Japan - September 2025

SPOTLIGHT

Savills Research

Greater Tokyo Office Market

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Steady growth observed in Greater Tokyo office market

Summary

- Overall performance in the Greater Tokyo office market grows in tandem with the prime office market of the C5W, though at a more moderate pace.
- Strong demand for offices in Greater Tokyo has brought steady growth in the market due to greater affordability options among a very large tenant pool.
- Net migration of the working age population in Greater Tokyo remains favourable with all prefectures seeing positive net figures since post pandemic. Chiba observed the greatest net inflow of residents with an annual increase of 29% in 2024.
- In Q2/2025, average rents for large-scale offices in Tokyo 23W rose 5.0% year-on-year (YoY) to JPY27,300 per tsubo. Vacancy rates decreased to 3.0%, down 1.5 percentage points (ppts) YoY, indicating strong demand.
- Average rents in Yokohama City rose 4.4%YoY to JPY17,000 per tsubo while vacancy tightened 2.7ppts YoY to 6.3%. Meanwhile, in Kawasaki City, average rents increased by 3.6% YoY to JPY16,700 per tsubo while vacancy decreased by 1.4ppts YoY to 4.7%.
- Average rents in Saitama City (Omiya) rose 10.7% YoY to JPY22,400 per tsubo while vacancy rates tightened by 1.0ppts YoY to 1.0%. The strong demand in the market may accelerate with limited new supply.
- Average rents in Chiba City/ Funabashi City rose 1.9% YoY to JPY13,000 per tsubo, reaching an all-time high while vacancies increased 4.4ppts YoY to 12.3%.
- Old buildings located close to major stations command competitive rents compared to newer buildings in the same area, especially if they have undergone renovations. Many old buildings are owned by individuals with limited resources, suggesting value-add opportunities for institutional investors.

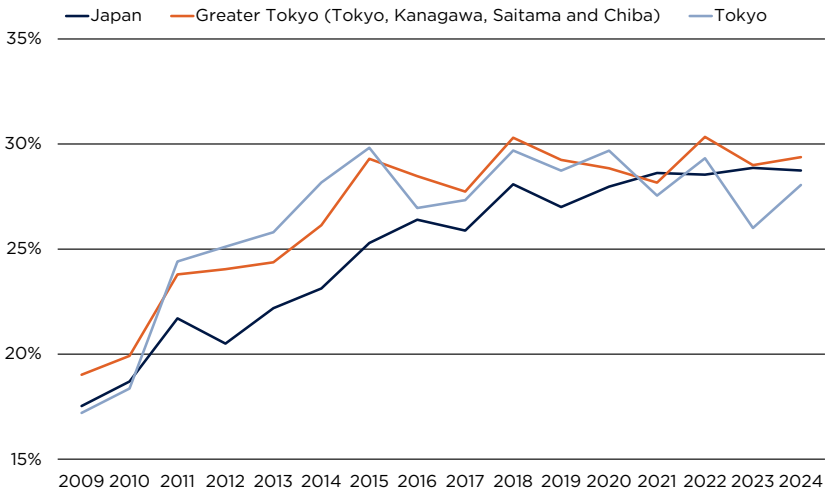
INTRODUCTION

The Greater Tokyo office market has generally been experiencing stable, albeit moderate growth compared to Tokyo C5W over the past decade. This is largely because tenants in Greater Tokyo, including Kanagawa, Saitama and Chiba, are typically smaller businesses, unlike the large competitive corporates concentrated in the C5W, and are generally less able to afford the high rents seen in Tokyo's city core. That said, strong demand for office space remains in these markets, with each prefecture supported by sizeable populations. Many companies are leveraging these demographics to attract local talents by reducing their need for long commutes to central Tokyo. The rise of hybrid and flexible workstyles has further reinforced demand beyond central Tokyo. To wit, value-add opportunities in the Greater Tokyo market remain, particularly in older buildings requiring refurbishments and renovations, which in turn enhances the potential for rental growth. Well-maintained offices with modern amenities, even if more than a few decades old, can attract tenants and command higher rents. Indeed, some international players as well as local players such as Ichigo and Sun Frontier have a long track record of carrying out renovations on older office properties to significantly increase asset value. More importantly, performance is expected to vary significantly at the property level rather than the submarket level, with demand particularly strong for offices located near city centres and major train stations, where vacancies are often tight, supported by a steady net population inflow into these cities.

Additionally, the proportion of office buildings sold by individuals to corporations has steadily increased over the past decades, making this a more common practice in the market (Graph 1). It is reported that a significant portion of office building owners in these peripheral markets are aged 60 or older and hold only one or two office properties (Graph 2), often cash-strapped and looking for an exit. In addition, they also tend to lack the expertise and resources to manage assets for value-add opportunities. According to a survey by Xymax, many owners have expressed concerns over rising renovation and management costs, as well as difficulties in raising capital. Among those considering an exit, common reasons include a lack of successors and the time-consuming nature of property management, indicating that many owners are not willing to dedicate significant amounts of time and investment. Furthermore, looming headwinds such as the rising interest rates, inflation, and global uncertainties, provide further incentive for owners to sell their office assets to avoid potential risks.

While current market conditions appear attractive, with high occupancy and decently strong rents, rising construction and land costs present a challenge for new developments and re-development. Well-located properties, even if older, can benefit

Graph 1: Proportion of Office Transactions Sold from Individuals to Corporations by Region, 2009 to 2024



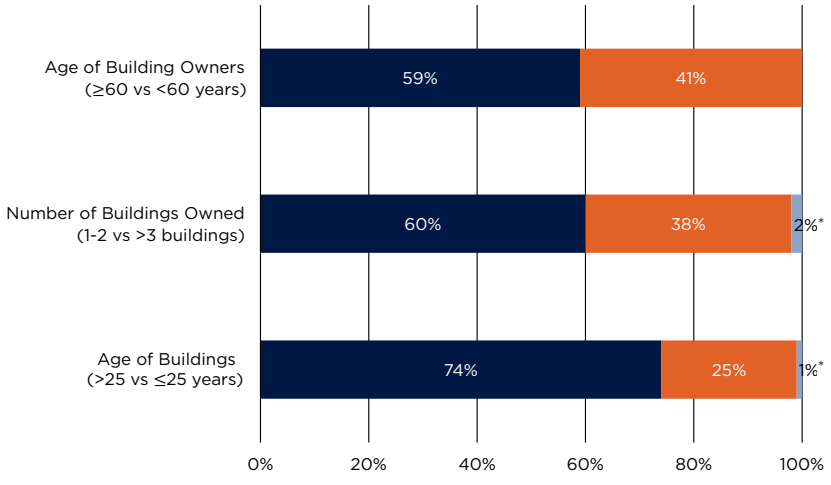
Source Ministry of Land, Infrastructure, Transport and Tourism, Savills Research & Consultancy

from targeted refurbishments. Moreover, well-maintained offices with good access are scarce and highly sought after by prospective tenants. In general, buildings that meet the current earthquake-resistant requirements with the introduction of the 1981 New Seismic Design standards tend to be in demand and are often transacted, making them primary targets for value-add acquisitions and refurbishment strategies. Some players have been selectively acquiring older buildings constructed even before the seismic standards in strategic locations and renovating them post-acquisition to meet current requirements. For instance, four of Ichigo Office REIT's 81 assets including Ichigo Sakae Building, Ichigo Mita Building, Ichigo Gotanda Building, and Ichigo Higashi Ikebukuro Building were built under the old seismic standard, but the properties have since been retrofitted to meet new seismic safety requirements, reportedly increasing the overall value of these assets. Coupled with renovations and refurbishments, these properties could potentially fetch much higher rents. However, in cases where buildings are particularly old, upgrading them to meet the current earthquake-resistance requirements can make capex uneconomical. In such cases, landlords may find it more feasible to scrap and build, potentially achieving higher rents with newly constructed office space, or re-developed condominiums for sale.

Looking ahead, institutional investors may gradually increase their presence in Greater Tokyo office markets by focusing on acquiring ageing buildings with value-add opportunities to lift rents, especially against the backdrop of rising construction and labour costs, where new developments are less feasible. In addition to traditional players with long-established track records, several new investors, including international ones, have been targeting the market.

The office market across the Greater Tokyo area maintained steady growth and demonstrated resilience even during the pandemic, albeit at a more moderate growth compared to the Tokyo C5W. A handful of big-ticket transactions were observed across the different submarkets. More affordable rents in these areas translate to a strong demand especially amongst SMEs, resulting in low vacancy rates and modest growth in average rents. Value-added opportunities have been emerging in older assets in well-located areas, especially those owned by ageing landlords looking to exit. Elevated construction costs limit future supply, which guarantees rental growth for well-maintained stocks with modern amenities.

Graph 2: Buildings Ownership Overview in Japan in 2025

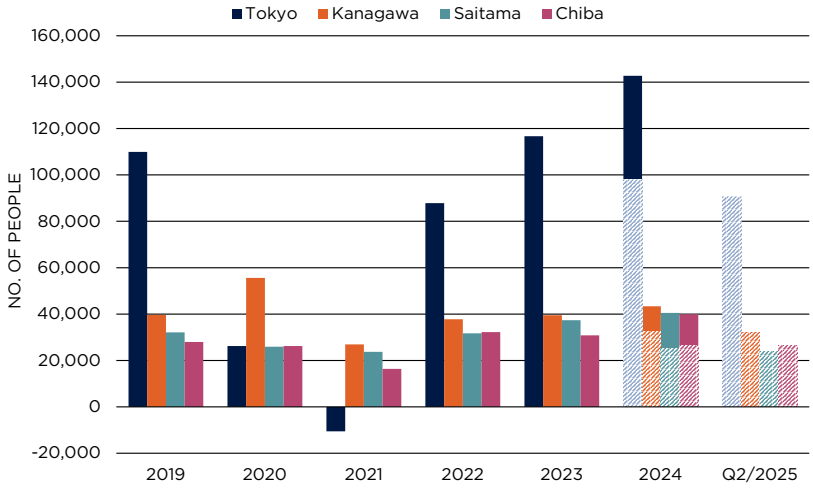


Source Xymax, Savills Research & Consultancy
* Unknown

DEMOGRAPHICS

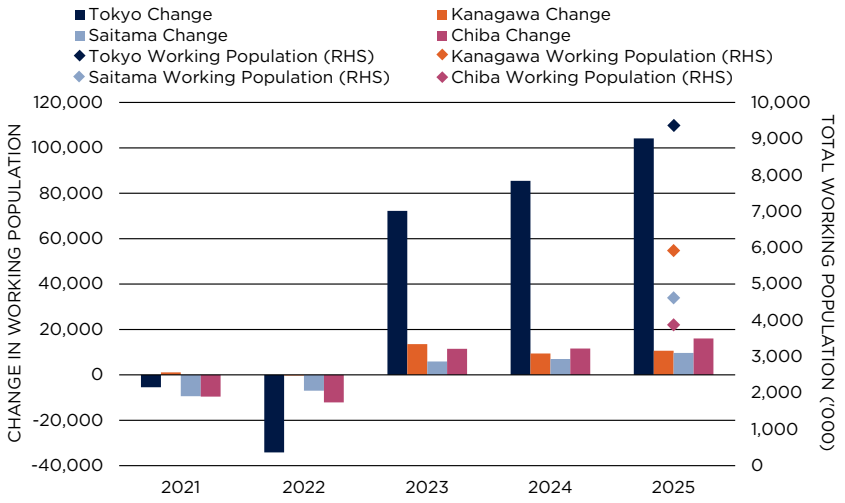
Net migration trends across Greater Tokyo indicate sustained population inflows into all four prefectures. The suburban appeal coupled with efficient transport connectivity to the Tokyo city centre through modes such as the Shinkansen/limited express trains from Yokohama City and Saitama City (Omiya) bodes well for the continued concentration of business activities in these peripheral cities. In 2024, Chiba saw the highest annual net migration of 29%. Tokyo recorded a 22% YoY increase in net migration,

Graph 3: Net Migration by Prefectures, 2019 to Q2/2025



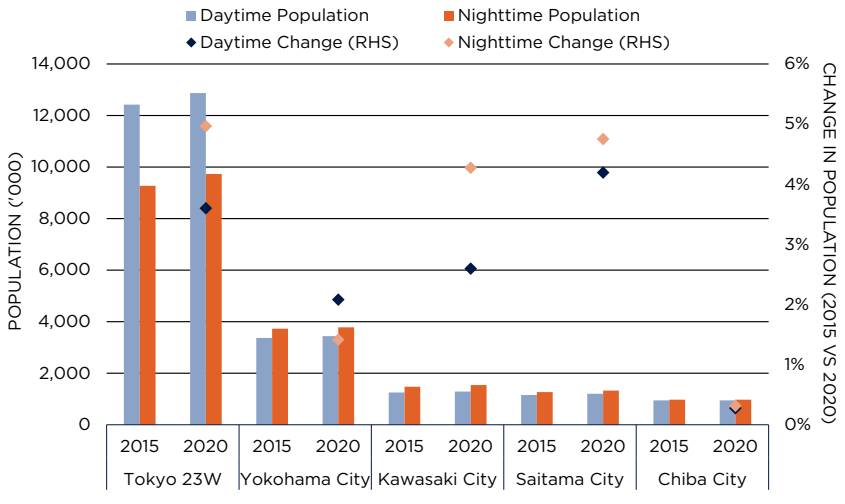
Source Each Prefectural Government, Savills Research & Consultancy
Note Shaded areas represent Q2 figures for their respective years

Graph 4: Working Population (Age 15-64) by Prefectures, 2021 to 2025



Source Each Prefectural Government, Savills Research & Consultancy

Graph 5: Daytime and Nighttime Population in Greater Tokyo by Submarkets, 2015 vs 2020



Source Statistics Bureau of Japan, Savills Research & Consultancy

reaching over 142,000 people (Graph 3), exceeding 2019 levels. Kanagawa and Saitama recorded more modest gains of 10% YoY and 8% YoY, respectively. In addition, the change in working population (age 15-64) has been positive in the post-pandemic setting since 2023 in the four prefectures (Graph 4) and is expected to remain positive given the favourable employment opportunities and liveability of Greater Tokyo. The consistent population inflows are likely to sustain demand for office space, particularly in high-accessibility city centres, supporting stable occupancy and rental growth in suburban hubs such as Yokohama City, Saitama City (Omiya) and Chiba City.

MARKET TRENDS

Rents and vacancies

Rental growth has been relatively stable across cities in Greater Tokyo. While average rents in some cities have surpassed their pandemic peaks, others, including Tokyo 23W, remain below previous highs, suggesting strong potential for further growth. Vacancies in the Greater Tokyo office market have shown bifurcation, with office spaces near city centres or major train stations maintaining tight occupancy, while vacancies in less accessible locations remain elevated. This report focuses mainly on large-scale office buildings, defined as those with typical floorplates above 200 tsubo.

Tokyo 23W

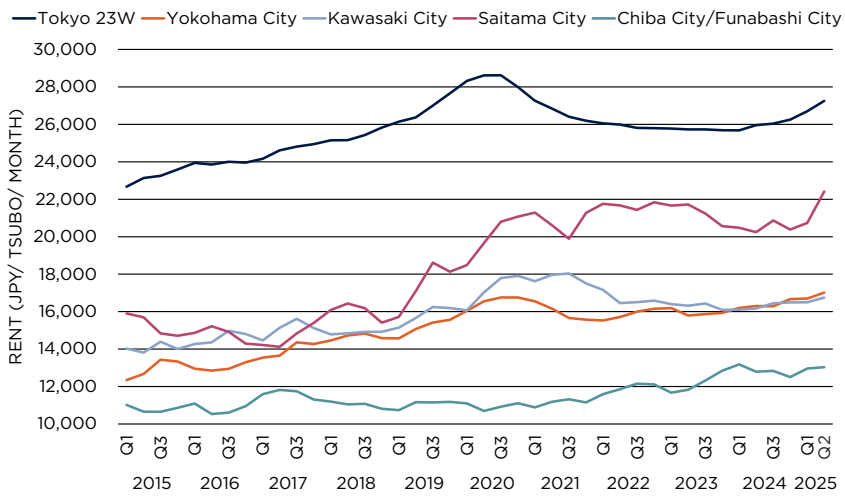
Outside C5W, the Tokyo 18W provide a more cost-effective office landscape, attracting mid- to back-office functions, domestic firms, and emerging industries. Areas such as Shinagawa, Ikebukuro, Nakano and Adachi (Kita-Senju) benefit from strong transport links and redevelopment projects, offering modern mid- to large-scale offices that balance affordability with proximity to central Tokyo. Value-add opportunities are commonly found in these areas.

In Q2/2025, average rents in Tokyo 23W's large-scale offices grew by 5.0% YoY to JPY27,300 per tsubo, while remaining 4.8% lower compared to its peak in Q3/2020. Vacancies in the Tokyo 23W for large-scale offices decreased by 1.5ppts YoY, sitting at 3.0%. In 2024, Sekisui House REIT sold Garden City Shinagawa Gotenyama to a domestic company for JPY61 billion. In another large-scale deal, Japan Prime Realty REIT and Mizuho Leasing jointly acquired Nakano Central Park East, an office property spanning 378,000 sq m of GFA for JPY53 billion.

Yokohama City/Kawasaki City

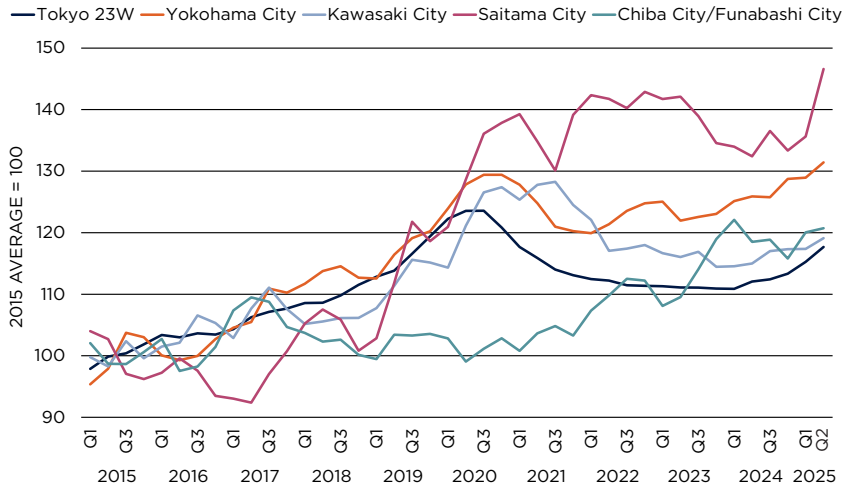
Yokohama City and Kawasaki City provide large-scale office options as alternatives to the prime Tokyo C5W. Specifically, Minato Mirai in Yokohama houses major

Graph 6: Large-scale Office Rents in Greater Tokyo, 2015 to Q2/2025



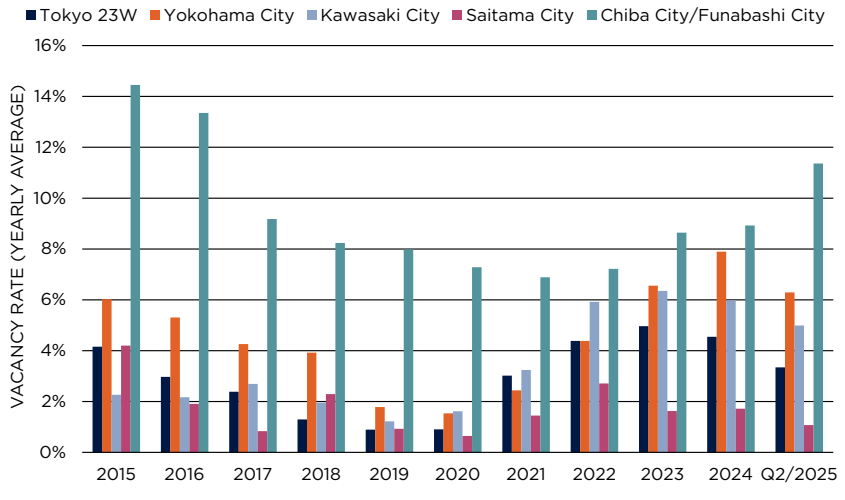
Source Sanko Estate, Savills Research & Consultancy

Graph 7: Large-scale Office Rents Index in Greater Tokyo, 2015 to Q2/2025



Source Sanko Estate, Savills Research & Consultancy

Graph 8: Large-scale Office Vacancies in Greater Tokyo, 2015 to Q2/2025



Source Sanko Estate, Savills Research & Consultancy

corporate headquarters and R&D facilities, while Kawasaki is strong in technology and manufacturing-related offices. Both cities appeal to companies balancing lower occupancy costs with excellent accessibility to Tokyo and Haneda Airport.

Yokohama's large-scale office average rents climbed by 4.4%YoY to JPY17,000 per tsubo in Q2/2025 while vacancies fell by 2.7ppts YoY to 6.3%. Kawasaki City's large-scale office rents grew by 3.6% YoY to JPY16,700 per tsubo while vacancies decreased by 1.4ppts YoY to 4.7%. As of August 2025, Nissan Motor Corporation is considering selling its global headquarters in Yokohama and leasing it back for ten years to raise funds. KKR & Co. is reportedly the leading bidder, with the deal estimated to be nearly JPY100 billion. In another major recent transaction, Nippon Building Fund REIT acquired 76% co-ownership interest in Yokohama Mitsui Building for JPY43.2 billion. More recently, Samsung Japan acquired Leaf Minato Mirai for its Yokohama R&D base, "Minatomirai Package", for a reported estimate of JPY30-40 billion, and is investing JPY25 billion to establish its new research laboratory in the transacted property. Elsewhere, in Kawasaki City, Nippon Building Fund REIT acquired Frontier Musashikosugi N Building and S Building for JPY29 billion.

Saitama City

Saitama City is a popular market where demand for office space is high relative to supply and has the lowest vacancy rate in Greater Tokyo, while offering relatively competitive rents. For instance, Sonic City Building, the largest office building in Omiya, commands asking rents well over JPY35,000 per tsubo, comparable with some of the Grade A office buildings in Tokyo C5W, despite being completed more than 35 years ago. The strong demand for office space in the city highlights the potential for value-add projects as well as opportunities to develop new large-scale buildings that could achieve even higher rents.

Large-scale offices average rents in Saitama City increased by 10.7% YoY, reaching JPY22,400 per tsubo in Q2/2025 and surpassing its previous peak seen in 2022. Meanwhile, vacancies fell by 1.0ppts to a tight 1.0%. Saitama's strong performance reflects its excellent connectivity to central Tokyo, limited new supply, and the scarcity of large floor plates in Omiya and Saitama Shintoshin, which continue to attract robust tenant demand. In September 2024, Nippon REIT acquired Urawa Garden Building in Urawa for JPY12 billion. In a more recent transaction in 2025, Tokyu Land acquired Lamza Tower B in Minami for a reported estimate of JPY6 billion.

Table 1: Selected Office Transactions in Greater Tokyo (Ex-C5W), Announced Between 2024 and Q2/2025

LOCATION	TOTAL NO. OF TRANSACTIONS ABOVE JPY5 BIL*	ANNOUNCED	PROPERTY	GFA (SQ M)	TRANSACTION VALUE (JPY BIL)	DIRECT CAP RATE	BUYER
Tokyo Prefecture (Ex-C5W)	17	Mar 2025	Garden City Shinagawa Gotenyama	63,000	61	3.1%	Undisclosed
		Feb 2024 Feb 2025	Nakano Central Park East	378,900	53	2.9%	Japan Prime Realty REIT, Mizuho Leasing
		Jan 2024	Toyosu Bayside Cross Tower (27% co-ownership interest)	28,900 (Transacted NRA)	44	3.3%	Nippon Building Fund REIT
Yokohama City	7	Jan 2025	Yokohama Mitsui Building (76% co-ownership interest)	40,200 (Transacted)	43	3.5%	Nippon Building Fund REIT
		Jul 2025	Leaf Minato Mirai	46,000	Approx. 30-40	-	Samsung Japan
		Mar 2025	Yokohama Plaza Building	20,000	24	-	Meiji Yasuda Life Insurance
Kawasaki City	4	May 2025	Frontier Musashikosugi N Building and S Building	31,800	29	3.6%	Nippon Building Fund REIT
		Mar 2024	Kawasaki Toshiba Building	51,300	19	4.3%	Undisclosed
		Dec 2024	Kowa Kawasaki Higashiguchi Building	31,000	9	4.7%	Nippon Steel Kowa Real Estate
Chiba Prefecture	2	Sep 2024	World Business Garden (90% co-ownership interest)	212,600 (Transacted)	61	-	Chiba Bank, Bond Bridge 3 GK, Daiei Real Estate, Maki GK, Fuyo Lease Group
		Jan 2024	Baytech Building	34,400	12	-	Undisclosed
Saitama Prefecture	2	Sep 2024	Urawa Garden Building	11,000	12	3.7%	Nippon REIT
		Jan 2025	Lamza Tower B	6,900	6 (Appraised)	4.1%	Tokyu Land

Source Nikkei RE, Nikkei, Savills Japan
* Includes only properties with disclosed prices.

Table 2: Top Office Asking Rents in Greater Tokyo (Ex-C5W), Q2/2025

PREFECTURE	SUBMARKET	TOP RENTS (JPY/TSUBO)	EXAMPLES
Tokyo (Ex-C5W)	Toshima	35,000	IT Tower TOKYO
	Shinagawa	Up to 35,000	MEGURO CENTRAL SQUARE
	Taito	30,000	Ueno Frontier Tower
Kanagawa	Yokohama City	35,000	JR Yokohama Tower
	Kawasaki City	25,000	JR Kawasaki Tower
Saitama	Omiya	35,000+	Sonic City Building
	Saitama City	25,000	Meiji Yasuda Life Insurance Saitama-Shintoshin Building
Chiba	Funabashi City	25,000+	Funabashi FACE
	Chiba City	20,000	Sencity Tower

Source Sanko Estate, Savills Research & Consultancy

Chiba City/Funabashi City

Chiba City has a smaller, more localised office market, primarily serving regional businesses and government functions. Being situated close to Narita International Airport enhances its attractiveness for certain industries, including logistics, services, and event-related businesses. While limited in scale, the area offers cost-effective office space within commuting distance of Tokyo. That said, a clear bifurcation exists in the city's office market. Makuhari New City faces high vacancy rates as companies restructure and relocate to more accessible areas, whereas offices near JR Chiba Station remain in strong demand with minimal vacancies. In addition, new supply forecast in the Chiba/Funabashi area within the next three years will remain limited, which should support secondary vacancies absorption. Beyond that, the vibrancy of Chiba City remains competitive with its Greater Tokyo counterparts. For instance, the redevelopment of the former Mitsukoshi site into Brillia Tower Chiba, a landmark high-rise combining residences, retail, and public amenities, has redefined the city's skyline and reinforced Chiba's position as a sophisticated urban hub.

Average large-scale office rents grew by 1.9% YoY to JPY13,000 per tsubo in Q2/2025, slightly below its peak seen in 2024, while maintaining an overall upward trend since 2020. Large-scale office vacancies increased by 4.4ppts to 12.3%. Chiba remains weak due to structural vacancies in Makuhari New City, where supply continues to outweigh demand, dragging up overall vacancy levels even as offices around JR Chiba Station remain resilient. Investment interest in the region remains strong. In September 2024, 90% co-ownership of World Business Garden was acquired for approximately JPY61 billion by an SPC invested in by Chiba Bank.

OUTLOOK

The Greater Tokyo office market has grown steadily over the past decade and remained largely resilient throughout the pandemic, and continues to perform well in 2025, albeit at a more moderate pace compared to the prime office market in C5W. Peripheral markets such as Yokohama City, Kawasaki City, Saitama City, and Chiba City tend to attract smaller businesses prioritising affordability while leveraging their large local populations, providing employees an incentive to avoid long commutes to the highly dense central Tokyo. Demand remains strong, particularly for well-located offices near city centres and major train stations, where vacancies are consistently tight.

The C5W office market remains highly competitive, with limited new supply and most upcoming developments already pre-leased. Grade A and large-scale Grade B offices in the C5W are well-known for commanding high rents. As a result, companies seeking more affordable rents tend to gravitate towards office locations in the peripheral markets outside the C5W. Due to scarce opportunities and fierce competitions for acquisitions, C5W prime offices transact at cap rates around the mid-2% to 3% range. On the other hand, acquisition competition in these peripheral areas is lighter, allowing investors to target assets at slightly higher cap rates, some even above 4%. Certainly, successful investment in these markets requires local knowledge, networks, and operational expertise, demonstrated by seasoned players with decades of track record in navigating these opportunities effectively.

Looking ahead, investment opportunities in the Greater Tokyo office market are increasingly centred on value-add strategies, particularly refurbishments and renovations of older but well-located assets, which can significantly enhance rental potential. Many individuals, ageing owners, as well as smaller corporate owners, are looking to dispose of their assets due to financial constraints, succession issues, and rising management costs, leaving acquisition opportunities for institutional investors. Properties compliant with the 1981 seismic standards remain as one of the key drivers of asset liquidity and rental growth, prompting domestic players to acquire and renovate older buildings to increase both property value and rental income. Sustained net migration into Tokyo, Kanagawa, Saitama, and Chiba, along with strong transport connectivity, underpins long-term demand for suburban office hubs. In addition, rising construction and land costs may continue to limit new developments, making targeted refurbishments and redevelopments of existing properties key drivers of future value, occupancy, and rental growth.

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