

30 Jan 2012

Sanko Estate – NLI Research Institute release **“Office Rent Index” for Q4 2011 (Oct – Dec)**

Office rent in the Tokyo Central 3 Wards records Q-O-Q decrease in all scales
Expectation for the market recovery takes a step backward

TOKYO, Jan 30 – Sanko Estate announces Q4 2011 Office Rent Index of the Tokyo Central 3 Wards*. This innovative index, developed jointly with NLI Research Institute, is based on the contracted rent instead of the asking rent which is commonly referred to monitor market trend.

* Tokyo Central 3 Wards: Chiyoda, Chuo and Minato

This release data (PDF) of Office Rent Index is available from 31 Jan on:

<http://www.sankoestate.com> (English)

<http://www.websanko.com> (Japanese)

Methodology

Office Rent Index, Q1 1994 = 100, is constructed based on contracted rent data collected by Sanko Estate. NLI Research Institute receives the anonymous data excluding detailed address and applies statistical analysis, the multi-variable hedonic regression modeling. Sanko Estate releases the index and its y-o-y change every quarter by three building sizes: large-scale, medium/large-scale and medium-scale or smaller. Monthly rent (JPY/tsubo) is also released for the standard large-scale office in the Tokyo Central 3 Wards.

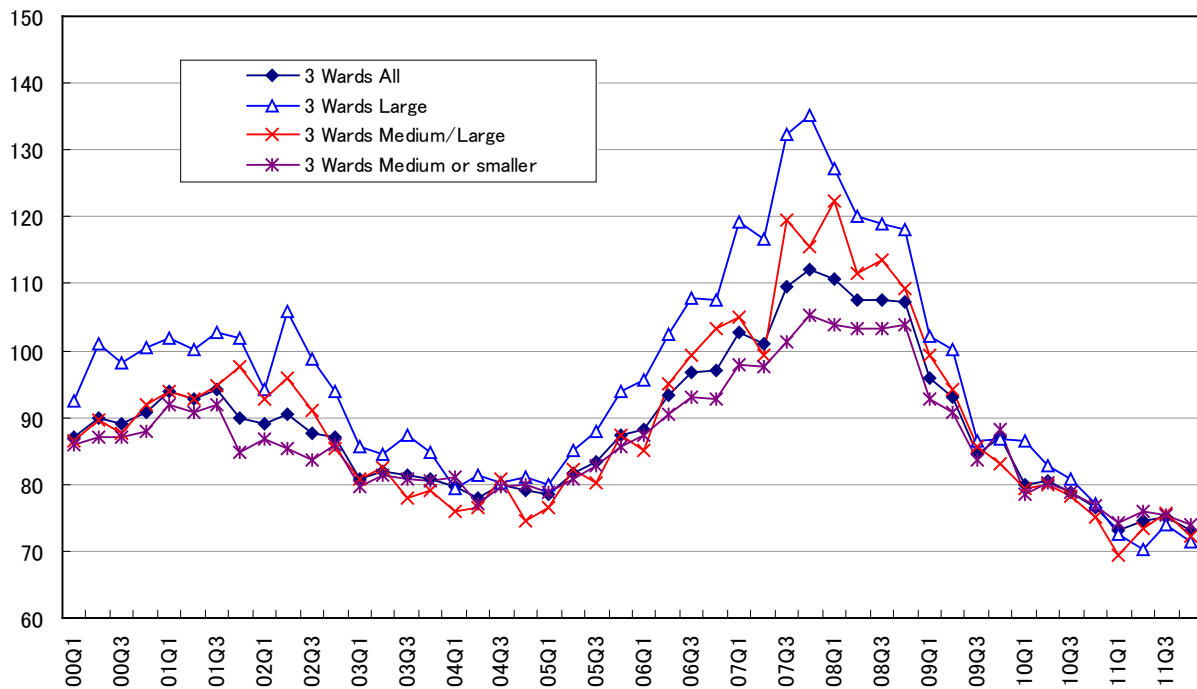
Building size

Building size	Leasable space / floor	tsubo	sqm	sqf
Large-scale	> 200	200	661	7,117
Medium/large-scale	200 – 100	100	331	3,558
Medium-scale or smaller	100 >			
		1	3.31	35.58

About Sanko Estate

Sanko Estate is regarded as the leading provider of real estate services in Japan; consistently representing the largest percentage of office space transactions owned by major developers and landlords. Since 1977, Sanko Estate has helped thousands of foreign and domestic firms find the best office space throughout Japan for their needs and budgets. The company offers comprehensive real estate services including advisory, acquisitions and dispositions, property management, due diligence and consulting and market research as well as office leasing services.

1. Tokyo Central 3 Wards Office Rent Index by building size



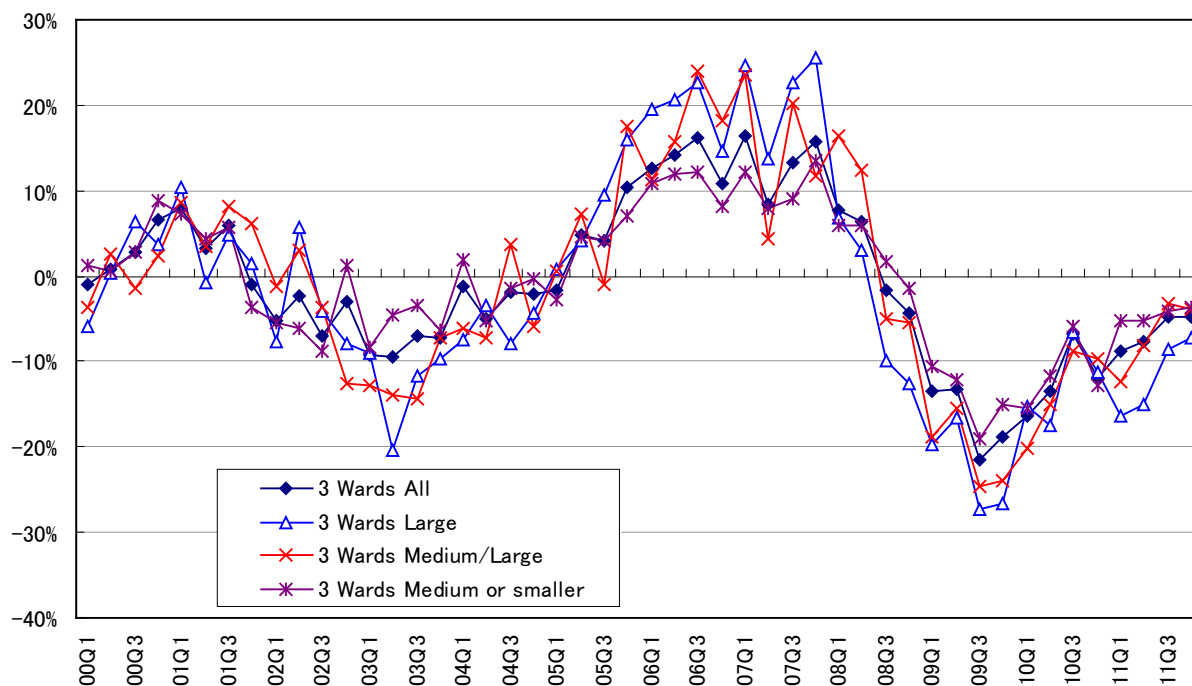
Source: Sanko Estate · NLI Research Institute

	'08Q4	'09Q1	'09Q2	'09Q3	'09Q4	'10Q1	'10Q2	'10Q3	'10Q4	'11Q1	'11Q2	11Q3	'11Q4
3 Wards All	107	96	93	85	87	80	81	79	77	73	74	75	73
3 Wards Large	118	102	100	87	87	87	83	81	77	72	70	74	71
3 Wards Medium/Large	109	99	94	86	83	79	80	78	75	69	73	76	72
3 Wards Medium or smaller	104	93	91	84	88	78	80	79	77	74	76	76	74

Q4 2011 Office Rent Index by building size is as follows.

- All of four indexes, namely All, Large, Medium/Large and Medium-scale or smaller, record negative Q-O-Q growth. Although the result in the previous quarter was received as a positive sign of the market, the expectation for market recovery takes a step backward. All-scale and Medium-scale or smaller decline to the lowest from the inception again or as low as those recorded in Q1 2011.

2. Tokyo Central 3 Wards Office Rent Index Y-O-Y Change



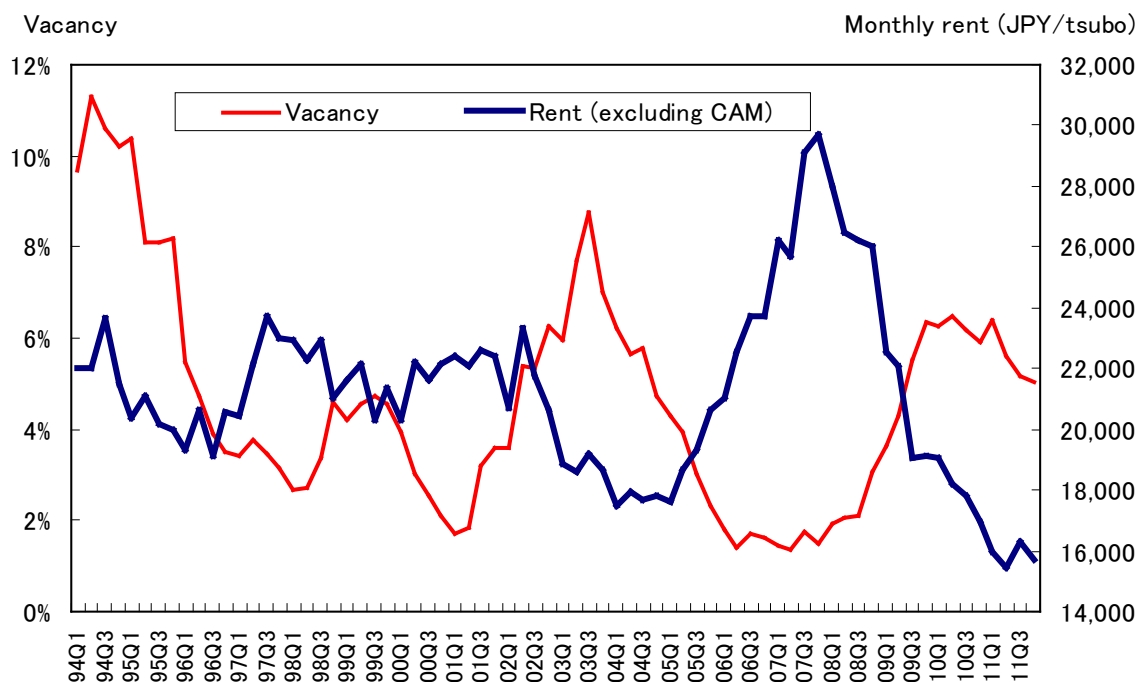
Source: Sanko Estate · NLI Research Institute

(%)	'08Q4	'09Q1	'09Q2	'09Q3	'09Q4	'10Q1	'10Q2	'10Q3	'10Q4	'11Q1	'11Q2	'11Q3	'11Q4
3 Wards All	-4.3	-13.5	-13.4	-21.5	-18.9	-16.4	-13.5	-6.7	-11.9	-8.8	-7.7	-4.7	-4.7
3 Wards Large	-12.5	-19.6	-16.6	-27.3	-26.5	-15.3	-17.4	-6.5	-11.3	-16.4	-15.1	-8.6	-7.3
3 Wards Medium/Large	-5.5	-18.8	-15.6	-24.5	-23.9	-20.2	-15.1	-8.7	-9.6	-12.4	-8.1	-3.3	-3.9
3 Wards Medium or smaller	-1.4	-10.5	-12.1	-19.0	-15.0	-15.6	-11.6	-5.8	-12.9	-5.2	-5.2	-4.0	-3.8

Q4 2011 Office Rent Index Y-O-Y change is as follows.

- Y-O-Y change of All-scale has recorded negative growth for 14 consecutive quarters equal to the length in the previous market cycle between Q4 2001 and Q1 2005.
- Large-scale: -7.3%
- Medium/large-scale: -3.9%
- Medium-scale or smaller: -3.8%

3. Tokyo Central 3 Wards Large-scale Office Rent and Vacancy



Source: Sanko Estate (Vacancy Rate), Sanko Estate•NLI Research Institute (Office Rent)

3 Wards Large	'08Q4	'09Q1	'09Q2	'09Q3	'09Q4	'10Q1	'10Q2	'10Q3	'10Q4	'11Q1	'11Q2	'11Q3	'11Q4
Rent (excluding CAM)	26,020	22,512	22,063	19,048	19,117	19,060	18,217	17,806	16,952	15,940	15,468	16,267	15,717
Vacancy (%)	3.1	3.6	4.3	5.5	6.3	6.3	6.5	6.2	5.9	6.4	5.6	5.2	5.0

- Q4 2011 large-scale office rent declines to 15,717 yen/tsubo (excluding CAM*) from 16,267 yen/tsubo in the previous quarter. It is the second lowest after 15,468 yen/tsubo in Q2 2011. It also means that current rent is less than 53% from the previous peak in Q4 2007 at 29,733 yen/tsubo.
- The corresponding vacancy rate declines from 5.2% to 5.0% in 4Q 2011, and the result above infers that further decline of vacancy rate is necessary for the market recovery.

*CAM: Common Area Maintenance fee

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Office Rent Index

Office Rent Index Data

	Tokyo Central 3 Wards	'06Q1	'06Q2	'06Q3	'06Q4	'07Q1	'07Q2	'07Q3	'07Q4	'08Q1	'08Q2	'08Q3	'08Q4	'09Q1	'09Q2	'09Q3	'09Q4	'10Q1	'10Q2	'10Q3	'10Q4
Office Rent Index (94Q1=100)	3 Wards all	88	93	97	97	103	101	110	112	111	108	108	107	96	93	85	87	80	81	79	77
	3 Wards large	96	102	108	108	119	117	132	135	127	120	119	118	102	100	87	87	87	83	81	77
	3 Wards Medium/Large	85	95	99	103	105	99	119	116	122	112	113	109	99	94	86	83	79	80	78	75
	3 Wards Medium or smaller	87	90	93	93	98	98	101	105	104	103	103	104	93	91	84	88	78	80	79	77
Office Rent Index Y-O-Y change (%)	3 Wards all	12.5	14.3	16.1	10.9	16.5	8.4	13.4	15.7	7.8	6.3	-1.7	-4.3	-13.5	-13.4	-21.5	-18.9	-16.4	-13.5	-6.7	-11.9
	3 Wards large	19.5	20.7	22.7	14.6	24.5	13.8	22.7	25.5	6.9	3.0	-10.0	-12.5	-19.6	-16.6	-27.3	-26.5	-15.3	-17.4	-6.5	-11.3
	3 Wards Medium/Large	11.2	15.8	24.0	18.2	23.5	4.4	20.1	11.7	16.5	12.3	-5.0	-5.5	-18.8	-15.6	-24.5	-23.9	-20.2	-15.1	-8.7	-9.6
	3 Wards Medium or smaller	10.8	11.9	12.2	8.2	12.3	7.9	9.1	13.5	5.9	5.9	1.7	-1.4	-10.5	-12.1	-19.0	-15.0	-15.6	-11.6	-5.8	-12.9
Office Rent (excluding CAM)	3 Wards large	21,051	22,558	23,741	23,690	26,218	25,679	29,119	29,733	28,015	26,458	26,205	26,020	22,512	22,063	19,048	19,117	19,060	18,217	17,806	16,952
Vacancy (%)	3 Wards large	1.8%	1.4%	1.7%	1.6%	1.4%	1.3%	1.7%	1.5%	1.9%	2.1%	2.1%	3.1%	3.6%	4.3%	5.5%	6.3%	6.3%	6.5%	6.2%	5.9%

	Tokyo Central 3 Wards	'11Q1	'11Q2	'11Q3	'11Q4
Office Rent Index (94Q1=100)	3 Wards all	73	74	75	73
	3 Wards large	72	70	74	71
	3 Wards Medium/Large	69	73	76	72
	3 Wards Medium or smaller	74	76	76	74
Office Rent Index Y-O-Y change (%)	3 Wards all	-8.8%	-7.7%	-4.7%	-4.7%
	3 Wards large	-16.4%	-15.1%	-8.6%	-7.3%
	3 Wards Medium/Large	-12.4%	-8.1%	-3.3%	-3.9%
	3 Wards Medium or smaller	-5.2%	-5.2%	-4.0%	-3.8%
Office Rent (excluding CAM)	3 Wards large	15,940	15,468	16,267	15,717
Vacancy (%)	3 Wards large	6.4%	5.6%	5.2%	5.0%

Source: Office Rent Index・Office Rent Index Y-O-Y change・Office Rent:Sanko Estate・NLI Research Institute Vacancy:Sanko Estate