

2022 Survey of Office Needs in Tokyo's Core 23 Cities

January 31, 2023

- Among companies planning to lease new space, those "Planning to expand floor space" increased from last year. As to the reasons for new leases, more reported seeking a "Better location" or "Higher grade facilities." Office needs increasingly emphasized positive reasons.
- As employees returned to their offices, companies increasingly looked for ways to "Convey corporate messages," "Reflect corporate culture" and "Strengthen recruiting and retention" as well as strengthen "Internal and external communication."
- Regarding the significance, functions and roles of headquarters offices, "Desks, OA equipment, digital communication" and "Information security" ranked at the top, followed by "Improve employee engagement," "Casual encounters and communication" and "Active discussion and generation of ideas."

1. Plans to lease new office space

- About one quarter of the companies have "plans to lease new space," similar to last year. Of these, companies with "plans to expand" increased, while those with "plans to reduce" decreased. About 50% of the companies with plans to newly lease space "plan to expand."
- More than 50% of the companies with plans to lease new space plan to do so within the next two years.

2. Reasons for planning to lease new office space

- Among the reasons for planning to lease new office space, the top responses were "Better location" and "Lower rent/lower-priced building." Next was "Workplace changes due to new workstyles." Among companies with 300 or more employees, "Workplace changes due to new workstyles" ranked first, indicating that companies growing in size are seeking offices that accommodate more flexible workstyles.
- There were increases in responses citing "Better location," "Higher grade facilities," "Anti-seismic designing," "Superior security," and "Location that enhances corporate status," indicating that companies are considering new leases to improve location and building grade.
- The number of respondents who chose "Acquire talented employees" continued to increase, indicating that more companies are placing importance on the impact of office environments on employee engagement.

3. Desired areas for planned lease of new office space

- Companies continued to focus on major business areas such as Nishinomiya, Otemachi, Marunouchi, and Toranomon, where large-scale redevelopment projects are clustered.

4. 2022 rent revisions

- 12% of firms' rents were revised within the last year.
- The ratio of firms that had their rents upwardly revised was about 60%.

5. Employees working in offices

- Workers commuting to their offices totaled 69%, up 7 points from the previous survey. The percentage of firms with a worker attendance rate of 80% or higher also increased, suggesting that employees are continuing to return to their offices.
- No major change was seen regarding expectations of workers coming into the office or the number of desks to be provided following COVID.

6. Significance, functions and roles of headquarters offices

- The most frequently cited functions and roles required of a headquarters office were "Comfortable work environment with desks, OA equipment and digital communications," followed by "Improving employee engagement," "Casual encounters and communication," and "Active discussions and generation of ideas."
- Among firms with 300 or more employees, the most frequently cited areas of significance were "Improving employee engagement," "Cross-divisional and casual encounters and communication," and "Active discussions and generation of ideas," followed by "Team building" and "Inducing creativity."

7. Upgrading office environments and introducing new systems and facilities

- About half of the companies answered that expenditures on office environments were a necessary "investment," exceeding the percentage of companies that categorized such expenditures as a "cost."
- When upgrading office environments, objectives that attracted more attention than last year included "Improve internal and external communication," "Convey messages to employees and visitors," "Reflect the corporate vision and culture," and "Improve recruitment and employee retention." Among companies with 300 or more employees, the leading response was "Improve internal communication and collaboration" followed by "Improve employee engagement."
- The percentage of companies implementing "Open meeting spaces," "Online meeting spaces," "Concentration booths/workspaces," and "Non-territorial offices" continued to increase, indicating that companies are improving and enhancing both office and remote work environments.

■ Survey Framework

Survey questionnaire forms were mailed to companies that are headquartered in the 23 cities and are ranked in the top 10,000 in capitalization.

- Survey targets : 9,804 companies (excluding our tenants)
- Reference Rate : 17.1% (1,677 firms)
- Research Period : October 1 - October 31, 2022

For more information & inquiries, please contact:

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1 Plans to Lease New Office Space

- About one quarter of the companies have "plans to lease new space," similar to last year. Of these, companies with "plans to expand" increased, while those with "plans to reduce" decreased. About 50% of the companies with plans to newly lease space "plan to expand."
- More than 50% of the companies with plans to lease new space plan to do so within the next two years.

About one-quarter (24%) of the companies responded that they have "plans to lease new space" (Figure 1), similar to last year. Of these, those that plan to expand rose to 12% and those that plan to reduce declined to 7% (Figure 2). Among companies with plans to lease new space, roughly half (49%) "plan to expand," 21% "plan no change," and 30% "plan to reduce (Figure 3)."

As for the timing of new leases, 36% "plan to lease within one year" and 18% "within two years," so firms planning to enter leases within two years was over half (54%), like last year (Figure 4).

Figure 1: Future Plans to Lease New Office Space

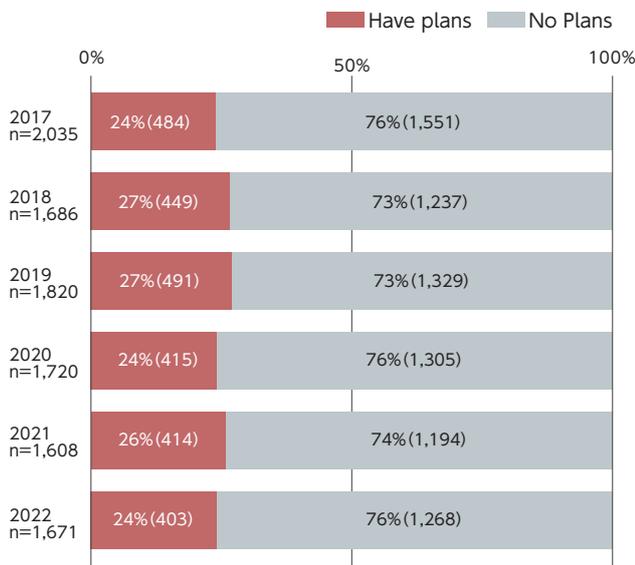


Figure 2: Plans for Expansion vs. Reduction of Space (over time)

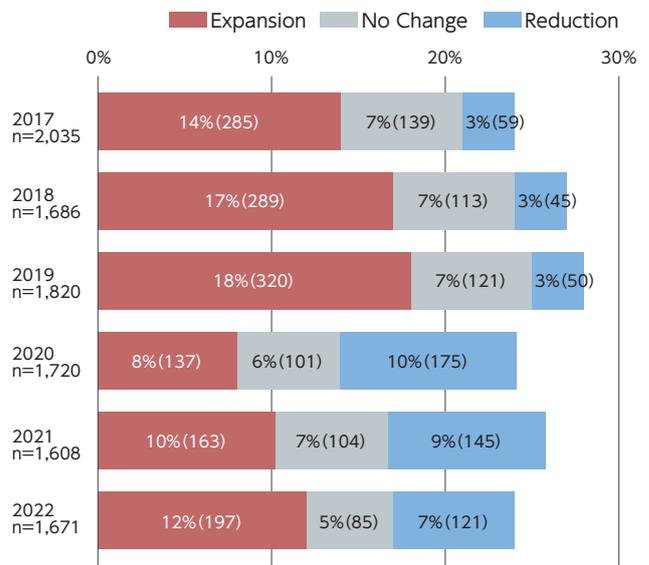


Figure 3: Plans for Expansion vs. Reduction of Space (single year)

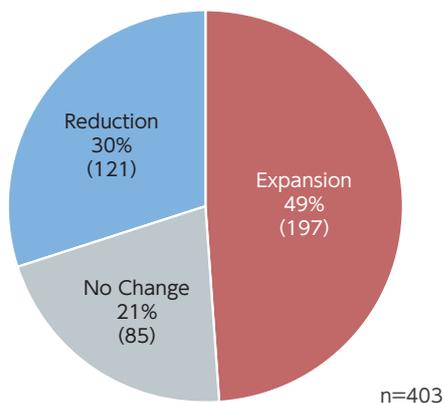
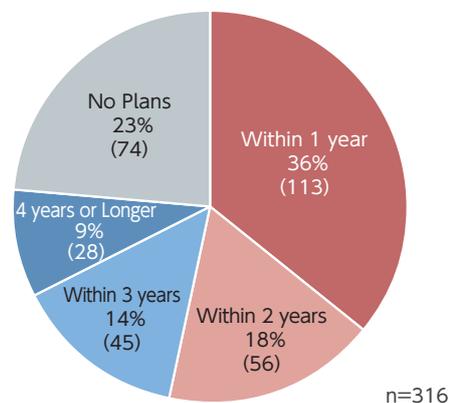


Figure 4: Timing of Planned Lease of New Office Space



2 Reasons for Planning to Lease New Office Space

- Among the reasons for planning to lease new office space, the top responses were "Better location" and "Lower rent/lower-priced building." Next was "Workplace changes due to new workstyles." Among companies with 300 or more employees, "Workplace changes due to new workstyles" ranked first, indicating that companies growing in size are seeking offices that accommodate more flexible workstyles.
- There were increases in responses citing "Better location," "Higher grade facilities," "Anti-seismic designing," "Superior security," and "Location that enhances corporate status," indicating that companies are considering new leases to improve location and building grade.
- The number of respondents who chose "Acquire talented employees" continued to increase, indicating that more companies are placing importance on the impact of office environments on employee engagement.

When companies that are planning to rent a new building were asked why, "Better location" and "Lower rent/lower-priced building" were tied (29%) for first place, followed by "Workplace changes due to new workstyles" (27%) (Figure 5). Increases were seen answers including "Better location" (26%→29%), "Higher grade facilities" (18%→24%), "Anti-seismic designing" (20%→23%), "Superior security," (19%→22%) and "Location that enhances corporate status" (11%→16%), suggesting that more companies are considering renting new buildings to improved their location or building grade. In addition, "Acquire talented employees" continued to increase (13%→16%), indicating that since COVID more companies are emphasizing the impact of the office environment on employee engagement. Among companies with 300 or more employees, "Workplace changes due to new workstyles" ranked first, suggesting that as company size increases, the needs for offices that accommodate flexible workstyles increases (Figure 6).

Figure 5: Reasons for Planning to Lease New Office Space (compared to last two surveys)

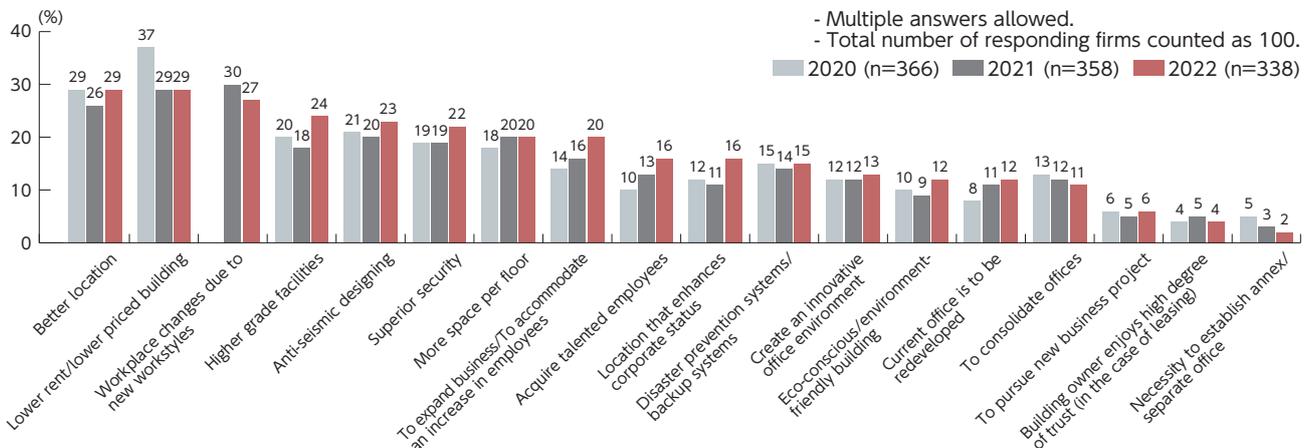
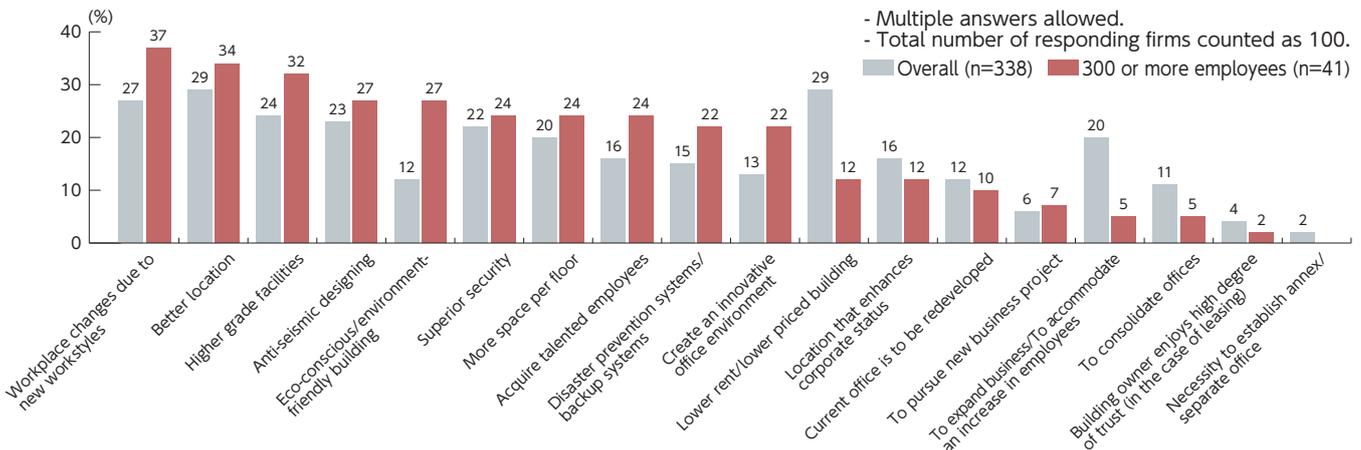


Figure 6: Reasons for Planning to Lease New Office Space (companies with 300 or more employees)



3 Desired Areas for Planned Lease of New Office Space

- Companies continued to focus on major business areas such as Nihombashi, Otemachi, Marunouchi, and Toranomon, where large-scale redevelopment projects are clustered.

Among firms planning to lease new space over the last three years (2020—2022 survey), the most desired areas in which to lease have been those with large-scale redevelopment projects, such as Nihombashi (20%), Marunouchi (15%), Otemachi (15%), Shimbashi (13%), and Toranomon (12%). These areas continue to attract attention due to expected improvements in transportation convenience following the construction of new stations, roads, and other infrastructure as well as the attraction of highly functional mixed-use developments that bring work, residence, and recreation into proximity (Figures 7 and 8). According to Mori Building's "2022 Survey of Large-Scale Office Building Market in Tokyo's Core 23 Cities," the Toranomon, Nihombashi/Yaesu/Kyobashi, Tamachi/Hamamatsucho, Shinagawa, Akasaka/Roppongi, Shibuya, and Marunouchi/Otemachi areas are expected to account for 72% (3.18 million m²) of the total supply of large-scale office buildings (4.41 million m²) over the five-year period 2022-2026 (Figure 9), and these same seven areas roughly overlap with the most desired areas for new leases.

Figure 7: Desired Areas for Planned Lease of New Office Space (Shift in three-year average)

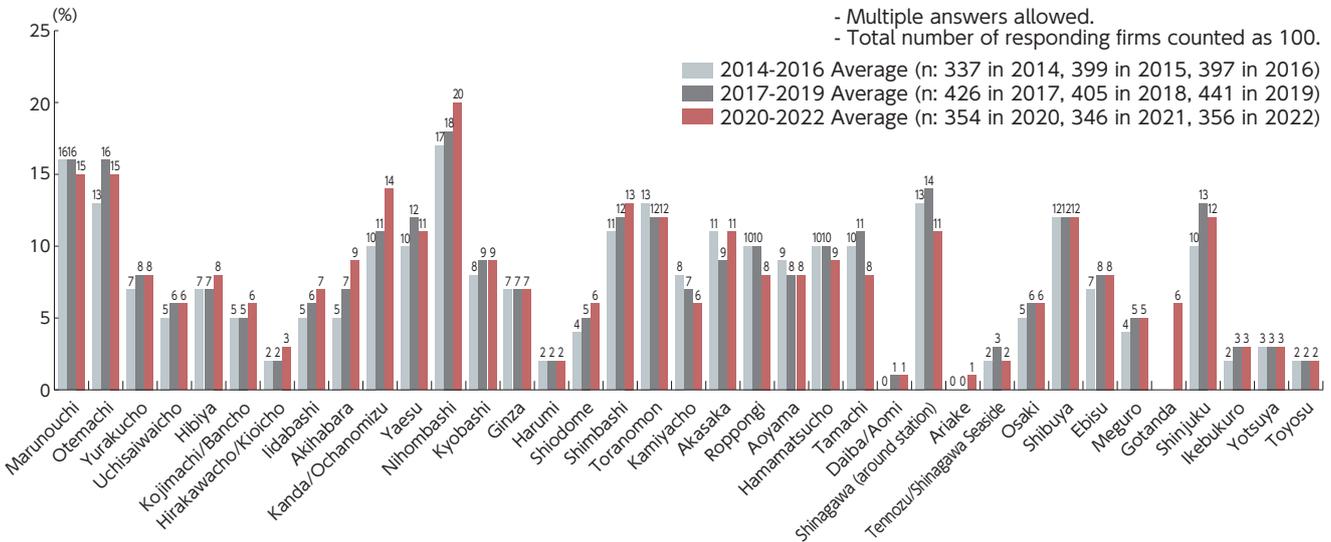


Figure 8: Top 10 Desired Areas for Planned Lease of New Office Space

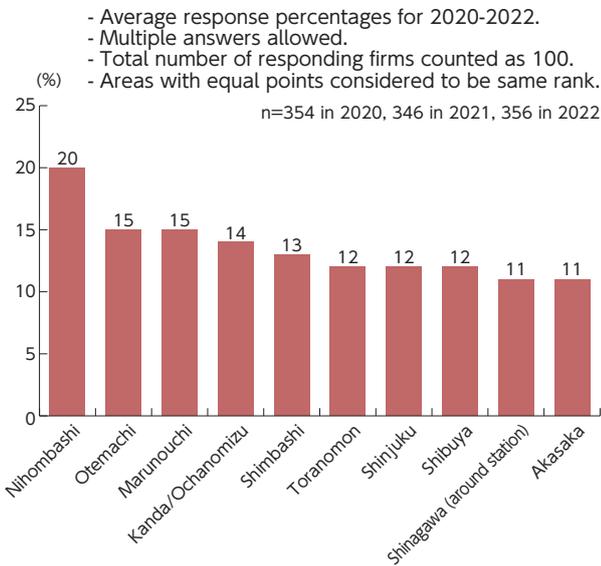
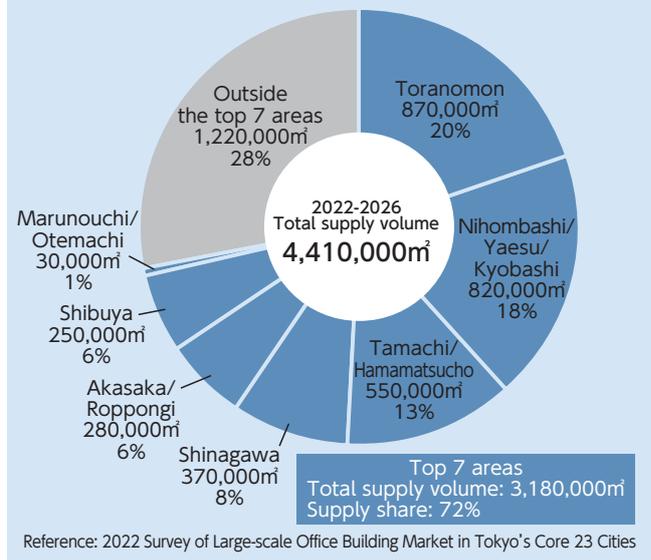


Figure 9: Supply Volumes by Major Business Areas for the Years 2022–2026



4 2022 Rent Revisions

- 12% of firms' rents were revised within the last year.
- The ratio of firms that had their rents upwardly revised was about 60%.

With regard to changes in rents in the past year, 12% of firms incurred rent revisions and 4% responded that their rents were currently under negotiation (Figure 10). Of these firms, 62% saw, or expected to see, their rents increase (Figure 11).

Figure 10: Rent Revisions in Past Year

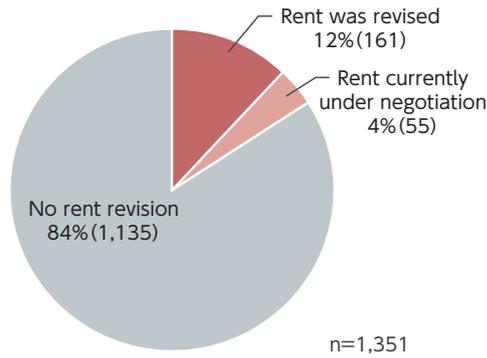
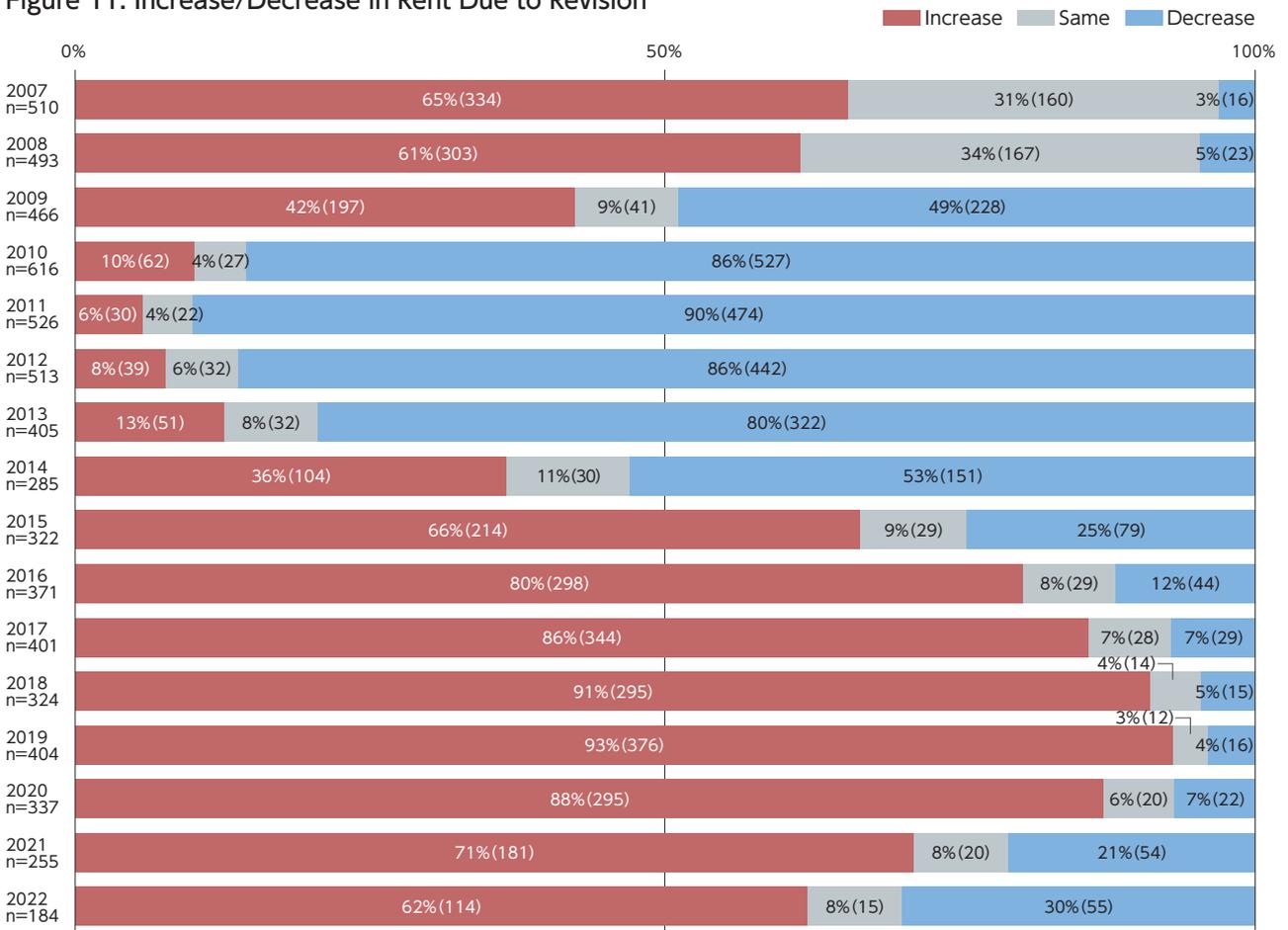


Figure 11: Increase/Decrease in Rent Due to Revision



5 Employees Working in Offices

- Workers commuting to offices averaged 69%, up 7 points from the previous survey. The percentage of firms with a worker attendance rate of 80% or higher also increased, suggesting that employees are continuing to return to their offices.
- No major change was seen regarding expectations of workers coming into the office or the number of desks to be provided following COVID.

When asked about the ratio of employees working in offices, the average was 69% and those responding “80% or more” came to 49%, compared to 62% and 36% respectively last year, indicating a gradual return to offices (Figure 12). The expected average attendance rate after COVID was 76%, and 58% of firms expected a rate of “80% or more,” roughly the same as 74% and 56% respectively last year (Figure 13).

The forecast for the number of individual desks relative to the number of employees after COVID was unchanged, with 78% of companies expecting to provide “80% or more” employees with their own desks after COVID (Figure 14).

Figure 12: Ratio of Employees Working in Offices Currently (compared to previous survey)

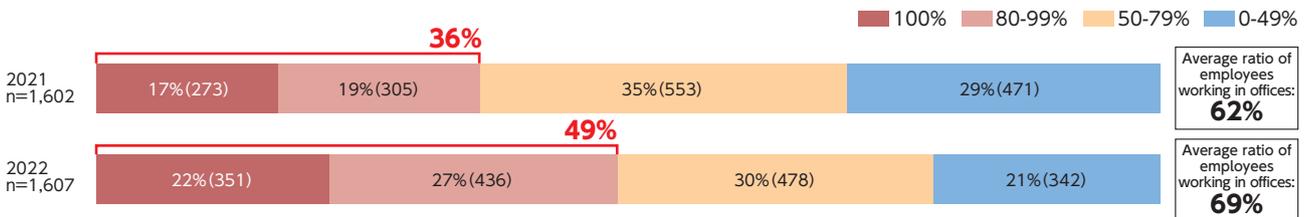


Figure 13: Expected Ratio of Employees Working in Offices after COVID (compared to previous survey)

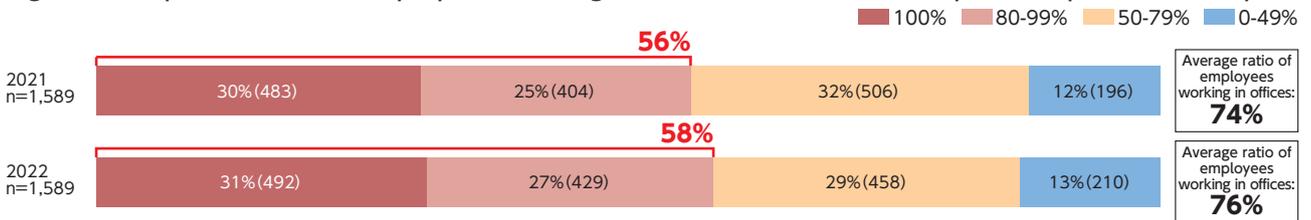
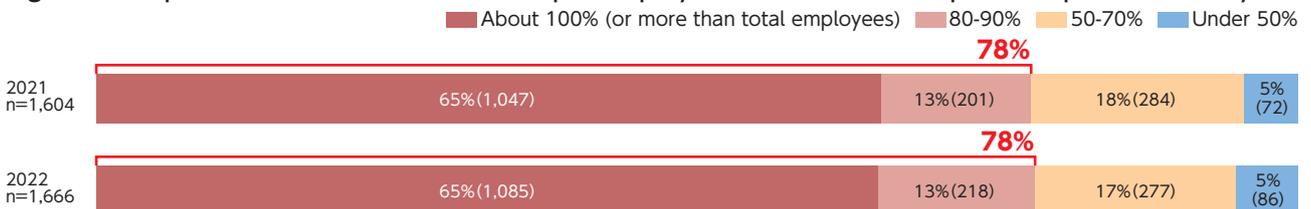


Figure 14: Expected Ratio of Personal Desks per Employee after COVID (compared to previous survey)



6 Significance, Functions and Roles of Headquarters offices

- The most frequently cited functions and roles required of headquarters offices were "Comfortable work environment with desks, OA equipment and digital communications" and "Information security," followed by "Improve employee engagement," "Casual encounters and communication," and "Active discussions and generation of ideas."
- Among firms with 300 or more employees, the most frequently cited areas of significance were "Improve employee engagement," "Cross-divisional and casual encounters and communication," and "Active discussions and generation of ideas," followed by "Team building" and "Induce creativity."

The most commonly stated functions and roles of headquarters offices were "Comfortable work environment with desks, OA equipment and digital communications" (51%) and "Information security" (43%), followed by "Improve employee engagement" (40%), "Cross-divisional and casual encounters and communication" (39%), and "Active discussion and generation of ideas" (38%) (Figure 15).

For companies with 300 or more employees, the top three were "Improve employee engagement" (62%), "Cross-divisional and casual encounters and communication" (61%), and "Active discussion and generation of ideas" (58%), followed by "Team building" (48%) and "Induce employee creativity" (46%) (Figure 16).

Figure 15: Significance, Functions and Roles of Headquarters Offices

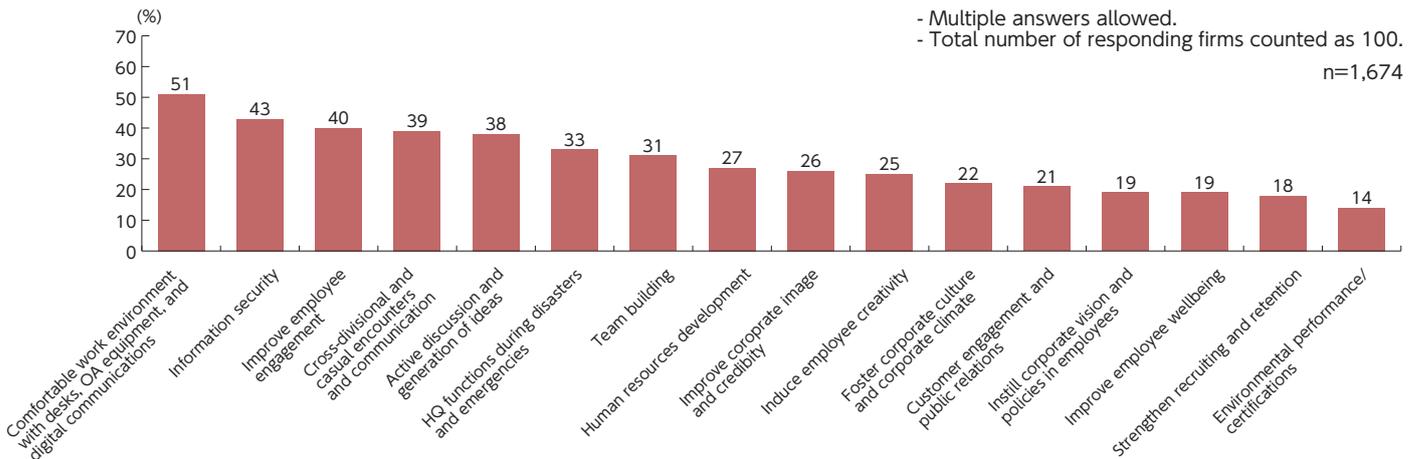
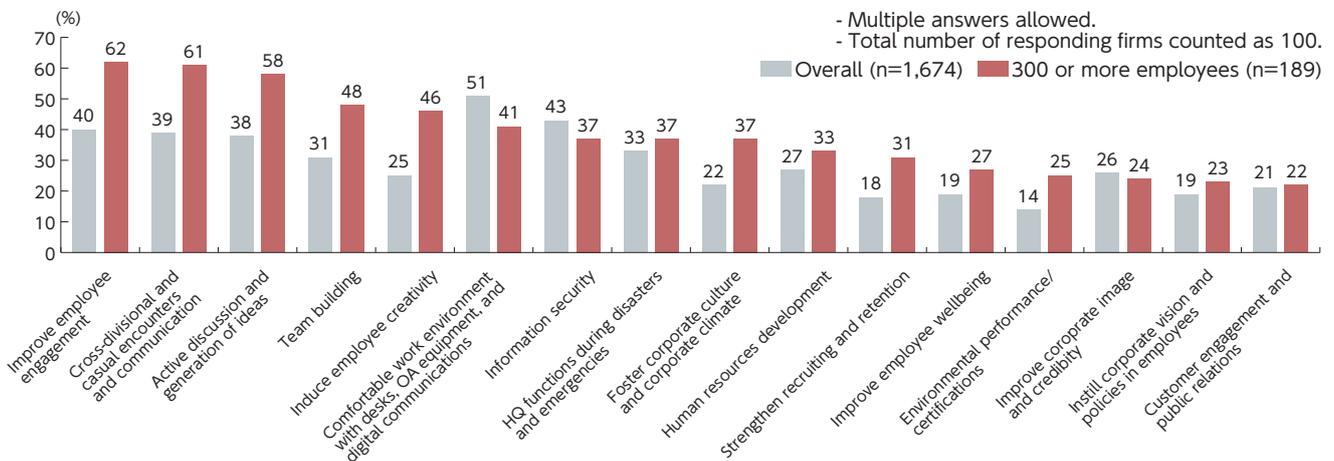


Figure 16: Significance, Functions and Roles of Headquarters Offices (companies with 300 or more employees)



7 Upgrading Office Environments and Introducing New Systems and Facilities

- About half of the companies answered that expenditures on office environments were a necessary "investment," exceeding the percentage of companies that categorized such expenditures as a "cost."
- When upgrading office environments, objectives that attracted more attention than last year included "Improve internal and external communication," "Convey messages to employees and visitors," "Reflect the corporate vision and culture," and "Improve recruitment and employee retention." Among companies with 300 or more employees, the leading response was "Improve internal communication and collaboration" followed by "Improving employee engagement."
- The percentage of companies implementing "Open meeting spaces," "Online meeting spaces," "Concentration booths/workspaces," and "Non-territorial offices" continued to increase, indicating that companies are improving and enhancing their office and remote work environments alike.

Firms that categorized spending on office environments as an "investment" or a "partial investment" rose to about half (46%), up slightly from the 2019 survey before COVID (Figure 17).

Regarding the objectives when upgrading office environments, "Reduce costs through more efficient layouts" rose to 41% from 35% in 2021, indicating that more companies considered responding to hybrid workstyles (Figure 18). Other increases included "Improve internal communication and collaboration" (35%→38%), "External collaboration and open innovation" (9%→13%) and "Create new points of contact with clients" (7%→11%), indicating that offices are being used increasingly to promote internal and external communication.

Increases also were seen in responses such as "Improve corporate image and convey messages to employees and visitors" (16%→21%), "Reflect corporate vision and culture" (9% →13%), and "Improve recruitment and employee retention" (12%→16%), indicating that offices are being used as a centripetal force and to appeal to talented personnel. Companies with 300 or more employees were more likely to point to "Improve internal communication and collaboration" (55%) or "Improve employee engagement" (48%) (Figure 19). Large companies in particular emphasized attractive offices that make employees want to come in to work.

Figure 17: Spending to Upgrade Office Environments: Investment or Cost?

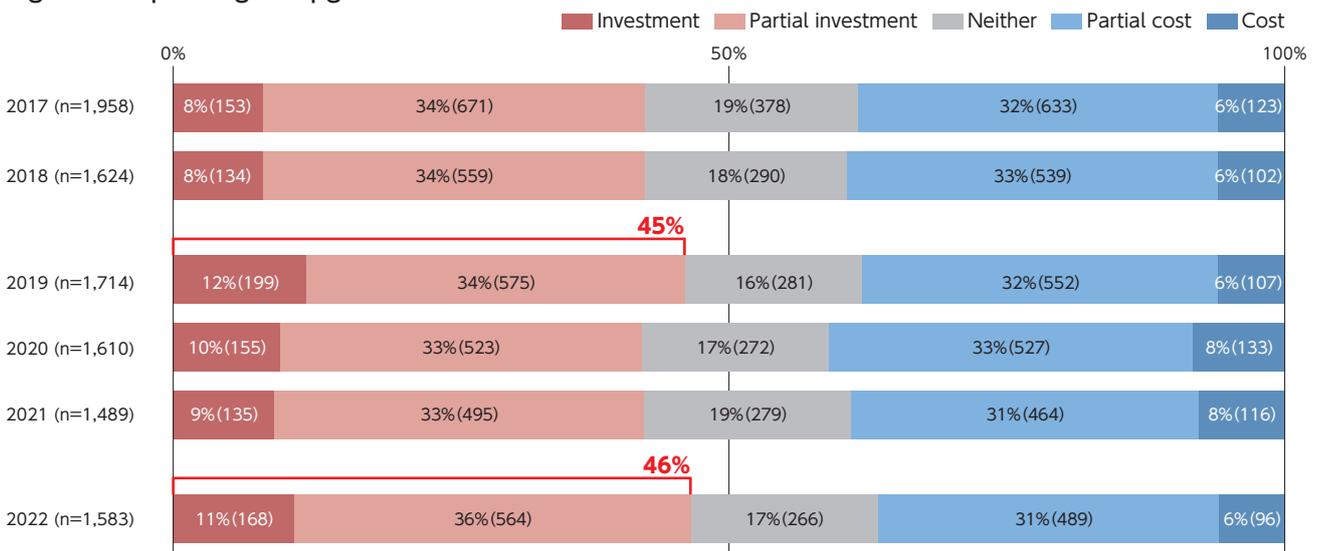


Figure 18: Objectives of Office Environment Development (compared to last two surveys)

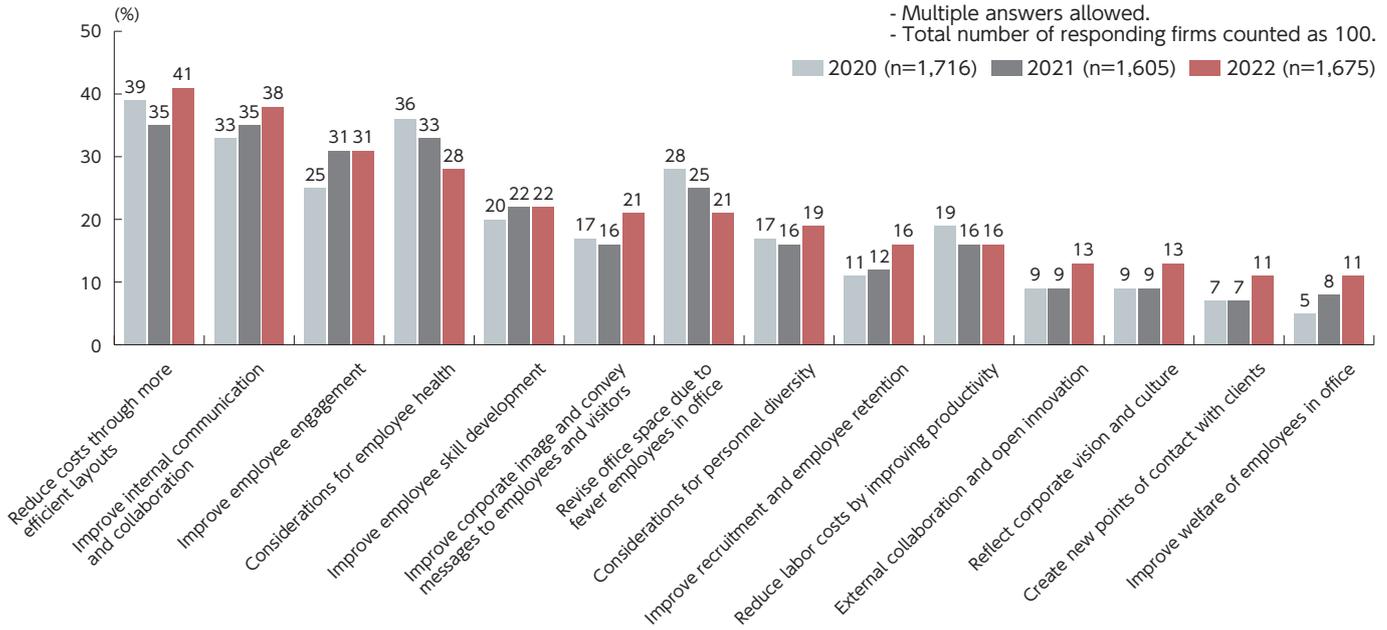
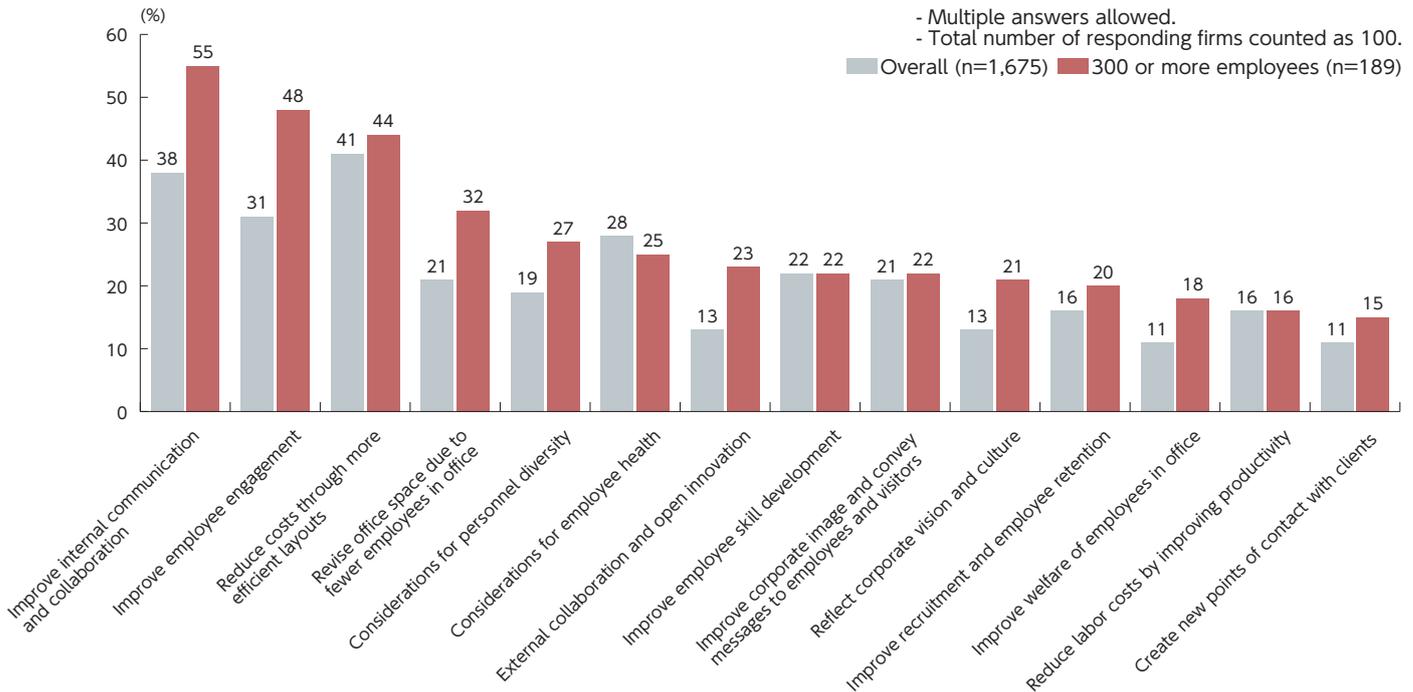


Figure 19: Objectives of Office Environment Development (company with 300 or more employees)



Regarding the introduction of new work systems and facilities related to workstyles and workplaces, increases were seen in the introduction of "Open meeting spaces" (57%→60%), "Online meeting spaces" (51%→54%), "Non-territorial offices" (32%→40%), and "Concentration booths/working spaces" (34%→38%). Companies continued to improve and enhance their office and remote-work environments (Figure 20).

Figure 20: Implementation of New Workstyles, Systems and Facilities

