

Survey of Large-Scale Office Building Market in Tokyo's 23 Cities

Supply in 2021 and 2022 will be low, and the average supply volume over the next five years is expected to be lower than the past average.

The vacancy rate in 2020 was 4.0%, representing a rise of 2.2 points from the previous survey. The change in vacancy rate was different depending on the area and the property grade, with the vacancy rate at 3.3% (up 1.5 points) in major business areas, while 2.2% (up 0.8 points) within the same areas in properties with gross office floor space of 100,000 m² or more.

General Trends in Supply

- Supply of large-scale office buildings in Tokyo's 23 cities is expected to decline in 2021 and 2022, but improve somewhat from 2023. The average supply over the next five years is expected to be lower than the past average.
- Average floor space per property rose to the highest level in 2020 since the survey began. Office buildings will continue to grow in size.
- The supply ratio in the three central cities is expected to exceed 70% annually for the next five years, surpassing the past decade average (66%). In particular, supply is rising in areas of Toranomon, Nihonbashi/Yaesu/Kyobashi, and Shinagawa.

General Trends in Demand

- The vacancy rate for large-scale office buildings in Tokyo's 23 cities was 4.0% at the end of 2020, increased by 2.2 points from the end of 2019.
- The vacancy rate for major business areas was 3.3% at the end of 2020 (up 1.5 points), but 2.2% in properties with a gross office floor area of 100,000 m² or more within the same areas (up 0.8 points), representing a difference in the change of vacancy rates depending on the area and property grade.

Note: This survey is based on information up to the end of March 2021.
It will be necessary to pay attention to the degree to which COVID-19 impacts these figures.

■ "Survey of the Large-scale Office Building Market in Tokyo's 23 Cities" Framework

Research area: Tokyo's 23 Cities

Research Subject Buildings: Office buildings with gross floor area exceeding 10,000 m² and a construction completion date of 1986 or later.

※ "supply volume" is calculated based on publicly available information, on-site and interview-based research undertaken up through the end of March 2021.

※ This is a tabulation of gross total office floor space of all large-scale office buildings completed since 1986 (including properties owned and used by the same company) but excluding floor space reserved for non-office uses such as retail, residential, hotel, etc.

1-1 General Trends in Supply Volume

- In 2021 and 2022, the supply of large-scale office buildings in Tokyo's 23 cities is expected to be low, but improve somewhat from 2023,
- Supply volume for the next five years is expected to be lower than the past average.

The average supply of large-scale office buildings in Tokyo's 23 cities over the next five years (940,000 m² per year from 2021 to 2025) is expected to be lower than the past average of 1.05 million m² per year (Figure 1). This is due to the low levels of supply predicted for 2021 (610,000 m²) and 2022 (490,000 m²), despite an improvement somewhat from 2023 (1.45 million m²).

Figure 1: Large Office Building Supply Trend in Tokyo's 23 Cities

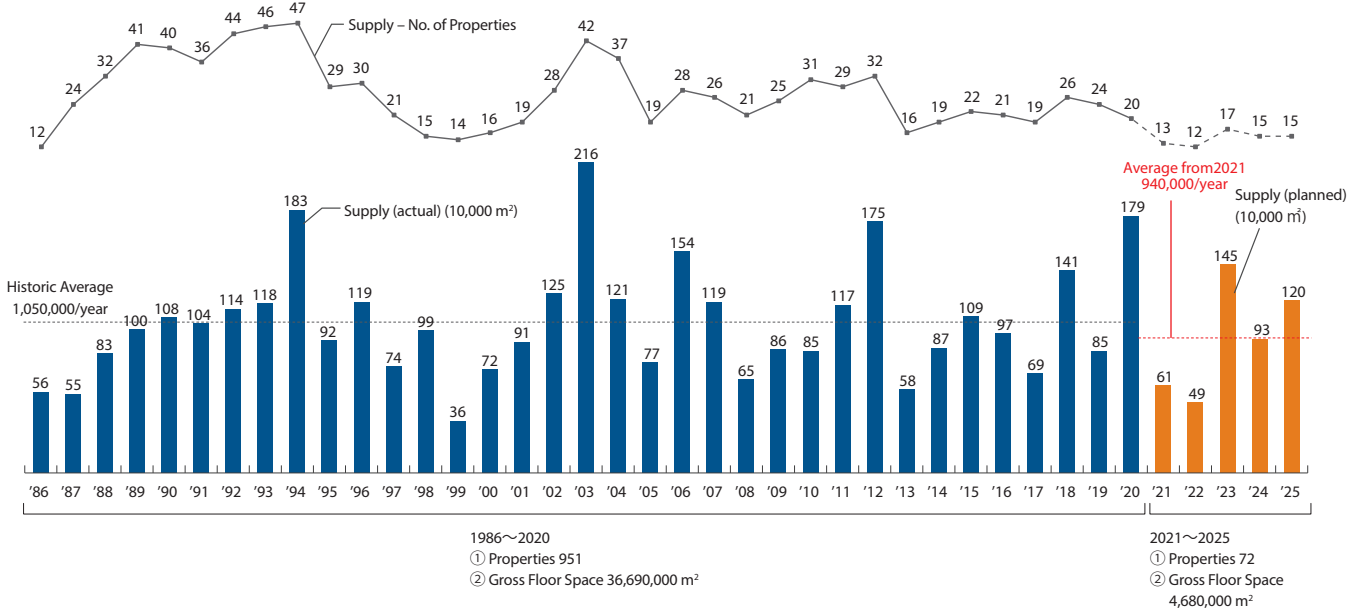
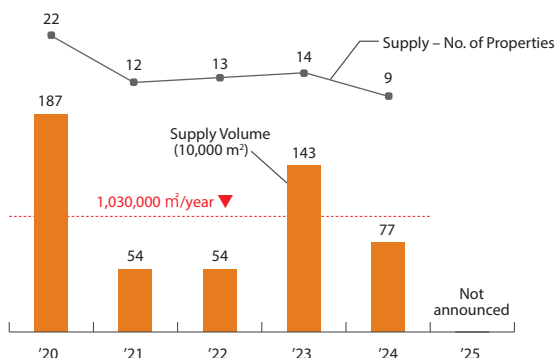


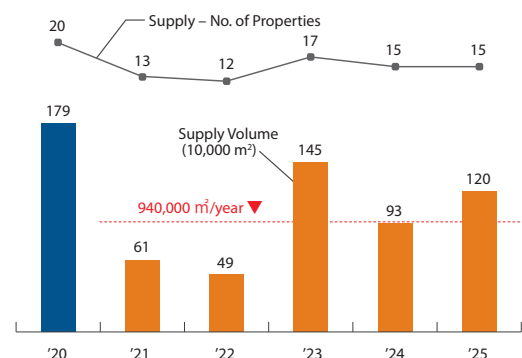
Figure 2 compares the five-year forecast for supply data from last year's survey (released May 25, 2020) and survey results from this year. Despite the emergence in the past year of plans for certain new supply as well as postponement of other new supply, there has been no significant change in future supply trends.

Figure 2: Comparison of Shifts in Large-scale Office Building Supply Volume with Previous Years

2020.4 Market Trend Survey



2021.4 Market Trend Survey



1-2 Supply Volume Trends by Office Building Scale

- Average floor space per property in 2020 was the largest since the survey began.
- Average floor space per property trends upward, and office buildings continue to grow in size.

Figure 3 shows the trend of annual average supply per property. In 2020, the average supply volume per property reached 89,000 m², the highest figure since the survey began. Around 1990, the average supply per property was 20,000 m² to 30,000 m². In recent years, however, it has become more common for the average supply per property to exceed 50,000 m². The approximation line shows a clear increase in the scale of office buildings being supplied.

Figure 3: Trend in Average Supply per Property

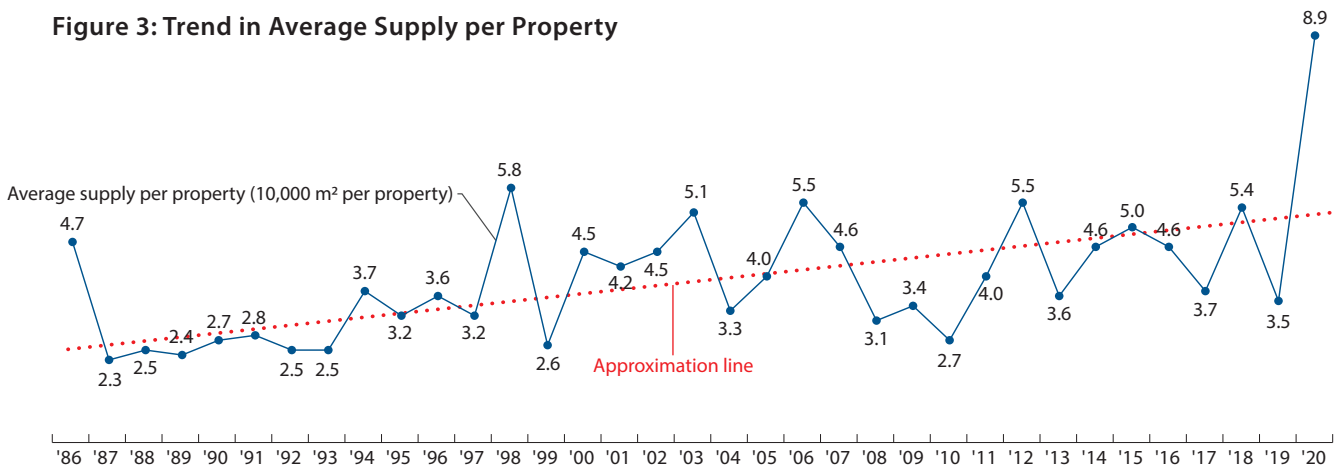
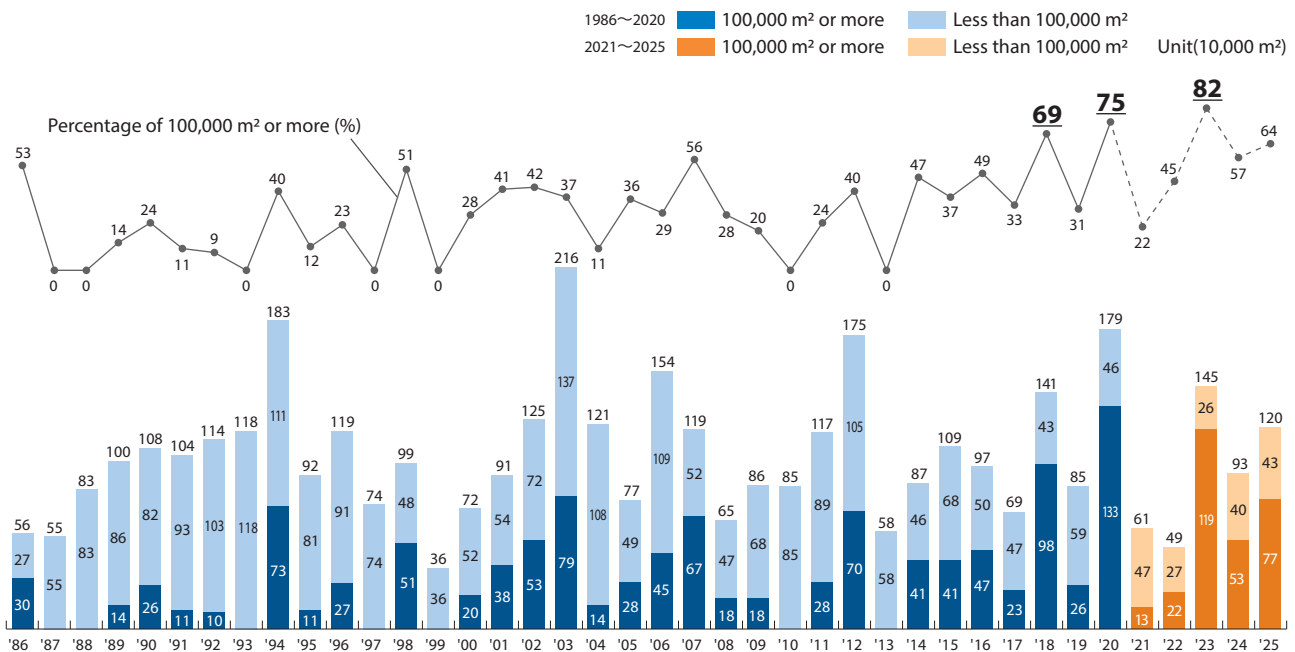


Figure 4 shows the trends in supply figures from Figure 1 into properties with gross office floor space of more or less than 100,000 m². In 2020, total supply in the category of 100,000 m² or more reached 1.33 million m², the highest figure since the survey began. The supply ratio of properties with a gross office floor space of 100,000 m² or more reached highs of 69%, respectively in 2018, which have risen to 75% in 2020 and is forecast to rise further to 82% in 2023. The proportion of such large properties is generally increasing.

Figure 4: Trend in Supply of Properties with 100,000 m² or More of Gross Office Floor Space



1-3 Supply Volume Trends by Area

- Although the supply in the three central cities from 2023 to 2025 is expected to exceed the past average, the average for the next five years is expected to be on par with the average of the past decade.
- The supply ratio to the three central cities will exceed 70% annually over the next five years.
- 75% of the supply will go to the seven major business areas in central Tokyo over the next five years.

Although the supply of large-scale office buildings in the three central cities (Chiyoda, Chuo, and Minato) from 2023 to 2025 is expected to exceed the average of the past decade (740,000 m²/year), the average over the next five years (750,000 m²/year) is expected to be on par with the past decade (Figure 5).

However, the three central cities will account for more than 70% of the annual supply ratio over the next five years, exceeding the past decade's average of 66% (Figure 6).

Figure 5: Trends in Large-scale Office Building Supply Volume by Area

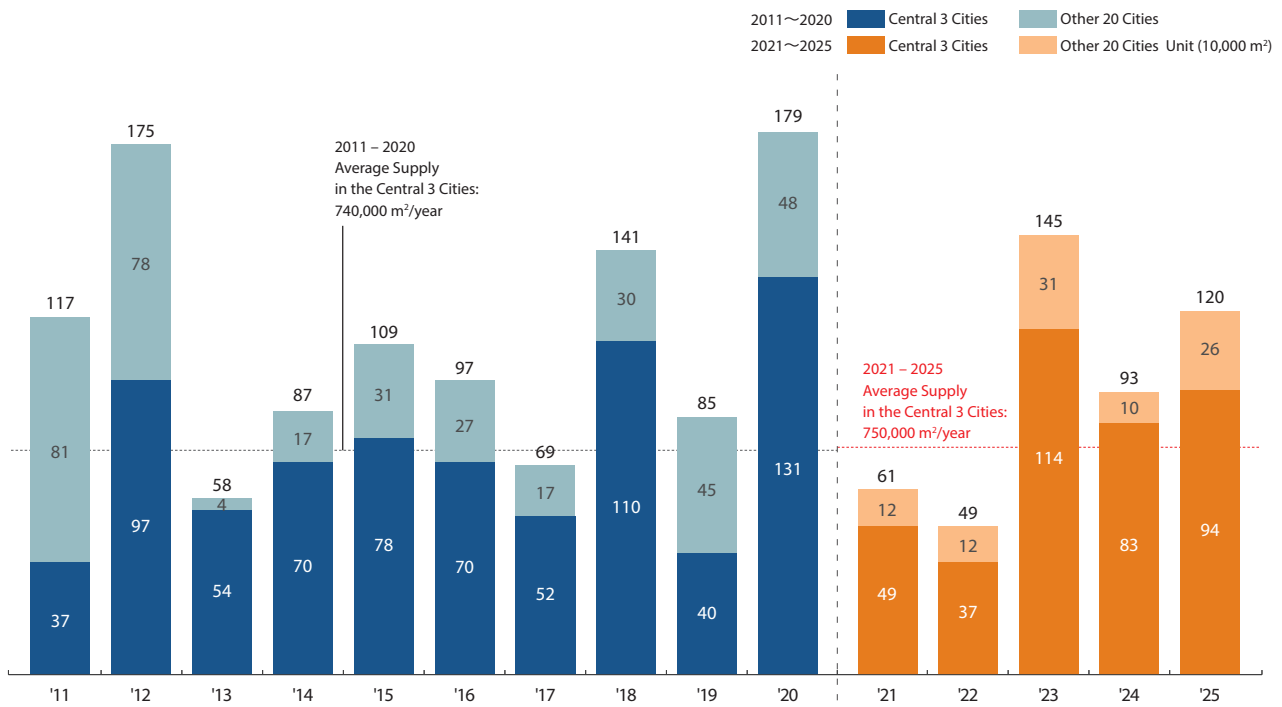


Figure 6: Large-scale Office Building Supply Volume Share by Area

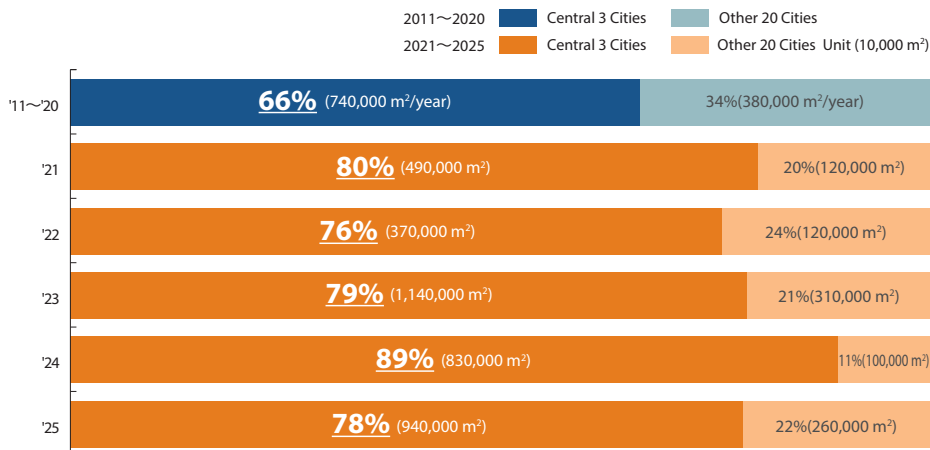


Figure 7 shows the seven major business areas which Mori Building pays attention to. Figure 8 gives the amount of supply and the ratio of total supply for each area for the five-year period of 2021–2025. The five-year total supply in Tokyo's 23 cities is expected to reach 4.68 million m², of which the top seven areas will account for 3.53 million m², or 75% of total. The largest volume supplied is in the Toranomon area (890,000 m², 19%), where large-scale development projects are underway around Toranomon Hills Station, comprising offices residences, hotels, and commercial properties.

Figure 9 is a comparison of supply by area in 2016–2020 and 2021–2025. The supply in areas such as Toranomon(from 570,000 m² up to 890,000 m²), Nihonbashi/Yaesu/Kyobashi (from 540,000 m² up to 820,000 m²), and Shinagawa (from 20,000 m² to 360,000 m²) etc. is expected to increase. In these areas, large-scale and multifunctional urban developments are in progress with transportation hubs, such as stations and large bus terminals, as well as with diverse urban functions, including offices, residences, hotels, and commercial facilities. The competitive power of these areas is expected to be further advanced, owing to the traffic convenience and accumulation of large-scale, multifunctional developments.

Figure 7: Major Business Areas of Focus



Figure 8: Supply Share by Major Business Areas for the Years 2021 – 2025

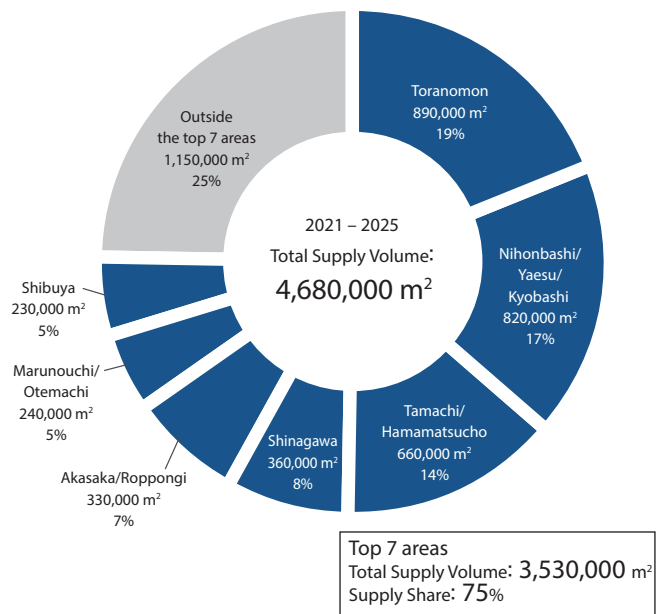
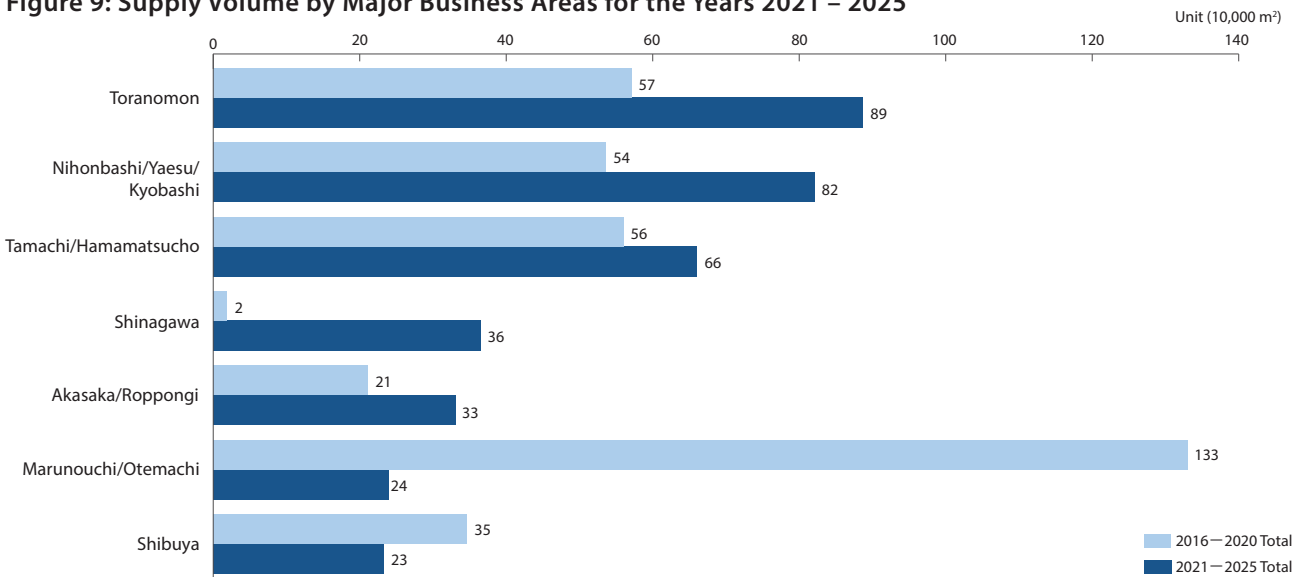


Figure 9: Supply Volume by Major Business Areas for the Years 2021 – 2025



2 Absorption Capacity and Vacancy Rate

- The vacancy rate in Tokyo's 23 cities at the end of 2020 was 4.0%, increasing by 2.2 points from the end of 2019.
- The vacancy rate for the major business areas at the end of 2020 was 3.3% (up 1.5%), but the vacancy rate within the same areas for properties with gross office space of 100,000 m² or more was 2.2% (up 0.8%), showing differences in vacancy rates depending on the area and property grade.

In 2020, the vacancy rate of Tokyo's 23 cities increased from 1.8% to 4.0%, reflecting the fact that the absorption capacity of 960,000 m² was below the supply volume of 1.79 million m² (Figure 10). The figure rose 1.5 points (1.8%→3.3%) in the aforementioned major business areas, but rose only 0.8 points (1.4%→2.2%) for properties with gross office floor areas of 100,000 m² or more in the same area, indicating a difference in the change in vacancy rates depending on the geographic area and property grade (Figure 11). Looking at the details of the absorption capacity in 2020, while the supply of newly built properties was almost fully absorbed, existing properties were subject to cancellations as tenants relocating to newly built properties, etc., created vacancies that required time to be reoccupied. This tendency is especially pronounced in areas other than the major business areas (Figure 12).

Figure 10: Supply Volume, New Demand (Absorption Capacity) and Vacancy Rate (Tokyo's 23 Cities)

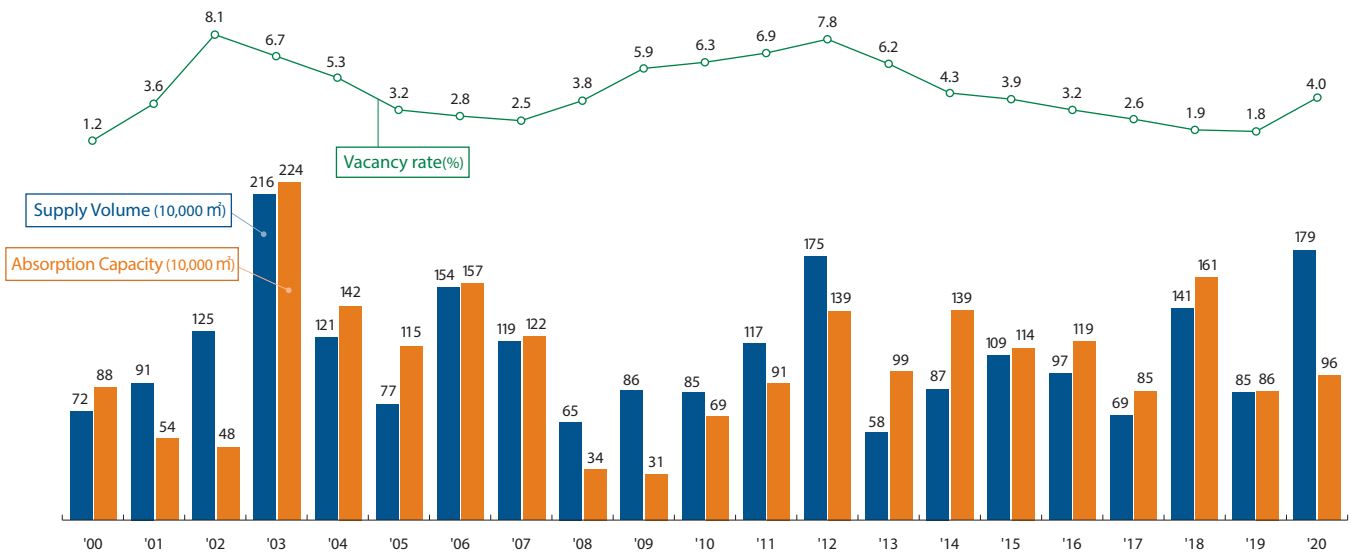


Figure 11: Supply Volume, New Demand (Absorption Capacity), and Vacancy Rate (Major Business Areas / Other Areas)

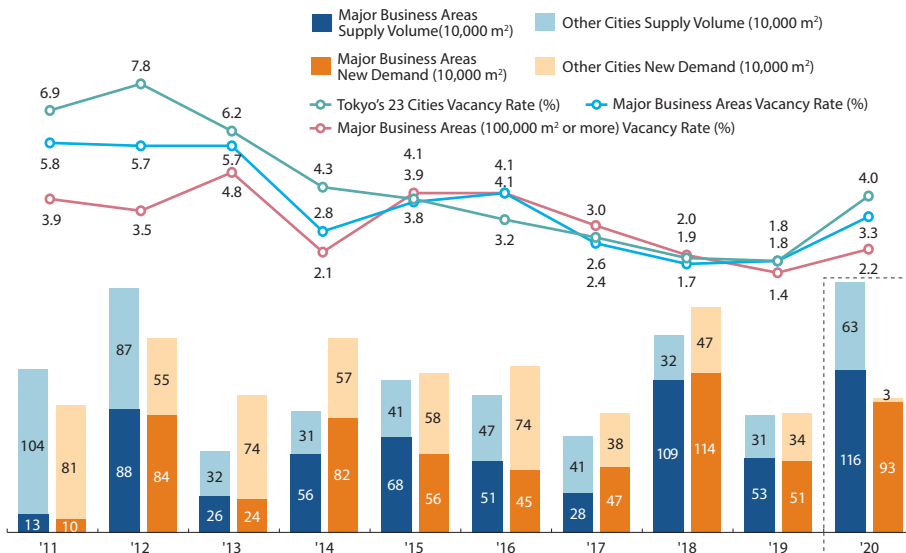
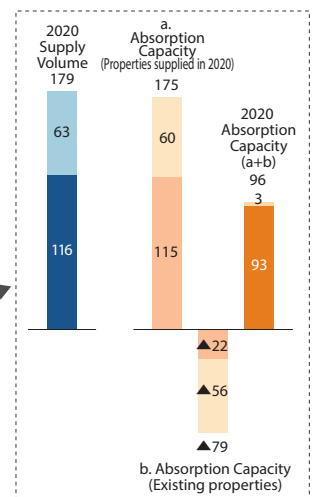


Figure 12: Breakdown of 2020 Supply Volume and Absorption Capacity

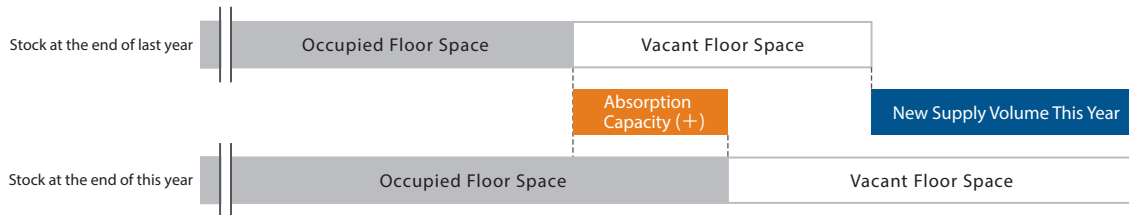


Concept of absorption capacity

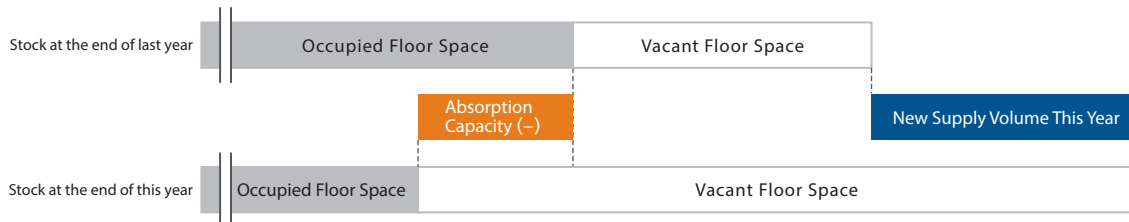
As shown in Figure 13, absorption capacity is calculated as newly occupied floor space for the current year [(vacant floor space at end of previous year) + (newly supplied floor space) – (vacant floor space at end of current year)] for large-scale office buildings (over 10,000 m² and completed since 1986).

Figure 13: Concept of New Demand (Absorption Capacity)

(1) When absorption capacity is positive



(2) When absorption capacity is negative



※Total Floor Space (gross) is calculated by dividing the effective leasable space ratio for a typical large-scale office building (65.5%) to the leasable floor space (net).

Major Large-Scale Office Buildings to be Completed in the Future (includes some completed projects)

Name of Project (Name of Building)	Floor Area		Lead Project Developer(s)	Location
	(m ²)	(Tsubo)		
2021				
Tohan New Head Office Building	11,400	3,449	Tohan	Higashigokencho, Shinjuku City
Marubeni New Head Office Building	80,100	24,230	Marubeni	Otemachi, Chiyoda City
MEBKS TOYOSU	88,000	26,620	Shimizu Corporation	Toyosu, Koto City
World Trade Center Building, South Tower	95,200	28,798	World Trade Center Building, Kajima Corporation, Tokyo Monorail, East Japan Railway Company	Hamamatsucho, Minato City
Sumitomo Fudosan Ochanomizu Building	12,800	3,872	Sumitomo Realty & Development	Yushima, Bunkyo City
Fukuda Denshi Hongo Office New Construction	13,700	4,144	Fukuda Denshi	Hongo, Bunkyo City
Sumitomo Fudosan Tamachi Building, East Tower	12,800	3,872	Sumitomo Realty & Development	Shibaura, Minato City
TOKYO TORCH Tokiwabashi Tower	146,000	44,165	Mitsubishi Estate	Otemachi, Chiyoda City
Hibiya Fort Tower	105,600	31,944	Redevelopment Association (Mitsui & Co. Real Estate)	Nishi-shimbashi, Minato City
KABUTO ONE	39,200	11,858	Heiwa Real Estate, Yamatane Real Estate, Chibagin Securities	Nihonbashi Kabutocho, Chuo City
Nippon Express New Head Office Building	42,600	12,887	Nippon Express	Kanda Izumicho, Chiyoda City
Sumitomo Fudosan Kanda Izumicho Building	10,000	3,025	Sumitomo Realty & Development	Kanda Izumicho, Chiyoda City
Nihonbashi Sanchoe Square	14,100	4,265	Toshin Development	Nihonbashi, Chiyoda City
2022				
Sumitomo Fudosan East Osaki Project	47,500	14,369	Sumitomo Realty & Development	Kitashinagawa, Shinagawa City
Toranomon 2-chome Plan District B	26,200	7,926	Oriental Maritime Industry	Toranomon, Minato City
TOKYO TORCH Tower D	30,000	9,075	Mitsubishi Estate	Otemachi, Chiyoda City
Kyodo Printing New Head Office Building	33,100	10,013	Kyodo Printing	Koishikawa, Bunkyo City
MEGURO MARC Office Tower	38,700	11,707	JR East Building	Nishigotanda, Shinagawa City
Kanden Realty & Development, Yaesu Building	13,500	4,084	Kanden Realty & Development	Kyobashi, Chuo City
Konan 2-chome Project	16,300	4,931	Obayashi-Shinseiwa Real Estate	Konan, Minato City
Kudanminami 1-chome Project	67,800	20,510	Nove Grande (Tokyu Land Corporation, Kajima Corporation)	Kudanminami, Chiyoda City
Yanmar Tokyo Building	21,800	6,595	Seirei Kosan	Yaesu, Chuo City
Tokyo Midtown Yaesu	289,800	87,665	Redevelopment Association (Mitsui Fudosan)	Yaesu, Chuo City
2023				
Tokyo Mita Redevelopment Project	200,500	60,651	Redevelopment Association (Sumitomo Realty & Development)	Mita, Minato City
TCG Building, New Construction	16,500	4,991	Takamatsu Construction Group	Shiba, Minato City
Toranomon-Azabudai Project	861,500	260,604	Redevelopment Association (Mori Building)	Azabudai, Minato City
Kuramae 1-chome Development Project, Office Tower	29,500	8,924	Japan Post Real Estate	Kuramae, Taito City
Dogenzaka 1-chome Development Plan	42,000	12,705	Pan-Pacific International Holdings	Dogenzaka, Shibuya City
Toho Twin Tower Building (Reconstruction)	16,700	5,052	Toho	Yurakucho, Chiyoda City
TTM Project	112,200	33,941	Tamachi Building, Tokuei Shoji, Mitsubishi Heavy Industries	Shiba, Minato City
Sompo Japan Kasumigaseki Building	24,800	7,502	Sompo Japan Insurance	Kasumigaseki, Chiyoda City
Toranomon 1-chome, 2-chome Area Redevelopment	255,300	77,228	Redevelopment Association (Mori Building)	Toranomon, Minato City
FUJISOFT Shiodome Building, Tower A	20,300	6,141	FUJISOFT	Higashi-shimbashi, Minato City
Toranomon 2-chome Planning, Business Tower	180,700	54,662	Urban Renaissance Agency, Nippon Steel Kowa Real Estate, etc.	Toranomon, Minato City
Shibuya Station Sakuragaoka-guchi Area Redevelopment Block A	184,800	55,902	Redevelopment Association (Tokyu Land Corporation)	Sakuragaoka-cho, Shibuya City
Shibuya Station Sakuragaoka-guchi Area Redevelopment Block B	69,200	20,933	Redevelopment Association (Tokyu Land Corporation)	Sakuragaoka-cho, Shibuya City
Gotanda Plan	69,200	20,933	Japan Post Real Estate	Nishi-gotanda, Shinagawa City
POLA Aoyama Building New Construction Plan	17,200	5,203	P.O. Real Estate	Minami-aoyama, Minato City

Name of Project (Name of Building)	Floor Area		Lead Project Developer(s)	Location
	(m ²)	(Tsubo)		
2024				
Shimbashi 4-chome Plan	25,800	7,805	Yasuda Real Estate	Shimbashi, Minato City
Seiho Building (Reconstruction)	17,600	5,324	Seiho Building, Urban Renaissance Agency	Kita-aoyama, Minato City
Nakano 2-chome Area Redevelopment	99,000	29,948	Redevelopment Association (Sumitomo Realty & Development)	Nakano, Nakano City
Shibuya 2-chome Area 17 Redevelopment	44,600	13,492	Redevelopment Association (Tokyu)	Shibuya, Shibuya City
New TODA Building	101,500	30,704	Toda Corporation	Kyobashi, Chuo City
Akasaka 2-chome Project	220,000	66,550	Mori Trust, NTT Urban Development Corporation	Akasaka, Minato City
Tokyo Waterfront City Ariake South, Section H	44,200	13,371	TV Asashi Corporation	Ariake, Koto City
Shinagawa Development Project (Phase I) Block 3	211,000	63,828	East Japan Railway Company	Konan, Minato City
Shinagawa Development Project (Phase I) Block 4	460,000	139,150	East Japan Railway Company	Konan, Minato City
2025				
Tokyo Waterfront City Ariake South, Section G1	52,000	15,730	Konami Holdings, etc.	Ariake, Koto City
Yaesu 1-chome East Area Redevelopment Area B	225,200	68,123	Redevelopment Association (Tokyo Tatemono)	Yaesu, Chuo City
Nishi-Shinjuku 1-chome Project	97,000	29,343	Meiji Yasuda Life Insurance Company	Nishi-shinjuku, Shinjuku City
Uchikanda 1-chome Plan	84,500	25,561	Mitsubishi Estate	Uchikanda, Chiyoda City
Nihonbashi-honcho 1-chome Plan	26,000	7,865	Mitsui Fudosan	Nihonbashi-honcho, Chuo City

* The supply volume figure provided by Mori Building is calculated from the actual office floor area, and does not agree with the total floor area figures shown in this chart (which includes retail and residence floor areas)

* Projects that are have only been published for the supply financial year are recorded, in principal, as supply for the end of the financial year.

* In the column "Lead Project Developer(s)", the companies and organization in brackets () are major enterprises that are participating as an association member, investor in the special purpose company (S.P.C.), specified constructor, partner or joint venture party.