

Since 1986, Mori Trust Co., Ltd. (head office: Minato-ku, Tokyo) has conducted a series of field surveys and questionnaires in the 23 wards of Tokyo on large office buildings with a total floor area of 10,000m² or more, covering topics such as the progress of building project plans. The following are the findings of the latest survey.

Note: In this survey, the supply of office buildings is measured in terms of the total floor area used exclusively for offices. As such, the floor areas used for retail stores, residences, hotels and other non-office purposes are excluded.

From provision of massive quantity to a steady supply

~ Renewal of urban business center functions accelerates as rebuilding replaces redevelopment of underutilized or unused large-scale sites as the primary mover ~

☞ Key points in the results of this survey

1. Trends in supply volumes:

Supply is in a decreasing trend over the mid-term, as average annual new supply falls from 1.24 million square meters (in 2000 - 2004) to 950,000 square meters (in 2005 - 2009).

Although the volume of supply in 2006 has reached 1.64 million square meters — the third highest figure on record — supply in 2007 appears set to return to 1.06 million square meters, a level in line with past averages, with figures for 2008 and 2009 likely to fall below 1 million square meters. As it returns to a level of average annual supply in the range of 1 million square meters, the market is shifting from a period of massive quantity provision — centered on redevelopment of underutilized or unused large-scale sites in 2000-2004 — to a period of steady supply.

2. Trends in areas in which supply is located:

The trend toward tenants returning to central Tokyo is likely to continue for the time being, with concentration in the Otemachi, Marunouchi, and Yurakucho areas in Chiyoda Ward becoming even more pronounced.

More than 70% of supply in the period 2005 - 2009 will be centered in three of the central wards of Tokyo (i.e., Chiyoda, Minato, and Chuo wards), with the trend toward tenants returning to central Tokyo appearing likely to continue for the time being. Of these three wards, Chiyoda and Minato wards in particular stand out, with each accounting for more than 30% of supply. In Chiyoda Ward, concentration in the Otemachi, Marunouchi, and Yurakucho areas is becoming even more pronounced, while in Minato Ward supply stands out in business districts that have seen higher concentrations of office space recently, such as Akasaka, Shiodome, and Roppongi.

3. Movement toward supply via rebuilding:

Rebuilding replaces redevelopment of underutilized or unused large-scale sites as the primary mover.

Although during the period 2000 - 2004 supply of large-scale office space through rebuilding accounted for no more than 20% of the total, in the period 2005 - 2009 this percentage will increase to 51% — exceeding the supply from redevelopment of underutilized or unused sites, which had been the primary mover in the market. Furthermore, the percentage of supply from rebuilding in Chiyoda and Minato wards, the core areas of new supply for the future, will reach 60 - 70%. These data lend support to the market trend of office tenants returning to central Tokyo mainly through rebuilding.

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1/6

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⇒ Future market prospects

The shift toward a supply structure focused on rebuilding that has begun to be actualized recently is a sign that in the process of its maturing as an international business center Tokyo is on the verge of entering a period of renewal of office stock that is no longer suited to the times. In fact, changes in the market environment such as increased risk of a large-scale earthquake and the appearance of asbestos-related issues have thrown into relief the presence of inadequate stock that cannot be overlooked, leading to growing demand for renewal of building functions through means such as rebuilding.

In Tokyo, the need for renewal is swiftly growing for a wide range of structures — including not just office buildings but also structures such as roads built for the 1964 Tokyo Olympics, public housing, and lifeline facilities — that in about ten years will mark the 50th year since their construction. A wide range of the social stock that makes up the urban space was built giving top priority to meeting the quantitative needs of the growth in population and infrastructure that accompanied Japan's period of high economic growth in the postwar years. It is hoped that this renewal will provide the opportunity for future progress in quantitative and qualitative improvements in the urban stock, as well as restructuring of the distribution of this stock, using as a yardstick for value the creation of ample urban amenities, so essential to a mature international urban center.

Figure 1 - 1: Trends in supply volume of large-scale office buildings in the 23 wards of Tokyo

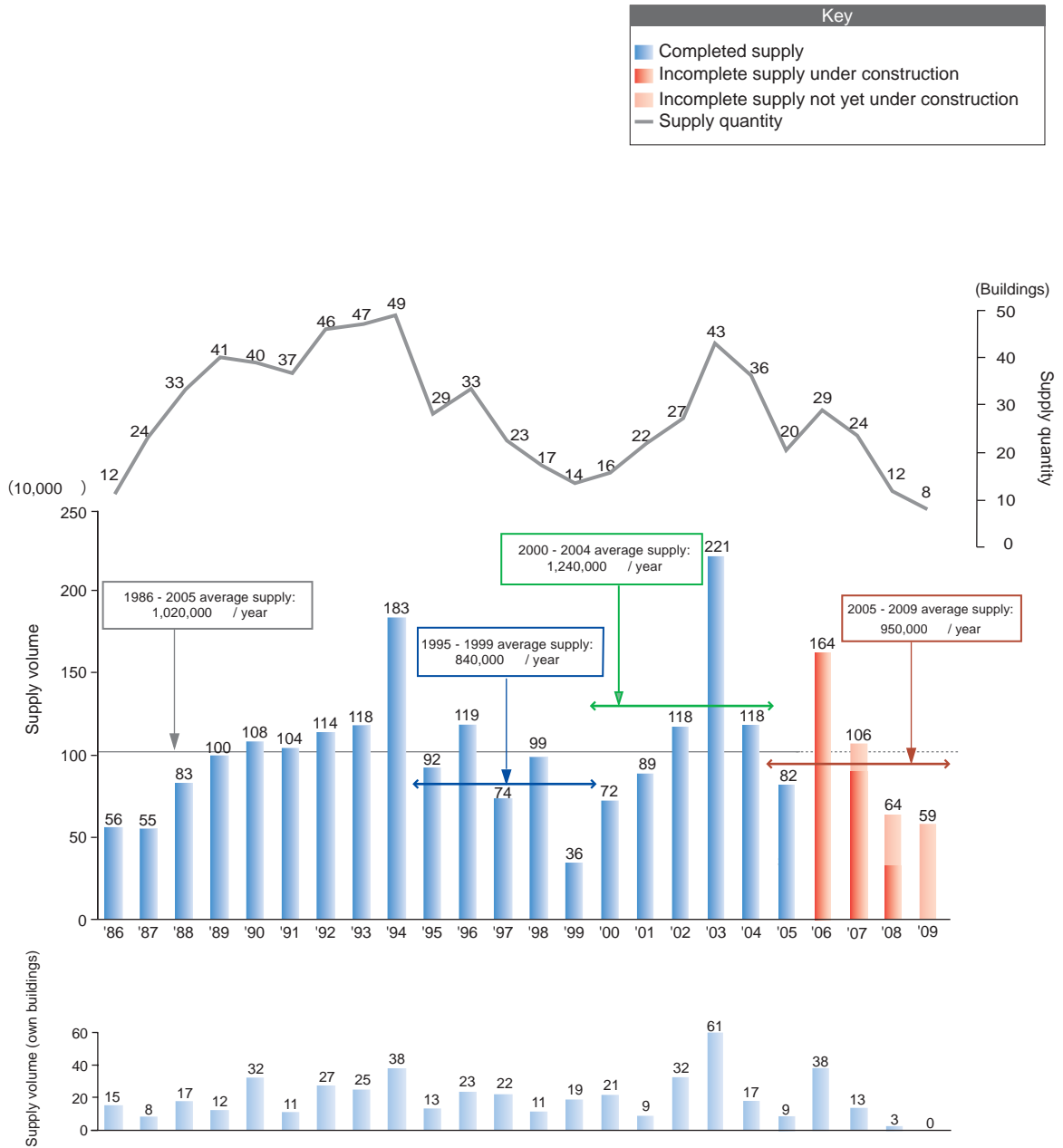
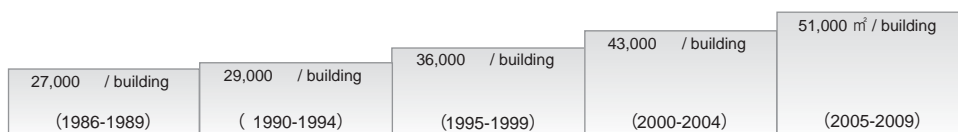
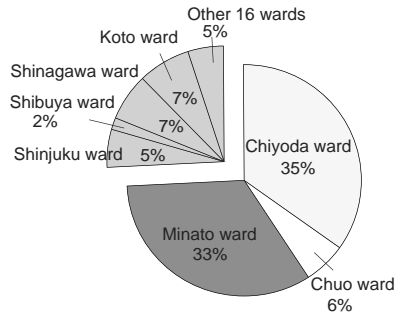


Figure 1 - 2: Trends in average total office floor area per building (five-year intervals)



[23 wards]

Three central wards
74%



	Supply volume
Chiyoda ward	1,660,000
Chuo ward	280,000
Minato ward	1,590,000
Shinjuku ward	250,000
Shibuya ward	80,000
Shinagawa ward	320,000
Koto ward	350,000
Other 16 wards	220,000

[Business districts]

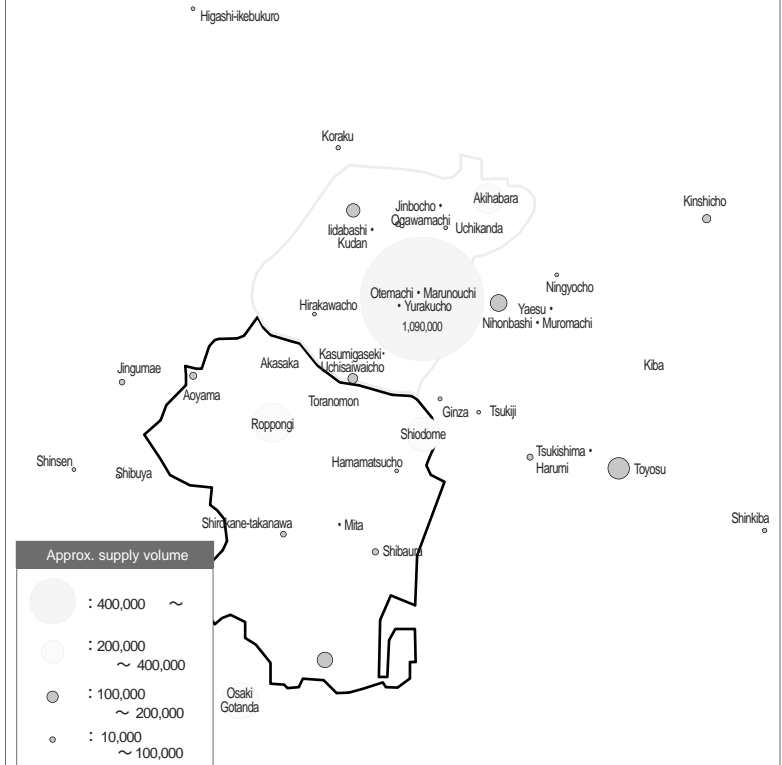
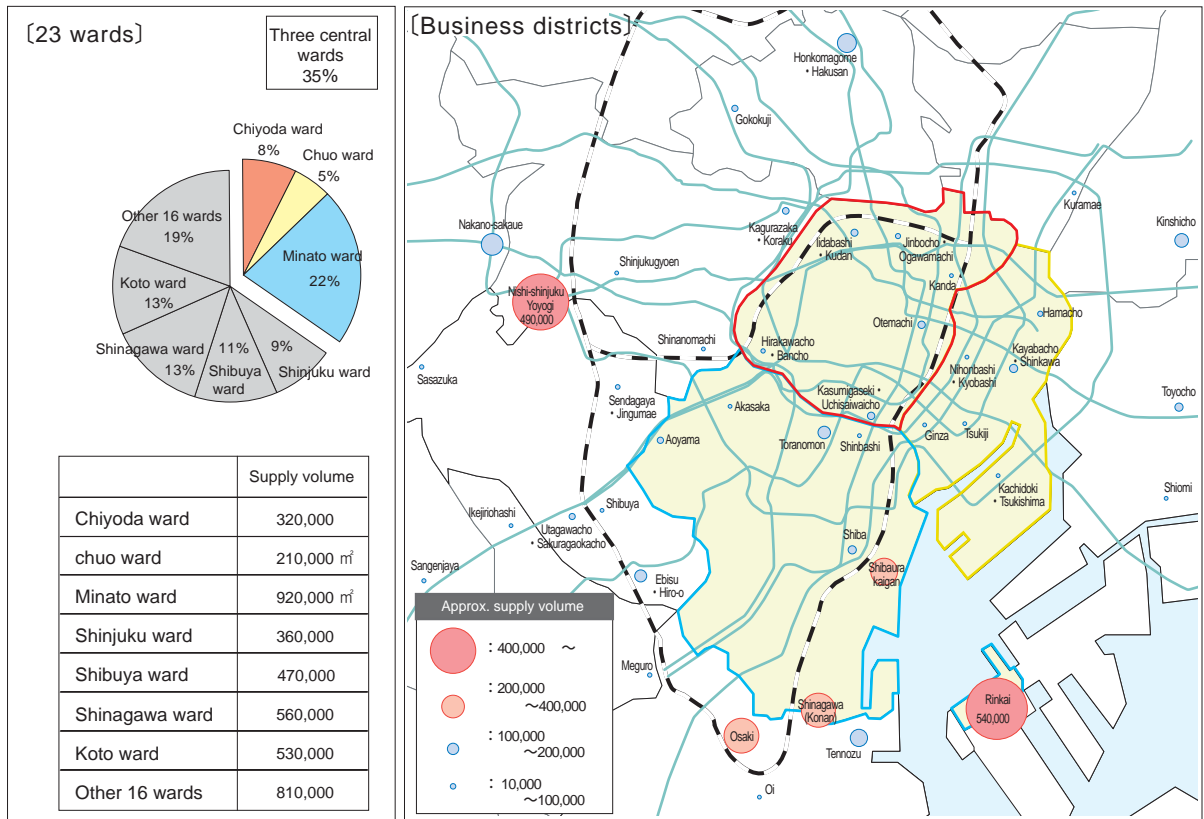


Figure 1 - 5: Large-scale office supply volume in the 23 wards of Tokyo and individual key business districts

<1995 - 1999>



<2000 - 2004>

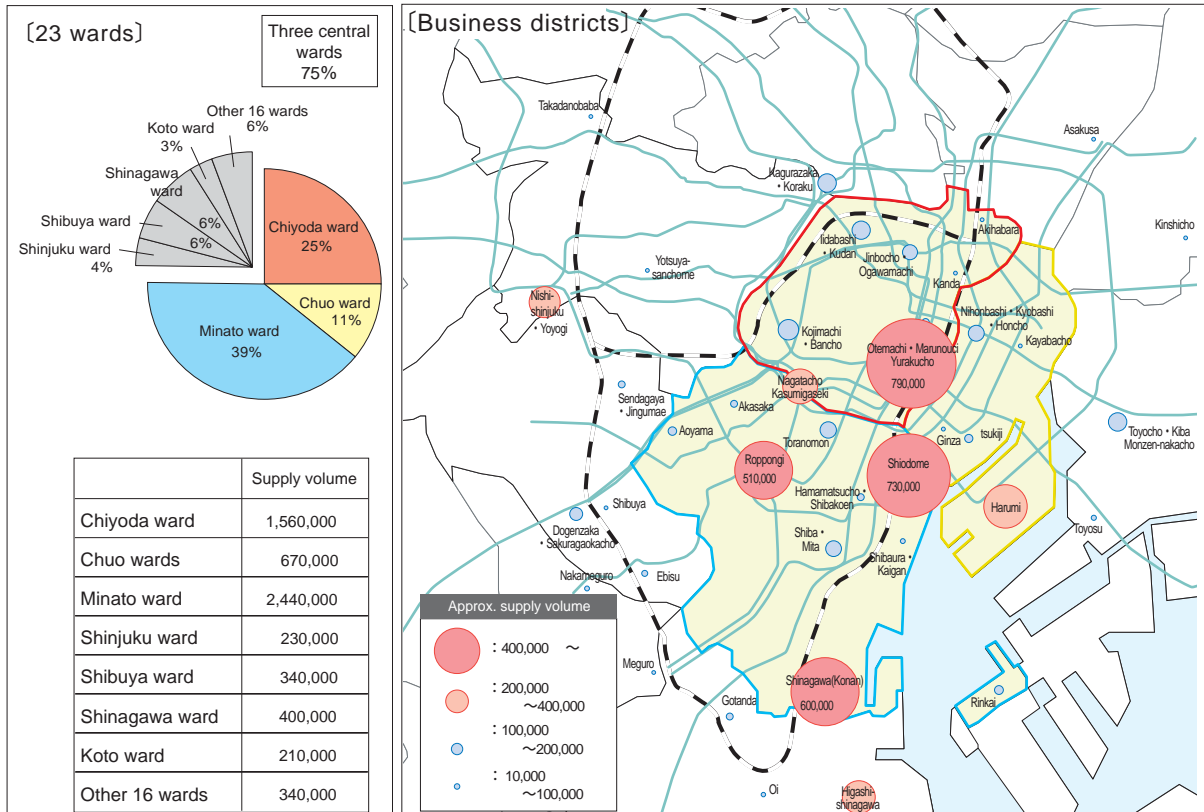
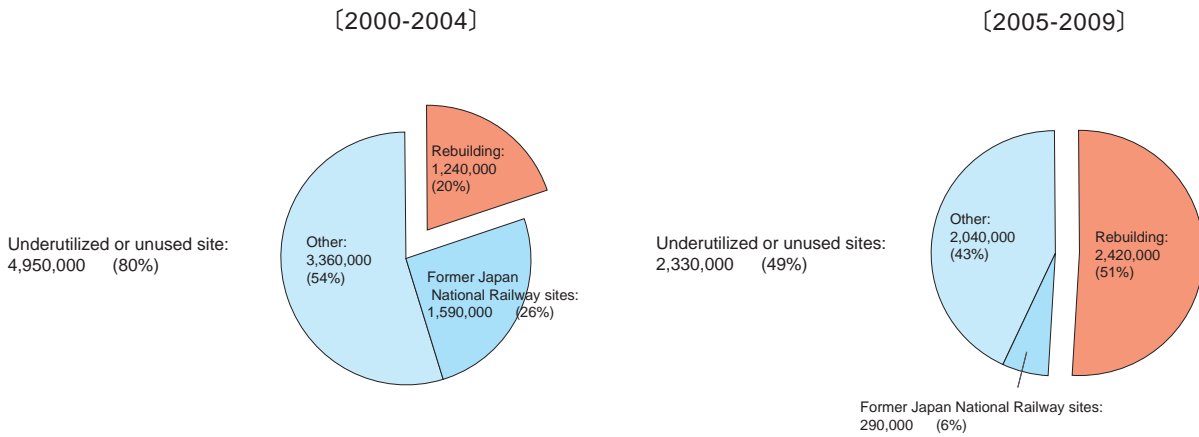


Figure 1 - 6: Percentages of large-scale office supply volume by site type



Rebuilding: Refers to land on which structures such as office buildings, hotels, and residential properties that had used the site in its entirety have been demolished in the development or sale stage.

Underutilized or unused sites: Refers to sites such as those with scattered patches of unused land including parking facilities and old buildings, sites with concentrations of residential properties, factory sites, rail yards, and idle land.

Figure 1 - 7: Percentages of large-scale office supply volume by site type / by ward (23 wards of Tokyo) (2005 - 2009)

