



Tokyo (5 Central Wards) Office Building Market Research Report

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HOW TO READ THE DATA

1. Condition of buildings for lease

How the buildings are occupied by tenants, trend of lease terms and conditions, difference in lease terms and conditions, their scale and whether newly-built or previously existing and the supply condition of buildings in the business district of Tokyo (Chiyoda-Ku, Chuo-Ku, Minato-Ku, Shinjuku-Ku and Shibuya-Ku) are totaled and analyzed.

2. Classification by district

Central Business Districts of Tokyo five central wards of Tokyo (Chiyoda-Ku, Chuo-Ku, Minato-Ku, Shinjuku-Ku and Shibuya-Ku)

3. Subjects of survey

Main office buildings with a floor space of the reference floor of 100 tsubo (395.4 square yards) or more located in the CBD of Tokyo. Buildings with a special situation such as the whole building being leased in block and office buildings for lease whose data are not published in some areas of Marunouchi and Ohte-machi are not covered by the survey.

4. Number of buildings covered by the survey

Main office buildings for lease with a floor space of the reference floor of 100 tsubo (395.4 square yards) or more total 2,619. (Newly-built buildings: 35, previously existing buildings : 2,584)

5. Survey time

At the end of December of each year.

6. Classification of buildings

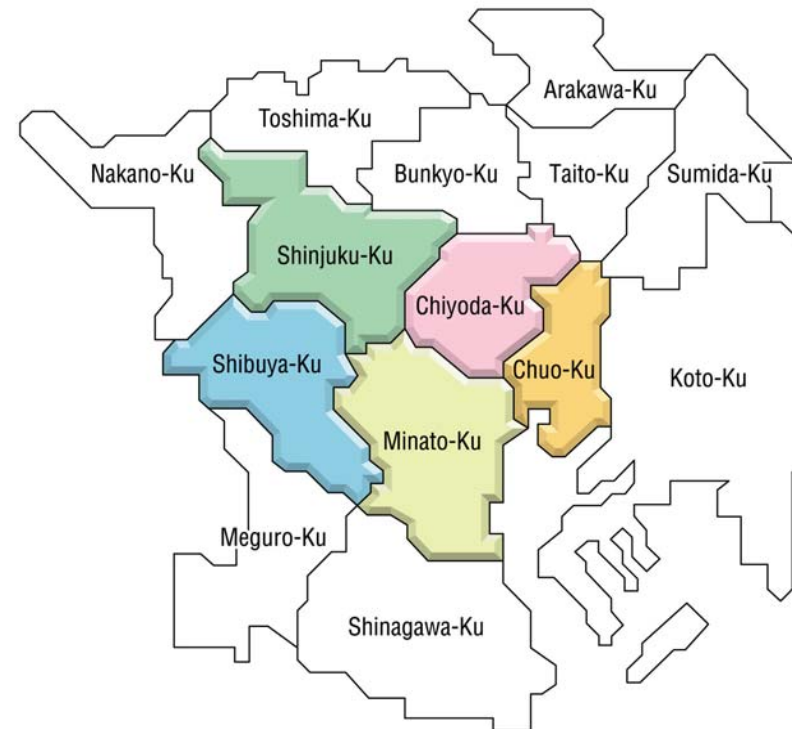
(1) **Newly-built buildings:** ... Office buildings for lease completed not later than January - December of each year.

(2) **Previously existing buildings:** ... Office buildings for lease completed before December of the preceding year, for each year.

Tokyo Central 5 Wards

(Wards with greatest concentration of office buildings)

- Chiyoda-Ku
- Chuo-Ku
- Minato-Ku
- Shinjuku-Ku
- Shibuya-Ku

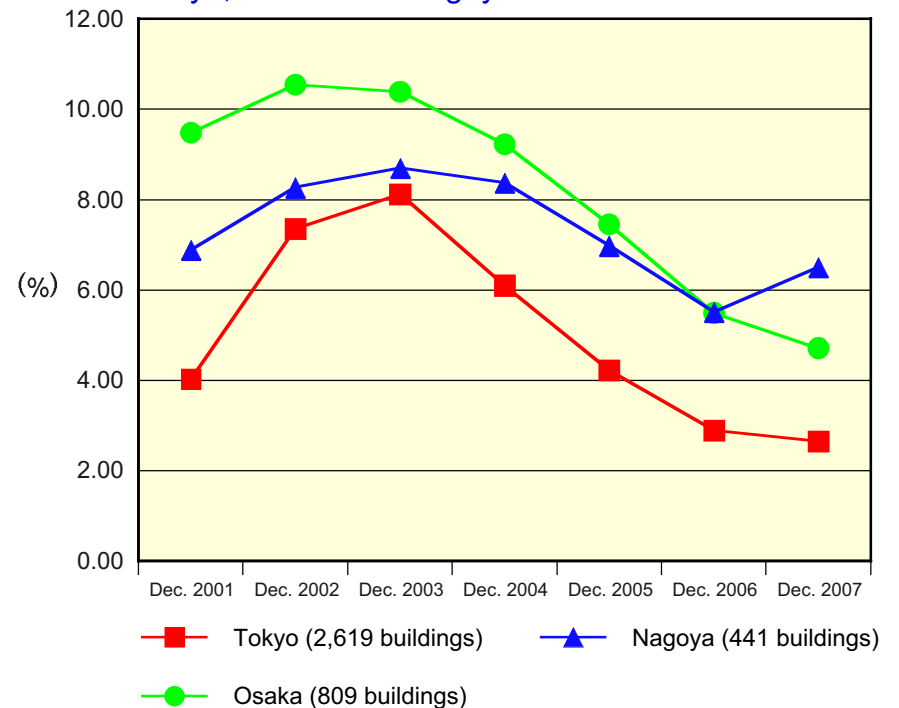


Average Vacancy Rate in the Tokyo, Osaka and Nagoya CBDs

The average vacancy rate in the CBDs (hereinafter referred to as "CBD" of Tokyo central five wards of Chiyoda, Chuo, Minato, Shinjuku and Shibuya) as of the end of December, 2007 stood at 2.65%, down 0.24 points as compared with the corresponding month of the preceding year. During 2007, even in the midst of a tightening demand and supply situation in the business center of Tokyo, the forward-looking moves of large and middle-standing corporations continued. As a result, the vacancy rate sagged from 2% and the upper half mark to the middle of the 2%-level. The new supply of large buildings in the CBD of Tokyo during 2008 is scheduled to total approximately 220,000 tsubo (approximately 870,000square yards) of total floor space of 41 buildings. Although the number of buildings offering new office space has increased as compared with 2007, the volume of supply is limited to about a half, and it is considered likely that a tight demand and supply situation will continue during the year 2008.

At the end of December 2007, the average vacancy rate in the CBD of Osaka stood at 4.71%, down 0.78 points as compared with the corresponding month of the preceding year. As the number of contracts entered and new tenants moving in increased irrespective of newly-built or existing buildings during 2007, vacancy rate fell below 5% at the end of April for the first time in 14 years. At the end of December 2007 the average vacancy rate in the CBD of Nagoya stood at 6.50%, up 0.99 points from the level of the corresponding month of the preceding year. The pace of liquidation of vacancies that has continued for the past several years subsided, and the area of floor spaces offered for lease of both newly-build buildings and existing buildings increased.

Comparison of Average Vacancy Rates in the Tokyo, Osaka and Nagoya CBDs



■ Buildings surveyed were as follows: in the Tokyo CBD, buildings with standard area for lease of 100 tsubo (330 sm; 3,558 sf) or more per floor; in the Osaka CBD, buildings with a total floor space of 1,000 tsubo (3,300 sm; 35,580 sf) or more; and in the Nagoya CBD, buildings with a total floor space of 500 tsubo (1,650 sm; 17,790 sf) or more. Leasable floor space ratios are the same for each CBD.

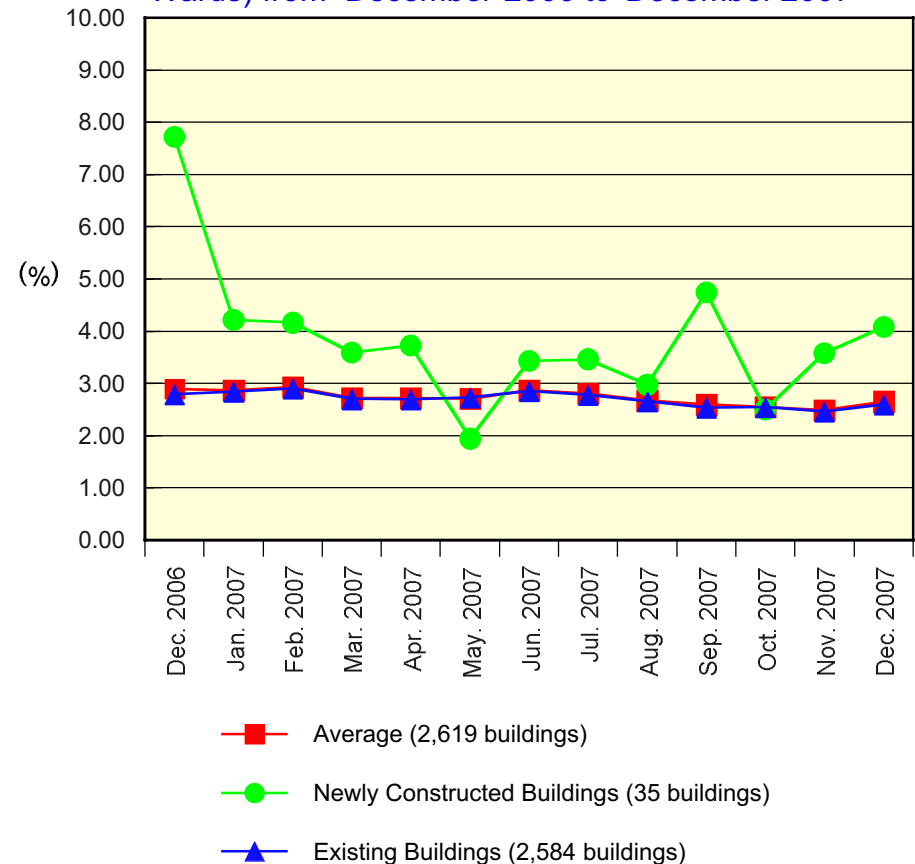
Average Vacancy Rate in the Tokyo CBD - New vs. Previously-existing Buildings

The average vacancy rate in the Tokyo CBD at the end of December 2007 was up 0.16 points from the level of the preceding month. The vacancy rate leveled off during the March - May period and rose temporarily in June. However, during the July - November period, it declined for five successive months to sag to the middle of the 2%-mark. Since a sense of scarcity was strongly felt in the five central wards of Tokyo irrespective of area, the pace of new contracts being entered slackened somewhat in comparison with the year 2006.

At the end of December 2007, the vacancy rate for large newly built buildings stood at 4.08%, down 3.64 points from the corresponding month of the preceding year. During the same year 35 large-scale buildings and large building were completed, and most of buildings are fully occupied or operating at a high ratio. Although the supply of office spaces is expected to be limited to approximately a half in 2008, the number of buildings offering new office spaces increases to 41, and the market response to the offer of new office spaces in the future is attracting attention.

The vacancy rate of large existing buildings stood at 2.60% at the end of December 2007, down 0.19 points from the level of the corresponding month of the preceding year. A prior notice of termination even if given in large buildings with favorable conditions is nowadays very often followed promptly by a decision of increasing the floor space or an informal decision.

Vacancy Rates in the Tokyo CBD (the Five Central Wards) from December 2006 to December 2007



Average Vacancy Rates of the Five Central Wards of Tokyo

The average vacancy rate in Chiyoda-Ku stood at 1.59% as of the end of December 2007, down 0.08 points as compared with the corresponding month of the preceding year. During the same year the total new supply increased to a total floor space of approximately 260,000 tsubo (approximately 1,028,000 square yards). However, almost all the completed buildings were fully booked or operated at a high operating ratio. And the liquidation of vacancies in the previously existing buildings also progressed and this further intensified sense of scarcity.

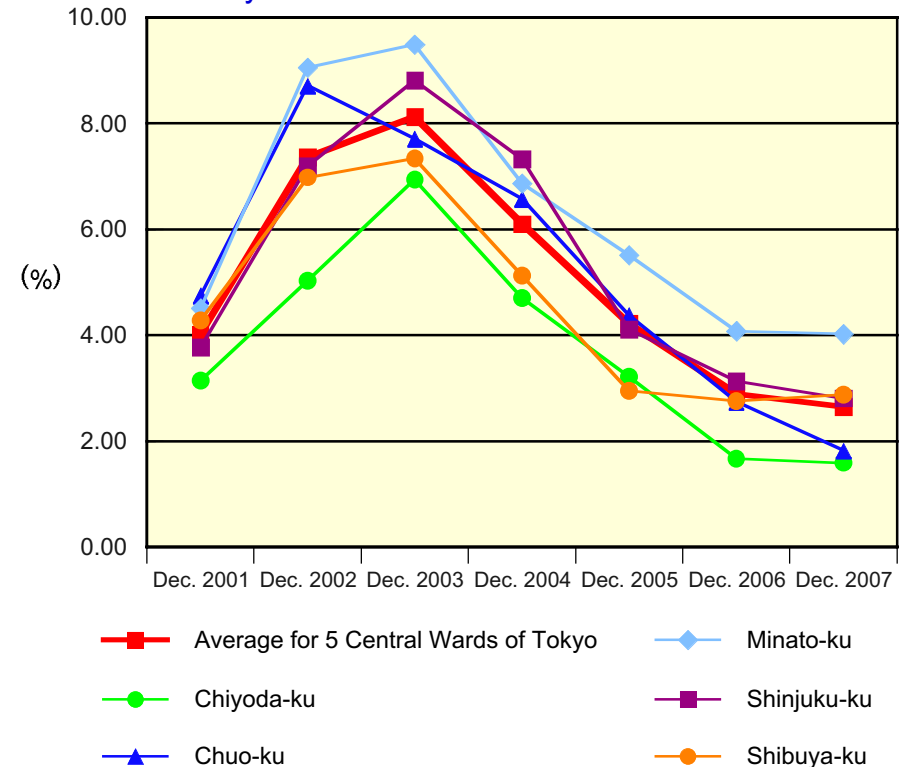
The average vacancy rate in Chuo-Ku stood at 1.82% as of the end of December 2007, down 0.92 points as compared with the corresponding month of the preceding year. The stock of vacancies in large existing buildings decreased sharply, and the vacancy rate improved up to the 1% and upper half level.

The average vacancy rate in Minato-Ku stood at 4.02% at the end of December 2007, down 0.06 points from the level of the corresponding month of the preceding year. During December the vacancy rate fell slightly because of an increase in the area of office space offered for lease during the month.

The average vacancy rate in Shinjuku-Ku stood at 2.81% at the end of December 2007, down 0.32 points as compared with the corresponding month of the preceding year. Two large buildings completed during 2007 are fully occupied, and the liquidation of vacancies in the existing buildings progressed.

The average vacancy rate in Shibuya-Ku stood at 2.88% at the end of December 2007, up 0.12 points as compared with the corresponding month of the preceding year. As the area of office spaces offered for lease after October continued to increase, the vacancy rate rose by a slim margin.

Average Vacancy Rates in the Five Central Wards of Tokyo



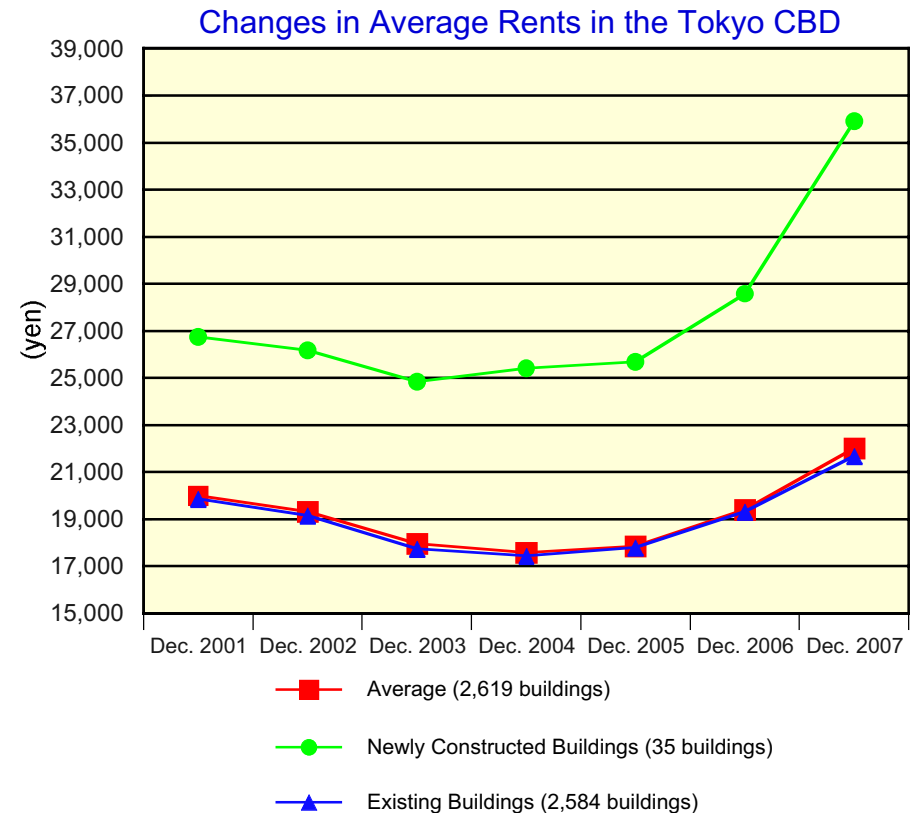
■ The office buildings surveyed in the Tokyo CBD have standard floor area for lease of 100 tsubo (330 sm; 3,558 sf) or more.

Average Rents in the Tokyo CBD - New vs. Previously-existing Buildings

The average rent in the Tokyo CBD was ¥21,998 at the end of December 2007, up 13.36% (¥2,592) from the level of the corresponding month of the preceding year. As an office building market advantageous for the lessor continued during 2007, the rising trend of the average rent continued. In view of the fact that the average vacancy rate in the five central wards of Tokyo is on the 2% level, it is generally believed that the rent market of large buildings will remain firm hereafter.

The average rent of large newly-built buildings was ¥35,906 at the end of December 2007, up 25.64% (¥7,328) from the level of the corresponding month of the previous year. As the supply of large-scale complex buildings serving as the price leader succeeded during 2007, the rising trend of offer rent for lease became clear.

The average rent for the large previously existing building stood at ¥21,683 at the end of December 2007, up 12.29% (¥2,374) from the level of the corresponding month of the preceding year. Because of active inquiries from tenant corporations irrespective of area, an increasing number of buildings are reviewing their offer rent for lease, and a gentle rising trend of the rent continues.



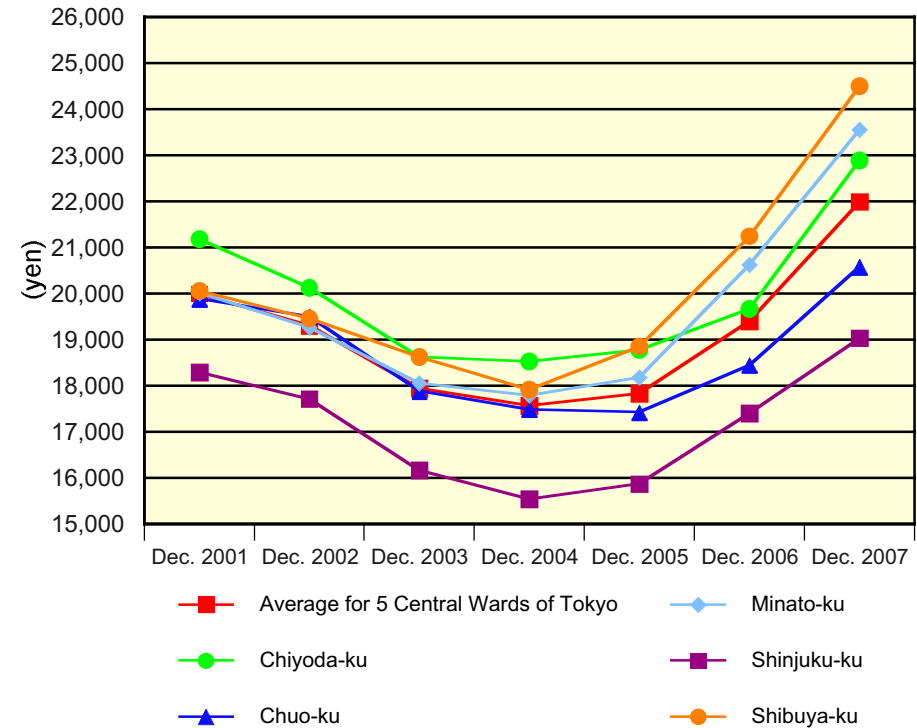
- The buildings surveyed in the Tokyo CBD have standard floor area for lease of 100 tsubo (330 sm; 3,558 sf) or more.
- Average rent was calculated on the basis of vacant office space available for lease. Buildings that have not released rental rates for vacant office space were not included in the data that support the above graph / in the survey.

Average Rents in the Tokyo CBD - the 5 Central Wards

The comparison of the average rents in the Tokyo CBD at the end of December 2007 with the corresponding month of the preceding year revealed that Chiyoda-Ku had the highest rise of 16.37% (¥3,221) among the five central wards. This was followed by Shibuya-Ku with a rise of 15.34% (¥3,259), Minato-Ku with a rise of 14.20% (¥2,931), Chuo-Ku with a rise of 11.56% (¥2,133), and Shinjuku-Ku with a rise of 9.36% (¥1,630). During 2007 also inquiries intensified irrespective of area in the five Central Wards of Tokyo. During 2008 also, it is generally viewed that the tight demand and supply situation of large buildings would continue, and it is likely that the rent market would keep on rising gently hereafter.

The comparison of average rent at the end of December with the preceding month reveals that Chiyoda-Ku had the average rent of ¥22,896, up 0.91% (¥207), the average rent in Chuo-Ku was ¥20,590, up 1.81% (¥367), the same in Minato-Ku was ¥23,566, up 0.26% (¥61), the same in Shinjuku-Ku was ¥19,040, up 1.82% (¥340), and the same in Shibuya-Ku was ¥24,507, up 3.26% (¥773).

Change in the Average Rent for Central Tokyo's 5 Distinctive Wards



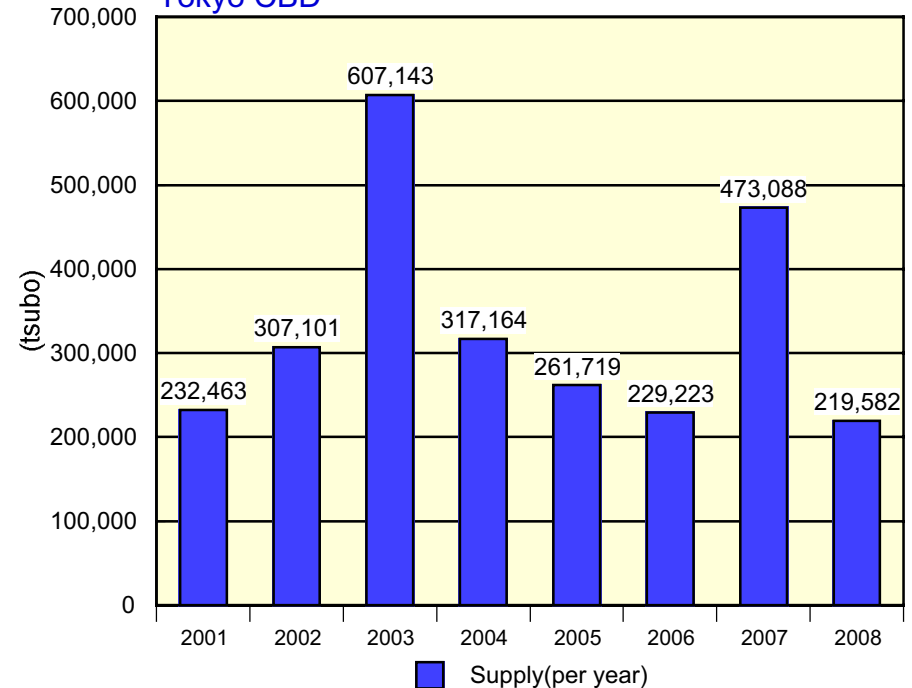
■ The buildings under investigation in the Tokyo CBD were the main buildings with a standard office floor space for lease of 100 or more Tsubo (= 330 sm = 3,558 sf).
 ■ Average rent was calculated with vacant office space data as its base. Moreover, the buildings that have not released vacant office space rental data were excluded.

Supply of Newly Completed Office Space for Lease

The supply of newly completed office space for lease of large buildings in the CBD of Tokyo during 2008 is expected to amount to a total floor space of 219,582 tsubo or 868,227 square yards accounting for approximately a half of the record for 2007. However, the number of newly completed buildings offered for lease totaled 41 representing an increase over the record for 2007. When the newly completed office buildings in 2008 are broken down by scale, the number of large-scale buildings with a total floor space of 10,000 tsubo (39,540 square yards) or more will be limited to three (against 11 during 2007). On the other hand, as the number of large building with a total floor space of less than 10,000 tsubo (39,540 square yards) newly completed and offered for lease is expected to increase, the market response to their offer is attracting attention.

During 2007, 35 large-scale buildings and large buildings (with a total floor space of approximately 473,000 tsubo or 1,870,000 square yards) were offered for lease in the CBD of Tokyo, and large newly completed buildings enjoyed a good market response to their offer, and most buildings were fully occupied or operated with a high operating ratio. During 2007, large-scale buildings were successively completed in the redevelopment areas around Tokyo Station (Marunouchi and Yaesu), Roppongi, Kasumigaseki, Yurakucho, and Shiodome. However, the demand for office space was vigorous and a good market response to their offer was an important topic of talk.

Annual Amount of Vacant Office Space (Total Net Floor Area) in Newly Constructed Buildings in the Tokyo CBD



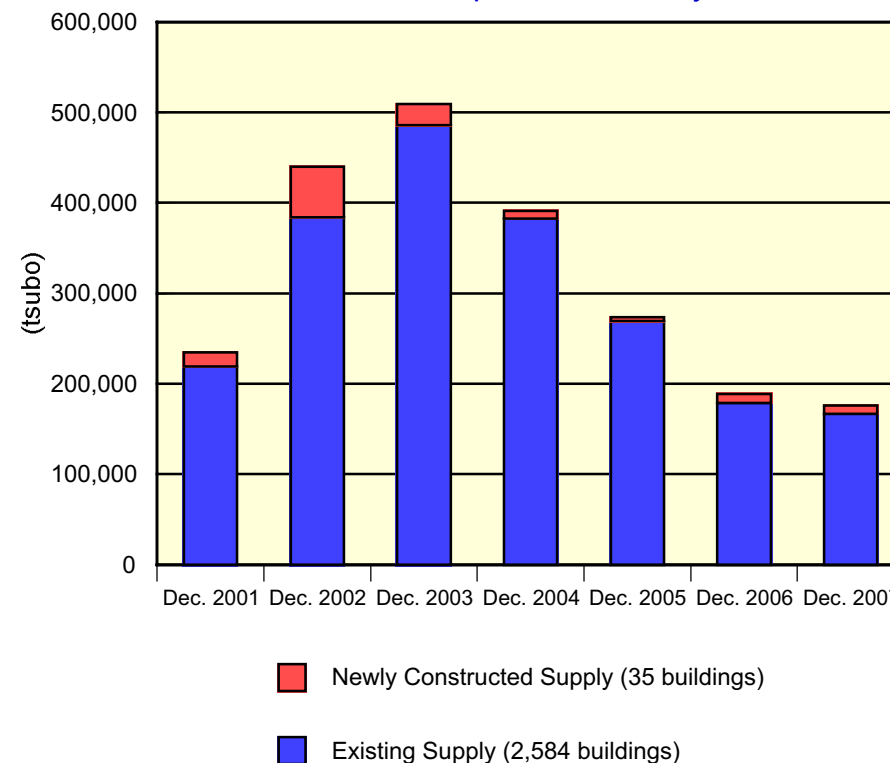
- The buildings under investigation in the Tokyo CBD were the main buildings with a standard office floor space for lease of 100 or more tsubo (= 330 sm = 3,558 sf).
- The survey was carried out at the end of December 2007. The amount of supply during 2008 includes buildings scheduled to be completed, and therefore the total floor space is subject to change in the future.
- Small errors have developed in the values of supply that have been published in the past. This is due to the confirmation of the area of floor space of each building after their completion.

Supply of Vacant Office Space in the Tokyo CBD

The area of vacant office spaces in the Tokyo CBD at the end of December 2007 totaled 176,020 tsubo or 695,807 square yards, down by 12,532 tsubo or 49,539 square yards as compared with the corresponding month of the preceding year. During 2007 also large newly-completed building enjoyed good response to the offer of office space, and most of the newly completed buildings were fully occupied or operated at a high operating ratio. On the other hand, because of a reduction by half of the floor space offered for lease of large previously existing buildings during the past few years, the choice for relocation destination was further narrowed down, and the pace of dissolving vacancy dwindled in comparison with 2006. With regards to the trend of relocation, tenant corporations maintained forward-looking attitude to relocation and still maintained an inclination towards the expansion of their office. As the new supply of office space will be cut by half of what was available in 2007 during 2008, it is generally viewed that a tight demand and supply situation will continue in the office building market in the central districts of Tokyo.

During 2007 also large-scale complex buildings relating to large-scale projects were successively offered for lease in the central districts of Tokyo, and the completion of skyscrapers in the vicinity of Tokyo Station (Marunouchi and Yaesu) and Roppongi was a topic of discussions. In 2008, the supply of large-scale buildings that has continued for the past several years will settle down for the time being. However, the move for urban regeneration continues. And the works of rebuilding buildings are progressing. We are looking forward for further revitalization of the office building market of Tokyo.

Vacant Floor Space in the Tokyo CBD



■ The office buildings surveyed in the Tokyo CBD have standard floor area for lease of 100 tsubo (330 sm; 3,558 sf) or more.

Survey Period: until end of December, 2007

[Comparison of Average Vacancy Rates in the Tokyo, Osaka and Nagoya CBDs]

Vacancy Rate (%)	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007
Tokyo	4.03	7.36	8.12	6.10	4.22	2.89	2.65
Osaka	9.48	10.55	10.39	9.23	7.45	5.49	4.71
Nagoya	6.89	8.27	8.70	8.38	6.98	5.51	6.50

[Vacancy Rates in the Tokyo CBD (the Five Central Wards) from December 2006 to December 2007]

Vacancy Rate (%)	Dec. 2006	Jan. 2007	Feb. 2007	Mar. 2007	Apr. 2007	May. 2007	Jun. 2007	Jul. 2007	Aug. 2007	Sep. 2007	Oct. 2007	Nov. 2007	Dec. 2007
Average	2.89	2.87	2.93	2.72	2.72	2.71	2.87	2.80	2.67	2.59	2.55	2.49	2.65
Newly Constructed Buildings	7.72	4.22	4.16	3.59	3.72	1.94	3.43	3.46	2.97	4.74	2.50	3.58	4.08
Existing Buildings	2.79	2.84	2.90	2.70	2.69	2.73	2.85	2.78	2.66	2.54	2.55	2.46	2.60

[Average Vacancy Rates in the Five Central Wards of Tokyo]

Vacancy Rate (%)	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007
Average for 5 Central Wards of Tokyo	4.03	7.36	8.12	6.10	4.22	2.89	2.65
Chiyoda-ku	3.14	5.03	6.94	4.70	3.22	1.67	1.59
Chuo-ku	4.75	8.71	7.71	6.58	4.38	2.74	1.82
Minato-ku	4.51	9.05	9.49	6.87	5.51	4.08	4.02
Shinjuku-ku	3.77	7.19	8.81	7.33	4.11	3.13	2.81
Shibuya-ku	4.28	6.98	7.34	5.13	2.95	2.76	2.88

Survey Period: until end of December, 2007

[Changes in Average Rents in the Tokyo CBD]

Rent (yen/tsubo/month)	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007
Average	19,998	19,310	17,954	17,577	17,844	19,406	21,998
Newly Constructed Buildings	26,750	26,170	24,833	25,409	25,675	28,578	35,906
Existing Buildings	19,855	19,145	17,731	17,432	17,785	19,309	21,683

[Change in the Average Rent for Central Tokyo's 5 Distinctive Wards]

Rent (yen/tsubo/month)	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007
Average for 5 Central Wards of Tokyo	19,998	19,310	17,954	17,577	17,844	19,406	21,998
Chiyoda-ku	21,187	20,133	18,629	18,537	18,778	19,675	22,896
Chuo-ku	19,891	19,513	17,891	17,498	17,431	18,457	20,590
Minato-ku	20,020	19,271	18,063	17,794	18,183	20,635	23,566
Shinjuku-ku	18,297	17,721	16,171	15,543	15,876	17,410	19,040
Shibuya-ku	20,062	19,467	18,629	17,918	18,860	21,248	24,507

[Vacant Floor Space in the Tokyo CBD]

Vacant Space (tsubo)	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007
Newly Constructed Supply	15,495	55,672	23,380	8,692	4,320	9,761	8,932
Existing Supply	219,244	384,334	485,891	382,344	269,139	178,791	167,088
Total	234,739	440,006	509,271	391,036	273,459	188,552	176,020