

Japan Retail



Retail momentum is taking shape amid global headwinds

Summary

- Average 1F rents in Tokyo increased by 3.6% half-year-on-half-year (HoH). Prime retail streets continue to perform well, and vacancies remain minimal.
- In regional markets, average 1F asking rents decreased by 1.1% over the past half-year. Major regional submarkets continue to see strong demand with vacancies staying tight.
- Prime properties facing the main streets remain highly sought after by major retailers seeking brand visibility, whereas some subprime properties are facing elevated vacancies.
- While luxury brands remain resilient and continue to witness new store openings in prime locations, leasing demand from high-end segments, such as sports and leisure goods are increasing in proportion, supporting the competitive leasing landscape in core retail areas.
- Policies aimed at shifting inbound tourism towards regional areas are likely to generate further windfall for local retail markets moving forward, particularly as inbound visitors extend beyond major cities.
- Retail investment volumes have had a slow start in 1H/2025 due to global headwinds and transaction volumes as of Q3/2025 are around 20% lower than the same period last year.
- Growing investor interest has been observed in regional and suburban retail properties, supported by their stable revenue streams and significant potential for strategic asset management.

TOKYO SUBMARKET RENTS

According to the semi-annual survey conducted by the Japan Real Estate Institute (JREI) and BAC Urban Projects, average asking rents for 1F units in Tokyo have grown by 3.6% HoH and 6.7% year-on-year (YoY). Non-1F asking rents similarly grew by 3.5% HoH and 8.0% YoY. Overall, Tokyo's prime retail market remains strong, supported by consistent growth in inbound tourism and elevated expenditure per capita, and a limited availability of prime retail properties, which are known for drawing heavy inbound tourist foot traffic.

Ginza

Average 1F asking rents in Ginza climbed by 4.3% HoH and 9.6% YoY to JPY70,800 per tsubo in 1H/2025. Similarly, non-1F asking rents increased by 5.9% HoH while improving by 9.8% YoY to JPY35,700 per tsubo. Overall, vacancies have tightened further, with 1F units attracting interest from luxury brands and non-1F units from dining establishments and other service-oriented businesses such as beauty clinics.

The area continues to attract high-profile international fashion brands. In July 2025, Tiffany Ginza opened its flagship store at the Ginza 6-chome intersection, while Cartier established its Ginza 4-chome boutique on the former site of GAP's flagship store. Harry Winston Ginza has relocated to a prominent corner in the 1-chome area, signalling sustained demand for prime retail frontage among luxury tenants. In addition, LAOX Grand Stage GINZA, which held its grand opening in July 2025, offers a diverse product mix ranging from luxury watches, branded bags, and jewellery to cosmetics, healthcare

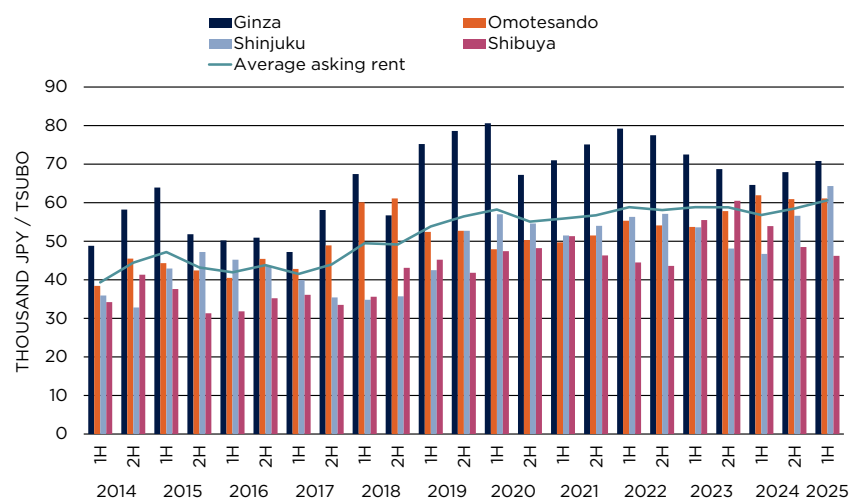
products, and regional Japanese souvenirs. The store appears to be attracting strong inbound tourist demand, with its presence highly visible across the district.

Ginza's retail rental market continues to perform steadily, backed by luxury consumption and the continued recovery of inbound tourism. Department stores such as Mitsukoshi and Matsuya each reported sales exceeding JPY120 billion in fiscal year 2024, while Ginza Six also recorded a comparable level of sales. While the 1, 7, and 8-chome intersections saw a slight softening in 1F rents, the 2- to 6-chome intersections remain in high demand, supported by consistently high amounts of inbound tourist footfall. The most desirable retail frontages, such as the area around the 6-chome intersection, have maintained high rent levels of JPY80,000 to JPY100,000 per tsubo per month. That said, the disparity in rents and vacancy levels between the main and secondary streets remains prevalent. Overall, the limited availability of prime units should support the elevated rent levels. Leasing activity among luxury brands and service-oriented retailers, such as restaurants and cafes, remains strong with demand for Ginza frontage anticipated to stay resilient.

Omotesando

Average 1F asking rents in Omotesando edged up slightly by 0.3% HoH but fell 1.3% YoY to JPY61,100 per tsubo. Non-1F rents decreased by 2.1% HoH and 0.5% YoY to JPY37,900 per tsubo, but still remain the highest non-1F rents in Tokyo. Vacancy absorption has progressed steadily, supported by strong

GRAPH 1: Tokyo 1F Rents, 2014 to 1H/2025



Source JREI, BAC Urban Projects, Savills Research & Consultancy

tenant demand and active leasing activity, particularly in prime locations along the main streets.

The Omotesando area is known for its diverse range of fashion goods, from an extensive lineup of luxury brands rivalling Ginza's in the main street to more affordable, trendier options catering to younger and more offbeat styles. Tenant interest from luxury brands remains strong at the Omotesando and Jingumae intersection. In addition, the ongoing redevelopment of the Harajuku Hakkakukan Building at the Jingumae intersection is reportedly attracting high-profile tenants.

Meiji-dori and Cat Street remain popular among younger visitors and trend-conscious consumers, attracting an increasingly diverse mix of retailers beyond fashion, including sports, second-hand, youth-oriented, anime and pop-culture merchandise, as well as restaurants and cafes. Sports and outdoor wear brands have been gaining traction, accounting for a significant portion of new-store openings and leases in 2025, as exemplified by the store openings of Onitsuka Tiger, GREGORY, and Columbia. Main street-facing stores continue to see strong demand as major retailers vie for limited availability to enhance brand visibility, driving rents upwards.

The active opening of luxury pop-up stores consistently draws strong attention to the area behind Cat Street. The area's vibrancy is enhanced further with the proliferation of temporary and concept stores. Demand from inbound visitors continues to boost retail activity in footwear, vintage, hobby, and character-themed merchandise. Rents have recovered to, or even surpassed, their 2019 levels, and a moderate upward trend is projected to continue across Omotesando's key retail corridors.

The retail sector continues to build on previous years' positive momentum, supported by sustained inbound tourism growth and strong tenant demand. Luxury goods continue to anchor retail consumption, but consumer demands are gradually shifting towards unique, experiential products and services. Government efforts are underway to direct inbound tourism towards regional destinations, boding well for local retail as visitors venture beyond major cities.

Nike has relocated from an adjacent area to reopen at Harajuku Quest. The nearby YM Square has welcomed the new Calvin Klein Harajuku Flagship store. Meanwhile, the former ZARA site along Omotesando has been taken over by the Harry Potter Shop, reflecting the area's shift towards more experiential and entertainment-oriented retail. Elsewhere, in Aoyama, Acne Studios Aoyama has relocated to a larger space, opening its largest flagship store worldwide. In addition, high-end

furniture retailer Poliform Tokyo opened, along with other launches by trend-sensitive premium brands.

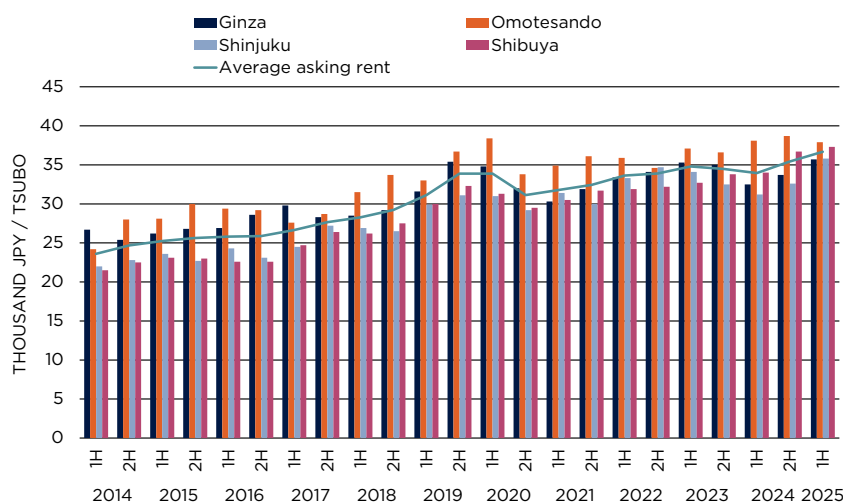
Shinjuku

Average 1F asking rents in Shinjuku jumped significantly by 13.6% HoH and 37.7% YoY, reaching a record high of JPY64,300 per tsubo. Similarly, non-1F rents have increased notably by 9.8% HoH and 14.7% YoY to JPY35,800 per tsubo, breaking its previous high and narrowing the gap with the four major retail submarkets in Tokyo.

In July 2025, BRAND OFF Shinjuku opened its store along the main street of Meiji-dori. Nearby, Don Quijote and LUSH SPA Shinjuku launched their openings in the 3-chome and 4-chome area, respectively, signalling firm leasing momentum in the main streets. The Shinjuku okadaya TF Building launched its grand opening in March 2025, located on the connecting street between Shinjuku station and Kabukicho. The main Shinjuku okadaya store consolidated its operations from nearby buildings into the upper floors, while tenants including KIDDY LAND occupy the lower floors.

While tenant relocation activity remains subdued due to the limited available options, especially along the main street, latent demand remains strong. As consumer trends are shifting from luxury goods to more affordable items, including daily necessities, inbound-oriented businesses such as drugstores, discount shops and even entertainment retailers, continue to show strong performance. Reflecting this trend,

GRAPH 2: Tokyo Non-1F Rents, 2014 to 1H/2025



Source JREI, BAC Urban Projects, Savills Research & Consultancy

sales for Isetan Shinjuku main store are expected to surpass JPY420 billion for the 2024 fiscal year. According to data from the Japan Department Stores Association, this accounts for approximately 25% of Tokyo's department sales in the same period. Duty free revenue accounts for approximately 18% of the department store's revenue, highlighting the continuing strength of inbound tourism in shaping Tokyo's retail landscape. Rents in prime areas typically hover around JPY50,000 to JPY70,000 per tsubo, with a growing share of units achieving rents above JPY90,000.

The redevelopment of Odakyu Shinjuku Station continues to progress and is slated for completion by 2029, which is expected to generate positive spillover effects on Shinjuku's commercial activity and tourism. In September 2025, vehicle and pedestrian traffic routes in front of the Station's West Exit were reoriented, transforming the plaza from a vehicle-oriented space into a pedestrian-centred area, enhancing walkability. The East-West pedestrian corridor now connects through the underground East-West Free Passage, forming a part of Shinjuku's broader pedestrian network, and enhancing convenience for visitors. Moving forward, Shinjuku is expected to maintain strong prospects as its entertainment and shopping facilities continue to attract both domestic and international consumers.

Shibuya

Average 1F asking rents in Shibuya recorded a decline of 4.7% HoH and 14.3% YoY to JPY46,200 per tsubo due to the absorption of prime units commanding premium rents. Available listings remain limited and vacancies for units facing the main streets are virtually zero, reflecting strong demand for prime retail space. In addition, large, high-end spaces are becoming increasingly limited.

Non-1F rents, meanwhile, inched up 1.6% HoH and climbed 9.7% YoY to JPY37,300 per tsubo. The majority of the units, accounting for approximately 30%, hover between JPY40,000 and JPY50,000 per tsubo, up from the JPY30,000 to JPY40,000 per tsubo range that dominated two years ago.

Several tenants have opened or renewed stores across Shibuya's key streets. At MAGNET by SHIBUYA109, the Bandai Namco Cross Store began operations, while on Center Gai, the Chinese-style karaoke venue Star Karaoke opened across multiple floors. Nearby, along Spain-zaka, the TAMBURINS Shibuya Flagship Store launched in July 2025, adding to the area's vibrant mix of cultural and lifestyle retail. Shibuya PARCO continues to anchor the district's retail activity, with sales exceeding JPY40 billion in fiscal year 2024. Following a three-year redevelopment period, Shibuya PARCO's sales have consistently grown since its reopening in 2019. Nearby, Shibuya LOVEZ, developed by Bandai Namco Holdings, is set to open in the summer of 2026. The multipurpose hall, designed for concerts and a wide range of events positions itself as the next-generation entertainment hub, reinforcing Shibuya's position as the capital of youth entertainment and creative commerce. The development is expected to draw additional foot traffic and further enhance the appeal of surrounding retail and F&B assets.

Shibuya remains firmly positioned as one of Tokyo's most dynamic cultural and entertainment hubs, supported by a diverse tenant mix spanning fashion, dining, amusement, and hobby-related categories. The district's consistently high foot traffic and limited supply of prime retail units continue to support rent stability. Given Shibuya's status as an iconic destination for inbound tourists, leasing activity is expected to remain robust, supported by steady

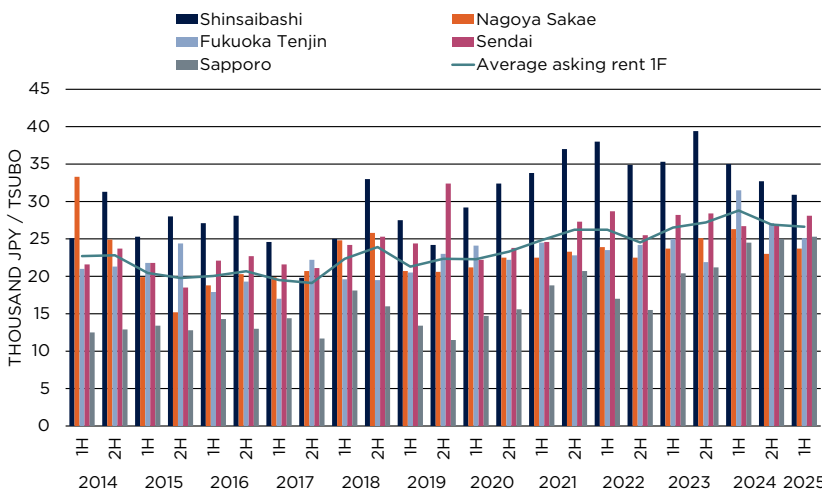
demand from tenants targeting younger and international consumers.

REGIONAL CITIES

Average 1F asking rents in regional cities decreased by 1.1% HoH and 7.6% YoY to JPY26,620 per tsubo in 1H/2025, while non-1F rents dropped slightly by 1.1% HoH but inched up 0.5% YoY to JPY16,380 per tsubo. The growth of inbound tourism continues to stimulate activity in regional retail submarkets, as inbound visitors increasingly seek unique experiences beyond the major tourism centres in Japan. Rising footfall and visitor spending can be seen in key destinations such as Osaka, Fukuoka, and Sapporo. In particular, Expo 2025 Osaka has further strengthened retail demand across the Kansai region. The 184-day event concluded in October, welcoming a total of over 28 million visitors, demonstrating both strong domestic and international interest. Building on this, Osaka will open Japan's first integrated resort on Yumeshima Island, which is projected to draw 20 million visitors per year and generate significant economic impact in the Greater Osaka area. Looking ahead, other regional cities are expected to maintain moderate but steady retail momentum, supported by inbound-driven consumption and continued infrastructure investment, and are likely to see further increase in inbound visitors, driven by government tourism initiatives.

In Osaka's Shinsaibashi submarket, average asking 1F rents decreased by 5.5% HoH and 11.7% YoY to JPY30,900 per tsubo. A growing bifurcation can be observed in the submarket as non-1F rents fell by 2.3% HoH and 9.6% YoY to JPY16,900 per tsubo. While the prime 1F units of Midosuji and Shinsaibashisuji continue to record virtually zero vacancy and maintain high rent levels, secondary retail areas such as Nishi-Shinsaibashi, Minami-Senba and Amerikamura (American Village) are witnessing an increase in vacancy, contributing to the overall decrease in asking rents. Overall, many properties are priced between JPY20,000 and JPY40,000 per tsubo while those in prime areas are achieving rents above JPY100,000 per tsubo. Second-hand goods, anime and pop-culture merchandise, and entertainment shops, which are popular with inbound tourists brought in several new tenants to the area. KOMEHYO, a luxury goods reseller, launched its Osaka flagship store, KOMEHYO OSAKA SHINSAIBASHI, located near the newly renovated KOMEHYO Shinsaibashi store. The flagship store targets both domestic and international tourists while the renewed store focuses on existing customers and local residents, providing a more tailored experience for each segment. In Minami-Senba, Blue Bottle Coffee opened its second store in Osaka, Blue Bottle Coffee Shinsaibashi Cafe, designed to offer customers a luxury

GRAPH 3: 1F Rents in Retail Districts of Regional Cities, 2014 to 1H/2025



Source JREI, BAC Urban Projects, Savills Research & Consultancy

retreat. Entertainment company GiGO also opened a new game centre, GiGO Namba-Avion, in the entertainment rich Namba area. The Shinsaibashi Project located at the intersection of Midosuji and Nagahori-dori, a mixed-use building, is scheduled to open in the spring of 2026. The completion will add on to the luxury goods scene in the Shinsaibashi area, while also increasing the appeal of the office and hotel sectors. The recently concluded Expo 2025 Osaka supported further foot traffic and inbound spending across central Osaka. Building on this momentum, leasing activity is expected to remain robust through the second half of 2025, particularly among amusement and second-hand shop operators seeking visibility in prime retail corridors.

In Nagoya, Sakae's asking 1F rents grew by 3.0% HoH while declining by 9.9% YoY to JPY23,700 per tsubo. Average non-1F rents fell by 2.4% HoH and 3.6% YoY to JPY16,100 per tsubo. Leasing demand remains strong, and vacancies have been steadily declining, tightening the supply-demand balance. This is particularly evident along the Otsu-dori area, where strong demand from fashion concentrated tenants is driving strong absorption and lease agreements at elevated rent levels. Nagoya PARCO's recent renewal, which introduced new lifestyle-oriented tenants such as KIDDY LAND, has boosted overall footfall. In addition, Yodobashi Holdings' acquisition of SUNSHINE SAKAE has drawn attention, as the potential opening of a flagship retail facility could further revitalise the district. Large-scale redevelopment and new investments, including The Landmark Nagoya Sakae, which will house Conrad Hotels & Resorts and TOHO Cinemas, are expected to elevate the area's profile and reinforce Sakae's position as Nagoya's key retail hub. Based

on Japan Tourism Agency's data, average spending in Aichi prefecture by inbound tourists has increased by over 70% between 2019 and Q2/2025. Department stores in the area have also reported solid sales growth, with JR Nagoya Takashimaya and Takashimaya Gate Tower mall reporting record combined sales of over JPY210 billion in fiscal year 2024, up 13% compared to the previous year and 30% from fiscal year 2019. Indeed, the growing appeal of the Nagoya region among overseas travellers is expected to sustain further growth in Sakae's retail sector.

Average 1F rents in Fukuoka's Tenjin decreased by 7.4% HoH and 20.3% YoY to JPY25,100 per tsubo. The decline stems from a sharp rise in rents observed in 1H/2024, caused by several expensive listings. Actual market rents have remained steady at around JPY20,000 to JPY25,000 per tsubo. Meanwhile, non-1F rents rose 5.3% HoH and 22.1% YoY to JPY19,900 per tsubo. Despite rising supply and available vacancies, the average asking rents in Tenjin remains elevated. The ONE FUKUOKA BLDG, which opened in April 2025, attracted approximately 3.35 million visitors within its first two months, with the lower floors housing flagship tenants such as CHANEL, contributing to strong foot traffic in the area. An increasing number of brands, particularly watches, luxury apparel, as well as cafes, are accelerating store openings aimed at inbound consumers. Luxury goods sales and inbound-related consumption remain strong, suggesting stable ongoing demand. Meanwhile, the newly expanded international terminal at Fukuoka Airport has further enhanced the city's inbound gateway, offering larger retail and dining spaces showcasing Kyushu's local culture and cuisine. With international passenger traffic reaching a record 8.5 million in 2024, exceeding 2019

levels by over 50%, the continued rise in inbound tourism is likely to sustain retail demand and support rental stability in Tenjin.

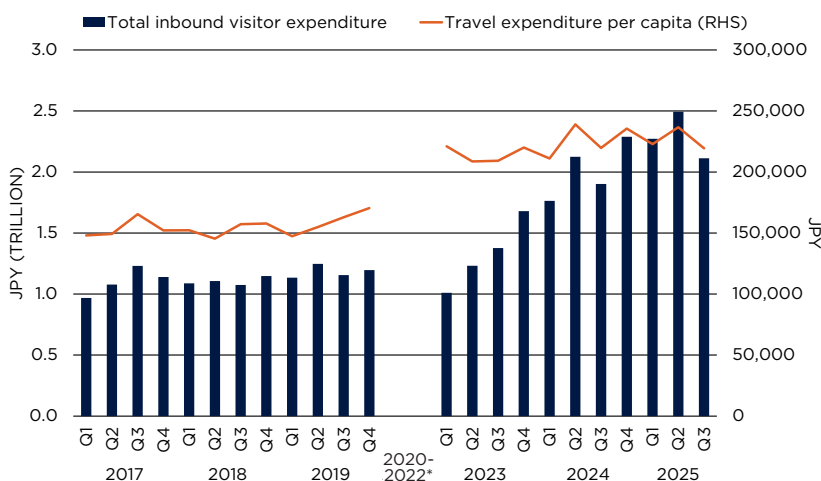
In Sendai, average 1F rents grew by 4.9% HoH and 5.2% YoY to JPY28,100 per tsubo, whereas non-1F rents dipped slightly by 0.6% HoH but still recorded a modest annual gain of 0.6% YoY to JPY16,000 per tsubo. Overall market conditions remain largely unchanged, with stable rents and limited new leasing momentum. According to the Japan Tourism Agency, average spending by visitors to Miyagi prefecture has roughly doubled from 2019 to Q2/2025, reflecting growing interest in the region's tourism sector. Retail activity continues to concentrate around Sendai Station, supported by the newly opened Sendai PARCO and S-PAL in March 2025, enhancing the entertainment appeal in the area. Conversely, shopping arcades farther from the station continue to face elevated vacancies and subdued demand. While a few long-term redevelopment projects have been announced, their tangible impact on the broader market is likely to take time to materialise amid elevated construction costs and a wait-and-see sentiment. Rent levels are expected to move sideways for the time being.

Sapporo observed a modest increase in average asking 1F rents at 1.2% HoH and 3.3% YoY to JPY25,300 per tsubo, while non-1F rents fell by 7.1% HoH and 6.5% YoY to JPY13,000 per tsubo. Overall vacancies are gradually decreasing with a large majority of the available units being non-1F units. The rental gap between 1F rents and non-1F rents has been widening, with 1F rents gradually trending upwards, from JPY15,000 per tsubo in 2022 to JPY25,000 per tsubo in 1H/2025. 1F prime units and the core areas in front of the station should remain in high demand, supported by high footfall traffic, especially in the Tanukikoji and Susukino areas. For instance, TUDOR and Arc'teryx opened new stores in the newly built 4PLA retail facility located near the Tanukikoji shopping street. In August 2025, Heiwa Real Estate announced its plans to partially acquire the land and building relating to the Urban Redevelopment Project located in Odori-Nishi 4-chome for JPY120 billion. The project, with a reported GFA of approximately 100,000 sq m of retail, office, and hospitality space, is expected to enhance the vibrancy of the city centre. Looking forward, the redevelopment of the area in front of Sapporo Station and progress on the Hokkaido Shinkansen extension are expected to further bolster market confidence.

INBOUND TOURISM TRENDS

Based on data from the Japan National Tourism Organization (JNTO), cumulative tourist arrivals from January to September of 2025 totalled 31.7 million, up 18% from 26.9 million in the same period of 2024 and about 30% higher than the 24.4 million in the first nine months of 2019. In fact, inbound arrivals as of September 2025 have

GRAPH 4: Inbound Tourist Expenditure, 2017 to Q3/2025



Source Japan Tourism Agency, Savills Research & Consultancy
* Figures for 2020-2022 are excluded due to the impact of the pandemic

surpassed 2024 levels in every month to date. Chinese arrivals soared 42.7% YoY to 7.5 million for the period from January to September, underscoring a robust recovery. Retail growth has also been driven by sustained demand, especially from Southeast Asia and Western markets, reflected by expanding flight capacity and cruise travel. Inbound demand continues to anchor Japan’s retail sector, particularly in major urban areas, where spending patterns are shifting from luxury goods to experiential consumption. Furthermore,

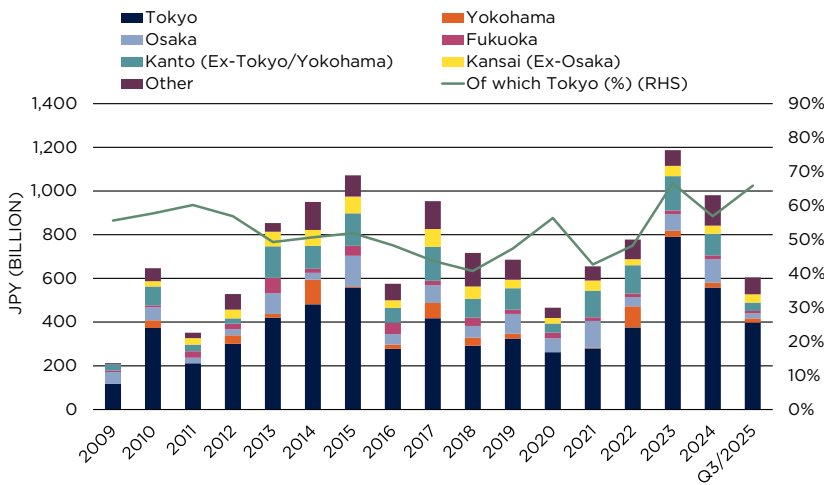
Japan Tourism Agency data show that average inbound tourist expenditure per capita in the first three quarters of 2025 rose to approximately JPY226,000 per traveller, a modest increase of 1.4% compared to the same period in 2024 and a more significant 46% jump compared to 2019 (Graph 4). Overall, tourism spending reached JPY8.1 trillion in 2024 and is likely to surpass JPY10 trillion in 2025, which will continue to support Japan’s retail industry.

Additionally, the Japan Department Stores Association reported that nationwide

department store sales in the first nine months of 2025 recorded over JPY4.0 trillion, sustaining the high levels witnessed in the same period a year earlier at JPY4.1 trillion. Department stores continue to capture nearly 60% of total inbound shopping expenditure annually. Meanwhile, resilient domestic consumption and continued wage growth are expected to support the positive momentum in the retail sector.

As Japan moves closer to achieving its goal of welcoming 60 million inbound visitors per year by 2030, the government has announced plans to introduce measures to alleviate overtourism by dispersing tourist flows more evenly from major metropolitan cities to regional destinations. Consequently, retail markets in regional cities are expected to experience increasing demand supported by inbound tourism.

GRAPH 5: Retail Property Investment by Region, 2009 to Q3/2025*



Source MSCI Real Capital Analytics, Savills Research & Consultancy
 * Q3/2025 volumes are preliminary and are likely to be revised upwards. In principle, MSCI investment volumes do not include related-party transactions, such as those between a J-REIT and its sponsor.

INVESTMENT TRENDS

The semi-annual survey conducted by JREI in April 2025 shows that the cap rates of prime retail properties continue to remain stable across Japan. Sendai, Nagoya, Kyoto, and Kobe experienced a slight compression of 10 basis points (bps) HoH. Suburban shopping centres also demonstrated strong stability with no changes in all surveyed cities. That said, it should be noted that actual market cap rates could be as much as 100bps lower than these surveyed cap rates.

Core prime retail assets in Tokyo continue to be viewed as more stable and lower-risk investments, such as Financial Partners Group’s (FPG) acquisition of land in Omotesando, and the Hulic Shinjuku Shin-Minamiguchi Building for over JPY40 billion in June 2025. The acquired land is located at a prime corner along Omotesando’s main street, surrounded by top luxury brands such as LOUIS VUITTON, Hermès, FENDI, and CHANEL. The construction of a B2/6F retail building is slated for completion in June 2026, with plans for flagship luxury tenants to occupy the building. Growing investor confidence in future rental growth continues to drive strong demand, with both completed and prospective transactions being recorded at increasingly compressed cap rates, some even reaching below the 2% range. Consequently, investor interest is extending to regional and even suburban retail facilities, which offer stable income streams and considerable potential for strategic asset management.

With Expo 2025 Osaka bringing additional exposure to the Kansai region, retail assets in Osaka appear to have generated strong interest with a handful of notable transactions, and the integrated resort slated for completion in 2030 should drive further momentum in the region. For instance, United Urban Investment Corporation REIT announced the sale of Shinsaibashi OPA Honkan in Chuo, Osaka,

TABLE 1: Selected Retail Transactions, announced Q1/2025 to Q3/2025

ANNOUNCED	PROPERTY	LOCATION	GFA (SQ M)	PRICE (JPY BIL)	DIRECT CAP RATE	BUYER
Sep 2025	Shinsaibashi OPA Honkan	Chuo, Osaka	25,900	43.1	4.0%	Two Domestic Companies
Jun 2025	Land for Jingumae 5-Chome Project and Hulic Shinjuku Shin-Minamiguchi Building	Shibuya and Shinjuku, Tokyo	-	Over 40.0	-	Financial Partners Group
Aug 2025	AEON MALL Tsurumi Ryokuchi	Tsurumi, Osaka	138,500	19.2	5.2%	Undisclosed
Nov 2025	MALera Gifu (Additional 50% quasi co-ownership)	Motosu, Gifu	55,100 (Transacted)	18.0	4.9%	Urban United Investment Corporation
Nov 2025	AEON TOWN Moriya	Moriya, Ibaraki	65,500	16.8	4.4%	Urban United Investment Corporation
Jul 2025	Luz Mushashikosugi	Kawasaki, Kanagawa	12,200	12.9	4.1%	Hulic Co., Ltd

Source Press releases, MSCI Real Capital Analytics, Savills Research & Consultancy

to two domestic companies for JPY43.1 billion, approximately double its reported book value. Elsewhere, Japan Metropolitan Fund sold AEON MALL Tsurumi Ryokuchi to an undisclosed buyer and pivo Izumi Chuo to SANPLUS Co., Ltd., both in Osaka, for JPY19.2 billion and JPY6.6 billion, respectively.

Meanwhile, several other suburban retail transactions have also been recorded, particularly among active J-REITs. In Gifu and Ibaraki, United Urban Investment Corporation REIT acquired an additional 50% quasi co-ownership in MALera Gifu for JPY18.0 billion and AEON TOWN Moriya for JPY16.8 billion, respectively. In Kanagawa, Hulic Co., Ltd. acquired Luz Mushashikosugi from United Urban Investment Corporation REIT for JPY12.9 billion. Additionally, an SPC of Mitsui & Co. Digital Asset Management acquired Miyamae Shopping Center from United Urban Investment REIT for JPY5.5 billion. In Saitama, ML Estate acquired two leased retail sites from Jinushi for approximately JPY 9.6 billion. In Nagoya, an undisclosed buyer acquired BECOME SAKAE from Nippon REIT Investment Corporation for an undisclosed price but has a reported appraisal value of JPY4.8 billion.

Based on preliminary data from MSCI, investment interest in the retail sector continues to be strong, with transaction volumes as of Q3/2025 exceeded JPY600 billion, roughly 20% below the same period of last year. Domestic companies and J-REITs continue to be key players in the market, making up the largest proportion of transactions. In addition, cross-border investors have been active players in the market this year, comprising about one-third of total transaction volume.

OUTLOOK

Japan's retail sector continues to perform well in 1H/2025 despite global headwinds. Premier retail locations, especially units facing the main streets in Tokyo continue to experience strong tenant demand and tight vacancies. In addition, the emergence of stores catering to consumer demand for more unique experiences and goods has aided the strong performances in these areas, driving rental growth. While luxury brand store openings continue to support retail demand in prime locations, some leasing momentum is gradually shifting from luxury brands to other high-end segments, such as sports and leisure goods, or upscale eyewear.

Regional markets catering to inbound consumption are also seeing increasing demand. The number of inbound tourists is on track to surpass 40 million by the end of 2025 and is likely to comfortably achieve the government's target of 60 million annual inbound visitors by 2030. As inbound tourism continues to grow, repeat visitors are increasingly seeking new experiences beyond major tourist destinations, and retail activity in regional areas is projected to increase. Redevelopment activity in areas such as Osaka, Nagoya, and Fukuoka is likely to benefit from the ongoing shift in consumer demand. The integrated resort development in Osaka, scheduled to open in 2030, is anticipated to drive further windfall for the retail sector in the Greater Osaka region, particularly as Japan trends towards experience-driven tourism.

Optimism for the retail sector should remain high as inbound tourism numbers continue to grow, and ongoing infrastructure development

should attract both domestic and international visitors. Although US tariffs remain an uncertain headwind going forward, strong demand for retail consumption persists as Japan remains a popular destination given its reputation for safety, high-quality service, and rich cultural offerings. Some level of bifurcation is still present in most markets as prime locations continue to fair better than non-prime locations, but robust leasing activity remains. Overall, investors and market players who can position themselves to address shifting consumer demand should see further growth.



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