

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 10,000m<sup>2</sup> 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.

## Rebuilding of the city center as a business hub takes off in earnest

~ Future office building supply will be concentrated in the area around Tokyo Station, while companies will also start returning to the heart of the city in large numbers. ~

### 👉 Points of the survey results

#### 1. Developments in supply

Annual supply from 2004-2008 will average just over a million square meters, with no signs of a curb on supply following the huge volume of office space that came onto the market in 2003.

Supply in 2005 will be limited to 820,000m<sup>2</sup>; however, in 2006 this will approximately double, to 15,300,000 m<sup>2</sup>, with average annual supply over the five years following the major boost in supply in 2003 (i.e. 2004-2008) projected to reach 1,020,000m<sup>2</sup>. This is approximately 200,000m<sup>2</sup> more on average annually than in the five years of constraint witnessed following the major boost to supply in 1994.

#### 2. Trends in supply areas

From 2005 onward the main area of supply will be the district around Tokyo Station, as the rebuilding of this area as a business hub takes off in earnest.

From 2005-2008, while Chiyoda and Minato Wards will account for nearly the same share of new building supply by ward at 30% each, in terms of more specific business districts, Otemachi, Marunouchi, and Yurakucho will be the neighborhoods to watch. The supply of office space in these districts is expected to reach approximately 760,000m<sup>2</sup> over four years, in fact over 2.5 times the supply seen in the second and lower ranked districts such as Roppongi, Akasaka, and Osaki-Gotanda.

#### 3. Trends in companies moving premises

Trends in the number of companies moving to new buildings highlight a full-scale return to the central city.

Most new office buildings completed since 2004 with 10,000 tsubo or more of floor space are situated in districts conveniently located for JR rail terminals, such as Marunouchi, Shiodome, and Shinagawa. A look at trends in companies moving premises reveals an obvious desire among businesses to move to better locations (to gain better access to transport infrastructure, for example), highlighting what is becoming a full-scale return to the central city.

### 👉 Outlook for the market

Current trends in the Tokyo office market point to a concentration of supply in favorable locations in the central city with convenient access to public transport, and the accompanying return to center of the city by the business sector. **This can only be attributed to the fact that knowledge-intensive enterprises setting up business in Tokyo have begun making careful choices about office buildings as a vital management resource in terms of attracting top staff and improving intellectual productivity in reaction to the growing fluidity of human resources with the demise of aspects of the Japanese labor market such as lifetime employment and promotion by age. The heart of the city looks set to become even more of a center for business in future, as the optimal office location catering to corporate demands for the next generation.**

The first five years of the initial decade after 2000 saw the creation of new business hubs in districts such as Shiodome and Shinagawa, due to the large-scale development of former Japanese National Railways' properties. **However, development of these properties has largely been concluded; as a result the rebuilding of business hubs (with an emphasis on replacing existing buildings) is expected to begin in earnest. It is not difficult to imagine the nucleus of such development in the districts around Tokyo Station (Otemachi, Marunouchi, Yurakucho, Yaesu, Kyobashi, and Nihonbashi) due to the fact that despite the primacy of these Tokyo locations in terms of transport, around half of their buildings are over 30 years old.**

This year's survey suggests a genuine start to the rebuilding of central Tokyo as a business hub, and in the districts around Tokyo Station, which boast excellent development potential for both supply and demand, it is expected that rebuilding will continue into the medium/long-term, via the replacement of existing buildings.

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