

Since 1986, Mori Trust Co., Ltd. (Head Office: Minato-ku, Tokyo) has surveyed trends in the supply of large-scale office buildings containing total office space of 10, 000 square meters or more within the 23 wards of Tokyo, based on various published materials, field surveys, and interviews. The results of the most recent surveys 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 2009]

A clear trend toward decentralization of supply locations

~Supply in the three central wards of Tokyo dropped to low levels, and the proportion of the overall supply accounted for by these wards declined dramatically~

☞ Main Results of This Survey

1. Changes in Supply Volume:

Despite a temporary increase in supply volume in the 23 wards of Tokyo as a whole, supply in the three central wards remains in a declining trend.

For the third consecutive year starting with 2008, the expected figure for supply in 2010, just 830,000 square meters, is below the average for the past 20 years (1.09 million square meters/year). While supply is projected to increase to 1.46 million square meters in 2011 and 1.68 million square meters in 2012, a return to restrained supply trends appears likely in 2013. Additionally, construction starts on certain projects have been postponed, suggesting supply volumes in 2011-2012 may also decline.

Supply in the three central wards, characterized by a gradual decline in recent years, is expected to continue declining through the years 2010-2013, further increasing the scarcity value of office buildings in prime locations in central Tokyo.

2. Trends in Supply Location:

The share of supply accounted for by Tokyo's three central wards has declined significantly, with a growing trend toward decentralization of supply locations.

Supply volumes in the three central wards over the years 2010-2013 are projected to fall to roughly 70% of recorded levels for the years 2006-2009. The share accounted for by these three central wards is projected to decline from 72% to 51%. A look at projections by ward shows an expected increase in the share of Chuo Ward, due to an increase in supply in the Yaesu, Nihonbashi, and Kyobashi areas, but major declines in the shares of Chiyoda Ward and Minato Ward. Outside the three central wards, the shares accounted for by Koto Ward, with its growing supply in the Rinkai area, and by Shinjuku Ward, with expanding supply in the Nishi-Shinjuku and Shinjuku areas, are projected to increase significantly. Koto Ward, in particular, is expected to account for a share in the overall supply second only to Chiyoda Ward. Supply is also increasing in areas such as Nakano, showing a clear trend toward decentralization of supply locations.

3. Trends by Development Site:

Rebuilding accounts for a significant portion of the office space supply in the three central wards; thriving large-scale developments on new lots characterize emerging supply in other areas.

A look at supply trends by development site in the years 2010-2013 indicates a major decline in development of unused or underutilized sites in the three central wards, with a growing focus on rebuilding exhibited within the actual supply structure. This trend primarily revolves around the area near Tokyo Station. The Yaesu, Nihonbashi, and Kyobashi areas, as well as the Otemachi, Marunouchi, and Yurakucho areas, are expected to see full-fledged rebuilding of office stock. Outside the three central wards, supply based on unused or underutilized sites continues to account for 80% or more of the total. Large-scale developments on unused land are expected to thrive in the Rinkai area and elsewhere.

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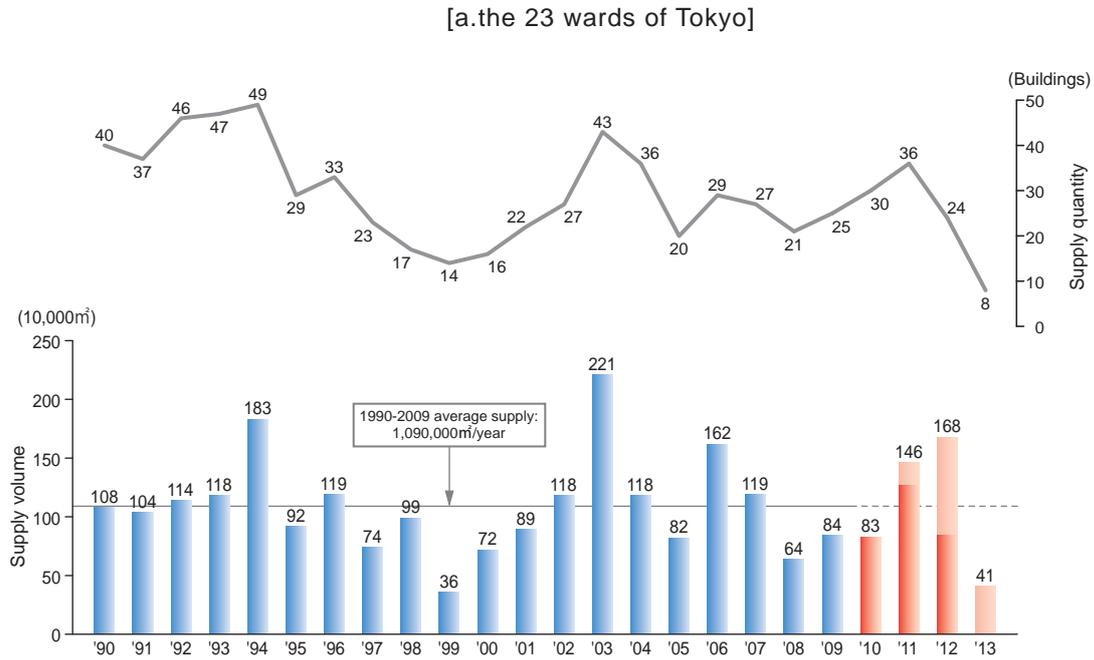
➤ Future Market Outlook

Since 2004, when large-scale developments on the former Japan National Railway land peaked and then began to decline, the supply structure in central Tokyo has been characterized by rebuilding, as aging office stock has undergone rapid updates. This development has focused in the Otemachi, Marunouchi, and Yurakucho areas, and redevelopment in these areas, which offer the highest potential in central Tokyo, has sparked a wave of updates to urban functions in existing business districts and stimulated demand among businesses to return to central Tokyo. In central Tokyo, characterized by a shortage of sites for new large-scale development projects, rebuilding is expected to account for a significant portion of the office supply introduced to the market over the medium to long term. Backed partly by the deep-rooted corporate orientation to locate in central Tokyo, the scope of areas in which aged office stock undergoes updates is expected to expand beyond the Yaesu, Nihonbashi, and Kyobashi areas.

The growing interest and importance of environmental issues and increasingly rigorous environmental regulations may also serve as new factors promoting rebuilding. Growth in the scope of businesses subject to regulation under the amended Act on the Rational Use of Energy and requirements to reduce greenhouse-gas emissions under the Tokyo Metropolitan Government's amended environmental protection regulations appear likely to increase environmental awareness among businesses and further sharpen the market advantages of newly constructed buildings with their superior environmental performance. Stronger regulations may also encourage the market to weed out certain properties based on environmental performance, hastening the rebuilding of older facilities.

Since this trend toward supply through rebuilding is most pronounced in central Tokyo, which has matured as a business district, it may serve as a powerful demand stimulant. Additionally, the temporary loss of space in existing buildings due to rebuilding will do much to reconcile the gap between supply and demand, easing the increase in office stock and creating demand for relocation from buildings removed from the market. Advances in the rebuilding of aged stock in central Tokyo and related improvements in environmental performance may help stimulate the rental office market, which has begun to show signs of recovery.

Figure 1: Trends in supply volume of large-scale office buildings



[b. Three central wards and other than three central wards]

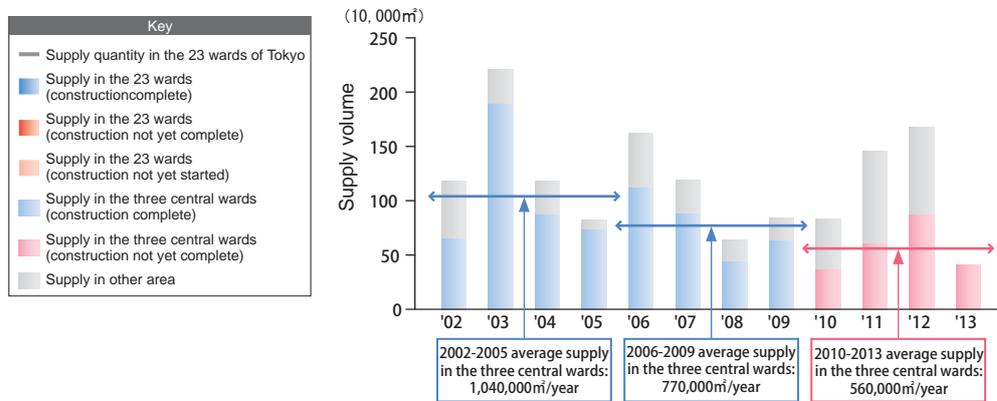


Figure 2: Trends in average total office floor area per building

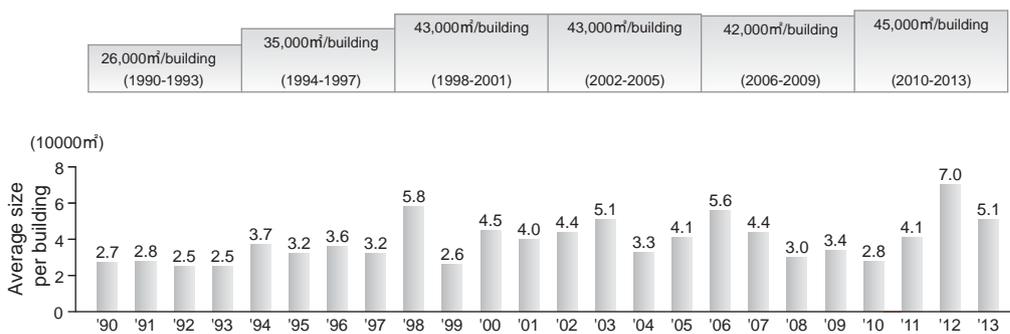


Figure 3: Large-Scale Office Supply by Ward

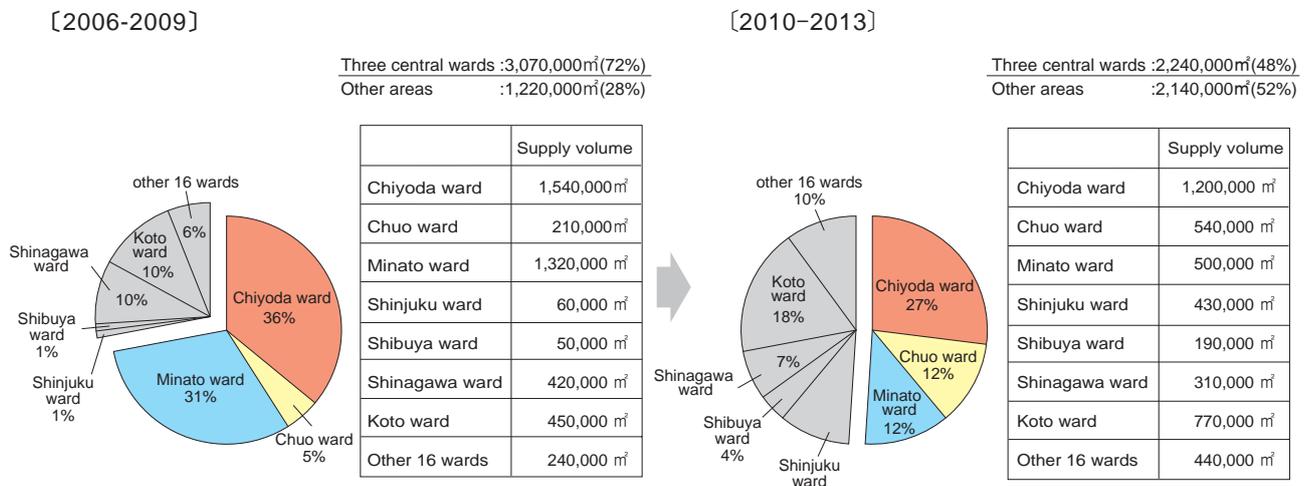


Figure 4: Trends in the top 10 districts in terms of large-scale office supply volume

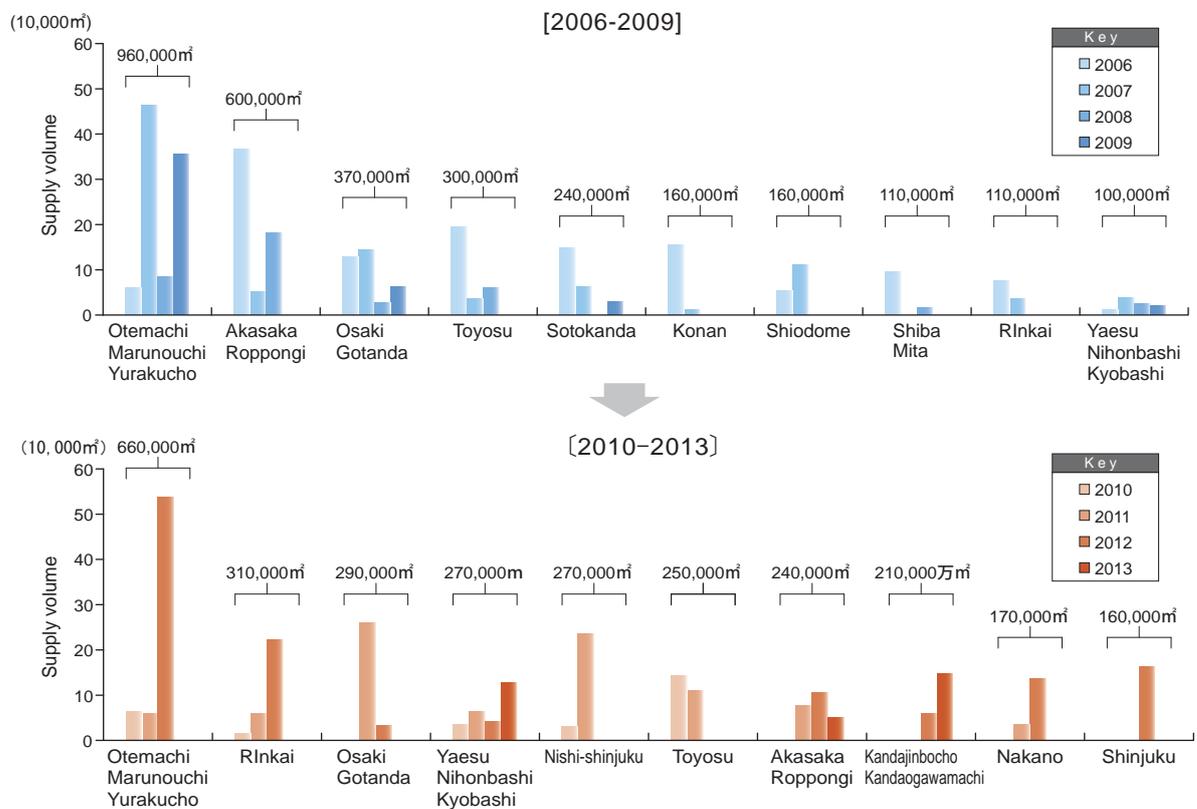


Figure 5: Large-scale office supply volume in the individual key business districts

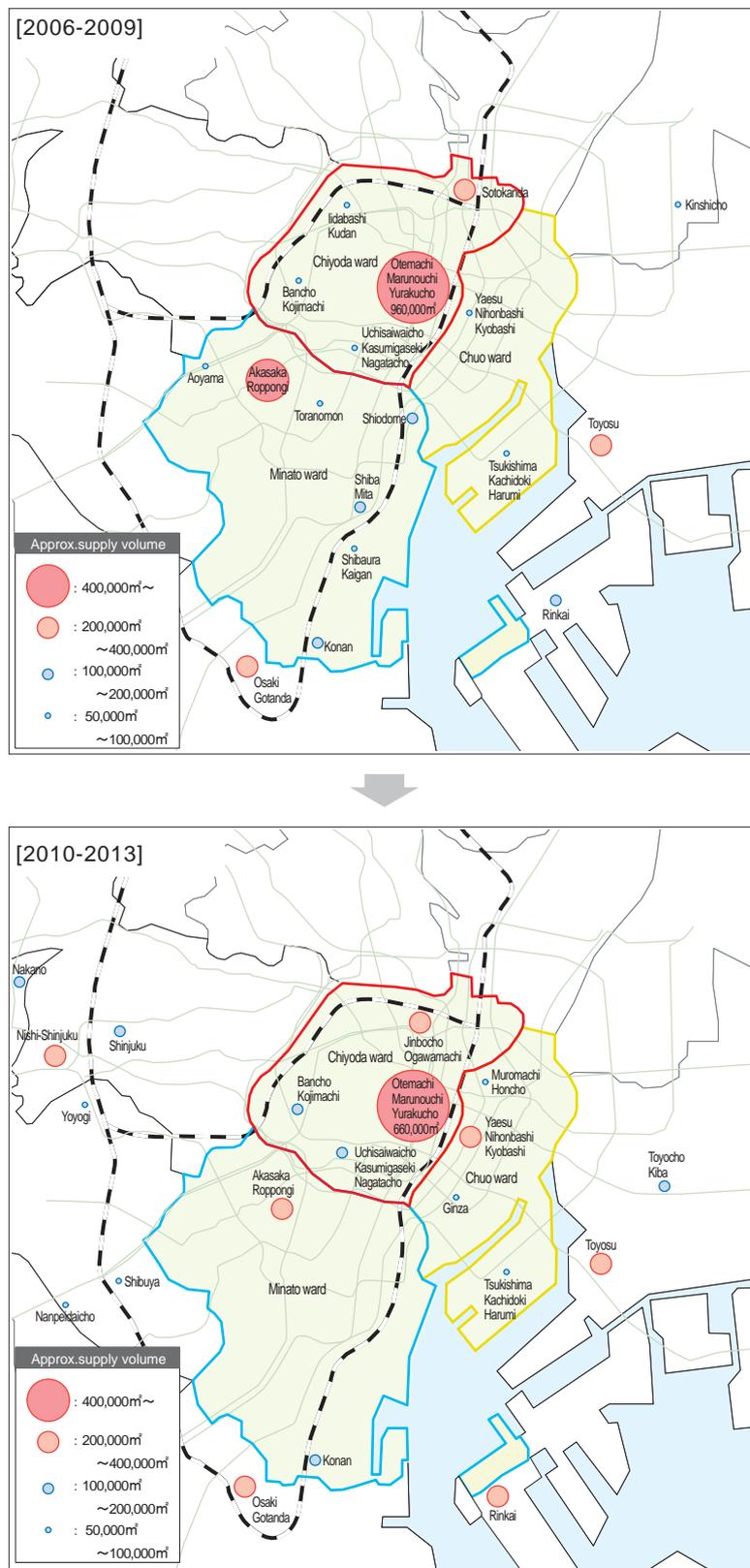


Figure 6: Supply of large-scale office buildings on development sites

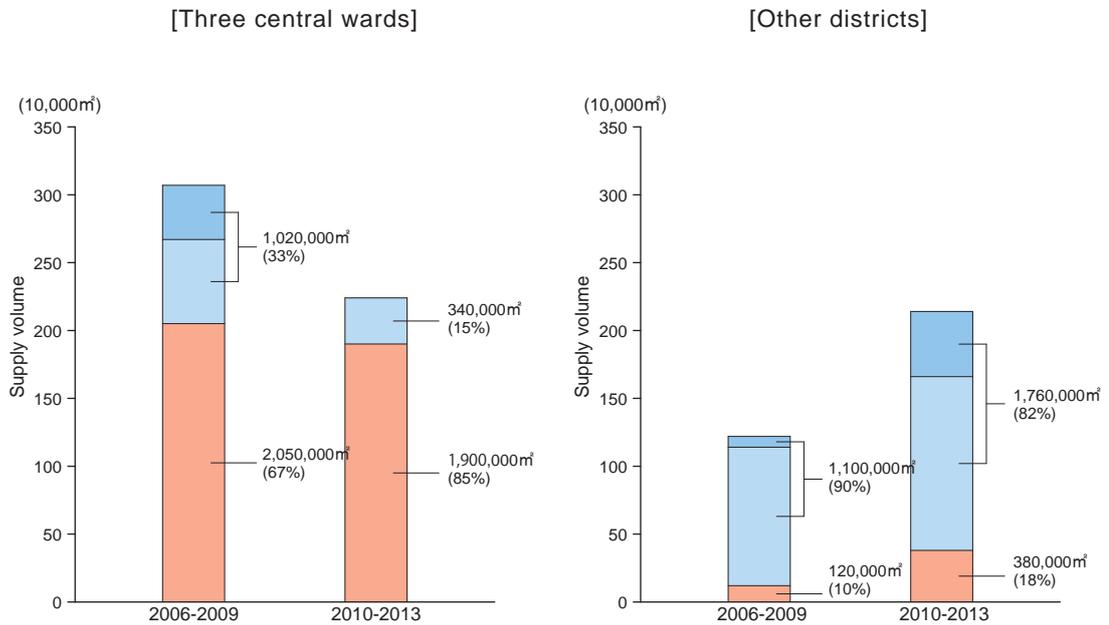
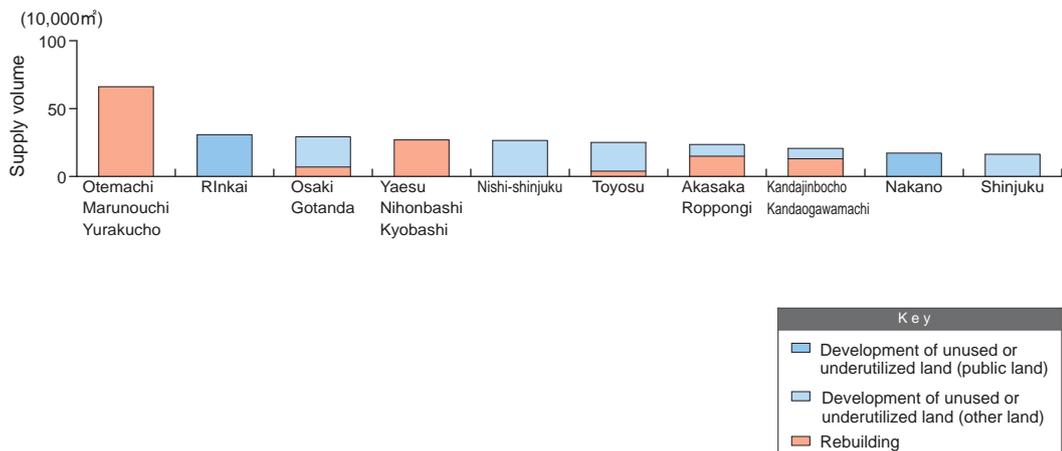


Figure 7: Supply by development site in the top 10 areas in terms of supply volume<2010-2013>



[Terminology]

Rebuilding:

Land after demolition, previously occupied by a building used as an office, hotel, residence, etc. (or development thereof).

Unused or underutilized land:

Land not previously put to effective use, including land dotted with undeveloped plots like parking lots and decrepit buildings, densely developed residential areas, former factory sites, railroad land, or unused land (or development thereof).

Figure 8: Supply of large-scale office buildings on development sites in the three central wards of Tokyo

