

2024 Survey of Office Needs in Tokyo's Core 23 Cities

December 5, 2024

- The proportion of companies planning to expand their office space continues to increase.
- The most common reasons cited for the leasing of new office space were better location, higher grade facilities, and expanding business/accommodating more employees, reflecting growing demand for high-quality office environments among growth-oriented companies. Conversely, the percentage of companies stating they want to move to lower-cost buildings or change their workplace environments as a result of new workstyles has decreased, indicating that responses to the economic downturn and workstyle changes following the COVID-19 pandemic are stabilizing.
- As for "Significance, functions and roles of head offices" and "Objectives of office environment development," improving internal communication and collaboration, enhancing employee engagement, and HQ functions during disasters and emergencies were the most common responses. About 40% of companies expect to increase spending on office environments in the future.

1. Plans to Lease New Office Space

- The percentage of companies planning to lease new office space has remained steady at around 25% in recent years.
- 58% of companies plan to expand, a figure that continues to grow, while the proportion planning to downsize continues to decrease.

2. Reasons for Planning to Lease New Office Space

- Consistent with the previous survey, the top three reasons given for leasing new offices were, in order, "Better location," "Expand business/accommodate more employees," and "Higher grade facilities." This trend suggests that growth strategies are driving an increasing number of companies to consider new leases.
- In contrast, the number of responses indicating that companies were moving in order to secure lower-cost premises or to achieve changes in working environment to accommodate new workstyles has decreased, indicating that relocations driven by the COVID-19 pandemic and work-from-home policies are stabilizing.
- For companies with over 300 employees, factors such as security, improved protection in the event of an earthquake, and disaster preparedness were also among the top considerations. Additionally, an increasing number stated they wanted "more space per floor," indicating that, as companies grow, they place more emphasis on high-quality office environments that allow their employees to interact and collaborate more easily.

3. Desired Areas for Planned Lease of New Office Space

- Major business areas with extensive redevelopment projects underway or complete, such as Nihombashi, Marunouchi, Otemachi and Toranomon, continue to attract high levels of interest.

4. 2024 Rent Revisions

- 73% of responders reported their most recent rent revisions had resulted in rent increases, continuing a recent upward trend.

5. Employees Working in offices

- The average percentage of employees reported to be working on company premises increased by 2 points to 78% compared to the previous survey. Additionally, the proportion of companies with office attendance rates exceeding 80% rose by 5 percentage points to 64%, indicating continuing momentum in the return to office working.

6. Implementation of New Workstyles, Systems and Facilities

- Since the 2022 survey, the percentage of employees working remotely has gradually declined, and changes in working styles and workplaces spurred by the COVID-19 pandemic appear to be stabilizing.

7. Significance, Functions and Roles of Headquarters and Objectives of Office Environment Development

- Approximately 70% of companies cited improved internal communication and collaboration as a core function of their head offices, and around 40% cited this as a key objective when improving office environments. "Improved employee engagement," "HQ functions during disasters and emergencies," and "Human resources development" were the issues with the next highest response rates.
- In companies with more than 300 employees, the percentage of those citing "Improved internal communication and collaboration" as a key HQ focus was higher, at just under 90%, with around 60% stating it as an issue. This was followed, in order of popularity, by "Improve employee engagement," "HQ functions during disasters and emergencies," "Induce employee creativity," and "Improve employee wellbeing."

8. Expenditure on Office Environments

- Almost 40% of the companies that responded said that their spending on office environments had increased during COVID and since the ending of the pandemic. A similar level also said that they expected this spend to increase in the future.

9. Shift in Functional Area Allocations within Offices

- More respondents indicated that, during and following the COVID pandemic, they had newly established or increased the size of their business support areas, the space allocated to flexible meeting spaces, dining and relaxation areas, and meeting rooms, than those reporting that they had reduced the size of these or discontinued them, or planned to do so. This suggests that, in general, increasing amounts of space are being allocated for office functions that help improve employee productivity, strengthen internal communication, and boost wellness.

■ Survey Framework

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

- No. of companies invited to respond: 10,868 (excluding Mori Building tenants, who did not participate in the survey)
- Response rate: 19.1% (2,073 companies)
- Research period: September 2– September 30, 2024

For further information, please contact:

Shinji Takeda or Masashi Hasegawa, Office Business Department, Leasing Operations Division, Mori Building Co., Ltd.,
Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo 106-6155 / Tel: +81 (0)3-6406-6672 <http://www.mori.co.jp/en>

1 Plans to Lease New Office Space

- 25% of companies are planning to lease new premises, a figure that has been fluctuating at around the same level for the past few years.
- 58% are planning to expand their office space, a level that continues to increase. The number of companies saying they plan to reduce space continues to decrease.
- Nearly half of the companies planning to lease new office space plan to do so within the next two years.

One quarter of the companies who responded to the survey reported that they planned to lease new property, a level that has been largely unchanged over the past few years (Figure.1). Among companies planning to lease new property, 58% said they would be increasing their office size, 24% indicated they would keep the same amount of space, and 18% said they would be moving to smaller premises (Figure 2). 28% of respondents said they planned to move within one year and 17% indicated they would move within two years, meaning almost half of all companies responding to the survey plan to lease new property within the next two years (Figure 3).

Figure 1 : Future Plans to Lease New Office Space

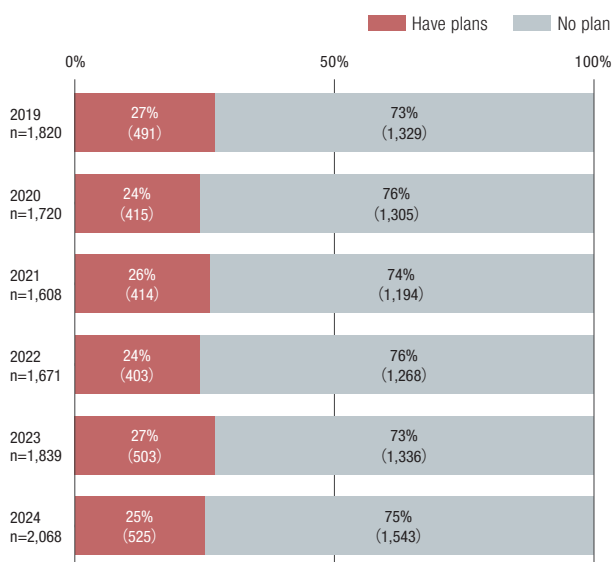


Figure 2 : Plans for Expansion vs. Reduction of Space (single year)

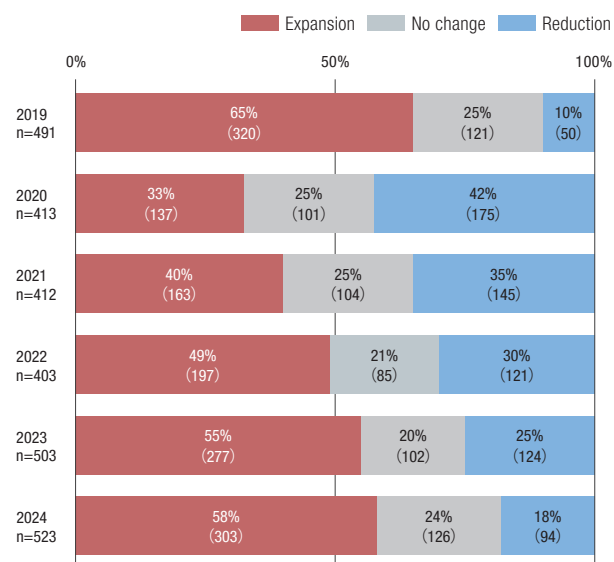
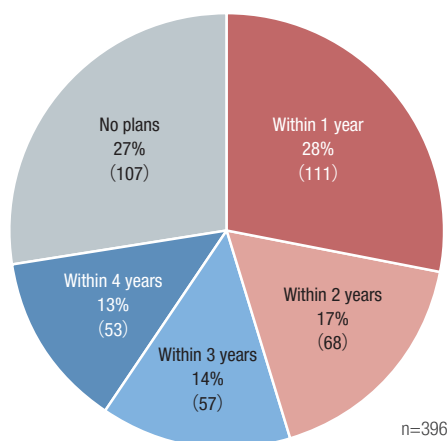


Figure 3 : Timing of Planned Lease of New Office Space



2 Reasons for Planning to Lease New Office Space

- "Better location" remained the most common reason given for moving to new premises, followed by "Expansion of business/accommodation of more employees" and "Higher grade of facilities."
- The response rates for "Lower rent/lower priced building" and "Workplace change due to new work styles" are declining, suggesting a stabilization in the level of office relocations prompted by remote working or post-COVID business downturns.
- In larger companies with over 300 employees, better security, improved protection in the event of an earthquake, and disaster prevention facilities were all highly valued. Additionally, "more space per floor" also ranked among the top priorities, suggesting that as companies grow, they increasingly demand high-quality office environments where their employees can more easily interact and collaborate.

The percentage of companies reporting they planned to move to new premises in order to secure lower rent continued to decline (from 29% to 27% to 25% over the past three years). Similarly, the percentage of those selecting "Workplace changes due to new workstyles" also continued to decrease (27%→24%→19%), suggesting that the move to relocate offices in response to remote working and the immediate post-COVID business downturn is stabilizing (Figure 4).

In contrast, "Want to move to a better location" (32%) was the top reason quoted by companies planning to relocate; significantly more companies than in previous surveys cited "Expanding business/accommodating more employees," the second most popular response (28%), followed by "Seeking higher grade facilities" (25%) in third place.

In companies with 300 or more employees, "superior security," "anti-seismic design," and "disaster prevention/backup systems" ranked highly, indicating an emphasis on building quality (Figure 5). Wanting "more space per floor" was also a popular response. As the size of a company increases, they seem to seek higher-quality office environments where employees can more easily communicate and collaborate.

Figure 4 : Reasons for Planning to Lease New Office Space (last three years)

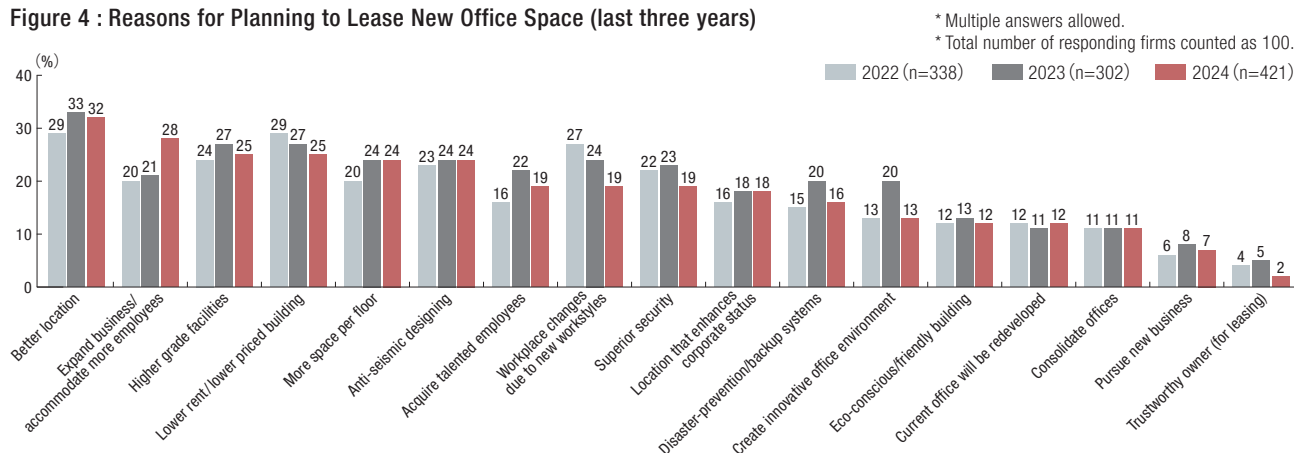
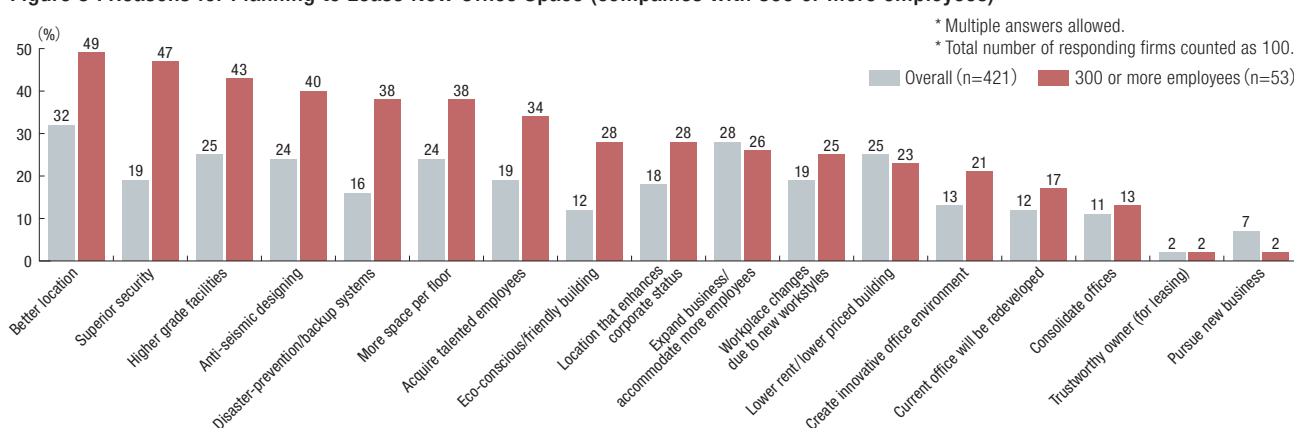


Figure 5 : Reasons for Planning to Lease New Office Space (companies with 300 or more employees)



3 Desired Areas for Planned Lease of New Office Space

- The desired areas for companies seeking new accommodation continue to be major business districts such as Nihombashi, Marunouchi, Otemachi, and Toranomon, where large-scale redevelopment projects have taken place or are in progress.

Over the previous three years, the most popular areas for companies planning to lease new office space were Nihombashi (selected by an average of 19% over that period), Marunouchi (16%), Otemachi (15%), Toranomon (13%), and Shimbashi (12%). These areas have been the focus of large-scale redevelopment projects, and their popularity reflects high expectation of benefits such as convenient transport links stemming from the construction of new stations, roads and other infrastructure, as well as the attraction of highly functional mixed-use developments that bring work, living and recreation closer together (Figure 6).

Furthermore, according to a separate survey conducted by Mori Building ("2024 Survey of Large-scale Office Building Market in Tokyo's 23 Core Cities") 72% of the total supply of 4.08 million m² of large-scale office buildings planned for completion over the next five years is expected to become available in seven areas: Nihombashi-Yaesu-Kyobashi, Marunouchi-Otemachi-Yurakucho, Akasaka-Roppongi, Shinagawa, Tamachi-Hamamatsucho, Toranomon, and Shibuya (Figure 7). Notably, these areas align closely with the top-ranked locations cited as desirable for new office leasing (Figure 8).

Figure 6 : Desired Areas for Planned Lease of New Office Space (shift in three-year averages)

* Multiple answers allowed.

* Total number of responding firms counted as 100.

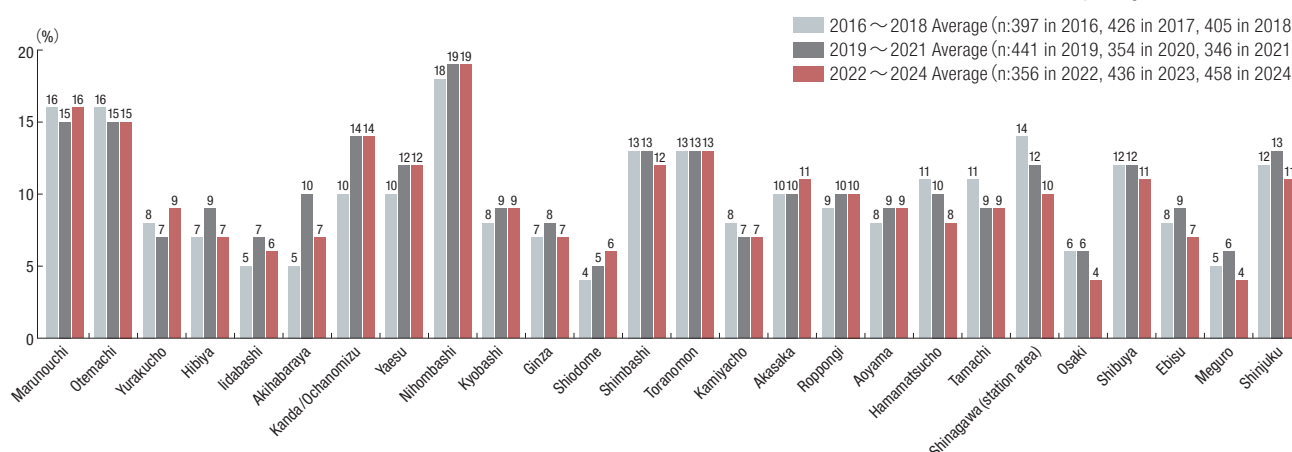


Figure 7 : Projected Supply in Major Business Areas (2024–2028)

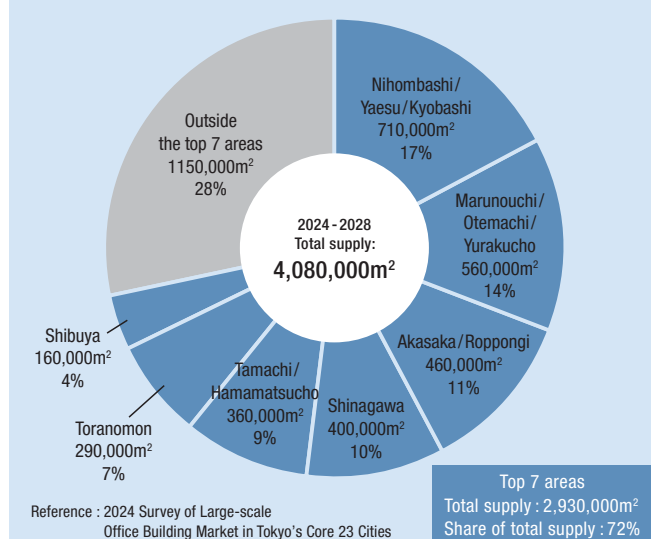
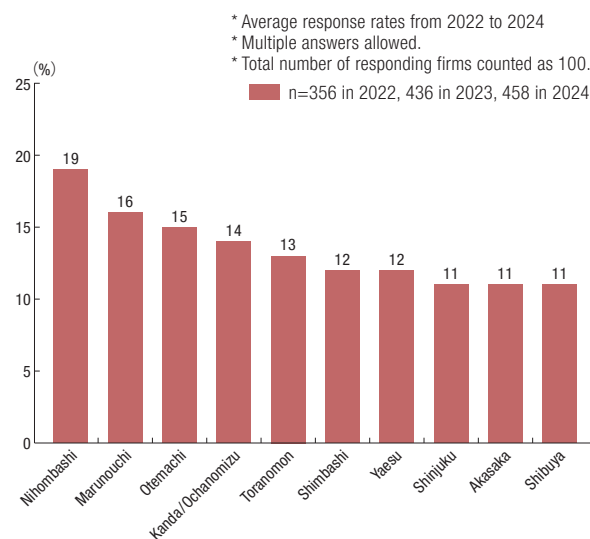


Figure 8 : Top 10 Desired Areas for Planned Lease of New Office Space



4 2024 Rent Revisions

- Over 70% of companies reported rent increases following their most recent rent revision, reflecting a rising trend.

In the past year, 14% of companies reported experiencing rent revisions, while 4% indicated they were in the process of negotiation (Figure 9). Of the companies that had undergone or were negotiating rent revisions, over 73% reported an increase in rent. This trend highlights a continued rise in upward rent adjustments driven by the recovery in the market for office space (Figure 10).

Figure 9 : Rent Revisions in Past Year

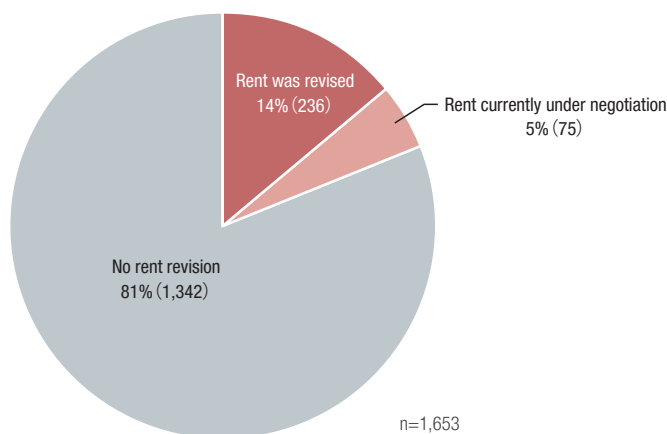
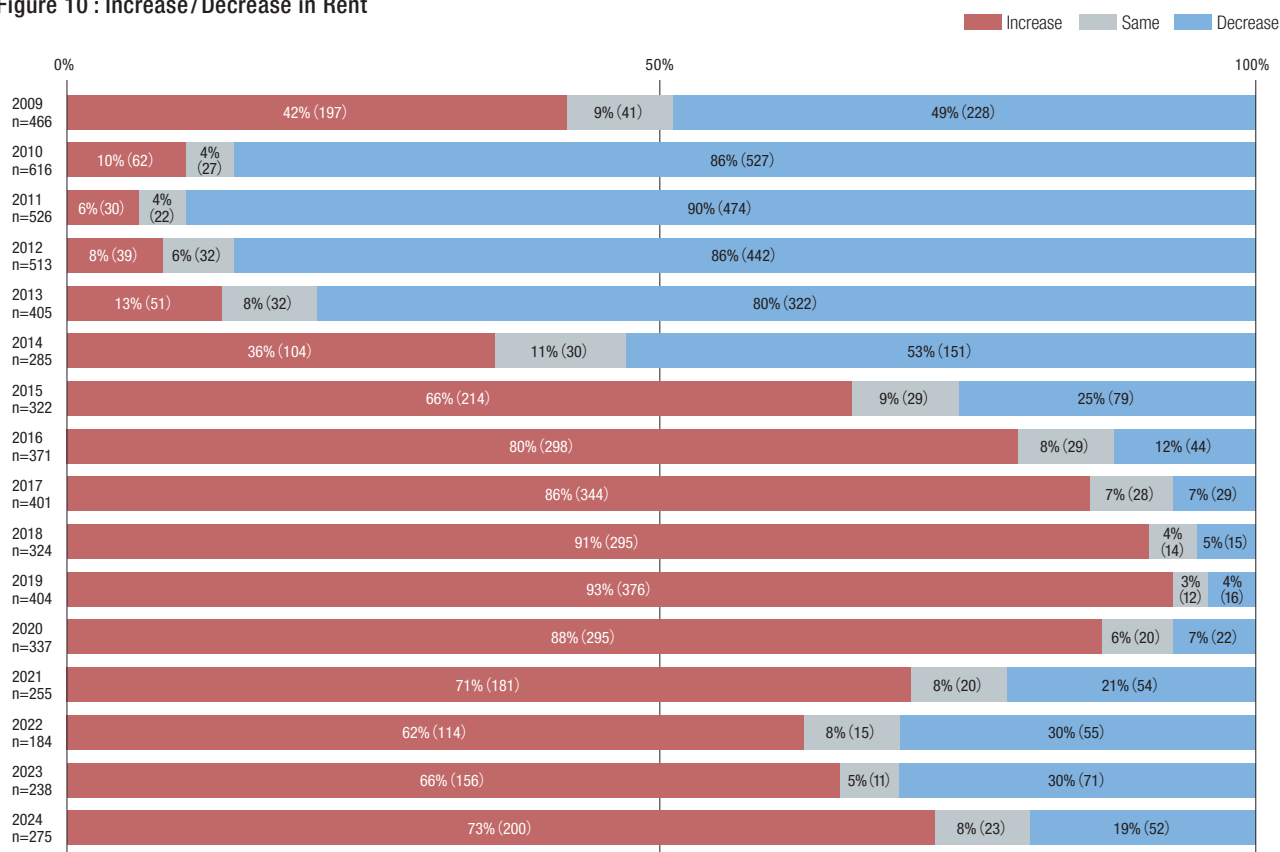


Figure 10 : Increase/Decrease in Rent



5 Employees Working in Offices

- The average percentage of employees reported to be working on company premises increased by 2 points to 78% compared to the previous survey. Additionally, the proportion of companies with office attendance rates exceeding 80% rose by 5 percentage points to 64%. Projections for the future indicate similar levels.

The 2024 survey revealed an average office attendance rate of 78%, up from 76% in the previous survey. The proportion of companies reporting attendance rates of 80% or higher rose to 64%, an increase of 5%. This highlights a continued trend towards a return to office-based work (Figure 11).

Future projections by survey participants suggest these work patterns will stabilize at around these levels, with average attendance rates of 78%, and 64% of companies anticipating rates of 80% or higher, consistent with current survey findings.

Regarding the ratio of individual desks to employees, 83% of companies reported having desks for 80% or more of their employee numbers in the current survey. Projections for the future indicate a similar proportion (Figure 12).

Figure 11 : Percentage of Employees Currently Working in Offices

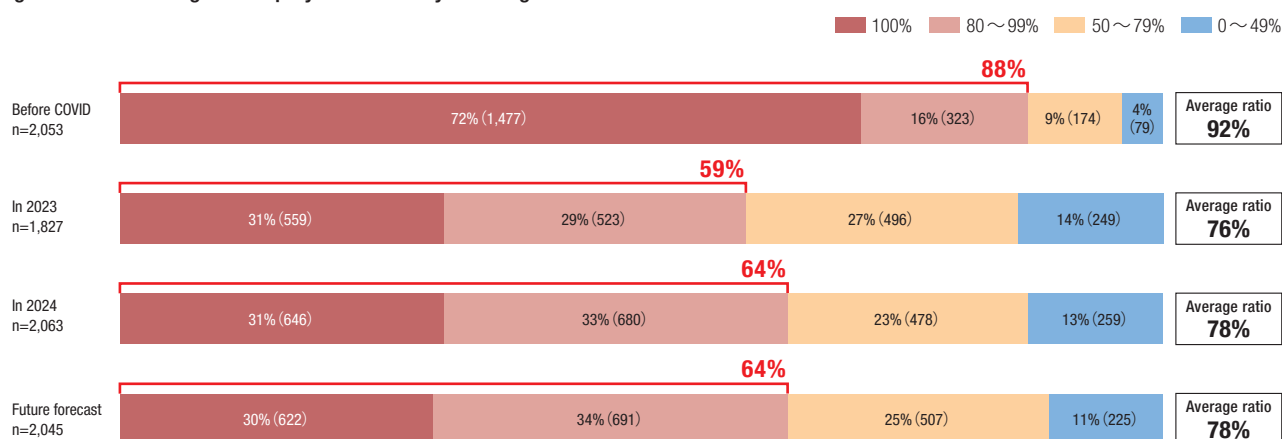
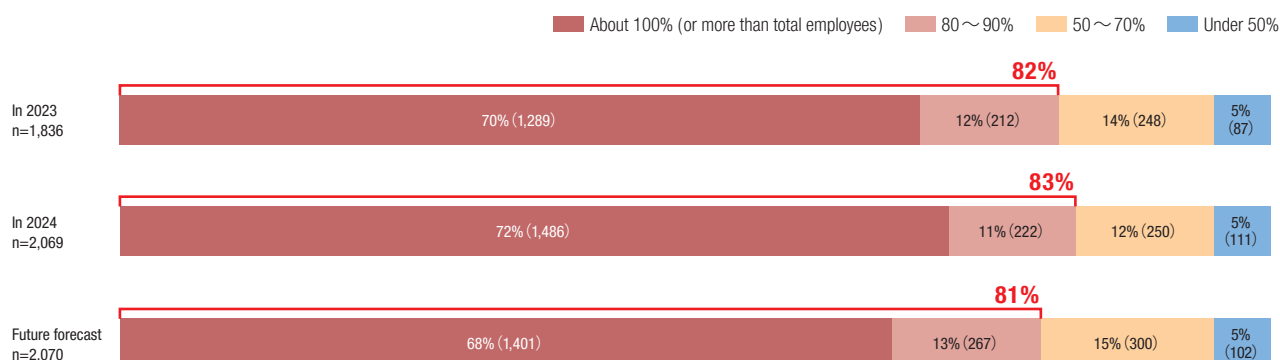


Figure 12 : Ratio of Desks to Employees

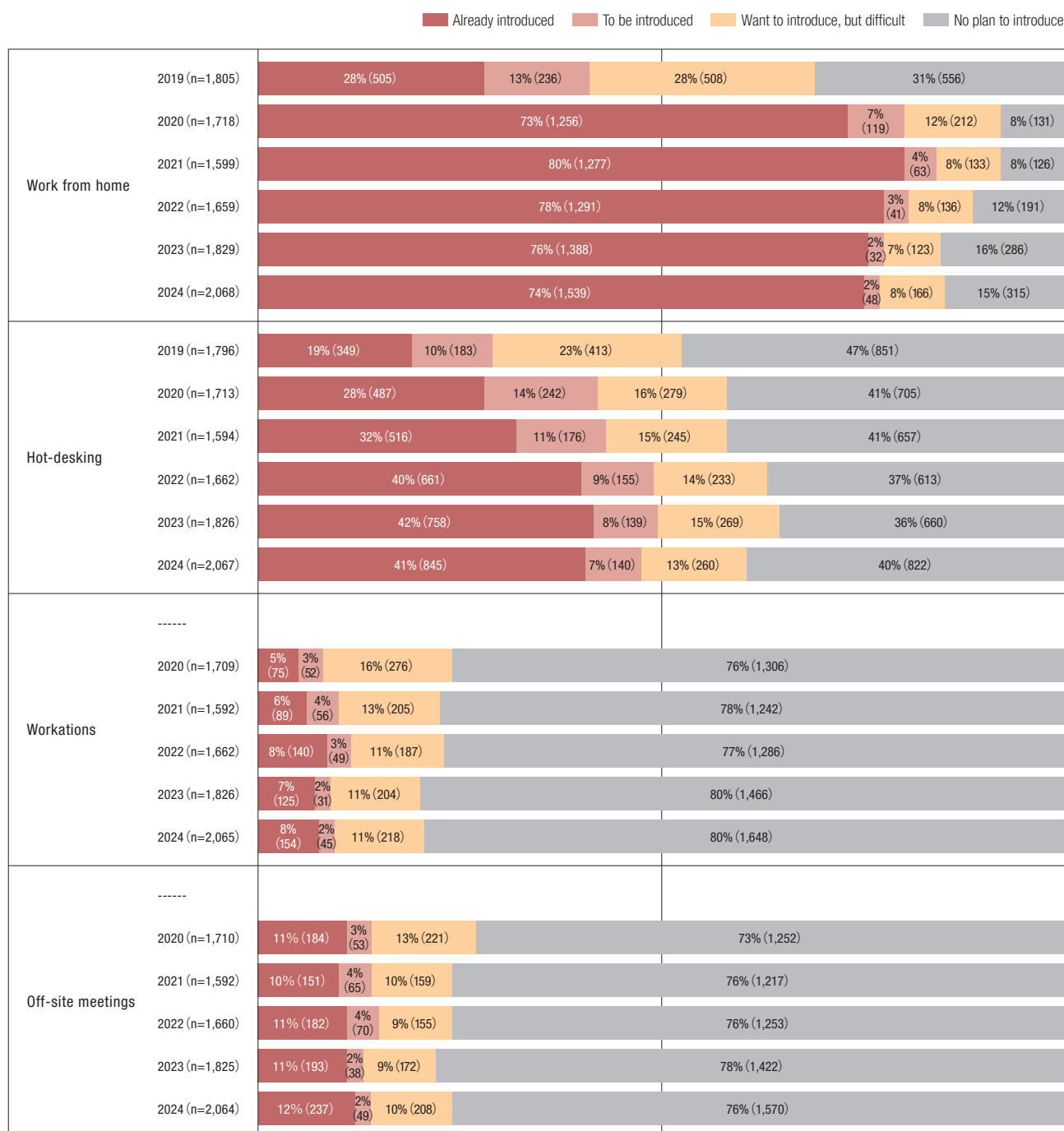


6 Implementation of New Workstyles, Systems and Facilities

- Since the time of the 2022 survey, the adoption of work-from-home arrangements has shown a slight but steady decline. Similarly, the adoption rate of hot desking has remained largely unchanged. These trends suggest that the shifts in working styles and workplaces prompted by the COVID-19 pandemic are stabilizing.

The adoption rate of some form of remote working peaked in 2021, with an average of 80% of the companies responding to the survey reporting they had implemented this, but this figure has been gradually declining since 2022, falling to 74% in the latest survey (Figure 13). Meanwhile, the implementation of hot-desking in offices has remained steady at around 41% of companies.

Figure 13 : Implementation of New Workstyles, Systems and Facilities



7 Significance, Functions and Roles of Headquarters and Objectives of Office Environment Development

- Approximately 70% of companies cited improved internal communication and collaboration as a core function of their head offices, and around 40% cited this as a key objective when improving office environments. “Improved employee engagement,” “HQ functions during disasters and emergencies,” and “Human resources development” were the issues with the next highest response rates.
- In companies with more than 300 employees, the percentage of those citing “Improved internal communication and collaboration” as a key HQ focus was higher, at just under 90%, with around 60% stating it as an issue. This was followed, in order of popularity, by “Improve employee engagement,” “HQ functions during disasters and emergencies,” “Induce employee creativity,” and “Improve employee wellbeing.” The overall percentage of respondents in this category citing these as a key function of their HQs was higher than the overall average, indicating a greater focus by larger companies on employee welfare and productivity, and on business continuity.

When asked about the core focus and roles of head offices and the main objectives of improving office environments, 71% of companies cited “Improve internal communication and collaboration” as a core HQ focus and 42% said this was a key objective in terms of office environment improvement (Figure 14). The next most common responses were “Improving employee engagement” (49% cited this as a core HQ focus, 32% said it was a key driver of office improvements) and for “HQ functions during disaster and emergencies” the figures were 38% and 26% respectively. The corresponding percentages for “Human resource development” were 27% and 23%.

In companies with more than 300 employees, improved internal communication and collaboration was cited as a core HQ focus by 86% of companies and as a key driver of office environment planning by 58% (Figure 15). This was followed by “Improving employee engagement,” for which the corresponding percentages were 69% and 47%. “HQ functions during disaster and emergencies” was cited by 50% of respondents as a significant HQ responsibility and by 28% as a driver of office environment planning. This was followed by “Induce employee creativity” (40% and 27%), “Improve employee wellbeing” (41% and 26%), and “Strengthen recruitment and retention” (47% and 25%).

The percentage of respondents in this category who selected these as their HQ’s core focus was significantly higher than the overall response rate, indicating that larger companies are placing more importance on employee welfare and productivity, and on business continuity.

Figure 14 : Significance, Functions and Roles of Headquarters and Objectives of Office Environment Development

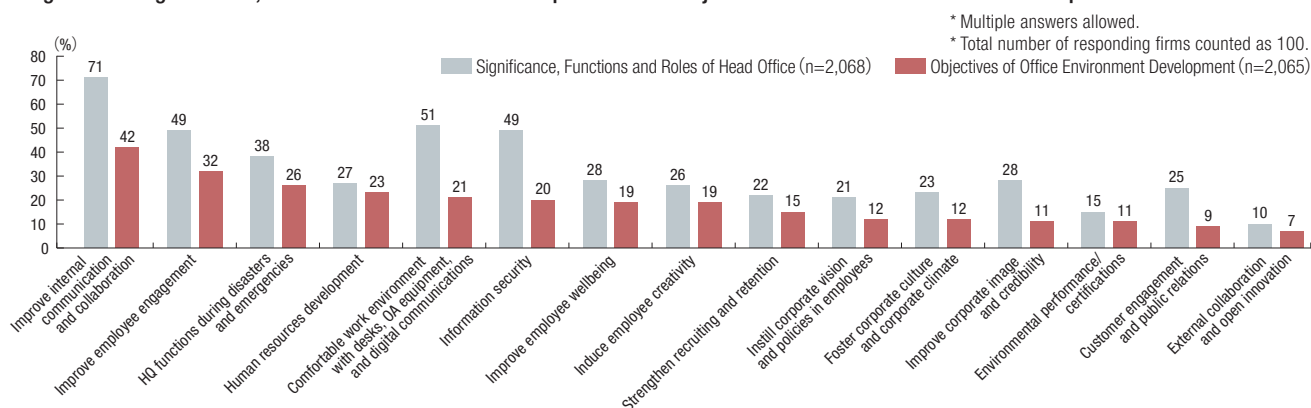
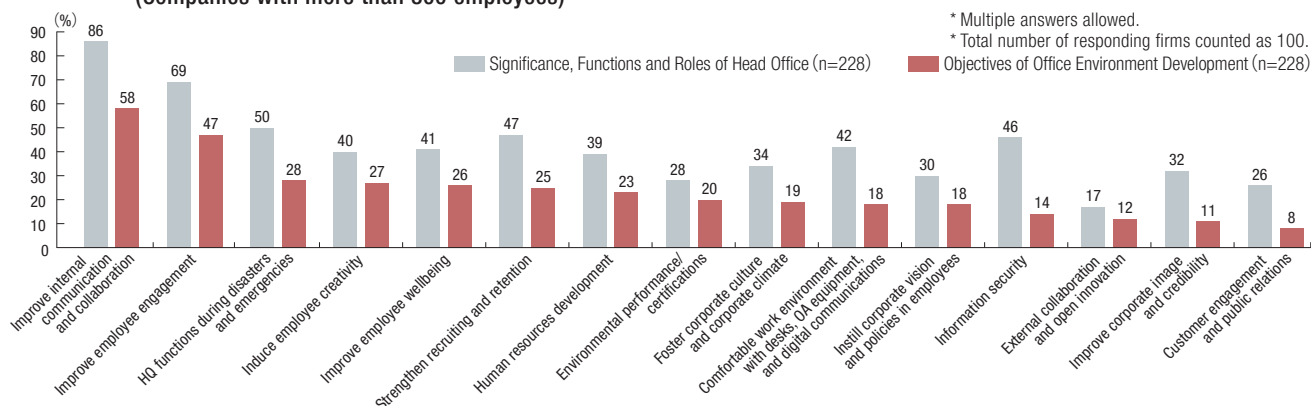


Figure 15 : Significance, Functions and Roles of Headquarters and Objectives of Office Environment Development (Companies with more than 300 employees)



8 Expenditure on Office Environments

- Almost 40% of the companies that responded said that their spending on office environments had increased during COVID and since the ending of the pandemic. A similar level also said that they expected this spend to increase in the future.

When asked about changes in their spending on office environments during the COVID pandemic and in the period since then, 38% of companies responded that this had increased (Figure 16). 37% of companies also responded that they thought this spending may increase in the future (Figure 17).

With offices expected to accommodate a variety of functions beyond just workspaces, it is expected that companies' investment in their office environments will continue to increase.

Figure 16 : Changes in Office Environment Expenditure (During and Post-COVID)

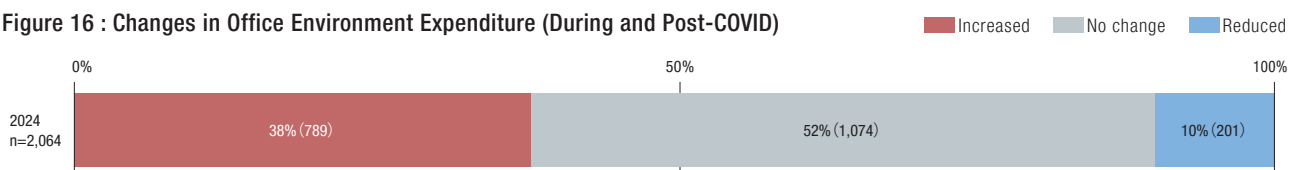
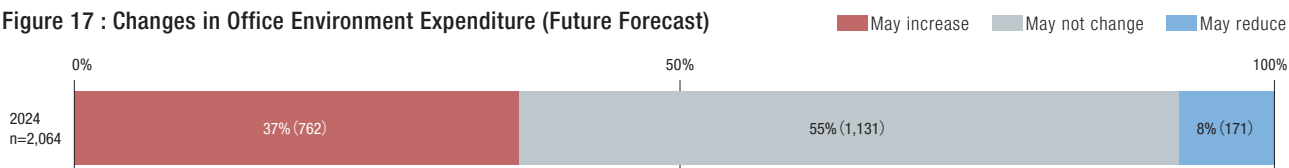


Figure 17 : Changes in Office Environment Expenditure (Future Forecast)



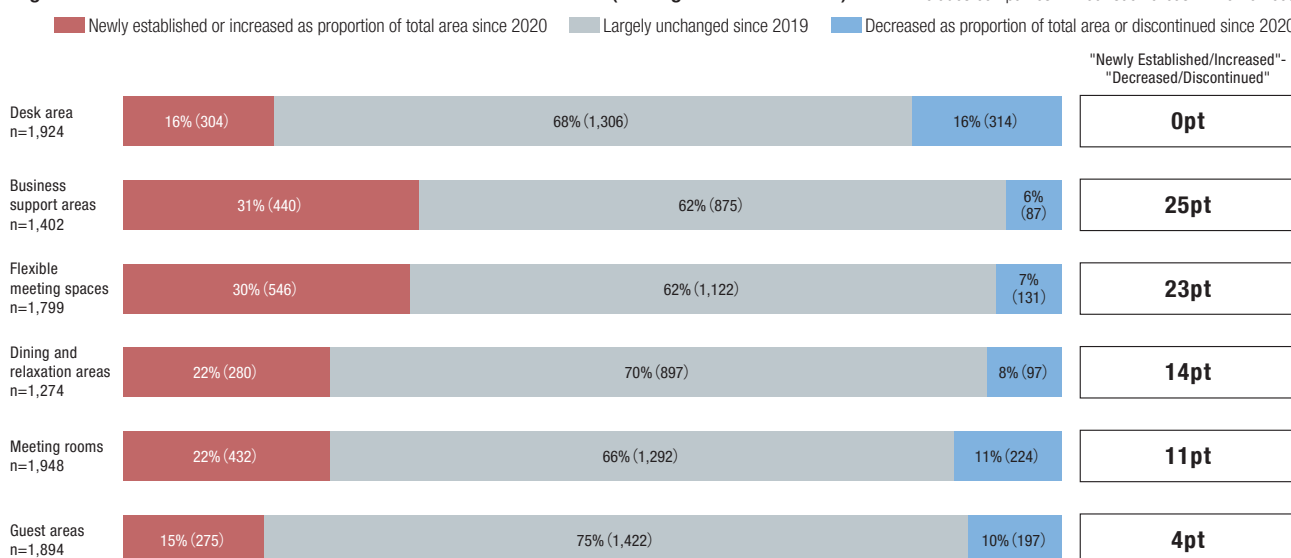
9 Shift in Functional Area Allocations within Offices

- More respondents indicated that, during and following the COVID pandemic, they had newly established or increased the size of their business support areas, the space allocated to flexible meeting spaces, dining and relaxation areas, and meeting rooms, than those reporting that they had reduced the size of these or discontinued them, or planned to do so. This suggests that, in general, increasing amounts of space are being allocated for office functions that help improve employee productivity, strengthen internal communication, and boost wellness.
- In terms of future direction, this breakdown of responses suggests that the expansion of these office functions will continue in the future.

When asked about changes in the proportion of office space taken up by specific office functions since 2020, 16% of companies responded that they had newly established or increased the percentage allocated to employees' desks since 2020; a similar number indicated they had reduced or discontinued this (Figure 18). When we look at the difference between the percentage of those planning to increase the space allocated to specific functions and those planning to reduce or discontinue their use, the gap was highest in the category of "Business support areas" (25% more said they will increase rather than decrease or scrap altogether), followed by "Flexible meeting spaces" (23% difference), "Dining and relaxation areas" (14%), and 'Meeting rooms' (11%). This indicates that the amount of space being allocated to office functions seen as helping to improve employee convenience, boost internal communication, and improve wellness is expanding.

Figure 18 : Shift in Functional Area Allocations within Offices (During and Post-COVID)

* Excludes companies without such areas in their offices



Business support areas = web conferencing space, individual work booths, recording/broadcast studios, prototype development spaces, etc.

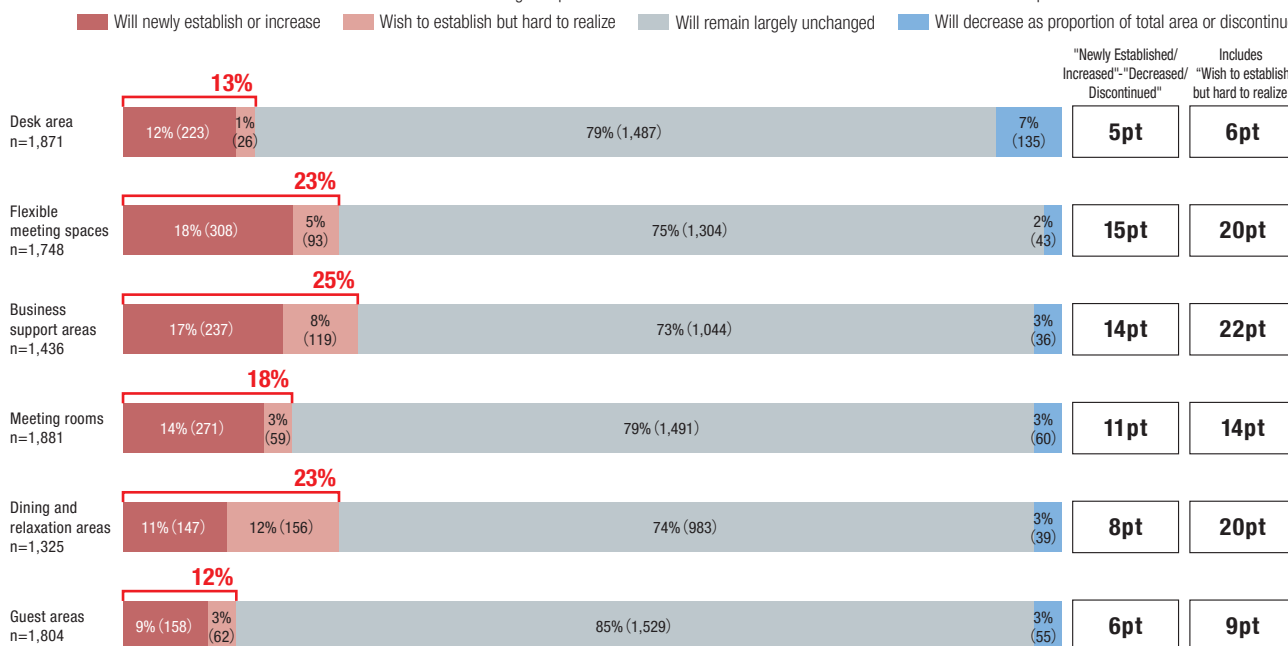
Dining and relaxation areas = restaurants, cafeterias, refresh spaces, exercise spaces, massage rooms, etc.

Guest areas = visitor reception spaces, meeting spaces, conference rooms, showrooms, etc.

Looking at the same gaps in terms of future policies, “Open meeting spaces” had the highest difference at 15% (20% if those indicating they want to establish these but find it hard to realize are included), followed by “Business support areas” (14% and 22% respectively) and “Meeting rooms” (11%, 14%) (Figure 19). There was also a significant number of respondents indicating they want to expand the amount of space allocated to dining and relaxation areas (20% including those who want to establish these but find it hard to realize).

Figure 19 : Shift in Functional Area Allocations within Offices (Future forecast)

* Excluding companies that do not have such areas within their offices and have no plans to establish them in the future.



Business support areas = web conferencing space, individual work booths, recording/broadcast studios, prototype development spaces, etc.

Dining and relaxation areas = restaurants, cafeterias, refresh spaces, exercise spaces, massage rooms, etc.

Guest areas = visitor reception spaces, meeting spaces, conference rooms, showrooms, etc.