

# Market Trend Survey of Large-Scale Office Buildings in Tokyo's 23 Wards

## Special Bulletin Report of Survey Results as of December 31, 2013

### ■ Supply Trends

#### Tokyo's 23 Wards

- Average annual supply volume over the next 5 years (1,050,000m<sup>2</sup>/year) will remain at the same level as the historic average supply volume (1,040,000m<sup>2</sup>/year).
- Supply volume in 2014 will be 880,000m<sup>2</sup> (152% of the previous year's volume).

#### Central 3 Wards

- Average annual supply volume over the next 5 years (720,000m<sup>2</sup>/year) will account for 69% of the supply volume of Tokyo's 23 Wards.
- Supply volume in 2014 of 710,000m<sup>2</sup> (131% of the previous year's volume) will account for 81% of the supply volume of Tokyo's 23 Wards.

### ■ Demand Trends

#### Tokyo's 23 Wards

- Absorption capacity (new demand) in 2013 was 990,000m<sup>2</sup> (71% of the previous year).
- Supply volume in 2013 was 580,000m<sup>2</sup> (33% of the previous year's volume). Vacancy rate at the end of 2013 was 6.2% (1.6 point decrease from the previous year).

#### Central 3 Wards

- Absorption capacity (new demand) in 2013 was 610,000m<sup>2</sup> (78% of the previous year).
- Supply volume in 2013 was 540,000m<sup>2</sup> (56% of the previous year's volume). Vacancy rate at the end of 2013 was 5.9% (0.6 point decrease from the previous year).

Since 1986, Mori Building Co., Ltd. (Minato-ku, Tokyo; President & CEO Shingo Tsuji) has regularly conducted market surveys of demand and supply trends for 10,000m<sup>2</sup>-class or higher office buildings that were constructed in Tokyo's 23 wards since 1986 (hereinafter referred to as "large-scale office buildings"). Having just completed the tabulation of the results of our most recent survey, we are pleased to present you with this report.

### ■ "Survey of Large-Scale Office Building Market in Tokyo's 23 Wards" Framework

- Research execution: End of December 2013
- Research area: Tokyo's 23 Wards
- Research subject buildings: Office buildings with total floor area exceeding 10,000m<sup>2</sup> with a construction completion date of 1986 or later

※ Supply volume is calculated based on publicly available information as well as on-site and "interview" research undertaken in December 2013.

※ The amount of supply volume is a tabulation of gross total office floor area of all large-scale office buildings completed since 1986 including Mori Building properties.

※ Absorption capacity (new demand) is the newly occupied office floor space for a given year of all large-scale office buildings constructed since 1986 and is calculated as follows: (vacant office floor space at the end of the previous year) + (newly supplied floor space) - (vacant floor space at the end of the current year). In order to compare "supply volume" and "demand volume", leasable floor space values are converted to a total floor area value by applying an average "effective rentable space ratio" for large-scale buildings.

#### For more information & inquiries, please contact...

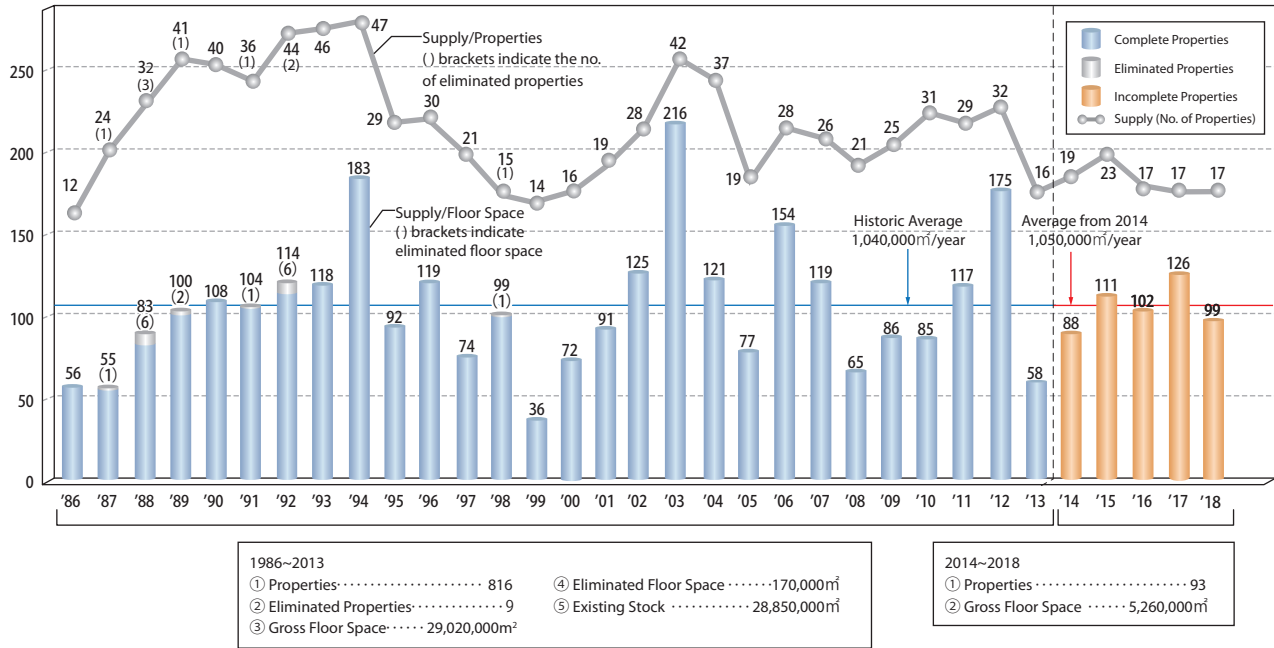
Jungo Nishio or Keita Oka | Marketing Department, Leasing Operations Division, Mori Building Co., Ltd.  
Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo 106-6155 | TEL 03-6406-6672 | URL <http://www.mori.co.jp>

# 1 Supply Trends

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  - Supply volume in 2014 will be 880,000m<sup>2</sup> (152% of the previous year's volume).
- Central 3 Wards**
- Average annual supply volume over the next 5 years (720,000m<sup>2</sup>/year) will account for 69% of the supply volume of Tokyo's 23 Wards.
  - Supply volume in 2014 of 710,000m<sup>2</sup> (131% of the previous year's volume) will account for 81% of the supply volume of Tokyo's 23 Wards.

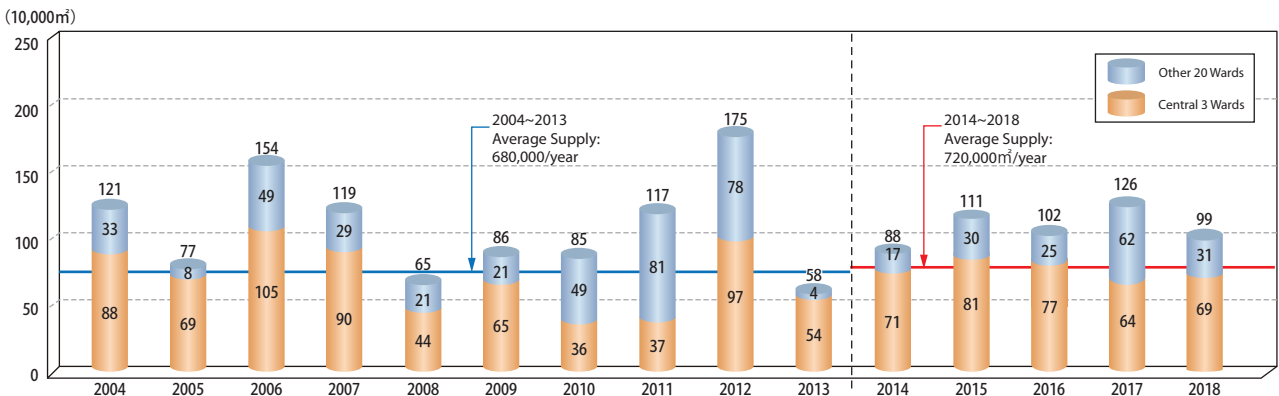
The annual average supply volume of large-scale office buildings in Tokyo's 23 Wards over the next 5 years (2014~2018) is forecast to be 1,040,000m<sup>2</sup>/year, which is the same level as the historic average (1,050,000m<sup>2</sup>/year). Although the supply volume in 2014 (880,000m<sup>2</sup>) will increase from that of the previous year (580,000m<sup>2</sup>), it will not meet the historic average (1,040,000m<sup>2</sup>). It is forecast that the supply level above 1,000,000m<sup>2</sup> will continue after 2015. (Figure 1.)

Figure 1. Large-Scale Office Building Supply Volume Trends in Tokyo's 23 Wards (10,000m<sup>2</sup>)



Over the next 5 years (2014~2018), average annual large-scale office building supply volume in the Central 3 Wards will be 720,000m<sup>2</sup>/year, higher than the average of 680,000m<sup>2</sup>/year for the past 10 years (2004~2013). (Figure 2.)

Figure 2. Large-Scale Office Building Supply Volume by Area (10,000m<sup>2</sup>)



The Central 3 Wards is forecast to account for 69% of supply during the next 5-year period, showing an increase from the previous 5-year period. When examined by year, 2017 is the only year that falls below average with the Central 3 Wards accounting for 51% of supply. (Figure 3. and Figure 4.)

Figure 3. Large-Scale Office Building Supply Volume by Area

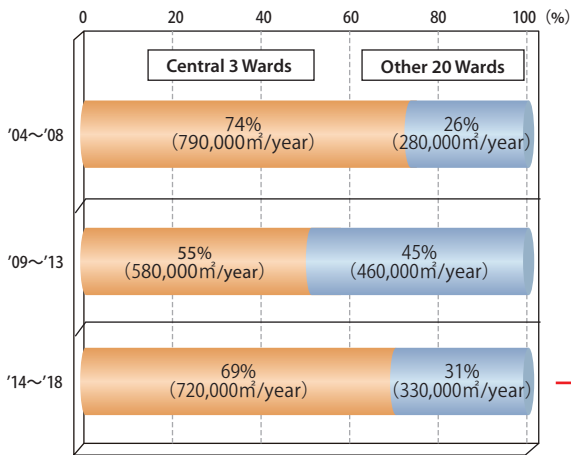
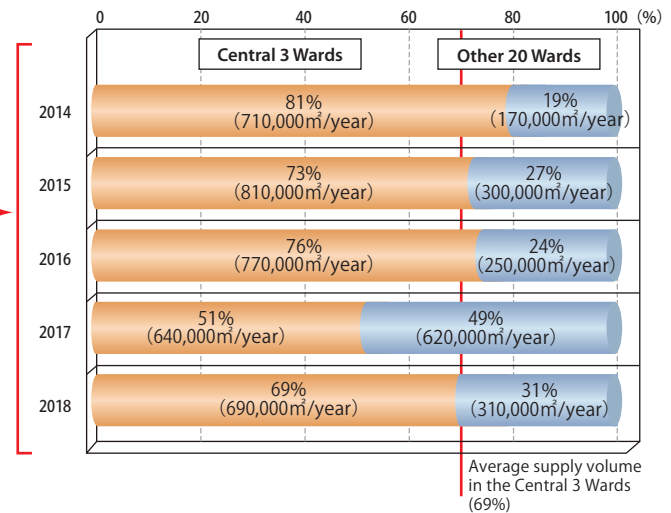


Figure 4. Annual Large-Scale Office Building Supply Volume by Area over the next 5 Years



## 2 Demand Trends

### Tokyo's 23 Wards

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- Supply volume in 2013 was 580,000m<sup>2</sup> (33% of the previous year's volume). Vacancy rate at the end of 2013 was 6.2% (1.6 point decrease from the previous year).

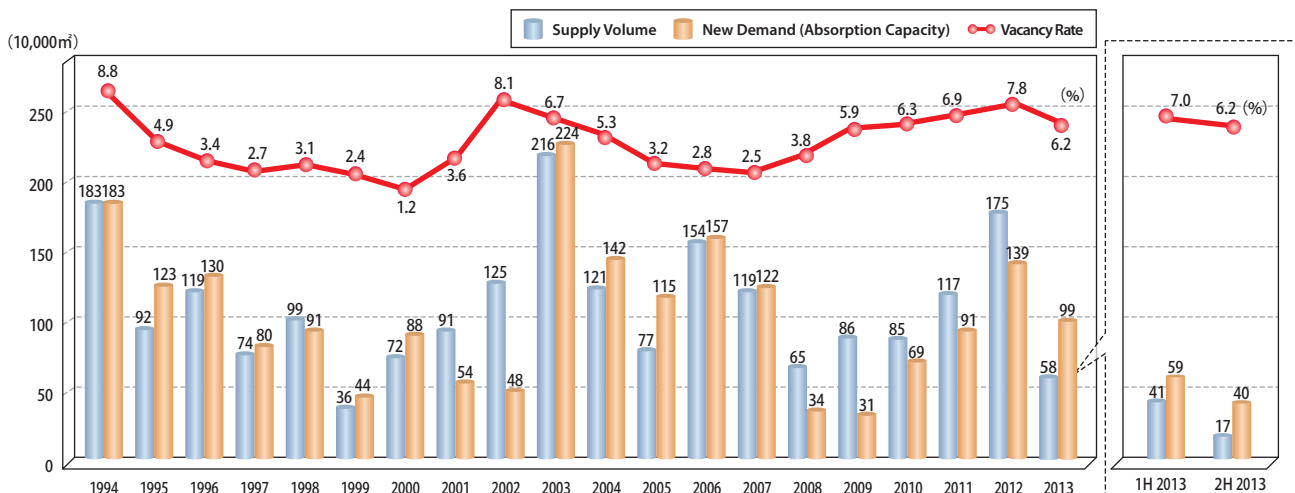
### Central 3 Wards

- Absorption capacity (new demand) in 2013 was 610,000m<sup>2</sup> (78% of the previous year).
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In 2013 in Tokyo's 23 Wards, absorption capacity for large-scale office buildings was 990,000m<sup>2</sup> (71% of the previous year). On the other hand, the supply volume was 580,000m<sup>2</sup> (33% of the previous year's volume), falling below the absorption capacity. As a result, the vacancy rate at the end of 2013 dropped by 1.6 points to 6.2%. (Figure 5.)

A look at supply and demand in the first half and second half of 2013 reveals that in both the absorption capacity exceeds supply volume. In particular, the absorption capacity for the second half is more than twice the amount of the stagnating supply volume, indicating a firm demand.

Figure 5. Large-Scale Office Building Supply Volume, Absorption Capacity and Vacancy Rate Trends



Absorption capacity for large-scale office buildings in the Central 3 Wards in 2013 reached 610,000m<sup>2</sup> (78% of the previous year). With absorption capacity exceeding the supply volume (540,000m<sup>2</sup>), the vacancy rate at the end of 2013 dropped by 0.6 points from the previous year to 5.9%. In the first half, absorption capacity was proportional to the supply volume, causing the vacancy rate to remain nearly flat. In the second half, absorption capacity exceeded the supply volume, causing the vacancy rate to drop.

On the other hand, absorption capacity in the Other 20 Wards was 380,000m<sup>2</sup> (62% of the previous year). The supply volume drastically decreased to 40,000m<sup>2</sup>, compared to 780,000m<sup>2</sup> last year. As a result, the vacancy rate at the end of 2013 dropped by 2.7 points from the previous year to 6.6%. In the Other 20 Wards, although the supply volume remained low throughout the year, absorption capacity was at reasonable level. Correspondingly, the vacancy rate dropped by 1.6 points from the end of 2012 (9.3%) to the end of June 2013 (7.7%), and dropped further by 1.1 points to 6.6% by the end of 2013.

Figure 6. Supply, Absorption Capacity and Vacancy Rate Trends by Area

