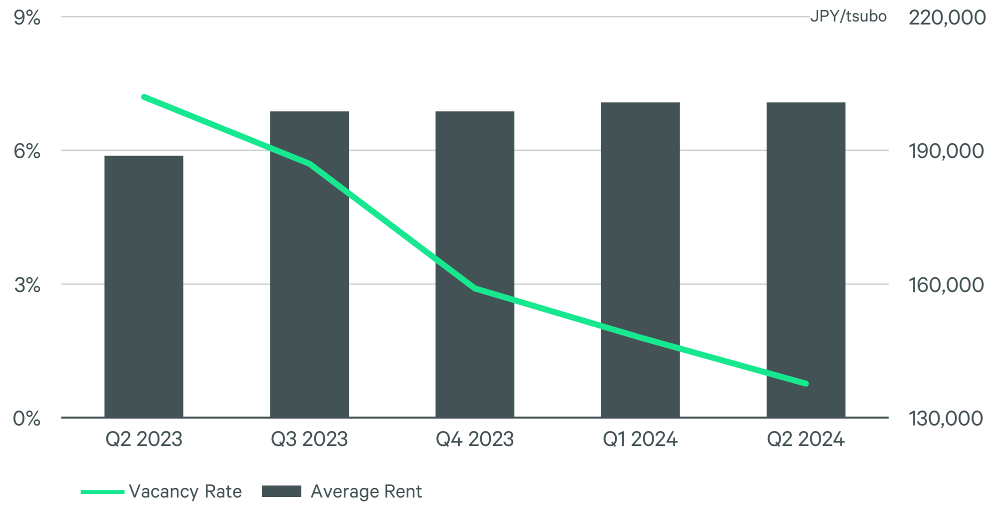
for longer than expected, with no short-term expectation of an upward swing in its value. Increased tenant demand has also led to stronger competition for available units, pushing up the rent levels that owners can command. Most available units are drawing interest from multiple retailers, with several progressing through the selection process at proposed rent levels that are above market rates.

In the **Omotesando/Harajuku** high street area, new store contracts were signed this quarter in secondary areas of Omotesando by a domestic apparel retailer and a furniture store. Also during the period, an outdoor/sporting goods brand and a character goods retailer secured space in prime areas of Harajuku. The area also saw interest from overseas apparel retailers, showroom operators, and luxury goods brands. The vacancy rate slid by 1.0 pp. q-o-q to 0.8%, with available units of all sizes filled in Harajuku, and almost no new vacancies arising during the period under review.

Average rents remained unchanged q-o-q at JPY 200,800 per tsubo. While no transactions were significant enough to affect average street-level store rents, movement involving larger units strongly suggested that rent levels continue to trend upward. During the quarter, one large unit in Harajuku confirmed a new tenant at rents almost equivalent to pre-pandemic rates, while a multi-level property available in a prime area of Omotesando witnessed an increase in its achievable rent level. The launch of Hermes store in this area in 2020 has boosted its status as a prized location for luxury brand flagship stores. Properties considered suitable to house such flagship stores generally require large floor space with a multi-level facade to facilitate visibility. The development of new supply that fulfills these criteria has elicited demand for flagship store space, with competition between luxury brands pushing up achievable rent levels.

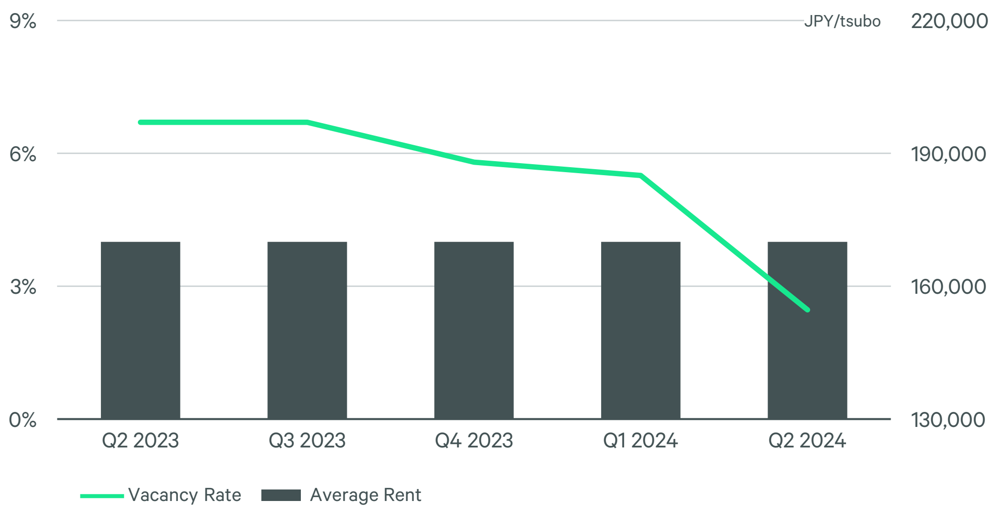
In **Shinjuku,** new contracts were signed by a domestic apparel brand and a character goods retailer. Interest was also seen area-wide from retailers of luxury goods and high-end wristwatches. The vacancy rate slid by 3.0 pp. q-o-q to 2.5%, primarily due to the absorption of a large, long-term vacancy by a domestic apparel brand. However, average rents remained unchanged for the tenth consecutive quarter at JPY 170,000 per tsubo, with no tenant activity sufficient to cause an adjustment in market rates. The primary reason is that most vacant units are somewhat larger than what the prospective tenants seek.

Figure 4: Omotesando/Harajuku



Source: CBRE, Q1 2024.

Figure 5: Shinjuku



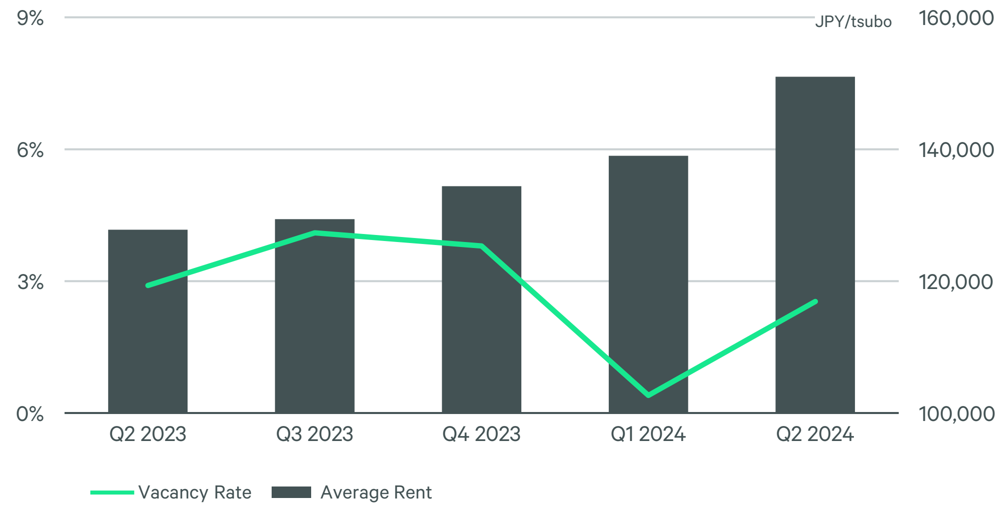
Source: CBRE, Q2 2024.

Tokyo (cont.)

In **Shibuya**, a food and drink retailer confirmed the opening of a new store this quarter in a secondary area. Elsewhere, interest was seen throughout the Shibuya area from a wide variety of industries, including overseas apparel and luxury brands, as well as retailers of character goods and mobile phone accessories. The vacancy rate rose by 2.1 pp. q-o-q to 2.5% due to the tenant of a large unit near the station vacating its premises. Interest in this unit is strong at present, with leasing proceeding smoothly.

Average rents rose for the fourth straight quarter, surging by 8.6% q-o-q to JPY 151,000 per tsubo. This is now just 4% below the pre-pandemic level of JPY 157,000 recorded in Q4 2019. Rising rents on Koen-dori and Inokashira-dori this quarter served to push up the overall level. With very few properties available, retailers are willing to make concessions on key lease conditions to secure store space. The quarter saw significant interest not only in new supply but also in units near the railway station looking for comparatively short-term tenants. Also during the period, a tender was also received for a property on the periphery of a secondary area at a higher rent level than market rates.

Figure 6: Shibuya



Source: CBRE, Q2 2024.

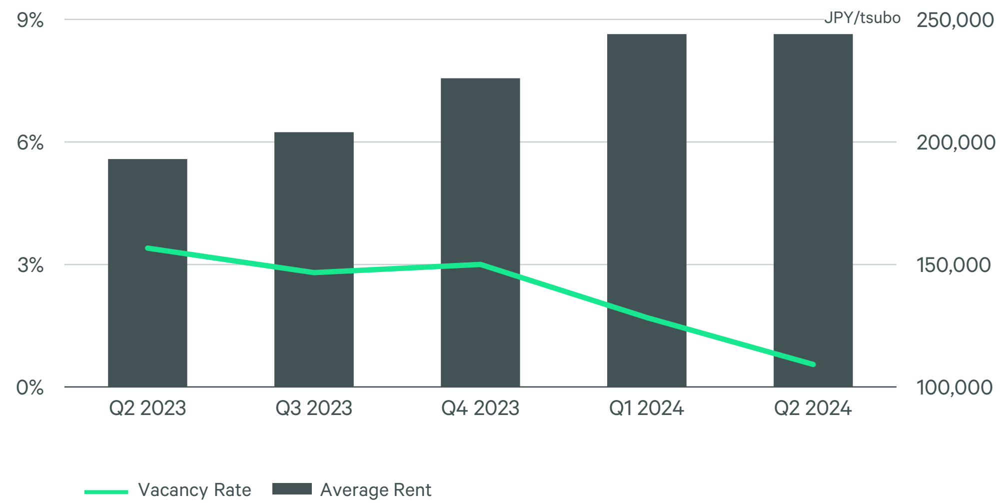
Kansai

Shinsaibashi vacancy rate drops to 0.6%, lowest level nationwide

During Q2 2024, a sporting goods brand and a capsule toy retailer signed new prime area store front contracts in **Shinsaibashi**. Interest was also seen throughout the area from apparel retailers, sporting goods retailers, and luxury goods brands. The vacancy rate slid by 1.1 pp. q-o-q to 0.6%, the first time since Q2 2020 that it has dropped below the 1.0% threshold. The only remaining vacant units were almost all on the verge of securing tenants by quarter's end. Average rents remained unchanged q-o-q at JPY 244,000 per tsubo, with no deals signed during the period affecting market rates.

The quarter saw several new store openings and tenant interest in secondary and peripheral areas. Overseas brands considering store space in secondary areas appear to value the area for the flow-on demand it offers from customers of nearby luxury brand stores, whose consumer base is quite similar. Some apparel brands also prefer locations that provide a more refined atmosphere in keeping with their brand image, away from the main shopping streets popular with foreign tourists. Some available units in secondary areas attracted interest from multiple retailers this quarter, which may affect future market rates.

Figure 7: Shinsaibashi



Source: CBRE, Q2 2024.

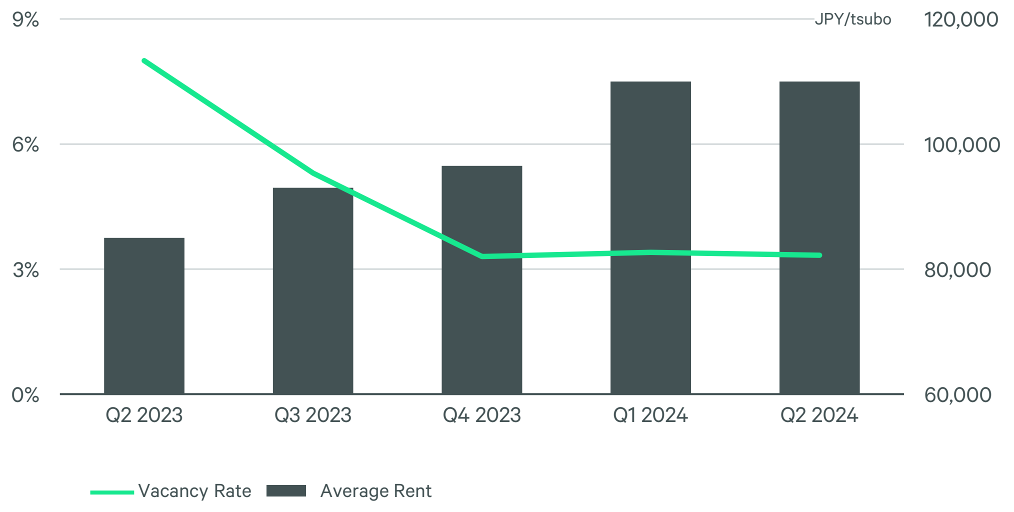
Kansai (cont.)

Although no store openings were noted in **Umeda** this quarter, demand was observed from retailers including overseas apparel brands, recycled goods, and lifestyle goods retailers. Average rents increased for a second straight quarter, rising by 3.3% q-o-q to JPY 127,000 per tsubo. This was largely the result of surging rent levels in the east of the area, where pedestrian traffic from younger shoppers is prevalent. Sporting goods and casual fashion retailers, which are enjoying strong sales, are particularly keen to open stores in this area.

Major store openings in **Kyoto** this quarter included a karaoke chain in a new development in a prime area and a sporting goods brand in a secondary area. Strong interest was also seen from a renowned merchandising brand for space in a prime area. The vacancy rate slid by 0.1 pp. q-o-q to 3.3%, with no new vacancies arising this quarter. Average rents remained unchanged q-o-q at JPY 110,000 per tsubo, with no deals noted that would affect market rents. Nonetheless, demand for store space remains strong, driven by the increasing number of foreign tourists visiting the city. Demand was seen this quarter from luxury goods brands, outdoor/ sporting goods retailers, apparel retailers, and drugstore operators.

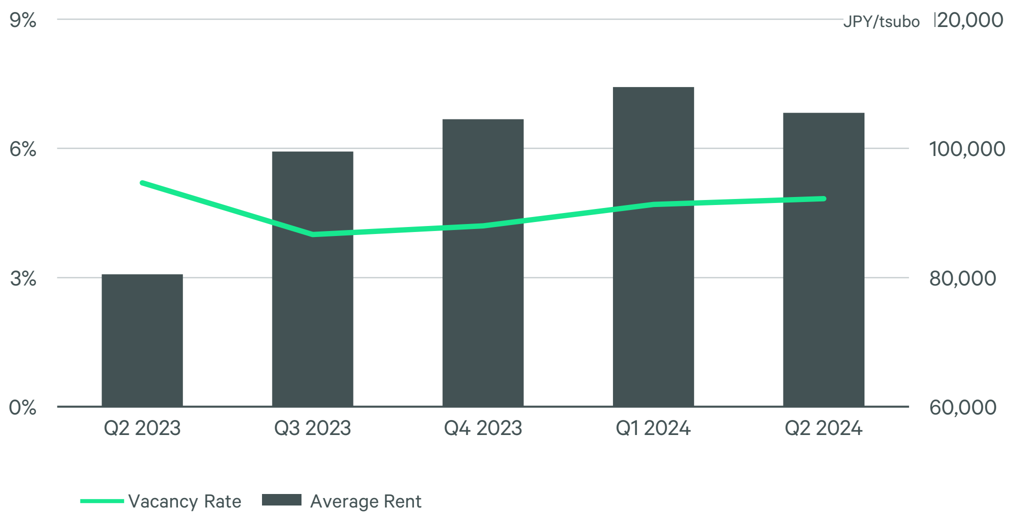
In **Kobe**, a sporting goods brand signed a contract for a new store in a secondary area in Q2 2024. Interest was also seen from retailers, including high-end wristwatch vendors. The vacancy rate rose by 0.1 pp. q-o-q to 4.8% due to the departure of a tenant from a small unit of less than 20 tsubo. Average rents fell by 3.8% to JPY 105,500 per tsubo as a result of declining rents in and around Flower Road. Factors behind this phenomenon include the redirection of foot traffic to the area of larger stores on the west side due to redevelopment construction, and the fact that luxury brand demand is focused on the prime area near the Daimaru Kobe department store.

Figure 8: Kyoto



Source: CBRE, Q2 2024.

Figure 9: Kobe



Source: CBRE, Q1 2024.

Nagoya

Vacancy rate rises for first time in seven quarters

A confectioner confirmed a new store in a secondary area in **Sakae** this quarter, while interest was also seen throughout the area from apparel, capsule toy, and luxury goods retailers. The vacancy rate rose by 1.6 pp. q-o-q to 1.6%, the first time it has risen above the 0.0% level since Q3 2022. The cause of this rise was the departure from the area of a major F&B retailer.

Average rents remained unchanged for the sixth consecutive quarter at JPY 71,000 per tsubo, with no deals noted that would affect market rates. However, the coming quarters may see previously latent tenant materialize and push up area rents. This quarter witnessed a contract signed in a secondary area at a level that exceeded the unit's asking rent due to strong competition between multiple potential tenants. Several units also became available this quarter in prime locations after current tenants notified landlords that they intend to vacate the premises. Among these properties is one that has already attracted interest from multiple retailers, despite its asking rent exceeding the going market rate.

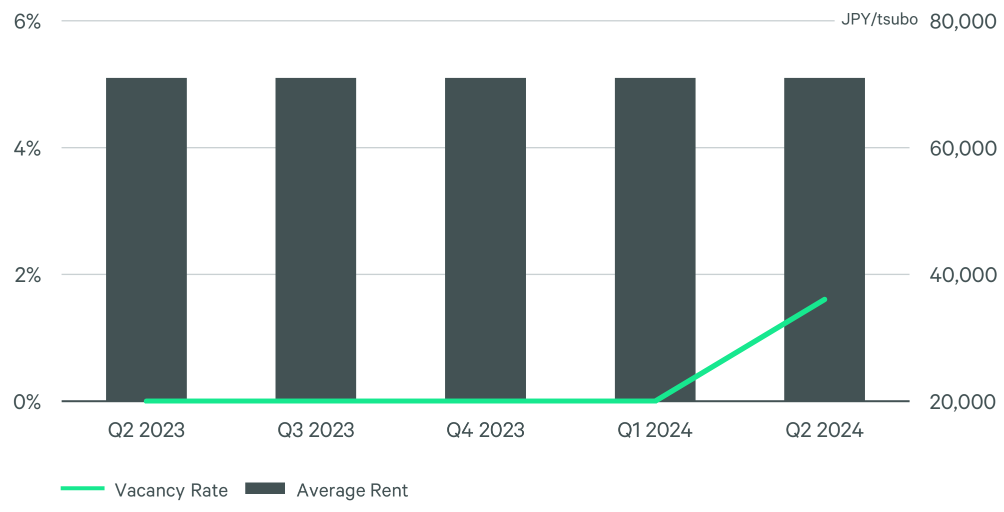
Fukuoka

Rents remain stable as demand outstrips supply

New store contracts were signed for space in **Tenjin** this quarter by an outdoor/sporting goods brand in a prime area, and by a showroom operator and a recycled goods retailer in secondary areas. Interest was also seen throughout the area from wristwatch and domestic apparel retailers. The vacancy rate rose by 0.2 pp. q-o-q to 1.8%, predominantly due to the closure of a large sporting goods store. Average rents remained unchanged q-o-q at JPY 58,200 per tsubo, with no deals noted that would affect market rates.

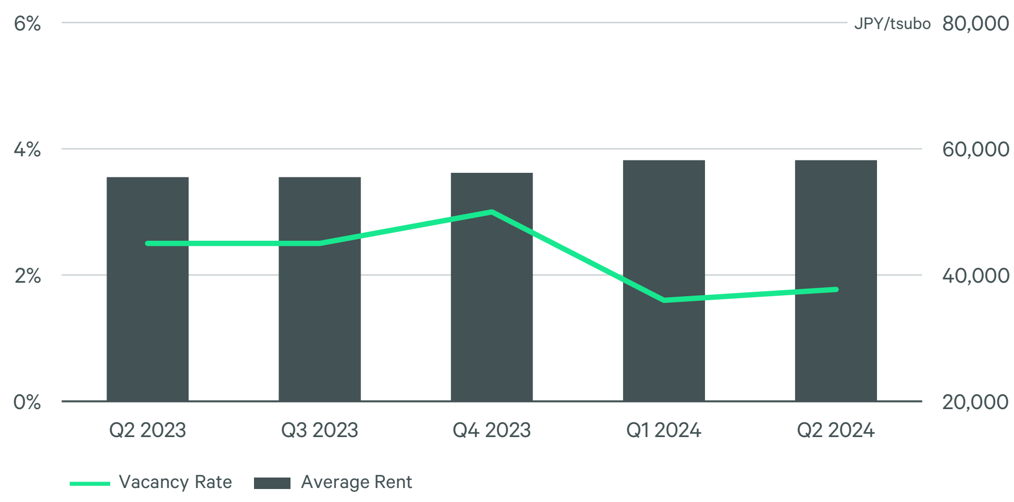
While new demand for floor space this quarter was dominated by fashion brands, interest was also observed from luxury goods brands and a mass-merchandise retailer. Although new demand in Sakae in H1 2024 lagged only Tenjin and Shinsaibashi among regional cities, the lack of available units, even including planned new supply, means that demand remains unfulfilled.

Figure 10: Sakae



Source: CBRE, Q2 2024.

Figure 11: Tenjin



Source: CBRE, Q2 2024.

Figure 12: High Street Market

		Vacancy Rate					Average Rent (JPY / Tsubo / Month)					Prime Rent (JPY / Tsubo / Month)				
		Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Tokyo	Ginza	6.7%	3.5%	2.8%	1.0%	1.0%	257,600	260,600	263,000	263,000	263,000	400,000	400,000	400,000	400,000	400,000
	Omotesando/ Harajuku	7.2%	5.7%	2.9%	1.8%	0.8%	188,800	198,800	198,800	200,800	200,800	350,000	350,000	350,000	350,000	350,000
	Shinjuku	6.7%	6.7%	5.8%	5.5%	2.5%	170,000	170,000	170,000	170,000	170,000	300,000	300,000	300,000	300,000	300,000
	Shibuya	2.9%	4.1%	3.8%	0.4%	2.5%	127,800	129,400	134,400	139,000	151,000	300,000	300,000	300,000	300,000	300,000
Kansai	Shinsaibashi	3.4%	2.8%	3.0%	1.7%	0.6%	193,000	204,000	226,000	244,000	244,000	350,000	350,000	380,000	380,000	380,000
	Umeda	—	—	—	—	—	101,500	114,000	114,000	123,000	127,000	130,000	180,000	180,000	200,000	200,000
	Kyoto	8.0%	5.3%	3.3%	3.4%	3.3%	85,000	93,000	96,500	110,000	110,000	120,000	135,000	140,000	150,000	150,000
	Kobe	5.2%	4.0%	4.2%	4.7%	4.8%	80,500	99,500	104,500	109,500	105,500	150,000	200,000	220,000	250,000	250,000
Nagoya	Sakae	0.0%	0.0%	0.0%	0.0%	1.6%	71,000	71,000	71,000	71,000	71,000	100,000	100,000	100,000	100,000	100,000
Fukuoka	Tenjin	2.5%	2.5%	3.0%	1.6%	1.8%	55,500	55,500	56,200	58,200	58,200	100,000	100,000	100,000	100,000	100,000

Source: CBRE, Q2 2024.

Terms and Definitions

Subject Area	High Street	• High Street is an area on prominent city center streets where street-level retail stores are clustered. • High Street is divided into "prime area" and "secondary area".
Vacancy Rate	Survey subjects	• Vacancy rate cover all units for lease in prime areas. The number of properties is as follows: Ginza (148 properties), Omotesando/Harajuku (240 properties), Shinjuku (58 properties), Shibuya (66 properties), Shinsaibashi (183 properties), Kyoto (180 properties), Kobe (107 properties), Sakae (52 properties), Tenjin (193 properties) • The target floors are rental units that are leased as street-level retail spaces with the entrance on the first floor (including upper floors). • Physically available for tenants at the time of survey (excluding newly constructed facilities that have not yet opened for business).
Rent	Survey subjects	• The multiple survey points are set in High Street as locations to assume virtual vacant spaces. • The assumed rental units on each point have an approximate floor area of 200m² per floor. • The rent assumption applies only to the ground floor.
	Average Rent (High Street Rent)	• Average of the upper rents and lower rents based on sample survey of the subject area, including CAM, and excluding any incentive such as free rent
	Prime Rent	• Highest rent based on sample survey of the subject area, including CAM, and excluding any incentive such as free rent

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2-1-1 Marunouchi, Chiyoda-ku, Tokyo

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Nagoya-shi, Aichi

Osaka

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Yokohama

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