

Report of the Results of the 2015 Survey of Office Needs in Tokyo's 23 Wards

December 15, 2015

- **The percentage of those planning to lease new office space increased from last year, exceeding 20% for the seventh consecutive year.**
"To Expand Business/ To Accommodate an Increase in Employees" was the top reason for the third consecutive year, and demand for office space remains robust.

The percentage of firms planning to lease new office space increased from last year. As the reason for leasing new office space, the percentage of "To Expand Business/To Accommodate an Increase in Employees" (the top reason) rose from last year, and other positive reasons such as "Better Location" and "Anti-seismic Design" were also among the top choices. On the other hand, "Lower Rent/Lower-Priced Building" lost points again this year, and we saw a strong positive trend for office relocation.

<Tendencies of Firms Planning for New Office Space>

- 22% indicated a "Plan to Lease New Office Space", which is a 2 point increase from last year- marking the seventh consecutive year for this ratio being more than 20%
- As for plans for expansion vs. reduction of space, 59% indicated expansion, the same percentage as last year, which was a record high for this ratio.
- Firms planning to lease new office space "Within 1 year" decreased (37%→30%) while "Within 2 years" increased (19%→24%).
- The top reason for planning to lease new office space was "To Expand Business/To Accommodate an Increase in Employees" (40%) for the third consecutive year. On the other hand, "Lower Rent/Lower-Priced Building" (17%) lost considerable points for the fifth consecutive year, and this was the lowest percentage ever since this survey started.
- As desired areas for planned lease of new office space, the Tokyo Station area, Toranomon, Kanda/Ochanomizu, Shinagawa (around the station), Akasaka, Roppongi, Shibuya etc. all gained major points.

<Adoption of Business Continuity Planning (BCP)>

- Percentage of firms with a BCP plan in place is 51%. Those with "No BCP, but Planning in Progress" account for approximately 80% of the total, showing continued high interest in BCP.

<Measures to Enhance Human Resources>

- 40% of firms are already taking measures to take advantage of the diverse human resources. Of all the firms which expanded their office space within 1 year, 60% are taking such measures, exceeding the average.

Since 2003, Mori Building Co., Ltd. (Minato-ku, Tokyo; President & CEO Shingo Tsuji) has regularly conducted a Survey of Office Needs in Tokyo's 23 Wards in order to better understand the office building market trends.

A survey regarding new demand for office space was sent to companies that are headquartered in the 23 wards and are ranked in the top 10,000 in capitalization. We have compiled the questionnaire results, and we would like to share some of our findings and insights in the following report.

※Results will be reported to participating firms separately.

■ Survey Framework

Research Period: Early October~End of October 2015

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: 22.2% (2,226 firms)

Reference: Historic effective response totals and response rates for 2011~2014 ※ () indicates response rate

Research Timing	2011/11	2012/11	2013/11	2014/11
Response Rate	2,060 firms (20.6%)	2,118 firms (21.2%)	2,149 firms (21.5%)	2,069 firms (20.6%)

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1 Future Plans to Lease New Office Space

- The percentage of firms with a "Plan to Lease New Office Space" rose to 22% - this was the seventh consecutive year with this level above 20% since 2009.
- 59% indicated plans for expansion, which is the same percentage as last year, when the ratio reached a record-high.

The percentage of firms with plans for expansion rose by 2 points from last year to 22%, marking the seventh consecutive year for this level of more than 20% since 2009. (Figure 1)

When examined by corporate demographics, "Financial/Insurance" increased (18%→26%), while "Non-manufacturing" (23%) and "Manufacturing" (16%) remained almost the same. When examined by capitalization, "Foreign" increased (25%→27%) while "Japanese" remained almost unchanged (21%). (Figure 2)

Regarding "Plans for Expansion vs. Reduction of Space", those indicating "Expansion" was 59%, which was the same percentage as last year, when the ratio was record-high. The percentages for "No change" (27%) and "Reduction" (13%) were also the same as last year. (Figure 3)

Regarding "Timing of Planned Lease of New Office Space", those indicating "Within 1 year" decreased (37%→30%), whereas "Within 2 years" increased (19%→24%). (Figure 4)

Although recent demand is strong, firms are carefully evaluating the right time to lease new office space due to high office occupancy.

Figure 1: Plan to Lease New Office Space

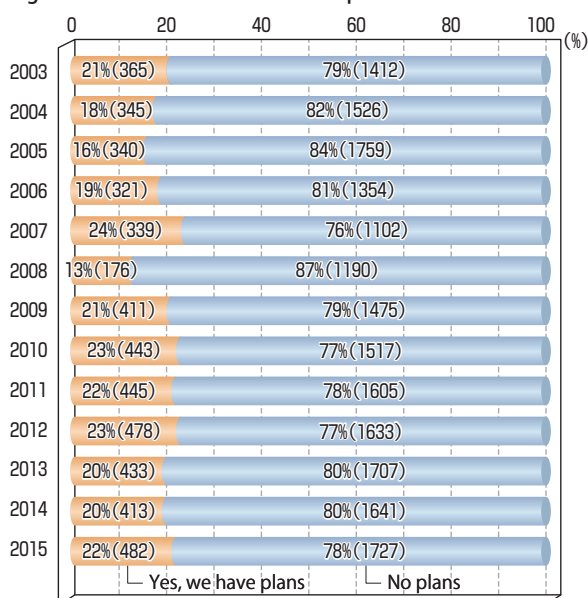


Figure 2: Intent to Lease New Office Space by Corporate Demographics

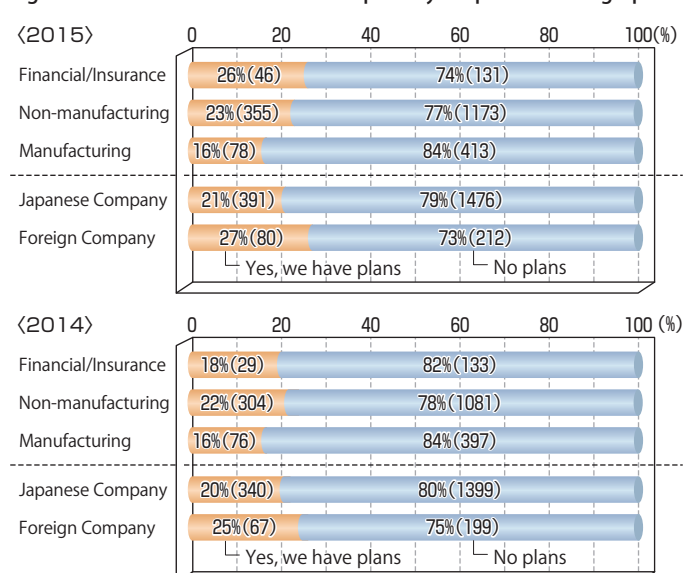


Figure 3: Plans for Expansion vs. Reduction of Space

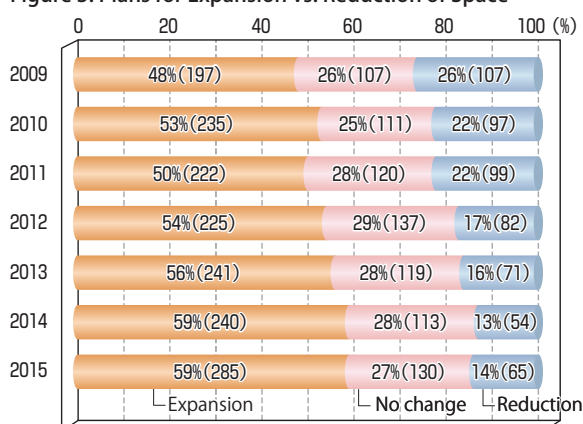
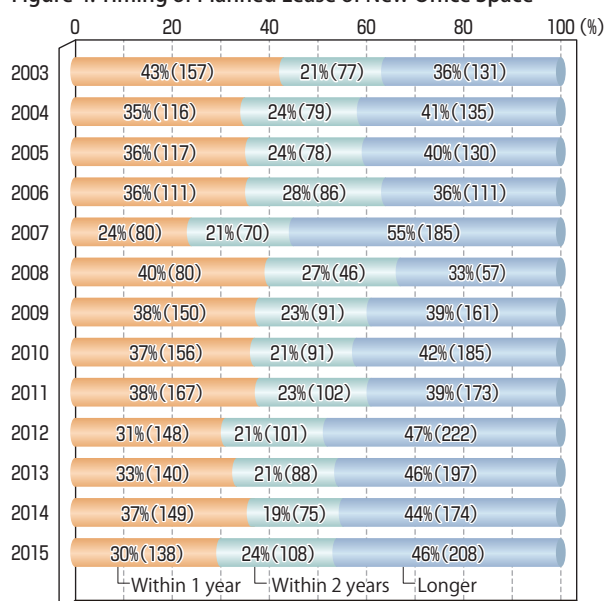


Figure 4: Timing of Planned Lease of New Office Space



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" for the third consecutive year. There was no change to the ranks for other reasons, and there is a positive trend for the reasons to plan a new lease.
- On the other hand, "Lower Rent/Lower-Priced Building" (17%) earned the least amount of points ever since the start of this survey.

As the reason for planning to lease new office space, "To Expand Business/To Accommodate an Increase in Employees" ranked No. 1 (38% →40%) for the third consecutive year. "Better Location" in 2nd place gathered more points this year (28%→31%), and there is a positive trend in the reasons to plan a new lease, such as "Anti-seismic Design" (24%) and "More Floorspace per Floor" (22%). "Lower Rent/Lower-Priced Building" in 6th place (17%) earned the least amount of points ever since the start of this survey in 2003. (Figure 5) (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.

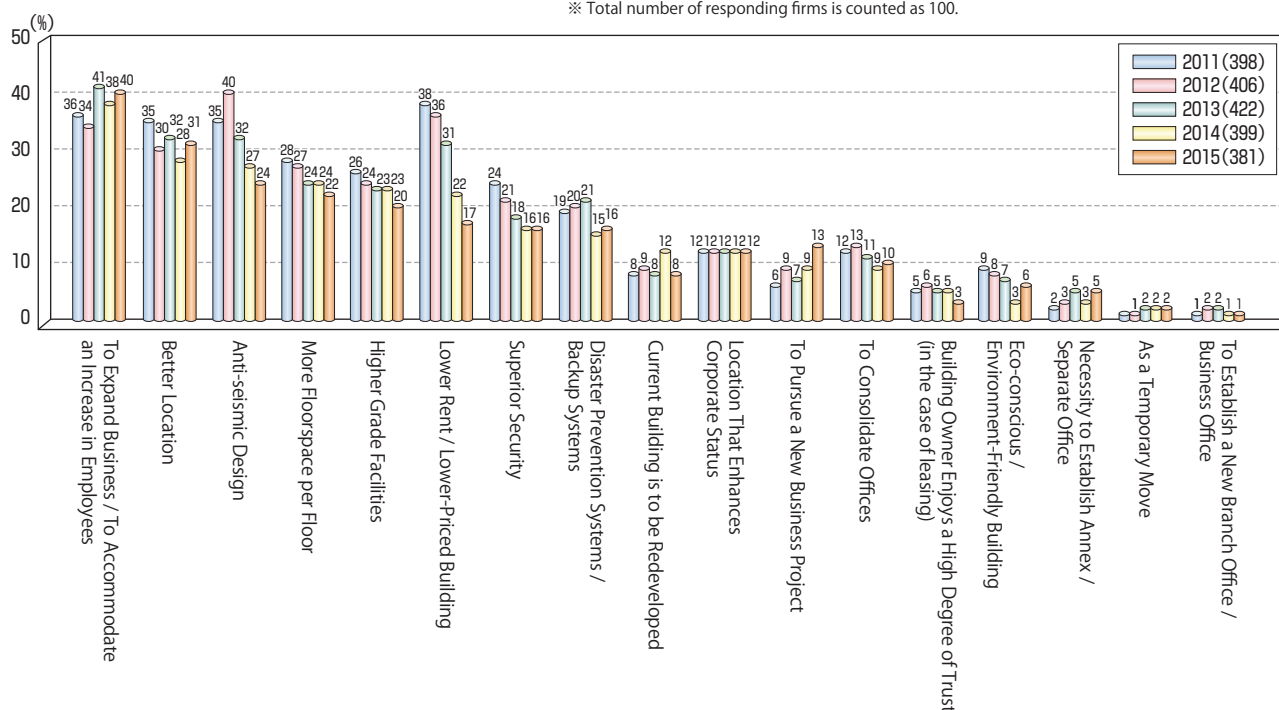
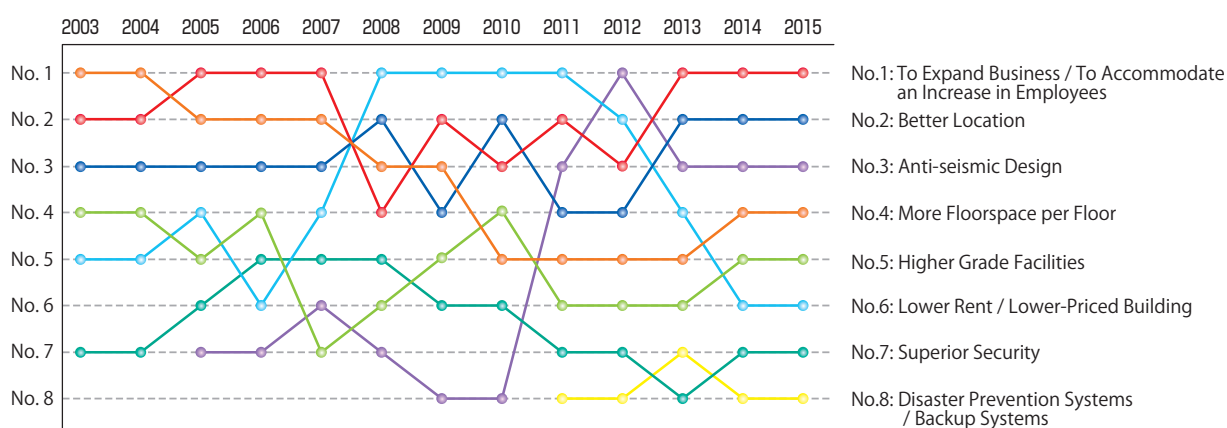


Figure 5-2: Trends in the Reason for Plans to Lease New Office Space



3 Desired Areas for Planned Lease of New Office Space

- 77% of those with intent to lease new office space desire a location in the Central 3 Wards (Chiyoda, Chuo, and Minato). Since 2012, the percentage of firms preferring the Central 3 Wards has been increasing every year.
- When examined by area, Marunouchi, Nihonbashi, Otemachi, Yaesu, and Toranomon, which are areas with current vacancy and/or areas which are expecting new supply in the near future, gained major points.

Regarding desired areas by those who plan to lease new office space, the percentage answering the "Central 3 Wards" increased from last year (75%→77%). (Figure 6)

When examined by area, Marunouchi (17%), Nihonbashi (16%), Otemachi (15%), Yaesu (13%), and Toranomon (12%), which are areas with current vacancy and/or areas which are expecting new supply in the near future, gained major points. Additionally, Kanda/Ochanomizu (11%), Shinagawa (around the station) (11%), Akasaka (11%), and Roppongi (11%) gained significant points, with each weighing in at over 10%. (Figure 7)

On the other hand, firms selecting areas other than the Central 3 Wards are decreasing, and specifically areas such as Shinjuku (12%→6%) and Shibuya (13%→10%) are losing points. (Figure 8)

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

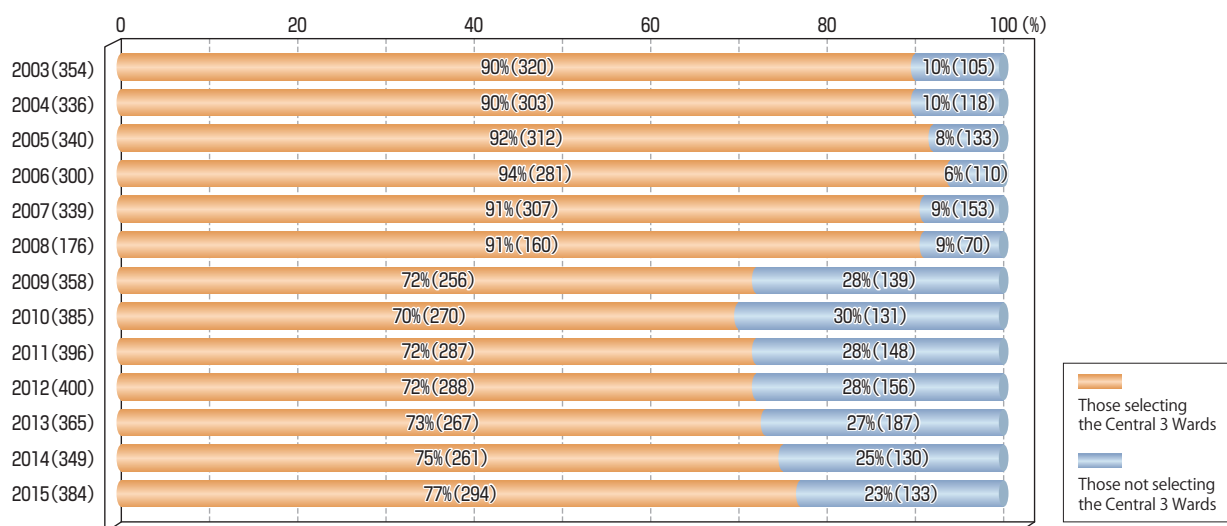


Figure 7: Desired Areas for Planned Lease of New Office Space

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

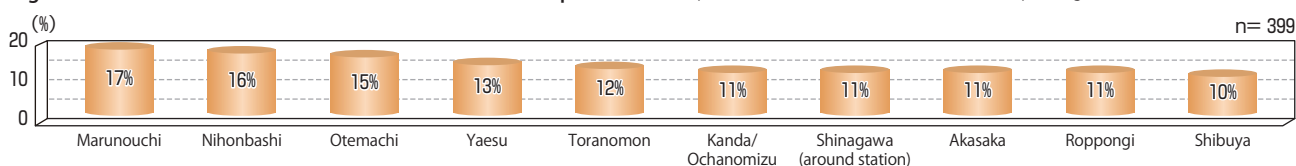
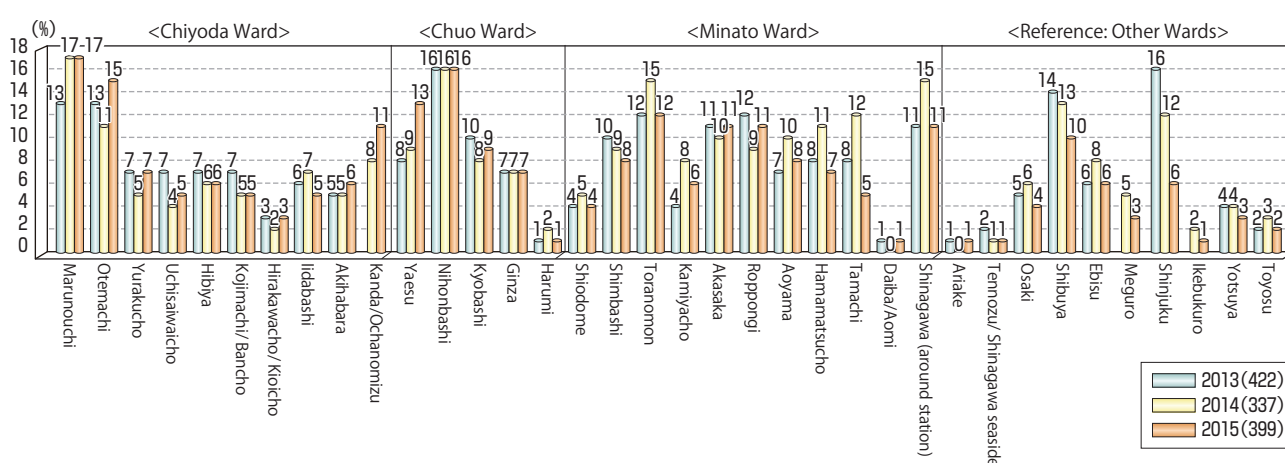


Figure 8: Desired Areas for Planned Lease of New Office Space

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



4 Measures for Strengthening Human Resources

- When asked about issues of concern to management, more than 60% responding cited "Strengthening of human resources (recruitment and training and diversification)".
- Over 40% responded they are taking measures to take advantage of diverse human resources. Foreign firms are promoting the measure more proactively than Japanese firms.
- More firms which expanded their office space within 1 year are promoting measure to utilize diverse human resources than others.

Ranking the issues of concern to management, more than 60% cited "Strengthening of human resources (recruitment and training and diversification) (64%)" which is ranked at the top, and 58% cited "Improvement of profitability" and 49% "expansion of sales and market share". Also notable was the 4th most cited issue at 37%, "Improvement of employee satisfaction". (Figure 9)

40% responded they are taking measures to take advantage of the diverse human resources. (Figure 10)

Although there was not much difference when analyzing by industry, there was a notable difference when analyzing by capitalization with Foreign firms at 52% whereas Japanese firms were only at 39%.

Additionally, companies that expanded the size of their offices were at 60% compared to the overall average of 41%. (Figure 11)

Changes in human resource initiatives are believed to be the primary reason for the growth on office space needs.

Figure 9: Issues of Concern to Management

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

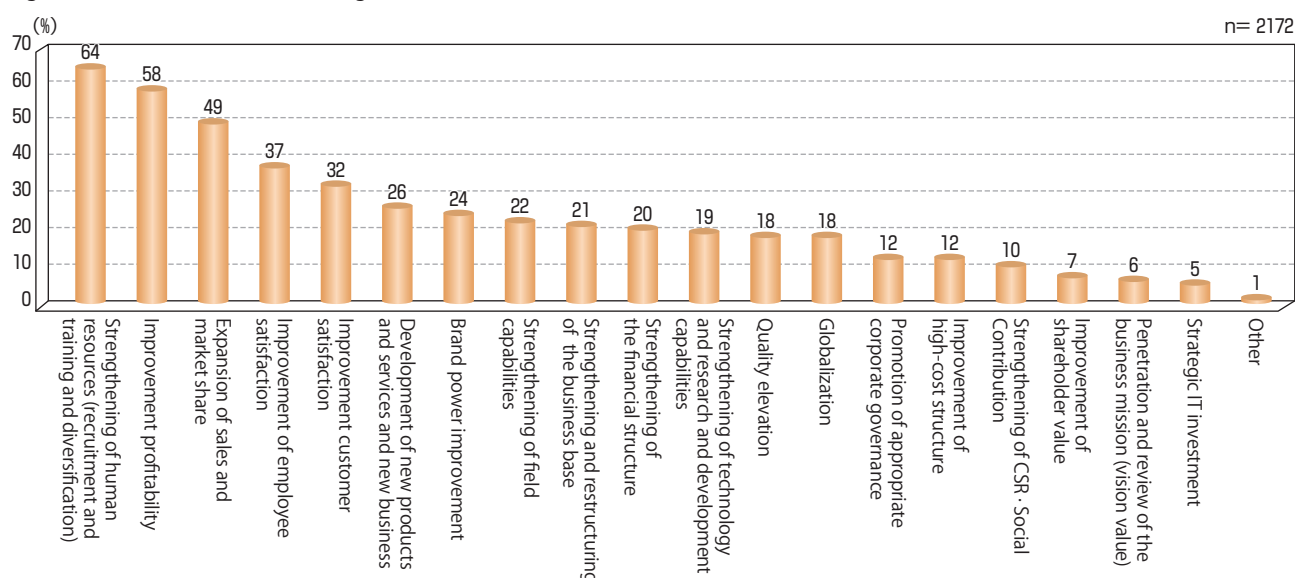
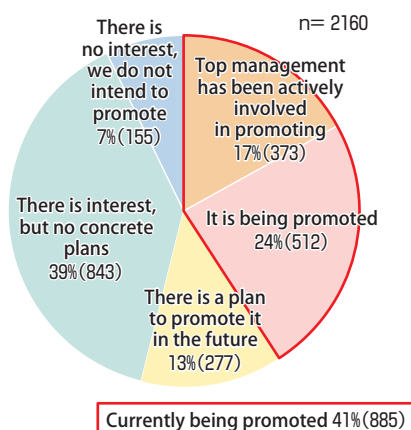
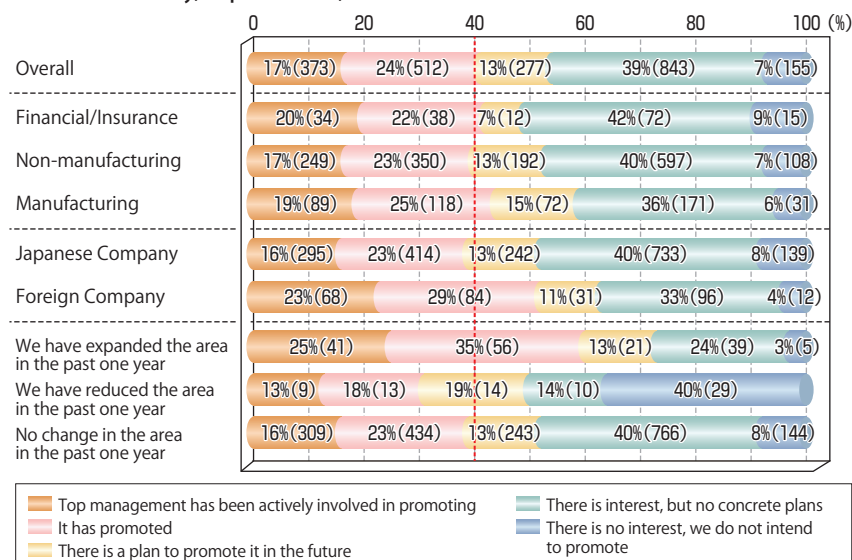


Figure 10: Efforts to Take Advantage of the Diverse Human Resources



*Diverse human resources include diversity in gender, age, race, nationality, disabilities, sexual orientation, religion, creed, values as well as diversity in career, experience and work styles. (From the Ministry of Health, Labor, and Welfare Web)

Figure 11: Efforts to Take Advantage of the Diverse Human Resources Separated by Industry, Capitalization, and Office Area



5 Business Continuity Planning (BCP)

- The percentage of firms with a BCP plan in place exceeds 51%, and remained unchanged.
- "Financial/Insurance" has a higher percentage of having BCP (75%) compared to other industries.
- As reasons for not considering BCP, "There is no need perceived at our size of company" (35%) was the top reason.

Percentage of firms with a BCP plan in place were in the majority (51%), and these together with "No BCP, but Planning in Progress" account for a total of 79%, remaining unchanged from last year. (Figure 12)

By industry, "Financial/Insurance" has a higher percentage of having a BCP plan (75%) compared to other industries. By capitalization, "Foreign" is higher (62%). (Figure 13)

Top BCP items continue to be "Procedures to Confirm Employee Safety" (95%), "Emergency Supplies/Provisions for Employees" (89%), "Procedures for Employees Who Can't Return Home" (71%). (Figure 14)

Of the firms with "No BCP & No Plans to Make BCP" (21%), "There is no need perceived at our size of company" (35%) was the top reason, followed by "Lacking personnel to formulate a plan" (33%) and "Insufficient know-how or skills to formulate a plan" (25%). (Figure 15)

Now, 4 years since the Great East Japan Earthquake, most firms which have interest in BCP have developed or are developing a BCP plan by now. There is a need to raise awareness of the importance of having a BCP plan as well as to offer the know-how to the firms which still have low interest in BCP.

Figure 12: BCP Status as of November 2015

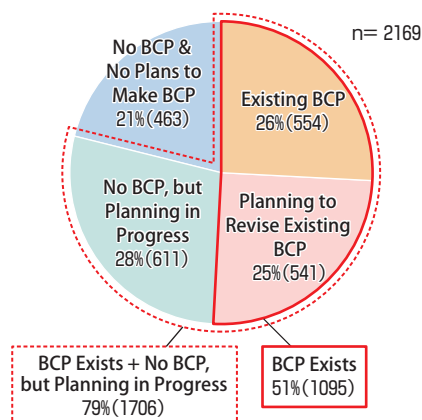


Figure 13: BCP Status by Corporate Demographics 2015

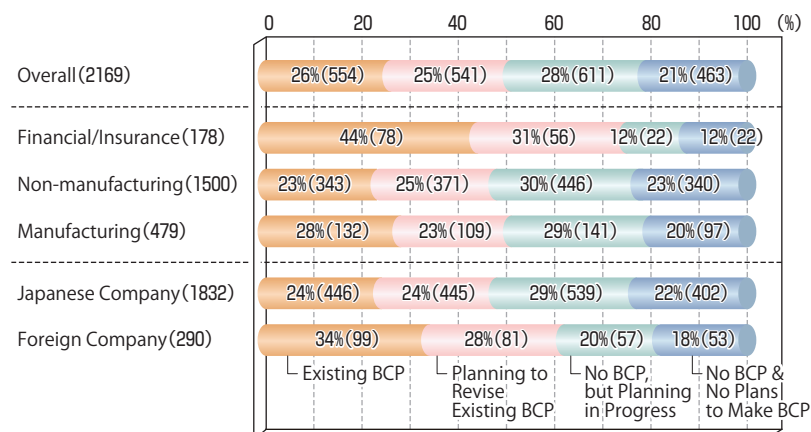


Figure 14: BCP Content ※ Multiple answers allowed. ※ Total number of responding firms is counted as 100.

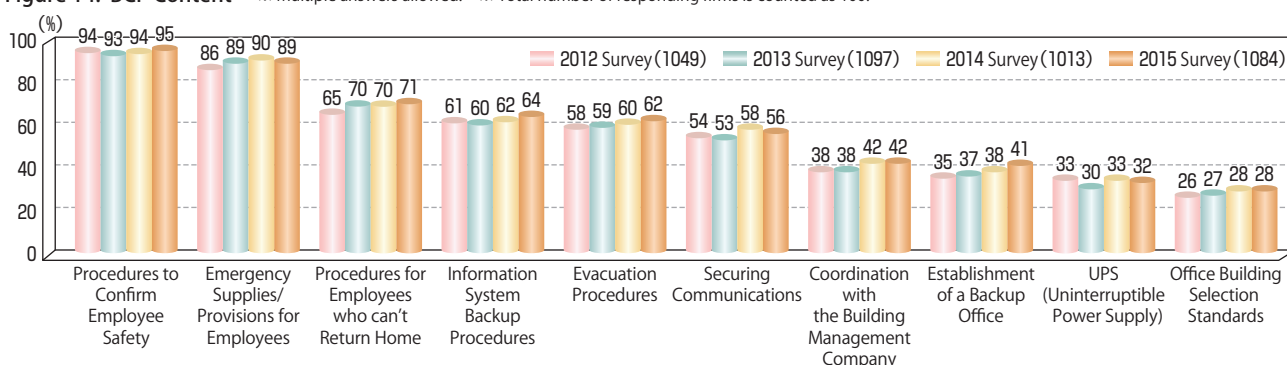
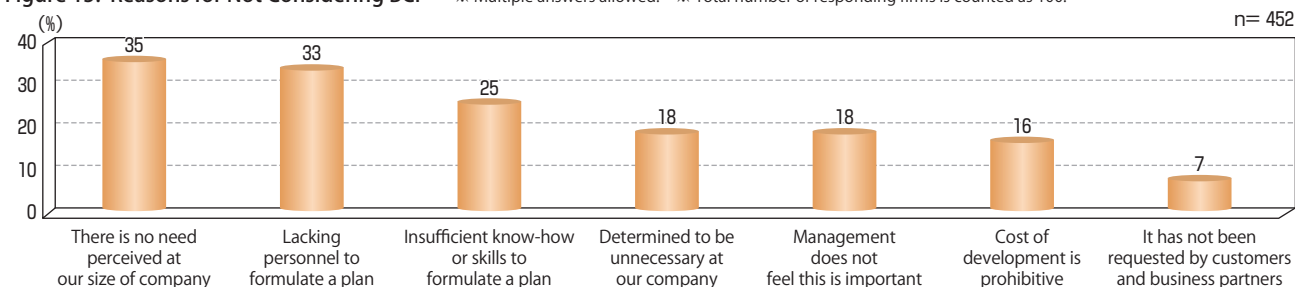


Figure 15: Reasons for Not Considering BCP ※ Multiple answers allowed. ※ Total number of responding firms is counted as 100.



Expectations for the Future of Tokyo

- 36% of firms are expecting enhanced business performance from the 2020 Tokyo Olympics.
- Awareness of "National Strategic Special Zones" which is part of the Abenomics' growth strategy, is approximately 60%.
- When asked what they expect with regard to the National Strategic Special Zones, approximately 50% answered "Urban Redevelopment Urban Center Development", followed by "Tax System" and "Employment".
Foreign firms have higher expectations in "Tax System", "Education" and "Medical Services" than Japanese firms.

36% of firms are expecting enhanced performance in business from the 2020 Tokyo Olympics and Paralympics. (Figure 16)
Nearly half (59%) were aware of the National Strategic Special Zones, which is Abenomics' "third arrow". (Figure 17) There was no difference in the extent of awareness by industry or by capitalization (Japanese or Foreign). (Figure 18)
About half (49%) of the respondents answered "Urban Redevelopment Urban Center Development" when they were asked in which areas they expect easing of regulations within the National Strategic Special Zones, followed by "Tax System" (21%) and "Employment" (20%). By industry, "Financial" has higher expectations in these top 3 areas compared to other industries. Foreign firms have higher expectations in the "Tax System", "Medical Services" and "Education" than Japanese firms. (Figure 19)
84% of firms which are aware of National Strategic Special Zones have responded with specific areas in which they have expectations, and we can see that there is a high awareness and expectations about the system.

Figure 16: Expectations of Increased Business Performance Due to Olympics

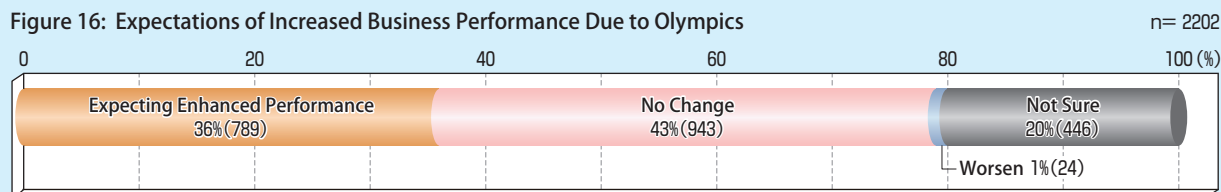


Figure 17: Awareness of National Strategic Special Zones

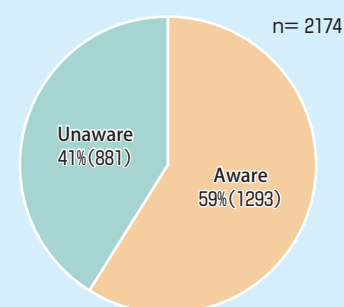


Figure 18: Awareness of National Strategic Special Zones by Industry and Capitalization

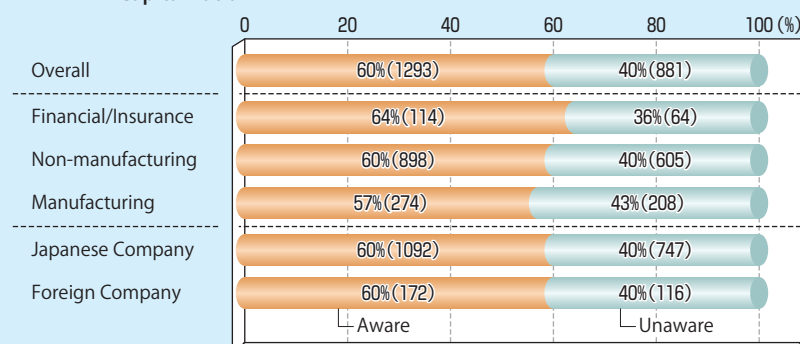


Figure 19: Expectations for the National Strategic Special Zones by Field of Business

