

## 2017 Survey of Office Needs in Tokyo's 23 Wards

December 20, 2017

- **Approximately 60% of firms planning to lease new office space are 'Planning to Expand Office Space'.**
- **For the fifth consecutive year, the number one reason to lease new office space was 'To Expand Business/To Accommodate an Increase in Employees'.**
- **Approximately 40% of firms indicated plans to increase employee numbers. For future workspace policies too, the trends toward 'expansion' and 'promoting streamlining' have strengthened.**

The percentage of firms planning to lease new space is increasing from year to year and is at 24%. Of the reasons cited for leasing new office space, 'To Expand Business/To Accommodate an Increase in Employees' was the number one response for the fifth consecutive year and 'Better Location' and 'More Floor Space per Floor' remain in top positions. Approximately 40% of firms indicated plans 'To Increase Employee Numbers', resulting in firm demand for office space. For future workspace policies, the proportion responding 'Maintain the status quo' decreased and the proportion of firms seeking 'Expansion' or 'Promotion of Streamlining' increased.

### 1. Plans to Lease New Office Space

- The percentage of companies planning to lease new office space rose to 24%.
- 59% of companies that are planning to lease new office space plan to expand floor space.

### 2. Reasons for Plans to Lease New Office Space

- The primary reason for planning to lease new office space was 'To Expand Business/To Accommodate an Increase in Employees' for the fifth consecutive year.
- The percentage of companies selecting the answer 'Location That Enhances Corporate Status' increased from last year.

### 3. Desired Areas for Planned Lease of New Office Space

- Shinagawa (around the station) increased 4 percentage points from last year, rising into second place.
- Toranomon, Tamachi, Hamamatsucho, and Shibuya, which have major developments underway, are highly popular areas.

### 4. Current Rent and Reasonable Rent for New Office Space

- About 80% of all firms have a monthly rent of less than 30,000 yen per tsubo.
- The proportion of firms for which the reasonable rent for a new lease is less than 15,000 yen per tsubo decreased and the proportion for which it is 15,000 yen or more increased.

### 5. 2017 Rent Revisions

- 19% of firms received a rent revision within the last year.
- 87% of firms received a rent increase after the revision, which greatly exceeded the 60% rate for 2007.

### 6. Employee Numbers & Work Space

- 42% of firms indicated plans to increase employee numbers.
- 30% of respondents said that the amount of workspace per person was 'insufficient'.
- For future workspace policies, the proportion responding 'Maintain the status quo' decreased and the proportion of companies seeking 'Expansion' or 'Promotion of streamlining' increased.

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 trends in the office building market.

A survey regarding new demand for office space was sent to companies headquartered in the 23 wards and ranked in the top 10,000 in capitalization. We have compiled the 2017 survey results, and we would like to share some of our findings and insights in the following report.

\*The survey was conducted between October 2 and 31, 2017. Surveys were sent to 10,208 firms (Excluding our tenants) with a response rate of 20.0% (2,043 firms).

\*Results will be reported to participating firms separately.

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

Mr. Kazuaki Yamaguchi, Mr. Satoshi Hasegawa, or Mr. Masayuki Fujimoto at the 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 Plans to Lease New Office Space

- The percentage of companies planning to lease new office space rose to 24%.
- 59% of companies that are planning to lease new office space plan to expand floor space.

The percentage of companies planning to lease new office space was 24%, continuing the rising trend in place since 2013 (Figure 1). When asked about plans for expansion vs. reduction of space, 59% of firms indicated 'Expansion' (Figure 2). As to when they planned to lease new office space, firms responding 'Within 1 year' stayed the same (29%→29%), 'Within 2 years' decreased (23%→20%), and 'Longer (3 years or more)' increased (48%→51%). Although the demand for office space is currently stable, companies are considering the right timing to lease new office space.

Figure 1 : Future Plans to Lease New Office Space

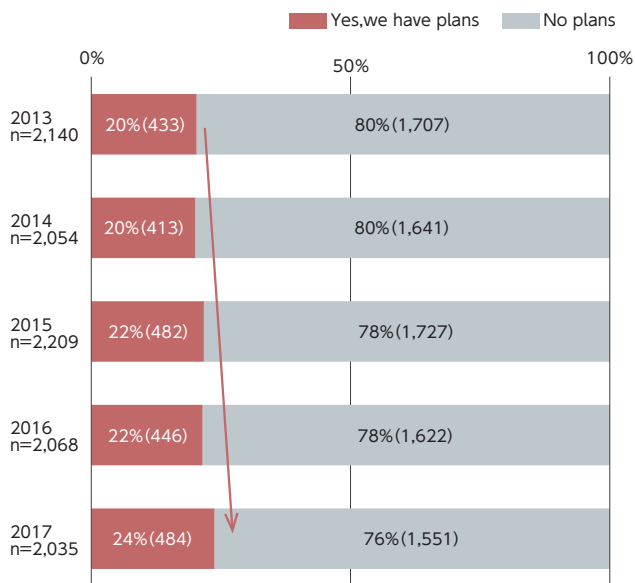


Figure 2 : Plans for Expansion vs. Reduction of Space

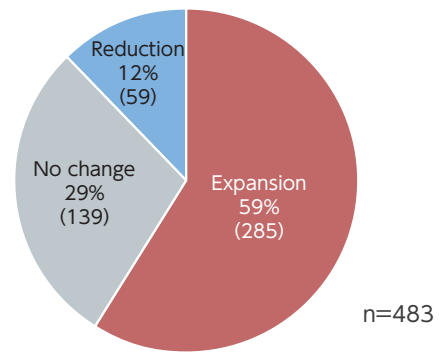
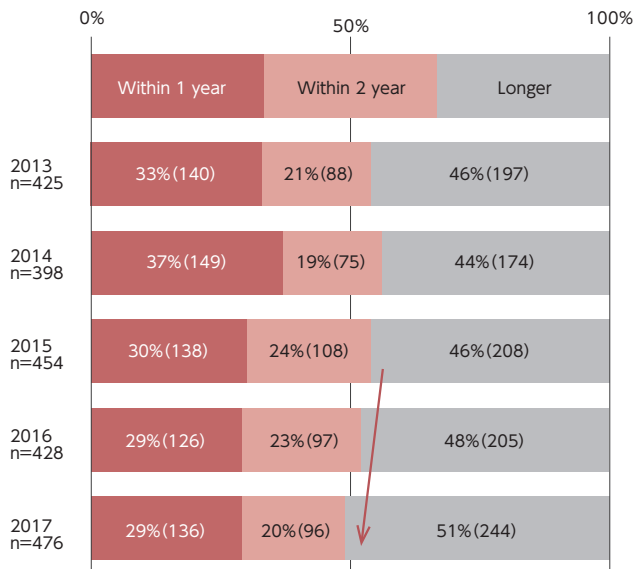


Figure 3 : Timing of Planned Lease of New Office Space



## 2 Reasons for Plans to Lease New Office Space

- The primary reason for planning to lease new office space was 'To Expand Business/To Accommodate an Increase in Employees' for the fifth consecutive year.
- The percentage of companies selecting the answer 'Location That Enhances Corporate Status' increased from last year.

In terms of the reason for planning to lease new office space, 'To Expand Business/To Accommodate an Increase in Employees' (36%) was first for the fifth consecutive year. Behind this, 'Better Location' (30%) swapped places with 'More Floorspace per Floor' (26%) to move into second place (Figure 4/ Figure 5). The breakdown of the top three was the same as last year, so the positive trend for office moves continues.

In addition to 'Better Location' moving up one place, 'Higher Grade Facilities' (22%) moved up two places. Besides these moves, 'Location That Enhances Corporate Status' (14%) rose 5 percentage points showing the stance of raising the company value by improving office specs.

Figure 4 : Reason for Plans to Lease New Office Space (compared to previous survey)

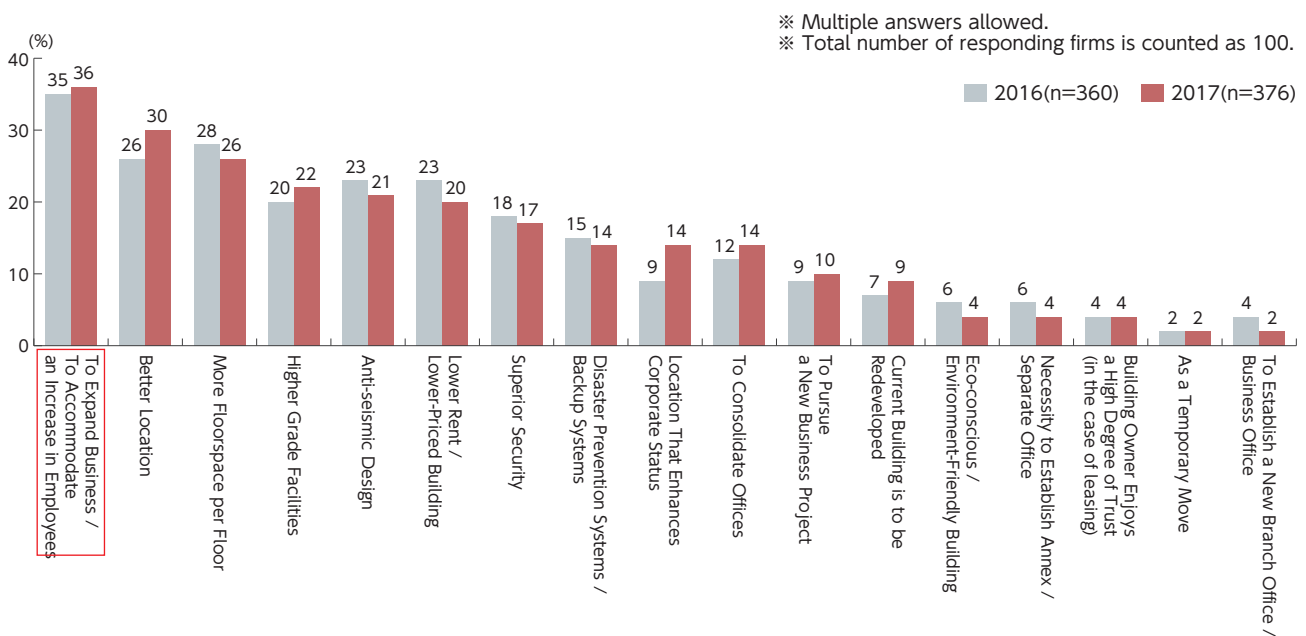
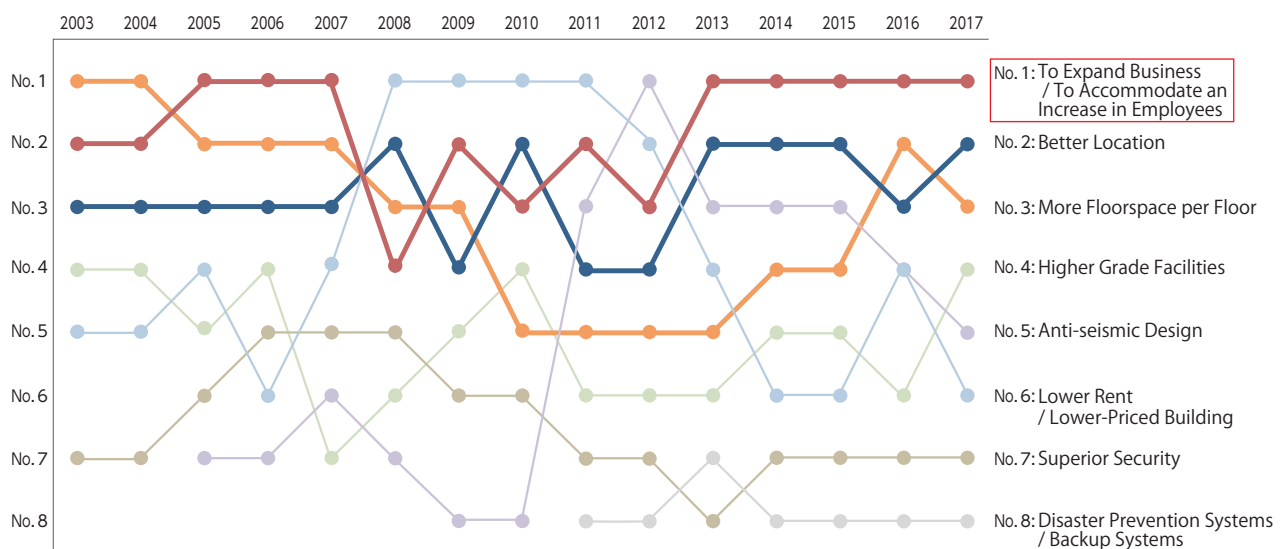


Figure 5 : Trends in the Reason for Plans to Lease New Office Space



### 3 Desired Areas for Planned Lease of New Office Space

- Shinagawa (around the station) increased 4 percentage points from last year, rising into second place.
- Toranomon, Tamachi, Hamamatsucho, and Shibuya, which have major developments underway, are highly popular areas.

When firms planning to lease new office space were asked about 'desired areas', Shinagawa (around the station) increased 4 points from last year to 16%, rising into second place (Figure 6). It is inferred that progress in construction of the Linear Chuo Shinkansen and the direction of the new Shinagawa station becoming more concrete are factors for increasing attention to the Shinagawa area. Also, areas with large scale development ranked in the Top 10 (Figure 7). These included Shibuya where Shibuya Station is being renovated and the development of compound applications is proceeding, Toranomon where in addition to multiple large-scale development projects, building of the new Toranomon Station and Shintora-dori Avenue is moving forward, and Tamachi and Hamamatsucho where construction primarily at the stations is moving forward and where convenience is being enhanced, for example with the construction of pedestrian decks.

Figure 6 : Desired Areas for Planned Lease of New Office Space (compared to previous survey)

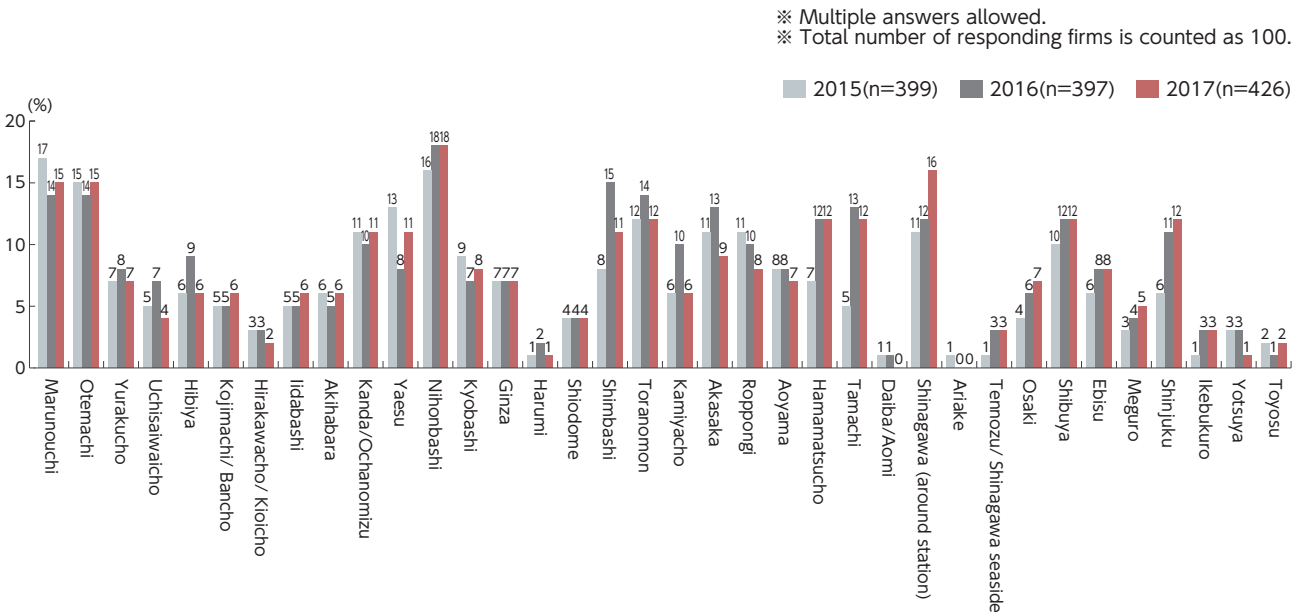
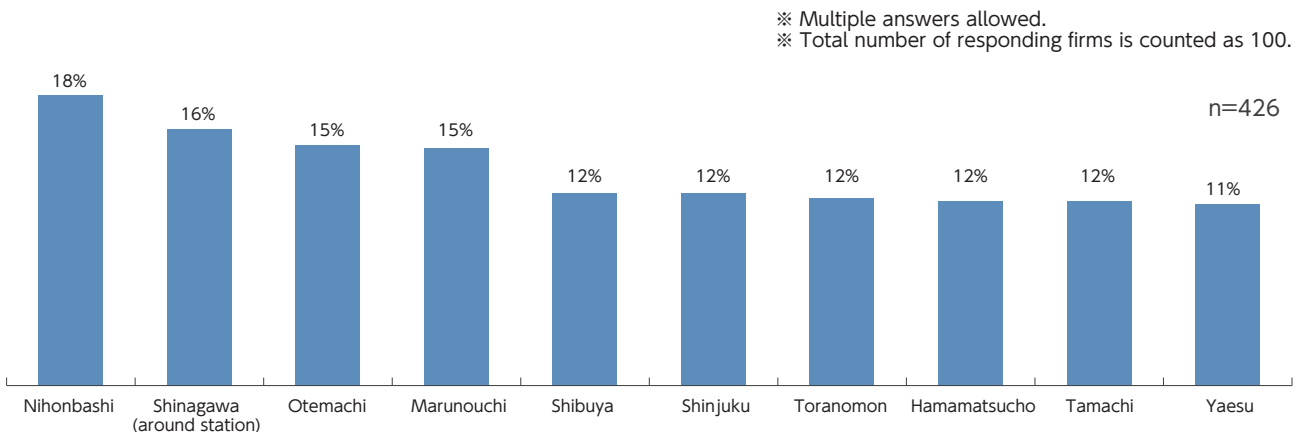


Figure 7 : Desired Areas for Planned Lease of New Office Space (top 10 areas)



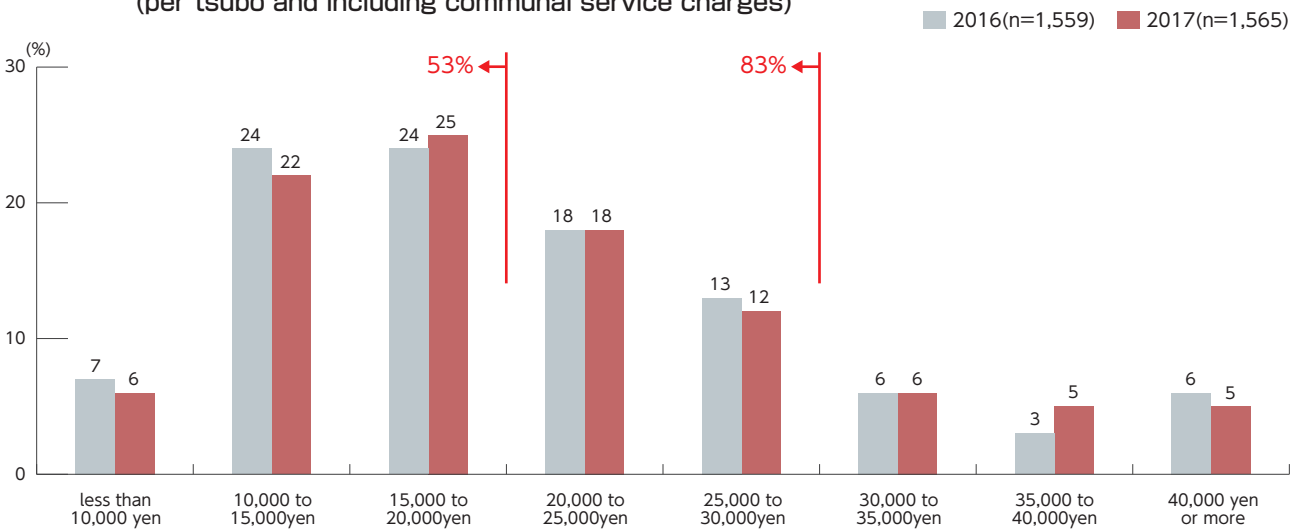
## 4 Current Rent and Reasonable Rent for New Office Space

- About 80% of all firms have a monthly rent of less than 30,000 yen per tsubo.
- The proportion of firms for which the reasonable rent for a new lease is less than 15,000 yen per tsubo decreased and the proportion for which it is 15,000 yen or more increased.

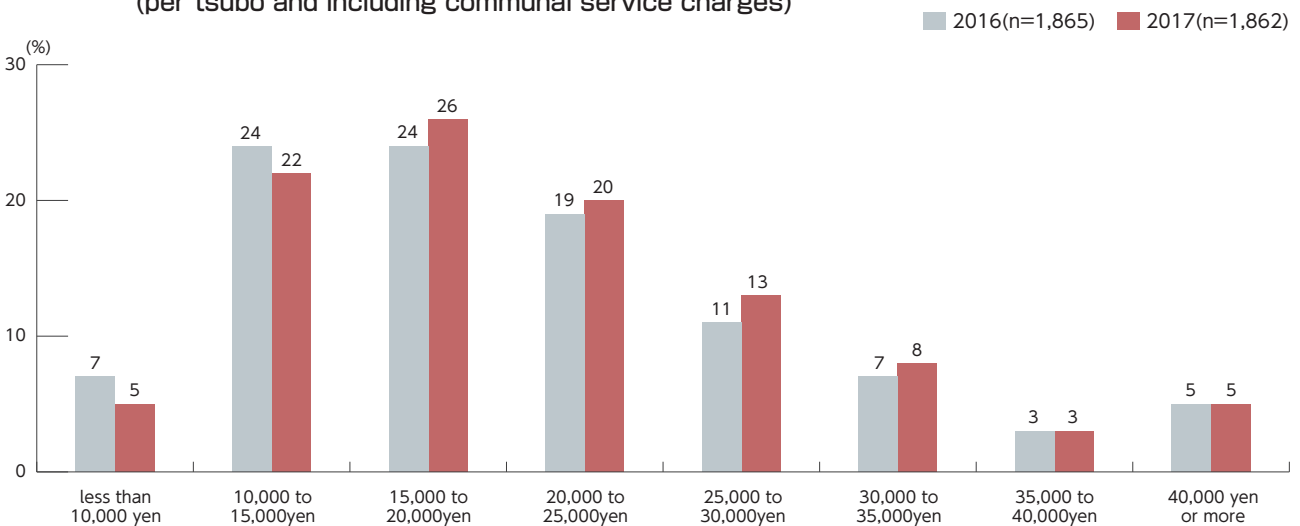
For current monthly rent, 53% of all firms answered that they pay 20,000 yen or less per tsubo (including communal service charges). For monthly rent of 30,000 yen or less per tsubo, the percentage of firms increases to 83% and on the other hand, 16% pay more than 30,000 yen (Figure 8).

There is little difference between current monthly rent per tsubo (including communal service charges) and what firms consider a reasonable amount to pay to lease new office space (Figure 9). On the other hand, compared to 2016, the proportion of firms for which the reasonable rent is less than 15,000 yen per tsubo decreased and the proportion in the price band from 15,000 yen to 34,999 yen increased. It can be said that the rent that firms consider reasonable is trending up.

**Figure 8 : Current Monthly Rent (per tsubo and including communal service charges)**



**Figure 9 : Reasonable Monthly Rent to Lease New Office Space (per tsubo and including communal service charges)**



## 5 2017 Rent Revisions

- 19% of firms received a rent revision within the last year.
- 87% of firms received a rent increase after the revision, which greatly exceeded the 60% rate for 2007.

When asked about rent revisions within the last year 19% of firms answered, 'Have Had a Rent Revision' and 5% answered 'Currently Under Revision' (Figure 10). Of the firms that indicated that they 'Have Had a Rent Revision', 87% indicated that the revised rent was an 'Increase', which was the highest proportion since 2007 (Figure 11). The trend to increased rents continues and the position of superiority of the lessor has grown stronger as the vacancy rate decreases.

Figure 10 : Rent Revisions for Past Year

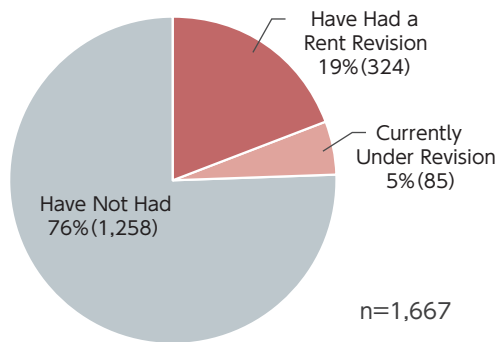
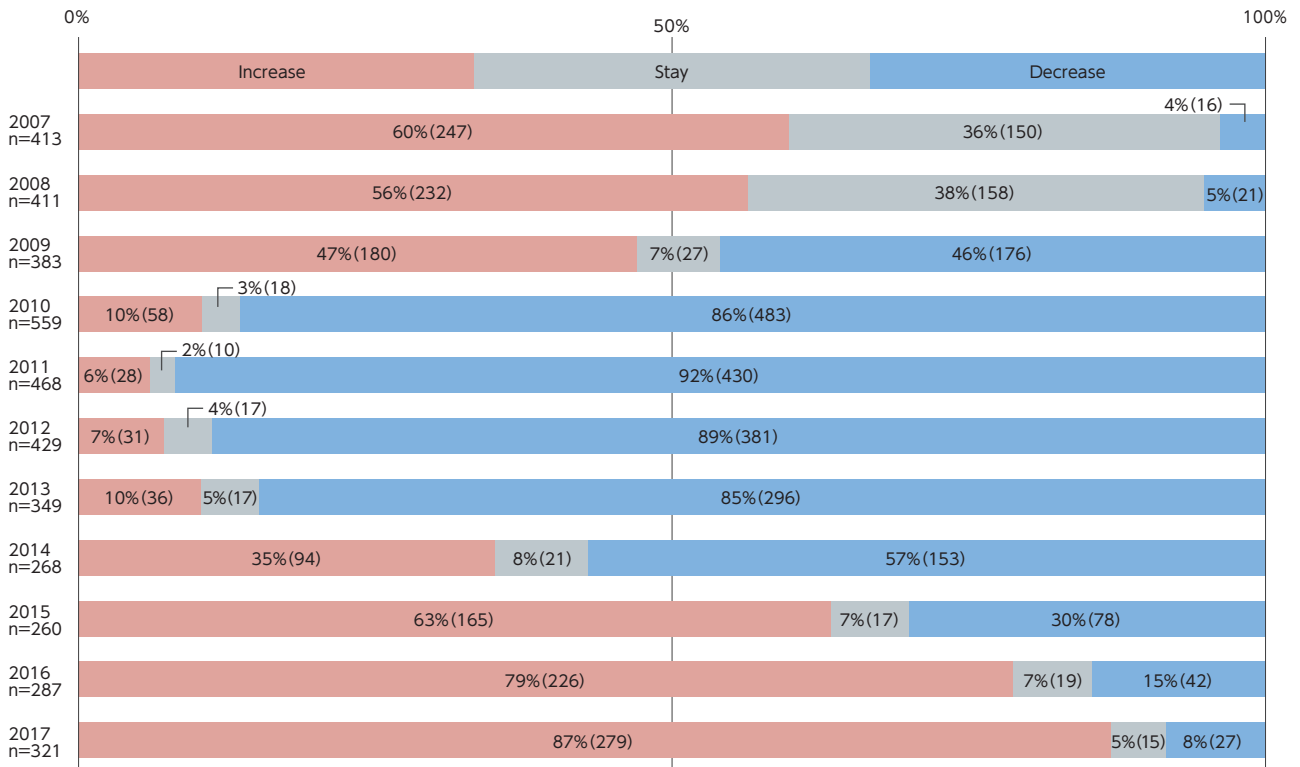


Figure 11: Post-Revision Rent (or expected rent) Increase vs. Decrease



## 6 Employee Numbers & Work Space

- 42% of firms indicated plans to increase employee numbers.
- 30% of respondents said that the amount of workspace per person was 'insufficient'.
- For future workspace policies, the proportion responding 'Maintain the status quo' decreased and the proportion of companies seeking 'Expansion' or 'Promotion of streamlining' increased.

When asked about the increase or decrease in employee numbers compared to the previous year, 42% of firms indicated an 'Increase' in numbers and 13% indicated a 'Decrease' (Figure 12). When asked to predict changes to employee numbers, 42% of firms indicated a 'Predicted Increase' and 4% a 'Predicted Decrease' (Figure 13).

When asked about whether the floorspace per person within the office was adequate, roughly the same proportion of firms indicated that it was 'Adequate' (29%) as indicated 'Inadequate' (30%) (Figure 14). When divided by capital nationality, foreign companies (\*50% or more foreign capital) tended to say that floorspace was adequate compared to their Japanese counterparts (\*less than 50% foreign capital).

Figure 12 : Changes to Employee Numbers over Previous Year

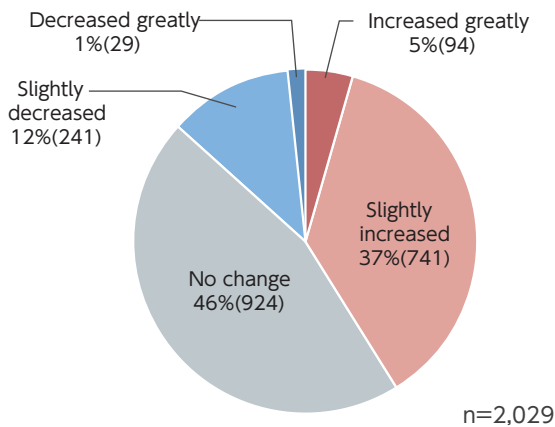


Figure 13 : Outlook for Employee Numbers

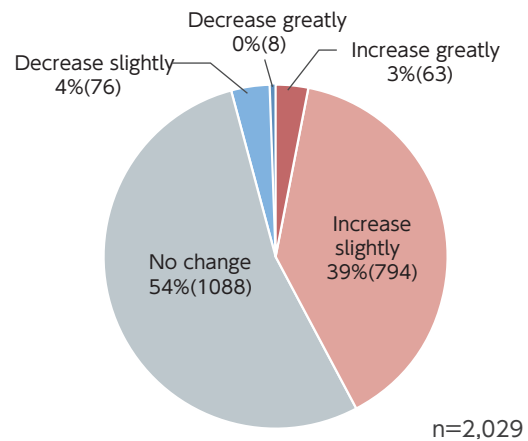
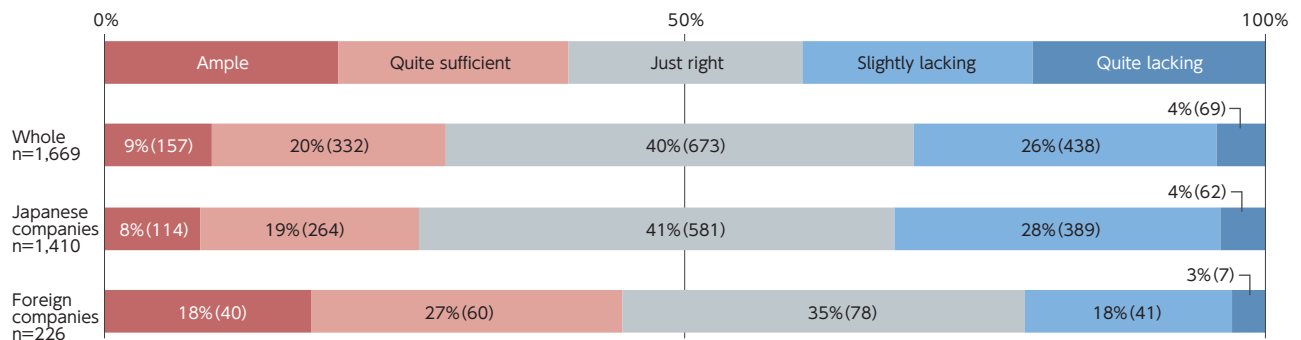


Figure 14 : Workspace per Person



When asked about policy on future per-person workspace, the percentage of firms that said they would 'Maintain the status quo' decreased from last year (64%→59%), but the proportion that selected 'Expansion' increased (total of 31%→37%) and the proportion that selected 'Promotion of streamlining' increased (total of 46%→55%). Among those 'Expansion', the percentages 'Expand meeting space, such as conference rooms' and 'Expand shared space for employees, such as refreshment rooms' grew and among those 'Promotion of streamlining', the percentages 'Save paper storage space, such as promotion of paperless office', 'Increase layout efficiency such as change of work desk layout', and 'Review work style such as introduction of free address and teleworking' grew (Figure 15). When firms were asked whether they viewed the costs to create this environment as an 'Investment' or a 'Cost', 41% of firms indicated it was an 'Investment' and 37% regarded it as a 'Cost', so the firms answering 'Investment' were slightly more numerous (Figure 16).

Figure 15 : Upcoming Workspace Policies

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

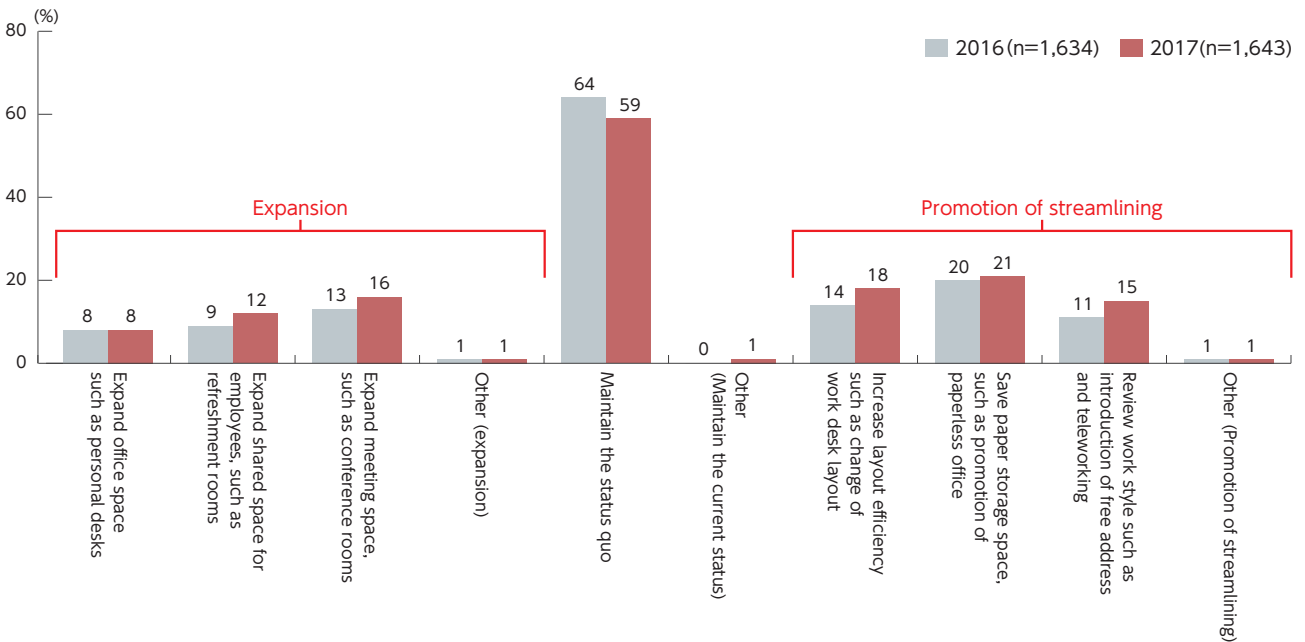


Figure 16 : Is the Amount of Money Spent on Enhancing the Office Environment an Investment or a Cost?

