

Tokyo, Japan

Tenant's Guide ■ International Markets ■ Third Quarter 2009

Overview

Japanese GDP in the 2nd quarter showed a positive growth for the first time in the last five quarters, as real GDP rose 0.6% q-on-q and 2.3% on an annualized basis.

After the historic victory of the Democratic Party of Japan in the Lower House election on August 30th, the Nikkei 225 monthly average also increased by 5% to JPY10,302.87, compared to June, which shows a clear upswing of the Japanese economy. In the end of September, however, the yen exchange rate rose to 88 yen, and the Nikkei average dropped to below JPY10,000. Employment situations and personal consumption are still in a slump, and there are not enough factors to build a sustainable economic recovery. In the rental office market, the vacancy rate decreased by 0.5% for class A buildings and 0.1% for class B buildings from the previous quarter, which shows signs of improvement.

In this period, as it is shown in the asking rent declining by 3.7% for class A buildings and 2.5% for class B buildings, rents for good buildings in a central area had been adjusted to the market. Companies started to appreciate this situation and large scale relocations have been taking place by some companies such as Fast Retailing, which is well known for its UNIQLO brand.

Market Trends

- Class A buildings in Tokyo central 3 ward have reconsidered the rent conditions, and the vacancy rate is back on the recovery track.
- While the advantage of the central 3 ward is remarkable, the rent decrease of other areas or lower-grade buildings in the area seems to have not hit the bottom yet.
- Increasing concern for facility cost reduction caused moving and downsizing of offices, and this trend is likely to be continued through the 4th quarter.

Tenant's Perspective

An advantageous situation for tenants continues. Owners are giving priority to decreasing vacancy rates and looking to secure tenancy making it easy to haggle for lower asking rents. For negotiation, one of the effective measures is to have more choices including other properties.

Also, arranging a longer lease period would be considerable to avoid a risk of rent increase during the economic recovery, which could possibly happen at the renewal time even though the rent is now on

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Fast Retailing Co.	14,850	Office	Lease
Jupiter Telecommunications	10,560	Office	Lease
JA Mitsui Leasing	7,600	Office	Lease
IHI Transport Machinery Co.	7,590	Office	Lease
Little eArth Corporation	6,930	Office	Lease

Building	Buyer	Price
NIHONJISHO 1th	Hulic Co.	13,500,000,000
Jitsugyo no Nihon Sha Ginza	Maruito Co.	8,000,000,000
Ichigayatamachi	Chuo University	7,000,000,000

* Size is represented in square meters

Vacancy Rate



Average Rental Rates

CBD	Q2 2009	Q3 2009
Class A Office	JPY 20,418/tsubo	JPY 19,657/tsubo
Class B Office	JPY 15,318/tsubo	JPY 14,930/tsubo

Suburban	Q2 2009	Q3 2009
Class A Office	JPY 14,050/tsubo	JPY 13,800/tsubo
Class B Office	JPY 10,850/tsubo	JPY 10,630/tsubo

* 1US\$=94.7856 Japanese Yen

* 1tsubo=3.3 square meters

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