

## 2023 Survey of Office Needs in Tokyo's Core 23 Cities

December 14, 2023

- Companies that plan to lease expanded floor space continued to increase, and more companies cited reasons such as seeking better locations or higher-grade facilities, indicating that needs for expanded office space continue to be fueled by positive reasons.
- As employees increasingly return to offices, more companies are recognizing that the functions and roles of headquarters can significantly "Improve employee engagement" and "Improve employee wellbeing."
- More than half of the responding companies view expenditures to improve office environments as an investment rather than a cost, and an increasing number cited "Improve internal communication" and "Improve employee engagement" as the objectives of such investment.

### 1. Plans to Lease New Office Space

- Companies with plans to lease new office space increased 3 percentage points from the previous survey to 27%.
- Companies that "plan to expand" their leased office space continued to increase, while fewer companies "plan to reduce" their leased space. Among those that plan to rent new space, 55% "plan to expand."
- About 50% of the companies expecting to lease new office space plan to do so within two years.

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

- Moving to a "Better location" ranked first and "Higher grade facilities" ranked second, both increasing from last year. Seeking "Lower rent/lower-priced building," which was No. 1 in the previous survey, was tied for second this year.
- Also rising from before were "Better location," "Higher grade facilities," "Anti-seismic designing," "Superior security," "Acquire talented employees" and "Expand business/accommodate more employees," indicating that more companies are positioning new office leases for future growth.
- Among firms with 300 or more employees, "More space per floor" and "Workplace changes due to new workstyles" were tied for first, suggesting that larger companies are seeking office environments where employees can gather together for increased communication.

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

- Respondents continue to focus on major business areas where large redevelopments are concentrated, such as Nihonbashi, Marunouchi, Otemachi, and Toranomon.
- Increases were seen among those citing Toranomon and Yaesu, where large redevelopments have been completed/opened recently, and Marunouchi and Roppongi, where a variety of urban functions are concentrated.

### 4. 2023 rent revisions

- 4% of firms' rents were revised within the last year.
- The ratio of firms that saw their rents upwardly revised was 66%.

### 5. Employees working in offices

- Employees commuting to offices averaged 76%, up 7 percentage points from the previous survey. The percentage of firms with an employee attendance rate of 80% or higher increased to 59%, up 10 points from the previous survey, indicating that employees are continuing to return to offices.
- Going forward, office attendance and the ratio of desks are not expected to change significantly.

### 6. Significance, functions and roles of headquarters

- The most frequently cited functions and roles of headquarters were "Desks, OA equipment, digital communication environment" and "Information security," followed by "Improve employee engagement," "Casual encounters and communication," and "Active discussion and generation of ideas." Both "Improve employee engagement" and "Improve employee wellbeing" increased from last year.
- For companies with 300 or more employees, the top three responses were "Improve employee engagement," "Cross-functional and casual encounters and communication" and "Active discussion and generation of ideas." In addition, "Induce employee creativity," "Strengthen recruiting and retention" and "Improve employee wellbeing" were cited much more often by these firms compared to all respondents, indicating an increasing emphasis on the impact of offices on employees.

### 7. Upgrading office environments and introducing new systems and facilities

- More than half of all companies, and about 70% of those with 300 or more employees, indicated that expenditures on office environments were a necessary "investment." This is the highest figure since the question was first asked in 2014.
- Regarding the objectives of upgrading office environments, the response rates for the top two objectives, "Improve internal communication" and "Improve employee engagement," both increased from last year.
- Among companies with 300 or more employees, roughly 60% answered "Improve internal communication and collaboration" and "Improve employee engagement." Also, about 40% cited "Improve employee wellbeing."
- For the third consecutive year, the percentage of companies that adopted work-from-home declined, while companies that installed new office facilities increased at a slower pace. The pace of improving environments and enhancing both office and remote-work functions, which progressed steadily during the pandemic, is now slowing.

### ■ Survey Framework

Survey questionnaire forms were mailed to companies that are headquartered in the 23 cities and are ranked in the top 10,000 in capitalization.

- Survey targets : 9,859 companies (excluding our tenants)
- Reference rate : 18.7% (1,843 firms)
- Research period : September 19–October 16, 2023

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

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# 1 Plans to Lease New Office Space

- Companies with plans to lease new office space increased 3 percentage points from the previous survey to 27%.
- Companies that "plan to expand" their leased office space continued to increase, while fewer companies "plan to reduce" their leased space. Among those that plan to rent new space, 55% "plan to expand."
- About 50% of the companies expecting to lease new office space plan to do so within two years.

The percentage of firms with plans to lease new office space was 27%, up 3 percentage points from the previous survey (Figure 1). Of these, those that "plan to expand," rose to 15%, continuing an increasing trend since 2020. Firms that "plan to reduce" remained unchanged from the previous survey at 7% (Figure 2). The breakdown of companies planning to lease new office space shows that 55% "plan to expand," 20% plan "no change" and 25% "plan to reduce" (Figure 3). As for the timing of new leases, 28% answered "within one year" and 21% answered "within two years," indicating that about half (49%) plan to lease new office space within two years (Figure 4), as in the previous survey.

Figure 1: Future Plans to Lease New Office Space

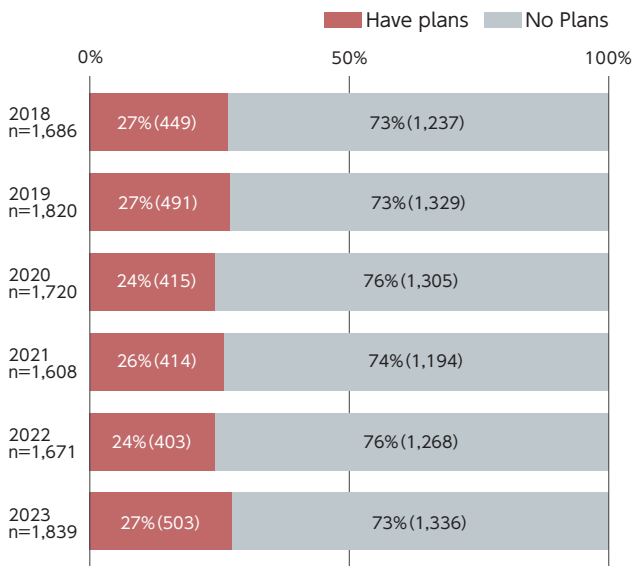


Figure 2: Plans for Expansion vs. Reduction of Space (over time)

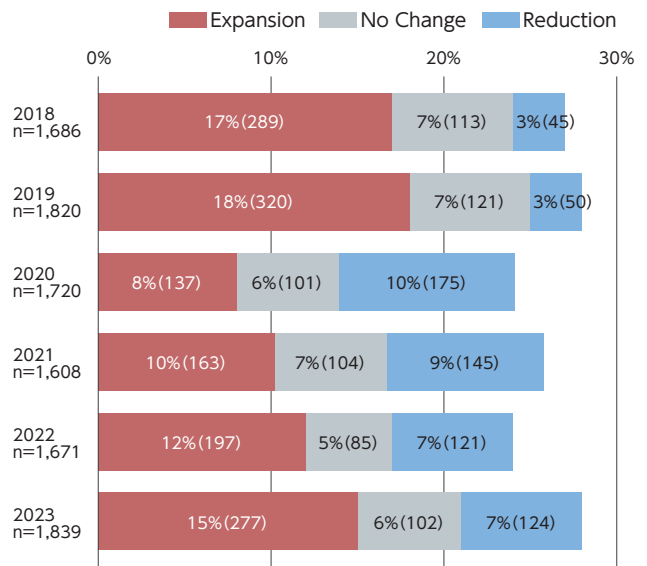


Figure 3: Plans for Expansion vs. Reduction of Space (single year)

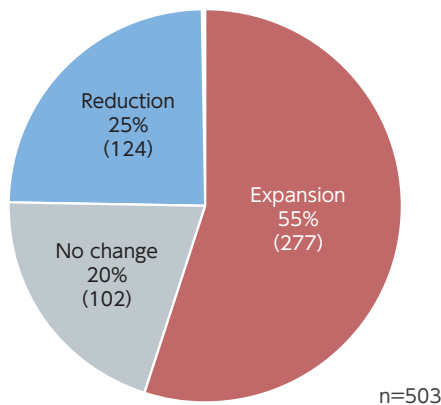
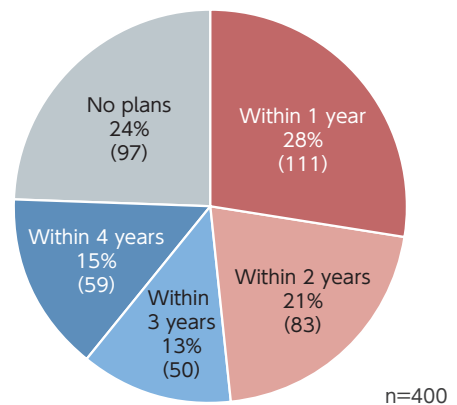


Figure 4: Timing of Planned Lease of New Office Space



## 2 Reasons for Planning to Lease New Office Space

- Moving to a "Better location" ranked first and "Higher grade facilities" ranked second, both increasing from last year. Seeking "Lower rent/lower-priced building," which was No. 1 in the previous survey, was tied for second this year.
- Also rising from before were "Better location," "Higher grade facilities," "Anti-seismic designing," "Superior security," "Acquire talented employees" and "Expand business/accommodate more employees," indicating that more companies are positioning new office leases for future growth.
- Among firms with 300 or more employees, "More space per floor" and "Workplace changes due to new workstyles" were tied for first, suggesting that larger companies are seeking office environments where employees can gather together for increased communication.

When companies that plan to lease new office space were asked about their reasons, "Better location" rose from 2021–2023 (26%→29%→33%) to become the top reply, followed by "Higher grade facilities" (18%→24%→27%) (Figure 5). "Lower rent/lower priced building," which ranked first in the previous survey, was tied for second (29%→29%→27%). Also increasing this year were "Anti-seismic designing" (20%→23%→24%), "Superior security" (19%→22%→23%), "Acquire talented employees" (13%→16%→22%) and "Expand business/ accommodate more employees" (16%→20%→21%), suggesting that more companies want to rent new office space to for a better location and/or building grade in anticipation of future growth. In addition, for companies with 300 or more employees, "More space per floor" and "Workplace changes due to new workstyles" tied for first at 47%, suggesting that as workstyles change, larger companies are seeking office environments where employees can gather together for enhanced workforce communication (Figure 6).

Figure 5: Reasons for Planning to Lease New Office Space (compared to last two surveys)

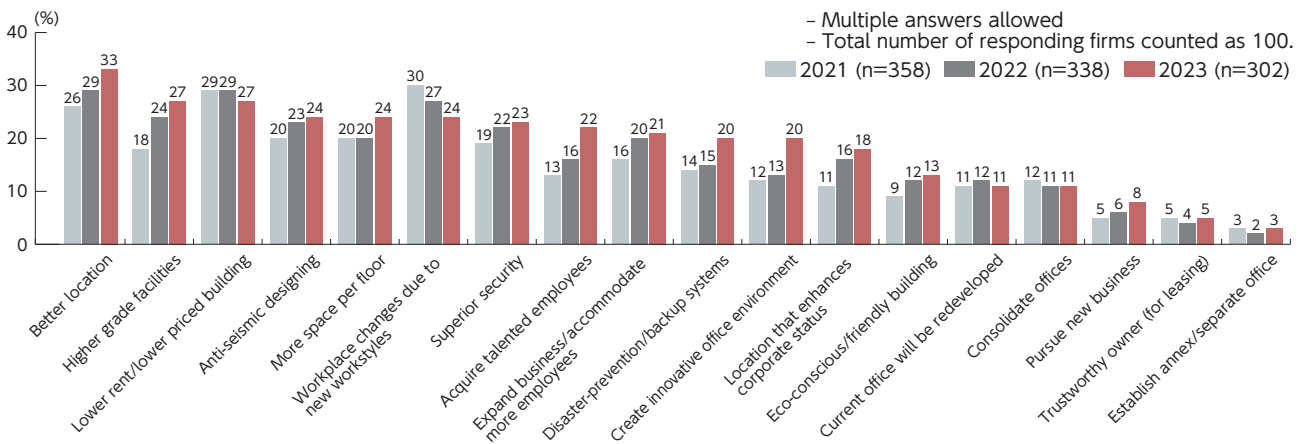
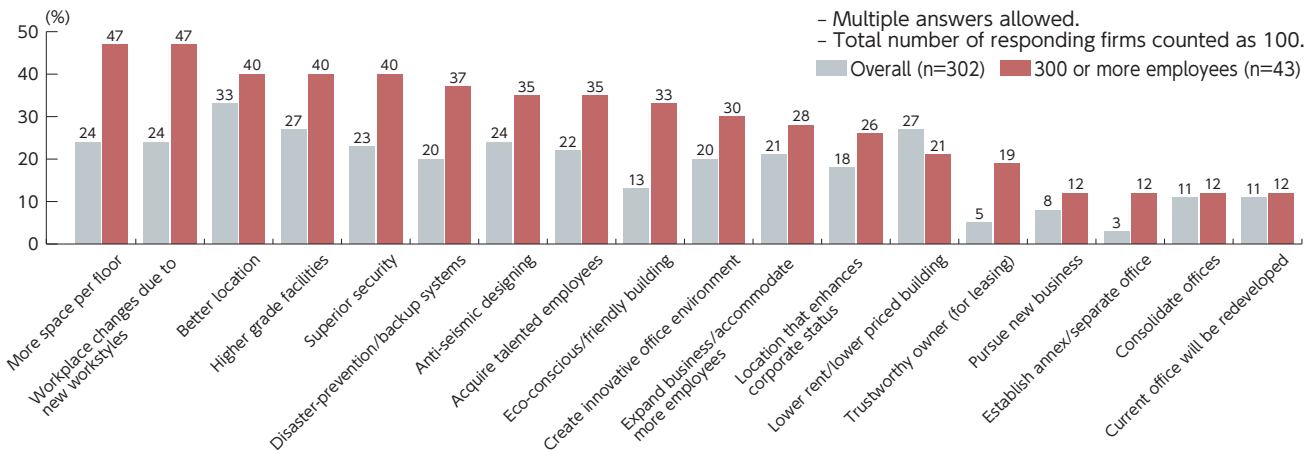


Figure 6: Reasons for Planning to Lease New Office Space (companies with 300 or more employees)



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

- Respondents continue to focus on major business areas where large redevelopments are concentrated, such as Nihonbashi, Marunouchi, Otemachi, and Toranomon.
- Increases were seen among those citing Toranomon and Yaesu, where large redevelopments have been completed/opened recently, and Marunouchi and Roppongi, where a variety of urban functions are concentrated.

Looking at the three-year (2021–2023) average for responses regarding "desired areas" where companies wish to lease new office space, the most popular areas are those where large redevelopments are concentrated, such as Nihonbashi (19%), Marunouchi (16%), Otemachi (16%), Shimbashi (13%), and Toranomon (12%). The popularity of these areas reflects expected improvements in transportation convenience due to the construction of stations, roads and other infrastructure as well as the expected attractiveness of mixed-use developments that bring work, residence and recreation into close proximity (Figure 7). According to Mori Building's "2023 Survey of Office Needs in Tokyo's Core 23 Cities," Tokyo's forecasted total supply of large office buildings (4.65 million m<sup>2</sup>) from 2023–2027 will be largely concentrated in areas including Toranomon, Tamachi/Hamamatsucho, Nihonbashi/Yaesu/Kyobashi, Shinagawa, Shibuya, Akasaka/Roppongi, and Marunouchi/Otemachi. These same seven areas roughly overlap with the most "Desired Areas for Planned Lease of New Office Space" (Figure 8). Over the last three years combined, for example, increases we seen among companies that cited "Toranomon" or "Yaesu," where large redevelopments have been completed/opened, and "Marunouchi" and "Roppongi," where various urban functions are concentrated (Figure 9).

Figure 7: Desired Areas for Planned Lease of New Office Space (shift in three-year average)

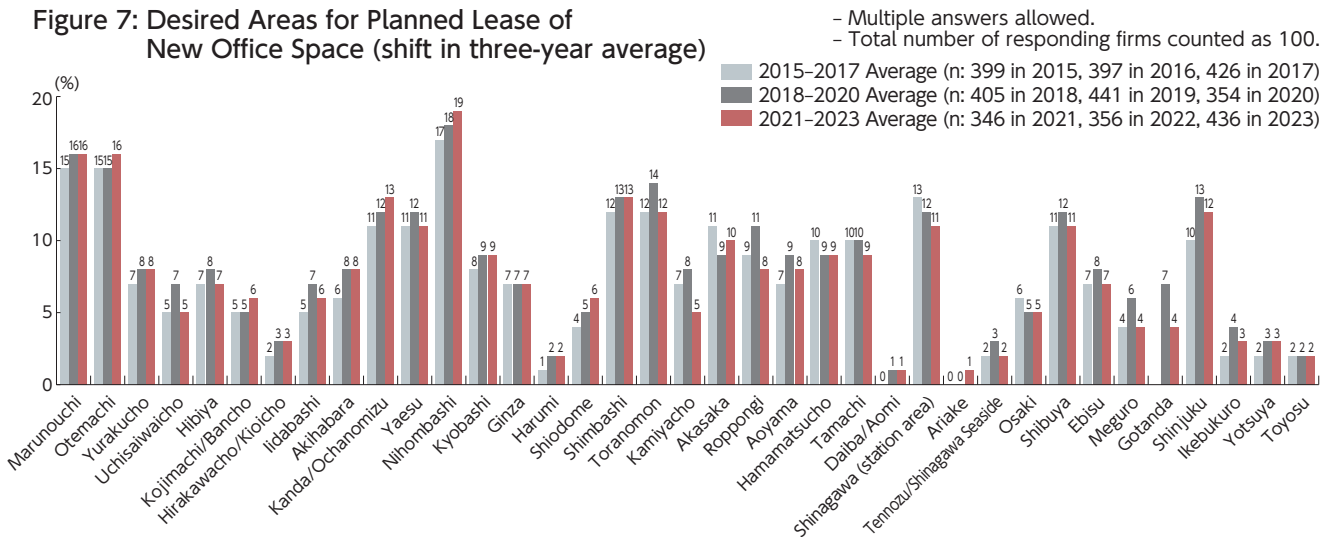


Figure 8: Projected Supply in Major Business Areas (2023–2027)

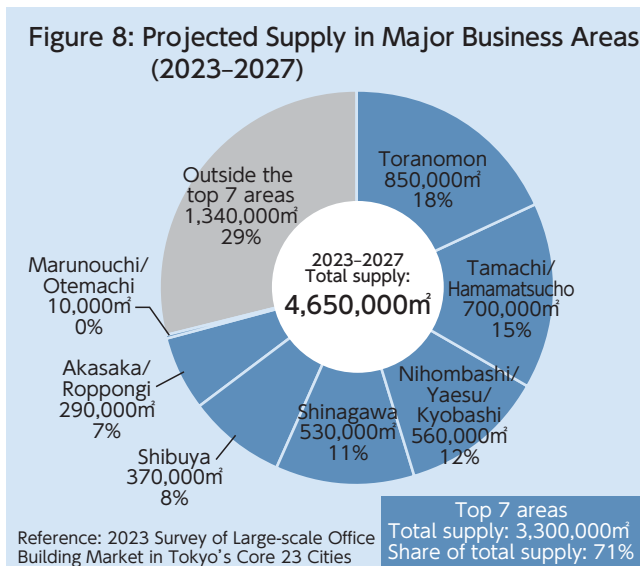
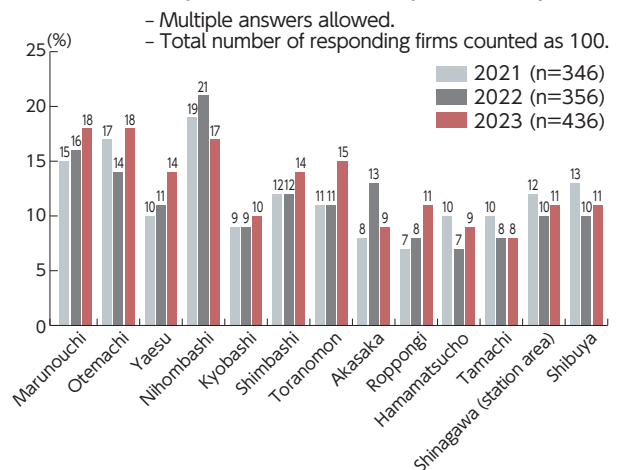


Figure 9: Top 10 Desired Areas for Planned Lease of New Office Space (major business areas, past three years)



## 4 2023 Rent Revisions

- 14% of firms' rents were revised within the last year.
- The ratio of firms that saw their rents upwardly revised was 66%.

With regard to changes in rents in the past year, 14% of firms incurred rent revisions and 4% responded that their rents were currently under negotiation (Figure 10). Of these firms, 66% saw, or expected to see, their rents increase (Figure 11).

Figure 10: Rent Revisions in Past Year

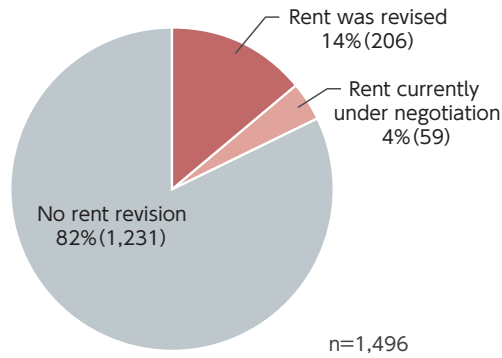
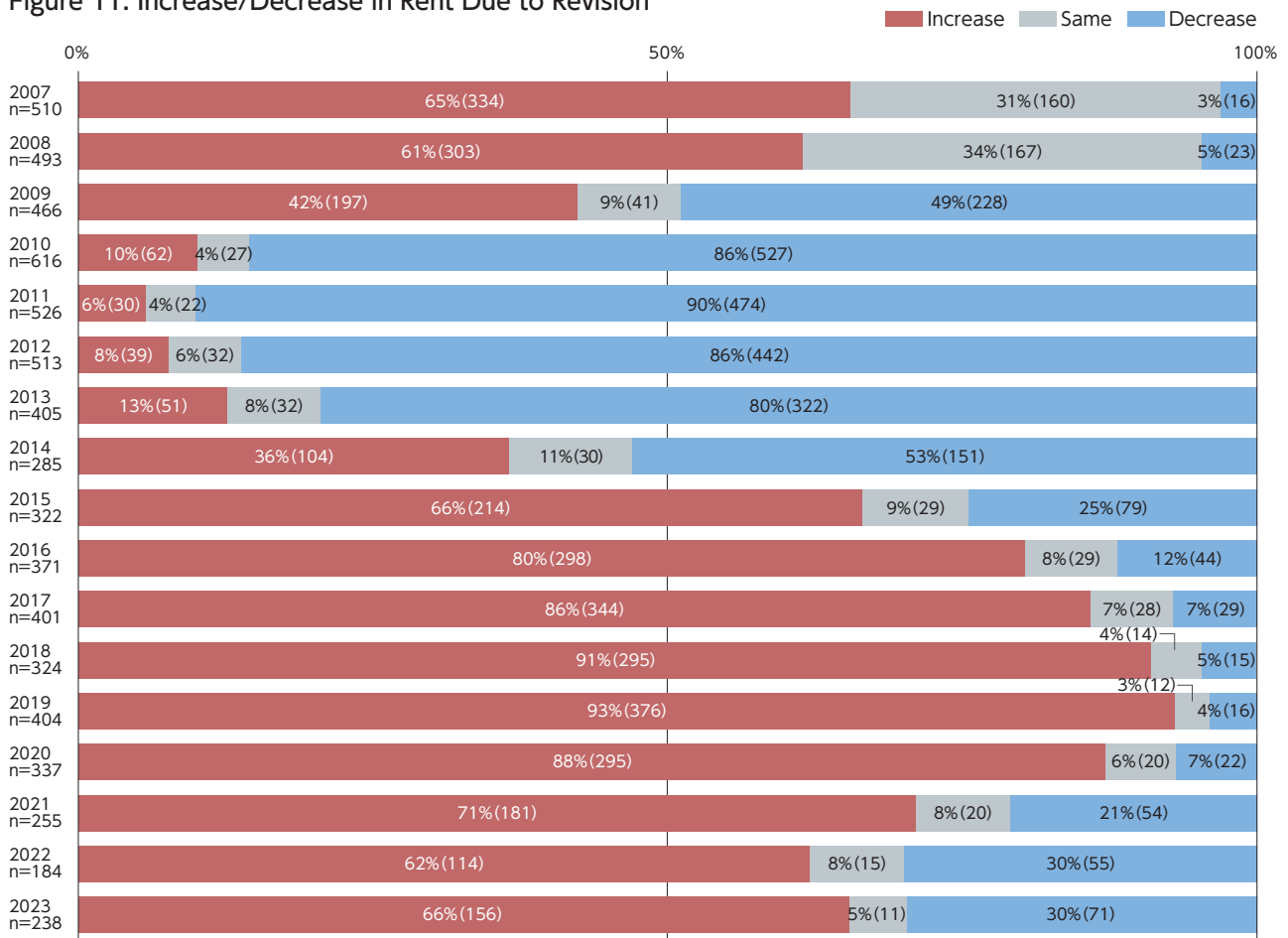


Figure 11: Increase/Decrease in Rent Due to Revision



## 5 Employees Working in Offices

- Employees commuting to offices averaged 76%, up 7 percentage points from the previous survey. The percentage of firms with an employee attendance rate of 80% or higher increased to 59%, up 10 points from the previous survey, indicating that employees are continuing to return to offices.
- Going forward, office attendance and the ratio of desks are not expected to change significantly.

The ratio of employees working in offices averaged 76% and companies reporting "80% or more" totaled 59%, compared to 69% and 49% respectively last year, indicating a continuing return to offices (Figure 12). Forecasts of office attendance going forward averaged 77%, and 61% of respondents expected a rate of "80% or more," roughly the same as levels during the survey (Figure 12).

Regarding the ratio of individual desks to employees, 82% of companies had installed desks for more than 80% of employees by the time of the survey and 79% expected to do so in the foreseeable future, again indicating expectations of little change going forward (Figure 13).

Figure 12: Ratio of Employees Working in Offices Currently

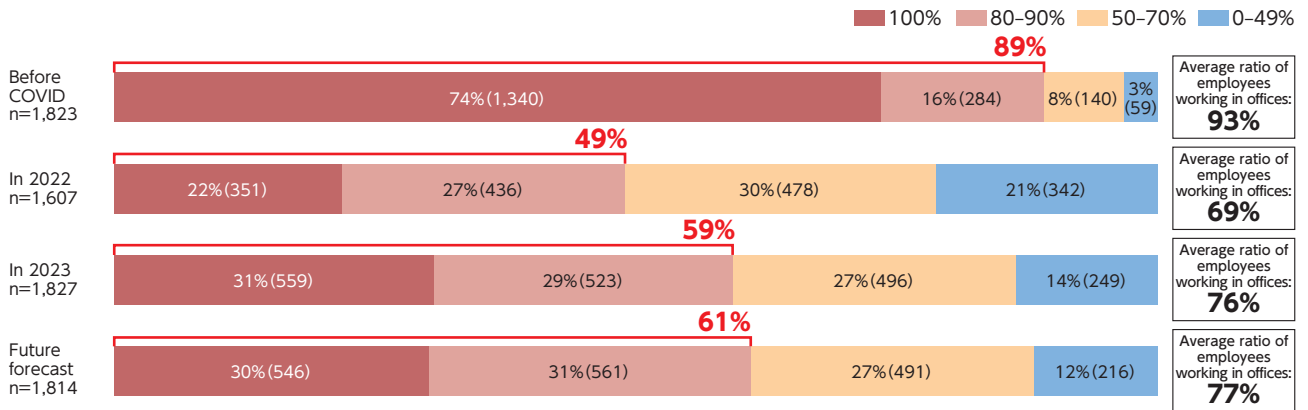
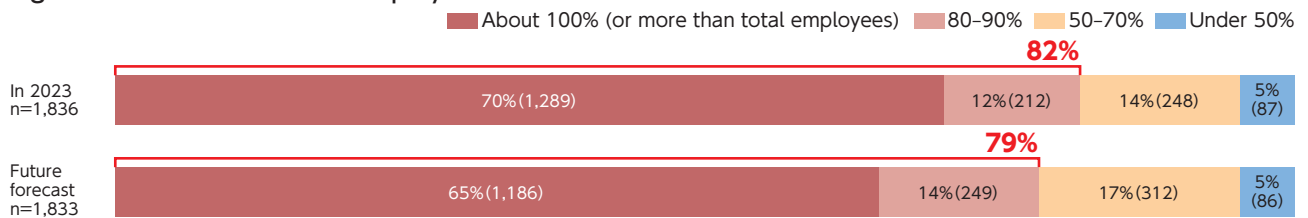


Figure 13: Ratio of Desks to Employees



## 6 Significance, Functions and Roles of Headquarters

- The most frequently cited functions and roles of headquarters were "Desks, OA equipment, digital communication environment" and "Information security," followed by "Improve employee engagement," "Casual encounters and communication," and "Active discussion and generation of ideas." Both "Improve employee engagement" and "Improve employee wellbeing" increased from last year.
- For companies with 300 or more employees, the top three responses were "Improve employee engagement," "Cross-functional and casual encounters and communication" and "Active discussion and generation of ideas." In addition, "Induce employee creativity," "Strengthen recruiting and retention" and "Improve employee wellbeing" were cited much more often by these firms compared to all respondents, indicating an increasing emphasis on the impact of offices on employees.

The most commonly cited functions and roles of headquarters were "Comfortable work environment with desks," "OA equipment and digital communications" (51%) and "Information security" (46%), followed by "Improve employee engagement" (45%), "Cross-divisional and casual encounters and communication" (40%) and "Active discussion and generation of ideas" (38%), similar to the previous survey (Figure 14). Responses that increased noticeably since the previous survey included "Improve employee engagement" (from 40% to 45%) and "Improve employee wellbeing" (from 19% to 24%).

For companies with 300 or more employees, the top three responses were "Improve employee engagement (67%)," "Cross-functional and casual encounters and communication (64%)" and "Active discussion and generation of ideas (56%)" (Figure 15). In addition, "Induce employee creativity (44%)," "Strengthen recruiting and retention (35%)" and "Improve employee wellbeing (34%)" were cited much more frequently by large firms than the overall average, indicating an increasing emphasis on the impact of offices on employees.

Figure 14: Significance, Functions and Roles of Headquarters

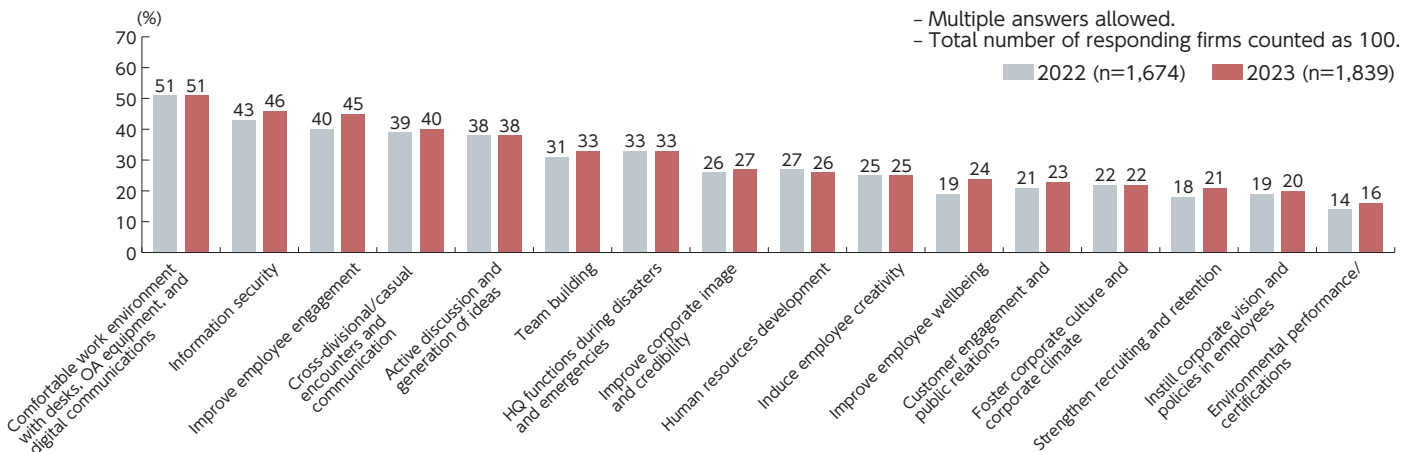
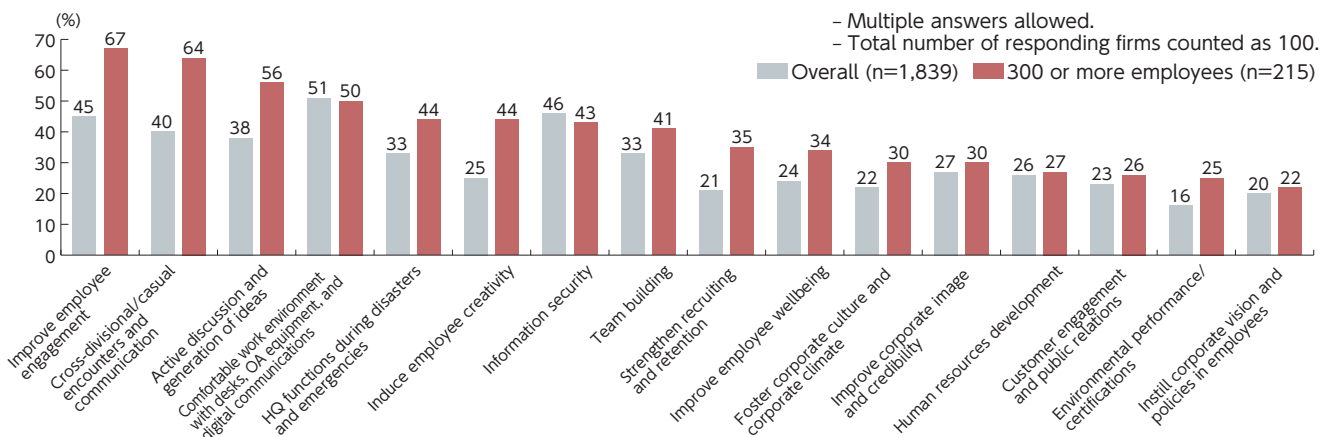


Figure 15: Significance, Functions and Roles of Headquarters (companies with 300 or more employees)



## 7 Upgrading Office Environments and Introducing New Systems and Facilities

- More than half of all companies, and about 70% of those with 300 or more employees, indicated that expenditures on office environments were a necessary "investment." This is the highest figure since the question was first asked in 2014.
- Regarding the objectives of upgrading office environments, the response rates for the top two objectives, "Improve internal communication" and "Improve employee engagement," both increased from last year.
- Among companies with 300 or more employees, roughly 60% answered "Improve internal communication and collaboration" and "Improve employee engagement." Also, about 40% cited "Improve employee wellbeing."
- For the third consecutive year, the percentage of companies that adopted work-from-home declined, while companies that installed new office facilities increased at a slower pace. The pace of improving environments and enhancing both office and remote-work functions, which progressed steadily during the pandemic, is now slowing.

When asked whether spending on office environments was an investment or a cost, 51% responded "investment" or "partial investment," the first time 50% was exceeded since the question was first asked in 2014 (Figure 16).

"Investment" or "partial investment" were cited by 68% of companies with 300 or more employees.

Regarding the objectives of upgrading office environments, "Improve internal communication and collaboration" (35% →38%→41%) and "Improve employee engagement" (31%→31%→39%) increased for three straight years to become the top replies (Figure 17). Other steadily increasing replies include "Improve corporate image and convey corporate messages to employees and visitors" (16%→21%→22%), "Accommodate diversity" (16%→19%→20%) and "Improve recruitment and employee retention" (12%→16%→18%). It appears that more companies want to create office environments that attract and engage talented individuals.

About 60% of firms with 300 or more employees cited "Improve internal communication and collaboration" (61%) and "Improve employee engagement" (58%), while about 40% cited "Improve employee wellbeing" (37%). Additionally, "Accommodate diversity" (33%), "Improve recruiting and employee retention" (29%) and "Improve welfare of employees in office" (19%) were cited more often by larger firms compared to the overall average (Figure 18). Larger companies are particularly interested in creating attractive offices that make employees want to come to work.

Figure 16: Spending to Upgrade Office Environments—Investment or Cost?

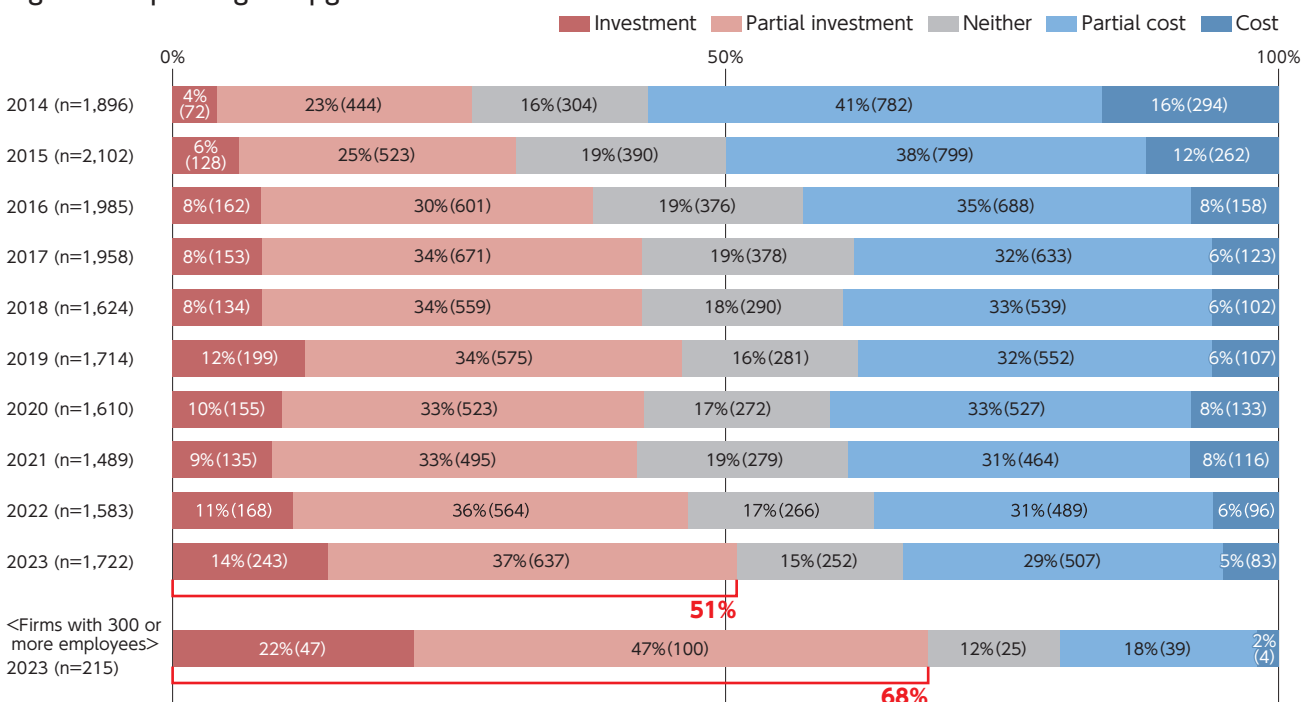




Figure 17: Objectives of Office Environment Development (compared to last two surveys)

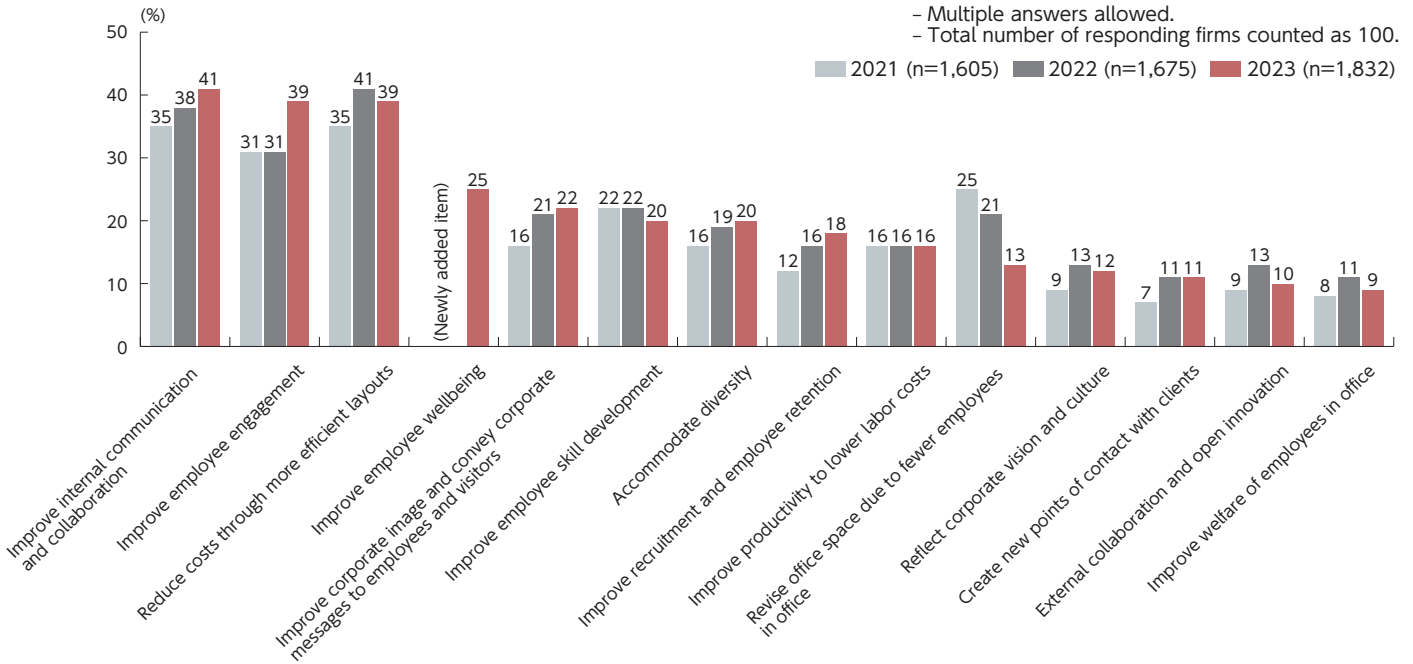
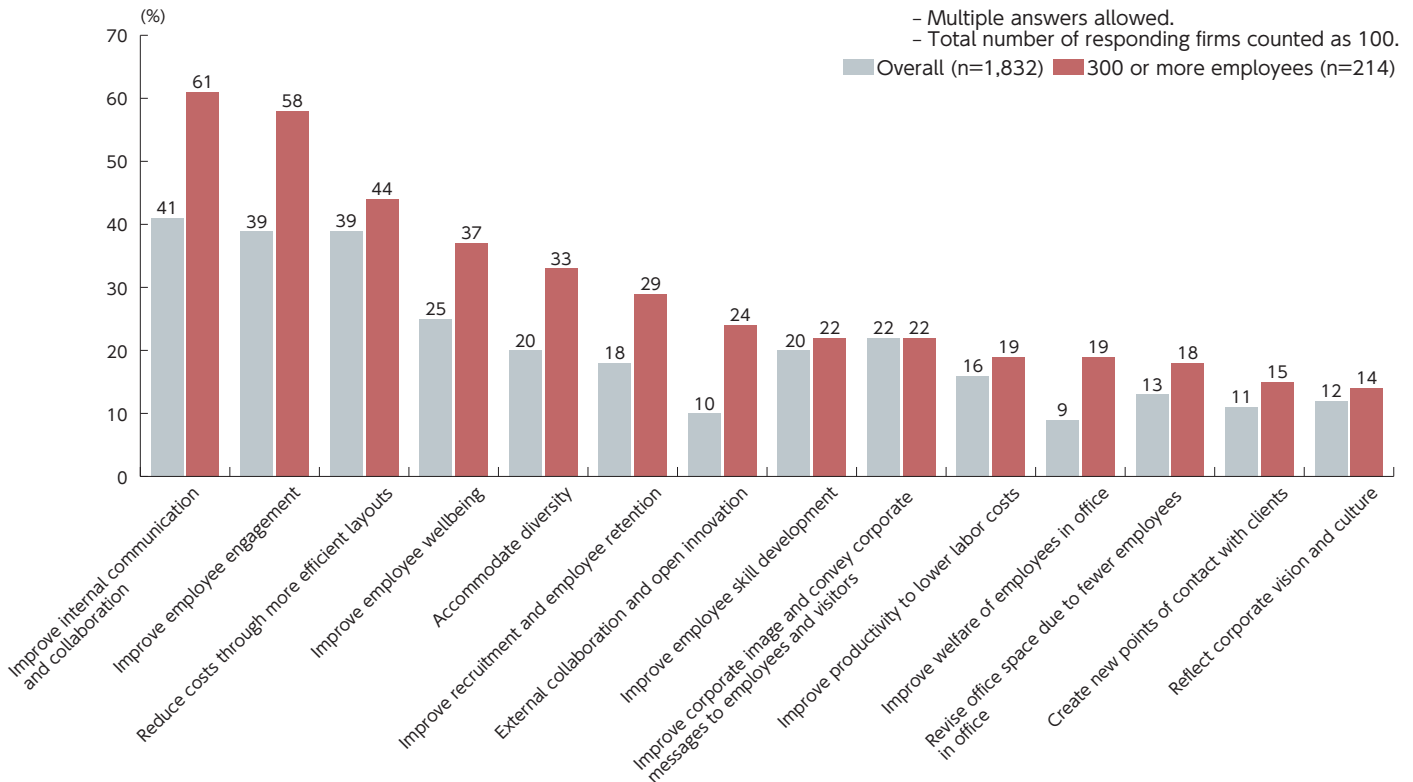


Figure 18: Objectives of Office Environment Development (companies with 300 or more employees)



When asked about introducing systems and office facilities related to new workstyles and workplaces, "Work from home" decreased slightly for the third consecutive year (80%→78%→76%). The introduction of "Non-territorial offices" (40%→42%), "Open meeting spaces" (60%→62%) and "Concentration booths/working spaces" (38%→39%) increased slightly, while "Online meeting spaces" showed no change (54%→54%). The pace of enhancing both office and remote work environments, which increased steadily during the pandemic, is now slowing (Figure 19).

Figure 19: Implementation of New Workstyles, Systems and Facilities

