

Report of the Results of the 2014 Survey of Office Needs in Tokyo's 23 Wards

December 17, 2014

■ Mori Building Survey Shows Increasing Demand for Office Space in Central Tokyo.

The survey found that 38% of the respondents plan to lease new office space "To Expand Business/To Accommodate an Increase in Employees". This reason topped the list for the second consecutive year.

Companies seeking a better location remained in second at 28%. Firms looking for a "Lower Rent/Lower-Priced Building" declined for a fourth straight year, dropping nine points to 22%, or sixth place, the lowest ranking for this reason in eight years. Companies that plan to lease more space increased for a third consecutive year, rising three points to 59%. Respondents that plan to rent more space specifically "Within 1 year" rose four points to 37%.

<Tendencies of Companies Planning for New Office Space>

- The survey revealed an upward trend in the demand for leased office space. Those planning to lease new office space rose to 20%, the sixth consecutive year this category has been above 20%.
- Whereas companies that plan to lease more space rose for a third year, climbing three points to 59%, those intending to lease less space contracted for a third consecutive year, shrinking four points to 13%.
- 38% of the respondents plan to lease new office space "To Expand Business/To Accommodate an Increase in Employees". This reason topped the list for the second consecutive year. Firms looking for a "Lower Rent/Lower-Priced Building" declined for a fourth straight year, dropping nine points to 22%, or sixth place, the lowest ranking for this reason in eight years.
- The most popular areas for planned new office space were Toranomom, Marunouchi and Shinagawa (around the station), all areas where transportation infrastructure is scheduled to be added or urban redevelopment is scheduled to take place in preparation for the Tokyo 2020 Olympic Games.
- Mori's survey found that 36% of the respondents believe Tokyo's selection to host the Olympic Games in 2020 will have a positive effect on their business performance.

Mori Building Co., Ltd. conducted the 2014 Survey of Office Needs in Tokyo's 23 Wards in order to better understand the future of the office building market in the 23 wards of Tokyo. Survey questionnaire forms regarding new demand for office space were mailed to companies that are headquartered in the 23 wards and are ranked in the top 10,000 in capitalization.

※Results will be reported to participating firms separately.

■ Survey Framework

Research Period:	Early October~End of October 2014
Methodology:	Survey questionnaire forms were mailed to companies that are headquartered in the 23 wards and are ranked in the top 10,000 in capitalization.
Response Rate:	20.7% (2,069 firms)

Reference: Historic effective response totals and response rates for 2010~2013

Research Timing	2010/11	2011/11	2012/11	2013/11
Response Rate	19.8%(1,976 firms)	20.6%(2,060 firms)	21.2%(2,118 firms)	21.5%(2,149 firms)

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1 Future Plans to Lease New Office Space

- 20% indicated a "Plan to Lease New Office Space"- this was the sixth consecutive year for this level of more than 20%.
- Those indicating expansion of leased space (56%→59%) and those indicating expansion within 1 year (33% →37%) both increased, showing a firm trend for office demand.

The percentage of those indicating they "Plan to Lease New Office Space" remained mostly unchanged from last year at 20 %, exceeding 20% for the sixth consecutive year since 2009. (Figure 1)

When examined by corporate demographics, "Manufacturing" (15%→16%) increased, "Non-manufacturing" (22%) remained the same, and "Financial/Insurance" decreased (21%→18%). When examined by funding source, "Japanese" (19%→20%) remained mostly unchanged and "Foreign" (27%→25%) decreased, yet "Foreign" still garnered higher points than "Japanese". (Figure 2)

Regarding "Timing of Planned Lease of New Office Space", those indicating "Within 1 year" (33%→37%) increased from last year. Those indicating "3 years or longer" (46%→43%) decreased. (Figure 3)

Regarding "Plans for Expansion vs. Reduction of Space", those indicating "Expansion" (56%→59%) increased for the third consecutive year, whereas "Reduction" (16%→13%) decreased for the third consecutive year. (Figure 4)

Figure 1: Plan to Lease New Office Space

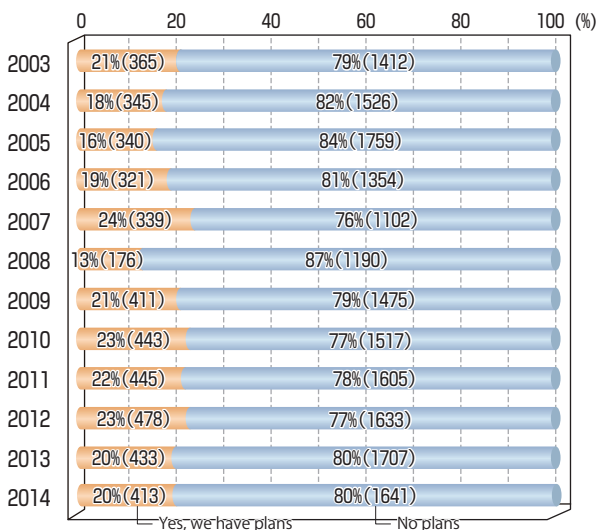


Figure 2: Intent to Lease New Office Space by Corporate Demographics

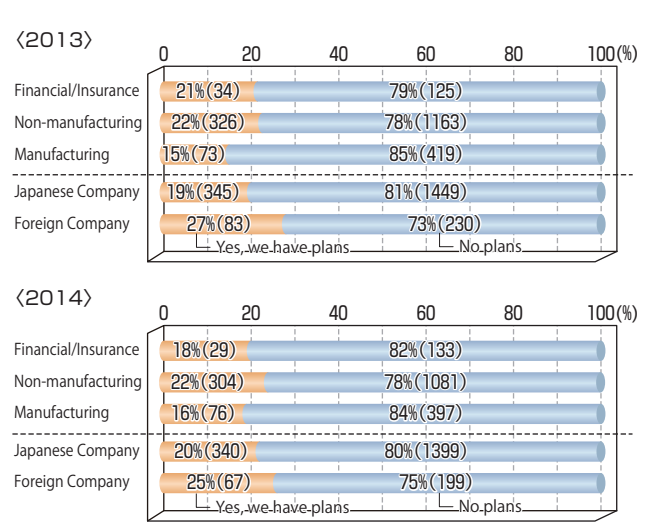


Figure 3: Timing of Planned Lease of New Office Space

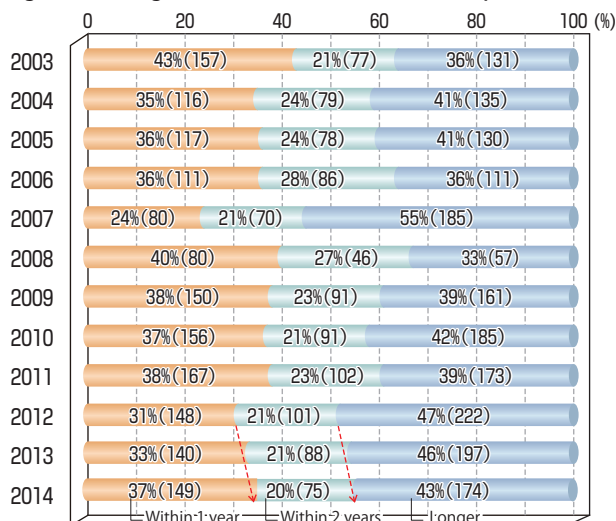
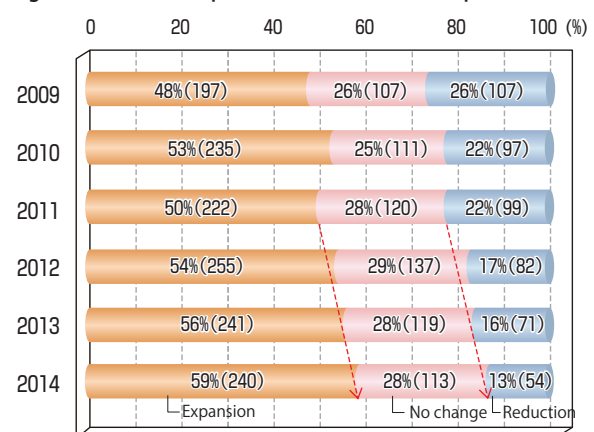


Figure 4: Plans for Expansion vs. Reduction of Space



2 Reasons for Plans to Lease New Office Space

- The top reason for planning to lease new office space was "To Expand Business/To Accommodate an Increase in Employees" (38%) for the second consecutive year.
- On the other hand, "Lower Rent/Lower-Priced Building" (31%→22%) lost points for the fourth consecutive year, resulting in a 6th place rank.

As the reason for planning to lease new office space, "To Expand Business/To Accommodate an Increase in Employees" ranked No. 1 (40%→38%). Also, there still is a positive trend for the reasons to plan a new lease, such as "Better Location" (32%→28%), "Anti-seismic Design" (32%→27%). (Figure 5)

On the other hand, "Lower Rent/Lower-Priced Buildings" (31%→22%) decreased by half compared to 4 years ago (43%), resulting in a 6th place rank this year. This drop to the 6th rank is the first time in 8 years since 2006, before the Lehman Shock. (Figure 5-2)

Figure 5: Reasons for Plans to Lease New Office Space ※ Multiple answers allowed.
 ※ Total number of responding firms is counted as 100.

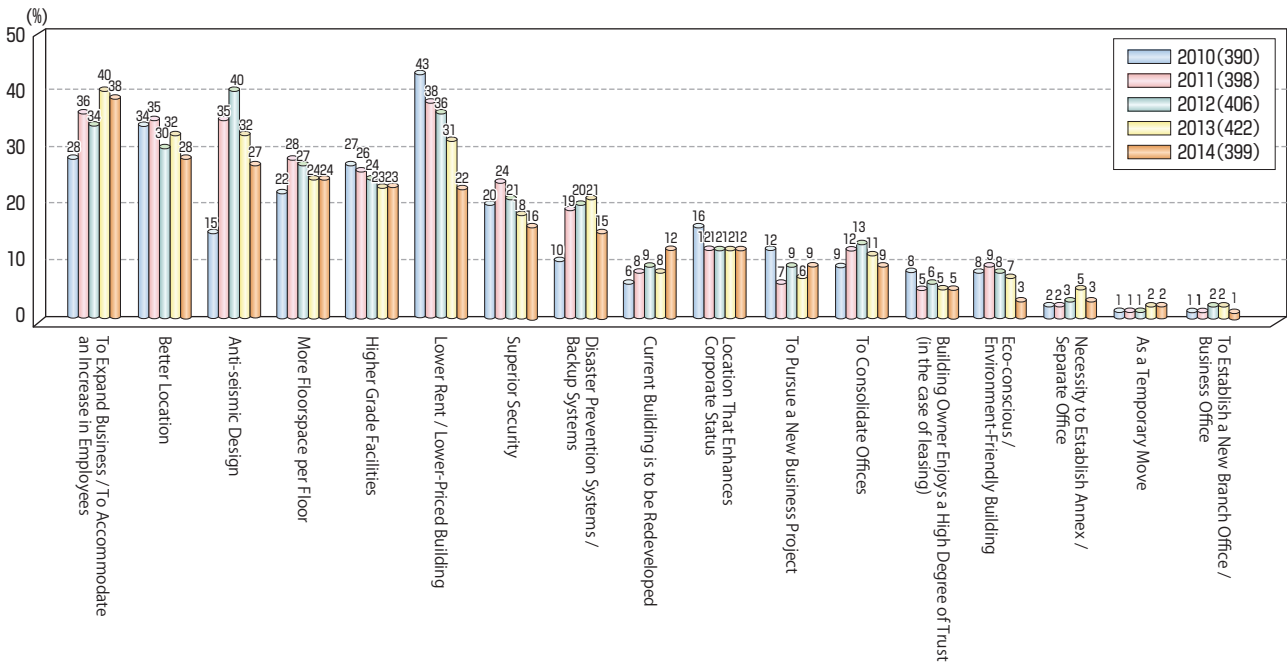
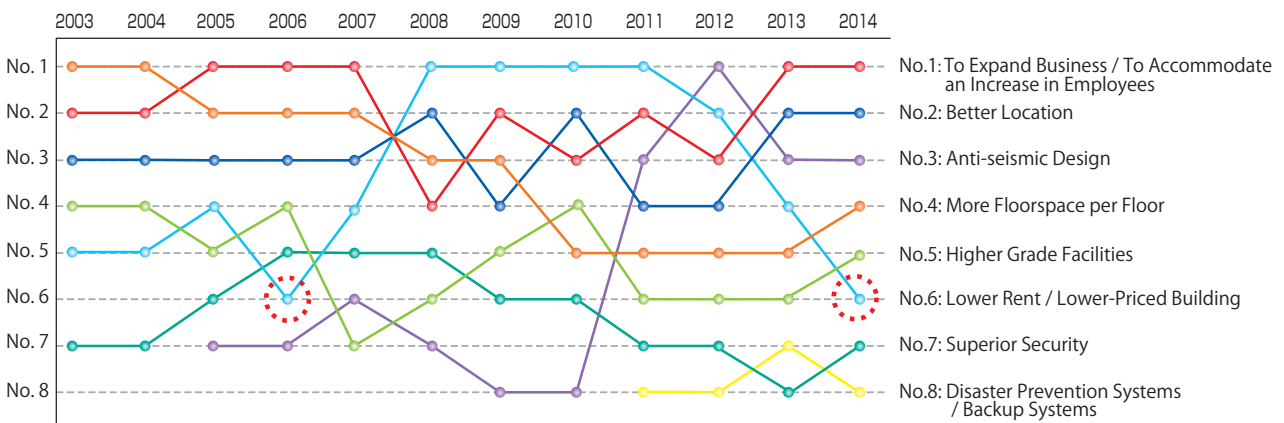


Figure 5-2: Trends in the Reason for Plans to Lease New Office Space



3 Desired Areas for Planned Lease of New Office Space

- 82% of those with intent to lease new premises desire a location in the Central 3 Wards (Chiyoda, Chuo, and Minato).
- Areas such as Toranomon, Marunouchi, Shinagawa (around station), which are areas where major transportation infrastructure development and urban redevelopment will take place in preparation for the Tokyo Olympics, gained major points.

Regarding desired areas by those who plan to lease new office space, the percentage answering the "Central 3 Wards" (79%→82%) increased from last year. (Figure 6)

Areas such as Toranomon (12%→15%), Kamiyacho (4%→8%), Marunouchi (13%→17%), Shinagawa (around station) (11%→15%), Hamamatsucho (8%→11%) and Tamachi (8%→12%), which are areas where major transportation infrastructure development and urban redevelopment will take place in preparation for the Tokyo Olympics, gained major points.

Also, Nihonbashi (16%) continued to gain many points. In "Other Wards", Shinjuku (16%→12%) and Shibuya (14%→13%), both of which gained many points last year, gained less points this year, and other areas in this category remained almost unchanged. (Figure 7)

Figure 6: Desired Areas for Planned Lease of New Office Space

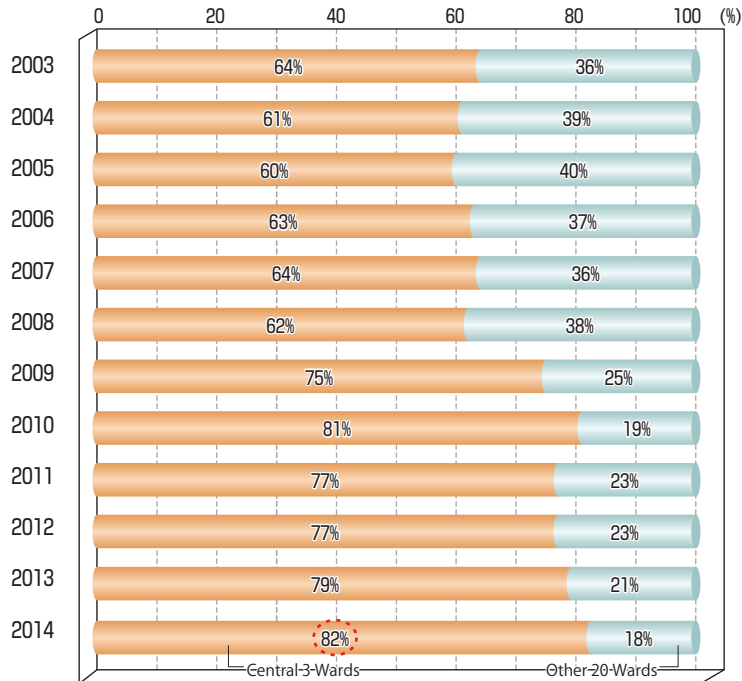
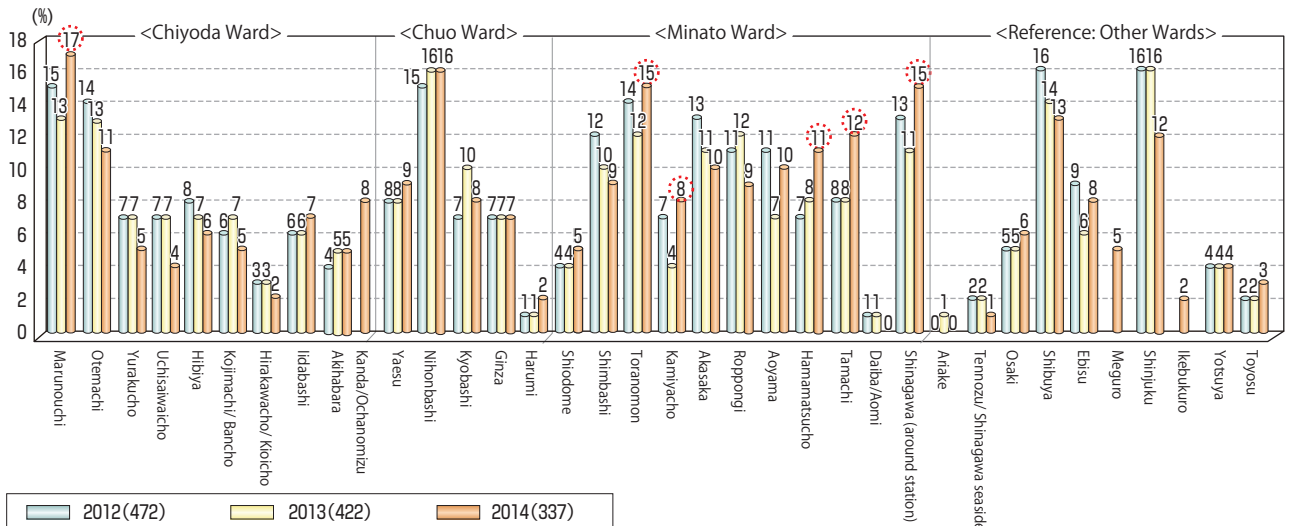


Figure 7: Desired Areas for Planned Lease of New Office Space

※ Multiple answers allowed.
 ※ Total number of responding firms is counted as 100.



4 Business Continuity Planning (BCP)

- The percentage of respondents with a BCP plan in place exceeds 50% as was seen last year and remains stable at a high level.
- By industry “Financial / Insurance” has a higher percentage of having a BCP plan (72%) compared to other industries.

Percentage of firms with a BCP plan (52%→51%) in place exceeds 50%. (Figure 8)

By industry, “Financial/Insurance” has a higher percentage of having a BCP plan (72%) compared to other industries. (Figure 9)

Top BCP items include “Procedures to Confirm Employee Safety” (94%), “Emergency Supplies/Provisions for Employees” (90%) and “Procedures for Employees who can't return Home” (70%). (Figure 10)

Figure 8: BCP Status as of November 2014

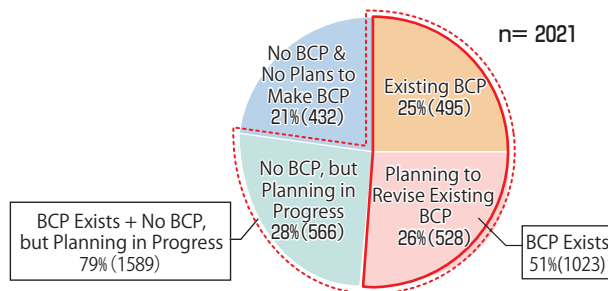


Figure 9: BCP Status by Corporate Demographics 2014

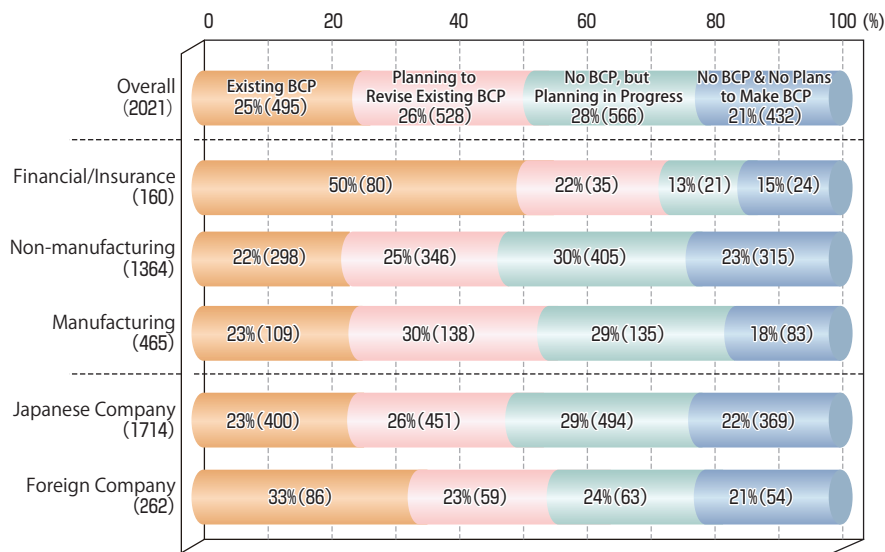
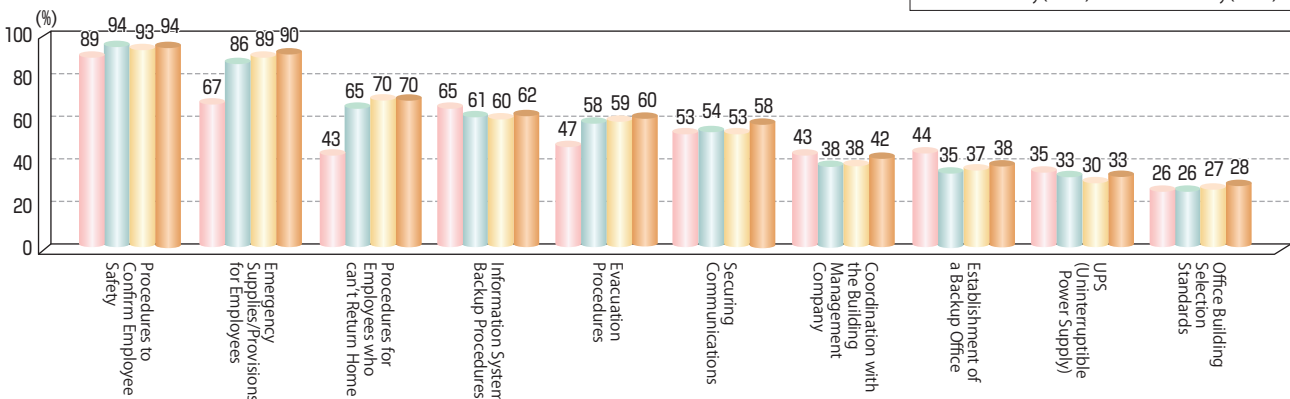


Figure 10: BCP Content

※ Multiple answers allowed.
 ※ Total number of responding firms is counted as 100.

2011 Survey(378) 2013 Survey(1097)
 2012 Survey(1049) 2014 Survey(1013)



5 Expectations of Positive Effect on Business Performance due to the Tokyo Olympics

- The percentage of firms expecting enhanced performance on business with Tokyo having been chosen as the venue for the 2020 Olympics remains almost unchanged from last year (37%→36%).
- More firms in 17 out of 30 industries indicated an increased number of "Expecting Enhanced Performance" responses than last year.

Those answering "Expecting Enhanced Performance" remained almost unchanged (37%→36%). Those answering "Not Sure" significantly decreased (31%→21%) whereas those answering "No Change" (32%→42%) increased. Examined by corporate demographics, more Japanese Companies (36%) are expecting a positive effect on their business compared to the Foreign Companies (31%). (Figure 11)

Broken down by industry, more firms in 17 out of 30 industries indicated an increased number of "Expecting Enhanced Performance" responses than last year. "Architect Offices and Design Consultants", "Leasing", "Banks", "Chemistry and medical-supplies related manufacturers, sales", "Government Related Organizations", indicated increased points. (Figure 12)

Figure 11: Expectations of Effect on Business Performance due to the Tokyo Olympics

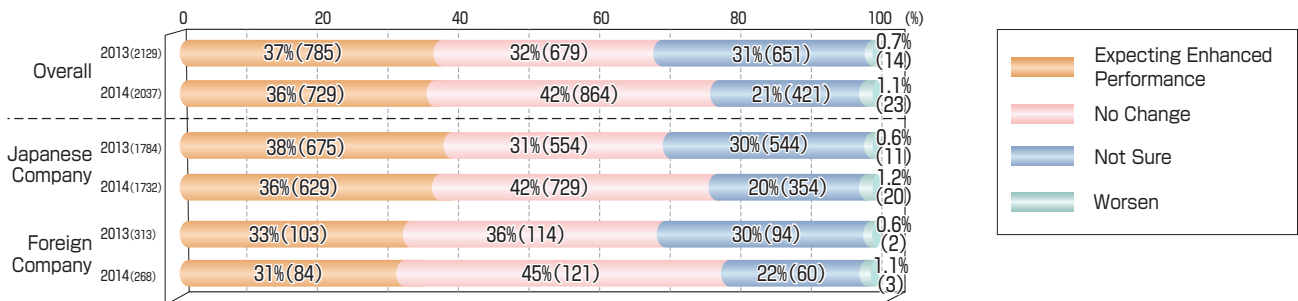


Figure 12: Expectations of Effect on Business Performance due to the Tokyo Olympics by Industry

