

Survey of Large-scale Retail Store Trends in Tokyo's 6 Central Wards (2010)

To survive in an age of global competition between urban centers, cities must make themselves more attractive, and the commercial sector has an essential role to play in this process. Within the commercial sector, the retail industry accounts for a stable percentage of GDP, and retail sales volumes haven't fluctuated greatly even during the recent economic slowdown. Moreover, populations continue to become increasingly concentrated in major metropolitan areas, and many mixed-use urban redevelopment projects are being carried out to cope with this growth.

In the present survey we visited 339 large-scale retail facilities, focusing on those located in Tokyo's 6 central wards, an area with a high density of commercial facilities, to clarify where different types and categories of retail businesses are concentrated, and to determine which types and categories of businesses are experiencing the most growth.

National Retail Market Trends

Total retail sales for the nation as a whole have held steady since 2002, with no major fluctuations even as the economy has worsened. However, the number of stores owned by individuals has fallen sharply, while corporate ownership and the number of large-scale stores has increased. In addition, the gap in terms of sales and total retail floor area between various types and categories of retail businesses is expanding.

Future Potential of the Tokyo Market

We compared store sales efficiency, floor area, merchandise turnover rate, and population in Tokyo and other major prefectures in Japan, and the findings clearly indicated that Tokyo retail market has solid growth potential. Sales per unit of floor space are higher in Tokyo than any other prefecture, and merchandise turnover rates exceed the national average. On the other hand, the amount of retail floor space per capita is relatively small, and the rate of growth in store floor space in Tokyo over the last ten years has been less than the overall average, indicating that store sales efficiency rates are high. This suggests that there is ample room for further growth in retail floor space in this market.

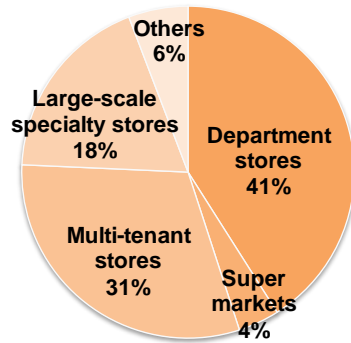
From a demographic standpoint as well, Tokyo's population is not expected to decline at least through 2035, indicating that the potential for retail store growth in Tokyo will remain strong for the foreseeable future.

Current Status of the Retail Market in Tokyo's 6 Central Wards (Chiyoda, Chuo, Minato, Shinjuku, Shibuya, Toshima)

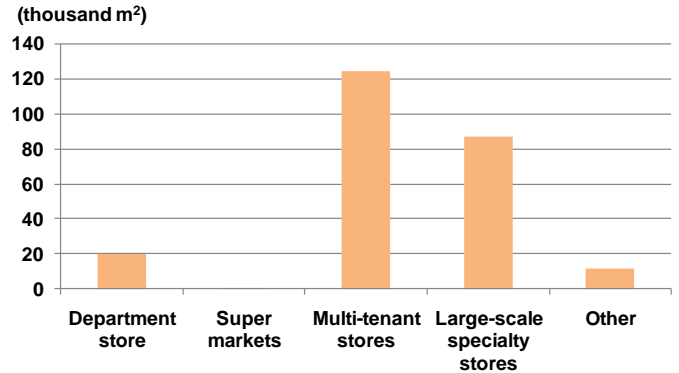
The number of retail stores has remained steady in the 6 central wards for the last 8 years, however the amount of total floor space is growing as smaller shops go out of business and are replaced by larger-scale stores. The largest concentration of large-scale retail stores is located in Shinjuku (1), followed by Shibuya (2), and Toshima (3), however the three downtown wards have seen a remarkable expansion in retail floor space in the last 8 years due to an influx of new stores in large-scale mixed-use office complex developments.

The most popular retail categories or business models in the 6 central wards are department stores, multi-tenant stores, and large-scale specialty stores, which together account for 90% of the total retail space. In recent years the growth of multi-tenant and large-scale specialty stores has been especially remarkable.

Floor space in large-scale retail stores by business category (6 central wards)



Amount of growth in retail floor space by business category (6 central wards; 2002-2010)



Current Trends

- Much has been said about the demise of the department store, but in the 6 central wards department stores still account for about 40% of total large-scale retail floor space. If they take advantage of their superior location and continue to adapt their business operations they have a good chance of survival.
- Multi-tenant stores are expanding even into conventional office districts, and are expected to be the primary source of new stores in future.
- Among large-scale specialty stores, super large-scale stores will likely shift toward a multi-tenant model with a more diverse tenant composition.
- Future development of commercial facilities in the downtown area will center on multi-tenant and large-scale specialty stores.

For further information please see our “*Investment Review: Summer 2010*”