

# Residential Leasing



## Strong rental growth is likely to continue

Rents continue growth amid tightening supply and strong demand.

- **Average rents**<sup>1</sup> in the Tokyo 23 wards (23W) strengthened by 5.0% quarter-on-quarter (QoQ) and 7.3% year-on-year (YoY), reaching JPY4,547 per sq m. Most wards saw quarterly rental growth while all wards saw notable annual rental increase.
- Average rents in the central five wards (C5W) grew by 5.2% QoQ and 9.9% YoY to JPY5,524 per sq m. A combination of high demand for more affordable units, and a large influx of new expensive units to the market have likely contributed to these steep rental increments.
- The C5W rental premium over the 23W average rose 1.6 percentage points (ppts) QoQ to 21.5%.
- Minato recorded the largest rental growth of 8.0% QoQ, while the rest of the C5W wards also posted healthy increases between 3.2% QoQ and 6.1% QoQ.
- The premium gap between larger and smaller units appears to be narrowing, with the smaller 15-30 sq m size band observing the strongest rental increase at 6.4% QoQ, while the larger 45-60 sq m size band posting the slightest gain at 2.6% QoQ.
- Average occupancy rates in the 23W increased by 0.3ppts QoQ to 96.8% while the C5W remained flat over the quarter at 96.0%.

<sup>1</sup> These are reference figures. Please refer to the Note on the next page for further information.

“The 23W residential market sustained its positive momentum over the quarter, with most wards recording robust quarterly rental growth, driven by tight demand and supply fundamentals. It is highly likely that average rents in our monitored portfolio appear higher than the reality and seasonality accelerates this momentum, but this should be a good indicator of the current hot market.”

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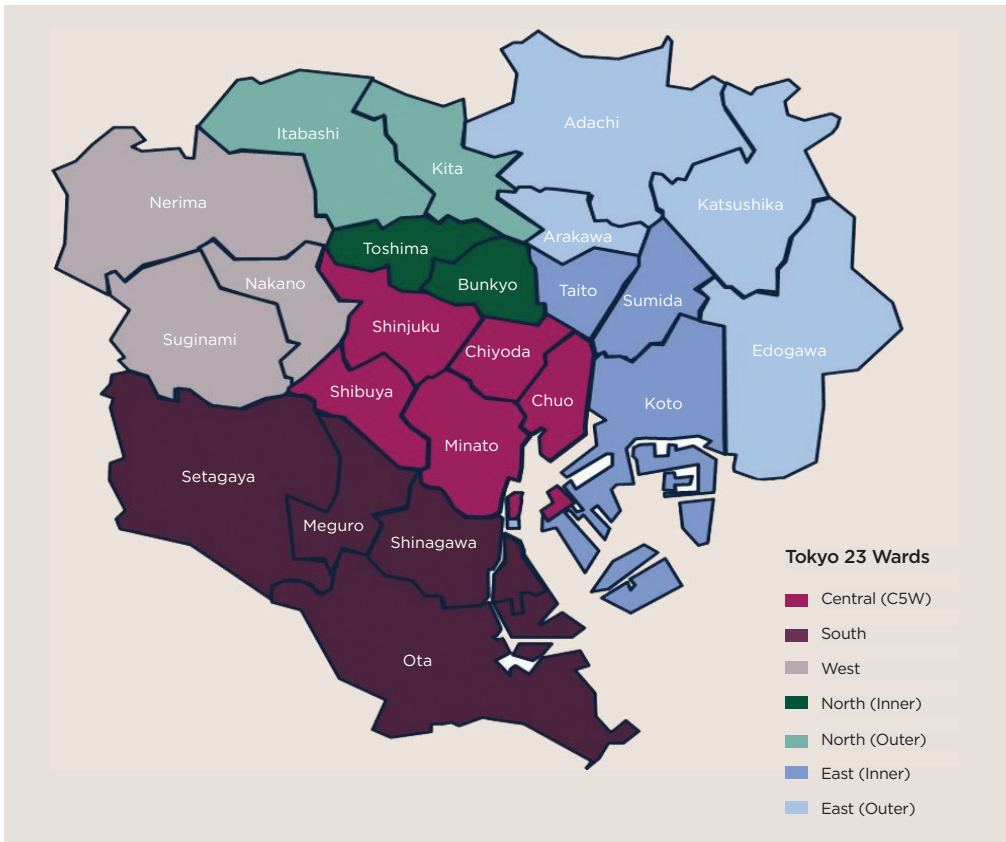
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MAP 1: Tokyo's 23 Wards by Survey Area



Source Savills Research & Consultancy

**SURVEY GEOGRAPHY**

In order to illustrate trends in the central Tokyo residential market, Savills has segmented Tokyo's 23 wards (23W) into seven distinct geographical areas: Central (or "central five wards"), South, West, North (Inner and Outer) and East (Inner and Outer).

**RENTAL INDEX DATA CHARACTERISTICS**

Savills collates thousands of leasing comparables each quarter in order to analyse trends affecting "mid-market" rental apartment units in Tokyo. Our benchmark rental data is based on average advertised monthly rents for units which fit the following criteria:

- 1) studio and one- or two-bedroom rental apartments of up to 100 sq m in size,
- 2) reinforced concrete structures built within the last ten years, and
- 3) properties located in Tokyo's 23 wards and situated within a ten-minute walk of the nearest station.

In contrast to the luxury residential market, advertised or "asking" rents for mid-market units fitting the above criteria are typically non-negotiable and are not subject to incentives such as rent-free periods. Savills mid-market rental indices are therefore considered to closely reflect movements in contract rents for the Tokyo market.

*Note: We have consistently applied this methodology for over a decade, and we believe it has provided reliable indicators of the market. That said, the current strong market may present rental growth figures that appear more robust than reality. Therefore, readers should interpret these figures as indicative rather than definitive.*

*While it is evident that the market remains strong, our monitored portfolio tracks a sample of the overall market, and as such, the extent of rental growth reflected here may not fully align with actual conditions. For this reason, we encourage readers to exercise their own judgment when assessing rental growth, rather than relying on the figures presented.*

**OVERALL RESULTS**

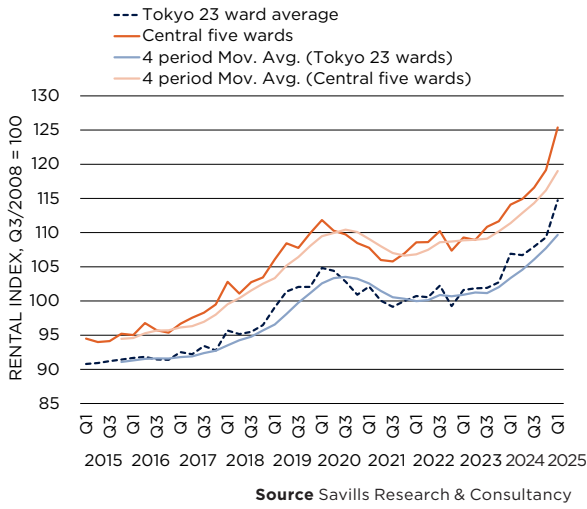
Both the Tokyo 23W and C5W recorded robust rental growth in Q1/2025, with most wards showing strong quarterly and annual gains. Some central wards recorded particularly notable quarterly and yearly rental increments, likely due to a combination of high demand for more affordable units, and a large influx of new pricey units to the market, not to mention the overall smaller sample size of listed units, which likely overstates rental changes. Additionally, seasonality accelerates this momentum. Sensing the optimistic trajectory of the market, developers have likely priced newly built units at a premium, probably prioritising rental uplift over full occupancy. As such, it is highly likely that average rents in our monitored portfolio appear higher than the reality, but this should also be a good indicator of the current hot market. We believe that this strong momentum should continue this year, but the rental growth shown this quarter appears too strong, and should come back to a sustainable level.

Overall, the number of available listings declined considerably this quarter. This can be attributed to a handful of factors, including strong demand and a drop in the number of total new rental housing starts in the Tokyo 23W in 2024, with annual completions in 2024 at 5% lower than in 2023. Indeed, rising construction and land costs, on top of the shortage of labour, have made housing development more difficult, and this situation is likely to persist for the meantime. In addition, for-sale condominium prices have skyrocketed, and have consequently shifted more demand to the rental market. Asking rents in the 23W have likely risen due to these strong demand-pull and cost-push factors.

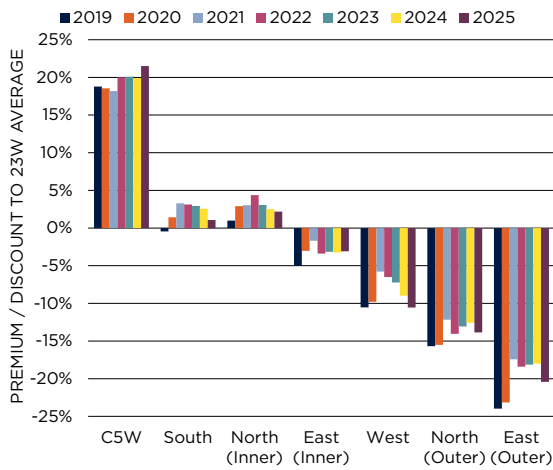
Rental growth has also been supported by steadily growing demand from positive net migration trends, many of whom are foreign nationals and are more likely to rent. Beyond demographic factors, strong corporate profits and wage growth have played an important role. Japan experienced strong wage growth at 5% in 2023 and 2024, and is highly expected to see strong growth again this year. While overall rents have risen notably this quarter, particularly in central wards, the peripheral wards remain relatively affordable. Wage growth is not equal and some have benefitted less from wage growth and are facing greater pressures from inflation.

The C5W premium over the 23W widened further to 21.5%, showing greater demand for centrally located residences. Meanwhile, the premium gap between larger and smaller

**GRAPH 1: Mid-market Apartment Rental Index, Q1/2015 to Q1/2025**

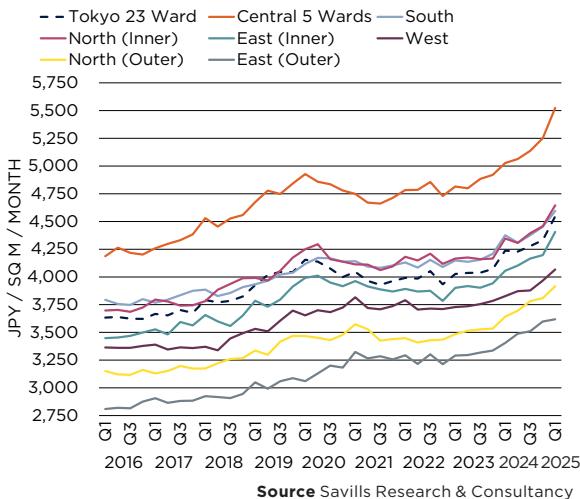


**GRAPH 2: Rental Premiums/Discounts\* vs 23W Average, 2019 to Q1/2025**



\* The above represents the average premium/discount over the respective year.

**GRAPH 3: Mid-market Apartment Rents, Q1/2016 to Q1/2025**



units in the C5W has narrowed further, which could partly be explained by the comparatively greater supply of large units that have come to the market in recent quarters, initially driven by developers responding to stronger demand for more spacious layouts that could accommodate workspaces during the pandemic.

**MID-MARKET RENTAL TRENDS BY SURVEY AREA**

The Tokyo 23W residential leasing market has strengthened substantially by 5.0% QoQ and 7.3% YoY to JPY4,547 per sq m. Almost all constituent wards saw quarterly rental increases, while all wards experienced notable annual rental growth.

Average rents in the C5W climbed for a seventh consecutive quarter, growing by 5.2% QoQ and 9.9% YoY to JPY5,524 per sq m. Among the C5W constituents, Minato saw the most pronounced rental growth, rising by 8.0% QoQ. Indeed, while the overall number of available units in our monitored portfolio decreased by nearly a quarter, especially affordable ones, an influx of new units with premium rents appears to have notably pushed up average listed rents. Similarly, Shinjuku, Chuo and Chiyoda experienced increments of 6.1%, 5.4% and 3.4% QoQ, respectively. Meanwhile, Shibuya recorded the softest uptick among the C5W, rising by 3.2% QoQ. Overall, the small sample size of listed units appears to amplify the magnitude of changes on listed rents, and in this context, existing owners should have more realistic views on rental growth for their own units.

Average rents in the South submarket increased by 3.2% QoQ and 5.0% YoY to JPY4,595 per sq m. Meguro witnessed the strongest growth of 4.3% QoQ while Setagaya saw the smallest gain of 1.5% QoQ. The Inner North submarket posted rental growth of 4.2% QoQ and 6.9% YoY, reaching JPY4,646 per sq m, with Bunkyo and Toshima's average rents climbing by 4.9% QoQ and 3.5% QoQ, respectively.

Elsewhere, the Inner East's average rents climbed steadily by 5.0% QoQ and 8.6% YoY to JPY4,406 per sq m. Koto has continued to be the best performer in the submarket for four quarters in a row, increasing by 6.0% QoQ. Taito and Sumida saw gains of 4.5% QoQ and 4.4%, respectively. In the West submarket, the average rents strengthened by 2.5% QoQ and 6.3% YoY to JPY4,067 per sq m. Sugunami saw an improvement of 4.0% QoQ while Nerima recorded a modest gain at 1.0% QoQ.

The Outer North submarket's average rents rose by 2.8% QoQ and 7.5% YoY to

JPY3,917 per sq m. Itabashi's rents improved by 3.5% QoQ while Kita saw a gain of 2.2% QoQ. The Outer East submarket saw the smallest improvement on a quarterly basis among other submarkets, growing by 0.6% QoQ and 6.3% YoY. Adachi witnessed rental growth of 2.2% QoQ while Katsushika recorded the only rent decline in the 23W at 3.6% QoQ.

**MIGRATION TRENDS**

Net migration into the 23W reached record levels in 2024, with a net influx of 116,000 residents, 18% higher than the previous year and 30% above the pre-pandemic level in 2019. Foreign nationals accounted for more than half of this growth, reflecting their growing importance in the 23W demographic mix moving forward.

Between December 2024 and February 2025, net migration into the 23W remained positive, with a net increase of 2,800 residents - foreign nationals recorded a net inflow of 4,700 residents, while Japanese nationals saw a net outflow of 1,900 residents, underscoring the increasing influence of foreign nationals in shaping demographic growth in the 23W. Similarly, in the C5W, foreign nationals registered a net inflow of 50 residents, whereas Japanese nationals experienced a net outflow of 650 residents.

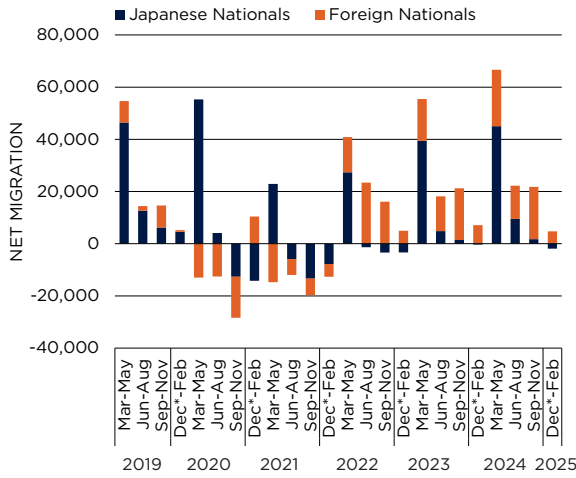
Overall, net migration levels in 2024 reflect Tokyo's strong demographic fundamentals that have fuelled robust rental residential demand. Although a modest net outflow among the Japanese national population was observed in both the 23W and C5W between December 2024 and February 2025, the upcoming peak spring moving season is expected to bring a strong inflow of Japanese nationals, further driving demand for rental units in the Tokyo 23W. (See Graph 4 overleaf)

**OCCUPANCY RATES**

Occupancy rates in the Tokyo 23W increased by 0.3ppts QoQ to 96.8% in Q1/2025, while declining by 0.4ppts on an annual basis. Occupancy rates in the C5W remained flat over the quarter while dipping by 0.9ppts YoY to 96.0%. While the change in occupancy rates is small, and properties are generally close to full occupancy, asset managers appear to be in no rush to fill vacancies, instead prioritising rental increases amid a strengthening rental market. The tight demand-supply conditions should support further improvements to occupancy across all submarkets moving forward.

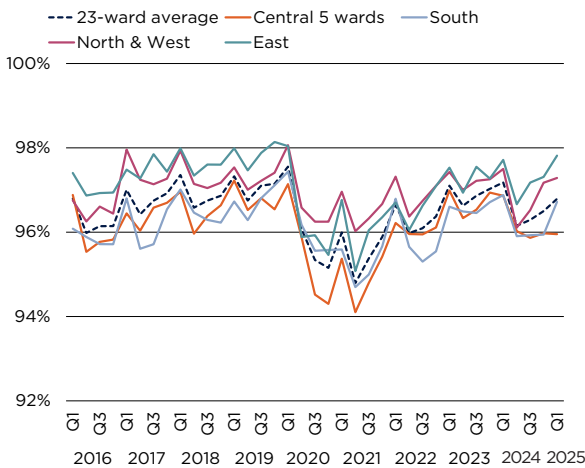
Strong wage growth should continue to support rental demand, with 2024 seeing the highest increase in wages in three decades and 2025 expected to continue this trend.

**GRAPH 4: Annual Net migration in Tokyo 23W, March 2019 to February 2025**



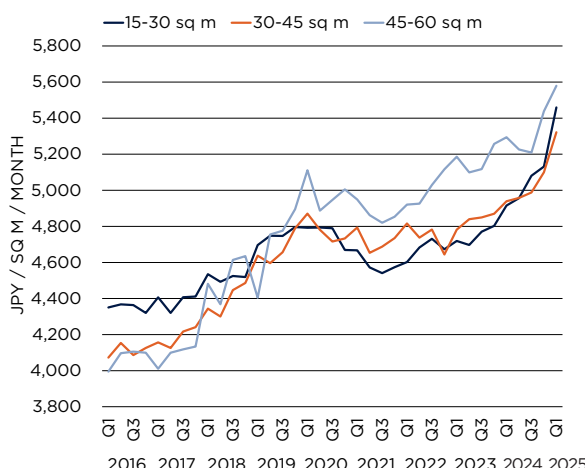
Source Tokyo Metropolitan Government, Savills Research & Consultancy  
\* December pertains to the preceding year.

**GRAPH 5: Average Occupancy for J-REIT Residential Assets, Q1/2016 to Q1/2025\***



Source Savills Research & Consultancy based on publicly disclosed J-REIT property data  
\* Q1/2025 is as of February 2025.

**GRAPH 6: Rents by Unit Size, C5W, Q1/2016 to Q1/2025**



Source Savills Research & Consultancy

Moreover, foreign nationals have and will continue to comprise a growing proportion of net migration in the Tokyo 23W, and should drive residential rental demand, given the higher tendency of this demographic to rent. Overall, steady population growth is expected to continue in 2025 and beyond, especially with the upcoming spring moving season, and occupancy should see improvements looking ahead.

**RENTS BY UNIT SIZE**

Tokyo's rental market is principally made up of compact single-occupier units, typically less than 45 sq m (13.6 tsubo) in size. Such units can often make up as much as 70% or more of the 23W area's rental listings. Unlike Western major global cities such as New York and London, house or apartment sharing does not form a meaningful segment of the rental market. As a result, there is a large, stable market for small- to mid-sized units.

While average rents increased across all three size bands in the C5W, the smaller 15-30 sq m size band observed the most notable uptick of 6.4% QoQ, followed by the medium 30-45 sq m size band, rising by 4.4% QoQ. Meanwhile, the larger 45-60 sq m size band experienced the most modest increase of 2.6% QoQ.

Overall, the gap that larger size-bands had over smaller ones appears to have narrowed and may be on a trend of convergence as both residents and the market adapt to new lifestyles and residential preferences. Remote working options have become less prolific compared to a few years ago, and the general push toward the office may have reduced the demand for larger living spaces, especially when they are more expensive.

In addition, according to housing starts data published by the Ministry of Land, Industry, Transport, and Tourism (MLIT), comparatively more units of larger size bands, and fewer smaller size-band units were built than in previous years. Indeed, developers appear to have been more incentivised to build larger units to accommodate the shift in demand during the pandemic. As a result, the proportion of rental housing starts under 30 sq m in the C5W has declined to just 12% of total stock in 2024, down from the 5-year average of 17% between 2019 and 2023. In contrast, the proportion of rental housing starts for larger units has grown to 36%, compared to its 5-year average of 29% over the same period. Moving forward, the average rents for the different size bands are expected to stabilise as the rental market tightens and the market adapts to new lifestyles and residential preferences.

**THE OSAKA RESIDENTIAL MARKET**

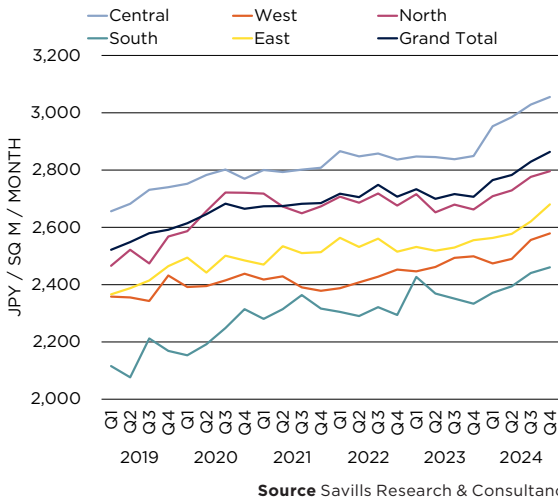
Similar to the Tokyo residential market, Osaka has continued to demonstrate its strong performance, driven by sound economic and demographic fundamentals, as well as key infrastructure developments and the upcoming Integrated Resort in Yumeshima. With increasing net migration, growing rental demand, and a limited supply of for-sale properties, the Osaka residential market offers numerous investment opportunities. For a more in-depth overview, please refer to our "[Osaka Residential Markets - February 2025](#)" report.

Osaka is a major and diverse economic hub in the Kansai region, and Osaka City accounts for nearly half of the prefecture's GDP, highlighting the city's economic significance. Rental prices in the city have steadily increased at a compound annual growth rate of 2.6% since 2019. As of Q4/2024, the average rent reached JPY 2,864 per sq m, with the central 6 wards (C6W) experiencing even higher annual growth of 3.0%, reaching JPY3,055 in the same period. That said, compared to Tokyo's 23 wards, where the average rents are 40% higher, Osaka presents significant opportunities for further rental growth.

Net migration into Osaka has been strong despite the pandemic, particularly among foreign nationals, young workers, and students. Between 2019 and 2024, Osaka's 24 wards (24W) saw a population increase of 1.8%, or by around 50,000 people, with a vast majority of migrants belonging in the 20-29-year-old age band. The foreign national population contributed significantly to this growth, increasing by approximately 40,000 people over the same period. Central wards have remained popular, particularly Chuo and Naniwa, which have seen significant population growth of 16.0% and 14.1%, respectively, between 2019 and 2024. Given these strong demographic indicators, the demand for rental markets is expected to remain strong, with a significant proportion of younger workers, students, and foreign nationals more likely to be renters. Moreover, according to a survey conducted by MLIT, nearly 55% of overall Osaka residents lived in rental housing in 2023. With a high share of renters, the supply of rental units remains strong, accounting for nearly 70% of total new housing starts in 2024.

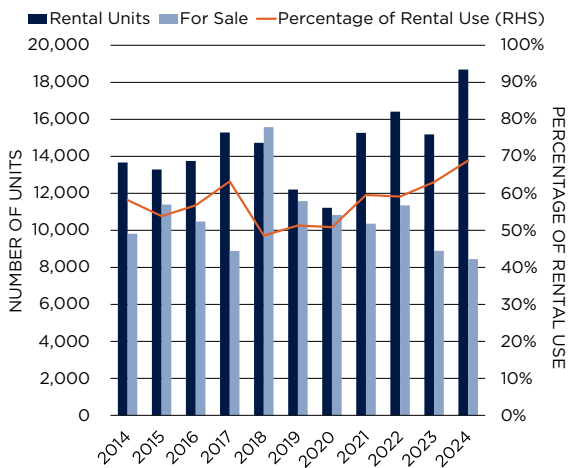
Meanwhile, prices in the Osaka condominium market have reached new highs, with average new condo prices hitting JPY1.2 million per sq m in 2024. This increase has been driven by strong demand, rising wages, and perhaps foreign investment fuelled by a weak yen. Moreover,

**GRAPH 7: Osaka City Rents by Submarket, Q1/2019 to Q4/2024**



Source Savills Research & Consultancy

**GRAPH 8: Osaka City Housing Starts by Use, 2014 to 2024**



Source Ministry of Land, Infrastructure, Transport and Tourism (MLIT), Savills Research & Consultancy  
 Note Figures exclude wooden units.

supply-side constraints, including rising construction costs and limited land availability, have further pushed prices upwards. While historically low mortgage rates have made purchasing more accessible, rising costs are pricing out many potential buyers, leading to a greater demand on rental properties, particularly in central areas. Meanwhile, Osaka’s luxury segment has also seen notable growth, with high-end developments such as GRAND GREEN OSAKA transforming the city’s premium real estate market. Upscale projects in areas like Dojima cater to wealthy domestic and international buyers, driving up prices, especially, in the high-end market.

In addition, as one of Japan’s major tourism hubs, Osaka welcomed 14.6 million inbound visitors in 2024, surpassing pre-pandemic levels. With the upcoming Expo 2025 and the Integrated Resort slated for completion in 2030, the city’s tourism appeal is expected to grow, likely driving further demand for accommodations for both residents and tourists. Given the declining supply, especially, of budget hotels and the rising number of inbound visitors, some investors acquire residential properties for short-term private rental accommodations (minpaku), which may further bolster demand for residential units.

Overall, the Osaka residential market is in a positive state, with strong demand supporting sound and sustained rental growth. Indeed, strong demographic fundamentals and rising prices of for-sale condo units should sustain demand in the rental residential market, and the strong rental growth trend should continue. Additionally, record inbound tourism and limited hotel supply may also further boost demand for residential units to be used as private accommodations, which may shift additional demand to the rental residential market, further improving rental growth prospects.

**OUTLOOK**

The Tokyo 23W residential market performed robustly in Q1/2025. Almost every ward experienced rental growth over the quarter and all wards saw considerable annual rental growth. Net migration into the 23W between December 2024 and February 2025 was positive, while total figures for 2024 reached record highs, driven largely by foreign nationals. Looking ahead, net migration should continue in the coming quarter, with the upcoming peak spring moving season expected to bring a large influx of migrants to the Tokyo 23W.

Consistent rental growth has been supported by sound demand and supply. Strong wage growth is expected to continue in 2025 with the Shunto wage negotiations, bolstering the prospects for continued rental growth moving forward. In addition, the Bank of Japan is likely to raise interest rates further, which could potentially dampen demand for for-sale condominiums among prospective homeowners, consequently boosting rental demand. Moreover, starting from April 2025, new residential buildings must meet stricter energy efficiency standards set by MLIT, and the cost of compliance is expected to be reflected in development costs and consequently unit prices.

Looking ahead, the Tokyo 23W residential market is likely to continue to do well, especially in the central wards, driven by high-income professionals who have benefitted from noticeable wage growth in the tight labour market. On the other hand, households facing rising daily necessities costs due to the ongoing inflation or those seeking larger and more affordable spaces may continue to turn to the outer wards, where rents remain relatively lower and still have room for growth, supporting demand in these areas. We believe that this strong momentum should continue this year, but the rental growth shown this quarter appears too strong, and should come back to a sustainable level.