

Vacancy rate approaches 10% in Greater Tokyo; Lower vacancies drive rents up in Greater Osaka and Fukuoka

▲ +0.4pp Q-o-Q
Greater Tokyo
Vacancy Rate of LMT* properties Q1

▼ -0.7pp Q-o-Q
Greater Osaka
Vacancy Rate of LMT* properties Q1

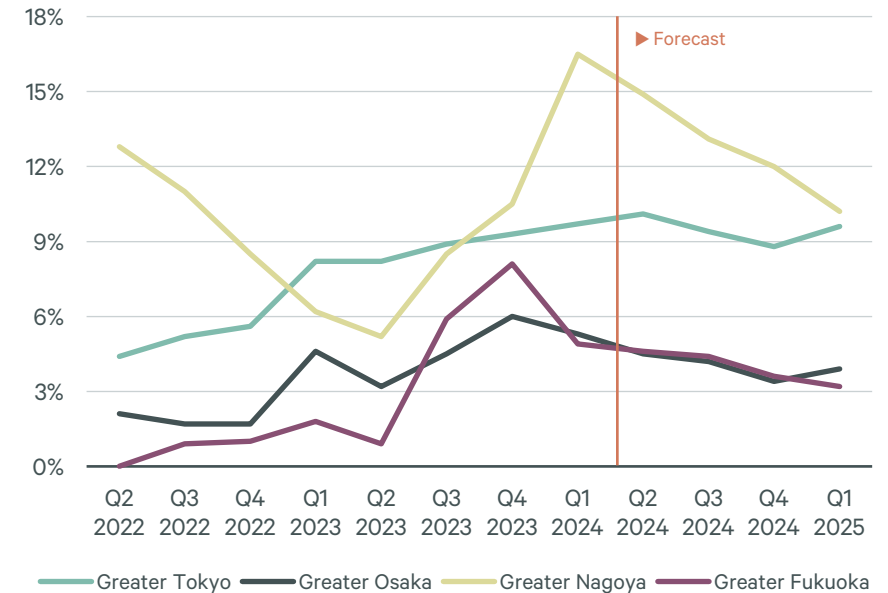
▲ +6.0pp Q-o-Q
Greater Nagoya
Vacancy Rate of LMT* properties Q1

▼ -3.2pp Q-o-Q
Greater Fukuoka
Vacancy Rate of LMT* properties Q1

* Large Multi-Tenant logistics facilities

- The vacancy rate for Large Multi-Tenant (LMT) logistics facilities in **Greater Tokyo** rose by 0.4 pp. q-o-q to 9.7% in Q1 2024. New supply consisted of 190,000 tsubo across 10 buildings, which achieved a total occupancy rate of over 50% upon completion, but net absorption fell below the 2023 quarterly average, registering 148,000 tsubo. The vacancy rate for existing facilities (facilities more than one year old) spiked from 2.7% in Q4 2023 to reach 4.4%, representing the highest level recorded since Q1 2012, due to vacancies in fringe areas taking considerable time to fill. Effective rents in Greater Tokyo fell by 0.4% q-o-q to JPY 4,500 per tsubo.
- The LMT vacancy rate in **Greater Osaka** fell by 0.7 pp. q-o-q to 5.3%. Two of the three new properties completed this quarter commenced operations at full capacity, with the third also launching with a high occupancy rate. With vacancies restricted to certain suburban areas and properties, and pre-leasing for the next two quarters proceeding well, the market is tight on the whole. Effective rents increased by 0.7% q-o-q to reach JPY 4,160 per tsubo.
- The LMT vacancy rate in **Greater Nagoya** rose by 6.0 pp. q-o-q to 16.5% due to two new facilities entering the market with some units still vacant. Existing vacancies are primarily in the waterfront area of Yatomi City and regions further west, while stable demand has been observed for facilities in inland areas and eastern Aichi Prefecture. Effective rents remained unchanged q-o-q at JPY 3,630 per tsubo.
- The LMT vacancy rate in **Greater Fukuoka** fell 3.2 pp. q-o-q to 4.9%. With all four of the quarter's new facilities launching at full or high occupancy, new supply and net absorption rose to all-time records this quarter. Effective rents increased by 0.6% q-o-q to JPY 3,470 per tsubo.

Figure 1: Vacancy Rate (4 Major Metropolitan Areas)



Source : CBRE, Q1 2024

Greater Tokyo

Four out of 10 new properties launched at full occupancy but vacancies in fringe areas taking time to fill

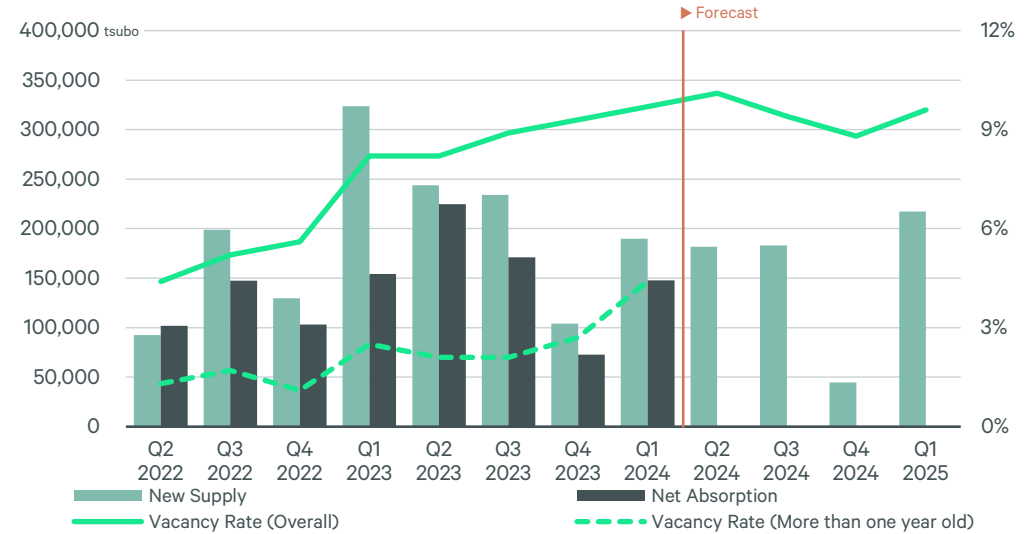
The vacancy rate for Large Multi-Tenant (LMT) logistics facilities in Greater Tokyo rose by 0.4 pp. q-o-q to 9.7% in Q1 2024. New supply consisted of 190,000 tsubo of floor space spread over 10 facilities. Four of these facilities commenced operations at full capacity, while the total occupancy rate for all new properties exceeded 50%. While net absorption reached 148,000 tsubo, outstripping the previous quarter's figure, it still fell below the quarterly average for 2023. Among the properties completed last year, which accounted for a record annual supply of over 900,000 tsubo, some in the fringe areas still have unoccupied units. When new vacancies that emerged in older facilities are added to this figure, total vacant floor space in all of Greater Tokyo stood at 624,000 tsubo, a figure that exceeds the average annual supply over the past five years (560,000 tsubo). Considering that just 30% of the 182,000 tsubo of new supply slated for completion next quarter has been pre-leased, the vacancy rate may well exceed 10% in Q2 2024.

Tenants signing new lease contracts this quarter remain predominantly logistics operators, with several large leases signed in the Route 16 area, including one for an entire facility. Other activity came from companies in various industries, including e-commerce, apparel, and machinery production.

The vacancy rate for existing facilities (facilities more than one year old) increased from 2.7% last quarter to reach 4.4% in Q1 2024, representing the highest level since Q1 2012. This was primarily because properties completed in Q1 2023, a quarter which saw an all-time record of 324,000 tsubo of new supply, qualified as “existing facilities” for the first time. While eight of the 11 facilities completed that quarter are now fully occupied, two of the remaining three have over 50,000 tsubo of vacant space.

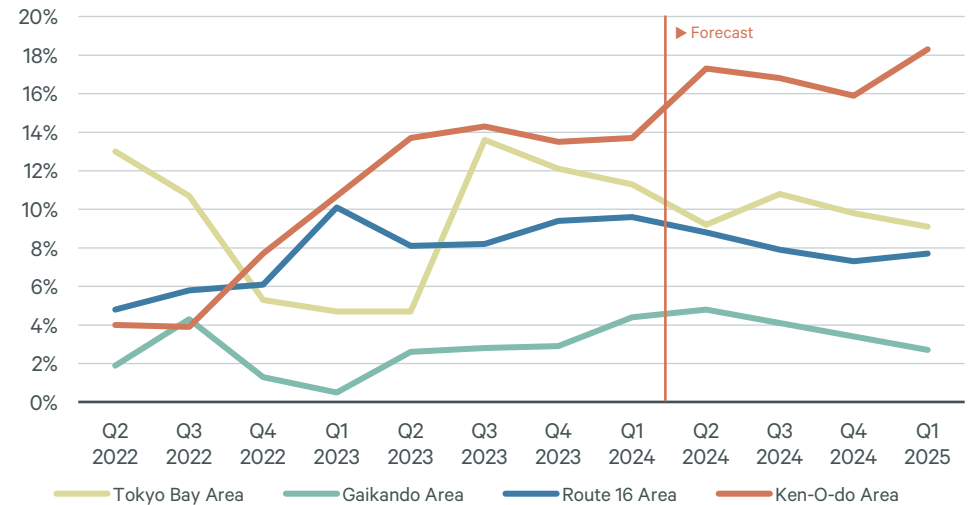
Effective rents in Greater Tokyo fell by 0.4% q-o-q to JPY 4,500 per tsubo this quarter. While rents in the Ken-o-do area, the most peripheral of the four sub-areas within Greater Tokyo, began to fall even more rapidly than before, they rose in the Gaikando area, where vacancies are sparse, ensuring the overall decline was minimal. Amidst a generally weakening supply-demand balance in the fringe locations, interest remains strong in properties with high quality specifications in good locations. Even within the Ken-o-do area, there are areas with properties that command healthy rents.

Figure 2: Greater Tokyo LMT Supply/Demand Balance



Source: CBRE, Q1 2024

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



Source: CBRE, Q1 2024

Tokyo Bay area

The LMT vacancy rate in the Tokyo Bay area fell this quarter, dropping from 12.1% to 11.3%, with leasing progressing in the two properties that have had vacant space available since completion.

Effective rents declined slightly by 0.1% q-o-q to JPY 7,630 per tsubo. Rents were lowered this quarter in several properties with long-term vacancies.

Gaikando area

The vacancy rate rose from 2.9% to 4.4% in Q1 2024, with the absorption of vacancies that emerged last quarter being more than offset by the completion of a new facility at less than full occupancy. With two more properties slated for completion in the area in Q3 2024, the vacancy rate may rise further, depending on the pace of leasing. However, as of Q1 2024, just two facilities had available units, and new supply for 2025 is projected to be limited. Therefore, the vacancy rate should fall moderately between now and 2025.

Effective rents recorded a slight rise of 0.2% q-o-q to JPY 5,190 per tsubo. While rents fell in parts of the waterfront regions of Chiba Prefecture, they remained solid throughout the overall area. One property due for completion in the inland area of metropolitan Tokyo is attracting strong interest despite its high asking rents, which is pushing up rent levels in surrounding areas.

Route 16 area

The vacancy rate rose by 0.2 pp. q-o-q to 9.6% in Q1 2024. Six of the 10 new facilities completed in Greater Tokyo this quarter are located in the Route 16 area, four of which entered operation at full occupancy. However, vacancies in the remaining two, combined with new vacancies in several existing facilities, served to push up the vacancy rate very slightly. Net absorption outstripped the previous quarter, reaching 105,000 tsubo, with several major contracts signed by companies other than logistics operators, particularly at the Kanagawa end of the area. With several properties still struggling to fill long-term vacancies, however, the Route 16 area still contains around half of all vacant floor space in Greater Tokyo, at 339,000 tsubo.

Effective rents slid by 0.2% q-o-q to JPY 4,520 per tsubo, reflecting declining rents in inland Chiba and waterfront Kanagawa, where leasing activity remains sluggish. Rents remained stable elsewhere in the area.

Ken-O-do area

The vacancy rate rose by 0.2 pp. q-o-q to 13.7%, with two of the three new facilities commencing operations with significant vacancies, and new vacancies appearing in existing properties. At the same time, new lease contracts were signed in several recently completed facilities in Ibaraki Prefecture, one of which reached full occupancy. While net absorption reached 36,000 tsubo, outstripping the previous quarter's figure, it still fell below the quarterly average for 2023. With large vacancies available in more central areas within Greater Tokyo, the Ken-o-do area continues to attract relatively weak interest from tenants, with significant time taken to fill any vacancies. In light of the slow progress on leasing activities for properties slated for completion in the rest of 2024, as well as the significant new supply planned for 2025, the vacancy rate may spike further during the next year.

Effective rents fell for the fourth consecutive quarter, declining by 0.6% to JPY 3,570 per tsubo. Rents dropped in regions with major vacancies, particularly in Ibaraki and Saitama Prefectures.

Greater Osaka

Rents spike amid lack of available units

The LMT vacancy rate in Greater Osaka stood at 5.3% in Q1 2024, down 0.7 pp. from Q4 2023. Of the three properties completed this quarter, two launched at full capacity, while the third came on stream with high occupancy. These new openings, together with the a relatively new property reaching maximum capacity, pushed up net absorption for the quarter to 86,000 tsubo. This figure was only marginally behind the highest single-quarter level in the past three years (94,000 tsubo recorded in Q3 2021). While roughly 100,000 tsubo remains unoccupied in properties completed in 2023, available space is scarce in older facilities. The market is tight, with over 80% of floor space in properties due in the next two quarters already pre-leased and available units restricted to specific areas/ properties. Drivers of demand are logistics firms, e-commerce operators, and tenants handling consumer goods such as drugstore operators.

Effective rents grew by 0.7% q-o-q to reach JPY 4,160 per tsubo, with asking rents continuing to rise in all areas other than those along the Shin-Meishin and Chugoku-do expressways, where major new developments have been concentrated. Rents are trending upward both in the central and waterfront areas, due to lack of vacant space and with no future development plans.

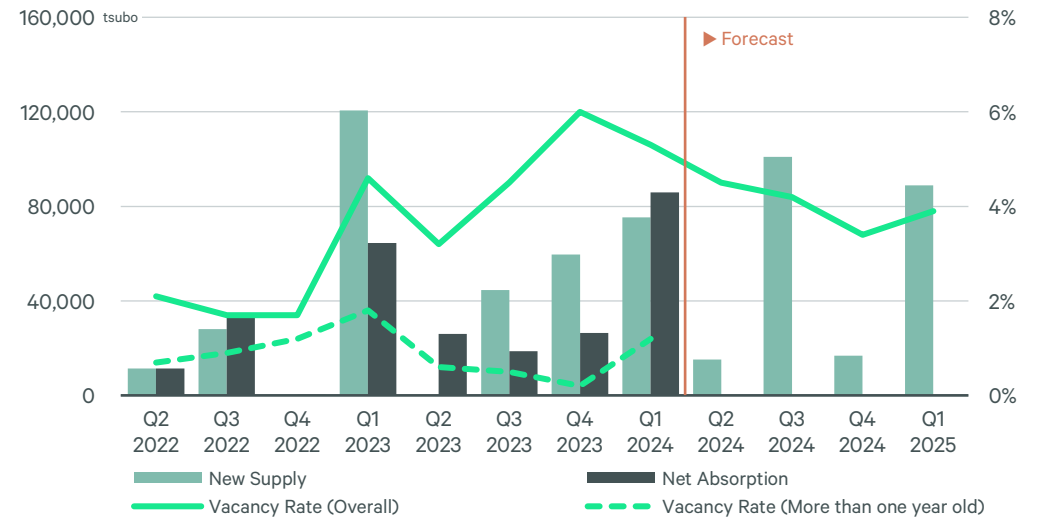
Greater Nagoya

Leasing proceeds well in inland areas, despite rising vacancy

The LMT vacancy rate in Greater Nagoya was up 6.0 pp. q-o-q to 16.5%, due to the two new facilities commencing operations with low occupancy. Around half of all vacancies are concentrated in the waterfront area of Yatomi City and regions further west, where six facilities have been added since 2022, including the one large property with over 50,000 tsubo of floor space that was completed this quarter. Competition in the area is consequently strong, and vacancies will likely take significant time to fill. In contrast, available units are limited in inland areas where the need to store consumer goods is robust, and in eastern Aichi where the manufacturing industry is concentrated. Pre-leasing activity in brisk in these areas with stable demand. Combined with the absence of future projects in Yatomi City or further west, the vacancy rate in Greater Nagoya has likely reached its peak and should fall in the coming quarters.

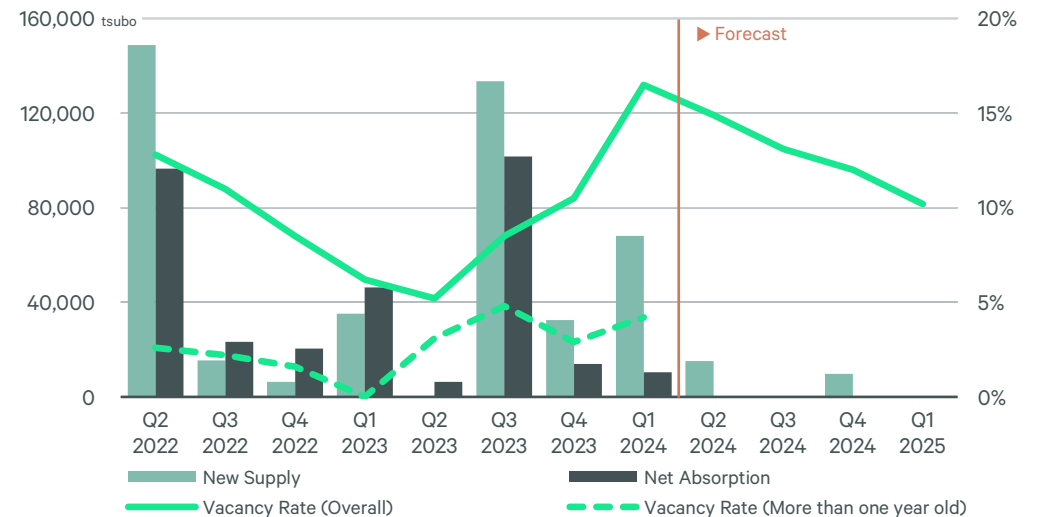
Effective rents were flat q-o-q at JPY 3,630 per tsubo. Softer rents in properties where new vacancies have or are likely to emerge were offset by increases in more popular areas.

Figure 4: Greater Osaka LMT Supply/Demand Balance



Source: CBRE, Q1 2024

Figure 5: Greater Nagoya LMT Supply/Demand Balance



Source: CBRE, Q1 2024

Greater Fukuoka

Net absorption sets new all-time quarterly record as rents continue to rise

The LMT vacancy rate in the Greater Fukuoka area fell by 3.2 pp. q-o-q to 4.9% in Q1 2024. Of the four new properties completed this quarter, the three in Ogori City all commenced operations at full capacity, while the fourth has minimal space remaining. The 57,000 tsubo of new supply and the 69,000 tsubo of net absorption recorded this quarter both marked new all-time records. In addition to e-commerce needs, demand was driven by aggressive moves by locally based logistics firms to secure space, resulting in the absorption of vacancies in other relative new facilities as well. With just two more properties slated for completion during 2024, both in locations with excellent access to Fukuoka City, the vacancy rate is likely to remain low for the foreseeable future.

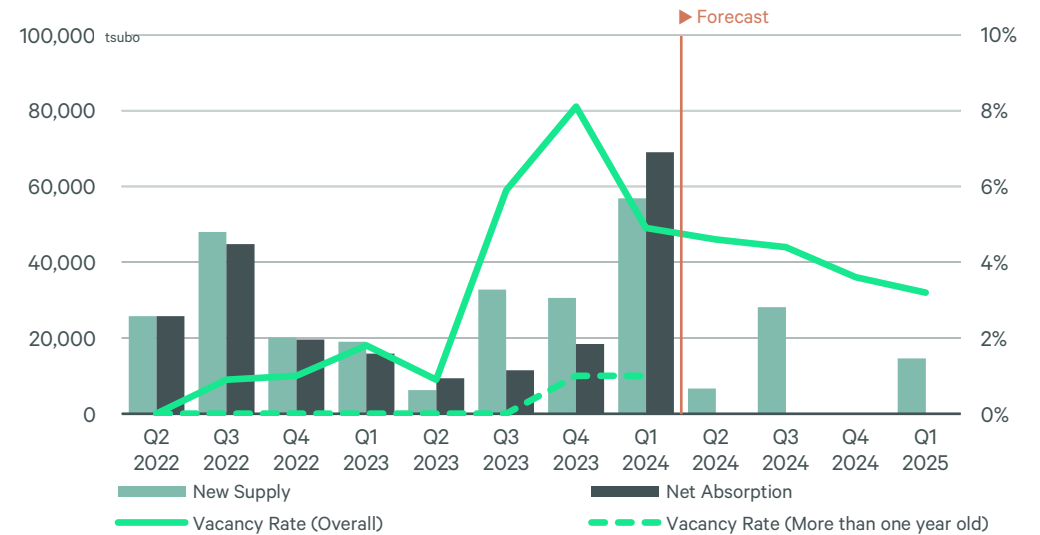
Effective rents rose by 0.6% q-o-q to JPY 3,470 per tsubo. The addition of new facilities in the low-rent locations around Tosu weighed on the average. However, rents logged steady growth in and around Fukuoka City, where both current vacancies and new development plans are scarce. The signing of tenants in a high-rent property in this area pushed up rents for the entire Greater Fukuoka region this quarter.

Other Areas

Leasing activity picks up in Sapporo and Sendai

During the quarter, logistics demand was observed to be on the rise from a variety of sectors in and around Sapporo and Sendai. While no new properties were completed in the Sapporo area this quarter, a major logistics firm announced that it will open a new logistics center to handle business related to Rapidus' new semiconductor plant within a property due for completion in the second half of 2024. Expansion and consolidation demand had also been observed for freight such as consumer goods. In the Sendai area, two new facilities were completed this quarter, both of which have secured tenants for around half of their floor space handling foodstuffs and other consumer goods. Both the Sapporo and Sendai areas have abundant future developments pipelines, creating a situation where tenants are able to implement expansion or relocation plans. In Okayama, no vacancies remain, with any space becoming available swiftly taken by a new tenant. The lack of available floor space has pushed up rents in this area.

Figure 6: Greater Fukuoka LMT Supply/Demand Balance



Source: CBRE, Q1 2024

Figure 7: Large Multi-Tenant Submarket Summary*

			Vacancy Rate					Effective Rent Index (JPY/tsubo/month)					
			Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q-o-Q
Greater Tokyo	Greater Tokyo	Overall	8.2%	8.2%	8.9%	9.3%	9.7%	4,540	4,510	4,520	4,520	4,500	-0.4%
		More than one year old	2.5%	2.1%	2.1%	2.7%	4.4%						
	Tokyo Bay Area	Overall	4.7%	4.7%	13.6%	12.1%	11.3%	7,600	7,620	7,650	7,640	7,630	-0.1%
		More than one year old	5.7%	5.7%	4.8%	4.8%	4.2%						
	Gaikando Area	Overall	0.5%	2.6%	2.8%	2.9%	4.4%	5,190	5,180	5,180	5,180	5,190	+0.2%
		More than one year old	0.0%	0.2%	0.4%	0.5%	0.0%						
	Route 16 Area	Overall	10.1%	8.1%	8.2%	9.4%	9.6%	4,530	4,520	4,530	4,530	4,520	-0.2%
		More than one year old	2.7%	2.2%	2.3%	2.3%	5.5%						
	Ken-O-do Area	Overall	10.7%	13.7%	14.3%	13.5%	13.7%	3,620	3,610	3,600	3,590	3,570	-0.6%
		More than one year old	3.4%	3.0%	2.8%	5.2%	5.2%						
	Greater Osaka	Overall	4.6%	3.2%	4.5%	6.0%	5.3%	4,110	4,120	4,110	4,130	4,160	+0.7%
		More than one year old	1.8%	0.6%	0.5%	0.2%	1.2%						
Greater Nagoya	Overall	6.2%	5.2%	8.5%	10.5%	16.5%	3,590	3,590	3,620	3,630	3,630	±0.0%	
	More than one year old	0.0%	3.1%	4.8%	2.9%	4.2%							
Greater Fukuoka	Overall	1.8%	0.9%	5.9%	8.1%	4.9%	3,380	3,410	3,440	3,450	3,470	+0.6%	
	More than one year old	0.0%	0.0%	0.0%	1.0%	1.0%							

Source : CBRE, Q1 2024

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

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q-o-Q
Hokkaido	3,210	3,130	—	3,240	3,240	±0.0%
Miyagi	—	—	—	—	—	—
Ishikawa	3,710	3,660	3,810	3,770	3,790	+0.5%
Okayama	3,810	3,670	3,670	3,770	3,770	±0.0%
Hiroshima	3,080	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, Q1 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 (276 properties) and Greater Osaka Area (82 properties) More than 5,000 tsubo in Greater Nagoya Area (48 properties) and Greater Fukuoka Area (42 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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