Demand Robust but Available Space Remains Scarce

Tenants Increasingly Accepting of Higher Rents

▼ −0.1pp Q-o-Q
Tokyo Grade A Vacancy Rate Q2

▲ +4.3% Q-o-Q
Tokyo Grade A Rent Q2

▼ −0.6pp Q-o-Q
Osaka Grade A Vacancy Rate Q2

▲ +4.1% Q-o-Q
Osaka Grade A Rent Q2

▲ +0.1pp Q-o-Q
Nagoya Grade A Vacancy Rate Q2

▲ +2.7% Q-o-Q
Nagoya Grade A Rent Q2

Tokyo: Grade A and Grade A- categories lead rent growth for second consecutive quarter

– The All-Grade vacancy rate declined 0.1 pp. q-o-q to 1.4% in Q2 2026 as space absorption continued to be driven by upgrades, expansion relocations, and in-building floor space increases. With available space becoming increasingly scarce, inquiries for vacated units in existing buildings as well as upcoming new supply intensified during the quarter. Rents rose across all grades, with Grade A and Grade A- leading the upswing at 4.3% and 4.7% q-o-q, respectively.

Osaka: Rents rise across all grades for eighth consecutive quarter

– During Q2 2026, the All-Grade vacancy rate fell 0.2 pp. q-o-q to 1.8%. While activity this quarter was characterized predominantly by smaller-scale relocations of around 100 tsubo, demand remained firm. The Grade A vacancy rate fell 0.6 pp. q-o-q to 2.4%, driven by a large-scale relocation from a corporate-owned building into a recently completed property. Rents continued to rise across all grades, setting new all-time highs. Grade A rents recorded another strong increase of 4.1% q-o-q.

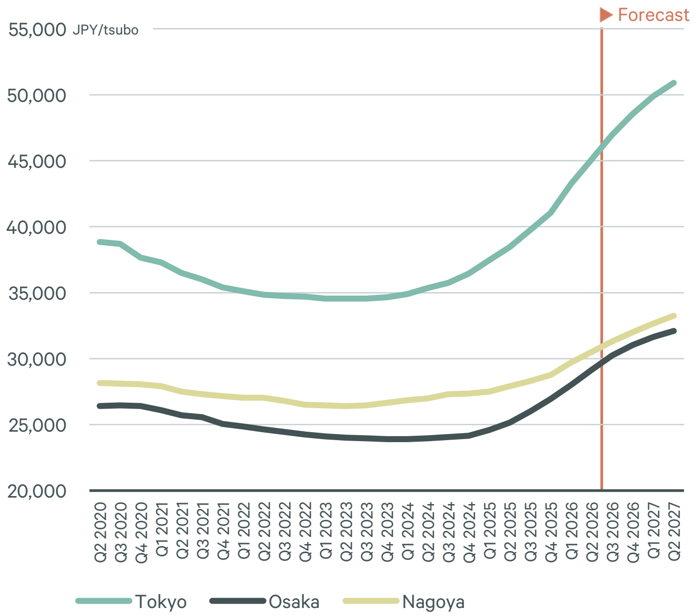
Nagoya: Grade A assumed achievable rent surpasses JPY 30,000 for first time on record

– The All-Grade vacancy rate declined 0.2 pp. q-o-q to 2.0% this quarter, with absorption in Grade B buildings the primary driver. In the Grade A segment, vacancies were absorbed in recently completed buildings, while secondary vacancies emerged in an existing building. This pushed up the vacancy rate for this category by 0.1 pp. q-o-q to 1.2%. Rents rose across all grades during the quarter. Grade A assumed achievable rents increased 2.7% q-o-q to JPY 30,500, surpassing the JPY 30,000 threshold for the first time on record and extending the all-time high set in the previous quarter.

Regional cities: Rent growth accelerates in supply-constrained markets amid robust demand

– The All-Grade vacancy rate in Q2 2026 registered q-o-q declines in six of the 10 surveyed cities and rose in four. Leasing demand remained firm nationwide, with relocations driven primarily by office environment improvements and expansion. All-Grade rents rose q-o-q across all 10 cities. Rent increases accelerated in cities with tight supply-demand conditions, such as Saitama and Kobe. Amid greater awareness of rising costs, tenants are becoming more accepting of higher rents.

Figure 1: Grade A Average Assumed Achievable Rent



Source: CBRE, Q2 2026

Tokyo

Grade A and Grade A- categories lead rent growth for second consecutive quarter

The All-Grade vacancy rate declined 0.1 pp. q-o-q to 1.4% in Q2 2026. New supply totaled four buildings in the Grade B and below categories, amounting to approximately 9,000 tsubo, while net absorption reached approximately 13,000 tsubo, around 30% of the historical quarterly average. The slower pace of absorption seen in Q2 2026 is likely attributable to the increasingly limited availability of space to accommodate demand. Demand for upgrades and expansion nevertheless remained robust across a wide range of tenant industries. The Grade A vacancy rate declined 0.1 pp. q-o-q to 0.6%, falling below 1% for the third consecutive quarter, as the limited remaining vacancies in Grade A buildings were absorbed through upgrades and in-building expansions. The Grade A- vacancy rate rose 0.2 pp. q-o-q to 1.9%, primarily due to the re-marketing of sizeable units in a building in central Tokyo following a change in schedule for its redevelopment. However, given the scarcity of large-scale vacancies in central Tokyo, tenant interest has been strong, meaning that these units are expected to be swiftly absorbed. Beyond central Tokyo, the absorption of vacancies progressed in peripheral areas where rents are comparatively affordable, particularly in recently completed buildings, driven by expansion relocations and the opening of branch offices. The Grade B vacancy rate declined 0.4 pp. q-o-q to 1.3%. Of the two new completions this quarter, one large-scale building was delivered fully occupied. In addition, sizeable vacancies in existing buildings were absorbed through relocations due to redevelopment and expansion.

With available space becoming increasingly scarce, inquiries for latent vacancies in existing buildings as well as upcoming new supply are intensifying. Upcoming large-scale vacancies in central Tokyo are being taken up quickly — often through in-building expansions by existing tenants — before they are formally re-marketed. As of end-June 2026, CBRE estimates the pre-commitment rate across the four Grade A buildings scheduled for completion in H2 2026 to be more than 90%. Pre-leasing activity for new buildings scheduled for completion in 2027 is also progressing steadily.

Rents rose across all grades in Q2 2026. Grade A and Grade A- continued to lead the upswing, recording strong q-o-q increases of 4.3% and 4.7%, respectively. Landlord sentiment toward rent increases remains firmly positive, underpinned by tight supply-demand conditions and broader inflationary pressures. A growing number of landlords are adopting a patient approach, prioritizing higher achieved rents over leasing velocity. With options for tenants becoming increasingly limited, occupiers are displaying stronger tolerance for rent increases. Rents are expected to continue rising in line with the tight supply-demand balance, with Grade A rents projected to increase by 12.9% over the next 12 months.

Osaka

Rents rise across all grades for eighth consecutive quarter

The All-Grade vacancy rate declined 0.2 pp. q-o-q to 1.8% in Q2 2026, falling below 2% for the first time in approximately five years. While leasing activity this quarter was characterized predominantly by smaller-scale relocations of around 100 tsubo, demand remained firm overall. The Grade A vacancy rate fell 0.6 pp. q-o-q to 2.4%, driven primarily by the absorption of a large vacant space through a relocation from a corporate-owned building into a recently completed property. The Grade B vacancy rate remained flat for the second consecutive quarter at 1.4%. Vacancies arose in older buildings with smaller floor plates due to downsizing relocations and tenant departures. Conversely, among Grade B buildings, relatively larger properties — regardless of age — saw vacancy steadily absorbed by tenants seeking improved office environments and space expansion. Relocation demand remained robust, with many lease contracts being closed before vacancies are formally listed.

Rents continued to rise across all grades in Q2 2026, setting new all-time highs. Grade A rents recorded another strong increase of 4.1% q-o-q to JPY 29,150. Contracts with rents exceeding JPY 40,000 are beginning to emerge, particularly in the highly sought-after Umeda area. Grade B rents rose 2.2% q-o-q to JPY 16,500. In this segment, larger properties with well-equipped facilities are attracting strong tenant interest, driving further rent increases. Rents are expected to continue rising on the back of tight supply-demand conditions, with Grade A rents projected to increase by 10.1% over the next 12 months.

Nagoya

Grade A assumed achievable rents surpass JPY 30,000 for first time on record

During Q2 2026, the All-Grade vacancy rate declined 0.2 pp. q-o-q to 2.0%. With no new supply delivered this quarter, the decline in vacancy was driven primarily by space absorption in Grade B buildings. The Grade A vacancy rate edged up 0.1 pp. q-o-q to 1.2%, as absorption in recently completed buildings was partially offset by sizeable vacancies arising in a building due to a tenant relocating to a newly completed property. These secondary vacancies have attracted strong inquiries and are expected to be quickly absorbed. The Grade B vacancy rate declined 0.6 pp. q-o-q to 1.7%. Absorption progressed in recently completed and well-located buildings, as well as in older buildings offering comparatively affordable rents. Activity was driven by consolidations, expansions and in-building floor space increases by companies primarily in the IT and manufacturing sectors. Looking ahead, one Grade A and one Grade B building are scheduled for completion in H2 2026. As of end-June 2026, both properties are expected to come on stream at over 90% occupancy. With available space becoming increasingly limited in both existing and pre-completion buildings, leasing activity may moderate slightly in the coming quarters.

Rents rose across all grades in Q2 2026. Grade A assumed achievable rents increased 2.7% q-o-q to JPY 30,500, surpassing the JPY 30,000 threshold for the first time on record and extending the all-time high set in the previous quarter. Asking rents exceeding JPY 40,000 have begun to be quoted by landlords of certain Grade A buildings, which continue to attract strong inquiry levels. This trend is influencing other Grade A buildings and lifting the upper end of the rental range across the segment. The Grade A category is expected to continue leading rent growth across the broader market, with Grade A rents projected to increase by 9.0% over the next 12 months.

Regional cities

(Sapporo/Sendai/Saitama/Yokohama/Kanazawa/Kyoto/Kobe/Takamatsu/Hiroshima/Fukuoka)

Continued demand for office environment improvements supports vacancy absorption

All-Grade vacancy rates in Q2 2026 declined q-o-q in six of the 10 surveyed cities and rose in four, with demand remaining firm nationwide. Among the six cities recording declines, Saitama posted the largest improvement, falling 1.2 pp. q-o-q to 1.5%. This was due to the absorption of significant vacancies in a large-scale building completed last year driven by office consolidations and expansions, as well as relocations from corporate-owned buildings. Vacancy in Kobe declined 0.4 pp. q-o-q to 0.8%, marking the lowest vacancy rate among all surveyed cities including the three major metropolitan areas, and the first time it has fallen below 1% since surveys began. In other cities, large-scale transactions were limited but smaller units of around 50 tsubo continued to be steadily absorbed, often through in-building expansions, across a broad range of tenant industries.

Among the cities recording vacancy rate increases, new supply was the primary driver in both Sapporo and Fukuoka. Vacancy in Sapporo rose 1.3 pp. q-o-q to 4.1%, with two buildings totaling approximately 9,500 tsubo delivered this quarter, marking six consecutive quarters of new supply. Leasing activity included new office openings, office consolidations, upgrades and expansions, with one of the two buildings coming on stream at a high occupancy rate of approximately 80%. However, the continued pipeline of new supply led to a slight slowdown in absorption in less favorably located buildings. In Fukuoka, two buildings totaling approximately 11,000 tsubo were completed this quarter, with multiple large-scale relocations observed in both properties involving the consolidation and expansion of previously dispersed offices and floors. In existing buildings, demand remained resilient, with relocations driven by space expansion, location improvements, redevelopment projects, and moves from corporate-owned buildings, particularly into newer large-scale properties.

Rent growth accelerates in supply-constrained markets amid robust demand

All-Grade rents rose q-o-q in all 10 surveyed cities in Q2 2026 as occupiers' growing acceptance of cost increases translated into greater tolerance for higher rents. Saitama recorded the strongest rent growth at 4.4% q-o-q, with higher-priced buildings leading the increase. This pace of growth is comparable to that for Grade A rents in Tokyo and Osaka. Scarce large-scale vacancies attracted strong tenant interest during the quarter, with several transactions concluded at elevated rent levels. Kobe reported the second-strongest rental growth at 2.8% q-o-q, with landlords adopting a confident stance against a backdrop of extremely tight supply-demand conditions, driving broad-based rent increases regardless of location or building age. CBRE expects the moderate pace of rent growth to continue nationwide in the coming quarters.

Figure 2: Vacancy Rate in 13 Cities

			Vacancy Rate (%)					Assumed Achievable Rent (JPY/tsubo)				
			Q2 2025	Q1 2026	Q2 2026	Q-o-Q (pp)	Y-o-Y (pp)	Q2 2025	Q1 2026	Q2 2026	Q-o-Q (pp)	Y-o-Y (pp)
Tokyo	Grade A	All	1.4%	0.7%	0.6%	−0.1	−0.8	38,450	43,250	45,100	+4.3	+17.3
	Grade A-	All	3.3%	1.7%	1.9%	+0.2	−1.4	25,150	28,700	30,050	+4.7	+19.5
	Grade B	All	2.1%	1.7%	1.3%	−0.4	−0.8	22,550	24,250	24,850	+2.5	+10.2
	All-Grade	All	2.5%	1.5%	1.4%	−0.1	−1.1	22,310	24,230	24,930	+2.9	+11.7
		Central 5 Wards	1.7%	1.0%	1.0%	±0.0	−0.7	23,650	25,730	26,440	+2.8	+11.8
Osaka	Grade A	All	3.6%	3.0%	2.4%	−0.6	−1.2	25,150	28,000	29,150	+4.1	+15.9
	Grade B	All	2.1%	1.4%	1.4%	±0.0	−0.7	15,050	16,150	16,500	+2.2	+9.6
	All-Grade	All	2.6%	2.0%	1.8%	−0.2	−0.8	14,550	15,540	15,820	+1.8	+8.7
Nagoya	Grade A	All	1.4%	1.1%	1.2%	+0.1	−0.2	27,900	29,700	30,500	+2.7	+9.3
	Grade B	All	3.4%	2.3%	1.7%	−0.6	−1.7	14,750	15,150	15,300	+1.0	+3.7
	All-Grade	All	3.1%	2.2%	2.0%	−0.2	−1.1	14,270	14,670	14,830	+1.1	+3.9
Yokohama	All-Grade	All	5.3%	5.2%	4.7%	−0.5	−0.6	14,920	15,320	15,420	+0.7	+3.4
Saitama	All-Grade		0.7%	2.7%	1.5%	−1.2	+0.8	20,100	20,580	21,490	+4.4	+6.9
Sapporo	All-Grade		3.1%	2.8%	4.1%	+1.3	+1.0	16,100	16,190	16,300	+0.7	+1.2
Sendai	All-Grade		4.0%	3.6%	3.3%	−0.3	−0.7	11,670	12,140	12,320	+1.5	+5.6
Kanazawa	All-Grade		12.8%	12.1%	11.5%	−0.6	−1.3	10,820	10,810	10,830	+0.2	+0.1
Kyoto	All-Grade		2.0%	2.8%	2.5%	−0.3	+0.5	15,430	15,920	15,990	+0.4	+3.6
Kobe	All-Grade		2.0%	1.2%	0.8%	−0.4	−1.2	12,400	12,980	13,340	+2.8	+7.6
Hiroshima	All-Grade		4.8%	6.3%	6.4%	+0.1	+1.6	12,010	12,210	12,290	+0.7	+2.3
Takamatsu	All-Grade		7.7%	6.8%	6.9%	+0.1	−0.8	9,860	10,010	10,070	+0.6	+2.1
Fukuoka	All-Grade		4.6%	3.5%	4.4%	+0.9	−0.2	16,390	16,690	16,850	+1.0	+2.8

*Data by area and historical time-series data are available for a fee. For more details, please visit our commercial real estate portal, "CREIS JAPAN".
Source: CBRE, Q2 2026

Building Grade Definition

	All-Grade				
	Grade A	Grade A-	Grade B		
Location	Tokyo: Central 5 Wards* Osaka, Nagoya: Office area	Office area in Tokyo 23 Wards	Office area in Tokyo 23 Wards	Office area in Osaka & Nagoya	Office area in 13 cities nationwide set by CBRE
Size NLA:	6,500 tsubo or more	4,500 tsubo or more	—	—	—
Size GFA:	10,000 tsubo or more	7,000 tsubo or more	2,000 tsubo or more	2,000 tsubo or more	1,000 tsubo or more
Size Typical floor plate:	500** tsubo	Greater than 250 tsubo	Greater than 200 tsubo	—	—
		(except Grade A)	(except Grade A & Grade A-)	(except Grade A)	
Age	Generally less than 15 years	Buildings satisfying the 1981 anti-seismic standards			
Other	Landmark status, specifications, etc.				

*Central 5 Wards: Chiyoda Ward, Chuo Ward, Minato Ward, Shinjuku Ward, Shibuya Ward
**350 tsubo for Osaka and Nagoya

Terms and Definitions

Space Measurement	1 tsubo=3.3058 square meters=35.58 square feet
Surveyed Buildings	Office buildings for lease located in office markets in 13 major cities nationwide, with gross floor area of 1,000 tsubo or more, and compliant with the new earthquake resistance standards.
Surveyed Period	Quarterly vacancy rate: (1) End of March (2) End of June (3) End of September (4) End of December Quarterly assumed achievable rents: (1) End of March (2) End of June (3) End of September (4) End of December
Vacancy Rate	Vacancies are those that are ready to receive tenants at time of survey
Assumed Achievable Rent	Assumed achievable rent including common area maintenance fee Expressed as JPY per tsubo per month
New Supply	Net leasable area of buildings completed during each period
Net Absorption	Difference between occupied floor space (floor space used by tenants) in a given period and that of the previous period
Number of Grade A Buildings	Tokyo: 108 Osaka: 34 Nagoya: 15 (as of Q2 2026)

Tokyo
Meiji Yasuda Seimei Building
2-1-1 Marunouchi, Chiyoda-ku, Tokyo

Kanazawa
J.NODE Kanazawa IV
NK Building, 3-3-11 Hirooka, Kanazawa-shi Ishikawa

Osaka
Grand Front Osaka 4-20, Ofuka-cho, Kita-ku, Osaka-shi, Osaka

Nagoya
Chunichi Bldg. 21F, 4-1-1 Sakae, Naka-ku, Nagoya-shi, Aichi

Sapporo
Nihon Seimei Sapporo Building
4-1-1 Kitasanjonishi, Chuo-ku, Sapporo-shi, Hokkaido

Hiroshima
Shishinyo Building 3-17 Fukuromachi, Naka-ku, Hiroshima-shi, Hiroshima

Sendai
Sendai Mark One 1-2-3 Chuo, Aoba-ku, Sendai-shi, Miyagi

Fukuoka
Tenjin Sumitomo Life FJ Business Center 2-8-35 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka

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