Quarterly Office Market Report
Tokyo Q1 2025

April 25, 2025

Xymax Research Institute

Summary

- In Q1 2025 (January–March 2025), the office market in the 23 wards of Tokyo (“Tokyo 23 Wards”) saw a decline in the vacancy rate but an increase in new rent compared to the previous quarter.
- The **vacancy rate** was **2.33%**, down 0.44 pts from Q4 2024. The **availability rate,** which includes space for which a cancellation notice has been given and vacant space currently available (i.e., accepting tenant applications), was **3.50%**, down 0.49 pts from Q4 2024. In terms of the **increase and decrease in vacant space**, the decrease outweighed the increase, with the **increase** at **157,000 tsubo** and the **decrease** at **212,000 tsubo**. The **vacancy turnover ratio**, the percentage of vacant space leased to tenants, rose 14.1 pts from Q4 2024 to **50.1%**.
- The **new contract rent index**, the level of new lease rent, was **94**, up 5 pts from Q4 2024. The **contract rent diffusion index (DI)**, the percentage of buildings with higher new lease rent minus that of buildings with lower new lease rent, rose 4 pts from Q4 2024 to **26**, in positive territory for the fourth consecutive quarter.
- The **paying rent index**, which includes new and existing rents, fell 2 pts from Q4 2024 to **99**.
- The **average free rent (months)** among **all lease contracts** and **lease contracts with free rent** was **2.7 months** and **5.1 months**, respectively. The **ratio of free rent of two months or more** was **44.1%**, and that of **six months or more** was **21.6%**.

Vacancy Rate 2.33%, Availability Rate 3.50%

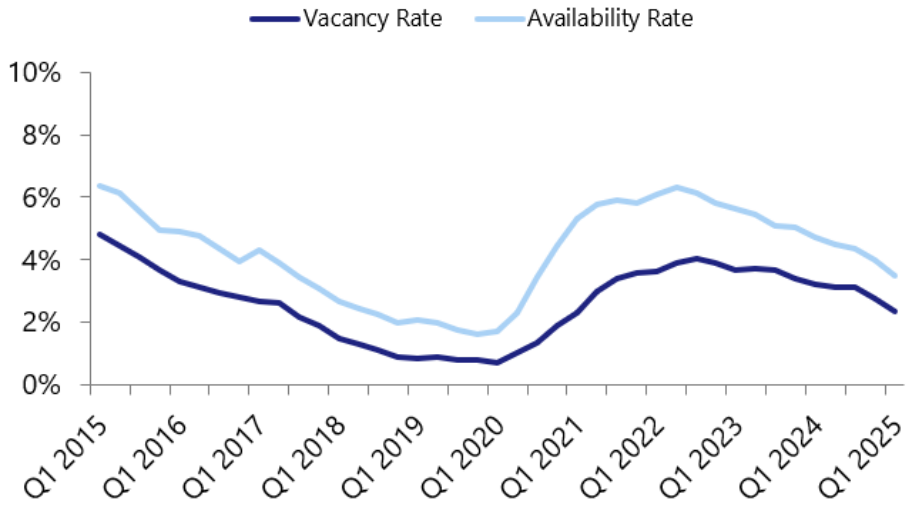
- The vacancy rate **fell 0.44 pts** from Q4 2024 to **2.33%.**
- The availability rate was **3.50%**, **down 0.49 pts** from Q4 2024**.**
- The vacancy rate declined for the seventh consecutive quarter, and the availability rate fell for the eleventh consecutive quarter. On the back of increases in personnel and a reconsideration of the workplace, office demand is on a steady upward trend after a period of recovery.
- With multiple companies showing interest in filling vacancies with favorable conditions, the long-vacant blocks are gradually starting to find tenants.
- Future developments must be monitored closely, since a spread of concerns about a global economic recession due to the impact of U.S. tariff measures could affect office demand.

Vacancy rate: The percentage of vacant space (vacant space that has been vacated and is available for immediate occupancy: currently vacant space) to total rentable area

Availability rate: The percentage of the sum of currently vacant space, space for which a cancellation notice has been given, and space that is accepting tenant applications (before the previous tenant has left) to the total rentable area

Refer to the *Vacant Office Space Monthly Report* for the rates by building size and area.

Figure 1: Vacancy & Availability Rates (All Building Sizes)



	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Vacancy Rate	3.22%	3.13%	3.10%	2.77%	2.33%
Availability Rate	4.73%	4.47%	4.33%	3.99%	3.50%

Vacant Space Increase: 157,000 Tsubo; Decrease: 212,000 Tsubo

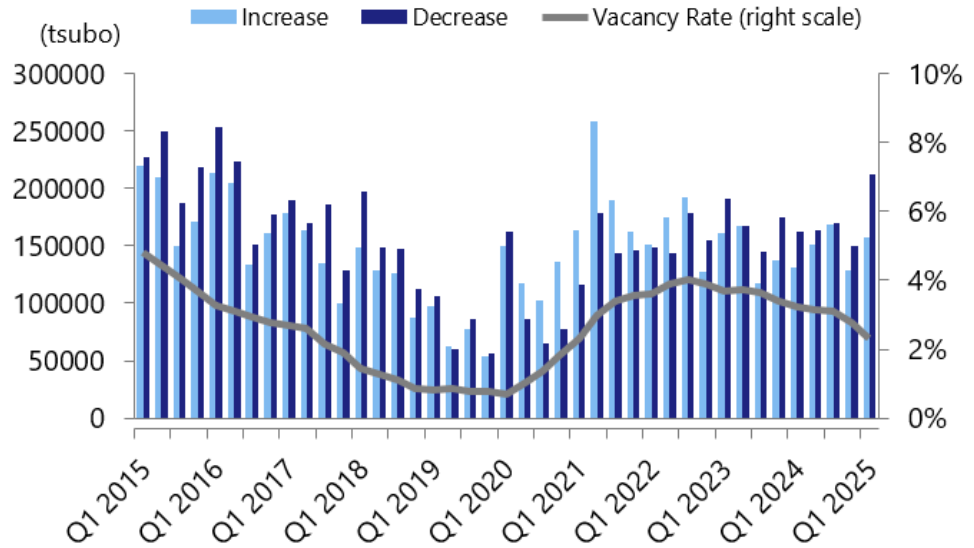
- The **increase in vacant space** was **157,000 tsubo**, **28,000 tsubo more** than in the previous quarter.
- The **decrease in vacant space** was **212,000 tsubo**, **62,000 tsubo more** than in the previous quarter.
- On the back of relatively robust office demand, the decrease in vacant space outweighed the increase for the seventh consecutive quarter.
- The actual numbers of vacancies and occupancies (expansion) are larger than these figures, as some vacancies were filled by other tenants expanding their rented space before coming on the market after the previous tenants decided to move out.

Increase in vacant space: The sum of the following
- Vacant space in existing buildings caused by tenants leaving, etc.
- Total rentable area of new completions

Decrease in vacant space: The sum of the following
- Vacant space in existing buildings no longer available for tenants due to new occupancy, etc.
- Space in new completions where lease is signed prior to the completion

For further details, see *Survey of Increase and Decrease in Vacant Office Space (Tokyo 23 Wards)*, released on January 23, 2017.
https://www.xymax.co.jp/english/research/images/pdf/20170123.pdf

Figure 2: Increase and Decrease in Vacant Space (23 Wards, All Building Sizes)

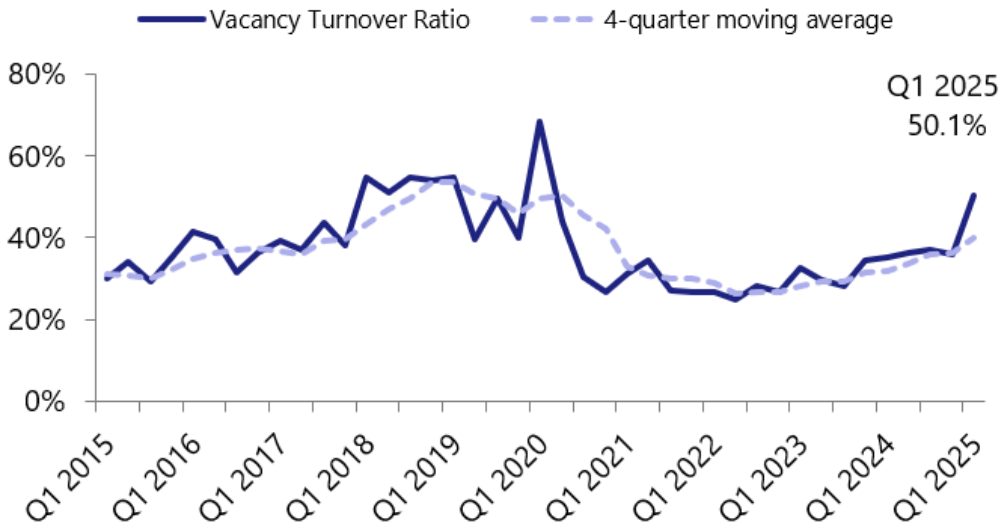


	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Increase	131,000	151,000	168,000	129,000	157,000
Decrease	162,000	163,000	170,000	150,000	212,000
Vacancy (right scale)	3.22%	3.13%	3.10%	2.77%	2.33%

Vacancy Turnover Ratio at 50.1%

- The **vacancy turnover ratio** was **50.1%, up 14.1 pts** from the previous quarter.
- Although the vacancy turnover ratio has remained largely unchanged over the past year, it rose significantly this quarter.
- Due to an increase in office demand, vacancies are increasingly being filled relatively quickly by successor tenants.

Figure 3: Vacancy Turnover Ratio



	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Vacancy Turnover	35.1%	36.1%	37.1%	36.0%	50.1%

Vacancy turnover ratio: The percentage of vacant space leased during the quarter to the total vacant office stock (initial vacancy + vacancy added during the quarter)

New Contract Rent Index at 94

- The **new contract rent index** was **94**, **up 5 pts** from the previous quarter.
- Although the new contract rent index increased this quarter, rent levels have remained around 90 when based on the level in Q1 2020.
- While some buildings in central Tokyo are raising rents when attracting tenants, there has been no clear evidence of rent increases in the bay area and others.

Figure 4: New Contract Rent Index

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
New Contract Rent Index	94	90	92	89	94

New contract rent index: An index for new unit contract rent with property-specific influences removed by adjusting for quality in factors that form rent, including size and age of the building.

Please refer to the following reports for further details.

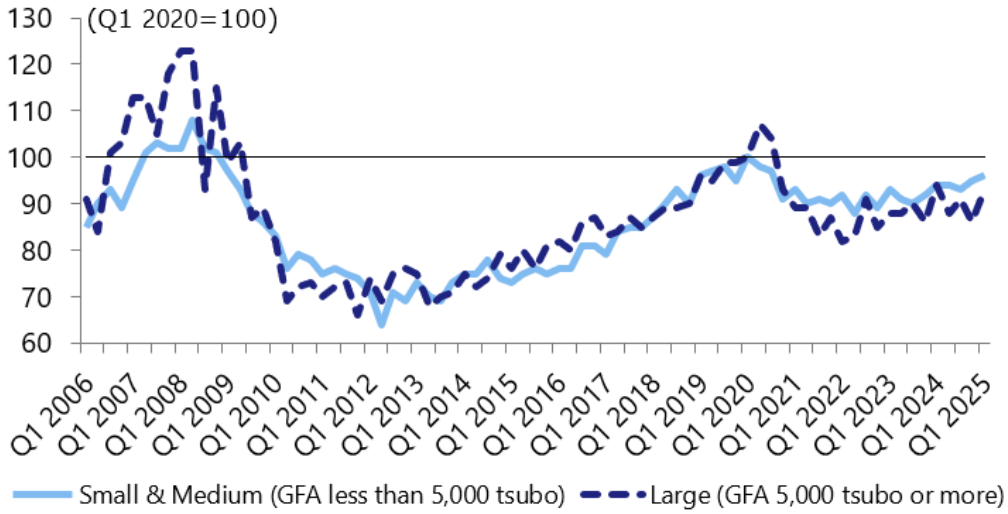
Xymax New Contract Rent Index, released on September 19, 2014
https://www.xymax.co.jp/english/research/images/pdf/20140919-04.pdf

Revised New Contract Rent Index, released on April 19, 2021 (in Japanese only)
https://soken.xymax.co.jp/2021/04/19/2104-new_contract_rent_index_revise2021/

New Contract Rent Index (By Building Size): 93 for Large Buildings, 96 for Small & Medium

- The **new contract rent index (for large buildings with a gross floor area (GFA) of 5,000 tsubo or more) rose 7 pts** from the previous quarter to **93.**
- The **new contract rent index (for small & medium-sized buildings with a GFA of less than 5,000 tsubo) rose 1 pt** from the previous quarter to **96.**
- The index remains around 90 for large buildings and around 95 for small & medium-sized buildings, with Q1 2020 as the base level.

Figure 5: New Contract Rent Index (By Building Size)

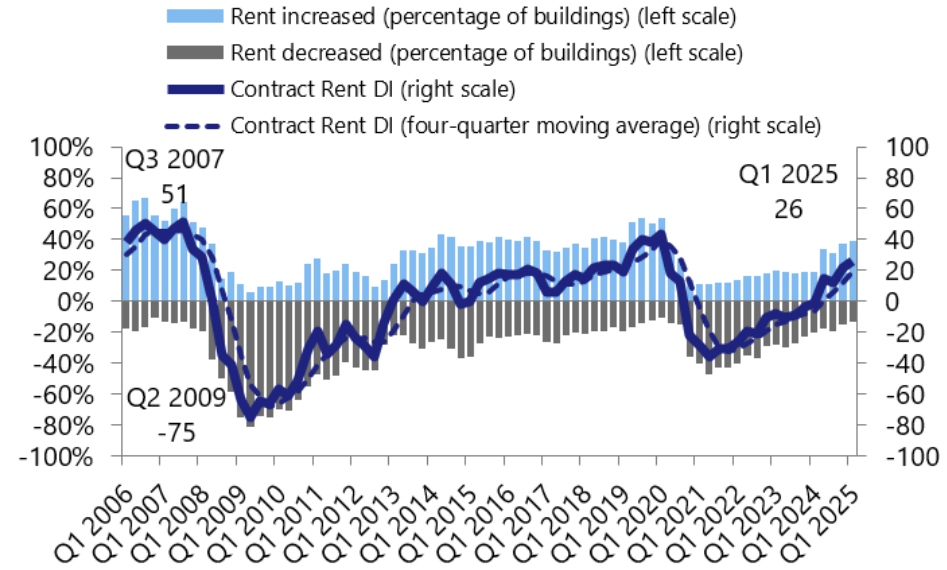


	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Large Buildings	94	88	91	86	93
Small & Medium Buildings	94	94	93	95	96

Contract Rent DI at 26, a Positive DI for the Fourth Consecutive Quarter

- The **contract rent diffusion index (DI)** was **26**, **up 4 pts** from the previous quarter.
- The DI was positive for the fourth consecutive quarter.
- The percentage of buildings with reduced rent is gradually decreasing, while the percentage of buildings with increased rent is gradually increasing. The trend of rent increases is spreading across the market.

Figure 6: Contract Rent DI



	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Contract Rent DI	-1	15	12	22	26

Contract rent DI: An index derived by "the percentage of buildings with a higher new contract rent than six months ago − that of buildings with a lower rent)." It indicates the direction of change in new contract rent.

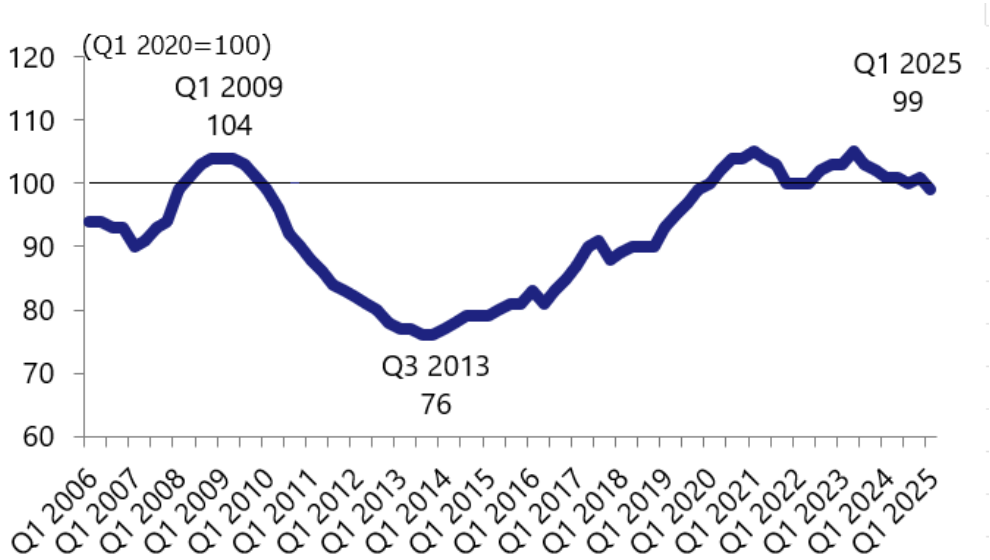
For the DI's relationship with various economic indices, see *Release of Quarterly Contract Rent DI Report*, released on December 11, 2013.
https://www.xymax.co.jp/english/research/images/pdf/131211_News-release.pdf

For the DI's relationship with the new contract rent index, see *Office Market Report Tokyo Q4 2020 TOPIC 1*, released on February 3, 2021.
https://www.xymax.co.jp/english/research/images/pdf/20210203.pdf

Paying Rent Index at 99

- The paying rent index was **99**, **down 2 pts** from the previous quarter.
- The index remains around 100, with Q1 2020 as the base level.
- The future trend in paying rent must be closely monitored, as proposals of rent increases are gradually being made to tenants whose leases are up for renewal.

Figure 7: Paying Rent Index



	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Paying Rent Index	101	101	100	101	99

Paying rent index: A rent index that includes both new and existing lease rents. It lags new contract rent and has less volatility.

For further details, see *Paying Rent Index Is Released*, released on October 15, 2015.
https://www.xymax.co.jp/english/research/images/pdf/20151015.pdf

Average Free Rent of All Lease Contracts: 2.7 Months; Ratio of Free Rent Granted: 52.9%

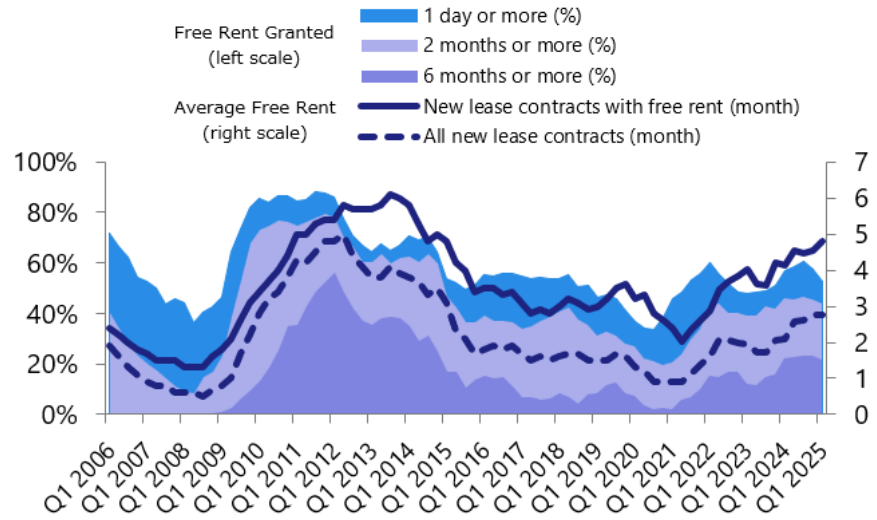
- The **average free rent (months) of all lease contracts** was **2.7 months**, **a decrease of 0.1 months** from the previous quarter.
- The **average free rent (months) of lease contracts with free rent** was **5.1 months**, **an increase of 0.3 months** from the previous quarter.
- The **ratio of free rent granted for 1 day or more** was **52.9%**, **down 4.7 pts** from the previous quarter.
- The **ratio of free rent granted for 2 months or more** was **44.1%**, **down 1.7 pts**.
- The **ratio of free rent granted for 6 months or more** was **21.6%**, **down 1.7 pt**.
- While smaller buildings are increasingly offering little to no free rent, some larger buildings are offering relatively long-term free rent, which affects the average free rent months figures.

Free rent: Calculated from the time lag between the start of a new contract and the start of rent payment for the contract.

Ratio of free rent granted: The percentage of contracts with free rent

Average free rent (months): Average number of months of the free rent period

Figure 8: Free Rent

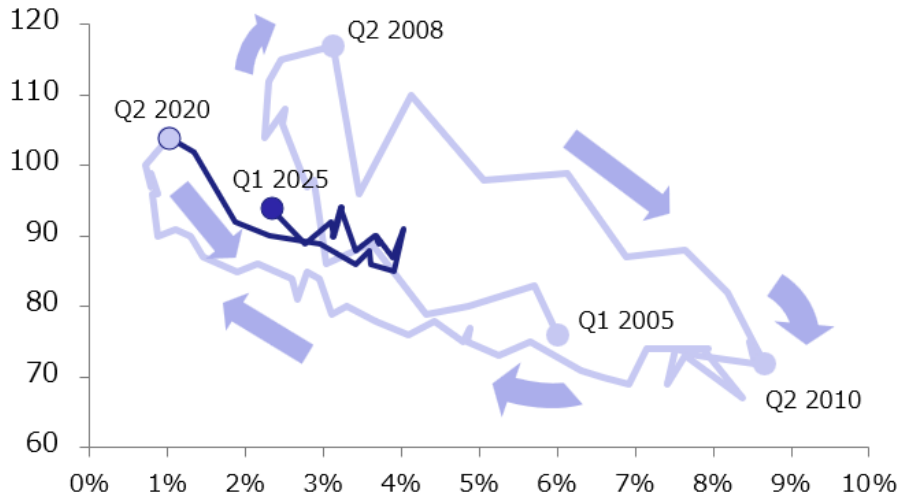


		Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Average Free Rent Months	All	2.6	2.6	2.7	2.8	2.7
	w/ FR	4.5	4.5	4.5	4.8	5.1
Ratio of Free Rent Granted	1 day +	56.7%	58.3%	60.5%	57.6%	52.9%
	2 mon. +	45.9%	45.6%	46.8%	45.8%	44.1%
	6 mon. +	22.1%	22.8%	23.2%	23.3%	21.6%

Market Cycle Moved to Upper Left: Vacancy Rate -0.44 pts, New Contract Rent Index +5 pts

- The market cycle **moved to the upper left** as the **vacancy rate fell 0.44 pts**, and the **new contract rent index rose 5 pts**.
- While the rent level has not changed, the vacancy rate continues to trend downward, suggesting that the market as a whole is improving mildly.
- As the the outlook of the global and Japanese economies becomes increasingly uncertain, future developments must be closely monitored.

Figure 9: Market Cycle



	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Vacancy Rate	3.22%	3.13%	3.10%	2.77%	2.33%
New Contract Rent Index	94	90	92	89	94

Note: The vacancy rate before March 2011 is based on data by a major leasing agent.

Market cycle: The vacancy rate plotted on a quarterly basis on the horizontal scale, and the new contract rent index on the vertical scale. It tends to move to the upper left (vacancy down, rent up) when the office market is booming and to the lower right (vacancy up, rent down) when the market is in a recession.

Major Building Completions and Office Relocations

Major building completions

Name	Floors Above ground/ Below ground	Ward	Address	Completion	Total floor area (tsubo)
THE LINKPILLAR1 (North・South)	30/3	Minato	2-1 Konan	Mar 2025	139,203
BLUE FRONT SHIBAURA	43/3	Minato	1-1-1 Shibaura	Feb 2025	83,188
TORANOMON ALCEA TOWER	38/2	Minato	2-2 Toranomon	Feb 2025	54,647

Source: Compiled by Xymax Research Institute based on information released by companies

Major office relocations

Company	From	To	Timing	Purpose	Size (tsubo)
Japan Pulp & Paper	Forefront Tower *Chuo Ward*	TOFROM YAESU TOWER *Chuo Ward*	2026	Environmental Improvement Consolidation of Multiple Sites	2,178
Skylark HD	Mitaka Dai-3 Office *Musashino City*	Nakano M-SQUARE *Nakano Ward*	2026	Consolidation of Group Headquarters Functions	1,200

Source: Compiled by Xymax Research Institute based on information released by companies.
The sizes of offices are estimates.

Survey Overview

	Vacancy Rate	Increase and Decrease in Vacant Space	Vacancy Turnover Ratio	New Contract Rent Index
Description	Vacant space and available space versus total office stock in the market.	A quarterly increase and a quarterly decrease in volume of vacant space in the market.	The ratio of the vacant space leased during the quarter to all the vacant office stock in the market.	Office rent index based on new contract rents. This index uses a statistical method to remove property-specific influences such as size and age of buildings.
Main Point	Supply and demand balance in the market	Supply and demand balance in the market	Supply and demand balance in the market	Level of contract rents
Sector	Office Building			
Market	Tokyo 23 Wards			
Building Size	GFA 300 tsubo or more	GFA 300 tsubo or more	GFA 300 tsubo or more	GFA 300 tsubo or more
Release	Every Quarter			
Data Source	Data of available vacant spaces and buildings. Independently collected by Xymax.	Data of available vacant spaces and buildings. Independently collected by Xymax.	Data of available vacant spaces and buildings. Independently collected by Xymax.	Data of new contract rents including CAM charge. Independently collected by Xymax.
Data Used in Recent Quarter	8,535 buildings	8,986 contracts	8,986 contracts	533 contracts
How to Calculate	• Vacancy rate = vacant space ÷ rentable space • Vacant Space Total available vacant space in completed buildings as of the time of the research. • Rentable Space Rentable space of completed buildings as of the time of the research. • Availability rate = available space ÷ rentable space • Available space Total available space, which consist of vacant space and space for which notice of cancellation has been given. Where rentable space is not available, the rentable space is estimated from the gross floor area of the building using the formula developed in the joint study with the laboratory of Professor Naoki Kato at Kyoto University Graduate School of Engineering.	• Increase in volume of vacant space a. Space in existing buildings formerly occupied by tenants b. Total rentable area of new completions • Decrease in volume of vacant space a. Space in existing buildings leased under a new agreement b. Space in new completions but lease is signed prior to the completion c. Space that had been vacant but the owner decided not to lease Where rentable space is not available, the rentable space is estimated from the gross floor area of the building using the formula developed in the joint study with the laboratory of Professor Naoki Kato at Kyoto University Graduate School of Engineering.	• Vacancy Turnover Ratio = Volume of vacant space leased during the quarter ÷ (Initial vacancy + Vacancy added during the quarter) Then, compute the four-quarter moving average amount with the ratio derived from this formula. • Volume of vacant space leased during the quarter: Same as the "decrease in volume of vacant space). • Initial vacancy: Total volume of completed buildings that are available for lease as of the start of the quarter. • Vacancy added during the quarter: Same as the "increase in volume of vacant space"	1) Develop a rolling hedonic model (overlapping period: five quarters) based on the collected new contract data with property-specific factors as variables (location, building size, building age, facilities, date of signing of lease, etc.). 2) Estimate the quarterly contract rent by assigning the values of a typical building to the model developed in the preceding step. 3) Calculate the rent estimated in the preceding step based on Q1 2020 as the base point (=100) by market segment (four segments). 4) Integrate the figure of the preceding step as a Fisher index using gross floor area as weight. The New Contract Rent Index of the Tokyo office market is the integrated figure. This model shows changes in new contractrents after

Survey Overview

	Contract Rent DI	Paying Rent Index	Free Rent Granted (%) & Average Free Rent (Month)
Description	Index of changes in new contract rents. Calculated by counting and comparing the buildings where rent has increased and those where rent has decreased.	Index of changes in paying rents (new and existing contract rents).	Distribution of free rent and average length of free rent period. Free rent is the time lag between the start of the contract and the start of the rent payment.
Main Point	Direction of contract rent trends	Level of rents paid by tenants	Market trends that are not reflected in contract rents
Sector	Office Building		
Market	Tokyo 23 Wards		
Building Size	All	GFA 300 tsubo or more	All
Release	Every Quarter		
Data Source	Data of new contract rents including CAM charge. Independently collected by Xymax.	Data of new and existing contracts signed for buildings under management by Xymax.	Data of new contracts signed for buildings under management by Xymax.
Data Used in Recent Quarter	653 contracts	4,850 contracts	48 contracts
How to Calculate	1) Compare the data of new contract rent per tsubo with that in the 6-month prior period in the same building. Each contract was counted separately into three categories: buildings with "rent increase", "no change" or "rent decrease" 2) Calculate the percentage of buildings with "rent decrease" and buildings with "rent increase". 3) Subtract the percentage of buildings with "rent decrease" from the percentage of buildings with "rent increase". This outcome is the Contract Rent Diffusion Index (DI).	1) Calculate the rent per tsubo of each tenant from the data of new and existing lease contracts and memorandums. 2) Develop a rolling hedonic model (overlapping period: five quarters) based on the rents calculated in the preceding step (the "paying rent") with property-specific factors as variables (location, building size, building age, facilities, date of signing of lease, etc.). 3) Estimate a quarterly contract rent by assigning the values of a typical building to the model developed in the preceding step. 4) The Paying Rent Index is the rent estimated in the preceding step based on Q1 2010 as the base point (=100). With this method, influences from replacement of sample data and deterioration of buildings over age are removed from the result.	• Free Rent Period (Until Q4 2020) The period between the start of the contract and the startof the rent, shown in number of days. (Q1 2021 onward) The period for new contracts (excl. contracts for expansion within building and recontracts) during which rent has continuously been reduced to an amount equivalent or close to CAM charges since the date of contract. • Ratio of Free Rent Granted The ratio of contracts with free rent in all the new contracts (excl. contracts for expansion within the building and recontracts) • Average Free Rent (Month) of All the Contracts The simple average of the free rent period including lease contracts with no free rent period. • Average Free Rent (Month) of Contracts with Free Rent The simple average of the free rent period of lease contracts with a free rent period