



Tokyo (5 Central Wards) Office Building Market Research Report

April, 2010

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HOW TO READ THE DATA

1. Condition of buildings for lease

An aggregate analysis of the following information regarding buildings in Tokyo's central business district (CBD) is performed: the occupancy rate of the buildings; trends in the lease terms and conditions of the buildings; differences in the lease terms and conditions of the buildings according to their size and whether they are newly built or previously existing premises; and the supply conditions of buildings.

2. Classification by district

Tokyo's CBD is made up of the city's five central wards (Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku and Shibuya-ku).

3. Buildings covered in the survey

Main office buildings located in Tokyo's CBD with a reference floor space of at least 100 tsubo (approximately 330 square meters). The following buildings are not covered in the survey: buildings that have been leased under special conditions such as the whole building being leased as a single block; and office buildings for lease in some areas of Marunouchi and Otemachi for which no data has been published.

4. Number of buildings covered in the survey

The total number of main office buildings located in Tokyo's CBD for lease with a reference floor space of at least 100 tsubo (approximately 330 square meters) is 2,643. (Newly built buildings: 56; previously existing buildings: 2,587)

5. Timing of the survey

At the end of March, 2010. (At the end of December for 2004 – 2009).

6. Classification of buildings

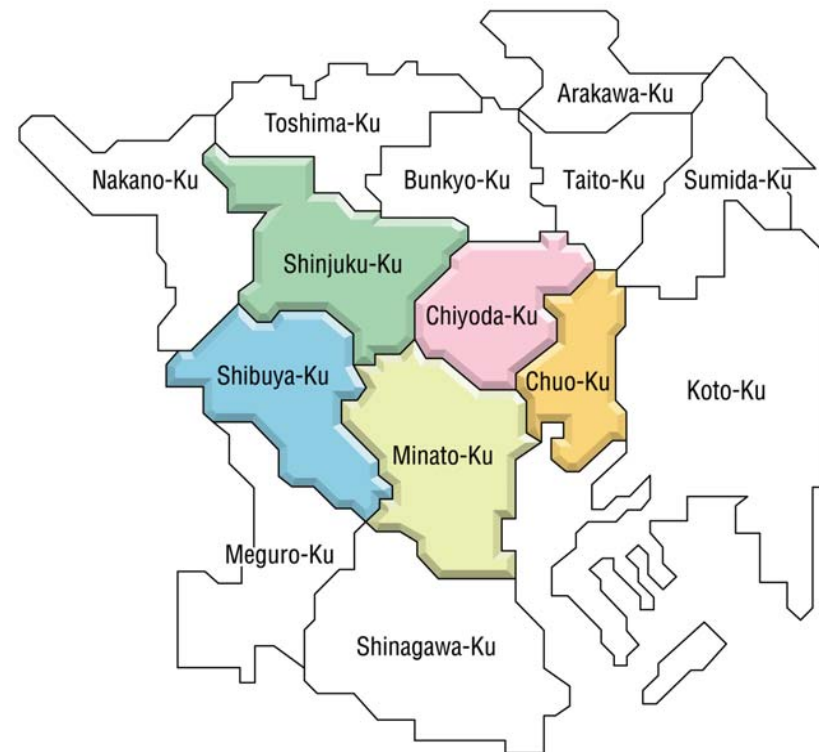
(1) **Newly-built buildings:** ... Office buildings for lease completed not later than April 2009 – March 2010.

(2) **Previously existing buildings:** ... Office buildings for lease completed before March 2009.

Tokyo Central 5 Wards

(Wards with greatest concentration of office buildings)

- Chiyoda-ku
- Chuo-ku
- Minato-ku
- Shinjuku-ku
- Shibuya-ku

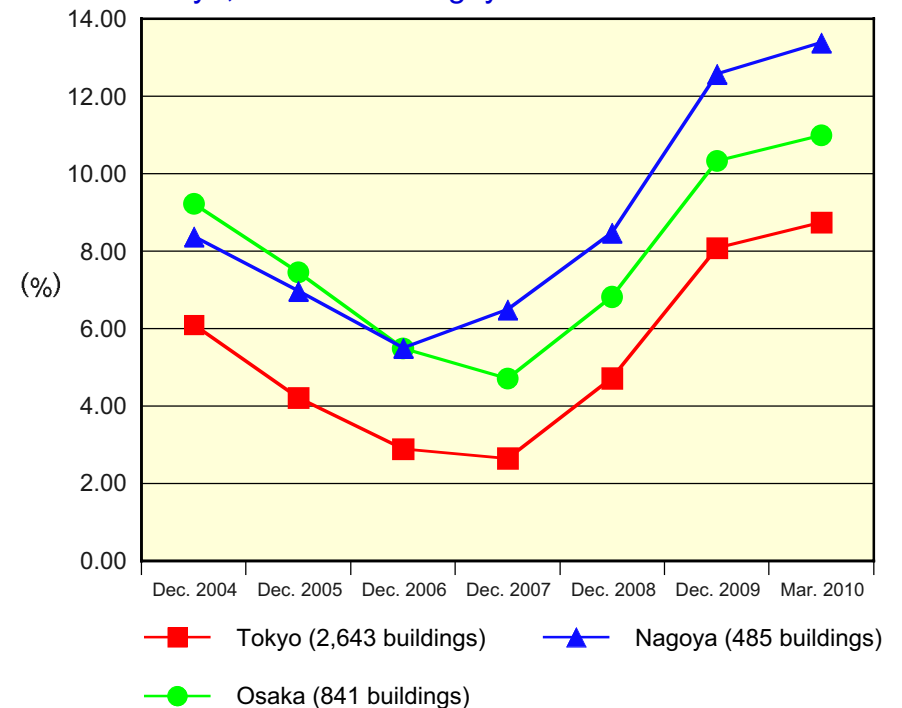


Average Vacancy Rate in the Tokyo, Osaka and Nagoya CBDs

The average vacancy rate at the end of March for large buildings (with a standard floor space of at least 100 tsubo, or approximately 330 square meters) in the central business district (CBD) of Tokyo (the five central wards of Tokyo; Chiyoda-Ku, Chuo-Ku, Minato-Ku, Shinjuku-Ku and Shibuya-Ku) had increased by 0.09 points to 8.75% compared to the previous month. Because of the slightly diminished influence of newly supplied office space and a slight waning in the trend toward smaller office space, the increase in vacant office space for March in the five central wards of Tokyo remained at about 5,000 tsubo, and the rising vacancy rate slowed. However, because there is no sign of a halt to the increase in the vacancy rate, attention is now being paid to current and future relocation trends. The rising average vacancy rate for small and mid-sized buildings (with a standard floor space of less than 100 tsubo, or approximately 330 square meters) continues, and competition in soliciting new tenants has grown fierce in Tokyo's office building market, regardless of the size and location of the buildings. Because of an increase in the number of inquiries concerning relocation compared to last year, we expect to see a more positive outlook with regard to relocation from now on.

The average vacancy rate in Osaka's CBD was 11.00% at the end of March. Because the supply of office space increased only slightly in March, the vacancy rate increased by only 0.03 points compared to the previous month. The average vacancy rate in Nagoya's CBD was 13.40% at the end of March, up 0.24 points compared to the previous month. The vacancy rate also increased in March because of the impact of newly supplied office space and the trend toward smaller office space.

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.

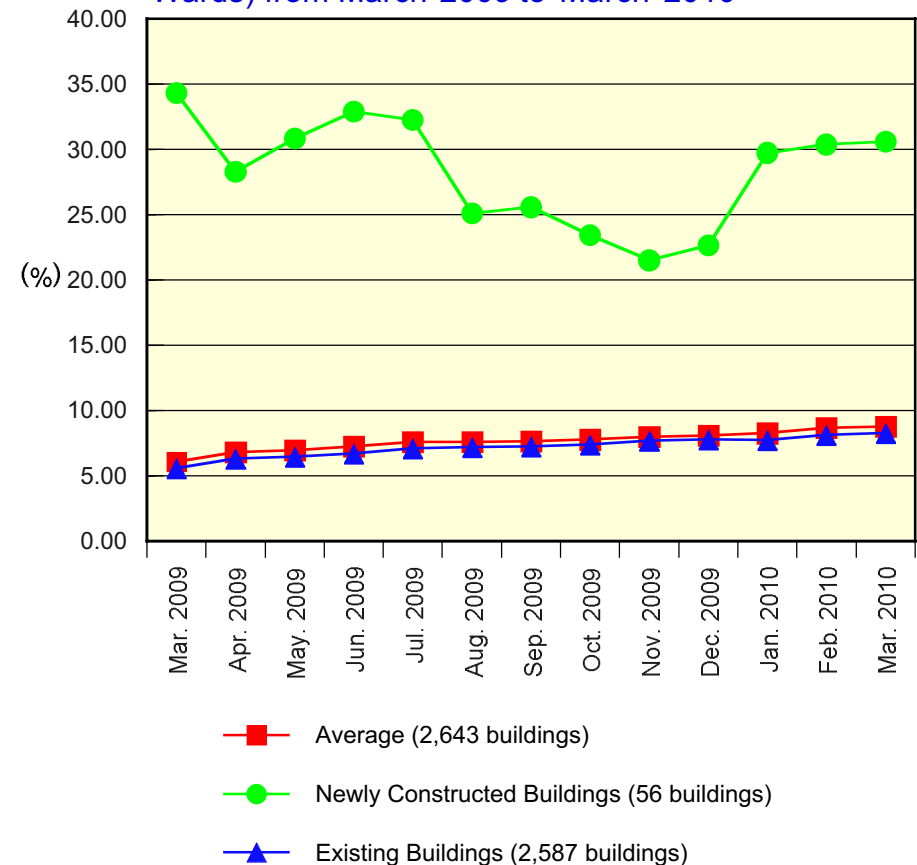
Average Vacancy Rate in the Tokyo CBD - New vs. Previously-existing Buildings

The average vacancy rate at the end of March for large buildings (with a standard floor space of at least 100 tsubo, or approximately 330 square meters) in Tokyo's CBD had increased by 2.70 points compared to the same month of the previous year. The vacancy rate has increased continuously at close to 9% for seven months since the end of September 2009. The increasing vacancy rate slowed in March but there is no sign of the vacancy issue being resolved. Expectations are high with regard to future demand for office space arising from economic recovery.

The vacancy rate for new large buildings was 30.59% at the end of March, down 3.74 points compared to the same month of the previous year. With the vacancy rate having increased by 7.92 points compared to the end of previous year, there is a feeling that competition in soliciting new tenants for new large buildings remains fierce. However, because of the increasing number of inquires regarding new large buildings, it is expected that the number of provisional and signed contracts will increase from now on.

The vacancy rate for existing large buildings was 8.28% at the end of March, up 2.69 points compared to the same month of the previous year. The trend toward smaller office space slowed slightly in March, but there is still no sign of an improvement in demand. Given these conditions, the leasing market remains weak.

Vacancy Rates in the Tokyo CBD (the Five Central Wards) from March 2009 to March 2010



Average Vacancy Rates of the Five Central Wards of Tokyo

The average vacancy rate in Chiyoda-Ku was 7.47% at the end of March, up 0.01 points compared to the previous month, which means that it remained almost unchanged. This is because there was almost no change in the supply of office space.

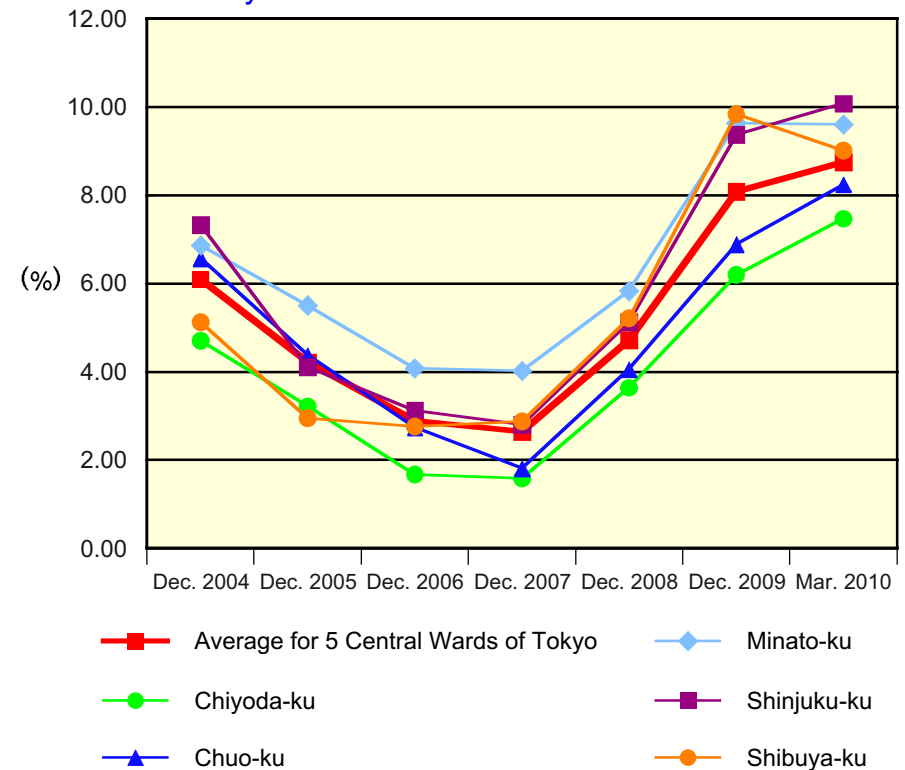
The average vacancy rate in Chuo-Ku was 8.25% at the end of March, up 0.54 points compared to the previous month. Because the supply of office space in both new and existing buildings increased in March, the vacancy rate increased.

The average vacancy rate in Minato-Ku was 9.61% at the end of March, up 0.07 points compared to the previous month. In March, the impact of events such as the issuance of notices of cancellation was limited, and the supply of office space increased only slightly.

The average vacancy rate in Shinjuku-Ku was 10.08% at the end of March, down 0.21 points compared to the previous month. Although the supply of office space in new buildings increased in March, the vacancy rate improved as a result of newly leased office space in existing buildings.

The average vacancy rate in Shibuya-Ku was 9.01% at the end of March, down 0.13 points compared to the previous month. The vacancy rate continued to decline over a three-month period as a result of newly leased office space in both new and existing buildings in March.

Average Vacancy Rates in the Five Central Wards of Tokyo



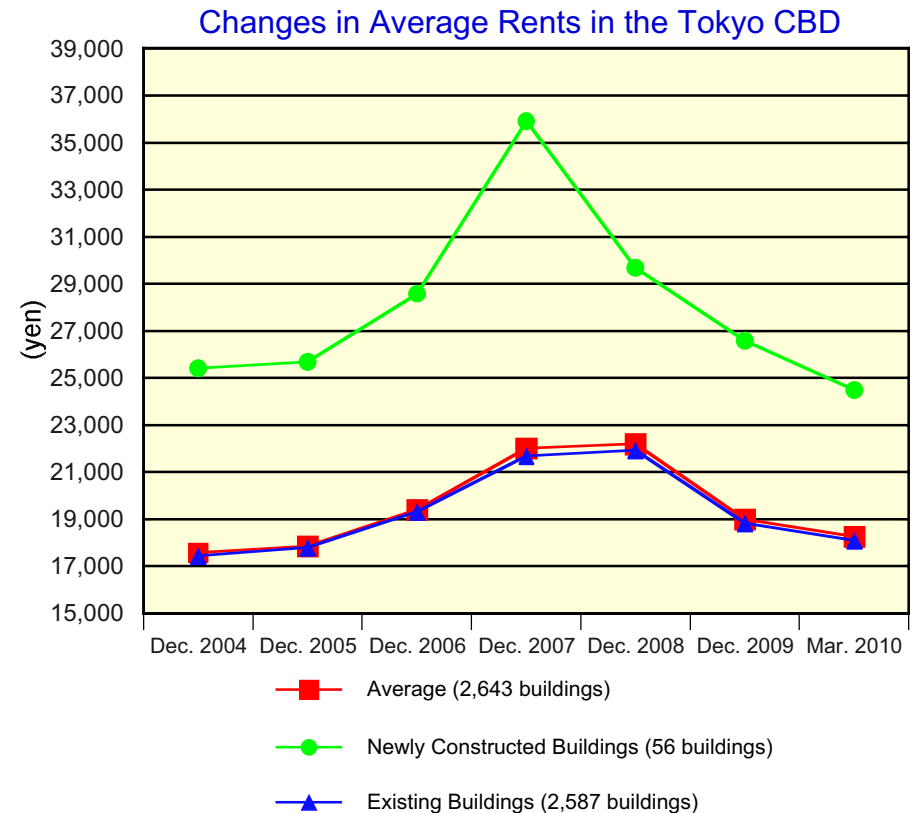
■ The office buildings surveyed in the Tokyo CBD have standard floor area for lease of 100 tsubo (330 sm; 3,558 sf) or more.

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

The average rent in Tokyo's CBD was ¥18,264 at the end of March, down 14.23% (¥3,031) compared to the same month of the previous year, and down 0.92% (¥170) compared to the previous month. Because of a continuing trend toward an increase in the supply of office space in the five central wards of Tokyo, this spring saw the easing of demand. Given these circumstances, the industry faces fiercer competition in soliciting new tenants, and the weakening of the market became apparent.

The average rent for office space in new large buildings was ¥24,487 at the end of March, down 21.74% (¥6,803) compared to the same month of the previous year, and down 1.41% (¥349) compared to the previous month. Because of the high number of newly supplied large buildings this spring, competition in soliciting new tenants has grown fierce.

The average rent for office space in existing large buildings was ¥18,084 at the end of March, down 13.87% (¥2,911) compared to the same month of the previous year, and down 0.83% (¥152) compared to the previous month. Although the average rent was only slightly lower compared to the previous month, there were signs of buildings adopting a more flexible approach when soliciting new tenants.



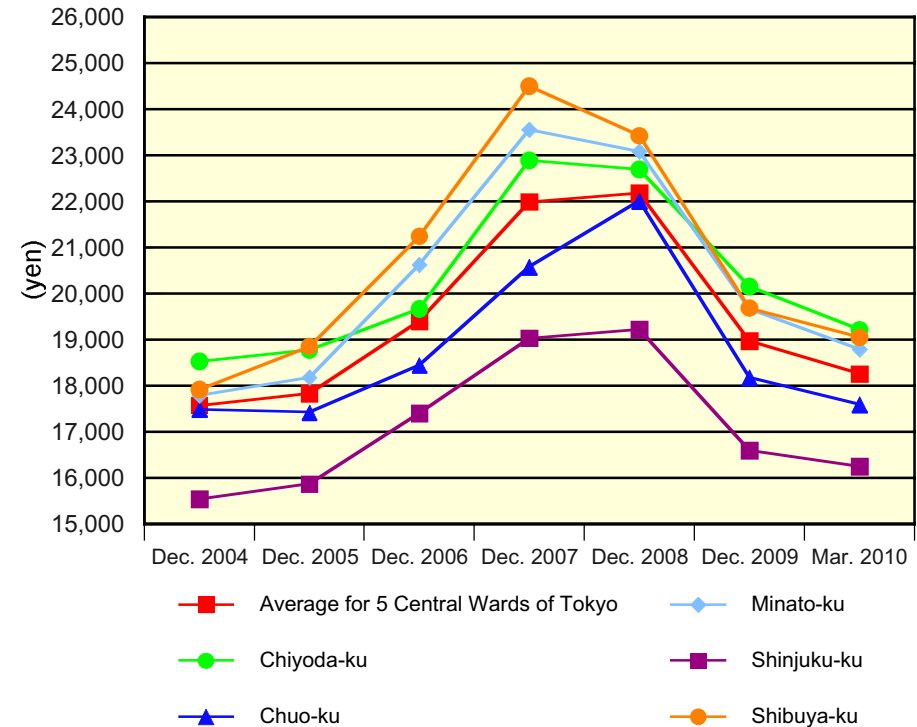
- The buildings surveyed in the Tokyo CBD have standard floor area for lease of 100 tsubo (330 sm; 3,558 sf) or more.
- Average rent was calculated on the basis of vacant office space available for lease. Buildings that have not released rental rates for vacant office space were not included in the data that support the above graph / in the survey.
- The average-rents-for-newly-constructed-buildings data used in the above graph include buildings that are scheduled to reach the end of construction in 2010 but that are not included in other parts of this survey.

Average Rents in the Tokyo CBD - the 5 Central Wards

The average rent at the end of March for offices space in Shibuya-Ku was 17.61% (¥4,073) less than it had been for the same month of the previous year. This was the largest drop experienced by any of the five central wards of Tokyo. Shibuya-Ku was followed by Chuo-Ku, which had a 15.55% (¥3,242) decline; Minato-Ku, which had a 15.12% (¥3,349) decline; Shinjuku-Ku, which had a 14.65% (¥2,791) decline; and Chiyoda-Ku, which had a 9.77% (¥2,082) decline. The average rent dropped by 2% to 4% compared to the end of previous year regardless of area, and the weakening of the market became apparent.

In all five areas, the average rents at the end of March were lower compared to the previous month. The average drops in rent were as follows: 0.71% (¥137) to ¥19,223 in Chiyoda-Ku; 1.10% (¥196) to ¥17,602 in Chuo-Ku; 0.74% (¥141) to ¥18,797 in Minato-Ku; 1.15% (¥189) to ¥16,259 in Shinjuku-Ku; and 1.00% (¥192) to ¥19,055 in Shibuya-Ku.

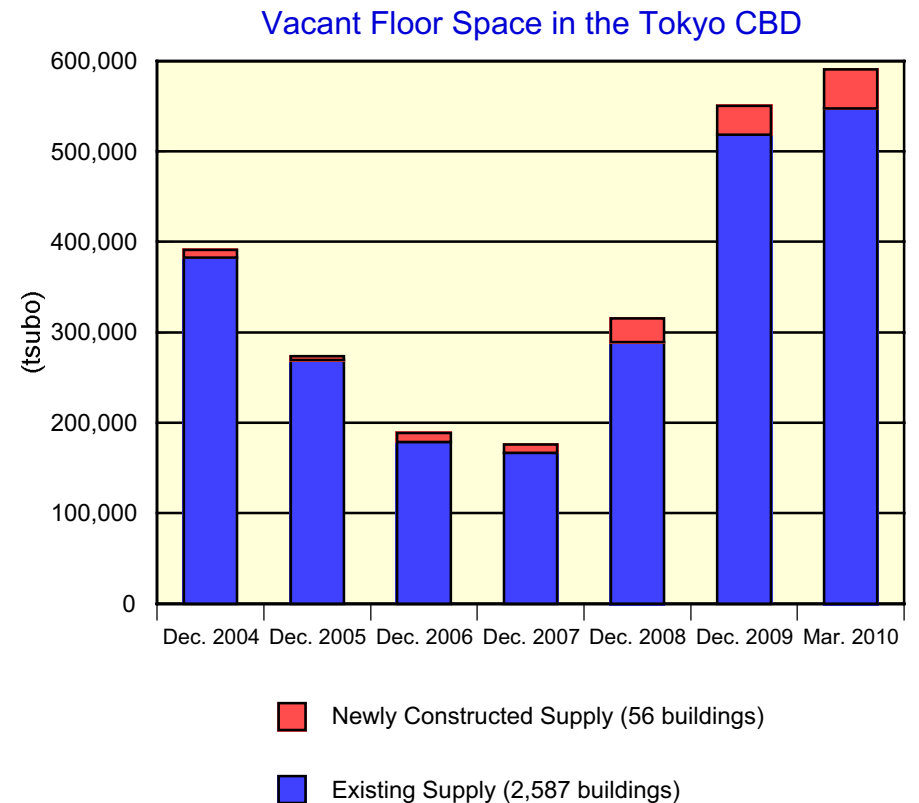
Change in the Average Rent for Central Tokyo's 5 Distinctive Wards



■ 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 Vacant Office Space in the Tokyo CBD

The amount of vacant office space in large buildings (with a standard floor space of at least 100 tsubo, or approximately 330 square meters) in Tokyo's CBD was 590,902 tsubo at the end of March, an increase of 5,467 tsubo compared to the previous month. Because of the conspicuous influence of newly supplied office space and the trend toward smaller office space in February, there was a moderately strong trend toward an increase in the vacancy level. However, this trend weakened in March, and the average vacancy rate increased only slightly. Because the office building market in Tokyo has changed in favor of leaseholders, affordable office space on favorable terms is now available. Given these circumstances, there have been more inquiries regarding corporate tenant relocations this spring, so competition in soliciting new tenants has grown fierce, regardless of the size and location of buildings. The trend toward smaller office space in Tokyo's CBD (the five central wards of Tokyo) slowed slightly, and demand remains weak. We hope that the economy will recover soon, and that we will begin to see signs of a recovery in demand for office space.



■ 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 March, 2010

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

Vacancy Rate (%)	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Mar. 2010
Tokyo	6.10	4.22	2.89	2.65	4.72	8.09	8.75
Osaka	9.23	7.45	5.49	4.71	6.82	10.34	11.00
Nagoya	8.38	6.98	5.51	6.50	8.48	12.58	13.40

[Vacancy Rates in the Tokyo CBD (the Five Central Wards) from March 2009 to March 2010]

Vacancy Rate (%)	Mar. 2009	Apr. 2009	May. 2009	Jun. 2009	Jul. 2009	Aug. 2009	Sep. 2009	Oct. 2009	Nov. 2009	Dec. 2009	Jan. 2010	Feb. 2010	Mar. 2010
Average	6.05	6.79	6.96	7.25	7.57	7.57	7.62	7.76	7.98	8.09	8.25	8.66	8.75
Newly Constructed Buildings	34.33	28.30	30.83	32.89	32.25	25.11	25.57	23.45	21.50	22.67	29.74	30.38	30.59
Existing Buildings	5.59	6.33	6.47	6.72	7.08	7.20	7.23	7.41	7.70	7.78	7.75	8.14	8.28

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

Vacancy Rate (%)	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Mar. 2010
Average for 5 Central Wards of Tokyo	6.10	4.22	2.89	2.65	4.72	8.09	8.75
Chiyoda-ku	4.70	3.22	1.67	1.59	3.64	6.20	7.47
Chuo-ku	6.58	4.38	2.74	1.82	4.06	6.89	8.25
Minato-ku	6.87	5.51	4.08	4.02	5.83	9.63	9.61
Shinjuku-ku	7.33	4.11	3.13	2.81	5.13	9.38	10.08
Shibuya-ku	5.13	2.95	2.76	2.88	5.21	9.84	9.01

Survey Period: until end of March, 2010

[Changes in Average Rents in the Tokyo CBD]

Rent (yen/tsubo/month)	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Mar. 2010
Average	17,577	17,844	19,406	21,998	22,186	18,978	18,264
Newly Constructed Buildings	25,409	25,675	28,578	35,906	29,685	26,584	24,487
Existing Buildings	17,432	17,785	19,309	21,683	21,927	18,817	18,084

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

Rent (yen/tsubo/month)	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Mar. 2010
Average for 5 Central Wards of Tokyo	17,577	17,844	19,406	21,998	22,186	18,978	18,264
Chiyoda-ku	18,537	18,778	19,675	22,896	22,696	20,159	19,223
Chuo-ku	17,498	17,431	18,457	20,590	22,025	18,189	17,602
Minato-ku	17,794	18,183	20,635	23,566	23,091	19,670	18,797
Shinjuku-ku	15,543	15,876	17,410	19,040	19,231	16,600	16,259
Shibuya-ku	17,918	18,860	21,248	24,507	23,431	19,693	19,055

[Vacant Floor Space in the Tokyo CBD]

Vacant Space (tsubo)	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Mar. 2010
Newly Constructed Supply	8,692	4,320	9,761	8,932	26,330	31,890	43,105
Existing Supply	382,344	269,139	178,791	167,088	289,409	518,415	547,797
Total	391,036	273,459	188,552	176,020	315,739	550,305	590,902