

MIKI Tokyo Office Market Research Report

January, 2012



Average Vacancy Rate

9.01%

UP

Average Rent

¥16,932

DOWN

Five Central Wards of Tokyo

Chiyoda-ku

8.21%

Chuo-ku

8.55%

Minato-ku

9.86%

Shinjuku-ku

10.00%

Shibuya-ku

8.00%

Tokyo

The average vacancy rate at the end of December 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) was 9.01%. The completion of one large building and the lease cancellations for existing buildings increased the vacant office space in Tokyo's CBD by approximately 9,400 tsubo (approximately 31,000 square meters) over the past month. Accordingly, the average vacancy rate increased by 0.11 points compared to the previous month, resulting in an increase for three consecutive months.

Osaka

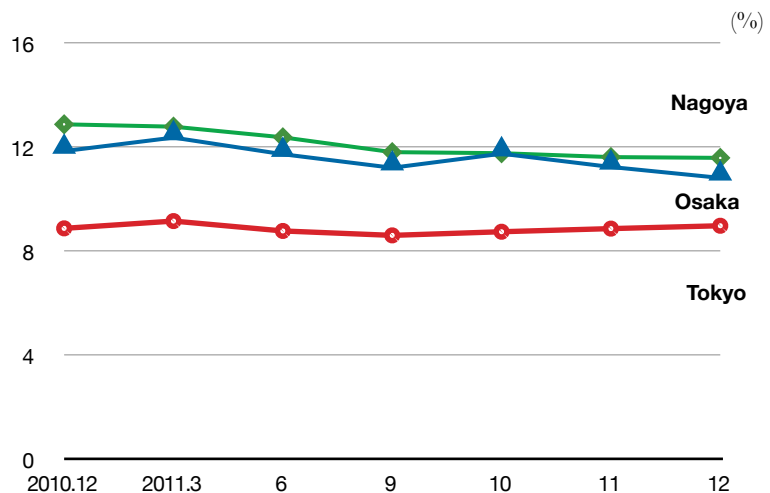
The average vacancy rate at the end of December in Osaka's CBD decreased by 0.42 points to 10.85% compared to the previous month. This month, relatively new buildings with good lease terms and conditions attracted inquiries and found new tenants, while at the same time there were not many large-scale lease cancellations. Accordingly, the entire CBD of Osaka saw a decrease in the vacant office space by approximately 9,400 tsubo

(approximately 31,000 square meters) and a drop in the average vacancy rate to just fewer than 11% over the past month.

Nagoya

The average vacancy rate at the end of December in Nagoya's CBD decreased by 0.03 points to 11.62% compared to the previous month, resulting in a decrease for ten consecutive months. This month, the district saw an increase in the conclusion of lease agreements as it enjoyed continuing small and medium-sized demand supported by rebuilding, as well as had new branch offices and new tenants who had relocated from other areas. However, the vacant office space decreased only by approximately 400 tsubo (approximately 1,300 square meters) over the past month due to large-scale lease cancellations caused by office space reduction

Average Vacancy Rates in the Tokyo, Osaka and Nagoya CBDs



	2010.12	2011.3	6	9	10	11	12
Tokyo	8.91	9.19	8.81	8.64	8.78	8.90	9.01
Osaka	11.88	12.40	11.76	11.24	11.78	11.27	10.85
Nagoya	12.91	12.82	12.41	11.84	11.80	11.65	11.62

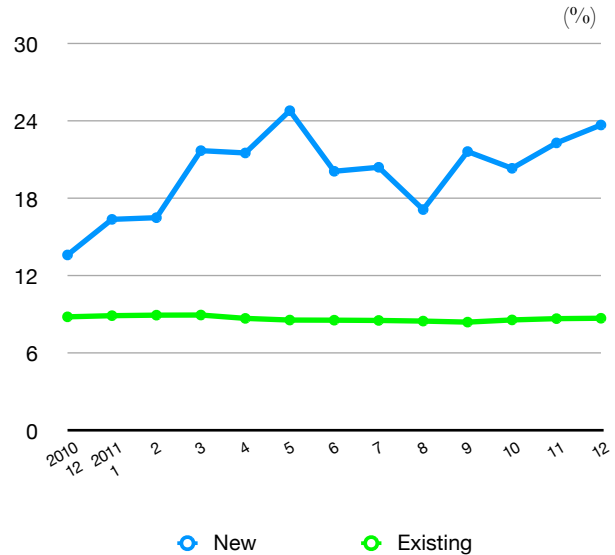
Average Vacancy Rate

New and Existing Buildings

The average vacancy rate for new buildings in Tokyo's CBD was 23.71% at the end of December. The completion of one large building raised the rate by 1.39 points compared to the previous month. However, the future trend in tenant demand is attracting attention because the office demand for new buildings remains solid and large buildings scheduled to be completed in 2012 have already received inquiries from potential tenants.

The average vacancy rate for existing buildings was 8.72% at the end of December, up 0.03 points compared to the previous month. This month saw a trend for lease cancellations associated with relocation to new buildings and the influence of large-scale lease cancellations associated with relocation out of the district. However, the average vacancy rate rose only slightly because the district saw cancellations of lease offers due to rebuilding and an increase in the conclusion of lease agreements resulting from office consolidation into buildings offering better lease conditions and tenant relocation.

**Average Vacancy Rates in the Tokyo CBD
New and Existing Buildings**



Five Central Wards of Tokyo

Chiyoda-ku

The average vacancy rate was 8.21% at the end of December, up 0.15 points compared to the previous month. The rate was raised by large-scale lease cancellations associated with a new supply of buildings.

Chuo-ku

The average vacancy rate was 8.55% at the end of December, up 0.01 points compared to the previous month. Despite large-scale lease cancellations in some buildings, the rate rose only slightly because office consolidation promoted tenant relocation.

Minato-ku

The average vacancy rate was 9.86% at the end of December. Although some tenants moved out of the ward, the rate rose only by 0.04 points compared to the previous month thanks to the demand for tenant relocation in the ward.

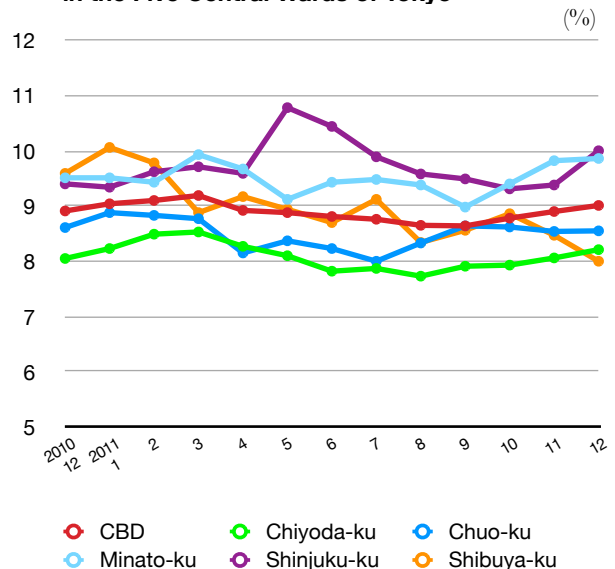
Shinjuku-ku

The average vacancy rate was 10.00% at the end of December, up 0.62 points compared to the previous month. The vacant office space increased because one large building was completed this month.

Shibuya-ku

The average vacancy rate was 8.00% at the end of December, down 0.47 points compared to the previous month. The vacant office space decreased because some existing buildings found new tenants this month.

**Average Vacancy Rates
in the Five Central Wards of Tokyo**



Average Rent

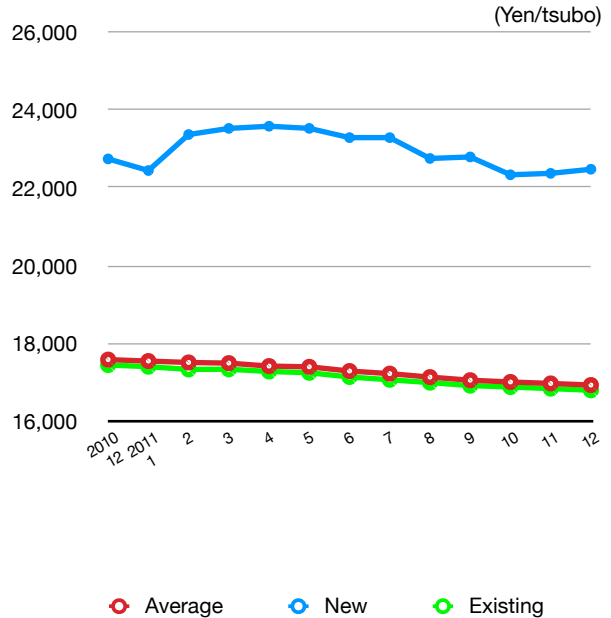
Tokyo CBD

The average rent in the Tokyo CBD was ¥16,932 at the end of December, down 3.71% (¥653) compared to the same month of the previous year and down 0.24% (¥41) compared to the previous month. As the average vacancy rate in the Tokyo CBD has been increasing for three consecutive months, competition for tenants is fierce. In these circumstances, the average rent has been falling gradually because both new and existing buildings have been flexible in meeting tenants' requests.

The average rent for office space in new buildings at the end of December was ¥22,473, down 1.17% (¥266) compared to the same month of the previous year, but up 0.47% (¥105) compared to the previous month.

The average rent for office space in existing buildings at the end of December was ¥16,799, down 3.71% (¥648) compared to the same month of the previous year and down 0.25% (¥42) compared to the previous month.

Average Rents in the Tokyo CBD

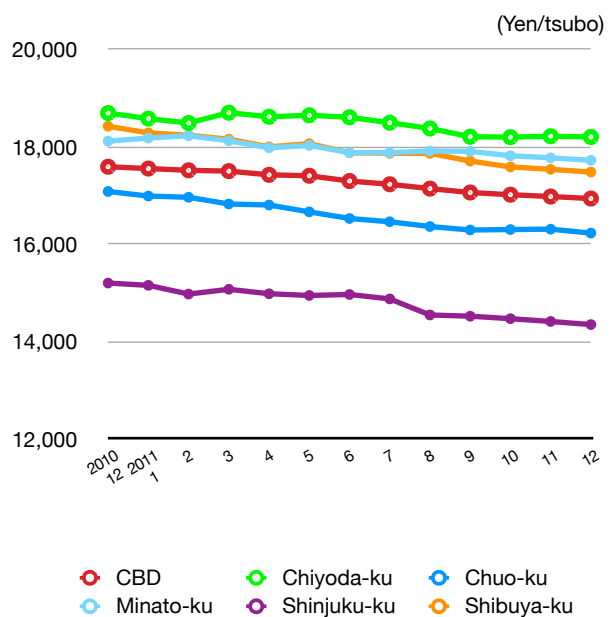


Five Central Wards of Tokyo

The average rent at the end of December for office space in Shinjuku-Ku was 5.61% (¥853) 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. Shinjuku-Ku was followed by Shibuya-Ku, which had a 5.11% (¥941) decline; Chuo-Ku, which had a 5.01% (¥855) decline; Chiyoda-Ku, which had a 2.63% (¥492) decline; and Minato-Ku, which had a 2.17% (¥393) decline.

The average rents at the end of December compared to the previous month were as follows: Chiyoda-Ku, a 0.09% (¥16) fall to ¥18,196; Chuo-Ku, a 0.50% (¥81) fall to ¥16,222; Minato-Ku, a 0.29% (¥51) fall to ¥17,718; Shinjuku-Ku, a 0.44% (¥64) fall to ¥14,343; and Shibuya-Ku, a 0.32% (¥56) fall to ¥17,476. This month each ward saw a slight drop in its average rent.

Average Rents in the Five Central Wards of Tokyo

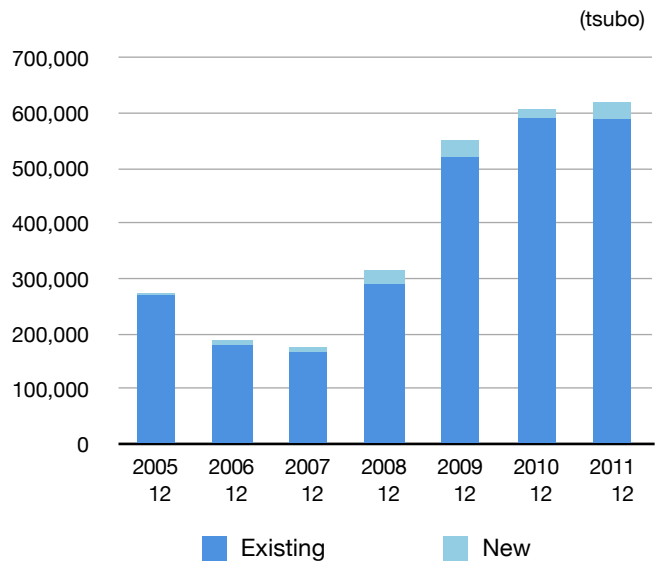


Vacant Office Space and Supply of Office Space for Lease

Vacant Office Space in the Tokyo CBD

The vacant floor space in the Tokyo CBD at the end of December 2011 was 619,374 tsubo (approximately 2,044,000 square meters), up 13,646 tsubo (approximately 45,000 square meters) compared to the same month of the previous year. As the vacant floor space at the end of December 2010 increased by 55,423 tsubo (approximately 183,000 square meters) on a year-on-year basis, the year-on-year increase in the vacant floor space shrank in 2011. As for the trend for office relocation, corporate consolidations created a large demand for office space and many companies moved out of their own buildings to become new tenants. The strong demand for relocation from companies did not lead to a significant reduction in the vacant office space because there have been an increasing number of cases where concluding the lease agreements take time. In Tokyo's office building market, the new supply of office space is projected to increase in 2012. Therefore, more companies are expected to become the new tenants of office buildings in the Tokyo CBD if the economy bottoms out.

Vacant Floor Space in the Tokyo CBD

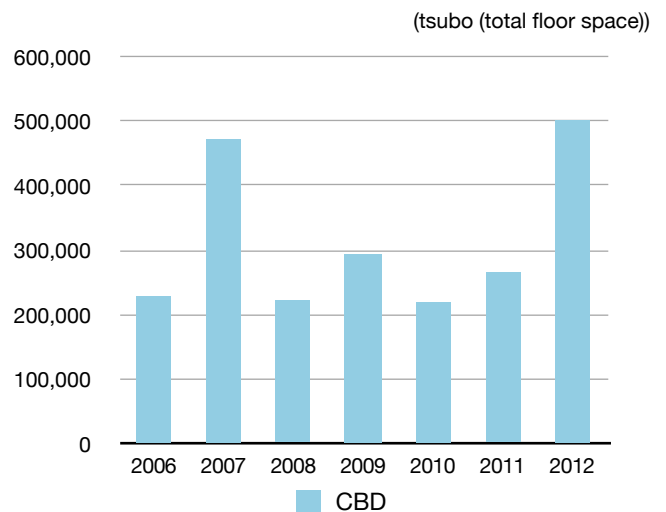


Supply of Newly Completed Office Space for Lease

In 2012, the Tokyo CBD will have a new supply of 32 buildings with a total floor space of 501,580 tsubo (approximately 1,655,000 square meters). Compared to 2011, there will be two fewer new buildings, but the total floor space will nearly double. In terms of building size, 14 of the new buildings will have a total floor space of at least 10,000 tsubo each (approximately 33,000 square meters) (the total floor space of these buildings will be approximately 434,000 tsubo [approximately 1,432,000 square meters]) and the other 18 new buildings will have smaller total floor spaces (the total floor space of these buildings will be approximately 68,000 tsubo each [approximately 224,000 square meters]). Buildings with a total floor space of at least 10,000 tsubo, which account for more than 80% of all the office space to be supplied, are attracting attention due to the prospect of increased tenant demand because some of these buildings have already received inquiries from potential tenants or are expected to enjoy a high occupancy rate.

In 2011, the Tokyo CBD had a new supply of 34 buildings with a total floor space of 265,409 tsubo (approximately 876,000 square meters). About 60% of these buildings, including buildings with a total floor space of at least 10,000 tsubo each, are fully or mostly occupied.

Annual Amount of Vacant Office Space in Newly Constructed Buildings in the Tokyo CBD



The figure of 2012 is not final because buildings scheduled to be completed are included.
The figures from 2006 to 2011 come from the number of buildings completed in each year.

Tokyo CBD Data

Average Vacancy Rates in the Tokyo CBD (%)

	2010.12	2011.1	2	3	4	5	6	7	8	9	10	11	12
Average	8.91	9.04	9.10	9.19	8.92	8.88	8.81	8.76	8.65	8.64	8.78	8.90	9.01
New	13.63	16.39	16.52	21.72	21.54	24.82	20.12	20.43	17.15	21.65	20.35	22.32	23.71
Existing	8.83	8.92	8.96	8.97	8.71	8.58	8.57	8.55	8.50	8.42	8.59	8.69	8.72

Average Vacancy Rates in the Five Central Wards of Tokyo (%)

	2010.12	2011.1	2	3	4	5	6	7	8	9	10	11	12
CBD	8.91	9.04	9.10	9.19	8.92	8.88	8.81	8.76	8.65	8.64	8.78	8.90	9.01
Chiyoda-ku	8.05	8.23	8.49	8.53	8.27	8.10	7.82	7.87	7.73	7.91	7.93	8.06	8.21
Chuo-ku	8.61	8.88	8.83	8.77	8.15	8.37	8.23	8.00	8.33	8.64	8.62	8.54	8.55
Minato-ku	9.51	9.51	9.43	9.93	9.67	9.12	9.43	9.48	9.38	8.98	9.40	9.82	9.86
Shinjuku-ku	9.40	9.34	9.62	9.71	9.59	10.78	10.44	9.89	9.58	9.49	9.31	9.38	10.00
Shibuya-ku	9.59	10.06	9.78	8.88	9.17	8.94	8.70	9.12	8.34	8.56	8.86	8.47	8.00

Average Rents in the Tokyo CBD (Yen/tsubo)

	2010.12	2011.1	2	3	4	5	6	7	8	9	10	11	12
Average	17,585	17,548	17,512	17,495	17,419	17,400	17,292	17,225	17,136	17,056	17,011	16,973	16,932
New	22,739	22,440	23,365	23,522	23,578	23,523	23,285	23,285	22,750	22,789	22,331	22,368	22,473
Existing	17,447	17,404	17,334	17,338	17,281	17,248	17,140	17,068	16,995	16,918	16,882	16,841	16,799

Average Rents in the Five Central Wards of Tokyo (Yen/tsubo)

	2010.12	2011.1	2	3	4	5	6	7	8	9	10	11	12
CBD	17,585	17,548	17,512	17,495	17,419	17,400	17,292	17,225	17,136	17,056	17,011	16,973	16,932
Chiyoda-ku	18,688	18,574	18,483	18,695	18,612	18,642	18,601	18,490	18,371	18,202	18,193	18,212	18,196
Chuo-ku	17,077	16,983	16,958	16,820	16,799	16,658	16,522	16,455	16,357	16,286	16,295	16,303	16,222
Minato-ku	18,111	18,175	18,222	18,118	17,974	18,023	17,873	17,876	17,909	17,901	17,811	17,769	17,718
Shinjuku-ku	15,196	15,149	14,970	15,068	14,976	14,941	14,961	14,870	14,540	14,515	14,464	14,407	14,343
Shibuya-ku	18,417	18,281	18,231	18,152	17,994	18,059	17,873	17,861	17,860	17,702	17,582	17,532	17,476

Tokyo CBD Data

Vacant Floor Space in the Tokyo CBD

(tsubo)

	2005.12	2006.12	2007.12	2008.12	2009.12	2010.12	2011.12
New	4,320	9,761	8,932	26,330	31,890	16,351	31,088
Existing	269,139	178,791	167,088	289,409	518,415	589,377	588,286
Total	273,459	188,552	176,020	315,739	550,305	605,728	619,374

Annual Amount of Vacant Office Space in Newly Constructed Buildings in the Tokyo CBD

Upper Table: tsubo (total floor space)

Lower Table: number of buildings

	2006	2007	2008	2009	2010	2011	2012
Chiyoda-ku	96,576 11	257,919 14	59,376 11	191,929 13	76,184 14	83,346 10	230,177 11
Chuo-ku	15,589 3	23,144 6	36,642 13	34,079 11	59,905 15	38,020 10	33,676 7
Minato-ku	110,795 12	174,478 10	105,339 12	28,253 10	45,818 9	55,601 9	104,183 9
Shinjuku-ku	3,370 2	6,987 2	8,154 2	16,529 4	18,787 6	84,787 3	54,430 2
Shibuya-ku	2,893 1	10,560 3	12,480 6	23,897 9	19,358 3	3,655 2	79,114 3
Total	229,223 29	473,088 35	221,991 44	294,687 47	220,052 47	265,409 34	501,580 32

The figure of 2012 is not final because buildings scheduled to be completed are included.
The figures from 2006 to 2011 come from the number of buildings completed in each year.

Seven Business Districts Data

Average Vacancy Rates

(%)

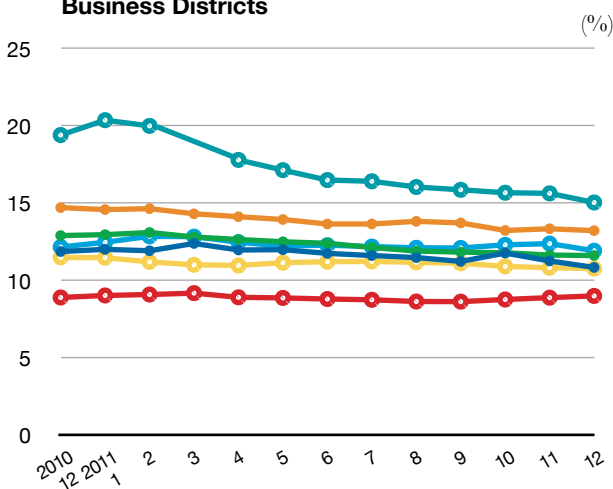
	2010.12	2011.1	2	3	4	5	6	7	8	9	10	11	12
Tokyo	8.91	9.04	9.10	9.19	8.92	8.88	8.81	8.76	8.65	8.64	8.78	8.90	9.01
Osaka	11.88	12.02	11.93	12.40	11.98	12.00	11.76	11.62	11.49	11.24	11.78	11.27	10.85
Nagoya	12.91	12.97	13.11	12.82	12.66	12.51	12.41	12.14	11.91	11.84	11.80	11.65	11.62
Sapporo	11.50	11.48	11.21	11.02	10.98	11.16	11.22	11.24	11.18	11.12	10.92	10.83	10.78
Sendai	19.41	20.37	20.00	-	17.80	17.14	16.50	16.42	16.05	15.87	15.68	15.64	15.05
Yokohama	12.17	12.48	12.86	12.84	12.48	12.24	12.29	12.20	12.12	12.11	12.31	12.39	11.93
Fukuoka	14.72	14.59	14.65	14.32	14.13	13.95	13.66	13.66	13.83	13.73	13.24	13.35	13.23

Average Rents

(Yen/tsubo)

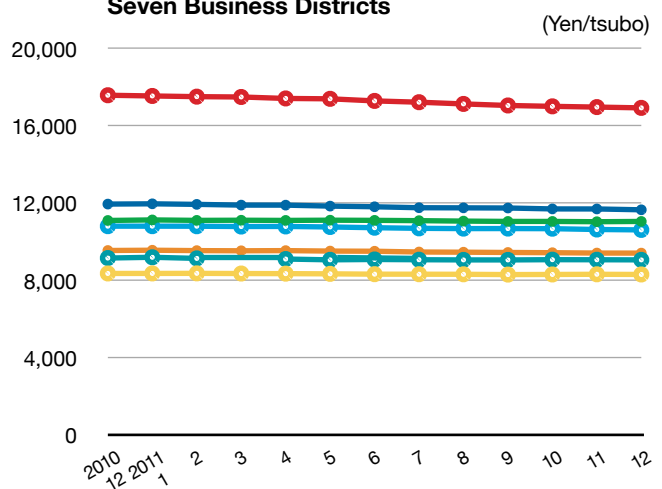
	2010.12	2011.1	2	3	4	5	6	7	8	9	10	11	12
Tokyo	17,585	17,548	17,512	17,495	17,419	17,400	17,292	17,225	17,136	17,056	17,011	16,973	16,932
Osaka	11,957	11,971	11,942	11,904	11,902	11,852	11,818	11,768	11,762	11,754	11,707	11,705	11,661
Nagoya	11,110	11,138	11,115	11,122	11,113	11,124	11,116	11,100	11,077	11,061	11,060	11,045	11,060
Sapporo	8,370	8,371	8,375	8,366	8,360	8,350	8,333	8,331	8,327	8,312	8,318	8,327	8,318
Sendai	9,167	9,206	9,149	-	9,115	9,074	9,092	9,079	9,070	9,069	9,082	9,078	9,072
Yokohama	10,815	10,815	10,812	10,796	10,801	10,773	10,735	10,703	10,689	10,691	10,685	10,643	10,622
Fukuoka	9,557	9,571	9,551	9,542	9,551	9,527	9,519	9,479	9,469	9,455	9,443	9,425	9,422

Average Vacancy Rates in Seven Business Districts



● Tokyo ● Osaka ● Nagoya
● Sapporo ● Sendai ● Yokohama
● Fukuoka

Average Rents in Seven Business Districts



● Tokyo ● Osaka ● Nagoya
● Sapporo ● Sendai ● Yokohama
● Fukuoka

HOW TO READ THE DATA

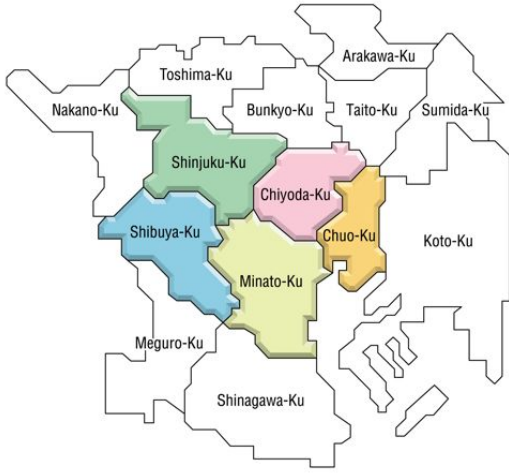
Condition of buildings for lease	An aggregate analysis of the following information regarding buildings in Tokyo's central business district (CBD) is performed: the occupancy rate of the buildings; trends in the lease terms and conditions of the buildings; differences in the lease terms and conditions of the buildings according to their size and whether they are newly or existing built premises; and the supply conditions of buildings.
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).
Buildings covered in the survey	<p>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.</p> <p>Osaka: Office buildings with a total floor space of 1,000 tsubo (approximately 3,300 square meters) or more.</p> <p>Nagoya: Office buildings with a total floor space of 500 tsubo (approximately 1,650 square meters) or more.</p>
Timing of the survey	At the end of December, 2011.

Classification and number of buildings

Classification		Number of Buildings		
		Tokyo	Osaka	Nagoya
Newly-built buildings	Office buildings for lease completed in 2011.	34	5	3
Existing-built buildings	Office buildings for lease completed before December, 2010.	2,622	833	480
Total		2,656	838	483

Tokyo five central wards

(Wards with greatest concentration of office buildings)



For Further Information

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