

MARKET FUNDAMENTALS

	YOY Chg	Outlook
¥150,000 Kyoto Prime Rent	▲	▬
+2.9% Household Income, Real, All households	▲	▬
2.6% Annual Retail Sales Growth (Nominal)	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.0% Real GDP Growth (Annualized, SAAR)	▲	▲
3.0% Core CPI Growth (YOY)	▲	▲
2.4% Unemployment Rate Seasonally Adjusted	▬	▬

ECONOMY: CONSUMER SENTIMENT TURNING MORE CAUTIOUS

Japan's quarterly real GDP is projected to grow by 1.0% y-o-y in Q4 2024¹. Core CPI remained elevated at 3.0% y-o-y, but lower than its peak of 3.5% y-o-y in January 2023. Nominal wages rose 3% annually, supported by anticipated wage increases of 4% in H2 2025. Wage gains are concentrated among younger workers, with 40.9% of those under 30 reporting expected salary increases in the latest Consumer Demand Index. However, even if real wages turn positive, cumulative wage growth since 2020 will reach only 0.4%, far below the 9.8% increase in inflation. Additionally, elderly consumers accounting for 35%² of total consumption remains a growing concern. Overall consumer sentiment remains cautious, with more than 50% of consumers anticipating that prices will rise more than 5% in the next 12 months³. Elsewhere, inbound tourist spending per capita in Q4 2024 hit a record JPY227K, 40% higher than in Q4 2019, with total annual spending to reach JPY8.1 trillion, 70% higher than in 2019⁴. However, growing capacity limitations, including restricted flight availability, is likely to cap further growth ahead.

SUPPLY OR DEMAND: LOWER VACANCY IN URBAN RETAIL

Nominal retail sales rose 2.6% y-o-y in Q4 2024, lagging behind the 3.0% core CPI growth. By sales channel, only drugstores saw real growth at +6.7% y-o-y. Stagnant growth was evident across other channels, including convenience stores at +1.0% y-o-y and home centers at +1.1% y-o-y.

Retail vacancy rates continue to decline, with urban vacancies dropping from a peak of 12% to below 3%. Stronger urban foot traffic is supporting occupancy levels, reducing vacancy rates in Omotesando and Ginza to less than 1%.

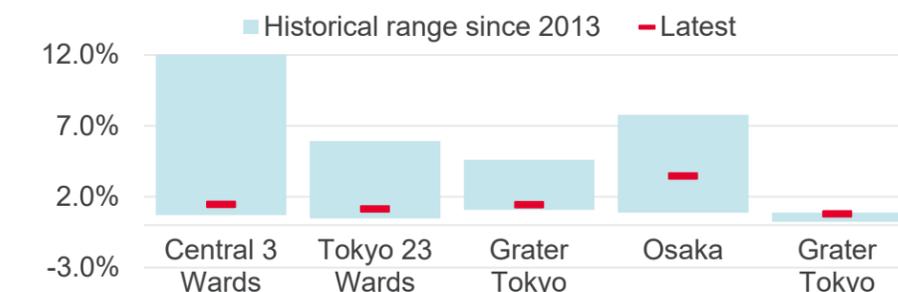
New supply remains robust, led by large-scale mixed-use facilities. Nagasaki Stadium City (GFA: 194K sq m) opened in October 2024, with a 20,000-seat soccer stadium, 80 retail stores, a 243-room hotel, and office space. Elsewhere, Mitsui Fudosan is scheduled to open BASEGATE Yokohama Kannai, in the spring of 2026. The facility will include 34 restaurants, office space, and entertainment facilities, with a hotel to be managed by Hoshino Resort.

RENT / VACANCY RATE, GREATER TOKYO AREA



Source: ARES

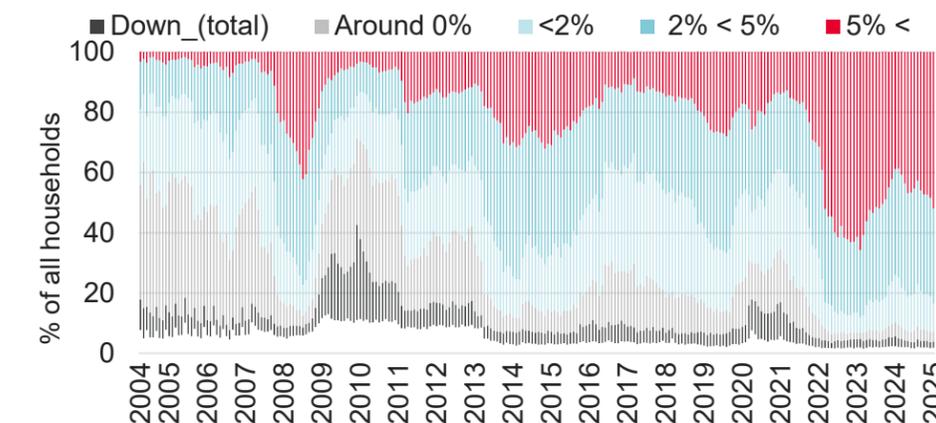
HISTORICAL VACANCY RATE BY ASSET TYPE/AREA*



*Latest as of December 2023

Source: ARES

CONSUMER TREND SURVEY (PRICE OUTLOOK, ALL HOUSEHOLDS, SINCE APR. 2004)



Source: Cabinet Office

Source: MIC, METI

1. Median of forecasted figures from institutions including Moody's Analytics.

2. MIC

3. Figures for all households in the Cabinet Office's 'Consumer Trend Survey

4. Japan Tourism Agency

PRIME RENTS' UPWARD MOMENTUM EXPANDING TO MAJOR REGIONAL CITIES

Luxury brands are continuing to expand store openings beyond Tokyo, driving prime rent increases in major regional cities in Q4 2024. Kyoto Shijo-dori rents rose by 50% y-o-y to JPY150,000 per tsubo, while Sakae recorded an 18% y-o-y increase to ¥130,000 per tsubo.

In Kobe, where prime retail space remains scarce, rents rose 70% y-o-y to ¥170,000 per tsubo, reflecting strong demand and limited availability. Growing demand from drugstores catering to inbound tourists is also accelerating rental growth beyond traditional high streets. Conversely, suburban retail operators face growing profitability pressures, as rising costs sap tenants' capacity to accommodate rent increases, keeping rental levels on a near flat trajectory.

MAJOR RELOCATION/SALES TRENDS: IMPROVED FUNDAMENTALS SUPPORT ACQUISITION APPETITE OF URBAN RETAIL

Retail expansion is concentrating in areas with strong inbound demand, with several global brands securing prime locations in Q4. UNIQLO reopened its global flagship store at the former BICQLO site in Shinjuku. Nike, ARC'TERYX, lululemon, and other athleisure brands are capitalizing on rising demand among younger consumers, strengthening their presence in key urban districts.

Luxury brands are expanding their presence in Tokyo, Osaka, and Nagoya, with their share of total new store openings rising from 20% in 2022 to 24% in 2024. Athleisure and apparel stores, characterized by large-format layouts, have expand their new-store market share from 48% to 54%, reinforcing the sector's strength. With retail space shortages in Ginza and Omotesando, luxury brands are turning to real estate acquisitions to secure flagship locations, shifting from leasing to direct ownership. High investment activity in Tokyo's three central wards pushed up transaction values 53.7% y-o-y, marking the strongest sales volume since Q3 2015, supported by rising risk appetite among cross-border investors. Following LVMH's acquisition of the Ginza Abercrombie flagship store in May 2023, estimated at more than ¥40 billion, Gaw Capital has announced the acquisition of Tokyu Plaza Ginza, valued at more than ¥150 billion. As urban foot traffic strengthens, vacancy rates tighten, and prime rents climb, new entrants — including luxury brands — continue expanding their investment footprint.

URBAN RETAIL TO BENEFIT FROM IMPROVED FUNDAMENTALS

Median urban prime rental levels are set to gain from improving fundamentals, given stronger foot traffic now exceeding pre-pandemic levels. The ongoing transformation of high-street retail districts will drive further rental pricing corrections to pre-pandemic levels in major regional cities.

URBAN RETAIL ACQUISITION AS A LEASING OPTION

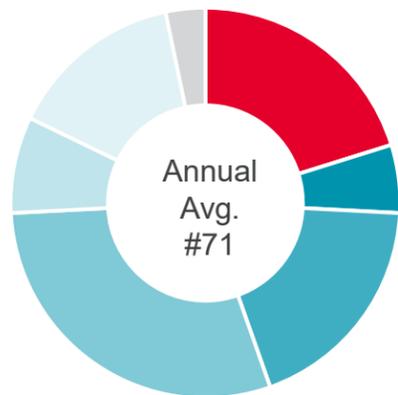
Investment momentum in central Tokyo is strengthening, as luxury brands face an absolute shortage of prime retail locations. With limited leasing opportunities in key retail districts, acquisition demand will remain high, reflecting investors' confidence in urban retail recovery.

LOCATION STRATEGIES WITH LOCATION DATA INITIATIVES

Retail tenants are being encouraged to adopt micro-market analytics, utilizing location data from mobile devices to refine their location strategies. Investors and property owners can also enhance sales efficiencies through data-driven tenant mix optimization, leveraging real-time customer flow analysis for strategic asset management.

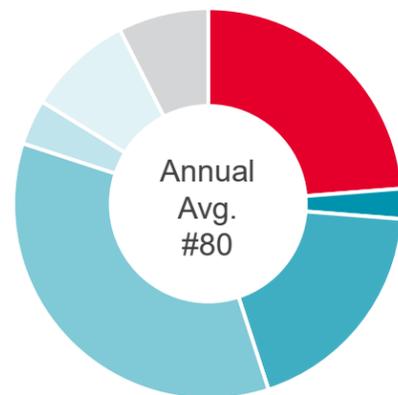
High Street: New Openings # by Tenant Type *

2022-2024: Cumulative



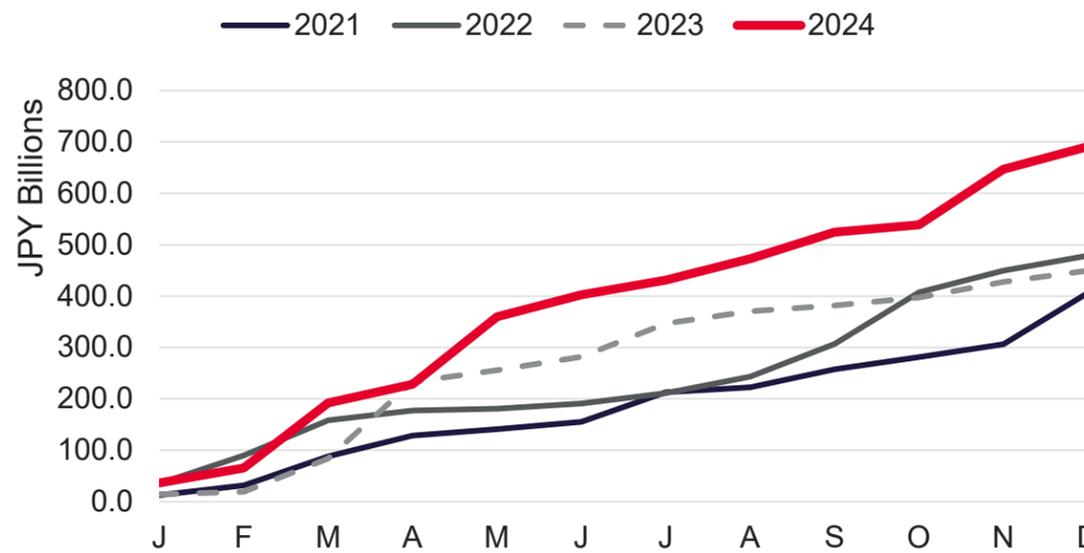
- Luxury
- Fashion AthLeisure / Sport Goods
- Cosmetic

2024



- Accessories
- Fashion Ex. AthLeisure
- Others (retail goods)

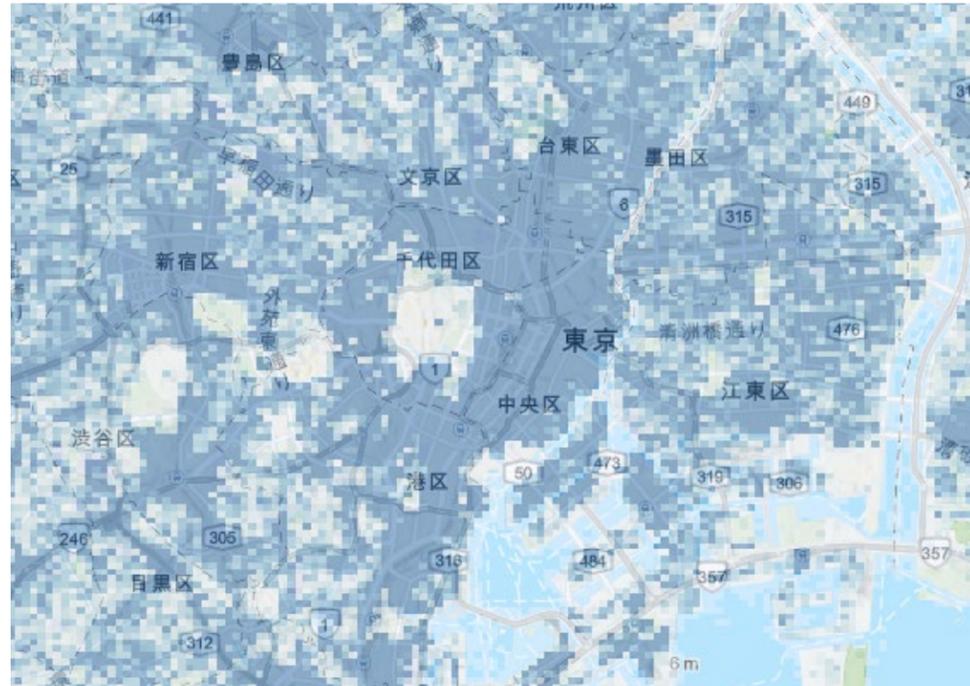
Tokyo C3W: Annual Investment Transaction Volume (Retail-related Assets*)



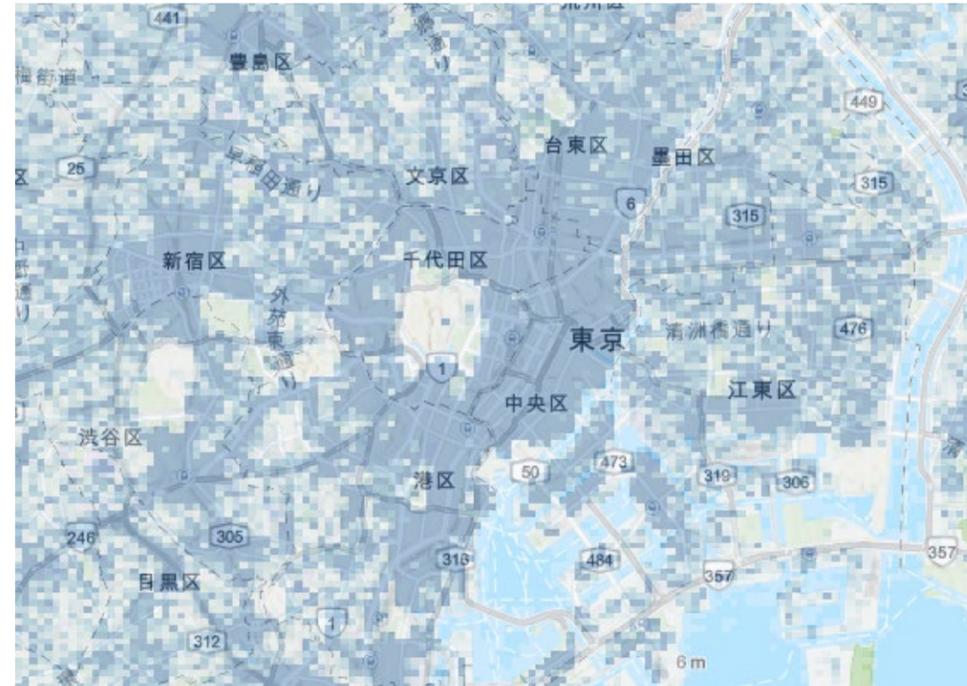
*The number of tenants (with a store area of 10 tsubo or more in principle) by industry within the retail submarkets defined by C&W in Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, Shinjuku-ku in Tokyo, Osaka City, and Nagoya City.

*Stores, hotels, and development sites sold for \$10m or greater in Chiyoda-ku, Chuo-ku, and Minato-ku
Source : RCA

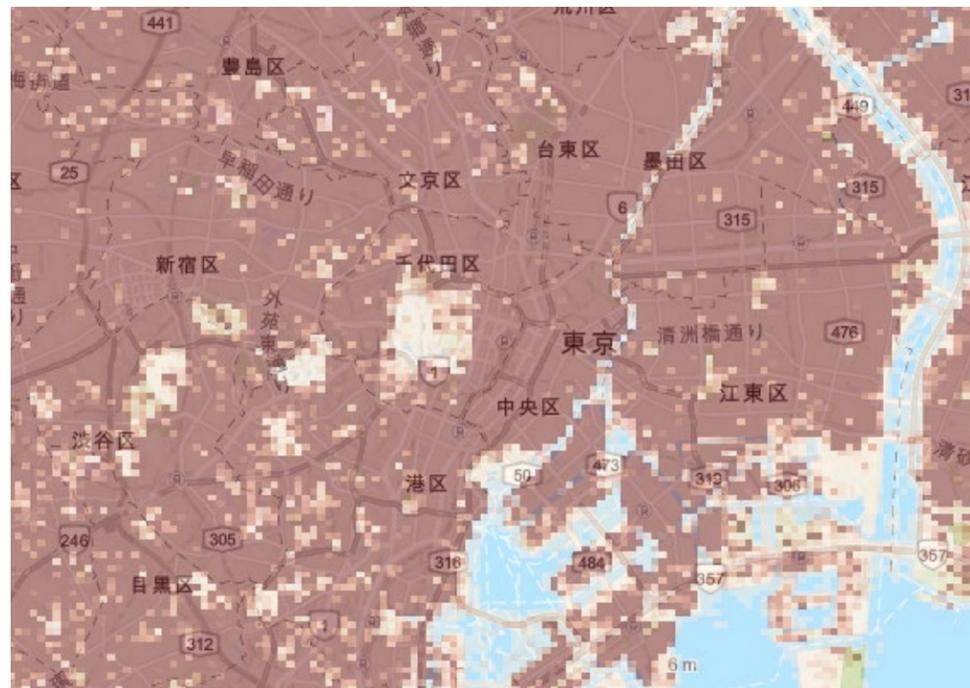
PEOPLE TRAFFIC IN CENTRAL TOKYO IN 1 PM
Weekdays in December 2024



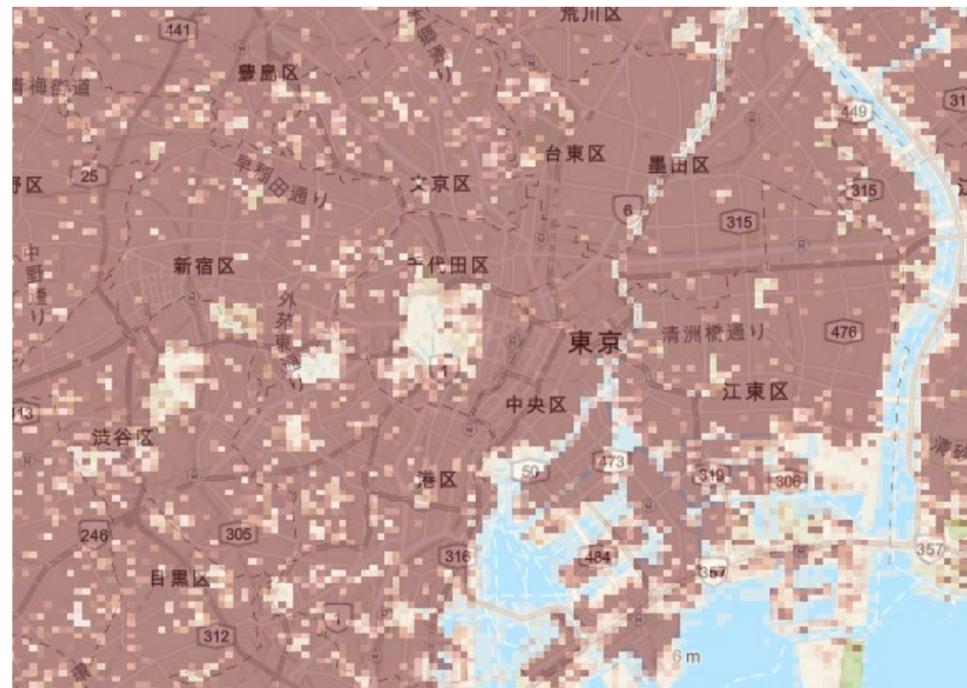
Weekdays in December 2023



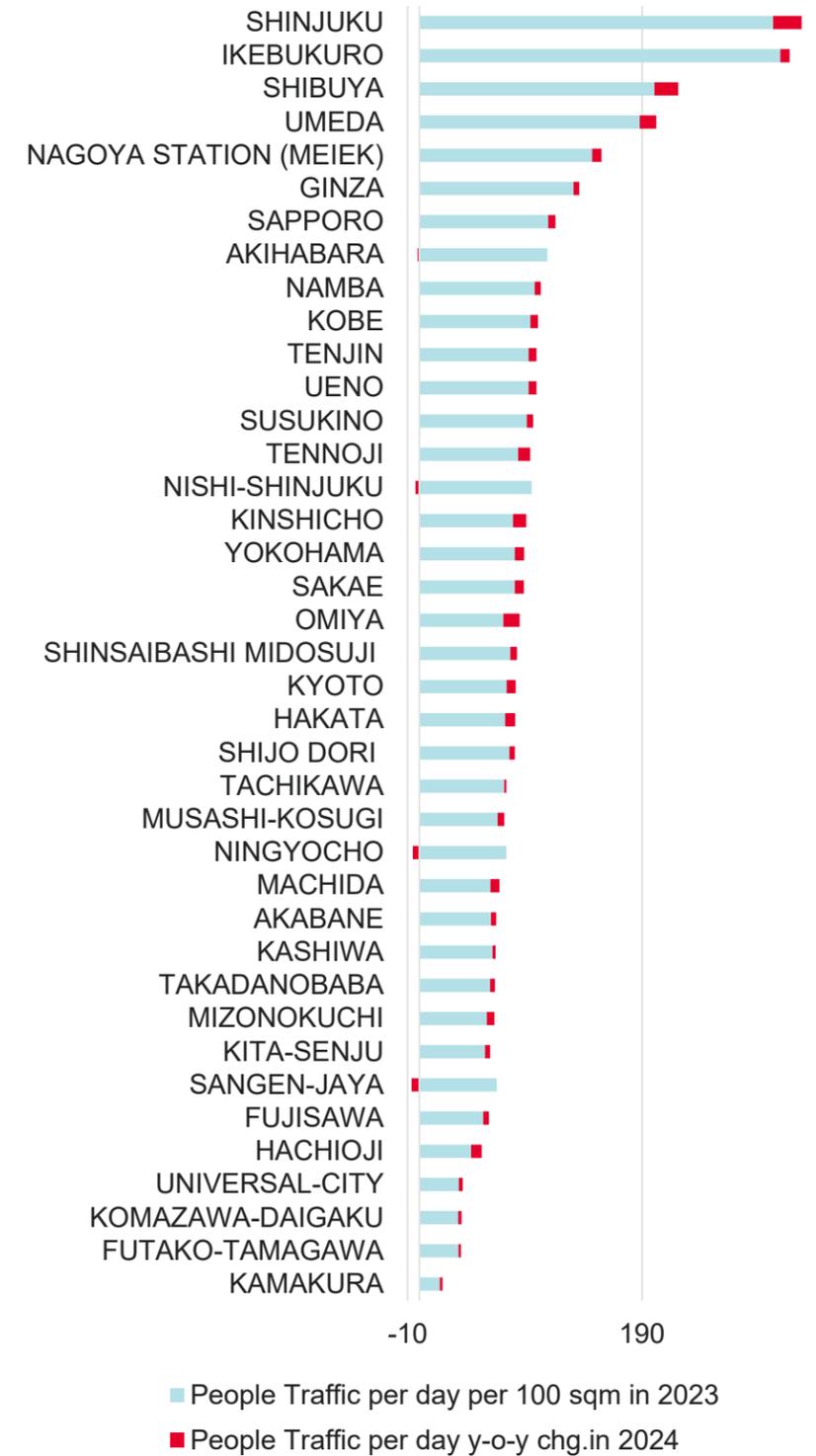
Holidays in December 2024



Holidays in December 2023



PEOPLE TRAFFIC IN MAJOR RETAIL AREAS
(December 2024)



Note: The measurement mesh unit is based on location information obtained through mobile phones in 125-meter units. The data is the latest daily data as of February 2025. Source: KDDI, ESRI Japan

KEY LEASE TRANSACTION

TENANT	PROPERTY	SUBMARKET	RSF (Approx.)
UNIQLO	3-29-1 Shinjuku, Shinjuku-ku	Shinjuku	42,700
NIKE	20-17 Udagawacho, Shibuya-ku	Shibuya	10,995
ALLU	3-1-2 Shinjuku, Shinjuku-ku	Shinjuku	7,650
ARC'TERYX	3-24-2 Shinjuku, Shinjuku-ku	Shibuya	7,366
lululemon	1-23-10 Jinnan, Shibuya-ku	Ginza	7,010
JIL SANDER	3-4-1 Ginza, Chuo-ku	Shinjuku	6,761
ROLEX	5-2-2 Jingumae, Shibuya-ku	Omotesando	5,373
BAPE STORE®	2-6-5 Ginza, Chuo-ku	Ginza	2,206
Dior	6-31-21 Jingumae, Shibuya-ku	Harajuku	-

Source: INFAS Publications, CONDÉ NAST

PRIME RETAIL EFFECTIVE RENT (TIER 1)

FIGURES IN BLUE INDICATE UPWARD REVISIONS FOR Q4

SUBMARKET	TOP JPY/Tsubo /Mo	BOTTOM JPY/Tsubo /Mo	12-Month Forecast		
			TOP	MEDIAN	BOTTOM
Ginza	500,000	250,000	—	▲	—
Harajuku/Omotesando	400,000	150,000	—	▲	—
Shinjuku	300,000	150,000	—	▲	—
Shibuya	250,000	100,000	—	▲	—
Shinsaibashi/Midosuji	350,000	150,000	—	▲	—
Kyoto	150,000	60,000	—	▲	—
Sakae	130,000	45,000	—	▲	—
Tenjin	100,000	50,000	—	▲	—
Sapporo	70,000	40,000	—	▲	—

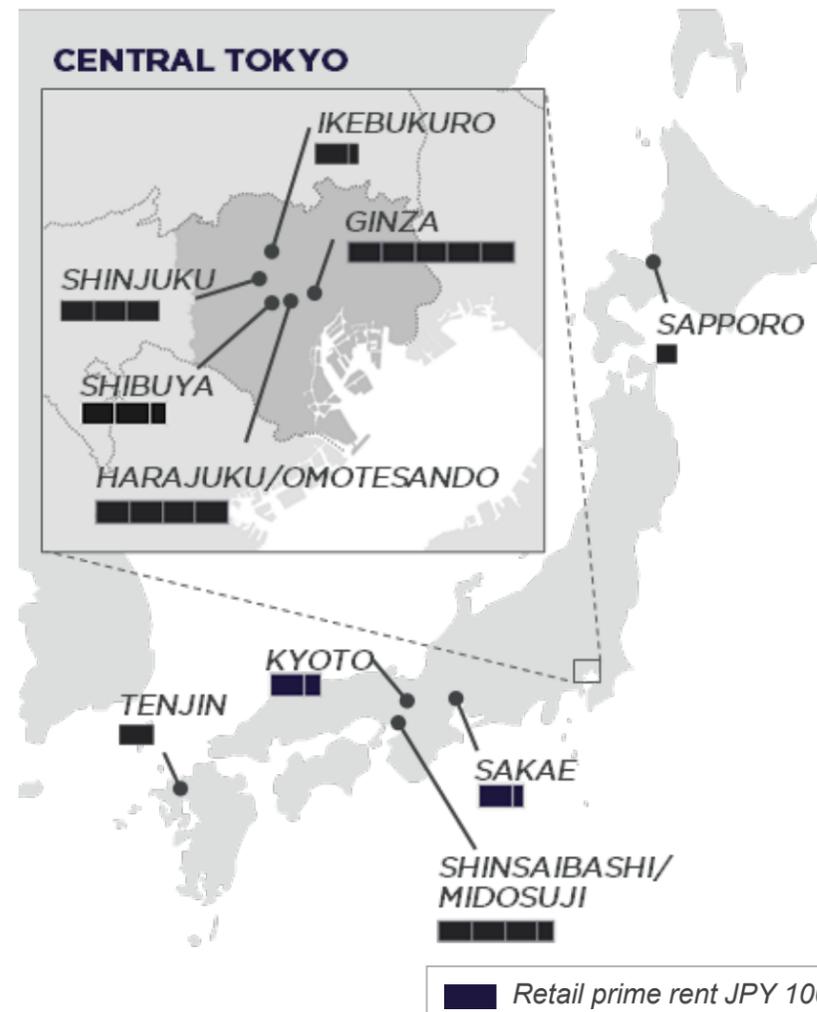
UNIQLO (SHINJUKU)



NIKE (SHIBUYA)



lululemon (SHIBUYA)



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