

14<sup>th</sup> February 2025



# Japan Real Estate Market Quarterly Review

Fourth Quarter 2024

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# Summary

## Macro Economy

- In Q4 2024, Japan's real GDP is expected to increase by 0.3% q-o-q (annualized 1.0% increase), marking the third consecutive quarter of expansion.
- Japan's real GDP is expected to expand by 0.4% in FY2024, 1.1% in FY2025, and 1.2% in FY2026.

## Real Estate Market

- Tokyo office market sees solid demand, boosting rental growth expectations.
- In Tokyo 23-ku, multifamily rents rise over 5% across all unit types, driven by continued urban population influx.
- Retail sector remains resilient as inbound demand supports stable sales.
- Logistics markets in Greater Tokyo sees elevated vacancy rates amid new supply.
- Hotel market strengthens further amid expanding inbound demand.

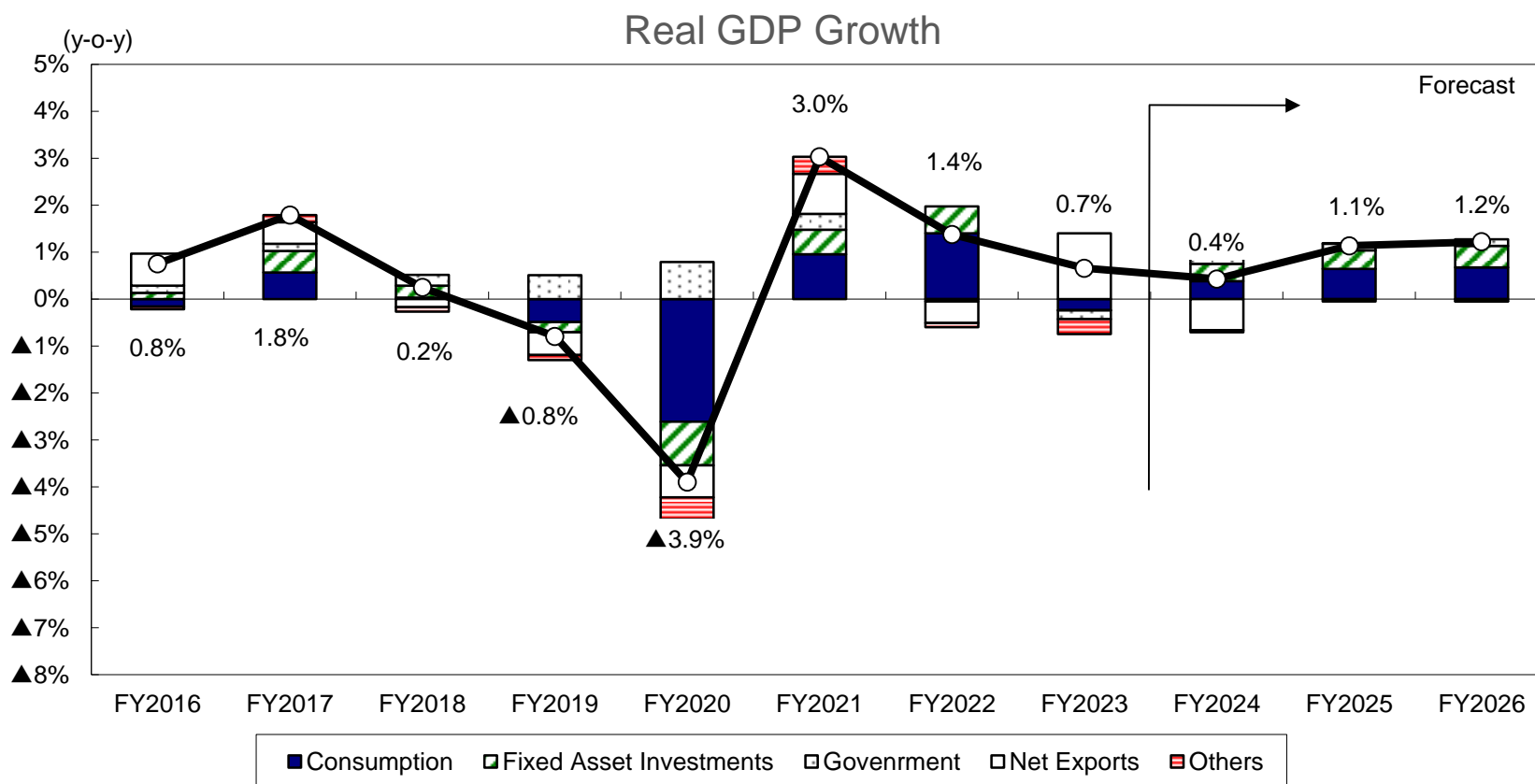
## Capital Market

- J-REIT declines as rising interest rates and foreign investor selling weigh on sentiment.
- J-REITs acquired property assets totaling JPY231 billion in Q4 2024 (+16% y-o-y).

# Japan's Q4 2024 growth driven by capital investment and external demand



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- Japan's real GDP is expected to expand by 0.4% in FY2024, 1.1% in FY2025, and 1.2% in FY2026.



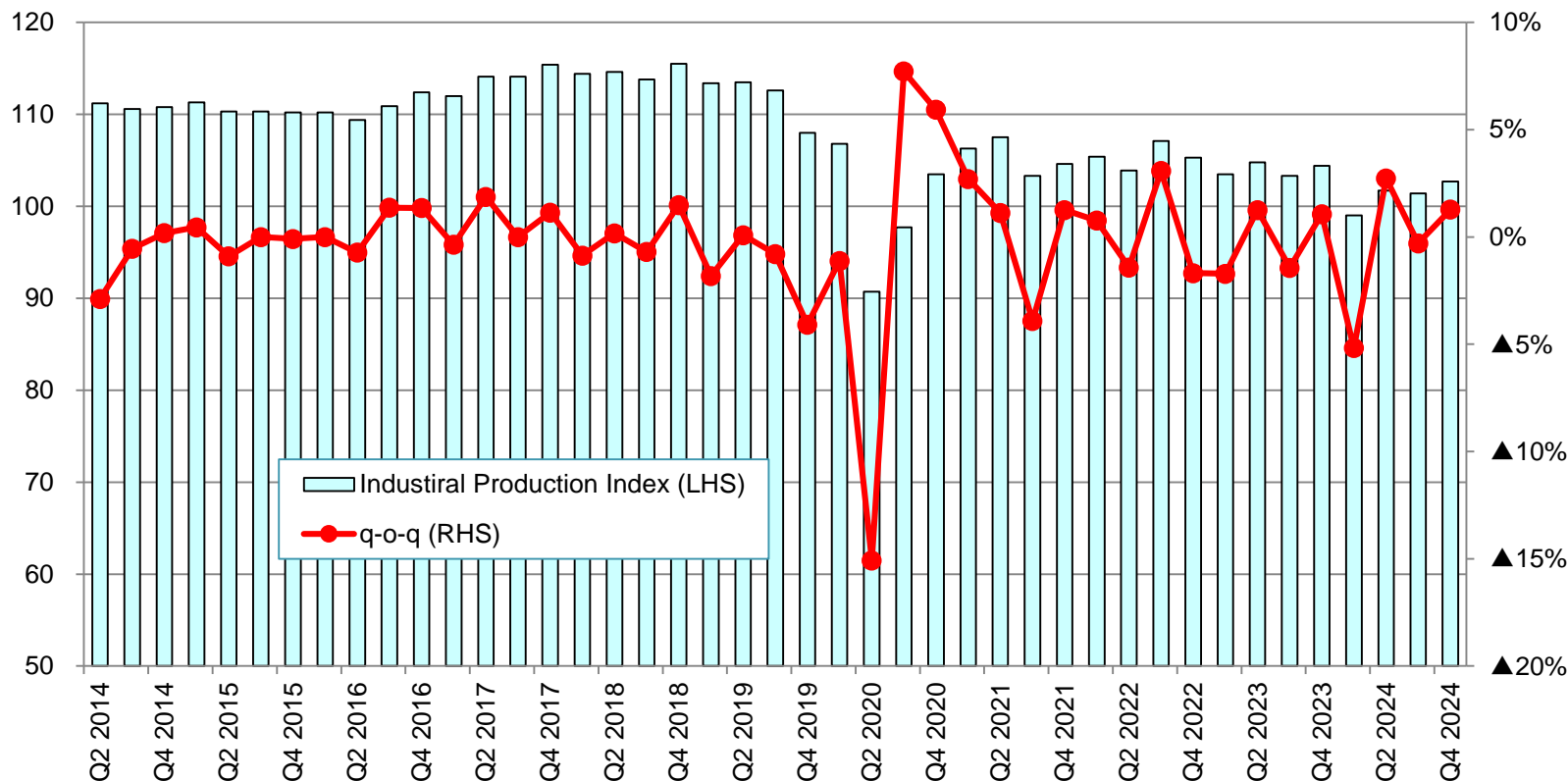
Source: The Economic and Social Research Institute, Cabinet Office, Government of Japan, Taro Saito (2024) "Weekly Economist Letter" NLI Research Institute, September, 2024.

## Industrial production rebounds after two quarters but momentum remains mixed



- Industrial production increased by 1.3% q-o-q in Q4 2024, marking the first increase in two quarters.
- The automotive sector rebounded 3.6% after factory shutdowns, while production machinery surged 12.1%, driven by increase in higher semiconductor manufacturing equipment.

Industrial Production Index



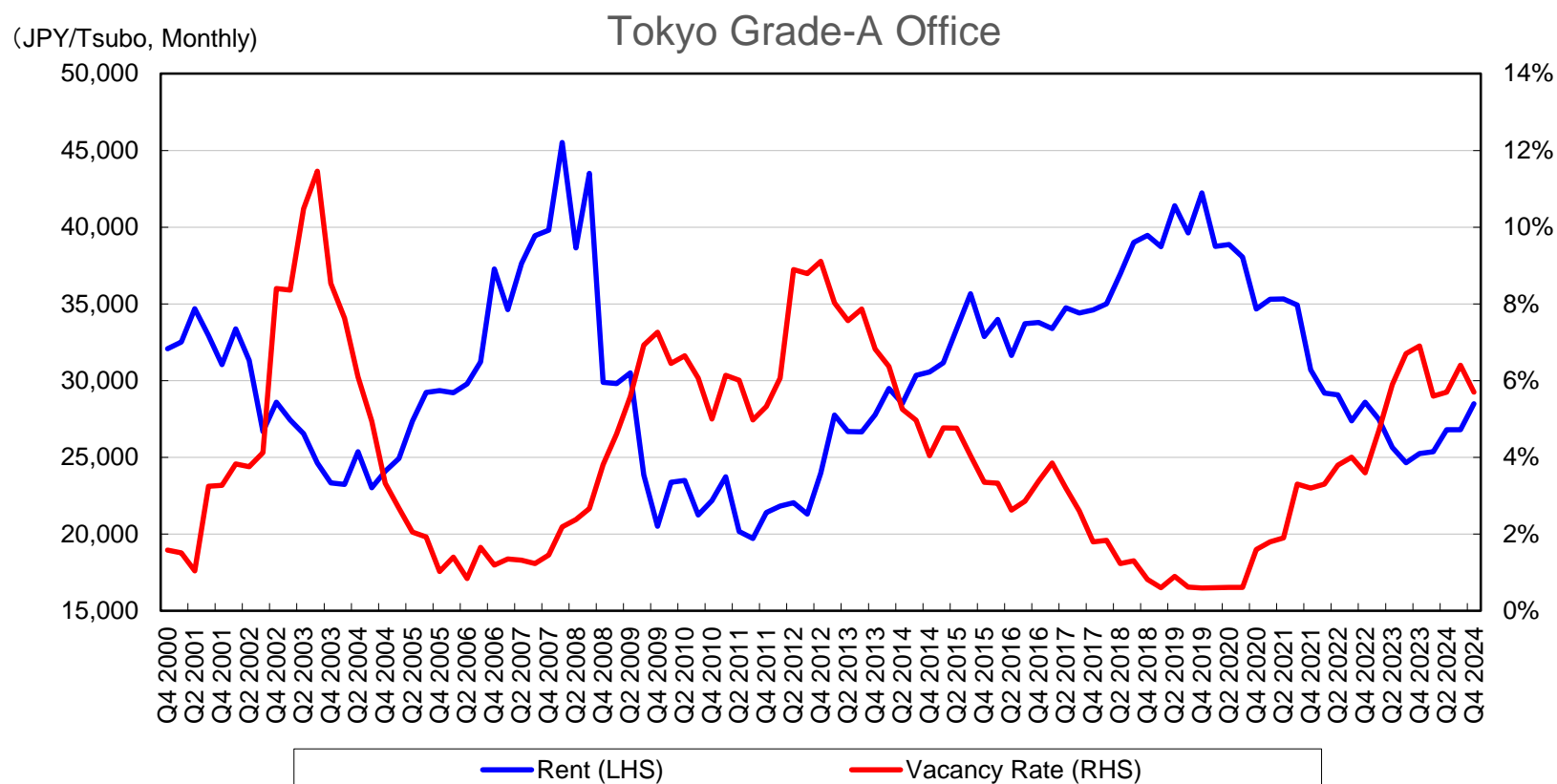
Source: The Ministry of Economy, Trade and Industry

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## Tokyo office market sees solid demand, boosting rental growth expectations



- In Q4 2024, Tokyo grade-A office rents were JPY 28,489 per tsubo, increasing 6.3% from the previous quarter.
- Vacancy rates declined to 5.7% from 6.4 % in the previous quarter.



Tokyo Grade-A Office: Sanko Estate selects high grade buildings individually based on its guidelines such as GFA of more than 33,000 sqm, main floor sizes of more than 990 sqm, building age of 15 years or less and so on.

Source: Sanko Estate (Vacancy Rate), Sanko Estate and NLI Research Institute (Rent)

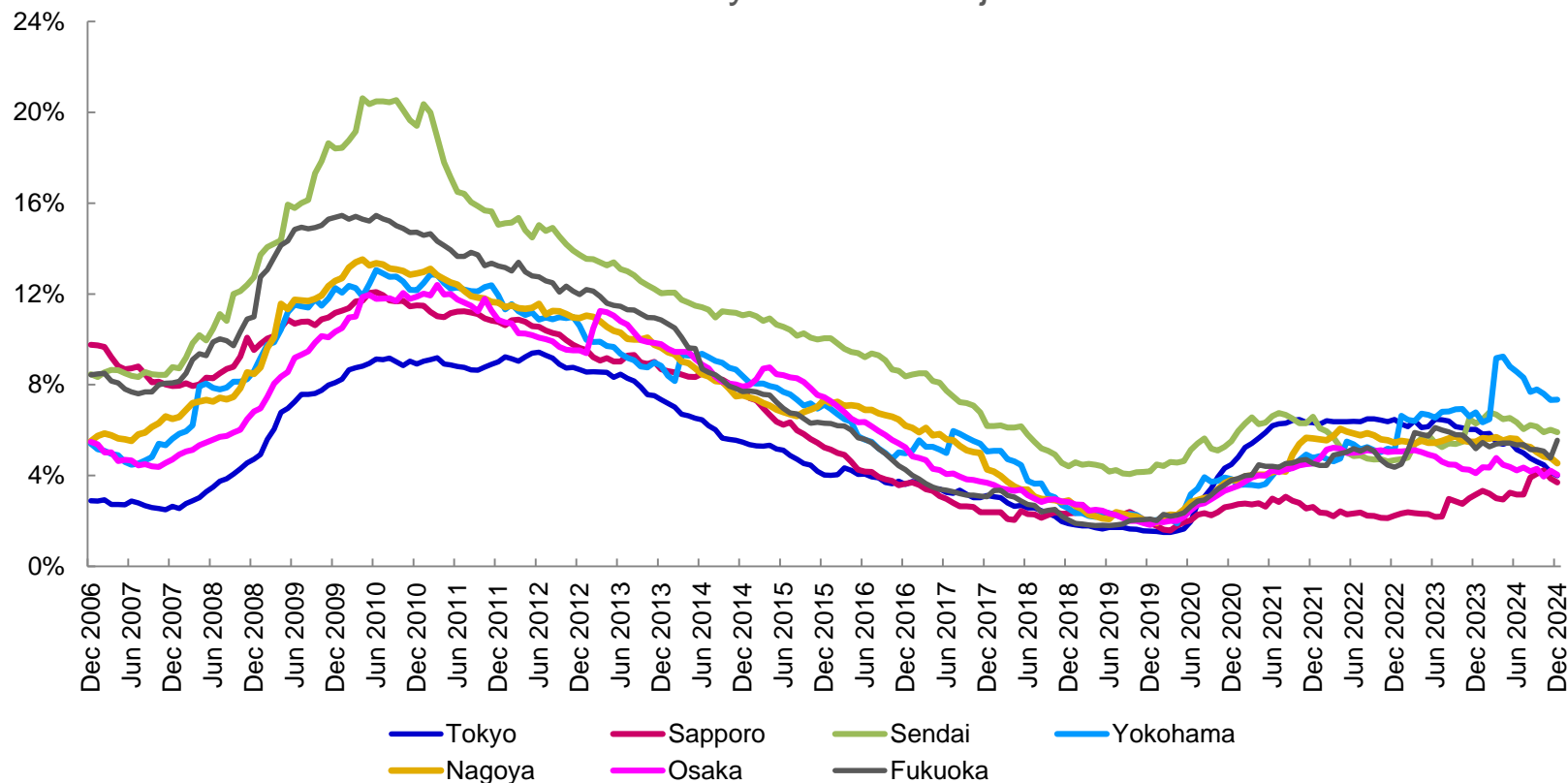
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## Vacancy rates rise or remain high in cities with increased new supply



- In Q4 2024, Vacancy rates in major cities ranked as follows:  
Sapporo (3.7%), Tokyo (4.0%), Osaka (4.0%), Nagoya (4.5%), Fukuoka (5.6%), Sendai (5.9%), and Yokohama (7.3%).

Office Vacancy Rates in Major Cities



Source: Miki Shoji

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## Multifamily

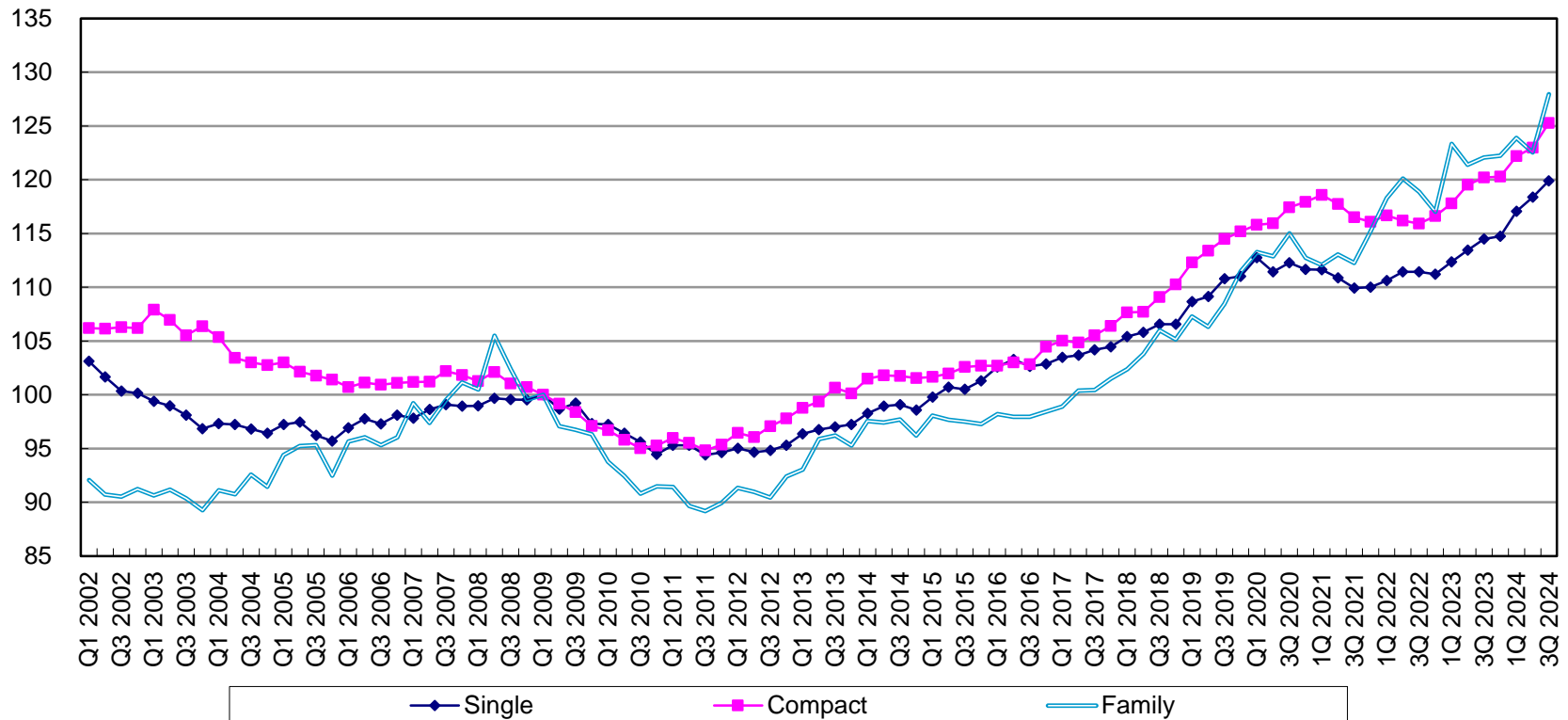
In Tokyo 23-ku, multifamily rents rise over 5% across all unit types, driven by continued urban population influx



- In Q3 2024, multifamily rents of single-, compact- and family-type in Tokyo 23-ku changed by +5.4%, +5.1%, and +5.9% y-o-y, respectively.

### Multifamily Rents in Tokyo 23-ku

(Q1 2009=100)

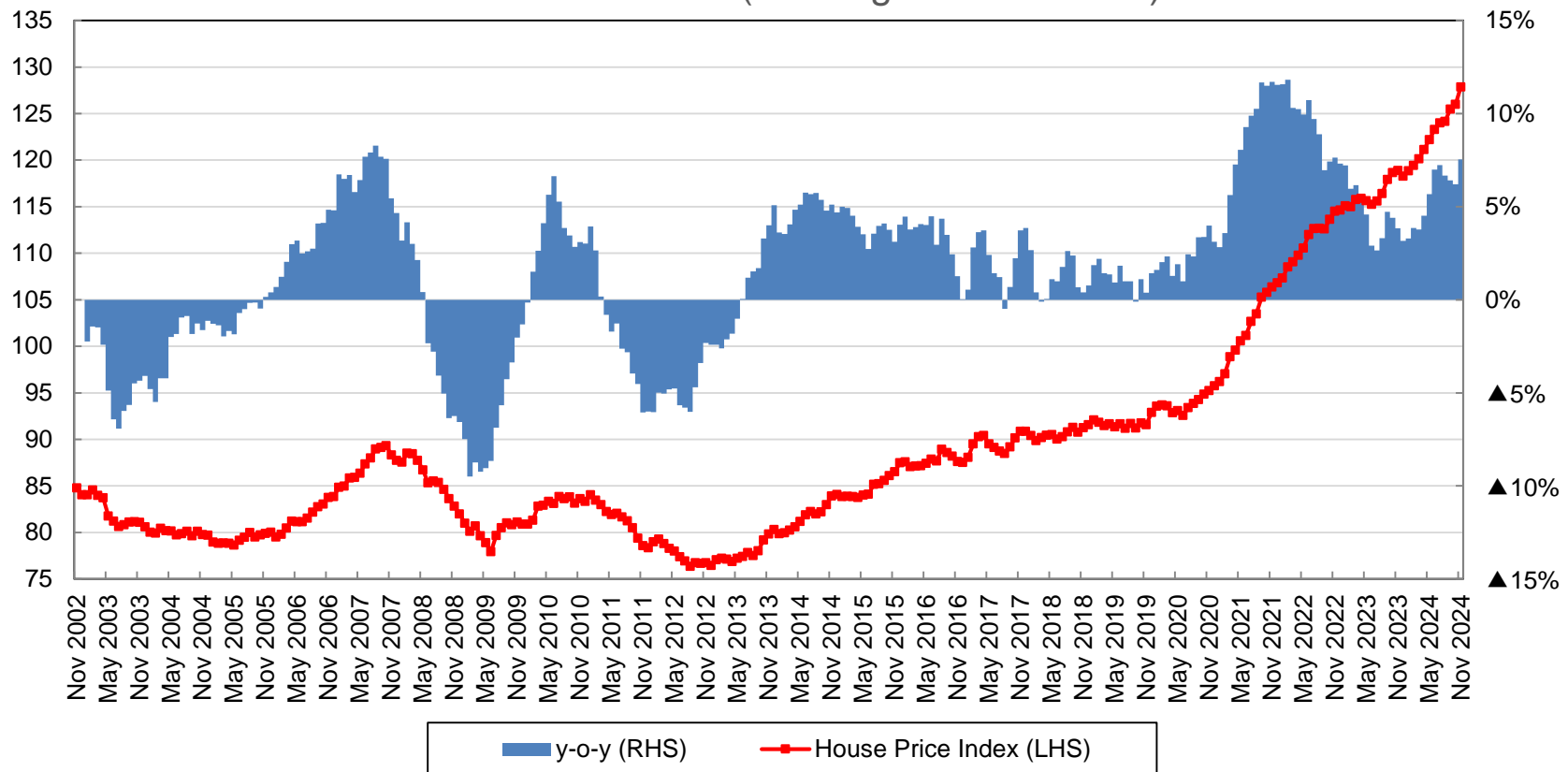


## Housing prices remain strong amidst the BOJ's gradual rate hike trajectory



- In Greater Tokyo, condo price rose by 7.5% y-o-y in November 2024.
- The number of existing condo contracts in Greater Tokyo increased by 3.6% y-o-y in Q4 2024, marking the first increase in two quarters.

Home Price Index (Existing Condominium)





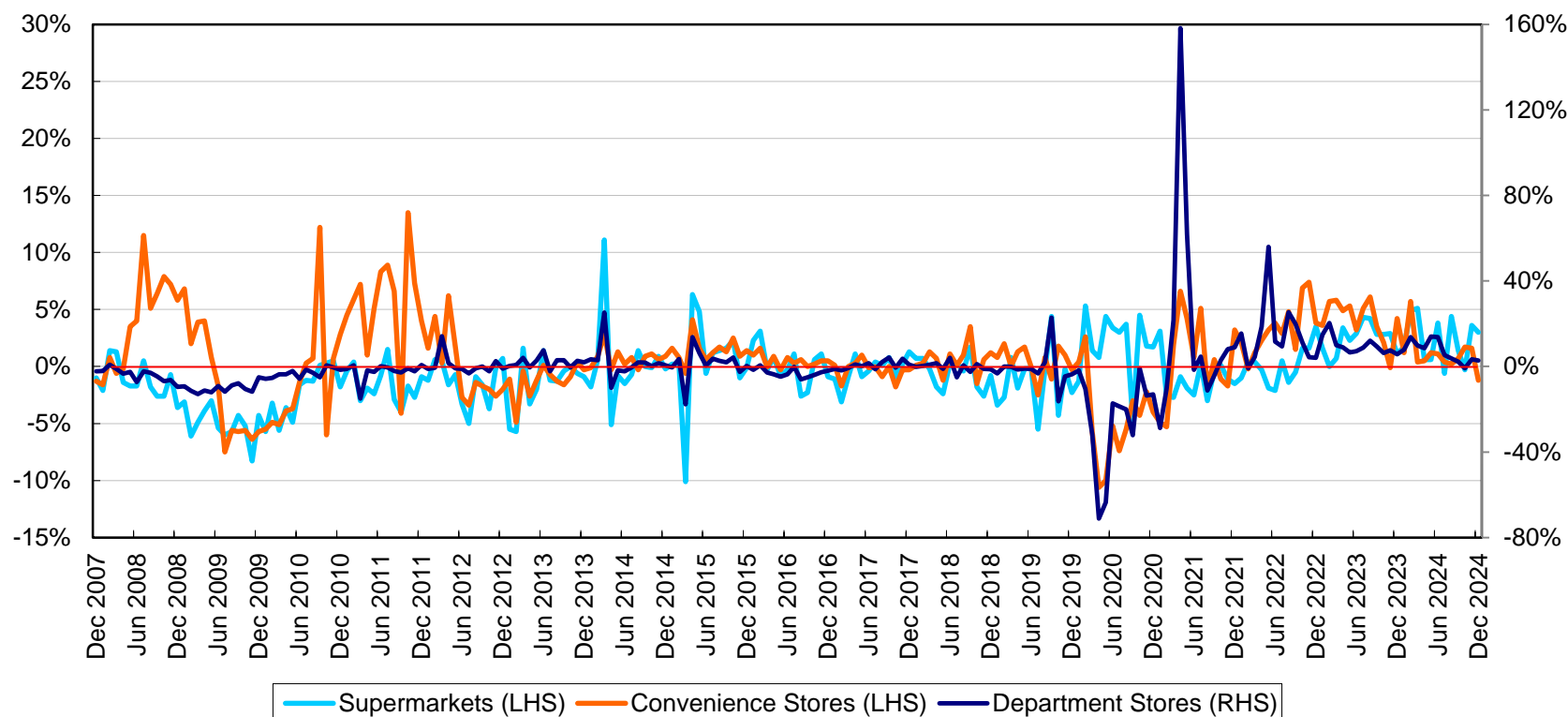
# Retail sector remains resilient as inbound demand supports stable sales



- In Q4 2024, sales increased by 1.9% for department stores, 2.2% for supermarkets, and 0.7% for convenience stores

## Retail Sales Growth

(y-o-y, same store sales growth)



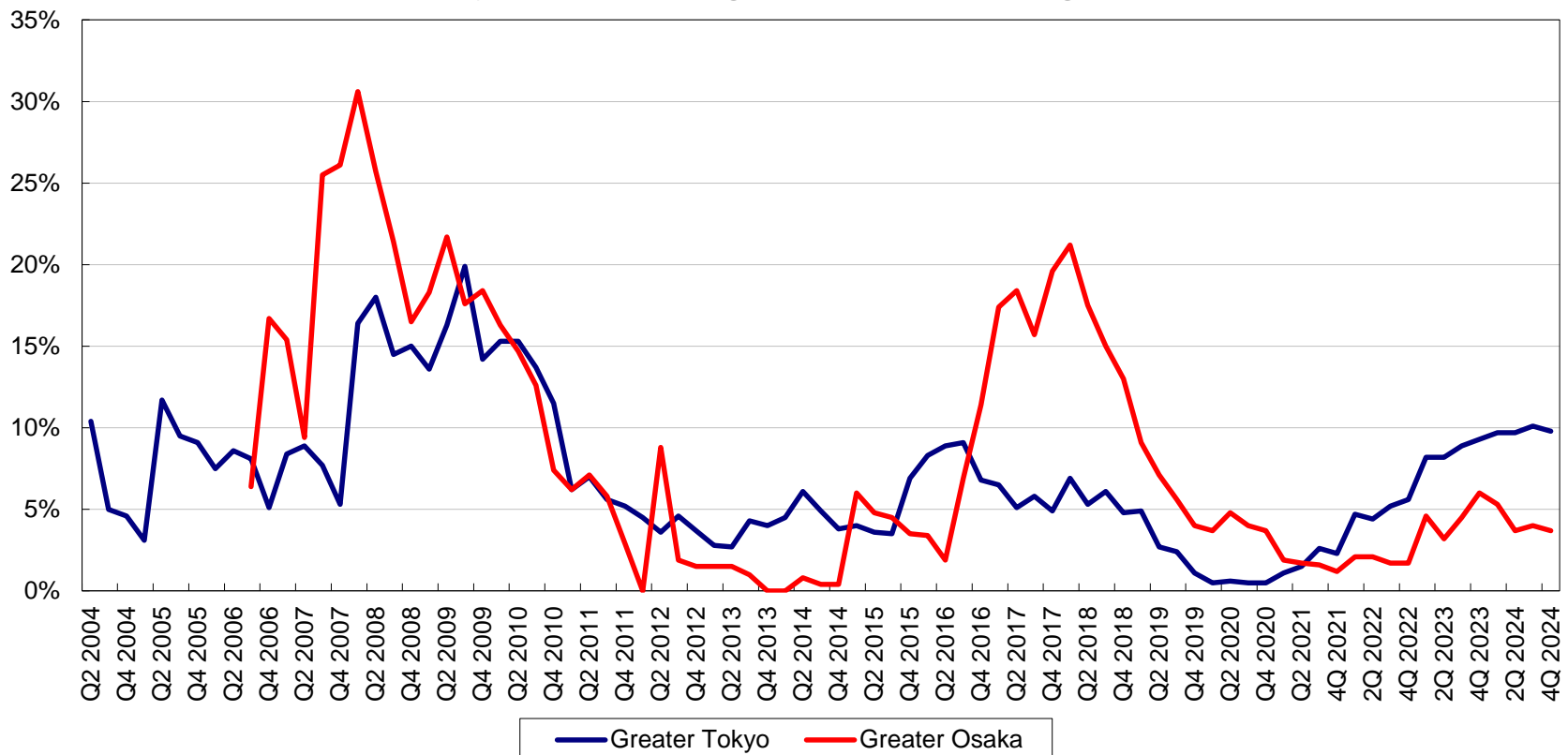
Source: The Ministry of Economy, Trade and Industry

## Logistics markets in Greater Tokyo sees elevated vacancy rates amid new supply



- In Q4 2024, vacancy rates in Greater Tokyo declined to 9.8% from 10.1% in the previous quarter.
- In Greater Osaka, vacancy rates fell to 3.7% from 4.0% in the previous quarter.

Vacancy Rates of Large Multi-Tenant Logistics



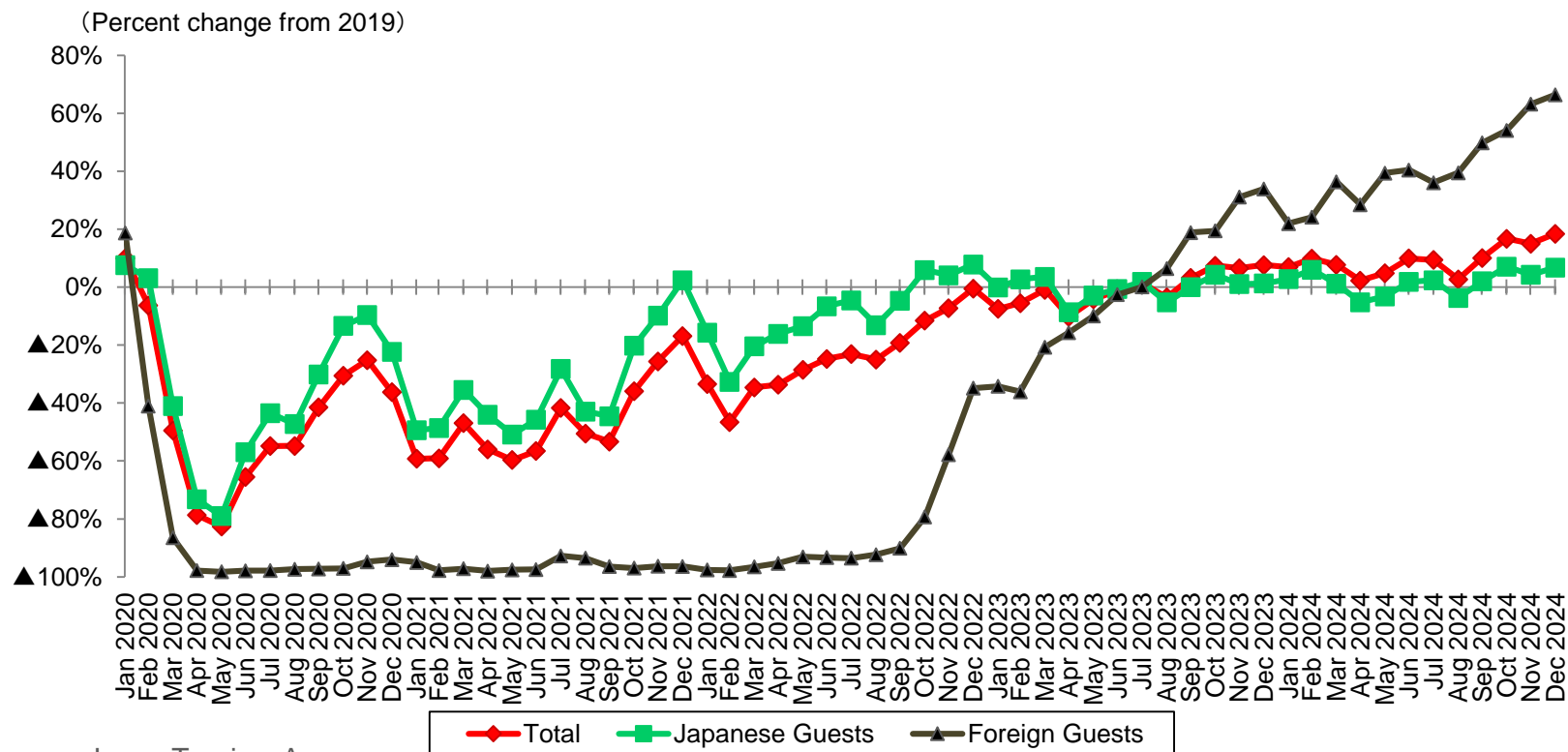
Source: CBRE

## Hotel market strengthens further amid expanding inbound demand



- In Q4 2024, the total number of overnight stays was +17% compared to the same period in 2019, of which Japanese and foreigners increased by 6% and 61%, respectively.
- According to STR, hotel RevPAR was +67% in Tokyo and +60% in Osaka in December 2024 from the corresponding month in 2019.

### Total Numbers of Overnight Stays



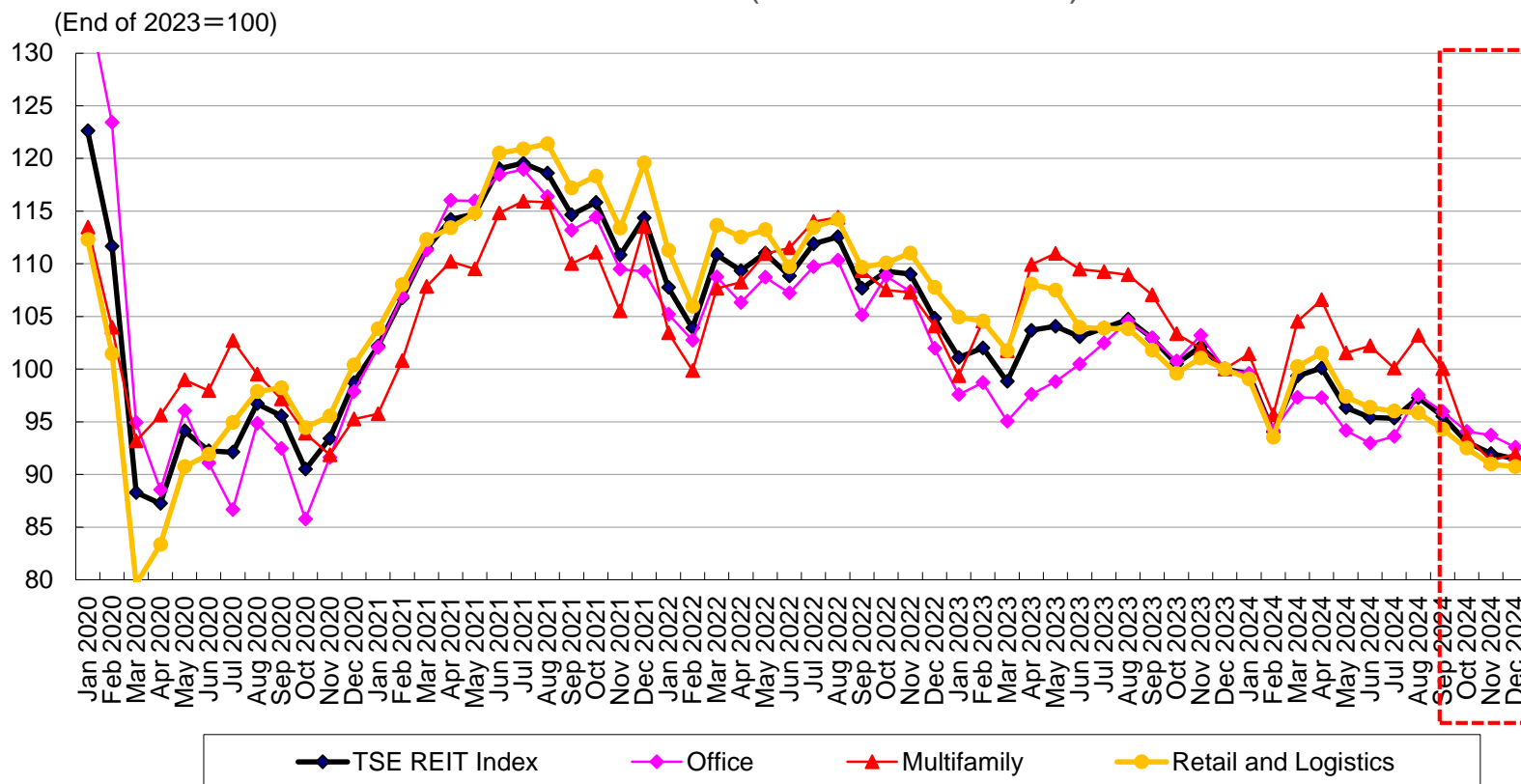
Source: Japan Tourism Agency

## J-REIT declines as rising interest rates and foreign investor selling weigh on sentiment



- J-REIT Index fell 4.2% q-o-q in Q4 2024, trading at a price to NAV ratio of 0.80x, dividend yield at 5.1%, and dividend and JGB spread at 4.0% in December 2024.

J-REIT Index (TSE REIT Index )



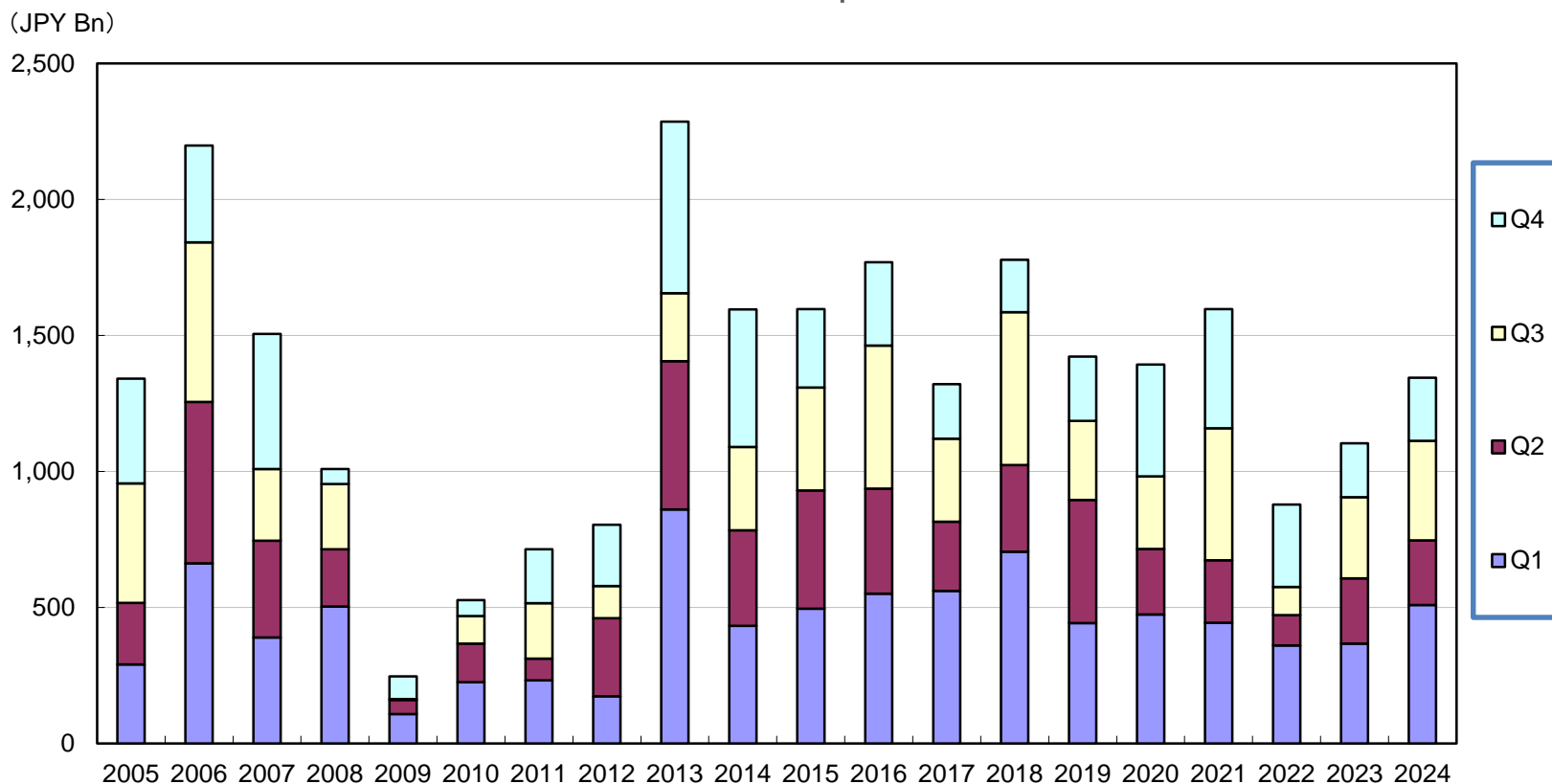
Source: Tokyo Stock Exchange



## The J-REIT property acquisition volume increased, led by the hotel sector, as expectations for growing inbound demand strengthened

- J-REITs acquired property assets totaling JPY231 billion in Q4 2024 (16% increase y-o-y).
- The hotels (26%) led the acquisitions by J-REITs, followed by, multifamily (24%), office (21%), logistics (18%), retail (7%), and others (3%).

### J-REIT Asset Acquisitions



Note: assets of new J-REITs are included at IPO.

Source: Disclosure Documents



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