June 27, 2011

Impact of the Great East Japan Earthquake on Office Needs and Attitudes Toward BCP

～2011 Survey of Office Needs in Tokyo's 23 Wards (Special Edition)～

1. Impact on Office Needs in Tokyo's 23 Wards

- "Intent to lease new premises (21%) remains over 20%.
- Regarding the timing of leasing of new premises, "within one year" (36%⇒60%) increased sharply.
- "Desire to move to building with superior seismic performance" rose dramatically (15%⇒45%) to the top reason for leasing new office space, overtaking "Lower rent".
- Regarding the importance of an office in Tokyo, almost all respondents indicate that importance will remain "unchanged" with 6% indicating it will "increase".

2. Impact on Corporate Business Continuity Plan (BCP)

- Compared with the pre-quake 35% of companies that had a BCP ready for the disaster, it is estimated that the number has since more than doubled to 80% in the aftermath of the disaster.
- BCP considerations that have shown increases (pre vs. post) are "Procedures for employees who face difficulty to return home", "Securing communications", and "Office building selection standards".
- Approximately 50% include "availability of emergency power generator"and "geographical characteristics" in new or expanded standards for office building selection.

We would like to offer our prayers and profound condolences for the many who lost their lives in the Great East Japan Earthquake and our heartfelt sympathy to all whose lives have been tragically impacted by this disaster.

With the aim of better understanding the future of the office building market in Tokyo, Mori Building Co., Ltd (head office: Minato-ku, Tokyo, CEO: Minoru Mori) has been conducting a survey of companies that are headquartered in Tokyo's 23 wards and are ranked in the top 10,000 in capitalization every November since 2003.

In the wake of the Great East Japan Earthquake, Mori Building undertook this special edition of our questionnaire survey to obtain a grasp of its impact on the Tokyo office market. We asked 3,400 companies headquartered in Tokyo's 23 wards about office space demand including future plans to lease new premises and their Business Continuity Plan (BCP). The results have been summarized in this report.

■ "2011 Survey of Office Needs in Tokyo's 23 Wards (Special Edition)" Framework

- Research period: Late April ~ Mid-May 2011
- Research sample/area: Questionnaire forms were mailed to companies that are headquartered in Tokyo's 23 wards and are ranked in the top 3,400 in capitalization.
- Effective responses: 1,101 companies (Response rate: 30.9%)

(Reference) Survey Framework for 2007~2010 Survey of Office Needs in Tokyo's 23 Wards

	2007 Survey	2008 Survey	2009 Survey	2010 Survey
Period	November 2007	November 2008	November 2009	November 2010
Responses	1,465 (14.7%)	1,532 (15.3%)	1,917 (19.2%)	1,976 (19.8%)

*Results from annual surveys conducted in 2003~2010 are used for the purpose of comparison with this special 2011 edition of the office needs survey.

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1. Impact on Office Needs in Tokyo's 23 Wards

1) Plans to Lease New Office Space

Intent to lease new office space is bullish with an increase in plans to do so "within one year".

- Percent of respondents who responded "Yes" (21%) to whether they plan to lease new office space continues to exceed 20% (previous survey: 23%).
- After the quake, the 4% who have started considering leasing new office space exceeds the 1% who have cancelled previous plans.
- When questioned about the timing of planned leasing of new premises, the response "within one year" (36%⇒60%) including "immediately"(17%) has increased sharply.
- Score for "Planned expansion" (55%) of office space remains over 50% (previous survey: 53%)

Continuing the trend of over 20% of respondents answering "Yes" to whether they have plans to lease new premises as observed in the previous November 2010 survey, 21% of respondents in this special survey indicated plans to lease new office space. (See Figure 1.) When the impact of the disaster on new office leasing plans is examined more closely, the results show that about 4% of respondents started considering new office leasing after the quake, significantly exceeding the only 1% that cancelled previous plans due to the quake. (See Figure 2.) The breakdown by "type of industry" and "Foreign vs. Japanese companies" continues the trend seen in the previous survey with "Financial/Insurance" (24%) and "Foreign Companies" (25%) indicating a relatively high proportion with plans to lease new office space. (See Figure 3.)

Figure 1. "Do you have plans to lease new office space?"

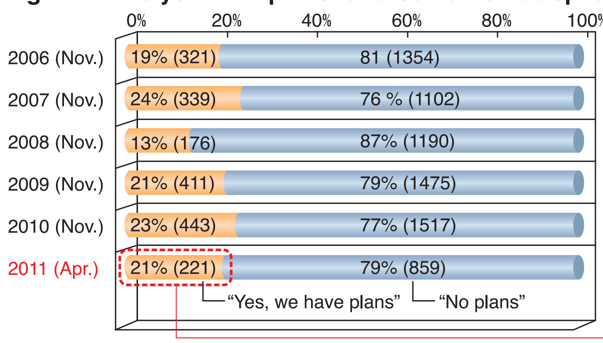


Figure 2. Quake Impact on New Office Space Lease Plans

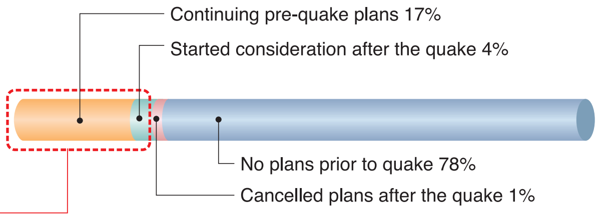
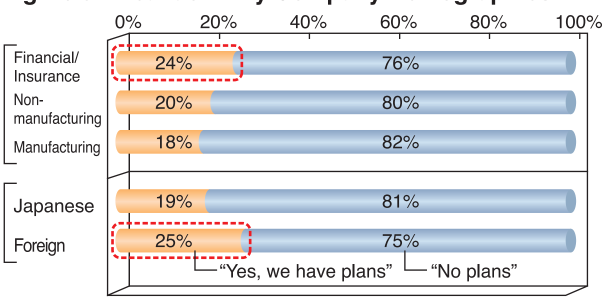
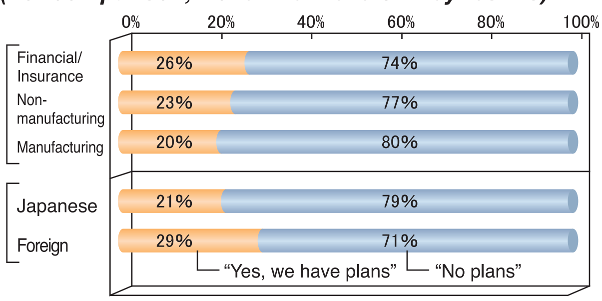


Figure 3. Breakdown by Company Demographics



(For comparison, November 2010 Survey results)



Regarding the timing of the planned new lease leasing, 60% indicated "within one year" (including 17% who responded "immediately"), significantly exceeding the 36% recorded in the previous survey (November 2010). If "within 2 years" is included, the total reaches 76% (compared with 56% in the previous survey. (See Figure 4.)

When asked whether the planned lease represented an expansion or reduction of office space, "expansion" (55%) much higher than "reduction"(17%) continuing the trend seen in the previous survey (November 2010: "Expansion"(53%) vs. "Reduction" (22%)) (See Figure 5.)。

Figure 4. Timing of Planned New Office Space Lease

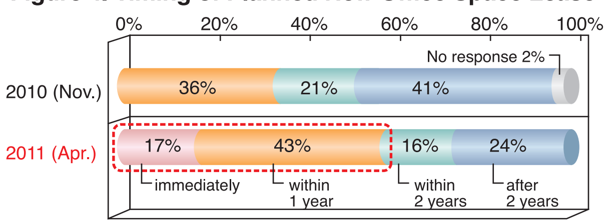
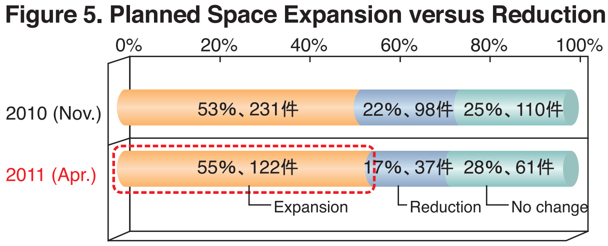


Figure 5. Planned Space Expansion versus Reduction



As shown above, intent to lease new office space remains bullish even after the earthquake. In fact, the earthquake appears to have crystallized the needs and desire of companies to relocate to new office space, resulting in many moving up the timing of relocation to an earlier date.

2) Preferred Area to Lease New Office Space

The popularity of the 3 central wards remains strong with negligible desire to locate outside Tokyo's 23 wards.

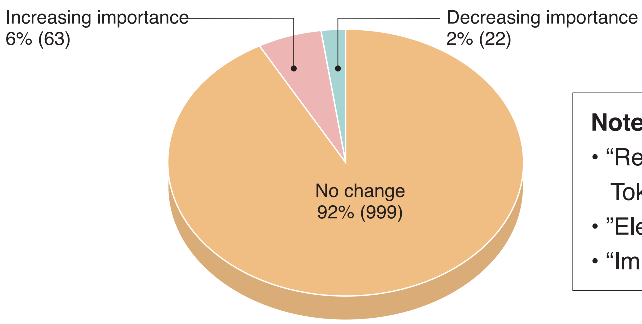
- The total respondents that will "increase" the importance of their Tokyo office is 6%, surpassing those "decreasing" its importance (2%).
- Only 0.4% of responding companies planned to completely relocate outside Tokyo's 23 wards.
- 83% of responding companies indicated a preference to locate their office in the "3 central wards" of Tokyo. This continues the trend observed in the previous survey of over 80% preferring a location in the heart of Tokyo (previous survey: 81%).

When companies in the survey were asked about the importance of having a Tokyo office as a business center, 92% answered that there is "No change" and 6% responded that it had "Increasing importance" which was higher than the 2% who saw a Tokyo office having "decreasing importance". (See Figure 6.)

1.7% of the companies in the survey expressed plans to relocate outside of Tokyo's 23 wards while only 0.4% indicated plans to move all offices outside the 23 wards, which suggests a very limited number of companies is considering a move outside of Tokyo. (See Figure 7.)

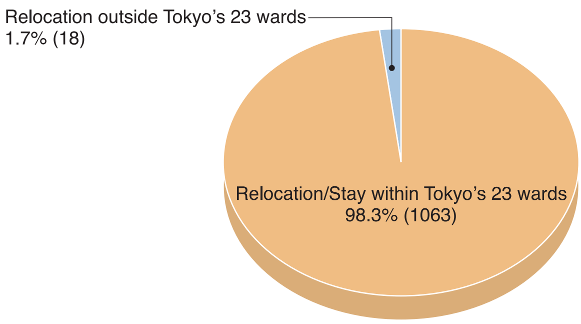
On the other hand, among the responding companies that answered "Yes, we have plans" to lease new office space, 83% preferred to lease a location in the "3 central wards". As in the previous survey, this preference continues to score over 80% (previous survey: 81%). (See Figure 8.)

Figure 6. Importance of Having an Office in Tokyo



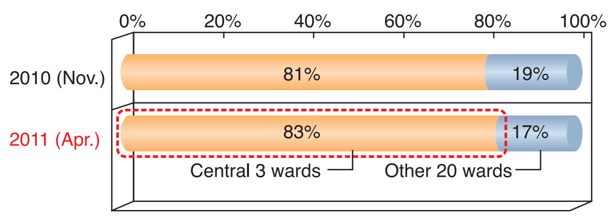
Note: Reasons for "Decreasing Importance"
- "Reduction of risk of too much concentration in Tokyo 82% (18 companies)
- "Electric power shortages" 45% (10 companies)
- "Impact of radiation" 27% (6 companies)

Figure 7. Companies Planning to Relocate Outside Tokyo's 23 Wards



Note: Breakdown of "Relocation outside Tokyo's 23 wards"
- "Move ALL offices": 0.4% (4 companies),
- "Move SOME offices": 1.3% (14 companies)

Figure 8: Area Where the Respondent Plans to Lease New Office Space



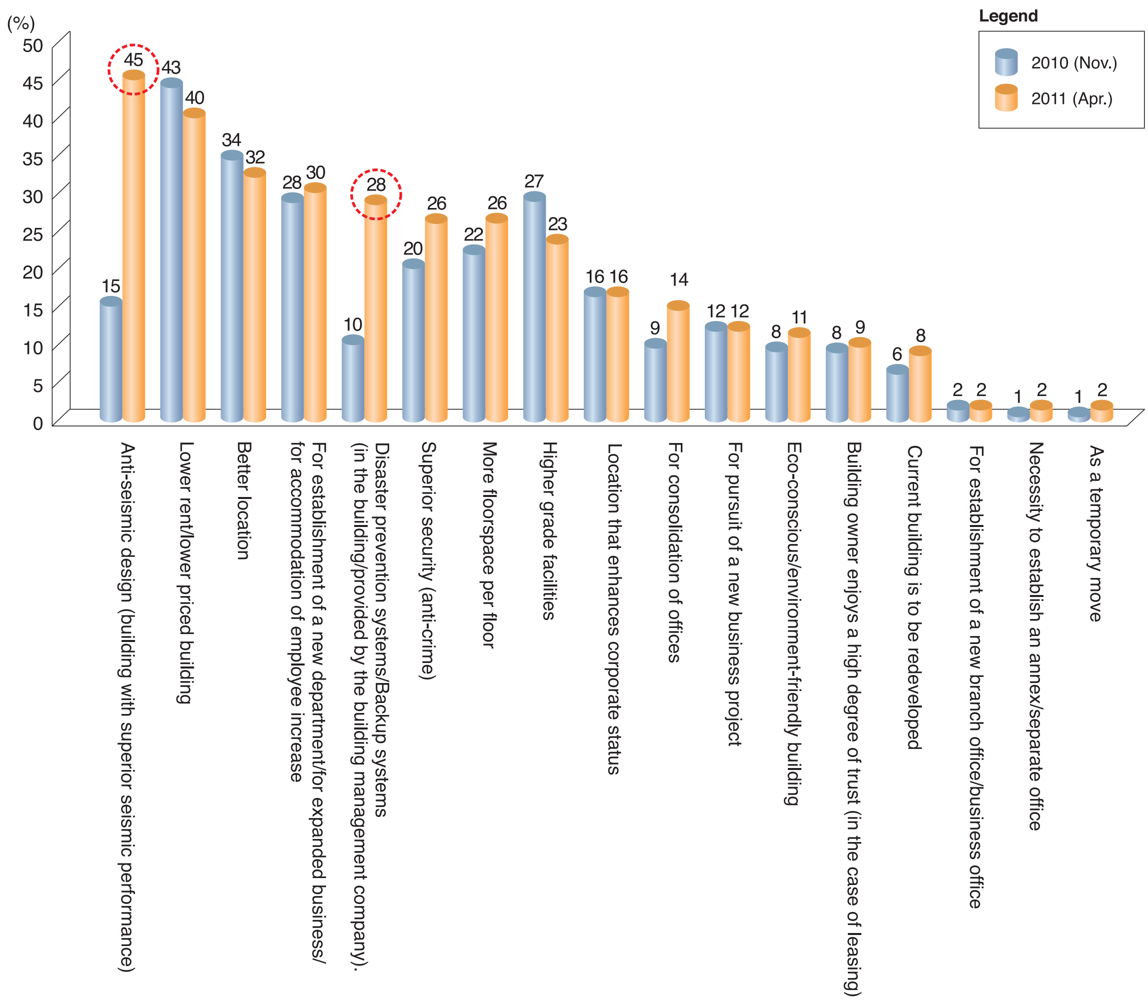
3) Reasons for Plans to Lease New Office Space

The survey reveals heightened needs for office buildings that offer superior seismic performance not only from a "hardware" perspective (structural integrity, etc.) but also from a"software" (services and backup in the event of a disaster).

- As a reason for planned relocation in new office space, the desire to move to an "Anti-seismic design (building with superior seismic performance)" has climbed sharply from the previous survey to the top (15%⇒45%).
- It is followed by "Lower rent/lower priced building", "Better location", "For establishment of a new department/for expanded business/for accommodation of employee increase" and "Disaster prevention systems/Backup systems".

Compared with the previous survey, the score for "Anti-seismic design (building with superior seismic performance)" increased significantly to 45%, making this the top reason for leasing new office space. It is followed by "Lower rent/lower priced building", "Better location", and "For establishment of a new department/for expanded business/for accommodation of employee increase". (See Figure 9.) Also the score for "Disaster prevention systems/Backup systems" increased dramatically from 10% in the previous survey to 28%, pointing to shift in priorities and heightened needs for buildings with anti-earthquake/anti-disaster characteristics in the wake of the Great East Japan Earthquake.

Figure 9. Reasons for Planned Lease of New Office Space



2. Impact on Corporate Business Continuity Plan (BCP)

1) Percentage of Companies with BCP

• 35% of respondents had established a BCP prior to the quake, but it is estimated that the proportion of companies that now have a BCP or are currently developing a BCP has more than doubled to about 80%.

Only about 35% of companies in this survey had established a BCP prior to the earthquake. (See Figure 10.) However since the quake, 44% that previously did not have a BCP have newly drawn up a plan. (See Figure 11.) As a result, the number of respondents that devised/are developing a BCP that can respond to an earthquake disaster is estimated to have increased to approximately 80%, clearly indicating the increased interest in BCP preparedness for earthquakes and other disasters.

Figure 10. Pre-quake State of BCP Preparedness

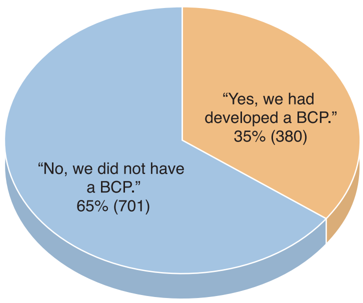
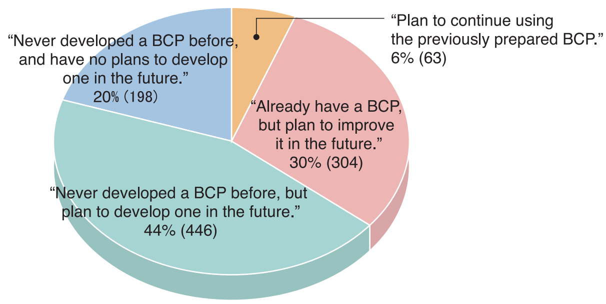


Figure 11. Post-quake Plans to Develop a BCP



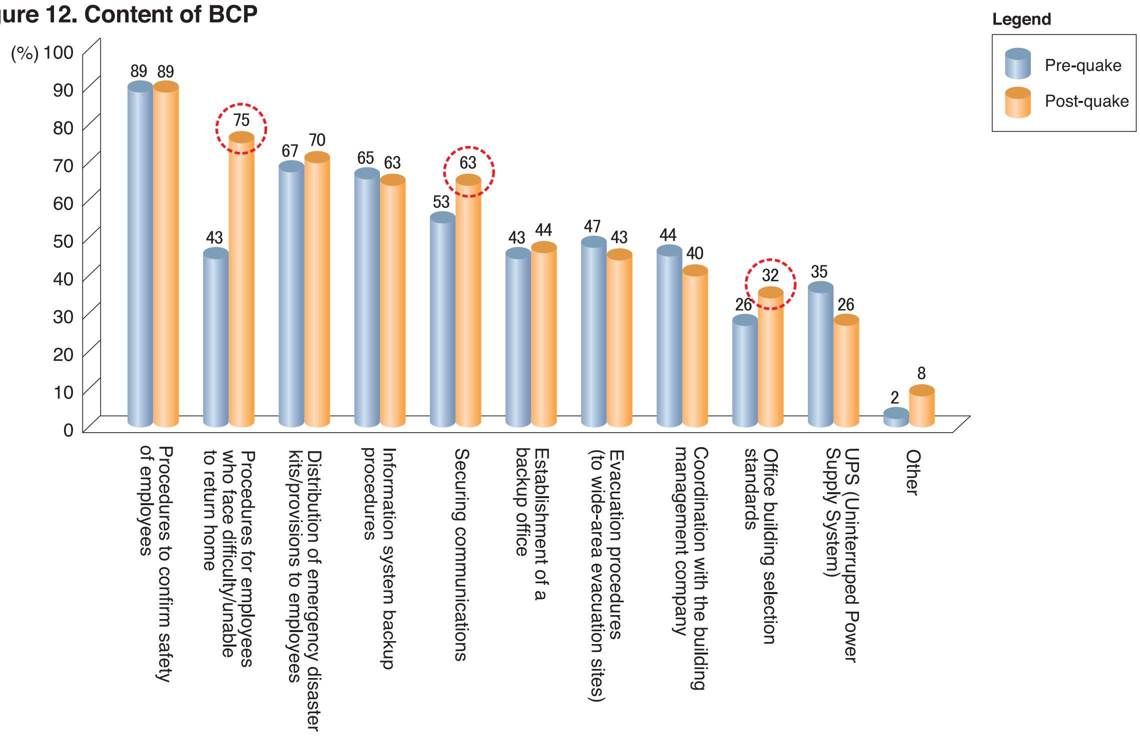
2) Content of BCP

• Top 3 BCP items are "Procedures to confirm the safety of employees", "Procedures for employees who face difficulty to return home" and "Distribution of emergency kits/provisions to employees".
• After the quake, items that showed the largest increases are "Procedures for employees who face difficulty to return home", "Securing communications" and "Office building selection standards".

The top BCP items are "Procedures to confirm the safety of employees (89%), "Procedures for employees who face difficulty to return home (75%)" and "Distribution of emergency kits/provisions to employees (70%)". (See Figure 12.)

In a comparison of pre-quake and post-quake BCP content, the item showing the largest increases is "Procedures for employees who face difficulty to return home (43%⇒75%)" followed by "Securing communications (53%⇒63%)" and "Office building selection standards (26%⇒32%)".

Figure 12. Content of BCP



3) BCP Office Building Selection Standards

- Top items listed in the office building selection standards of surveyed companies are “Anti-seismic design”, “Disaster prevention system (provided by the building management company)”, “Availability of emergency power generators” and “Geographical characteristics”.
- After the quake, standards that showed the largest increases are “Availability of emergency power generators (38%⇒51%)” and “Geographical characteristics(28%⇒49%)”.

The top item in the office building selection standards is “Anti-seismic design (92%)” followed by three items that were included in the standards of about 50% of the respondents: “Disaster prevention system (provided by the building management company) (55%)”, “Availability of emergency power generators (51%)” and “Geographical characteristics (49%)”. (See Figure 13.)

In a comparison of pre-quake and post-quake BCP content, the item showing the largest increase is “Availability of emergency power generators (38%⇒51%)” followed by “Geographical characteristics (28%⇒49%)”, reflecting the heightened consciousness of the important of office building selection based on standards that support BCP from the perspective of earthquakes and their impact.

Figure 13. Office Building Selection Standards