

Since 1986, Mori Trust Co., Ltd. (Head Office: Minato-ku, Tokyo) has been conducting a series of field and questionnaire surveys to analyze and monitor the progress of construction of large office buildings (10,000 square meters or more in total floor area) in Tokyo's 23 wards. The followings are the findings of our 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.

Supply of office buildings close to train stations and right in the heart of Tokyo prompts mass return of corporate offices to the city center

~ Active Restructuring of Centrally Located Office Buildings Is Behind the Shift Toward an Era of Greater Choice ~

Points of the survey

1. The floor area of large office buildings available in the 23 wards is estimated to total 1,160,000 square meters in 2004. This is approximately half of the peak 2,210,000 square meters recorded in 2003. However, the current area figure surpasses the average for the years the survey has been conducted. This figure is anticipated to return to the average figure, totaling approximately 1,000,000 square meters, from 2005 to 2008. There are no signs of the attempts to control supply observed in the period immediately following the oversupply in 1994.
2. The survey findings suggest that the supply of large office buildings in the Shiodome and Shinagawa (Konan) areas will decrease in terms of area from 2004 to 2008 as large-scale development projects conclude in these areas. Findings also indicate that full-scale development around the Tokyo Station will significantly increase the volume of newly supplied office buildings in districts such as Otemachi, Marunouchi, and Yurakucho during the same period. 90% of buildings scheduled to be provided in this period are located within a five-minute walk from the nearest train station. This high proportion reflects a growing tendency to provide office buildings close to train stations and right in the heart of Tokyo, offering tenants the attraction of extreme convenience.
3. There is a strong possibility that companies that have held off on expansion due to unfavorable business conditions will now begin looking for offices to rent. Two developments support this view. One is the improvement in corporate business prospects. The other is the increasing supply of centrally located offices close to train stations and right in the heart of Tokyo, offering tenants greater convenience and allowing for more effective operations.



Effects on the metropolitan office market of increasing demand and greater availability of conveniently located office buildings close to train stations and right in the heart of Tokyo

A new supply of office buildings located near train stations and right in the heart of Tokyo will absorb metropolitan office demand, which is becoming increasingly noticeable in today's environment of sustained business recovery. These properties will help make a return to the heart of Tokyo the new trend: this pattern is already clear in the metropolitan housing market, and it is not hard to imagine a parallel development in the office market. These new office buildings will offer greater choice to companies wishing to improve their office locations. These developments will also force owners of outdated office buildings to end their reliance on superior location and to refurbish drastically through reconstruction and other means of attracting tenants. Laws established to facilitate urban redevelopment are also anticipated to prompt more building owners to restructure their centrally located office buildings and will encourage more companies to move their offices back to the heart of Tokyo.

As described above, **the trends toward greater supply, greater selection, and increased restructuring of office buildings are expected to cycle upward in the attractive and convenient downtown sections of Tokyo. This cycle is anticipated to bring the metropolitan office market into a period of increased choice. Only office buildings with a strong appeal to prospective corporate clients will prosper in this new environment.**

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