



# Residential Leasing



## Rental growth holds firm

Rental growth remains on an uptrend supported by steady net migration amid shifting momentum.

- **Average rents<sup>1</sup>** in the Tokyo 23 wards (23W) increased by 1.0% quarter-on-quarter (QoQ) and 8.2% year-on-year (YoY), reaching JPY4,630 per sq m. Most wards saw moderate quarterly rental growth while annual rental growth was notable all around.
- Average rents in the central five wards (C5W) grew by 1.1% QoQ and 9.1% YoY to JPY5,605 per sq m.
- The C5W rental premium over the 23W average held steady at 21.2% over the quarter.
- Chuo recorded the largest rental growth of 3.7% QoQ, while Chiyoda rents saw a correction of 2.9% QoQ. The rest of the C5W constituents experienced modest rental growth of between 1.0% and 2.2% QoQ.
- The larger 45-60 sq m size band maintained its premium over the smaller and medium size bands, recording a 1.2% QoQ increase. The medium 30-45 sq m size band posted the largest gain at 2.4% QoQ, while the smaller 15-30 sq m size band observed the slightest rental increase at 0.9% QoQ.
- Average occupancy rates in the 23W decreased by 0.4 percentage points (ppts) QoQ to 96.1% and the C5W saw a similar decrease of 0.3ppts over the quarter at 95.5%.

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

“The Tokyo 23W residential market sustained steady momentum with a trend of rising rents. Strong demographic inflows, including a notable proportion of foreign nationals, continue to support demand, while affordability pressures are gradually shifting some households towards peripheral wards. Elevated condominium prices and borrowing costs are further reinforcing rental demand.”

SAVILLS RESEARCH & CONSULTANCY

## Savills team

Please contact us for further information

### JAPAN

**Eiichiro Onozawa**  
CEO and  
Representative Director  
+81 3 4330 3005  
[eonozawa@savills.co.jp](mailto:eonozawa@savills.co.jp)

**Andy Hurfurt**  
Managing Director,  
Institutional Investment  
Advisory  
+81 3 4330 3328  
[ahurfurt@savills.co.jp](mailto:ahurfurt@savills.co.jp)

### RESEARCH

**Tetsuya Kaneko**  
Managing Director,  
Head of Research &  
Consultancy, Japan  
+81 3 4330 3103  
[tkaneko@savills.co.jp](mailto:tkaneko@savills.co.jp)

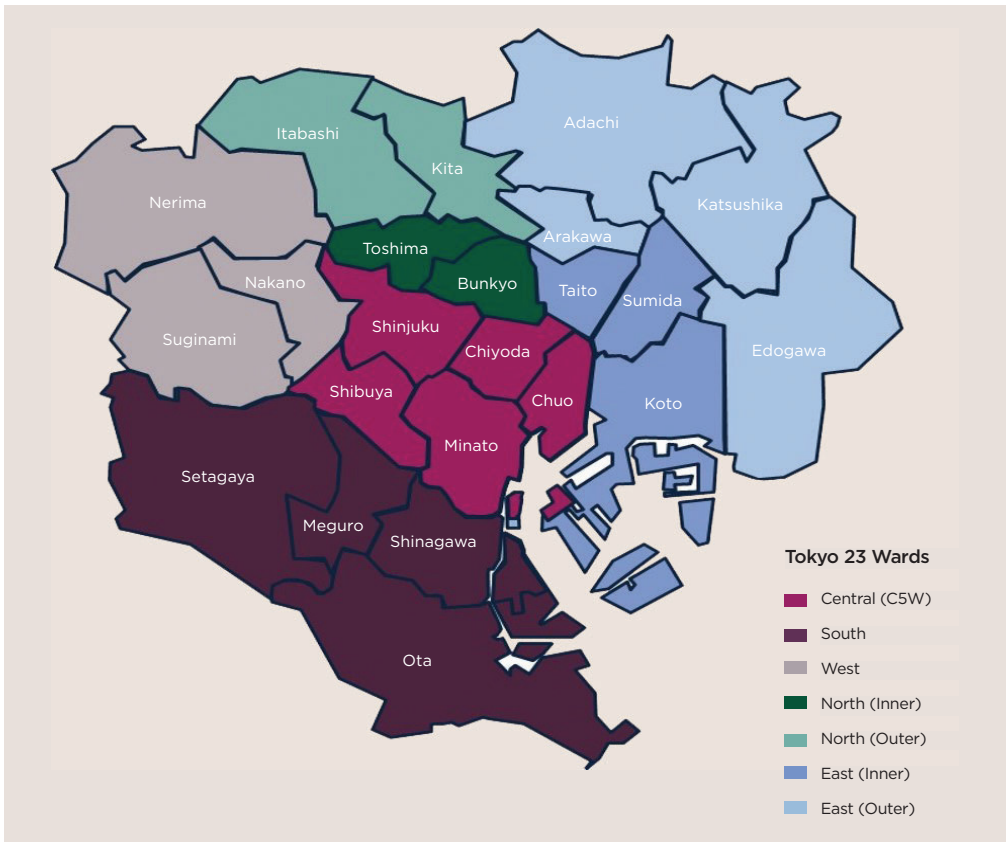
**Ronrich Tan**  
Associate, Research &  
Consultancy, Japan  
+81 3 4330 3107  
[rtan@savills.co.jp](mailto:rtan@savills.co.jp)

**Simon Smith**  
Regional Head of  
Research & Consultancy,  
Asia Pacific  
+852 2842 4573  
[ssmith@savills.asia](mailto:ssmith@savills.asia)

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MAP 1: Tokyo's 23 Wards by Survey Area



Source Savills Research & Consultancy

**SURVEY GEOGRAPHY**

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 residential markets registered stable rental growth in Q3/2025, with most constituent wards recording increases, contributing to strong annual gains across the board. Tokyo's market fundamentals remain supportive, underpinned by continued demographic inflows. With steady wage growth and moderate healthy inflation continuing in Japan, conditions suggest further scope for rental growth moving forward.

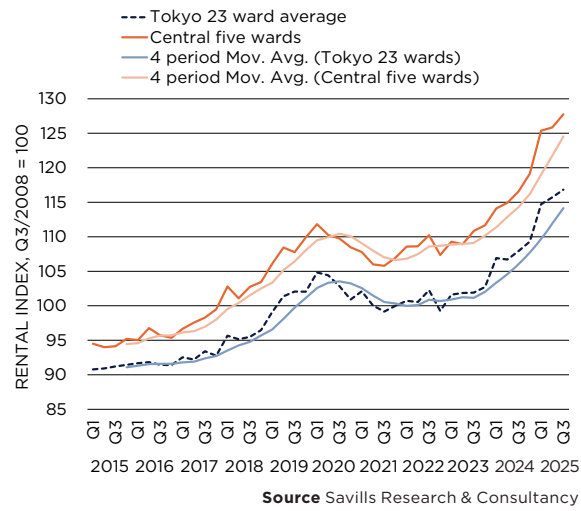
Tokyo's demographic strength continues to play a central role in sustaining firm leasing demand. The 23W recorded a net inflow of more than 81,000 residents in 2025 as of August 2025, putting the annual figure on track to rival the record levels observed in 2024. Although inflows during the summer months were lower compared to the same period last year, they remained above pre-pandemic levels. Foreign nationals once again comprised a significant proportion of newcomers during this season, reinforcing rental demand given their stronger tendency to lease rather than to buy.

Affordability constraints are increasingly shaping the geography of migration and rental growth. Although consistent strong wage growth has been observed the past few years, especially among employees of large corporations, some households have benefitted less, with overall real wages remaining negative. While CPI appears to hover at around 3% in 2025, actual food costs have risen more sharply. Particularly, rice prices have nearly doubled over the past two years. As a result, households in below-average income bracket are feeling the squeeze and likely to seek refuge in more affordable peripheral wards, supporting a more balanced rental growth throughout the 23W.

Within the 23W, the central wards saw softer migration inflows compared with last year, while outer wards appear more resilient. This outward shift is mirrored in rental trends, with growth becoming more evenly distributed across submarkets. That said, the premium commanded by the C5W relative to the wider 23W remained unchanged at 21.2% over the quarter, indicating that while affordability pressures are influencing migration patterns, central wards continue to retain firm pricing power, supported by consistent strong wage growth of skilled professionals.

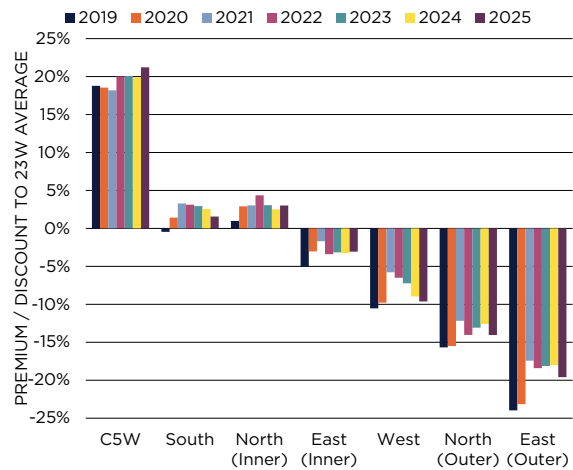
At the same time, the for-sale condominium market remains highly priced, with increasing construction and land costs, as well as stricter environmental standards introduced earlier this year expected to place

**GRAPH 1: Mid-market Apartment Rental Index, Q1/2015 to Q3/2025**



Source Savills Research & Consultancy

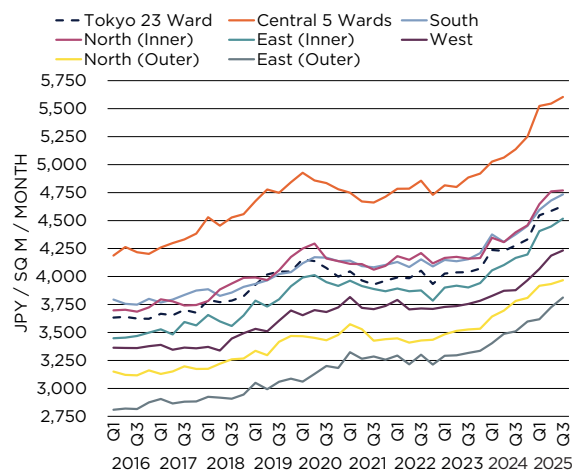
**GRAPH 2: Rental Premiums/Discounts\* vs 23W Average, 2019 to Q3/2025**



Source Savills Research & Consultancy

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

**GRAPH 3: Mid-market Apartment Rents, Q1/2016 to Q3/2025**



Source Savills Research & Consultancy

further upward pressure on prices while new condominium supply continues to decrease. Prospective homeowners are also facing higher borrowing costs, pushing more households into the rental sectors.

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

Growth in the Tokyo residential leasing market in Q3/2025 has been steady, with 23W average rents increasing by 1.0% QoQ to JPY4,630 per sq m, contributing to a solid 8.2% YoY increase. Most constituent wards observed an increase in rents by the quarter, and all wards witnessed rental growth on an annual basis.

Average rents in the C5W market strengthened by 1.1% QoQ and 9.1% YoY to JPY5,605 per sq m. Chuo saw the greatest quarterly rental growth at 3.7%, followed by Minato with a moderate increase of 2.2%, while Shibuya and Shinjuku saw modest quarterly growths of 1.7% and 1.0% respectively. Chiyoda experienced a contraction of 2.9% QoQ, cooling from its robust growth from the previous quarter, although maintaining on an upward trend, increasing by 8.3% YoY.

The South submarket observed steady rental increases of 1.2% QoQ and 8.2% YoY to JPY4,735 per sq m over Q3/2025. A closer look shows that Setagaya experienced the greatest growth over the quarter at 2.7%. Shinagawa and Meguro followed suit with more modest growth of 1.2% QoQ and 0.9% QoQ respectively. Ota saw a slight rental contraction of 0.2% QoQ, though it has experienced a noticeable growth over the year at 7.4%. The Inner North submarket recorded modest rental growth of 0.2% QoQ and 8.5% YoY to JPY4,769 per sq m. Toshima saw average rents increase by 0.9% QoQ, although Bunkyo saw rents dip by 0.5% QoQ. Still, both wards' yearly performance appears to be solid, increasing by 10.5% and 6.7%, respectively, remaining in line with other markets in the 23W.

The Inner East submarket experienced an average rental growth of 1.6% QoQ and 8.4% YoY to JPY4,517 per sq m in Q3/2025. Taito enjoyed the largest gain of 2.2% QoQ, followed by Sumida and Koto at 1.6% QoQ and 0.9% QoQ respectively. The West submarket recorded an increase of 1.1% QoQ and 9.2% YoY to JPY4,234 per sq m. Suginami topped rental growth at 1.5% QoQ while Nakano saw a more modest increase of 0.6% QoQ, easing slightly after a strong previous quarter.

The Outer North submarket posted modest rental improvement of 0.9% QoQ and 4.9% YoY to JPY3,967 per sq m. Rental growth in Itabashi was 2.3% QoQ, while average rents in Kita contracted slightly by 0.5% QoQ. The Outer East submarket recorded rental rise of 2.3% QoQ and 8.6% YoY to JPY3,812 per sq m. Edogawa achieved solid quarterly rental gain of 3.6%, followed in succession by Arakawa, Adachi, and Katsushika at increases of 2.1%, 2.0%, and 1.6% QoQ, respectively.

**MIGRATION TRENDS**

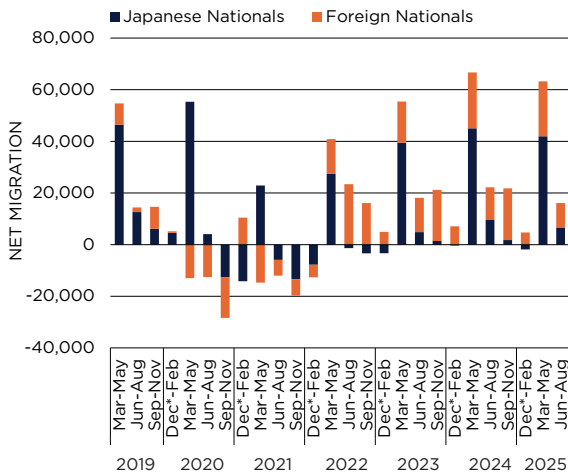
Net migration into the Tokyo 23W remains strong, totalling 81,000 people in 2025 as of August 2025. Between June and August 2025, a net inflow of 16,000 people was recorded, of which nearly 60% comprised of foreign nationals. Although net migration this quarter is lower compared to the same period last year, it remains higher than pre-pandemic levels in the same period in 2019. The annual net population inflow for 2025 is on track to approach the record high levels of 116,000 people in 2024, and the 23W's strong demographic fundamentals is expected to continue to support housing demand.

While all submarkets recorded lower net migration between June and August 2025 compared to the same period a year earlier, the net inflows is still higher when compared to the pre-pandemic period in 2019. More affordable rents appear to be driving renewed momentum in the peripheral wards. Notably, between June and August 2025, the Outer East and Outer North submarkets attracted 5,200 and 2,900 new residents, respectively, compared with 2,700 and 1,300 in the same period of 2019. The South, West and Inner East submarkets also saw healthy net inflows of 2,900, 2,500 and 1,400 people, respectively, each slightly below their 2019 figures by a few hundred people. The Inner North saw a net inflow of 100 residents, roughly half of the 200 recorded in 2019. Within the C5W, net migration in this quarter saw a net inflow of 1,000 people, about half compared to the same period in 2019.

The net migration trend demonstrates a shift in migration momentum towards the more affordable outer wards.

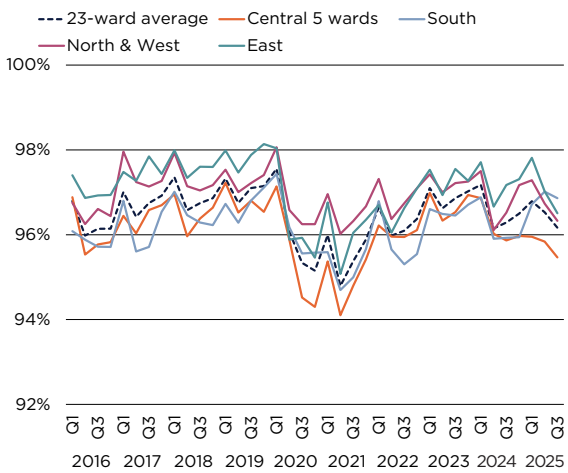
In addition, within Tokyo prefecture, areas outside the 23W saw stronger inflows, with net migration in June to August 2025 standing at 6,100 people, about 1,600 above the same window a year earlier, and 3,500 more than the pre-pandemic period in 2019. As affordability becomes a greater constraint, demand also appears

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



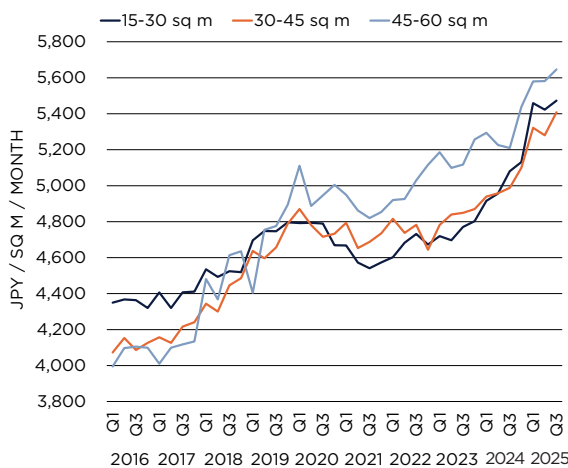
Source Tokyo Metropolitan Government, Savills Research & Consultancy  
\* December pertains to the preceding year.

**GRAPH 5: Average Occupancy for J-REIT Residential Assets, Q1/2016 to Q3/2025\***



Source Savills Research & Consultancy based on publicly disclosed J-REIT property data  
\* Q2/2025 is as of August 2025.

**GRAPH 6: Rents by Unit Size, C5W, Q1/2016 to Q3/2025**



Source Savills Research & Consultancy

to be shifting towards more accessible areas across the wider Tokyo prefecture, where rents are relatively lower and more housing options are available. This outward migration suggests that while the city centre continues to attract strong occupier interest, the rising costs of living are redirecting population growth towards the surrounding submarkets, potentially providing increasing rental uplift prospects for the peripheral wards.

Looking ahead, net migration into Tokyo is expected to remain robust, with net inflows likely to stay within record levels in 2025. Foreign nationals are projected to continue forming a sizeable share of newcomers. At the same time, affordability pressures within the central wards may increasingly prompt households to consider housing in more affordable parts of the 23W and beyond, leading to more balanced growth across the metropolitan area rather than being concentrated in the city centre.

**OCCUPANCY RATES**

Occupancy rates saw a dip of 0.4ppts QoQ to 96.1% across Tokyo’s 23 wards, leading to a slight 0.2ppts decrease in YoY levels. The C5W followed a similar trend with occupancy rates continuing to loosen by 0.3ppts QoQ and 0.4ppts YoY to 95.5%. The softening in occupancy appears consistent with historical seasonal patterns as demand remains sound. This cyclical trend implies that the latest dip may reflect timing effects linked to lease renewals and relocations. In addition, many asset managers have been prioritising rental uplifts over occupancy, and the market is likely to experience modest occupancy softening for now.

The divergence between rising rents and slightly loosening occupancy in both the C5W and the broader 23W suggests that landlords are exercising greater pricing discipline. Rather than rushing to fill vacant units, many appear willing to tolerate marginally higher vacancy in order to preserve higher rental levels. This strategy reflects confidence that demand remains fundamentally strong and that limited new supply will draw tenants back, even at an elevated price point, in due course. Alternatively, this also implies longer downtime due to labour shortage, especially in the construction sector.

The population of Tokyo is expected to continue its steady growth throughout the year, providing a stable foundation for firm demand in the residential leasing market. Although rising rents in the central wards may be prompting some households

to consider more affordable locations, overall inflows remain firm and continue to support the broader market. With foreign nationals comprising a notable share of new residents and typically favouring rental accommodation, this demographic should further underpin the resilience of the residential leasing sector, supporting stable occupancy in the months 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 major Western 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.

Average rents have shown moderate increases across all three size bands in the C5W over Q3/2025. The medium 30-45 sq m size band saw the greatest increase at a solid 2.4% QoQ, followed by the larger 45-60 sq m size band which experienced a 1.2% QoQ increase, while the smaller 15-30 sq m size band saw a modest increase of 0.9% QoQ. This may be seen as a market adjustment accounting for the limited stock of mid-sized units which strike a good balance between space and affordability. Despite the growing supply of larger-sized band rental residential units in 2024 compared to previous years, according to the Ministry of Land, Industry, Transport and Tourism (MLIT), it appears that the larger-size bands maintain a premium over the smaller units, supported by demand from well-paid working professionals living in the city centre close to their offices. Flexible work arrangements remain prevalent which entices some residents to rent larger spaces to be used as a home office for remote work.

Overall, rents for all three size bands continues to grow together after experiencing a slight correction from the previous quarter. Moving forward, the market should see a tighter balance across all size-bands, supported by consistent strong foreign resident inflow helping to maintain rental growth.

**OUTLOOK**

The Tokyo 23W residential market continued to display healthy momentum in Q3/2025. Average rents rose across all submarkets in Q3/2025, spearheaded by the Outer and Inner East submarkets. The seasonal dip in occupancy rates appears

consistent with historical lease renewal patterns, and the willingness of landlords to maintain rental levels at the expense of marginally higher vacancy suggests confidence that demand will remain firm. Strong net migration over the first three quarters of 2025, with inflows on track to match 2024 levels, continues to underpin leasing demand, and the steady inflow of foreign nationals is adding to this resilience.

Prices of for-sale condominiums remain high due to rising construction and land cost pressures. According to Real Estate Economic Institute, 8,275 new condominium units came to market in the 23W in 2024, which is about 32% lower than the five-year average between 2019 and 2023. The number of new units is likely to

continue to dwindle, with the first half of 2025 recording 2,964 new units, 11% lower than the same period of the previous year. Furthermore, the average price of new condominium units has been on an upward trend, and the 2025 average price appears to be on track to hit an all-time high. With more residents likely to be priced out of the for-sale condominium market, more people are likely to rent than to buy, contributing to the solid demand of the rental-market. Elevated borrowing costs are also likely to further rise with potential future policy rate hikes in the near future. These factors combined could redirect more prospective homeowners towards the rental market, sustaining elevated demand for rental accommodations across the 23W.

Going forward, Tokyo's demographic fundamentals should continue to provide a firm base for the residential leasing market. Although affordability concerns are beginning to push more residents, especially younger households, further outwards, this redistribution of demand may serve to spread rental growth more evenly across the metropolitan area rather than erode overall strength. With inbound foreign nationals expected to remain a significant driver of leasing activity, and landlords maintaining pricing discipline in a supply-constrained environment, the Tokyo 23W residential market is likely to see sustained rental growth and stable occupancy through the remainder of 2025.