MORI TRUST GROUP

Survey of Large Office Building Supply in the 23 wards of Tokyo '08

April 11, 2008

We, Mori Trust Co., Ltd. (Head Office: Minato-ku, Tokyo), have since 1986 undertaken continuous field surveys and interviews concerning the implementation of plans for large-scale office building projects (total floor area: 10,000 square meters) within the 23 wards of Tokyo. Results of the most recent surveys and analysis are presented below. In the calculation of total office floor area, where the survey deals with multi-purpose buildings—buildings coupled with stores, living quarters or residences, hotels, etc.—only the floor area purely for office use is taken into consideration. [Survey Date: December 2007]

Office supply approaches a turning point
–Supply hits a low level in 2008, and central Tokyo's share of supply falls as well-

☞Main Results of This Survey

1. Changes in Supply Volume:

Annual supply projected to average 710,000 square meters over the next four years, reflecting a rapid fall to 60% of the level of supply over the past four years

In 2008, supply is projected to total 670,000 square meters, roughly one-half the 2007 level of 1,190,000 square meters. In addition, supply is projected to average only 710,000 square meters/year over the period 2008–2011 — a level less than 60% that of actual supply (1.2 million square meters/year) over the period 2004–2007. The year 2008 marks a turning point away from the trend toward high supply that had begun around 2002, and supply appears likely to remain at very low levels over the next few years.

As for the average office area of each building, the upsizing trend has reversed – from 43,000 square meters (2004–2007) to a projected 36,000 square meters (2008–2011).

2. Trends in Supply Location:

Share of supply of the three central wards of Tokyo to fall to the 50% range over the coming four years, with a rapid decrease in the number of large-scale development projects in central Tokyo.

A look at supply locations over the period 2008–2011 shows that the share of supply accounted for by locations in the three central wards of Tokyo will fall substantially, from 75% of supply (over the period 2004–2007) to 57%. This phenomenon results from the fact that the recent very large-scale redevelopment projects on former Japan National Railway or public land, such as those in Shiodome, Roppongi, and Konan, were mostly completed by 2007 and the volume of such development on underutilized and unused land such as these sites in central Tokyo is set to decrease dramatically.

A look at supply by business district shows that while the Otemachi-Marunouchi-Yurakucho area remains the center of supply, districts with the next-highest levels of supply are those such as Nishi-Shinjuku, Osaki/Gotanda, and Toyosu, outside the three central wards.

3. Trends by Development Site:

Rebuilding projects' share of supply in the three central wards of Tokyo to surpass 80% over the years 2008–2011

A look at supply trends by development site over the period 2008–2011 shows that rebuilding sites account for more than 80% of development in the three central wards of Tokyo, a clear indication that the leveling off of development of underutilized and unused land in these wards has resulted in a shift to a supply structure made up primarily of rebuilding. At the same time, outside the three central wards of Tokyo 80% of supply consists of development of underutilized and unused land, implying that the booming office market has led to the steady advancement of redevelopment projects and of putting unused land to more efficient use.

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Future Market Outlook

In 2008, the office-supply trend in Tokyo is shifting in orientation from a trend toward large-scale supply centralized in central Tokyo to one toward low levels of supply dispersed over numerous locations. Behind this shift is the drying up of sites for large-scale development in central Tokyo and the resulting supply structure focused on rebuilding. With the recent successive completion of large-scale development projects, the renewal of the central-city functions—which had been progressing rapidly—is likely to slow down somewhat over the coming several years.

At the same time, it would be difficult to characterize central Tokyo, home to a concentration of core global business facilities, as having an adequate supply of high-spec, large-scale buildings able to satisfy the needs of these global firms. Office buildings completed since 2000 that can be viewed as having suitably high specifications still account for only just over 10% of total office stock in the three central wards of Tokyo. As such, the renewal of the central-city functions has only just begun. As competition between cities intensifies on a global basis, large-scale redevelopment in the central city is indispensable to further improving the international competitive strengths of the Tokyo brand in the future. These times thus inarguably require the adoption of innovative measures in support of such efforts.

To this end, the swift implementation of an urban revitalization project decided on in June of last year, named "The promotion of urban revitalization for the enhancement of international financial base functions", is eagerly anticipated. However, in order to improve the international competitive strengths of the Tokyo market we must strongly promote the development of an urban environment in which global firms, including financial institutions from Japan and overseas, can operate with comfort and peace of mind. Accordingly, many are eagerly awaiting the timely adoption of dynamic innovations, such as new means of urban development that go beyond the bounds of existing frameworks.

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

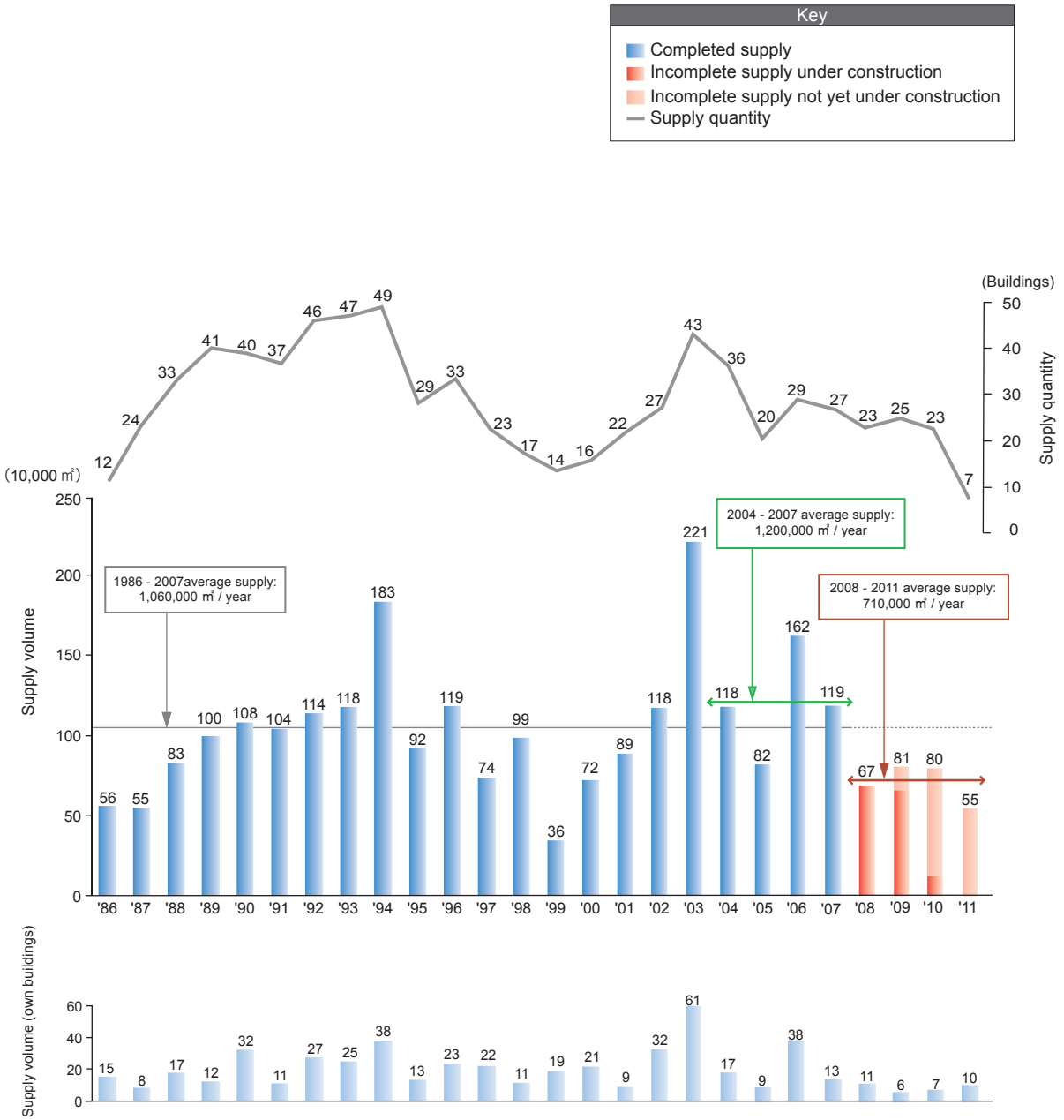


Figure 2: Trends in average total office floor area per building (four-year intervals)

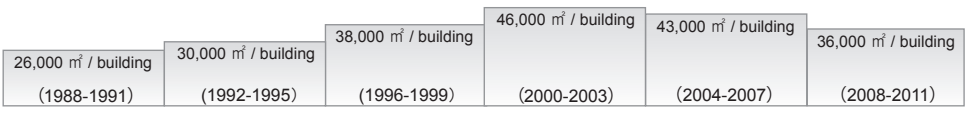
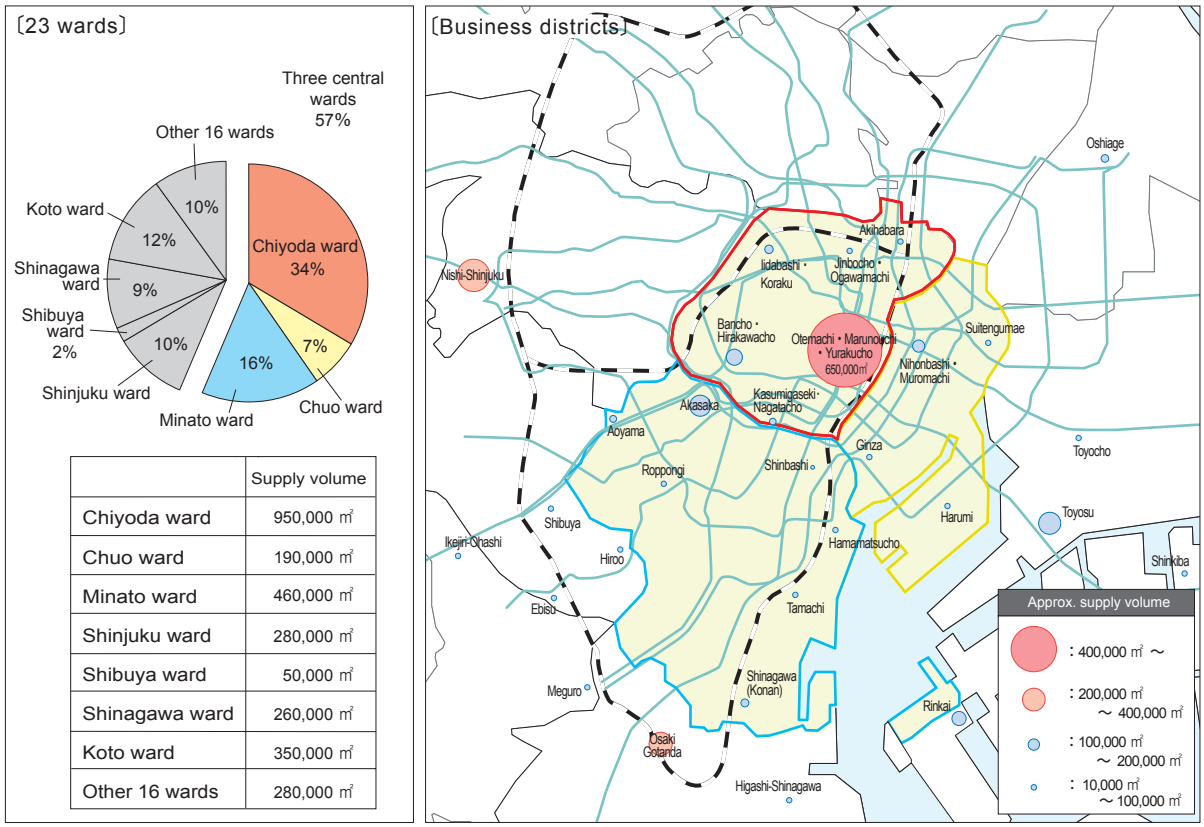


Figure 3: Large-scale office supply volume in the 23 wards of Tokyo and individual key business districts (2008 - 2011)



	Supply volume
Chiyoda ward	950,000 ㎡
Chuo ward	190,000 ㎡
Minato ward	460,000 ㎡
Shinjuku ward	280,000 ㎡
Shibuya ward	50,000 ㎡
Shinagawa ward	260,000 ㎡
Koto ward	350,000 ㎡
Other 16 wards	280,000 ㎡

Figure 4: Trends in the top 10 districts in terms of large-scale office supply volume (2008 - 2011)

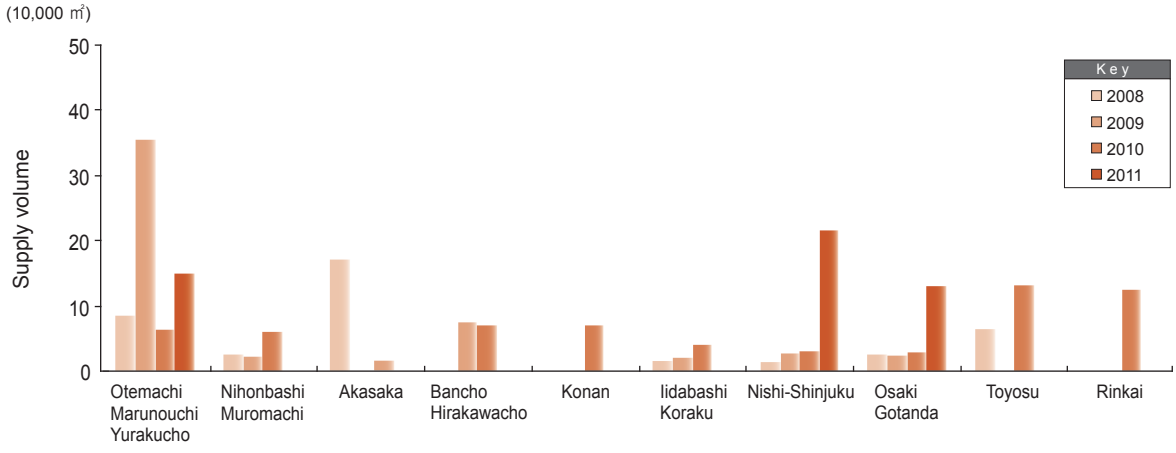
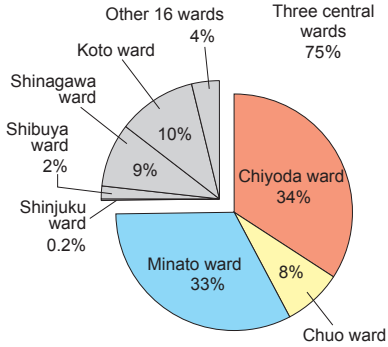


Figure 5: Large-scale office supply volume in the 23 wards of Tokyo and individual key business districts (2004 - 2007)

〔23 wards〕



	Supply volume
Chiyoda ward	1,650,000 ㎡
Chuo ward	380,000 ㎡
Minato ward	1,570,000 ㎡
Shinjuku ward	10,000 ㎡
Shibuya ward	80,000 ㎡
Shinagawa ward	440,000 ㎡
Koto ward	500,000 ㎡
Other 16 wards	190,000 ㎡

〔Business districts〕

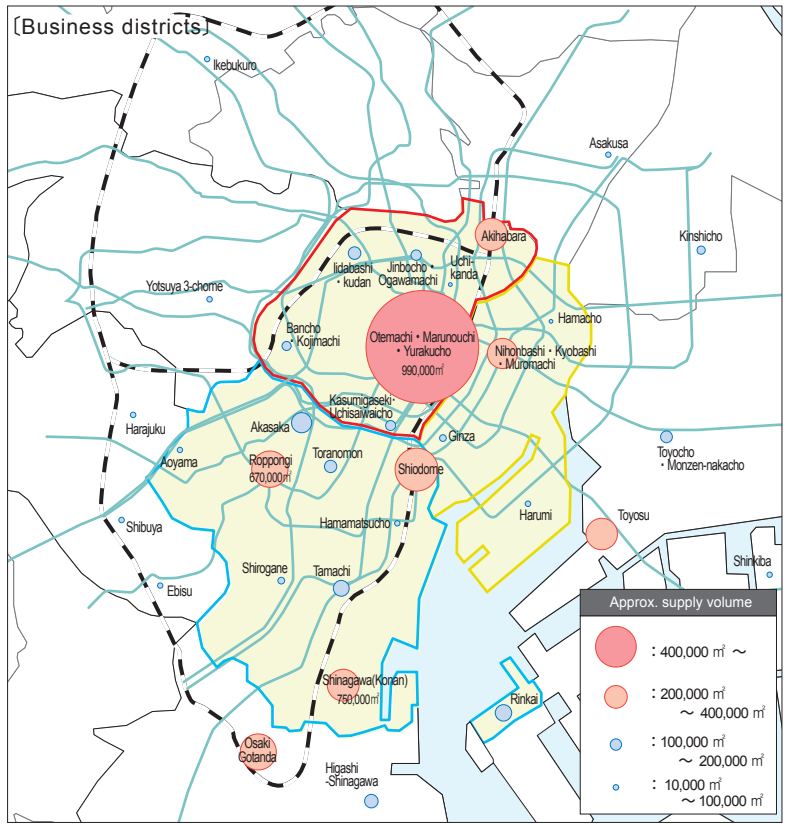


Figure 6: Percentages of large-scale office supply volume by site type (2008 - 2011)

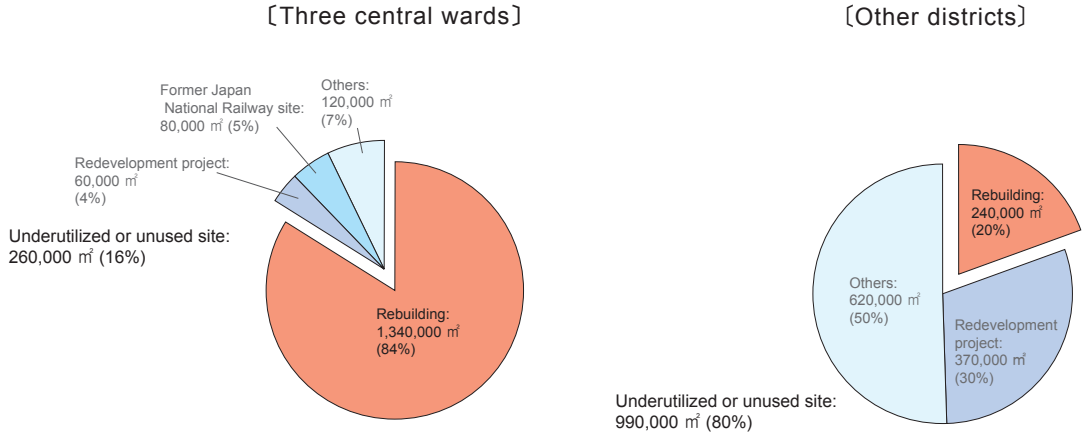
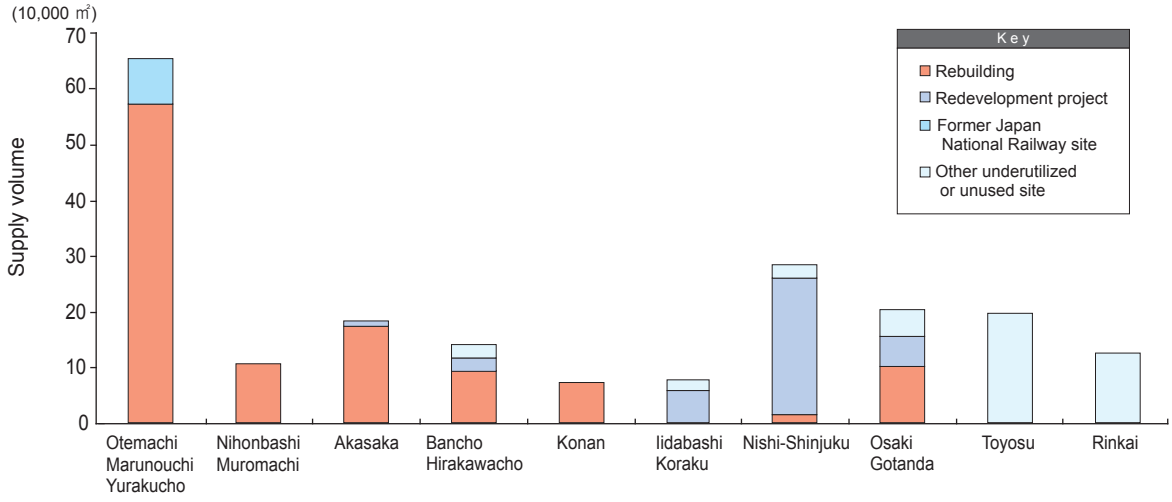


Figure 7: Supply volume by site type of the top 10 districts in terms of large-scale office supply volume



[Definition of terms]

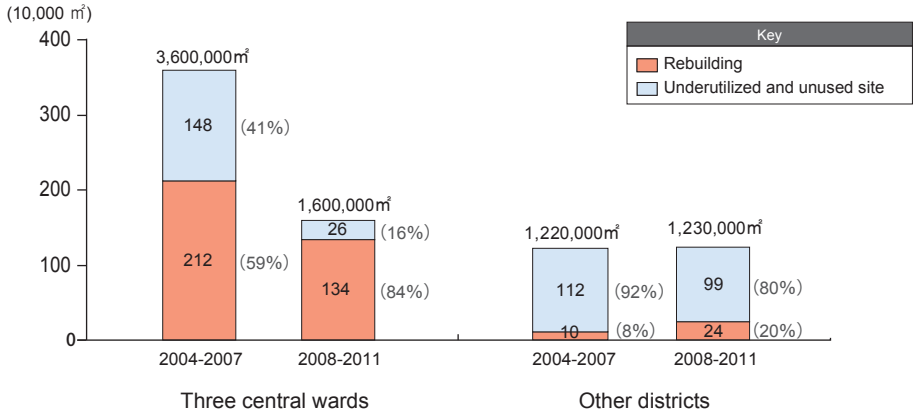
Rebuilding:
(Developments taking place on) land resulting from the demolition of buildings previously used as offices, hotels, residences, etc.

Underutilized and unused site:
(Developments taking place on) land not previously used effectively, including land with intermixed parking lots, dilapidated buildings, and a number of empty lots, concentrated residential-use land, former factories, former railway land, etc.

Redevelopment project:
A redevelopment project carried out by a redevelopment association or Tokyo Metropolitan Government.

Figure 8: Supply trends in three central wards of Tokyo and other districts

〔Large-scale office supply〕



〔Average office floor area per building〕

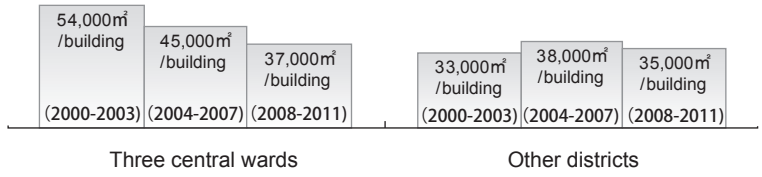
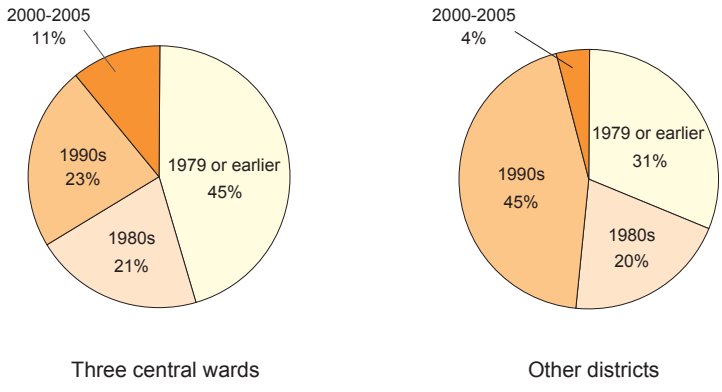


Figure 9: Shares of office stock by year of completion of office construction*



* The data above was prepared by Mori Trust Co., Ltd. based on office floor area (including bank floor area) figures included in *Tokyo no Tochi 2006* (“Tokyo Land 2006”), published by the Tokyo Metropolitan Government.

The above graphs assume that the increase in supply volume in each year equals the office floor area of buildings completed in that year and depict shares by decade calculated using total office stock as of January 1, 2006 as the denominator.