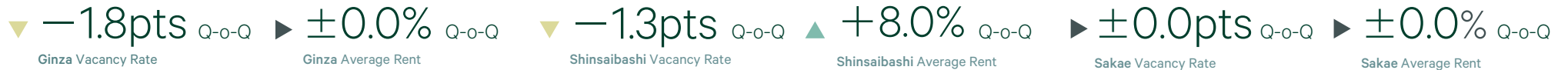


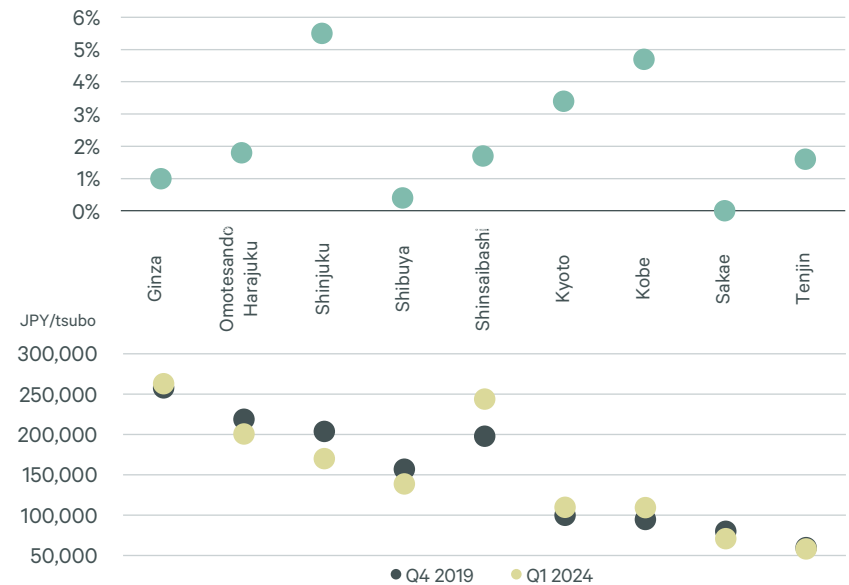
Average rents rise in seven of 10 areas, exceeding pre-pandemic levels in Kyoto



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

- In Q1 2024, the vacancy rate fell q-o-q in six of the nine surveyed areas, while average rents rose in seven of 10. Average rents of Kyoto exceeded pre-pandemic levels for the first time, bringing the number of areas with rents above those prior to the pandemic to four (Ginza, Shinsaibashi, Kyoto, Kobe).
- The steepest drop in vacancy rate from the previous quarter was recorded in Shibuya, which registered a fall of -3.4 pp. as retailers from a wide range of sectors, including sporting goods and jewelry, opened new stores. The most significant rise in average rents was seen in Kyoto, which logged gains of +14.0%, as retailer appetite was stimulated by an increase in foreign tourists.
- Vacancies were filled by outdoor and sporting goods brands, fashion brands, and luxury goods brands. Appetite was particularly robust from the outdoor/sporting goods sector, with retailers looking for relatively large units in high street areas throughout the country.
- The supply-demand balance remains tight nationwide, with three areas now operating with vacancy rates below 1%. 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 Q1 2024



Source: CBRE, Q1 2024

Nationwide occupier trends

Outdoors and sports, fashion, and luxury drive demand

A total of 3,911 tsubo of floor space was secured for new store openings during Q1 2024 across the nine surveyed high street areas, up 11.4% from the previous quarter. New store openings had been on the decline since peaking in Q1 2023 (at 4,974 tsubo) due to fewer availability, but has now increased for two consecutive quarters.

The biggest driver of new store demand was the outdoor/sporting goods sector, accounting for 22.6% of new store space this quarter. The sector's expansion is being driven by rising health-consciousness and an increase in the number of overseas tourists. Retailers in the sector are still looking for more space in high street areas throughout the country, with approximately 40% of demand for relatively large units of over 100 tsubo. New store openings by fashion and luxury goods brands were also widely observed. Amongst the fashion segment, demand from apparel, wristwatches or eyewear retailers were especially noticeable, centering on units of around 60 tsubo in the Tokyo area.

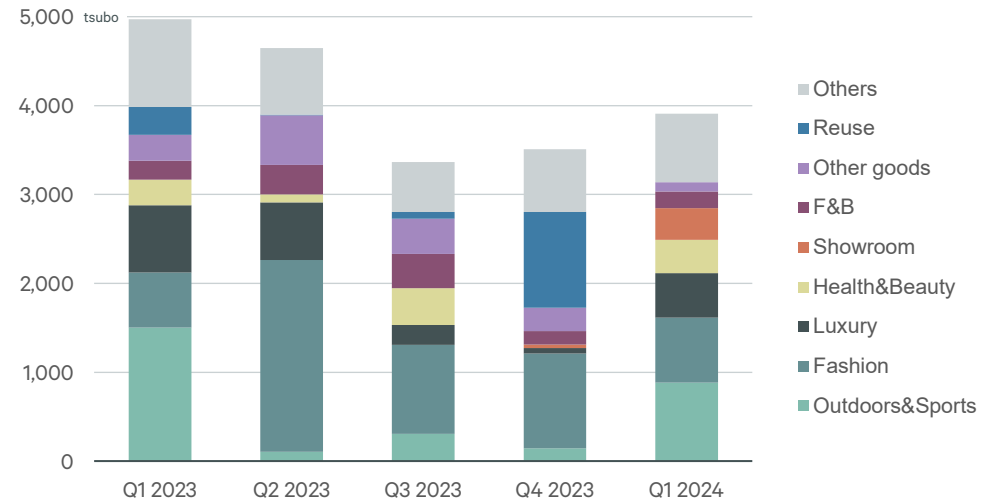
Tokyo

Vacancy rates fall to 1% or below in Ginza and Shibuya

During Q1 2024, new store contracts were signed in the **Ginza** high street by luxury goods brands, overseas apparel retailers, and liquor manufacturers, all in prime locations. Interest was also seen for overall high street properties from footwear, jewelry, wristwatch, and eyewear retailers. The vacancy rate fell 1.8 pp. q-o-q to 1.0%, its lowest level since the 0.8% recorded in Q1 2017. While there was new availability during the quarter, this was more than offset by the absorption of a large vacancy by an overseas apparel retailer.

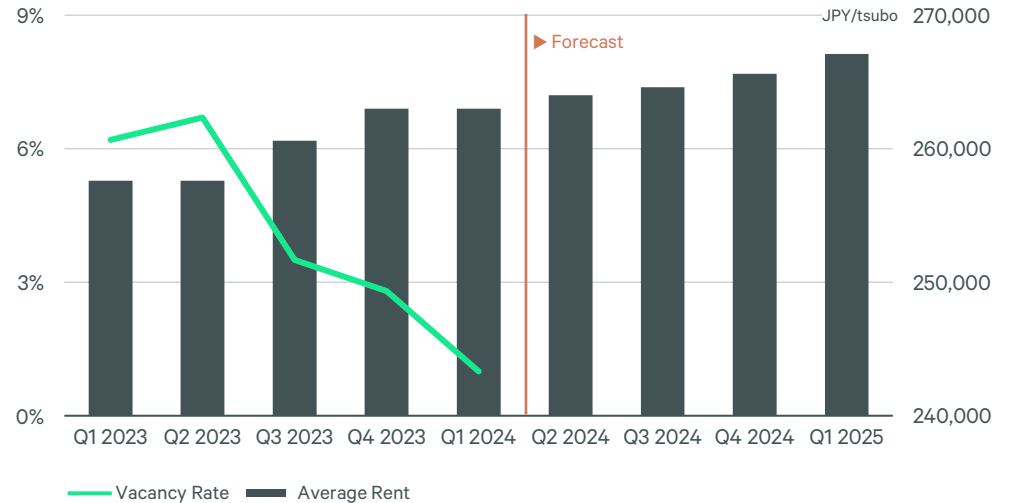
Average rents remained unchanged q-o-q at JPY 263,000 per tsubo, as there were no transactions this quarter that further pushed up the market average. However, CBRE expects average rents in Ginza to rise by 1.6% over the next 12 months, bringing them to 3.5% above the Q4 2019 level, as rents are likely to be pushed up by strong demand amidst limited availability. Indeed, some of the brands that have seen improvements in their financial standing post-COVID have begun to seek new store openings aiming to upgrade their brand image. In addition, plans for relocation to development projects which number of luxury brands are said to be considering are also likely to materialize soon.

Figure 2: New openings in prime areas



* The data is total floor space including new openings or new contracts. It covers availability space in prime areas on high streets nationwide (nine areas in total) for immediate occupancy or for occupancy within 18 months of survey date. Source: CBRE, Q1 2024.

Figure 3: Ginza



Source: CBRE, Q1 2024.

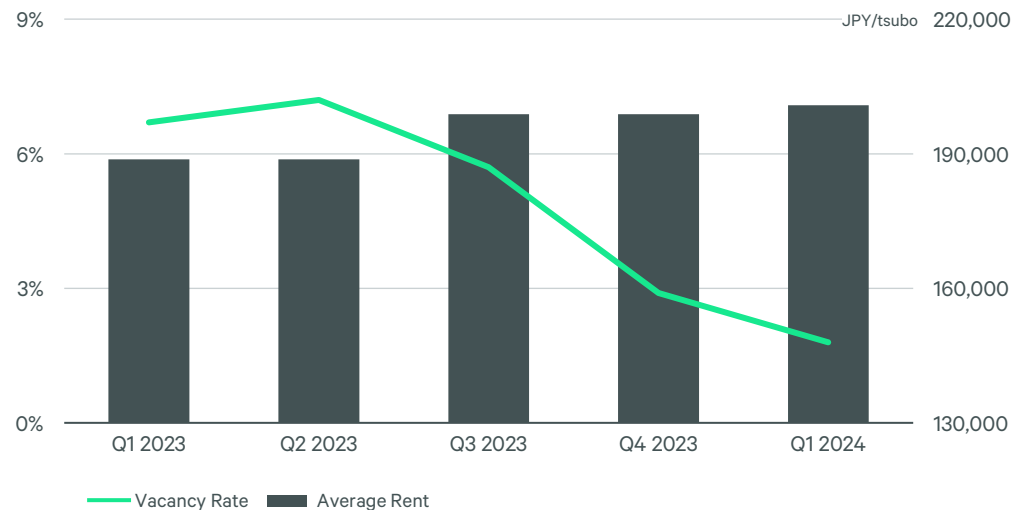
— Tokyo

In the **Omotesando/Harajuku** high street area, new store contracts were signed this quarter in prime areas of Omotesando by luxury goods brands, overseas apparel retailers, and showroom operators, while a Japanese apparel brand secured space in a secondary area. Interest was also seen in all high street properties from local and overseas apparel brands and a chocolate retailer. The vacancy rate fell by 1.1 pp. q-o-q to 1.8%.

Average rents rose by 1.0% to JPY 200,800 per tsubo. During the quarter, an increase in foot traffic in the area stimulated retailer appetite for space on Takeshita-dori. A major Japanese apparel retailer opened a new store in a secondary area of Omotesando, with the aim of securing rising inbound tourist demand for Japanese brands. Given that Japanese apparel brands remain cost-conscious, the rent for this new contract is estimated to be below pre-pandemic levels.

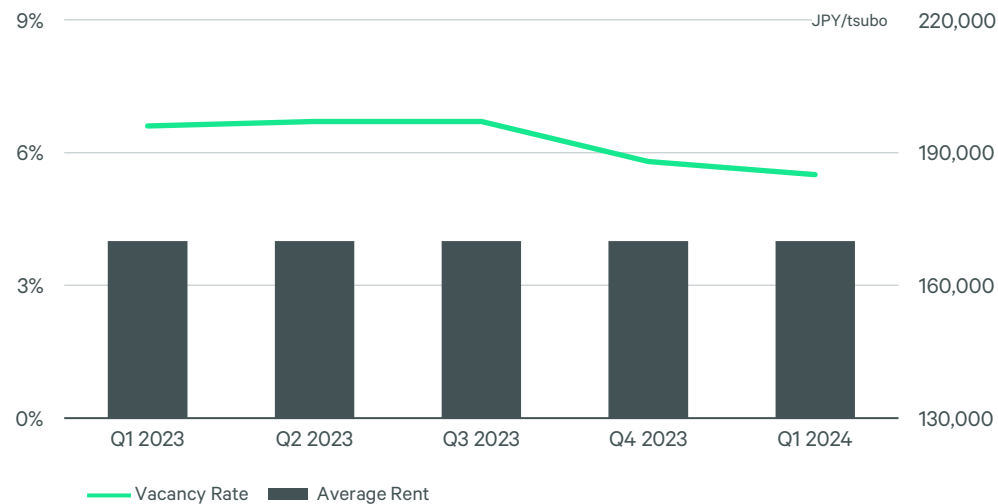
On the **Shinjuku** high street, a retailer opened a new store in a prime location. Elsewhere in the district, interest was seen in secondary area properties from footwear, recycled goods, and food and drink retailers. The vacancy rate fell by 0.3 pp. q-o-q to 5.5%, while average rents remained unchanged for the ninth consecutive quarter, standing at JPY 170,000 per tsubo.

Figure 4: Omotesando/Harajuku



Source: CBRE, Q1 2024.

Figure 5: Shinjuku



Source: CBRE, Q1 2024.

Tokyo

New high street tenants in **Shibuya** this quarter included sporting goods brands and luxury brands in prime areas, and a character goods retailer in a secondary area. In addition to this, strong retailer interest was seen for units throughout the high street by drugstores and cosmetics boutiques. The vacancy rate fell by 3.4 pp. q-o-q to 0.4%, making it the lowest among all Tokyo high street areas. The primary reason for this significant drop was the absorption of a relatively large vacancy by a sporting goods brand. Despite strong competition from different sectors, this retailer was able to secure the unit by virtue of its ability to pay high rents. Average rents rose for the third straight quarter, rising by 3.4% q-o-q to JPY 139,000 per tsubo, driven by rents in Inokashira-dori and Shibuya Center-gai. Significant competition for an available unit still under construction, as well as a robust appetite for store space from drugstores and capsule toy shop retailers with the ability to pay higher rents, pushed up market rates in these areas.

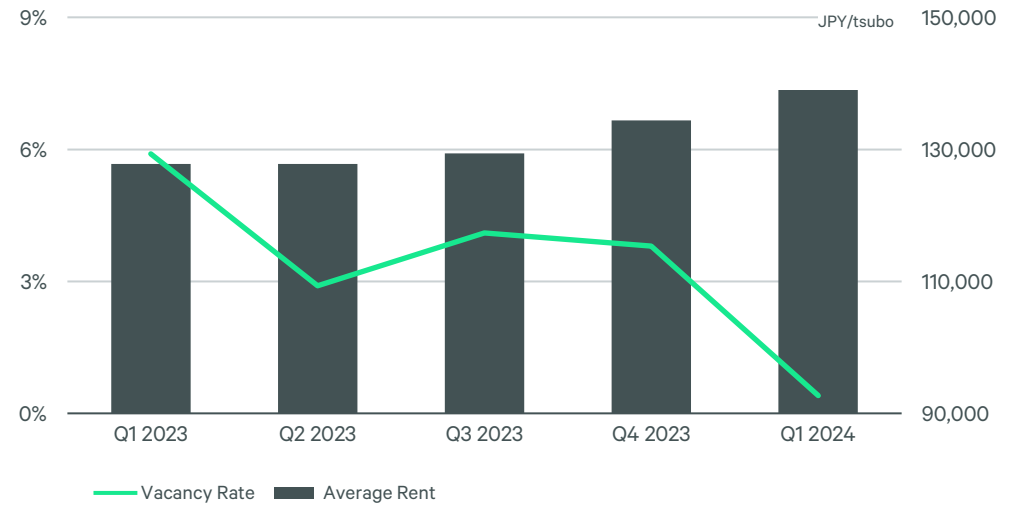
Kansai

Rents increase throughout the region; Kyoto rents now 10.0% above pre-pandemic levels

During Q1 2024, new store contracts were signed in the **Shinsaibashi** high street by luxury goods brands and sporting brands, all in prime locations. In addition, strong retailer interest was seen for units throughout the high street from overseas apparel brands, sporting goods brands, and drugstore operators. The vacancy rate fell by 1.3 pp. q-o-q to 1.7%, mainly thanks to the absorption of a large vacancy by a sporting goods brand. Average rents rose for a fifth straight quarter, surging by 8.0% q-o-q to JPY 244,000 per tsubo. This represents a 23.2% increase over the pre-pandemic level of JPY 198,000 in Q4 2019. Rent levels were pushed up by demand from sporting goods and “streetwear” apparel retailers on Shinsaibashi-suji, and from retailers targeting inbound tourist demand in Dotonbori. Rents were also seen to be on the rise on the north side of Nagahori-dori, where vacancies in prime areas have essentially dried up, and pre-leasing of new supply is proceeding smoothly.

The **Umeda** high street saw the confirmation of a new capsule toy shop in Chayamachi in Q1 2024. Average rents in the area spiked by 7.9% to reach JPY 123,000 per tsubo. Retailers such as sporting goods brands and character goods retailers, who generally seek space in the highstreets near the Umeda station are now able to afford higher rents. But given the lack of availability in the area, the indicative rent levels are on a rising trend.

Figure 6: Shibuya



Source: CBRE, Q1 2024.

Figure 7: Shinsaibashi



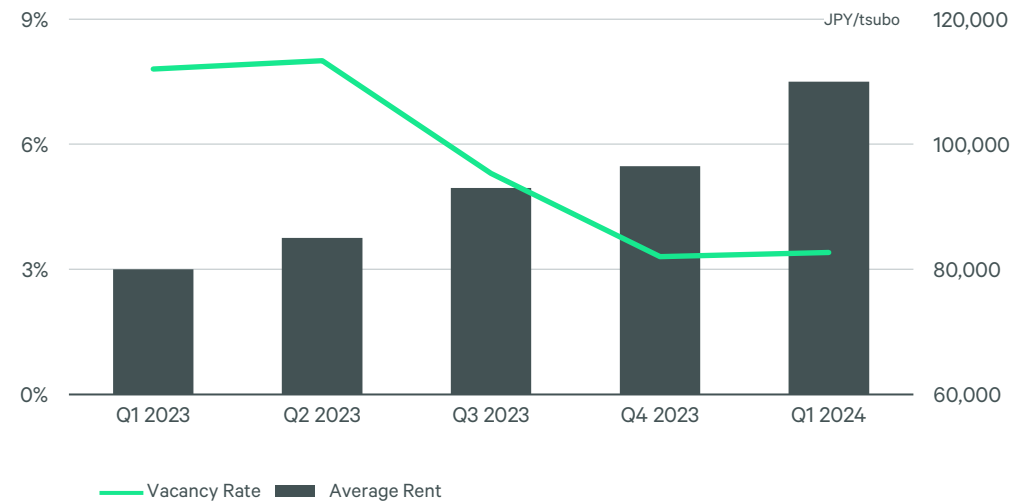
Source: CBRE, Q1 2024.

Kansai

While no new store openings were noted in **Kyoto** this quarter, strong interest was observed from domestic and overseas retailers for a number of future supply. The vacancy rate ticked up by 0.1 pp. to 3.4%, largely due to a vacancy generated by the closure of a small food & beverage retailer. However, average rents surged by 14.0% q-o-q to JPY 110,000 per tsubo, representing a 10.0% increase over the pre-pandemic level of JPY 100,000 recorded in Q4 2019. Rents rose this quarter across almost all sections of Shijo-dori, with retailer appetite stimulated by an increase in inbound tourists.

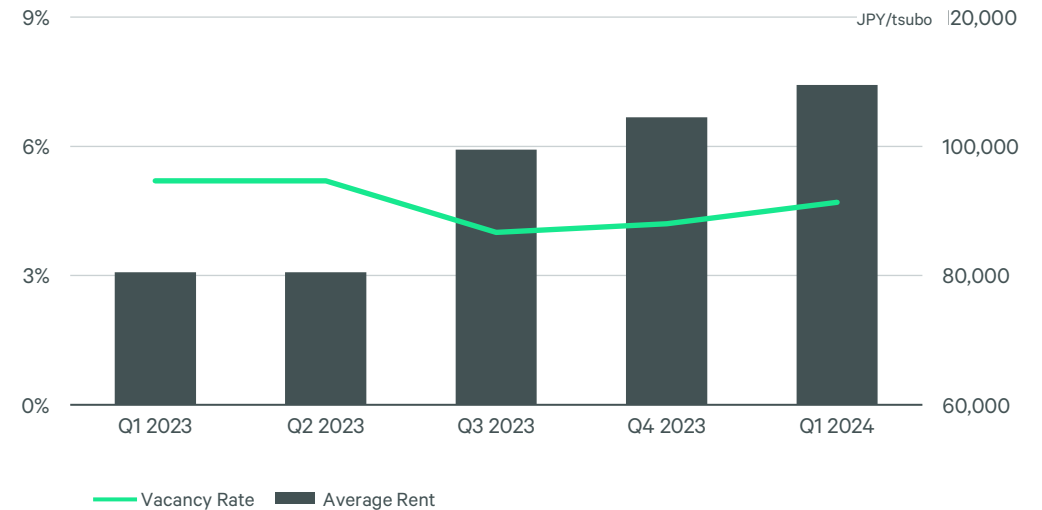
On the **Kobe** high street, a Japanese apparel retailer opened a large new store in a prime location in Q1 2024. In addition, leasing interest was observed for units throughout the high street from a range of sectors including footwear retailers and drugstore operators. The vacancy rate rose by 0.5 pp. to 4.7%, largely due to a major apparel brand relocating to a slightly smaller but better located premise in the same area. However, average rents recorded q-o-q growth of 4.8% to JPY 109,500 per tsubo, which is now 15.3% above the pre-pandemic level of JPY 95,000 recorded in Q4 2019. As was the case in the previous quarter, robust demand was observed from luxury brands for store space, particularly in the Former Foreign Settlement area. However, no major moves that would affect rent levels were seen in other areas or from other sectors.

Figure 8: Kyoto



Source: CBRE, Q1 2024.

Figure 9: Kobe



Source: CBRE, Q1 2024.

Nagoya

High street rents remain unchanged for a fifth straight quarter

On the **Sakae** high street, a major sporting goods store opened in a secondary area in Q1 2024. Although no other store openings were noted, demand has been observed from a range of retailers including overseas apparel brands and outdoor/sporting goods brands. The vacancy rate remained at 0.0% for a sixth consecutive quarter, while average rents were unchanged for the fifth straight quarter, ending the period at JPY 71,000 per tsubo.

While a number of retailers remain interested in the area, a complete lack of available units has meant that the underlying demand remains latent. One future possibility is that several retailers that opened stores in the area prior to the pandemic have now found that their floor area is somewhat excessive, and may move to optimize the size. Were this to take place, there may be a slight loosening of the supply-demand balance, which could lead to a marginal drop in rents, before the spaces are taken up by potential retailers.

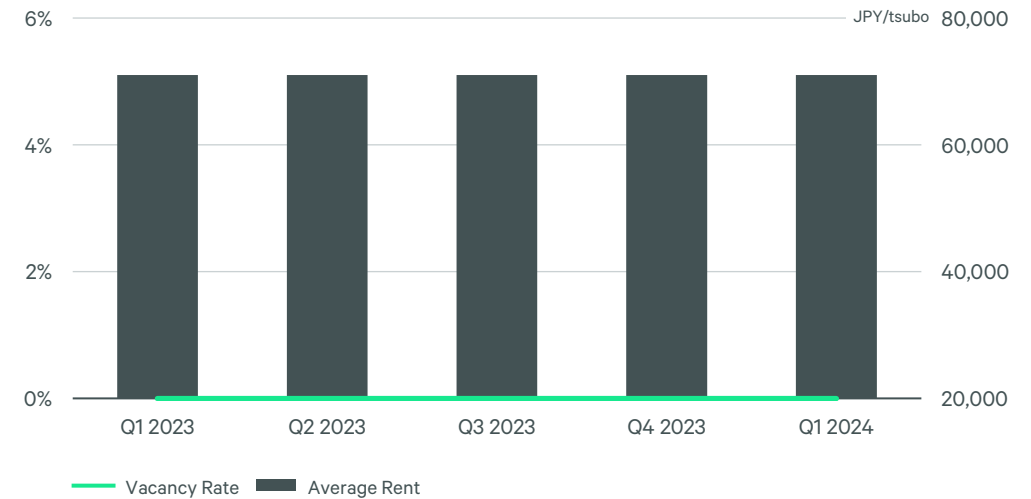
Fukuoka

Rents rise for second consecutive quarter

On the **Tenjin** high street, several tenants including a foodstuffs retailer opened new stores in secondary areas in Q1 2024. Elsewhere, demand was seen from luxury goods brands, Japanese apparel brands, and jewelry brands. The vacancy rate fell by 1.4 pp. q-o-q to 1.6% as a result of the absorption of a vacancy by a foodstuffs retailer opening a new store targeting inbound tourists. Average rents rose for a second straight quarter, increasing by 3.6% q-o-q to JPY 58,200 per tsubo. The strong interest in units in a newly completed property served to drive up market rates over the quarter.

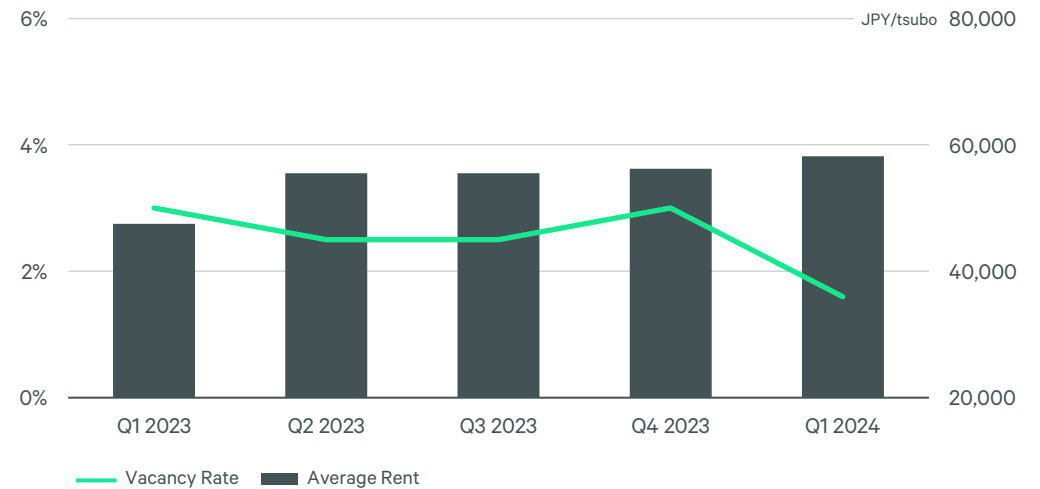
In prime locations, many retailers, including luxury, apparel, and sporting goods brands, are looking to relocate to premises with more extensive floor space. While their sales figures have all recovered strongly since the end of the pandemic, their current premises provide no scope for in-house expansion. However, the extremely restricted number of available units has forced some retailers to turn their attention to future properties that are still under development.

Figure 10: Sakae



Source: CBRE, Q1 2024.

Figure 11: Tenjin



Source: CBRE, Q1 2024.

Figure 12: High Street Market

		Vacancy Rate					Average Rent (JPY / Tsubo / Month)					Prime Rent (JPY / Tsubo / Month)				
		Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Tokyo	Ginza	6.2%	6.7%	3.5%	2.8%	1.0%	257,600	257,600	260,600	263,000	263,000	400,000	400,000	400,000	400,000	400,000
	Omotesando/ Harajuku	6.7%	7.2%	5.7%	2.9%	1.8%	188,800	188,800	198,800	198,800	200,800	350,000	350,000	350,000	350,000	350,000
	Shinjuku	6.6%	6.7%	6.7%	5.8%	5.5%	170,000	170,000	170,000	170,000	170,000	300,000	300,000	300,000	300,000	300,000
	Shibuya	5.9%	2.9%	4.1%	3.8%	0.4%	127,800	127,800	129,400	134,400	139,000	300,000	300,000	300,000	300,000	300,000
Kansai	Shinsaibashi	4.6%	3.4%	2.8%	3.0%	1.7%	164,000	193,000	204,000	226,000	244,000	300,000	350,000	350,000	380,000	380,000
	Umeda	—	—	—	—	—	101,500	101,500	114,000	114,000	123,000	130,000	130,000	180,000	180,000	200,000
	Kyoto	7.8%	8.0%	5.3%	3.3%	3.4%	80,000	85,000	93,000	96,500	110,000	110,000	120,000	135,000	140,000	150,000
	Kobe	5.2%	5.2%	4.0%	4.2%	4.7%	80,500	80,500	99,500	104,500	109,500	150,000	150,000	200,000	220,000	250,000
Nagoya	Sakae	0.0%	0.0%	0.0%	0.0%	0.0%	71,000	71,000	71,000	71,000	71,000	100,000	100,000	100,000	100,000	100,000
Fukuoka	Tenjin	3.0%	2.5%	2.5%	3.0%	1.6%	47,500	55,500	55,500	56,200	58,200	100,000	100,000	100,000	100,000	100,000

Source: CBRE, Q1 2024.

Terms and Definitions

Subject Area	High Street	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Vacancy rate cover all units for lease in prime areas. The number of properties is as follows: Ginza (146 properties), Omotesando/Harajuku (239 properties), Shinjuku (60 properties), Shibuya (67 properties), Shinsaibashi (182 properties), Kyoto (179 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	<ul style="list-style-type: none"> 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)	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Highest rent based on sample survey of the subject area, including CAM, and excluding any incentive such as free rent

Tokyo Meiji Yasuda Seimei Building 2-1-1 Marunouchi, Chiyoda-ku, Tokyo	Sendai Sendai Mark One 1-2-3 Chuo, Aoba-ku, Sendai-shi, Miyagi	Nagoya Miyuki Building 3-20-27 Nishiki, Naka-ku, Nagoya-shi, Aichi
Osaka Grand Front Osaka 4-20, Ofuka-cho, Kita-ku, Osaka-shi, Osaka	Yokohama Yokohama ST Building 1-11-15 Kitasaiwai, Nishi-ku, Yokohama-shi, Kanagawa	Hiroshima Shishinyo Building 3-17 Fukuromachi, Naka-ku, Hiroshima-shi, Hiroshima
Sapporo Nihon Seimei Sapporo Building 4-1-1 Kitasanjonishi, Chuo-ku, Sapporo-shi, Hokkaido	Kanazawa JR Kanazawa Station West 4th NK Building, 3-3-11 Hirooka, Kanazawa-shi Ishikawa	Fukuoka Fukuoka Center Building 2-2-1 Hakata-Ekimae, Hakata-ku, Fukuoka-shi, Fukuoka

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