

# NIKKEI REAL ESTATE MARKET REPORT

THE PREMIER INFORMATION SOURCE ON JAPAN PROPERTY



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Survey

## NEW PEAK OF OFFICE SUPPLY AROUND 2025

### Development underway for 96 buildings, 10.22 million m<sup>2</sup> GFA

By Ikuko Hashimoto

#### June 2020, Issue 131

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A total of 96 large-scale office buildings, each with a gross floor area of at least 10,000 m<sup>2</sup>, are to be completed in the 23 wards of Tokyo in or after 2020 for an aggregate gross floor area reaching 10.22 million m<sup>2</sup>. The number of plans for buildings that were newly identified from last year's survey was 16. Among these, there are two large-scale projects exceeding 100,000 m<sup>2</sup> and another supply peak is expected to arrive around 2025.

This survey covered buildings in Tokyo's 23 wards with a gross floor area of at least 10,000 m<sup>2</sup>, whose primary usage was offices. The survey was conducted in April 2020 including both own use and leased buildings.

The aggregate gross floor area of buildings to be completed in or after 2020 is equivalent to about 41 buildings the size of *Toranomon Hills*, which was completed in 2014. Looking at the supply in each year by aggregate gross floor area (**Figure 1** on page 2), the supply in 2020 will increase to a level nearly double that of 2019 and 2.26 million m<sup>2</sup> of office buildings will be completed. While supply will plummet in the following year of 2021 and in 2022, it is anticipated that the supply will turn to increase in 2023 and maintain a rate of over one million m<sup>2</sup> per year thereafter. Even with currently revealed projects alone, 2025 will see supply exceeding two million m<sup>2</sup>, the same level as 2020. However, the impact of economic changes due to the spread of the COVID-19 pandemic on development plans remains an unknown. The map on page 3 shows the locations of the 96 projects that were covered by this survey.

## NIKKEI REAL ESTATE MARKET REPORT

This is a monthly edition of the Nikkei Real Estate Market Report, a subscription based online information resource focusing solely on commercial property investment in Japan.

### Keikyu and Toyota pursue joint development in Shinagawa

As **East Japan Railway** (JR East) advances its *Shinagawa Development Project (Phase I)*, railway operator **Keikyu**

**Corporation and Toyota Motor** jointly launched the *Shinagawa Station West Exit Takanawa 3-Chome District Development* in the same Shinagawa area. They will build a mixed-use building with over 200,000 m<sup>2</sup> of gross floor area on the approximately 25,000 m<sup>2</sup> site of *Shinagawa Goos*, a 30-storey hotel complex just across a street from Shinagawa Station. Part of the land owned by Keikyu will be transferred to Toyota, and part of the completed building will be used by the Aichi-based auto manufacturer as its Tokyo office. Targeting global companies inside and outside Japan and international level conferences and hotels, the construction will start in or around 2024 aiming for completion around 2027, when the JR Linear Chuo Shinkansen maglev line starts operations between Shinagawa and Nagoya.

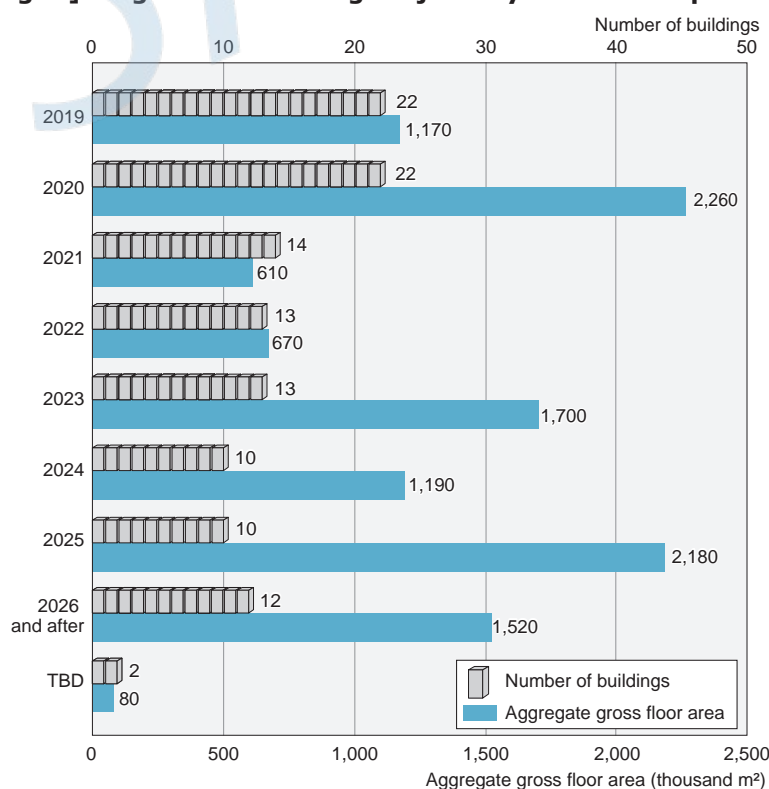
Though not shown on the map, Keikyu will also redevelop the approximately 8,000 m<sup>2</sup> of land in the adjacent “Takanawa Yonchome District” on which *Keikyu Dai-Nana Building* and *Keikyu Dai-Ichi Building*, which accommodates *Wing Takanawa*

*West*, stand. Furthermore, for the “station block district” where Shinagawa Station is located, Keikyu plans to bring the station platforms of the Keikyu lines down to the ground level and to conduct a large-scale development centered on a mixed-use building comprising offices, stores, a hotel and more.

Two projects have emerged in the Gotanda/Osaki area. The *Higashi-Gotanda Ni-Chome District 3 Redevelopment Project*, located between JR Gotanda Station and Osaki Station, will include development of an office building having approximately 20 floors above ground with approximately 70,000 m<sup>2</sup> of gross floor area, a residential building having approximately 40 floors above ground with approximately 41,000 m<sup>2</sup> of gross floor area and approximately 390 units, and a park on a site of around 15,200 m<sup>2</sup>. General contractor **Takenaka** has joined the project as a business partner and approval of the urban planning project is slated for late June 2020. Most of the surrounding blocks have already been redeveloped into a number of super high-rise buildings and tower apartments.

The other is *Nishi-Gotanda 3-Chome Project*, located about midway between JR Gotanda Station and Meguro Station on the west side of the JR Yamanote Line. Here, the former site of JR East’s company housing and substation will be divided into three plots and the group will construct three buildings with an aggregate gross floor area of approximately 95,800 m<sup>2</sup>. *Building A* will be constructed on a plot near JR Gotanda Station as a mainly office building and will have 13 floors above ground and one below with 39,000 m<sup>2</sup> of gross floor area. **JR East Building** is the developer and construction will start in May 2020, with completion targeted for April 2022. *Building B* and *Building C*, mainly residential, will be developed by **JR East Urban Development** for the former and jointly developed by **Nomura Real Estate Development** and **JR East Urban Development** for the latter.

[Fig. 1] Large Office Building Projects by Year of Completion

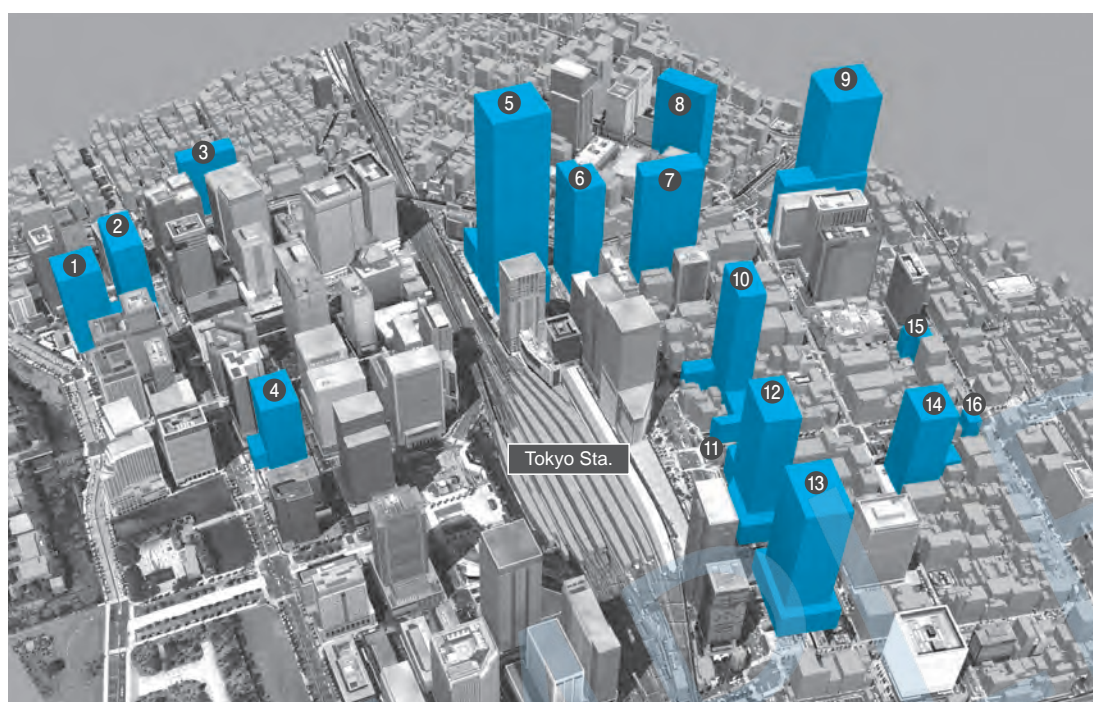


Note: Mixed-use property development projects for which completion spans multiple years, there are some in which the aggregate gross floor area is equally distributed to each completion year.

(continued on page 4)







Projected future map of JR Tokyo Station area. Major large-scale buildings completed or scheduled to be completed in 2020 or after are displayed in blue. (Rendering by CAD Center based on data from Nikkei Real Estate Market Report.)

①Mitsui & Co. Bldg. ②Otemachi One Tower ③Uchi-Kanda Itchome PJ ④Marunouchi 1-3 ⑤Otemachi Tokiwabashi PJ B. ⑥Otemachi Tokiwabashi PJ A. ⑦Yaesu 1-chome North ⑧Nihonbashi-Muromachi Itchome ⑨Nihonbashi Itchome Central ⑩Yaesu 1-chome East ⑪Yanmar Tokyo Bldg. ⑫Yaesu 2-chome North ⑬Yaesu 2-chome Central ⑭New Toda Bldg. ⑮Nihonbashi San-Chome Kyodo Bldg. ⑯Kanden Realty & Development Yaesu Bldg.

### Mitsubishi Estate to build Uchi-Kanda office building with over 80,000 m<sup>2</sup> GFA

**Mitsubishi Estate** is moving forward with *Uchi-Kanda Itchome District Project* on the east side of Uchi-Kanda block 1-1 near Otemachi subway station. On the approximately 5,100 m<sup>2</sup> site, it will construct a building mainly consisting of offices with 26 floors above ground, three below and about 84,500 m<sup>2</sup> of gross floor area. A facility for supporting businesses and industries in the agri-food field is planned for the lower floors of the building. A pedestrian bridge to cross the Nihombashi River will also be constructed to improve walkability to and from the area and the Kanda and Otemachi areas.

*Co-op Building* and *Hitachi Kamakurabashi Building* currently stand on the site, the former owned by **Norinchukin Bank** and the **National Federation of Agricultural Cooperative Associations**, among others, and the latter by **Hitachi Urban Investment**. Mitsubishi Estate does not own the land and is considering implementing the redevelopment project independently without forming an association with other landowners/leaseholders. Construction will start in April 2022, with completion targeted for 2025.

Near *Hareza Tower*, which will be completed in May 2020, the *Higashi-Ikebukuro Itchome Redevelopment Project* has been revealed. **Sumitomo Realty & Development** will integrally develop four blocks facing the JR Yamanote Line on the north side and Metropolitan Expressway Route 5 Ikebukuro Line on the east side. The plan is a super-high-rise building with 30 floors above ground, three below and a gross floor area of approximately 145,000 m<sup>2</sup> containing mainly offices. In line with Toshima Ward's International City of Arts and Culture Toshima Vision, the building will have around 4,400 m<sup>2</sup> of facilities on the lower floors where people can experience culture and art, and a roughly 4,300 m<sup>2</sup> event hall underground. Sumitomo Realty & Development will manage and operate the cultural experience facilities and event hall while Chiyoda-ku-based media company **Kadokawa** will handle planning and operation. Construction will begin in fiscal 2022 with completion slated for fiscal 2025.

Along Shintora-dori Street (a.k.a. Loop 2, MacArthur Road) in Minato-ku, **Yasuda Real Estate** is pursuing the *Shimbashi Yon-Chome Project*. Combining



Shimbashi 4-3 block and 4-4 block as the development site, it will build a building composed of space for such as office, conference rooms and retail with 14 floors above ground, two below and a gross floor area of 26,200 m<sup>2</sup>. Construction will start in October 2020, with completion targeted for March 2023.

### Demolition of Meiji Yasuda Seimei Shinjuku Building begins

In addition to the 96 projects indicated on the map covered by this survey, approximately 30 other bases for large-scale development have been revealed. In a block on the west exit side of Shinjuku Station, demolition of seven buildings in total including *Meiji Yasuda Seimei Shinjuku Building* has started. The total land area is approximately 6,289. **Meiji Yasuda Life Insurance** owns about 80% while Shinjuku-ku-based **Ebikku** and public interest incorporated foundation **Tetsudou Kousaikai** own the rest.

In April 2020, the Tokyo Metropolitan Government compiled the basic plans for the former *Aoyamakitamachi*

*Apartment Site Lot B*, which is a former municipal housing complex in Kita-Aoyama 3-chome, Minato-ku. These envision redeveloping the roughly 20,000 m<sup>2</sup> site into offices, retail, accommodations and more. Implemented by the **Urban Renaissance Agency**, the redevelopment schedule is to confirm the urban planning in fiscal 2020, start construction in fiscal 2023 and complete it in fiscal 2026.

At JR Tamachi Station's east exit, **Tokyo Institute of Technology's Tamachi Campus Land Utilization Project** is materializing. It will build mixed-use facilities composed of university facilities and private facilities consisting mainly of offices on a 22,678 m<sup>2</sup> site with a general fixed-term leasehold of 75 years. Initially scheduled to accept private developer proposals from May 2020, it postponed the overall project schedule due to the state of emergency declaration regarding the COVID-19 pandemic. 🏢

*Ikuko Hashimoto is a real estate analyst for Nikkei Real Estate Market Report*

## Under Construction Survey

## LARGE DEVELOPMENTS COMMENCE

Construction starts for 1.67 million m<sup>2</sup> GFA in 17 projects

By Yasuko Oka

Nikkei Real Estate Market Report conducts this survey every three months to report on development plans on buildings of all uses, such as offices, residential and retail, for which construction will start hereafter based on construction signboard installation applications filed to the governmental offices in the five central wards of Tokyo as well as the Tokyo Metropolitan Government and Yokohama City, and reports on the development trends in Tokyo and Yokohama. Each survey targets plans with building scales of at least 1,000 m<sup>2</sup> in gross floor area for plans in the five central wards of Tokyo and Yokohama City and at least 10,000 m<sup>2</sup> for plans in the remaining 18 wards of Tokyo. However, this recent survey turned out to be irregular since the Tokyo Metropolitan Government has halted disclosure of construction signboard installation applications as of early April due to the impact of the COVID-19.

This survey examines a total of 104 projects, namely 92 projects filed between mid-January and early April 2020 to the five central wards of Tokyo and Yokohama City as well as 12 other projects that Nikkei Real Estate Market Report was able to ascertain from among

those handled by the Tokyo Metropolitan Government during the same period.

**17 large-scale developments including offices and educational facilities**

The aggregate gross floor area of the 104 projects is approximately 1.67 million m<sup>2</sup>. Among the five central wards, Minato Ward had the most with an aggregate gross floor area of approximately 1.10 million m<sup>2</sup>, followed by Chuo Ward (90,000 m<sup>2</sup>), Chiyoda Ward (40,000 m<sup>2</sup>), Shinjuku Ward (30,000 m<sup>2</sup>) and Shibuya Ward (30,000 m<sup>2</sup>). Yokohama City had 260,000 m<sup>2</sup>.

Looking at the number of applications filed by location and use (**Figure 1**), Minato Ward (17 projects) had the most among the five central wards of Tokyo, followed by Chuo Ward (16 projects), Shinjuku Ward (11 projects), Shibuya Ward (10 projects) and Chiyoda Ward (9 projects). There were 37 projects in Yokohama City. By intended use, 47 projects were residential, 19 were offices, 11 were retail, 9 were hotels and 18 were other. Of these, the 34 projects with a gross floor area of 3,000 m<sup>2</sup> or more excluding residential are shown in **Figure 3** on page 8. In addition, three development projects reported by Nikkei Real Estate Market Report from February to April 2020 are listed in **Figure 4** on page 9.

Of the 104 construction signboard installation applications surveyed, 17 were large-scale development projects with a gross floor area of over 10,000 m<sup>2</sup> and of these, six projects were over 100,000 m<sup>2</sup>. As for the breakdown of the 17 projects by intended use, office (5 projects) had the largest number followed by educational facility (4 projects), cultural facility (3 projects) and hotel (2 projects).

The largest project in the survey was *Shinagawa Development Project (Phase I) Block 4* (No. 20 in **Figure 2** on page 7 and **Figure 3**). The **East Japan**

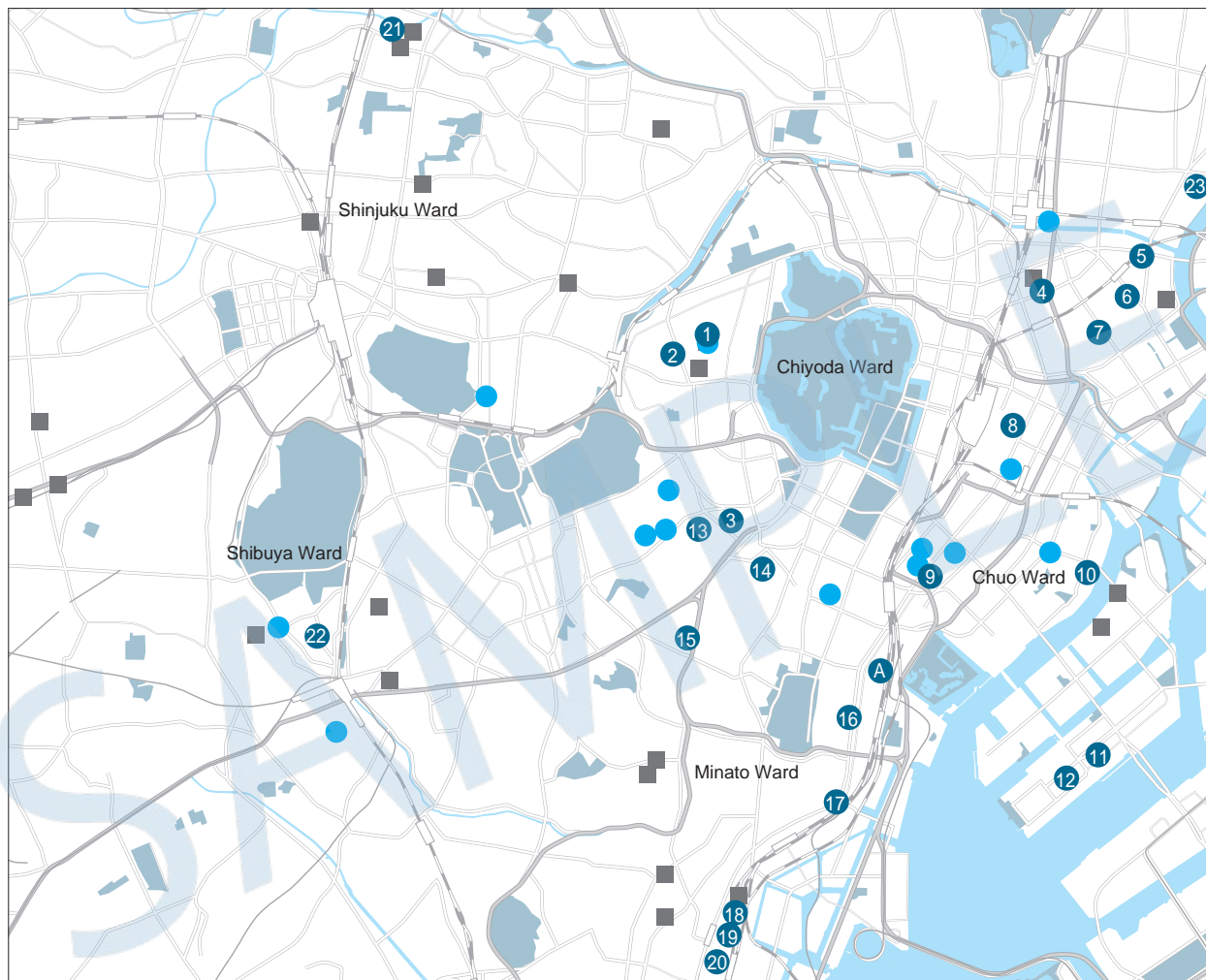
**[Fig. 1] Construction Signboard Installation Applications Filed (mid-January to early April 2020)**

	Office	Retail	Hotel	Residential	Others	Total
Chiyoda Ward	3	1	0	3	2	9
Chuo Ward	3	4	4	3	2	16
Minato Ward	8	0	3	5	1	17
Shinjuku Ward	0	0	1	9	1	11
Shibuya Ward	3	0	0	7	0	10
Other 18 wards	1	1	1	0	1	4
Yokohama City	1	5	0	20	11	37
Total	19	11	9	47	18	104

Note: Compiled based on construction signboard installation applications filed in the five central wards of Tokyo, Tokyo or Yokohama City from mid-January to early April 2020. Figures for those in Tokyo do not cover all cases as the Tokyo Metropolitan Government has been suspending disclosure in construction signboard installation applications to the public as of early April. Those in the five central wards of Tokyo and Yokohama City target structures with gross floor areas of 1,000 m<sup>2</sup> or more while those in other places target structures with gross floor areas of 10,000 m<sup>2</sup> or more. The survey covered all usages as its subjects, and projects other than residences with gross floor areas of 3,000 m<sup>2</sup> or more are extracted and indicated in Figure 3.

**[Fig. 2] Development Trends in Central Tokyo**

The circled figures from ① to ㉓ and circled letter ㉑ indicate projects other than residences with gross floor areas of 3,000 m<sup>2</sup> or more. The numbers and letter correspond to those indicated in Figures 3 and 4 on page 8 and 9. ● indicate projects other than residences with gross floor areas of less than 3,000 m<sup>2</sup> and ■ indicate residences.



**Railway** (JR East) will construct a building comprised of two super high-rise north and south wings which will have offices and a hotel with approximately 200 guestrooms on a lot to the west of Takanawa Gateway Station which opened in March, and those wings will be connected by a deck pedestrian plaza. The entire *Shinagawa Development Project (Phase I)* is comprised by four blocks. *Block 1* located furthest to the north will contain approximately 860 residential units, an international school and more in a super high-rise building while *Block 2* (18) will host a hall, exhibition facility and such in a high-rise building, *Block 3* (19) will have a super high-rise building with offices, shops and such and *Block 4* will encompass the southernmost portion, all spreading continuously along the railway land. This spans an area of more than 1 km.

The total site area of these four blocks is approximately 72,000 m<sup>2</sup> and the aggregate gross floor area is as large as approximately 851,000 m<sup>2</sup>. The “Shinagawa Station North District Development Project” which also includes the area between these blocks and Shinagawa Station was subject to easing of the floor-area ratio by approximately 30% due to the utilization of the National Strategic Residential Improvement Project. The overall design conception is undertaken by U.S. construction design studio **Pickard Chilton** and **Kengo Kuma and Associates**.

The four blocks of Shinagawa Development Project (Phase I) will sequentially begin construction from October 2020 to October 2021 and all are scheduled to be completed in March 2025.

(continued on page 9)

**[Fig. 3] Information on Development Projects Based on Construction Signboard Installation Applications Filed (mid-January to early April 2020)**

No.	Name of development project	Main usage	Developer	Lot address	Land (m <sup>2</sup> )	GFA (m <sup>2</sup> )	Stories	Completion
1	Yonbancho Public Facility	Library, Nursery school, Residential	Chiyoda Ward	1-1 Yonbancho, Chiyoda-ku, etc.	3,292	12,360	12/1	Oct. 2024
2	Chiyoda-ku Nibancho Project	Office, Retail	Mitsubishi Estate	12-3 Nibancho, Chiyoda-ku, etc.	780	5,305	12/1	Jan. 2022
3	Friend Building Redevelopment Project	Office	Daido	2-1-28 Nagatacho, Chiyoda-ku	607	4,053	10/0	Mar. 2022
4	RBM Kanda Building	Office, Parking lot	Residence Building Management	3-1 Kanda-Nishifukudacho, Chiyoda-ku, etc.	620	4,370	8/1	Apr. 2022
5	Nihombashi-Bakurocho Hotel Development Project	Hotel, Retail	Sankei Building, Tokyu Land	1-204-1 Nihombashi-Bakurocho, Chuo-ku, etc.	613	6,050	16/1	Apr. 2022
6	VPO Higashi-Nihombashi San-Chome Project	Office, Retail	Shimizu Comprehensive Development	3-3-7 Higashi-Nihombashi, Chuo-ku	585	3,853	9/1	Aug. 2021
7	Nihombashi-Horidomecho Itchome Project	Office, Retail	Sumitomo Corporation	1-8-1 Nihombashi-Horidomecho, Chuo-ku, etc.	693	5,515	10/0	Feb. 2022
8	Hotel Monte Hermana Tokyo Nihombashi	Hotel, Retail, Parking lot	Individual	3-3-11 Nihombashi, Chuo-ku	553	5,169	12/1	July 2022
9	GD Project	Bank, Retail	MUFG Bank, MUL Realty Investment	8-1-2 Ginza, Chuo-ku	466	5,550	13/1	Apr. 2022
10	Hiyori Hotel Tokyo Akashicho (Akashicho Project)	Hotel, Office	Kokusai Pulp & Paper	613-2 Akashicho, Chuo-ku	1,038	6,170	9/1	Feb. 2022
11	Harumi Yonchome Facility	Nursery school, Office, Library	Chuo Ward	4-107-8 Harumi, Chuo-ku	6,707	12,270	6/1	Feb. 2023
12	Harumi District New Elementary School and Junior High School	School	Chuo Ward	5-101-1 Harumi, Chuo-ku, etc.	16,796	25,816	5/1	Feb. 2023
13	Tokyo Akasaka NK Building	Hotel, Retail	JR West Real Estate & Development	2-610-1 Akasaka, Minato-ku, etc.	1,386	9,200	16/0	Oct. 2022
14	Toranomon Ni-Chome District Specified Business Representative Facility	Office, Retail	Urban Renaissance Agency, Toranomon Energy Service (district heating and cooling system)	2-105 Toranomon, Minato-ku	22,540	180,440	38/2	Nov. 2023
15	Apa Hotel Pride Roppongi-Higashi	Hotel, Retail	Apa Home, Apa Mansion	3-121-2 Roppongi, Minato-ku, etc.	1,773	12,132	18/1	Dec. 2021
16	Sotetsu Fresa Inn Hamamatsucho-Daimon II	Hotel	Onarimon TMK (SPC)	2-101 Daimon, Minato-ku, etc.	749	4,895	14/1	Oct. 2021
17	TCG Building	Office	Takamatsu Construction Group	4-23-1 Shiba, Minato-ku, etc.	1,530	16,504	18/1	Sept. 2022
18	Shinagawa Development Project (Phase I) Block 2	Theater, Exhibition hall	East Japan Railway	4 Shibaura, Minato-ku	8,000	31,000	6/4	Mar. 2025
19	Shinagawa Development Project (Phase I) Block 3	Office, Retail, District heating and cooling system	East Japan Railway	2 Konan, Minato-ku	13,000	211,000	31/5	Mar. 2025
20	Shinagawa Development Project (Phase I) Block 4	Office, Retail, Hotel	East Japan Railway	2 Konan, Minato-ku, etc.	38,300	460,000	30/3	Mar. 2025
21	Takadanobaba Ni-Chome Kikuzuki Building Reconstruction Project	Hotel, Retail	Individual	2-503-3 Takadanobaba, Shinjuku-ku, etc.	694	4,900	13/1	Jan. 2023
22	Shibuya-ku Udagawacho Office	Office	Daiwa House Industry	94-2 Udagawacho, Shibuya-ku, etc.	938	5,672	10/0	Mar. 2022
23	Kuramae Project	Office, Warehouse, Residential, Elderly nursing home	Japan Post Real Estate	1-12-66 Kuramae, Taito-ku, etc.	14,407	101,000	23/0	Mar. 2023
24	Tokyo City University New Building A	University	Gotoh Educational Corporation (educational institution)	1-2339-1 Tamazutsumi, Setagaya-ku, etc.	23,291	10,096	4/0	Mar. 2022
25	Haneda Itchome Hotel Project	Hotel	Samty	1-2-26 Haneda, Ota-ku	5,036	13,809	11/0	Jan. 2022
26	Sumida Park Place II	Retail, Warehouse, Office, Studio	Suzuki Kosan	1-2-10 Yokokawa, Sumida-ku, etc.	4,737	10,999	6/1	Aug. 2022
27	Shinyokohama Dental Technician College	School, Apartment	Kyosei Gakuen	2-5-8 Shin-Yokohama, Kohoku-ku, Yokohama City, etc.	719	5,533	11/1	Jan. 2022
28	K Arena Project	Viewing stand, Hotel, Office	Ken Corporation	6-2-2 Minato Mirai, Nishi-ku, Yokohama City, etc.	31,794	119,300	28/0	Oct. 2023
29	Kanagawa Prefectural Library's New Building	Library	Kanagawa Prefecture	44 Momijigaoka, Nishi-ku, Yokohama City	1,902	3,700	4/0	Mar. 2022
30	Yokohama International School Project	School	Yokohama International School	2-100-1 Kominatocho, Naka-ku, Yokohama City	14,693	14,784	4/0	Sept. 2021
31	Kamigumi Yokohama Branch Minami-Honmoku Logistics Center	Warehouse	Kamigumi	3-10 Minami-Honmoku, Naka-ku, Yokohama City, etc.	27,237	28,000	4/0	Aug. 2021
32	Higashi-Terao 6-chome Facility Project	Elderly nursing home	Gran Eagle	6-951-1 Higashi-Terao, Tsurumi-ku, Yokohama City	3,127	4,819	3/1	Nov. 2021
33	Shiomidai Elementary School Reconstruction	School	Yokohama City	3-6 Shiomidai, Isogo-ku, Yokohama City	23,130	8,771	3/0	June 2024
34	Gontazaka Retail Facility Project	Retail	Isuzu Estate	Part of 3-520-3 Gontazaka, Hodogaya-ku, Yokohama City	4,922	6,080	2/0	Mar. 2021



**[Fig. 4] Development Projects Reported by the Nikkei Real Estate Market Report from February to April 2020**

Letter	Name of development project	Main usage	Developer	Building address	Land (m <sup>2</sup> )	GFA (m <sup>2</sup> )	Stories	Completion
A	Shiodome Project	Hotel	Japan Post Real Estate, Huic	2-14 Higashi-Shimbashi, Minato-ku	1,463	11,130	13/0	Sept. 2022
B	Shinagawa Station West Exit Takanawa San-Chome District Development	Office, MICE, Retail, Hotel	Keikyu Corporation, Toyota Motor	3-13-3 Takanawa, Minato-ku	25,000	200,000	— / —	Around 2027
C	Higashi-Ikebukuro Itchome Redevelopment Project	Office, Cultural experience facility, Event hall	Higashi-Ikebukuro Itchome Category I Urban Redevelopment Project Association (Sumitomo Realty & Development)	1-45 Higashi-Ikebukuro, Toshima-ku	9,900	145,000	30/3	Fiscal 2025

Note: Compiled information on development projects satisfying the same conditions as surveys for Figure 3, and reported by the Nikkei Real Estate Market Report from February to April 2020. Excludes projects for which construction signboard installation applications were filed by the early April 2020.

In the west side of the Shinagawa Station North District, the *Shinagawa Station West Exit San-Chome District Development* (B) by railway operator **Keikyu Corporation** and **Toyota Motor** with a gross floor area of over 200,000 m<sup>2</sup> will start to move forward for completion around 2027. (See page 2 for more details on this development mentioned in another article.)

### 11 hotel projects underway

As for hotel developments, while the recovery of inbound and other demand is hard to predict under the current situation, the survey confirmed nine developments, which are mainly business hotels, and a total of 11 developments when hotel is included in the intended use

Of the projects with hotel as the main use, the largest is the *Haneda Itchome Hotel Project* (25) being advanced by Osaka-based real estate company **Samty**. The site is a two-minute walk from Otorii Station on the Keikyu-Airport Line and there will be 362 guestrooms. The schedule indicates that the construction will start in June 2020 and the completion in January 2022. The company also has plans for establishing a hotel REIT and it positions the Haneda Itchome Hotel

Project as a property that it plans to incorporate in the REIT in the future

*Tokyo Akasaka NK Building* (13) being undertaken by **JR West Real Estate & Development** will have approximately 350 guestrooms. **Daiwa House Industry** will be in charge of design and construction. Construction will begin in November 2020 and completion is scheduled for October 2022. The *Nihombashi-Bakurocho Hotel Development Project* (5) by **Sankei Building** and **Tokyu Land** will have approximately 250 guestrooms and the design and construction will be undertaken by **JDC**. Construction will begin in August 2020 and completion is scheduled for April 2022. The *Hiyori Hotel Tokyo Akashicho (Akashicho Project)* (10) being advanced by **Kokusai Pulp & Paper** will have 148 guestrooms. It will be leased to **Sun Frontier Fudousan's** consolidated subsidiary **Sun Frontier Hotel Management** of Chiyoda-ku, who will operate the hotel. The schedule is for construction to start in August 2020, completion in February 2022 and opening in May the same year. 🏠

*Yasuo Manabe, director of Glocal Media contributed to the article*

Market Knowledge

# COVID-19 IMPACT ON 2020 INVESTMENT POLICIES

## CBRE:

### “Japan Investment Major Report - Investor Intentions Survey 2020”

The spread of the COVID-19 infection continues to be seen across the world, and it is impacting many investors. In late March 2020, **CBRE** asked real estate investors in Japan whether or not they are being impacted by the increasing spread of COVID-19. The results were that 41% responded that they had been "affected."

Half of the respondents that responded they had been affected, in other words about 20% of the total number of respondents, stated that transactions had been "cancelled or postponed." Furthermore, about 75% indicated that the duration of the postponements was "undetermined." It seems that many investors started to take a watch-and-wait stance as site surveys cannot be conducted.

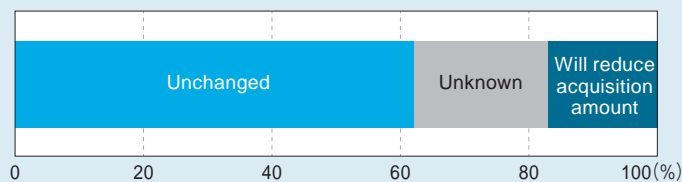
As for the impact on their investment policies for 2020, 17% responded that they will "reduce" their acquisition amount compared with the amount before the spread of infection. However, 62% responded that their investment policy will remain "unchanged," which indicates that most investors have not changed their attitudes. 21% responded that the impact was "unknown." In cases of investment properties where

COVID-19 infections have been confirmed, 53% of investors responded that there would be no problems with a transaction "if appropriate measures were taken," while 34% responded that they did not know what the effect would be.

When asked which asset types were least affected by COVID-19, 57% of investors selected logistics facilities and 30% selected residential. Meanwhile, hotels were seen as being most affected by the virus, selected by 98% of respondents. This result is a reflection of the current situation that is directly impacted by travel restrictions and self-isolation measures.

CBRE points out that "there is a possibility that the momentum in trading seen in 2019 will slow down in the second quarter of 2020 due to the spread of the COVID-19 infection and the annual transaction volume will contract in 2020." On the other hand, CBRE also stated that funds for investment and granting of loans remain ample. CBRE believes that although there is unlikely to be any substantial change in the investor appetite for medium to long-term investment, investors are likely to become increasingly selective and focus even more on income stability. 🏠

**Impact of COVID-19 on Investment Policies in 2020**



Note: The results of a survey (95 responses) conducted by CBRE in late March 2020. CBRE conducts a future investment appetite questionnaire survey of institutional investors and funds in the Asia Pacific region every year. This time, it conducted the survey from the end of 2019 to the beginning of 2020. After that, it conducted an additional survey to find out the impact in Japan of the spread of the COVID-19 infection.

# DEALS ROUNDUP

## Goldman private REIT purchases Shibaura office building

(B) Buyer (S) Seller (T) Tenant



**Otemachi Financial City Grand Cube**  
(Otemachi, Chiyoda-ku)  
No. 1 in Table  
(B) Premier (REIT)  
(S) NTT Urban Development  
¥4.68 bn [\$42 mn]  
\*Partial interest

(Photo: Premier REIT Advisors)



**Daiwa Jimbocho Building**  
(Jimbocho, Chiyoda-ku)  
No. 2 in Table  
(B) Hulic  
(S) Daiwa Office (REIT)  
(T) Sugi Holdings, etc.  
¥4 bn [\$36 mn]

(Photo: Daiwa Real Estate Asset Management)



**Canal Gate Shibaura**  
(Shibaura, Minato-ku)  
No. 5 in Table  
(B) Japan Private REIT  
(S) Sun Frontier Fudousan



**WeWork Shimbashi**  
(Shimbashi, Minato-ku)  
No. 6 in Table  
(B) Uniden Real Estate  
(S) Hulic  
(T) WeWork



**SFI Omiya Building** (Omiya, Saitama City)  
No. 10 in Table  
(B) Rio Consulting  
(S) Sony  
(T) Unicharm, Sony Marketing



**Fukuoka Takeda Building**  
(Hakata-ku, Fukuoka City)  
No. 15 in Table  
(B) Fukuoka Standard Oil  
(S) Bentall GreenOak  
(T) Takeda Pharmaceutical

	Property name	Type	Price (million yen)	Buyer	Seller	Building address	Land area (m <sup>2</sup> )	GFA (m <sup>2</sup> )	Handover
1	Otemachi Financial City Grand Cube	Office	4,680	Premier (REIT)	NTT Urban Development	1-9-2 Otemachi, Chiyoda-ku, Tokyo	(CS) 140.77	(CS) 2,464.35	June 2020
2	Daiwa Jimbocho Building	Office	4,000	Hulic	Daiwa Office (REIT)	2-4-63 Kanda-Jimbocho, Chiyoda-ku, Tokyo	598.04	4,247.18	May 2020
3	Takebashi PREX	Office		Risa Partners	Maeda	3-27-3 Kanda-Jimbocho, Chiyoda-ku, Tokyo	591.78	3,928.88	Mar. 2020
4	Kabuto-cho Uni-Square	Office	2,100	Heiwa Real Estate REIT	anonymous	21-7 Nihombachi-Kabutocho, Chuo-ku, Tokyo	(D) 406.55	(CO) 1,828.48	May 2020
5	Canal Gate Shibaura	Office		Japan Private REIT	Sun Frontier Fudousan	4-12-38 Shibaura, Minato-ku, Tokyo	437.01	1,755.48	Mar. 2020
6	WeWork Shimbashi	Office		Uniden Real Estate	Hulic	6-19-13 Shimbashi, Minato-ku, Tokyo	613.14	3,619.28	Mar. 2020
7	Former Toyota Mobility Tokyo Shinonome Store	Factory		AIP Healthcare Japan	Toyota Mobility Tokyo	1-5-21 Shinonome, Koto-ku, Tokyo	2,791.58	9,055.53	Feb. 2020
8	Hachioji Tokyu Square	Retail		Rio Consulting	Tokyu Malls Development	9-1 Asahicho, Hachioji City, Tokyo	(CS) 1,571.48	(CO) 10,020.83	Apr. 2020
9	Land at 400-36 Ukishima	Land		ESR	Nippon Gas	(lot) 400-36 Ukishimacho, Kawasaki-ku, Kawasaki City, Kanagawa	32,226.91	—	Mar. 2020
10	SFI Omiya Building	Office		Rio Consulting	Sony	1-210 Miyaharacho, Kita-ku, Saitama City, Saitama	1,305.77	2,594.79	Mar. 2020
11	Sapporo Minami Tokushukai Hospital	Hospital		Mitsubishi Estate	Tokushukai	1-5 Hiraoka-5jo, Kiyota-ku, Sapporo City, Hokkaido	24,938.60	—	Mar. 2020
12	Former Hotel Sunline Kyoto Gion Shijo	Hotel		Kyushu Railway Company (JR Kyushu)	Biken Techno	493-1 Kiyochi, Yasaka Toriimae-sagaru, Higashiyama-ku, Kyoto City, Kyoto	1,006.47	4,909.66	Dec. 2019
13	Splendid Namba Motomachi	Residential		GK Tokyo Residential 1 (SPC)	Pressance Corporation, Shinwa Real Estate	2-3-14 Motomachi, Naniwa-ku, Osaka City, Osaka	1,301.29	8,409.56	Dec. 2019
14	The Lively Honmachi Osaka	Hotel		Kenedix	Pressance Corporation	1-5-1 Minami-Hommachi, Chuo-ku, Osaka City, Osaka	779.72	5,955.05	Nov. 2019
15	Fukuoka Takeda Building	Office		Fukuoka Standard Oil	Bentall GreenOak	9-12 Shimokawabatamachi, Hakata-ku, Fukuoka City, Fukuoka	1,560.77	9,338.63	Mar. 2020

Note: Data contains domestic transactions which were confirmed by the Nikkei Real Estate Market Report during the past one month period. Special purpose companies are indicated as follows: "GK" Godo Kaisha, "TMK" Tokutei Mokuteki Kaisha, "YK" Yugen Kaisha. When "(lot)" is included in the Address column, the address is a lot address. "(CS)" denotes co-ownership share area. "(CO)" denotes comparted ownership area. "(D)" denotes dividedly registered site ownership. Other areas basically stated in gross area.



# RELOCATION UPDATE

## Fuji Xerox to lease over 6,000 tsubos at Toyosu Bayside Cross Tower

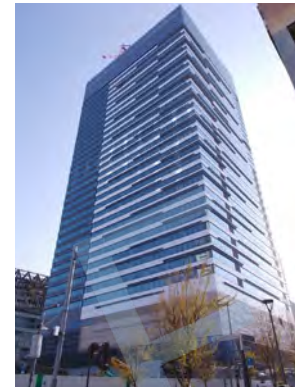
**Fuji Xerox** will set up its flagship office in newly constructed *Toyosu Bayside Cross Tower*. The office will be its central office, to which its sales divisions will be concentrated. It will have over 6,000 tsubos [19,800 m<sup>2</sup>] of floor area, according to sources.

The company will commence the move in or around the autumn of 2020. Its headquarters in *Midtown Tower* in *Tokyo Midtown* in Akasaka, Minato-ku will not be relocated.

Fuji Xerox manufactures and sells printers and multi-function machines, and also provides solution services for system integration, cloud services and such. Although the company did not disclose the offices it will relocate to the new location, the company has an office in *Roppongi T-Cube* in Roppongi, Minato-ku among other offices it leases in Tokyo. In Roppongi T-Cube, the company appears to be leasing an

estimated floor area of 5,220 tsubos [17,300 m<sup>2</sup>] in total on the fifth through 13th floors and the 15th floor.

*Toyosu Bayside Cross Tower* is directly connected to Toyosu Station on the Yurikamome and subway lines and was completed at the end of March 2020. The construction project was implemented by companies represented by **Mitsui Fudosan**. Consisting of two connected buildings, the property has 36 floors above ground and two below with approximately 184,000 m<sup>2</sup> of aggregate gross floor area and a typical floor plate of approximately 1,000 tsubos [3,310 m<sup>2</sup>].



Toyosu Bayside Cross Tower

### Major Relocation Cases (information gathered between April and May 2020)

Company name	Business type	Relocation period	Building before relocation	Leased floor area	Building after relocation	Leased floor area	Remarks
Niyu	Construction	May 2020	Union Okamura Building		→ JS Progres Building		Tokyo branch; group integration
BeeX	IT consultant	May 2020	Taiyo Seimei Nihonbashi Building		→ Nittochi Ginza Building		Business expansion; work-style reform
NTT Data Getronics	System development	May 2020	Hibiya U-1 Building	50 tsubos [165 m <sup>2</sup> ]	→ Shin-Otemachi Building	39 tsubos [129 m <sup>2</sup> ]	Redevelopment of building before relocation; 20 employees
Tech	Damper distributor	May 2020	Medith Gakuei Daigaku		→ Asahi Seimei Hatagaya Building		Moved onto 9th floor
JTB Asset Management	Real estate and office design	May 2020	JTB Building (rental building)		→ Shoko Chukin Dai-ichi Seimei Ueno Building		Redevelopment of building before relocation (estimate)
Nomura Holdings, Nomura Securities, etc.	Finance	May – June 2020	Nihombashi Nomura Building, Nomura Asset Management HQ Building, Urbannet Otemachi Building		→ Toyosu Bayside Cross Tower	12,000 tsubos [39,700 m <sup>2</sup> ]	Redevelopment of building before relocation
Toei Tanshi	Electronic component distributor	June 2020	Tokyo Kourishuhan Kaikan		→ Sumitomo Fudosan Ueno Building No. 5		Moved onto 5th floor
Shoko Chukin Bank	Finance	July 2020	Shinjuku Sanei Building, Shionogi Shibuya Building		→ D-Tower Nishi-Shinjuku	600 tsubos [1,980 m <sup>2</sup> ]	Integration; redevelopment of building before relocation
Maruha Nichiro	Food manufacturer	July 2020	Rental property (Ota Ward)		→ Toyomi Center Building	340 tsubos [1,120 m <sup>2</sup> ]	Environment improvement; strengthen development
Knowledge Suite	Business applications provider	Aug. 2020	Toranomon Marine Building (no space to be returned)	230 tsubos [760 m <sup>2</sup> ]	→ Atago Green Hills Mori Tower	90 tsubos [298 m <sup>2</sup> ]	Expansion; enhance recruitment
Daiichi Realter	Real estate	Aug. 2020	Ark Mori Building		→ Kamiyacho Trust Tower	380 tsubos [1,260 m <sup>2</sup> ]	Floor integration; expansion
Coconala	Skill selling and purchasing website operator	Aug. 2020	Gotanda Kowa Building	170 tsubos [562 m <sup>2</sup> ]	→ Shibuya Infoss Tower	315 tsubos [1,040 m <sup>2</sup> ]	Expansion; eight relocation
NextGen, etc.	System development	Sept. 2020	Iida Building	80 tsubos [264 m <sup>2</sup> ]	→ Shirokane-Takanawa Station Building (will not lease additional space)		Integrate Tokyo Office into its headquarters
Nomura Investor Relations	IR support	Sept. 2020	Nihombashi Nomura Building		→ Urbannet Otemachi Building		Redevelopment of building before relocation
Nu Skin Japan	Cosmetics and dietary supplements distributor	Autumn 2020	Shinjuku i-Land Tower	774 tsubos [2,560 m <sup>2</sup> ]	→ Tokyo Toranomon Global Square	340 tsubos [1,120 m <sup>2</sup> ]	Adoption of free addressing system
Fuji Xerox	Multifunction machine manufacturer	Autumn 2020	Roppongi T-Cube (estimate)	5,220 tsubos [17,300 m <sup>2</sup> ]	→ Toyosu Bayside Cross Tower	6,000 tsubos [19,800 m <sup>2</sup> ]	No relocation of its headquarters
Yasuda Logistics	Logistics, real estate	Dec. 2020	Yasuda Hachigo Building (company owned building), etc.		→ msb Tamachi Tamachi Station Tower North	865 tsubos [2,860 m <sup>2</sup> ]	Department integration; streamline business operations
Micron	Clinical trial support, image analysis	Unknown	Nihonbashi Nishikawa Building		→ Mita 43 MT Building	250 tsubos [826 m <sup>2</sup> ]	Redevelopment of building before relocation (estimate)
Japan Medical Planning	Medical publisher	Unknown	Unknown		→ S-Gate Hatchobori	300 tsubos [992 m <sup>2</sup> ]	A space in building before relocation is recruiting tenant
Toshin Kagaku	Chemical raw material developer and distributor	Unknown	Yamato Building		→ Uchi-Kanda Itchome Project (tentative name)	190 tsubos [628 m <sup>2</sup> ]	Redevelopment of building before relocation (estimate)
I-cell Networks	Management support for medical institutions	Unknown	Shin-Marunouchi Center Building		→ Uchi-Kanda Itchome Project (tentative name)	190 tsubos [628 m <sup>2</sup> ]	
Estore	E-commerce website support	Unknown	Sumitomo Seimei Nishi-Shimbashi Building		→ Tokyo Toranomon Global Square	400 tsubos [1,320 m <sup>2</sup> ]	
Panac	Film manufacturer	Unknown	Round Cross Tamachi		→ msb Tamachi Tamachi Station Tower North	865 tsubos [2,860 m <sup>2</sup> ]	Expansion; adoption of free addressing system

Note: Figures in the "Leased floor area" column include estimated values calculated from the number of occupied floors and typical floor plate.

# NEWS DIGEST

## Selected stories from the Nikkei Real Estate Market Report website

### Overseas

June 2

#### NTT Urban to develop mixed-use facility in New York

**NTT Urban Development** will start a mixed-use development project of a rental residence and a retail facility in the Borough of Brooklyn, New York City, U.S. through its local subsidiary. This is a joint project with U.S. developer **William Macklowe Company** and U.S. investment company **Senlac Ridge Partners**. According to local reports, WMC and Senlac acquired **Key Food**, which is a supermarket located in the development site, for approximately \$59 million in April 2020. The site area is approximately 6,500 m<sup>2</sup>. The building to be constructed will have six floors above ground and one below with a gross floor area of 28,500 m<sup>2</sup>.

### Trend

June 1

#### Cabinet decides on second supplementary budget proposal

The government decided on a second supplementary budget proposal on May 27 in response to COVID-19. One of the measures is to establish rent support of up to 6 million yen [\$55,000] for respective tenant companies whose sales have plummeted. The total budget is 2.02 trillion yen [\$19 billion]. Aiming to help businesses survive by lessening their rental burden for land or space, the money is targeted at small and medium-sized companies and small-scale business operators as well as self-employed businesspersons.

### Business

May 29

#### Hoshino Resorts to launch \$185m Japan hotel rescue fund

**Hoshino Resorts** will establish a fund of up to 20 billion yen (\$185 million) to bail out domestic hotels that are struggling to fill rooms amid the coronavirus pandemic. The fund, launching as early as summer, will acquire and operate around a dozen properties. The fund will be managed by **H&R Asset Solutions**, a 50-50 joint venture established by Hoshino Resorts and Tokyo investment firm **Risa Partners**. The fund will raise money mostly from Japanese institutional investors.

### Project

May 29

#### UR developing super high-rise mixed-use building in Aoyama

Independent administrative institution **Urban**

**Renaissance Agency** (UR) will redevelop a site along Aoyama-dori Street and part of the site of former metropolitan residential park *Aoyama Kitamachi Apartments* in Kita-Aoyama, Minato-ku in a single project. Plans call for the structure to have 38 floors above ground and two below with approximately 185,000 m<sup>2</sup> of gross floor area and a height of 180 m. Construction will start in fiscal 2022, with targeted completion in fiscal 2026 and opening in fiscal 2027.

### Trend

May 27

#### Mirai REIT to convert hotel into office building

**Mirai REIT**, which is affiliated with trading firm **Mitsui & Co.**, announced on May 25 that it will terminate its lease agreement with Osaka City-based **WBF Hotel & Resorts**, the tenant of one of its assets under management *Hotel WBF Yodoyabashi-Minami* based on the mutual agreement. Since last year, declining inbound visitors and the large supply of hotels have weighed on its occupancy rate, leading the tenant to request lower rent. After entering 2020, COVID-19 cast another blow, resulting in the tenant filing for protection under the Civil Rehabilitation Act while termination talks were being held, and concluded with the termination based on the mutual agreement.

### Deal

May 27

#### Uniden purchases WeWork Shimbashi from Hulic

Chuo-ku's **Uniden Real Estate**, which is under the umbrella of communication device manufacturer **Uniden Holdings**, acquired *WeWork Shimbashi* in Shimbashi, Minato-ku. The company will own the property over the long term as a rental building. The seller was **Hulic**. The structure was completed in 1997 and has nine floors above ground with 3,619 m<sup>2</sup> of gross floor area. The building is leased in its entirety by **WeWork Japan**, which has operated co-working offices in the building since April 2018.

### Project

May 22

#### ESR investing ¥24bn in 67,000 m<sup>2</sup> GFA logistics facility

A special purpose company of Minato-ku's **ESR** purchased 32,226 m<sup>2</sup> of land in Ukishimacho, Kawasaki-ku, Kawasaki City. The company plans to construct a logistics facility named *ESR Ukishima Distribution Centre*

on the land. It will have 66,930 m<sup>2</sup> of gross floor area and the company plans to invest approximately 24 billion yen [\$220 million] in the project. **Nippon Gas** acquired 95,498 m<sup>2</sup> of the land in December 2018 and constructed an LP gas base using 28,788 m<sup>2</sup> of the land, and sold 32,226 m<sup>2</sup> of the remaining land to ESR and 33,434 m<sup>2</sup> to **JXTG Energy**.

**Business**

May 15

**Asia logistics attracts billions as post-pandemic winner**

As China shakes off the economic impact of the coronavirus outbreak, investors have flocked to funds focused on logistics facilities there and elsewhere in Asia. **GLP** last month closed a \$2.1 billion fund with a portfolio of 34 properties across 18 Chinese cities. **LaSalle Investment Management** finished the initial close of its first dedicated China logistics vehicle in April. The firm has received commitments of \$681 million from investors in Europe, the Middle East and Asia. **Prologis** has reported raising an additional \$1.4 billion for an existing China-focused logistics fund. **Newease China**, a logistics real estate platform, has partnered with **J.P. Morgan Asset Management** for a joint fund holding \$600 million in initial assets.

**Business**

May 15

**Japan's casino plans remain dicey after Las Vegas Sands pullout**

Japan's legalization of casinos two years ago was supposed to usher in a golden age of gaming tourism with top names from the industry. But the sudden decision by **Las Vegas Sands** to take its chips off the table has cast doubt on projects that were already on shaky ground after a bribery scandal. Analysts believe LVS's decision to pull out will make other interested casino groups much more conservative with their plans. Las Vegas Sands Chairman and CEO Sheldon Adelson had said the company would spend \$10 billion in Japan to develop an "integrated resort."

**Overseas**

May 14

**NTT Urban acquires Melbourne office building**

**NTT Urban Development** acquired *200 Victoria Street*, an office building in Melbourne, Australia, through its local subsidiary **UD Australia Pty Ltd**. The seller was a fund operated by Melbourne-based **Australian Unity**, whose businesses include nursing care services. The price is estimated to be around 72 million Australian dollars [\$46 million]. The seller

acquired it in 2014 for 42.3 million Australian dollars [\$27 million]. As of May 2020, it is almost fully occupied with tenants including **Environment Protection Authority (EPA)**.

**Deal**

May 13

**Bentall GreenOak sells Fukuoka office building**

A special purpose company of **Bentall GreenOak** sold *Fukuoka Takeda Building* and the adjacent plot in Hakata-ku, Fukuoka City. The buyer was **Fukuoka Standard Sekiyu**, a gas station operator of Kurume City, Fukuoka Prefecture. The property is one of the 21 properties that Bentall GreenOak (then **GreenOak Real Estate**) purchased from the **Takeda Pharmaceutical** group for an estimated total price of over 50 billion yen [\$470 million] in 2019.

**Deal**

May 11

**Goldman private REIT purchases office building in Shibaura, Minato-ku**

**Japan Private REIT**, a private REIT managed by **Goldman Sachs Asset Management** of Minato-ku, acquired *Canal Gate Shibaura* in Shibaura, Minato-ku. The seller was real estate company **Sun Frontier Fudousan**, which acquired this building in May 2018. The real estate company sold the property in this transaction after increasing the property's value through renovations of the common use areas and other measures. 🏡

*Detailed daily news articles and transaction data available at <http://realestate.nikkeibp.co.jp/>*

Note: In this issue, the values in the brackets are rough figures based on the exchange rate at the beginning of June 2020, except for cases where the date of occurrence of acquisitions or other events is specifically mentioned, in which case the exchange rate at the beginning of the month during which the event occurred is used.

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