

Japan - December 2025

Q
SPOTLIGHT
Savills Research

Regional Japanese Office Markets



Positive momentum shows no signs of slowing

Summary

- Investment-grade offices continue to record strong rental growth over the past half year in 2H/2025. Meanwhile, vacancy continues to tighten, supported by steady tenant demand.
- The all-grade office market continues its momentum with rental growth and tightening vacancies in most regional office markets excluding Sendai.
- Grade A office cap rates continue to be flat across regional office markets, except for Osaka and Sapporo which tightened slightly.
- Limited new supply is expected in Osaka, Nagoya, and Fukuoka beyond 2026 due to labour shortages, rising land and construction costs, which should provide a silver lining for further supply absorption and rental growth.
- Although overall investment volumes as of Q3/2025 are roughly 11% lower than the same period in 2024, office investment volumes are 7% higher.
- The flight-to-quality trend is becoming increasingly pronounced, with new office buildings offering premium amenities enjoying strong rental growth. In contrast, some older assets, even those located near main train stations, are experiencing weaker demand, leading to rental discounts.
- Demand for modern office space continues to be driven by competition for talent and the growing trend of incorporating flexible workspace.

OVERVIEW

The regional office market in Japan continues to show steady growth in the second half of the year. Corporate profits in Q3/2025 rose 19.7% year-on-year (YoY), despite trade tensions and tariff-related uncertainties in the first half of the year, highlighting the resilience of Japan's economy amid global headwinds. With business activity expected to strengthen across respective regional markets, supported by both local and national initiatives, sentiment remains positive for further expansion.

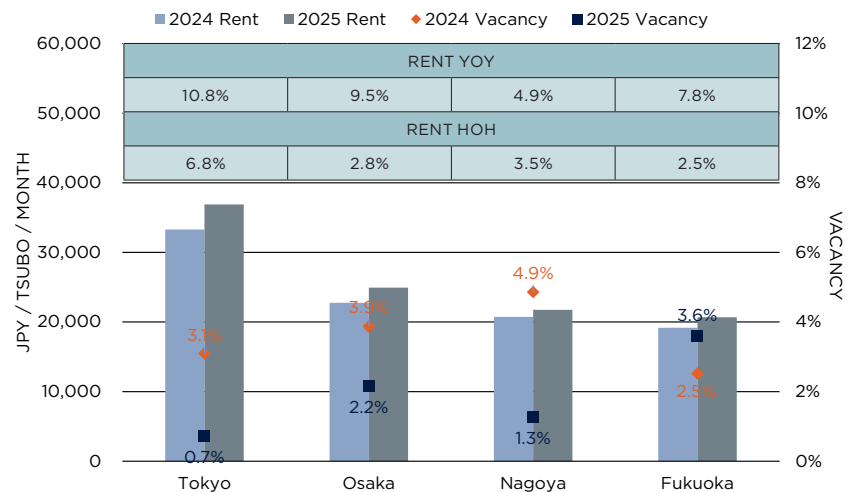
Persistent shortages of skilled labour are prompting companies to expand and upgrade office spaces with enhanced amenities to support employee well-being and improve talent attraction and retention. Staff-only cafeterias offering discounted meals, gyms, saunas, and private lounges for informal meetings, are more

likely to contribute to stronger tenant retention, giving landlords greater confidence to raise rents. The flexible work model continues to gain momentum, resulting in increased demand for modern flexible workspaces equipped with amenities such as meeting rooms with video conferencing capabilities and phone booths that facilitate hybrid work arrangements.

Regional investment-grade office rents continued to build on the momentum seen in the first half of 2025. Nagoya, Osaka, and Fukuoka saw rental growth of 3.5% HoH, 2.8% HoH, and 2.5% HoH, respectively. Vacancy also continues to make gradual progress with Fukuoka, Nagoya, and Osaka tightening by 2.9 ppts HoH, 1.1ppts HoH, and 0.4ppts HoH, respectively.

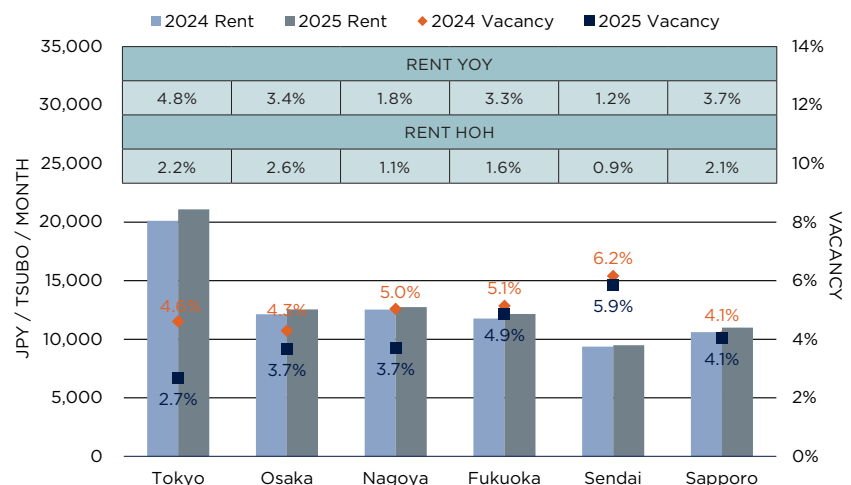
The all-grade office market continues its positive trend with rental growth seen in all markets on both a half-year and annual basis.

GRAPH 1: Investment-grade Office Performance, 2H/2025



Source Savills Research & Consultancy
*Tokyo data represents Grade A office performance in the C5W.

GRAPH 2: All-grade Office Performance, 2H/2025



Source Miki Shoji, Savills Research & Consultancy
*Market data as of September 2024 and September 2025

Among all markets, Osaka saw the largest growth of 2.6% HoH. Vacancy rates in all markets continue to tighten apart from Sapporo which saw vacancy rise by 0.4ppts HoH.

REGIONAL INVESTMENT

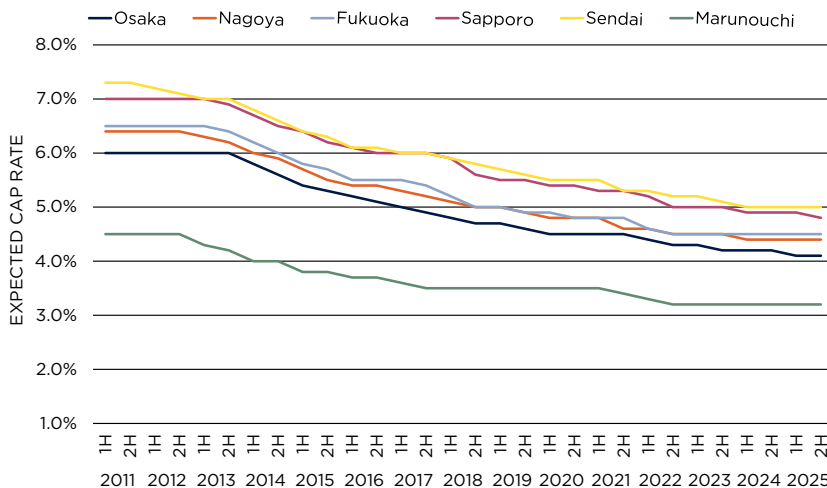
According to the bi-annual investor survey conducted by the Japan Real Estate Institute in October 2025, expected cap rates in all regional markets remained flat on both a half-year and annual basis except for Osaka and Sapporo which tightened by 10 basis points (bps) over an annual basis.

According to MSCI, total investment volume nationwide as of Q3/2025 was roughly 11% lower than the same period in 2024. However, office transactions in Q3/2025 were approximately 7% higher than in Q3/2024, demonstrating firm demand in Japan's office market. That said, it is important to note that current figures remain preliminary and are expected to increase as additional transactions are recorded.

Several notable office transactions were recorded in 2H/2025. In Sapporo, Heiwa Real

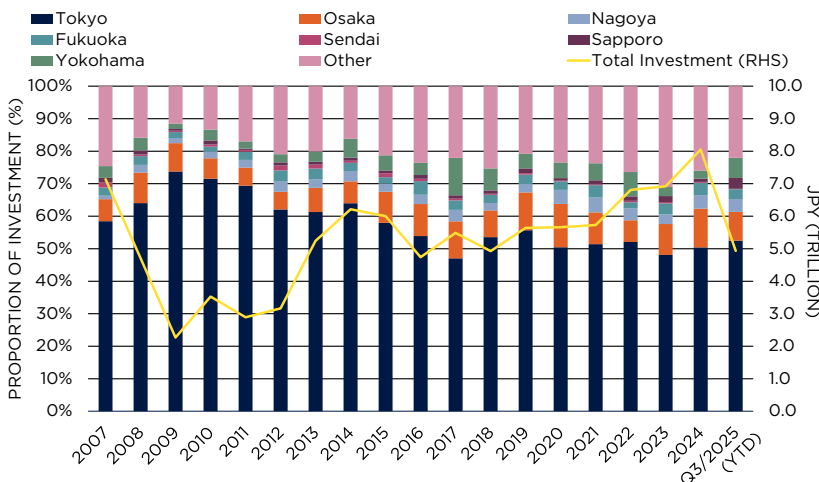
Regional markets continue to maintain positive momentum in 2H/2025. Well-located new buildings with modern amenities remain highly sought after, recording steady rental growth despite having limited vacancies. Meanwhile, labour shortages, rising land and construction costs continue to weigh on development activity, causing delays or cancellations that could further tighten the strong-demand market.

GRAPH 3: Expected Cap Rates for Grade A Offices, 2011 to 2H/2025



Source Japan Real Estate Institute, Savills Research & Consultancy

GRAPH 4: Investment Volumes by Area for All Asset Types, 2007 to Q3/2025 (YTD)



Source MSCI Real Capital Analytics, Savills Research & Consultancy
*Transactions where specific locations have not been identified are classified as other.

Estate acquired part of the land and building relating to the Odori-Nishi 4 South District Category I Urban Redevelopment Project for approximately JPY120 billion. The project will deliver a mixed-use facility consisting of office, retail and hotel space. Elsewhere, Mitsubishi UFJ Financial Group acquired the Osaka Dojimahama Tower, a mixed-use office, retail and hotel property, in Osaka for over JPY100 billion. In December 2025, Nissan Motors sold its global headquarters in Yokohama for JPY97 billion to an entity managed by KKR and leased it back under a 20-year agreement.

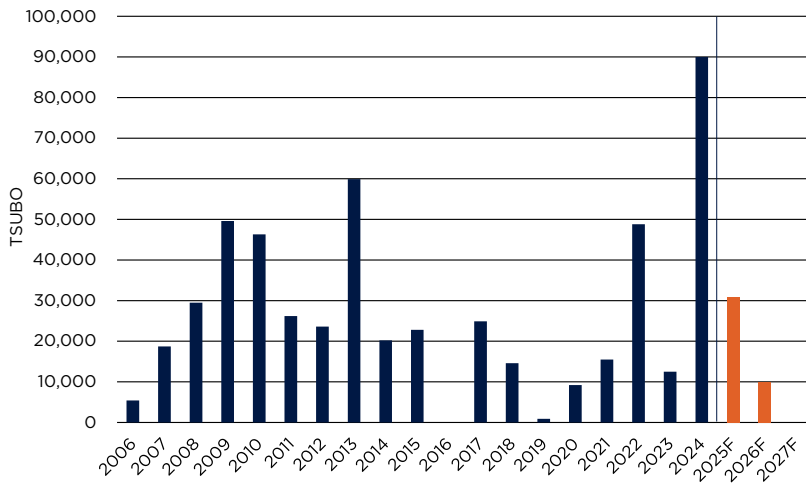
OUTLOOK

The regional office market in Japan continues to experience positive rental growth with tightening vacancies in most markets. While Japan's economy may face a challenging year ahead amid political uncertainty, it has demonstrated resilience this year, as evidenced by strong corporate performance despite global headwinds. Against this backdrop, companies are increasingly prioritising talent attraction and retention. Therefore, workplaces with premium amenities and are well-equipped for hybrid work will be better positioned to command higher rents.

Ongoing development projects continue to face delays or potential cancellations amid labour shortages, and elevated construction and land costs, prompting developers to adopt a more disciplined approach. In the meantime, existing supply should see stronger demand, leading to further rental growth.

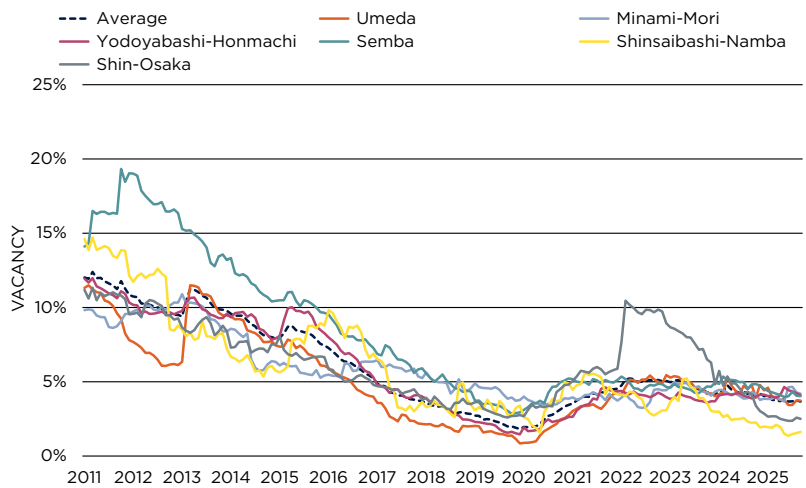
Nevertheless, several markets are set to receive notable new supply in 2026, much of which has attracted strong pre-leasing interest. The limited availability of large floor plates continues to limit the ability of major corporations to relocate in the near term. When space does become available, landlords often take the opportunity to raise rents for incoming tenants.

GRAPH 5: New NRA Office Supply in Osaka City, 2006 to 2027F



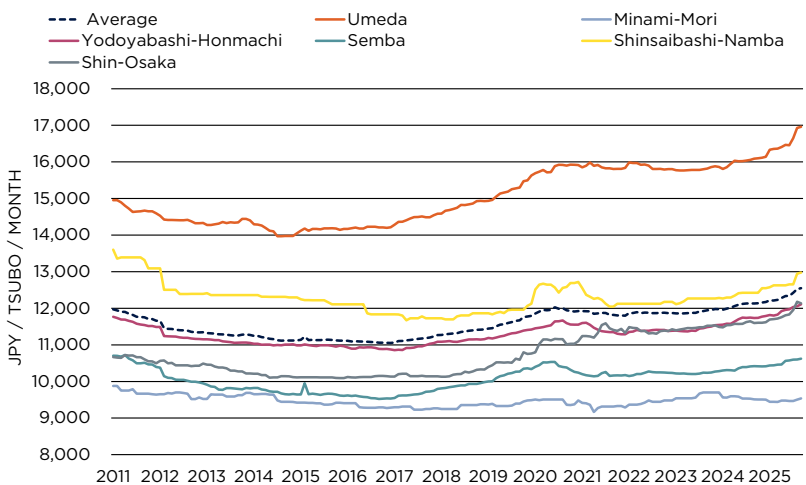
Source Sanko Estate, Savills Research & Consultancy

GRAPH 6: Vacancy Rate in Osaka City by Area, 2011 to Q3/2025



Source Miki Shoji, Savills Research & Consultancy

GRAPH 7: Average Rent in Osaka City by Area, 2011 to Q3/2025



Source Miki Shoji, Savills Research & Consultancy

OSAKA CITY

Net Rentable Area (NRA)

Osaka is forecast to receive slightly above 30,000 tsubo NRA in 2025 following the record-high 90,000 tsubo of new office space observed in 2024. In 2026, new supply will tighten notably by another one-third to 10,000 tsubo. Demand remains strong, especially for newer office space with premium amenities, and vacancies are expected to continue decreasing.

The Yodoyabashi-Honmachi submarket constitutes the lion’s share of Osaka’s new supply in 2025. The two major completions in 2025, YODOYABASHI Station One and YODOYABASHI GATE TOWER, which introduced a combined total of more than 25,000 tsubo of new NRA which witnessed strong pre-leasing momentum, securing 65% to 90% tenant commitments.

Looking forward, new supply will be concentrated in the Yodoyabashi-Honmachi submarket, while overall supply remains limited in 2026. The SYNASIA Honmachi Building and the Honmachi 4-chome Project, will welcome approximately 7,000 tsubo NRA of office space. With virtually no new large-scale supply scheduled in 2027 and several projects facing delays or suspensions due to persistent rising construction costs, the market is expected to tighten further.

Vacancy

Investment-grade offices in Osaka continue to make gradual progress absorbing supply in 2H/2025 with vacancy rates tightening by 0.4ppts HoH to 2.2%. With limited new supply in 2026, vacancy rates should continue to decrease uneventfully.

All-grade office vacancy rates tightened further by 0.1ppts HoH to 3.7%. The Shinsaibashi-Namba submarket recorded the largest improvement, with vacancies tightening by 0.5ppts HoH to 1.6%. All other submarkets saw vacancies tighten by 0.2ppts HoH apart from Minami-Namba and Yodoyabashi-Honmachi which experienced vacancy uptick of 0.2ppts HoH.

Rent

Investment-grade office rents in Osaka grew by 2.8% HoH and 9.5% YoY to JPY24,900 per tsubo in 2H/2025. Top rents, particularly for office towers near Osaka station, including JP TOWER OSAKA, reached JPY50,000 per tsubo for the first time in Osaka’s history, reflecting intense competition for the limited available premium space. Strong rental increases of JPY5,000 per tsubo or more are also commonly seen in high-grade office buildings with limited remaining vacancies, especially those that are close to stations and equipped with modern amenities.

TABLE 1: Osaka Investment-grade Offices

	2H/2025	HOH	YOY
Rent	24,900	2.8%	9.5%
Vacancy	2.2%	-0.4ppts	-1.7ppts
Top Rent	50,000	+7,000	+12,000

Source Savills Research & Consultancy

All-grade rents increased by 2.6% HoH to JPY12,500 per tsubo. The Umeda submarket continued to witness the largest rental increase at 3.6% HoH to JPY17,000, with the Shin-Osaka submarket seeing a similar increase at 3.5% HoH. All other submarkets experienced rental growth of between 1.0% and 2.7% HoH.

Umeda

Investment-grade office rents continue to strengthen by 4.8% HoH to JPY30,500 per tsubo in 2H/2025. Vacancy also tightened moderately by 1.1ppts HoH to 3.1%. With limited supply expected in the coming years, landlords are taking the opportunity to raise rents for incoming tenants in anticipation of the sustained strong demand for office space.

Umeda's office market has been reshaped by the vast amounts of new office space and extensive greenery delivered by GRAND GREEN OSAKA in late 2024, strengthening Umeda's positioning as a premium office district. While the scale of new supply initially raised concerns given the sheer volume of office space released in Osaka in 2024, the market continues to perform well. Park Tower, which constitutes the majority of the GRAND GREEN OSAKA office space, has already achieved 90% occupancy, while remaining units are benefitting from rental growth, with premium-view floors commanding a reported additional JPY2,000 per tsubo on top of the ongoing rental increase. The northern park, scheduled for completion in 2027, is expected to further elevate the district's attractiveness and support future office value growth.

Recent completions such as JP TOWER OSAKA and INOGATE OSAKA are also posting tight

vacancies amid strong rental growth. Demand for new large office space remains strong, with vacated units in top-grade, amenity-rich buildings often re-leased almost immediately, often at higher rental rates.

2025 was limited to two modest projects, PMO Umeda and UMEDA EAST CROSS, with a combined total of 3,000 tsubo NRA. The limited new supply pipeline should sustain a tight supply-demand balance, supporting further rental growth.

Yodoyabashi-Honmachi

Investment-grade offices saw average rents rise by 5.4% HoH to JPY26,000 per tsubo in 2H/2025. Rental growth was largely driven by new office additions which command premium rents as high as JPY37,000 per tsubo. Although vacancies rose by 1.4ppts HoH to 3.0%, largely due to the introduction of new supply, many properties continue to have little to no vacancy.

YODOYABASHI Station One introduced 10,000 tsubo of NRA in May this year and has been met with strong demand, with 90% of the office space reportedly pre-leased. Similarly, YODOYABASHI GATE TOWER, which is set to deliver 15,000 tsubo of office space, is also seeing robust pre-leasing activity, with about two-thirds of the space already secured by tenants.

The submarket will welcome new limited supply of roughly 7,000 tsubo of NRA in 2026, with the SYNASIA Honmachi Building expected to be completed in February and the Honmachi 4-chome Project in July. The submarket should continue to perform well for both rents and vacancies given the limited supply and consistent robust demand from tenants seeking new modern office spaces in the coming future.

Shin-Osaka

Shin-Osaka investment-grade office rents climbed by 2.9% HoH to JPY20,500 per tsubo, with vacancies seeing a slight uptick of 0.5ppts HoH to 1.0%. Few vacancies remain in the submarket allowing landlords to raise rents by as much as JPY5,000 per tsubo in 2H/2025. Office properties near Shin-Osaka station are seeing uniform asking rents of JPY25,000 per tsubo.

The submarket saw no new additions with vacancy remaining tight. This trend is likely to continue into next year as limited supply is expected, potentially pushing average rents higher.

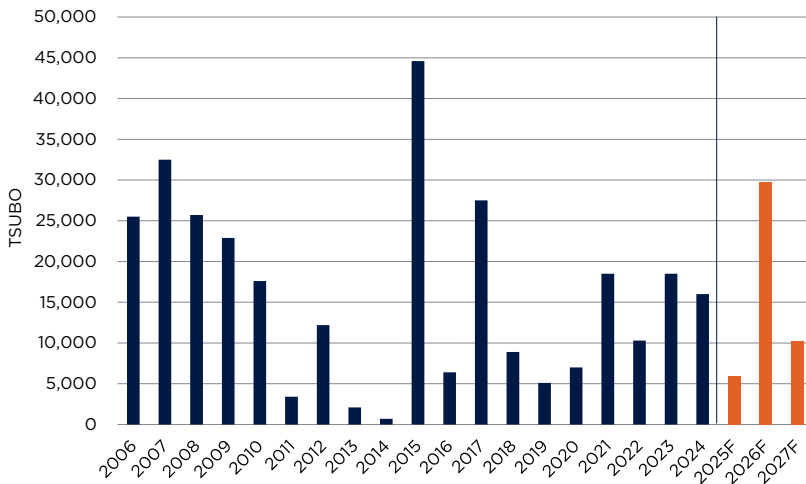
Outlook

The record supply in 2024 and moderate supply in 2025 continues to be steadily absorbed amid continued robust tenant demand. Rental growth is anticipated over the next few years, with limited new office space offering premium amenities expected to reach the market.

Osaka continues to see companies trending towards providing premium office space and amenities in hopes of attracting talent and keeping employee satisfaction high amid continued labour shortages. Hybrid work continues to gain momentum leading to the demand for flexible work environments, boding well for offices that provide modern facilities.

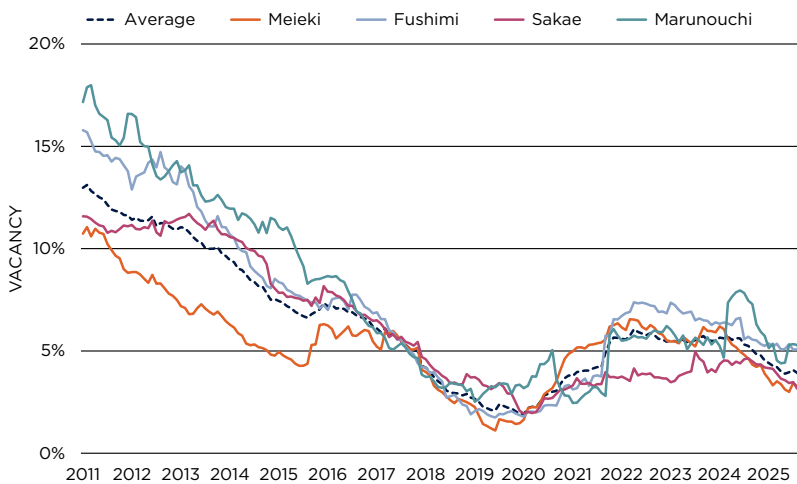
Going forward, increased business activity in Osaka is expected due to the economic ripple effect of Expo 2025 Osaka, leading to firm demand for office space. With new supply expected to remain limited, tighter vacancy rates and strong rental growth are expected under tight supply-demand conditions.

GRAPH 8: New NRA Office Supply in Nagoya City, 2006 to 2027F



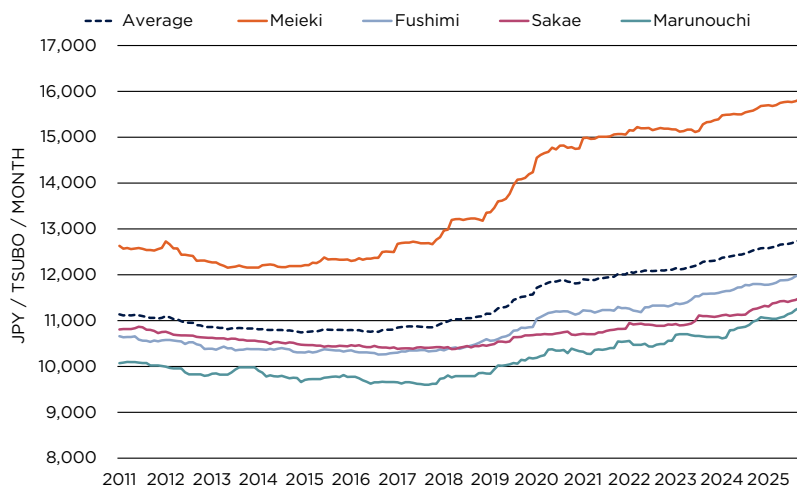
Source Sanko Estate, Savills Research & Consultancy

GRAPH 9: Vacancy Rate in Nagoya City by Area, 2011 to Q3/2025



Source Miki Shoji, Savills Research & Consultancy

GRAPH 10: Average Rent in Nagoya City by Area, 2011 to Q3/2025



Source Miki Shoji, Savills Research & Consultancy

NAGOYA CITY

NRA

Existing supply continues to be steadily absorbed amid minimal new supply in 2025. Nagoya is projected to witness approximately 30,000 tsubo of new supply in 2026, predominantly in the Sakae area. Many of these new, premium office spaces are already experiencing strong pre-leasing activity, setting a positive tone for the office market in Nagoya. Notable projects slated for completion in 2026 include The Landmark Nagoya Sakae, Sakae Trid Square, the tentatively named Nishiki 3-Chome 5th City Block Project, and the Meiji Yasuda Life Nagoya Station Building.

Interestingly, Nagoya’s office buildings are largely concentrated on the east side of the station. The west side, mainly dominated by schools, hotels and restaurants, sees limited office demand even for recently completed buildings located close to the station, and these buildings instead tend to target a different class of tenants, such as educational institutions.

Looking towards 2027, new supply is expected to drop by one-third to 10,000 tsubo, with a majority of the projects set to be completed in the Marunouchi and Meieki submarkets. The limited pipeline should provide room for further absorption and near-term rental growth.

Vacancy

Investment-grade office vacancy tightened by 1.1ppts HoH to 1.3% in 2H/2025. Despite significant new supply in 2026, much of it is already pre-leased. Given the strong demand for office space, investment-grade offices are likely to maintain relatively stable vacancy levels, even with the notable new supply expected next year. In addition, many of the new buildings have been reportedly revising rents upwards as occupancy levels tighten.

The average all-grade market vacancy continued to tighten by 0.5ppts HoH to 3.7%. All other submarkets saw similar levels of vacancy tightening, except Marunouchi, which saw a slight uptick in vacancy by 0.4% HoH.

Rent

Investment-grade office rents in Nagoya rose by 3.5% HoH and 4.9% YoY to JPY21,800 per tsubo in 2H/2025. Landlords have progressively raised asking rents driven by strong pre-leasing activity and expectations of continued robust tenant demand as available office space continues to tighten.

Top rents rose to JPY40,000 per tsubo, supported by strong demand for new office space offering superior amenities.

TABLE 2: Nagoya Investment-grade Offices

	2H/2025	HOH	YOY
Rent	21,800	3.5%	4.9%
Vacancy	1.3%	-1.1ppts	-3.6ppts
Top Rent	40,000	+5,000	+5,000

Source Savills Research & Consultancy

All-grade rents in Nagoya continue to increase with the average rent rising by 1.1% HoH to JPY12,800 per tsubo. The Marunouchi submarket experienced the largest increase at 2.2% HoH to JPY11,300 per tsubo. All other submarkets experienced rental growth of between 0.7% and 1.4% HoH.

Meieki

Investment-grade office rents in Meieki continue to display notable growth, strengthening by 4.0% HoH to JPY28,900 per tsubo in 2H/2025. Vacancies continue to tighten further by 1.1ppts HoH to 1.1%.

New large-scale office buildings with premium amenities in front of Nagoya Station continue to display tight vacancies with top rents rising to JPY37,000 per tsubo. The Meieki submarket will see the additions of the S-BUILDING Nagoya Ekimae in March 2026 and the Meiji Yasuda Life Nagoya Station Building in August 2026, which will bring approximately a combined 10,000 tsubo NRA of office space.

Fushimi and Marunouchi

Investment-grade office rents increased by 1.7% HoH in Marunouchi to JPY17,600 per tsubo and 3.3% HoH in Fushimi to JPY19,300 per tsubo in 2H/2025. Vacancy in Marunouchi tightened by 1.0ppts HoH to 1.7%, while Fushimi also decreased by 0.4ppts HoH to 2.3%.

Nagoya Fushimi K Frontier, which introduced over 5,000 tsubo of new supply to the market in October 2025, has reportedly already secured leases for two-thirds of its NRA, with asking rents gradually rising for the remaining space. Elsewhere, even without securing new leases, office buildings, especially those of high-grades, have raised their asking rents, reflecting the strength of demand. With limited new supply expected moving forward, strong demand for office space is likely to continue supporting solid performance in the submarket.

Sakae

Investment-grade office rents in Sakae increased by 3.1% HoH to JPY18,000 per tsubo, while vacancy tightened notably by 2.0ppts HoH to 0.6%.

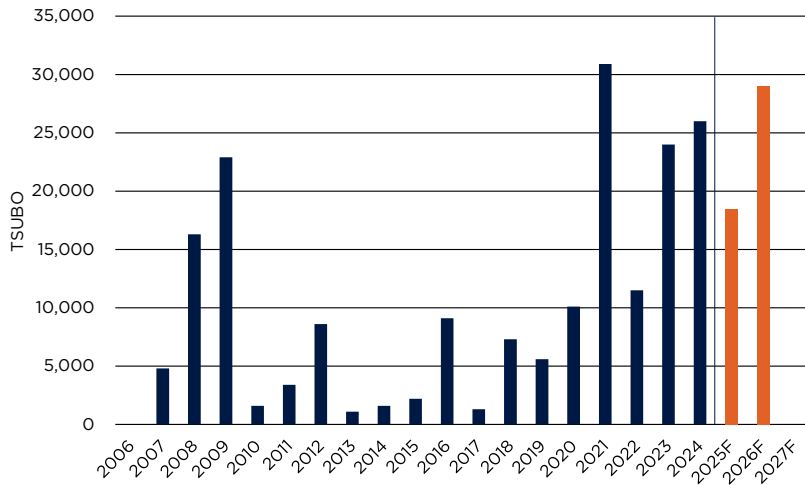
Sakae will be the spotlight for large-scale completions in 2026, contributing to two-thirds of the total new supply in Nagoya. The most iconic upcoming completion is The Landmark Nagoya Sakae, slated for completion in March 2026. The project is already almost fully pre-leased, and the limited remaining vacancy is commanding asking rents of JPY40,000 per tsubo, setting a new benchmark for Nagoya. Another major upcoming completion, Sakae Trid Square, also scheduled to be completed in March 2026, has secured roughly 75% pre-leased occupancy. Looking towards 2027, limited new supply and the ongoing strong pre-leasing activity for new supply in 2026 will likely see vacancies tighten further and rents reach new highs.

Outlook

The Nagoya office market continues to display solid performance with rental growth and steady vacancy absorption. In 2026, the market is set to welcome the addition of approximately 30,000 tsubo of NRA, the highest level since the peak observed in 2015. That said, the ongoing strong pre-leasing activity and limited remaining vacancies, should spur even more demand. A key recent highlight is the Sakae submarket, where top rents of JPY40,000 have established a new benchmark for future rental growth, particularly for top-grade buildings around Meieki's main station.

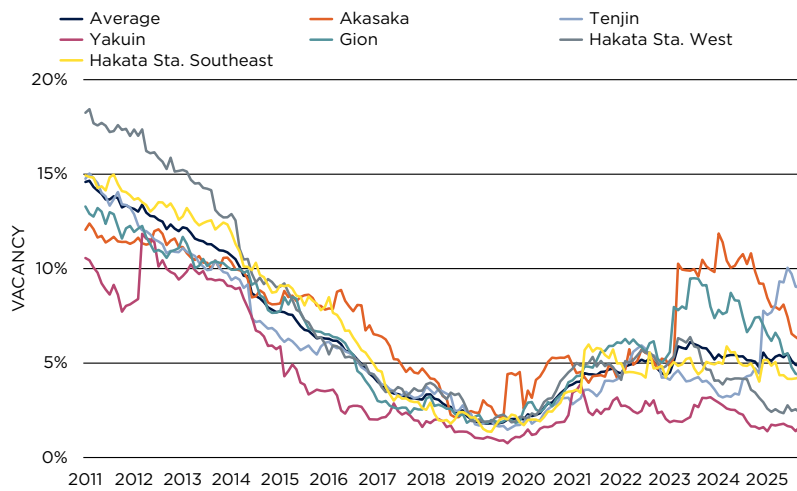
In December 2025, the large-scale Meitetsu Nagoya Station District Redevelopment Project, slated for completion in FY2033, has been halted mainly due to labour shortages, with rising land and construction costs further exacerbating the issue. The shortage of construction labour is unlikely to ease in the near term, as recent political developments are impeding the expansion of the foreign labour pool. As a result, developers are likely to continue re-evaluating current projects, limiting future supply, while strong demand is redirected towards existing stock, supporting further rental growth. Furthermore, the rising number of employed workers in Aichi prefecture will also drive appetite for office space, positioning Nagoya well for further growth moving forward.

GRAPH 11: New NRA Office Supply in Fukuoka City, 2006 to 2027F



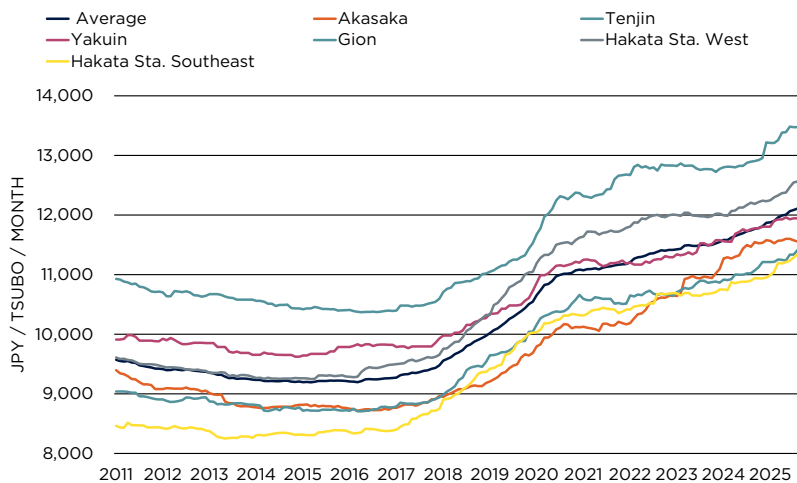
Source Sanko Estate, Savills Research & Consultancy

GRAPH 12: Vacancy Rate in Fukuoka City by Area, 2011 to Q3/2025



Source Miki Shoji, Savills Research & Consultancy

GRAPH 13: Average Rent in Fukuoka City by Area, 2011 to Q3/2025



Source Miki Shoji, Savills Research & Consultancy

FUKUOKA CITY

NRA

New supply in Fukuoka remains elevated in 2025 and 2026. A significant share of the new supply in 2025 can be attributed to the Tenjin Big Bang area redevelopment project, which saw the completions of the Tenjin Sumitomo Life Insurance FJ Business Center and Tenjin Brick Cross, which contributed approximately a combined 13,000 tsubo of new office NRA.

New office supply in 2026 is forecast to reach 27,000 tsubo, on par with the new supply levels seen in 2024. Tenjin will continue to see notable additions, such as the Tenjin Business Center 2nd Phase Project and Tenjin 1-7 Plan.

Looking forward, no notable new supply is expected in 2027, with completions returning to the market in 2028, which should provide ample opportunity for the market to absorb the incoming new supply.

Vacancy

Investment-grade vacancy in Fukuoka tightened by 2.9ppts HoH to 3.6%. While Tenjin continues to experience elevated vacancy rates mainly due to large new completions, appetite for office space has remained firm, with vacancy tightening by 2.0ppts HoH to 10.2%. With more projects scheduled to be completed in Tenjin, vacancy rates will likely remain high for the time being.

All-grade average vacancy rates tightened by 0.5ppts HoH to 4.9%. Most submarkets saw tightening vacancies with the exception of Tenjin, which saw vacancies rising by 0.9ppts HoH to 9.0%, partly due to the significant influx of new supply introduced to the submarket in 2025. The Akasaka submarket continues to witness notable vacancy tightening of 1.8ppts HoH to 6.2%.

Rent

Fukuoka investment-grade office rents grew by 2.5% HoH to JPY20,700 per tsubo. Top rents of JPY32,000 per tsubo have established a new benchmark, especially for newer assets near stations, with many recording rental increases of up to JPY5,000 per tsubo, even as vacancies remain limited in most cases.

The flight-to-quality trend remains prominent in the Fukuoka market, with occupiers increasingly gravitating towards newer and higher-specification buildings. On the flipside, weakening demand for older buildings is increasingly evident, with even well-located properties near main stations seeing tenant migration to newer, amenity-rich buildings, resulting in downward pressure on rents.

Average all-grade office market rents continue its upward trend, increasing by 1.6% HoH and 3.3% YoY to JPY12,100 per tsubo. All submarkets saw rental growth with Hakata Station West witnessing the largest growth at 2.6% HoH. Tenjin in

TABLE 3: Fukuoka Investment-grade Offices

	2H/2025	HOH	YOY
Rent	20,700	2.5%	7.8%
Vacancy	3.6%	-2.9ppts	1.1ppts
Top Rent	32,000	0	+2,000

Source Savills Research & Consultancy

particular saw notable rental growth of 1.7% HoH despite elevated vacancy rate levels.

Hakata

Investment-grade office rents in Hakata climbed by 6.0% HoH to JPY22,700 per tsubo. Meanwhile, vacancies saw a slight uptick of 0.3ppts HoH to 0.4%.

Given the lack of significant new supply in the Hakata area in 2025, supply conditions remain tight leading to notable rental growth. Looking forward to 2026, several projects are scheduled to be completed. The most notable being the NISHI-NIPPON CITY BUILDING, part of the Walk Project, which will add an estimated 5,000 tsubo NRA of office space, with the building set to be completed in early 2026. As many projects in the area are slated to be completed in the first half of 2026, temporary fluctuations in vacancy can be expected. That said, the firm underlying demand for new office space is likely to absorb the upcoming completions in 2026, while the absence of significant office completions in 2027 should allow additional breathing room for absorption.

Tenjin

Tenjin continues to see rental increase amid new completions. Investment-grade rents rose by 4.1% HoH to JPY23,500 per tsubo. Supply in Tenjin continues to be absorbed as vacancy tightened by 2.0ppts HoH to 10.2%.

The Tenjin submarket continues to welcome new office completions from the Tenjin Big Bang Project. Although vacancy rates remain elevated, the submarket is enjoying rental growth, partly driven by new completions commanding premium rents which are seeing robust demand as absorption gradually improves. As the Big Bang Project advances the transformation of the area into a major urban hub, Tenjin is expected to attract increasing tenant interest as business activity continues to concentrate in the district. Notable projects slated for completion in 2026 include the Tenjin Business Center 2nd Phase Project in June and the Tenjin 1-7 Plan in December, which will bring an approximate 18,000 tsubo NRA of combined office space. Although vacancy rates will likely remain elevated for the time being, gradual absorption is anticipated as supply tapers off after 2026.

Outlook

The Fukuoka office market remains resilient despite multiple project completions, with new supply met by strong demand. 2026 will see the completions of several projects in Tenjin and Hakata providing approximately 25,000 tsubo of office space. With most of the large-scale completions continuing to occur in Tenjin, elevated vacancies are expected in the short

term. That said, there is no new supply forecast in 2027 which should provide breathing room for absorption.

Fukuoka is well known for its excellent liveability. Large corporations have been observed opening branch offices in the city, attracted by its relatively affordable office rents compared with other major cities and the ability to draw local talent, and employees seeking to relocate back from other major cities.

Looking ahead, further monitoring of market conditions is warranted with the recent cancellation of the Hakata Station Sky City Project primarily due to rising construction costs. Nevertheless, business activity is expected to increase with Fukuoka being designated as a Special Zone for Financial and Asset Management Businesses and increased semiconductor related investment. In addition, with companies eager to hire, firm office demand can be expected. As market fundamentals improve with the easing of supply after 2026, the favourable conditions should provide opportunities for rental growth.

SENDAI CITY

Supply and Demand

Sendai welcomed the addition of NANT SENDAI MINAMIMACHI in the Station Front submarket in June 2025, adding approximately 2,500 tsubo of NRA, with leasing activity progressing at a moderate pace.

Given the stable supply-demand market conditions, the new addition did not have a significant impact on overall vacancy.

Moving forward, minimal new supply is expected with the lamroN Sendai scheduled to deliver less than 1,000 tsubo of NRA in January 2026.

Miyagi prefecture witnessed a rise in employment numbers and companies continue to look for ways to attract new talent amid the persistent labour shortage. The firm demand for new office space is likely to continue as companies evaluate their office usage in response to evolving work styles.

Vacancy

All-grade vacancy rates in Sendai tightened marginally by 0.1ppts HoH to 5.9%. Vacancy rates are anticipated to remain stable and gradually decrease over the next several years given expectations for limited new supply. That said, Sendai vacancy rates remain the most elevated amongst surveyed markets.

Rent

Average all-grade rents have moderately risen by 0.9% HoH in 2H/2025 to JPY9,500 per tsubo. Rental growth continues to be strong around Sendai Station. While the Station East submarket saw a slight drop in rent by 0.3% HoH to JPY10,700 per tsubo, the Station Front submarket continues to display strong rental growth rising by 1.7% HoH to JPY11,100 per tsubo. The City Hall, 1-bancho and Outer Area submarkets saw rental growth of 0.1% HoH, 0.6% HoH, and 0.7% HoH, respectively.

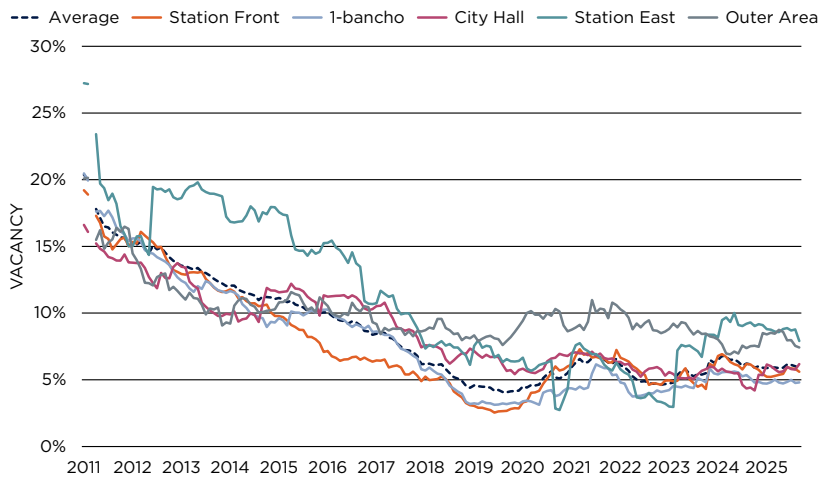
Outlook

The Sendai office market will look to maintain its positive momentum. Although limited supply is expected over the next several years, Sendai's initiatives to provide local support for startup companies could attract additional business activity to the area, raising demand for flexible and premium workspace.

Miyagi prefecture remains a significant centre for the production of electronic goods, components, and semiconductor manufacturing equipment. Notably, the prefecture ranks second nationwide in the shipment value of semiconductor manufacturing equipment.

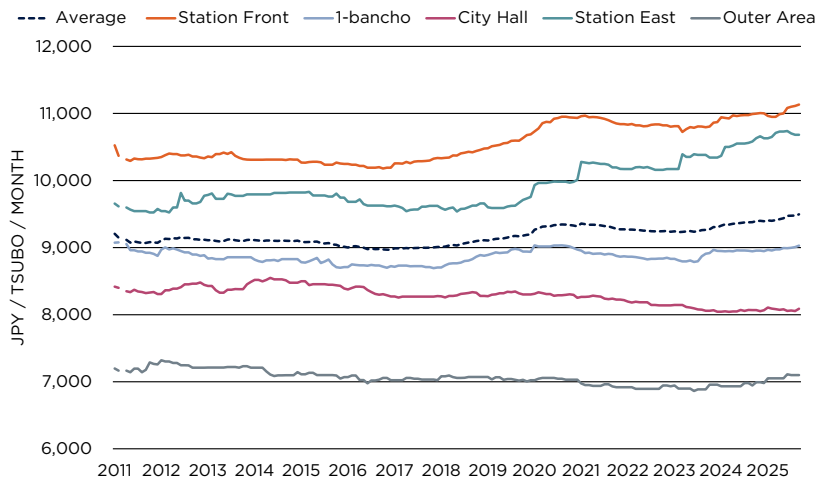
To further attract companies in the advanced electronic machinery industries, the local government has signalled its commitment to developing industry-focused initiatives. Continued growth in semiconductor-related and advanced electronics investment is expected to drive employment and additional office demand, strengthening Sendai's position for further growth.

GRAPH 14: Vacancy Rate in Sendai City by Area, 2011 to Q3/2025



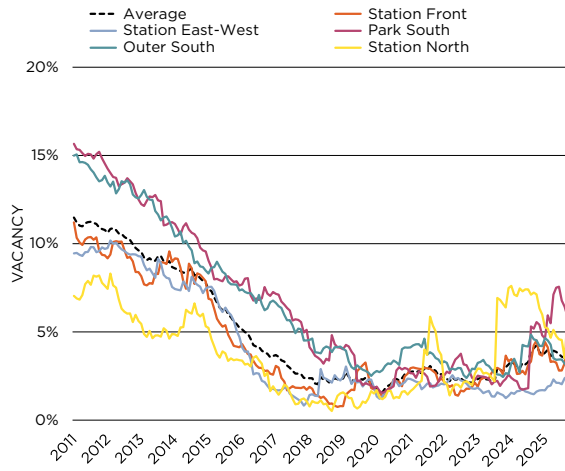
Source Miki Shoji, Savills Research & Consultancy

GRAPH 15: Average Rent in Sendai City by Area, 2011 to Q3/2025



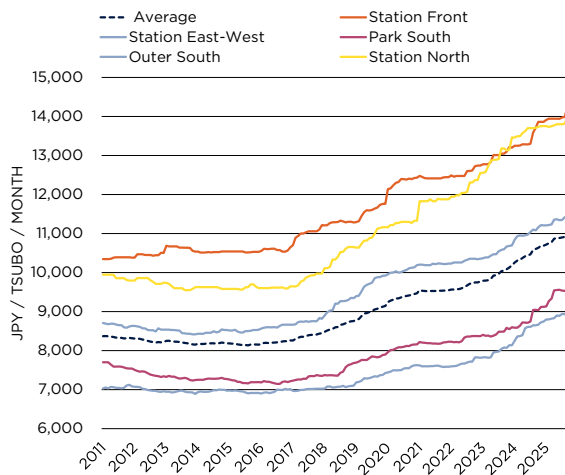
Source Miki Shoji, Savills Research & Consultancy

GRAPH 16: Vacancy Rate in Sapporo City by Area, 2011 to Q3/2025



Source Miki Shoji, Savills Research & Consultancy

GRAPH 17: Average Rent in Sapporo City by Area, 2011 to Q3/2025



Source Miki Shoji, Savills Research & Consultancy

SAPPORO CITY

Supply and Demand

Sapporo saw several new additions in the second half of the year. HULIC SQUARE SAPPORO and Mipla Sapporo Station Building located near Sapporo Station and the Minami-2 Nishi-6 Building located close to Odori Station brought almost a combined 6,000 tsubo of office space. The most notable completion was HULIC SQUARE SAPPORO which brought approximately 3,000 tsubo of office space while also providing retail and hotel space.

Sapporo will look to welcome approximately 13,000 tsubo of NRA in 2026. The most notable upcoming completion in 2026 is the Urbannet Link Sapporo Tower, which will bring roughly 7,000 tsubo of office space while also providing hotel and retail space.

Elsewhere, THE VILLAGE SAPPORO, and the S-BUILDING Sapporo Odori Kita are also slated for completion in early 2026.

Hokkaido has seen employment numbers increase despite the nationwide labour shortage, and this should continue to support demand for modern and flexible workspace.

Sapporo, together with other major cities, has been designated as a Special Zone for Financial and Asset Management Businesses and has seen increasing semiconductor-related investment in the area. As a result, the city can expect demand for office space from firms looking to relocate.

Vacancy

Average all-grade vacancy rates loosened modestly by 0.4ppts HoH to 4.1%. All submarkets saw vacancy rise between 0.4% and 1.1% HoH with the exception of the Outer South submarket which saw vacancies tighten by 1.3% HoH. With notable new supply scheduled to arrive in 2026, vacancy rates are expected to fluctuate in the short-term.

Rent

Sapporo continues to see rental growth with average asking rents increasing by 2.1% HoH to JPY11,000 per tsubo. The Park South submarket saw the largest rental increment at 2.3% HoH. Station Front also saw a similar rental increase of 2.1% HoH. All other submarkets saw rental growth of between 1.6% and 1.7% HoH.

Outlook

The Sapporo office market continues to show optimism, highlighted by Heiwa Real Estate's partial acquisition of the land and building relating to the Odori-Nishi 4 South District Category I Urban Redevelopment Project for approximately JPY120 billion. The project is a part of local efforts to further elevate the area around Sapporo and Odori Station by developing world class facilities to attract further business activity.

The Sapporo station redevelopment project, originally slated for completion in 2028, has been delayed, with the opening now phased into two stages scheduled for 2030 and 2034. A silver lining is that the project remains underway, unlike several large-scale developments in other cities such as Nagoya and Fukuoka that have been halted or re-evaluated.

In addition, the expansion of Rapidus' semiconductor operations in Hokkaido are expected to drive employment growth and attract other technology firms and supporting industries, supporting demand for the office market. While the market may experience some fluctuations going forward, overall market fundamentals remain positive.



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