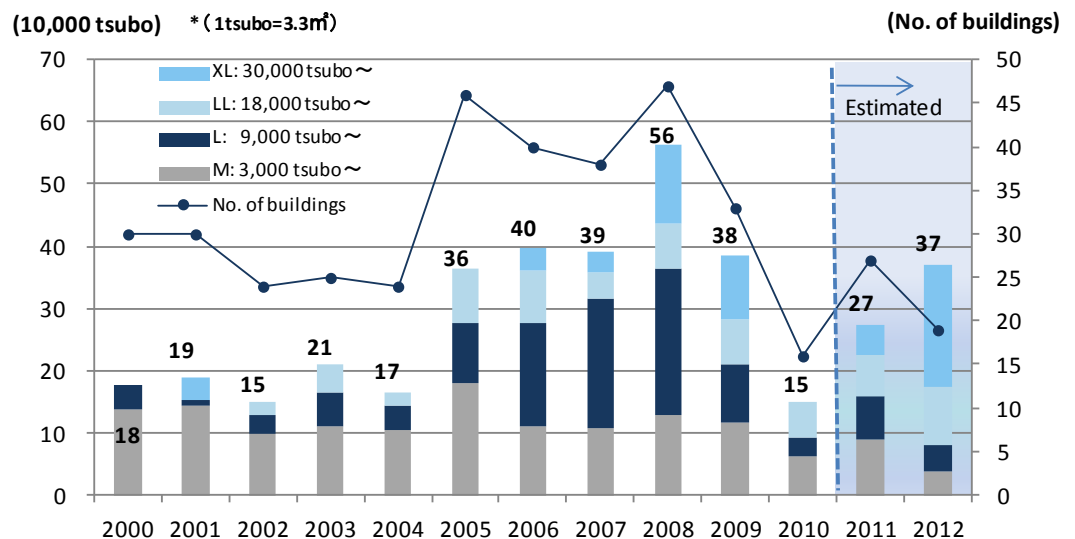


Market survey of logistics facilities in Metropolitan Tokyo (2011)

Damage to new large-scale logistics facilities as a result of the Great East Japan Earthquake was relatively limited, and logistics functions in the Tokyo metropolitan area were not seriously affected by the disaster. Vacancy rates in the 149 large-scale next-generation leased facilities constructed since 2000 began to come down in 2010, and continued to improve in 2011, dropping to as low as 5.2%. Some of the reasons for this improvement were a decline in new supply in 2010, solid underlying demand for large-scale next generation logistics facilities, and temporary demand from logistics facilities damaged in the earthquake. However, the level of new supply in 2012 is expected to be high, and there are serious concerns about how this will impact future leasing market trends.

The present survey examined the relation between new supply and the market equilibrium (vacancy rates) for new large-scale facilities in the Tokyo metropolitan area, and estimated how the high level of new supply in 2012 would impact the market. Further, we analyzed the cargo owners and types of freight being handled at these facilities to clarify the status and characteristics of current demand, and we discuss some of the reasons for the strong underlying demand these new large-scale logistics facilities are enjoying at a time when freight volumes are declining and the overall population is shrinking.

New supply of large-scale logistics facilities in metropolitan Tokyo (floor space $\geq 3,000$ tsubo)



Source: NRE

Supply trends

- New supply has recovered since bottoming out in 2010 at 150,000 tsubo, and is expected to reach 370,000 tsubo in 2012.
- New supply in XL class ($\geq 30,000$ tsubo) facilities will reach an all-time high in 2012.
- By area, from 2011 onward new supply will be concentrated primarily in Saitama and inland Chiba.

Leasing trends

- New supply will increase sharply in 2012. Most of this increase will consist of multi-tenant facilities, as opposed to BTS facilities.
- In 2012 new supply of leased facilities will be concentrated in inland Chiba and inland Kanagawa.
- The overall vacancy rate in the 149 large-scale facilities built since 2000 fell to a low of 5.2% in July 2011.
- Even facilities in coastal Kanagawa that had been saddled with vacancies since their completion are now attracting new tenants.
- If current demand trends continue, overall vacancy rates in 2012 are forecast to rise no higher than 7.5%.

Demand trends

- Over 75% of all new large-scale leased facilities handle consumer-related goods.
- Shipments of manufactured and construction-related goods are falling, but shipments of consumer goods are holding steady.
- Among consumer-related goods, shipments of daily necessities and processed foods are rising.
- Total sales volumes of consumer-related goods remain strong, and are increasing particularly in foods and beverages.
- Small and medium-sized enterprises still account for about 70% of all retail sales, but the shift towards large-scale enterprises is continuing.
- Internet sales of consumer-related goods are growing, and the proportion of older people using the Internet is rising.
- The overall population is declining, but the population of metropolitan Tokyo is growing.
- Structural changes and innovations in the retail sector are driving demand for more efficient and more functional logistics systems.

For further details, please see our “Real Estate Investment Review Autumn 2011”