

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 2010]

Hub of supply area to swing back to central Tokyo from surrounding areas

☞ Main Results of This Survey

1. Changes in supply volumes

Despite a temporary increase, supply volumes are projected to resume their slowing changes in 2013.

Supply volumes in 2010 were 830,000 square meters, below the average for the past two decades (1.08 million square meters/year) for the third consecutive year, starting in 2008. While supply for each of 2011 and 2012 (with projections at 1.37 million and 1.62 million square meters, respectively) is projected to surpass the average of the past years, the trend is projected to return to a slowing change in 2013 and 2014. In particular, supply volumes in areas other than the three central wards of Tokyo are expected to show marked declines starting in 2013, due in part to the impact of recent sluggishness in the rental office market.

2. Trends in supply areas

Starting in 2013, the supply is projected to shift from a trend toward widening distribution across the areas to concentration in central Tokyo.

In 2011-2012, supply volumes in areas outside the three central wards of Tokyo will surpass supply in the three central wards. By ward, supply volumes will be highest in Shinjuku and Koto wards, surpassed only by Chiyoda Ward. In addition, when looking at supply by area, areas outside the three central wards, such as the Osaki/Gotanda, Nishi-Shinjuku, and Nakano areas, will supply a large number of sites. In contrast, the supply volume for the three central wards in 2013-2014 is projected to account for more than 80% of the total figure for the 23 wards of Tokyo. By ward, the three central wards are also expected to hold the top positions. Also, when looking at supply volumes by area, projections indicate that statistical subdivisions of the Tokyo metropolitan area with particularly high office concentrations in parts of the three central wards—for example, Otemachi/ Marunouchi/ Yurakucho, Yaesu/Nihonbashi/Kyobashi, or Toranomon areas—will retain the leading positions.

3. Supply trends by land for development

In the three central wards of Tokyo, a trend wherein supply revolves around rebuilding is projected to continue.

In the three central wards, in 2011-2014 rebuilding supply is projected to account for approximately 80% of all new office space, with supply concentrating in areas that have traditionally featured high concentrations of large office buildings (the area around Tokyo Station, for example). Other than rebuilding supply, redevelopment supply is projected to increase, while office supply from land currently owned by the national government or other publicly-owned land, capable of being developed rapidly, will be nonexistent. On the other hand, some 80% of office supply in 2011-2014 outside the three central wards will continue to come from the development of low-use or unused land.

For further information, please contact:

Research & Planning Yuko Toyama
Building Leasing Department

Mori Trust Co., Ltd. <http://www.mori-trust.co.jp>

Toranomon 2-chome Tower, 3-17 Toranomon 2-Chome, Minato-ku, Tokyo 105-0001 JAPAN

E-Mail: toyama-y@mori-trust.co.jp

⇒ Conclusions

The Great East Japan Earthquake has also profoundly affected corporate office-building selection criteria. The post-earthquake rental office market has seen a growing preference for office buildings offering superior safety and reliability. In response, future office building plans are even more likely to incorporate further strengthened measures to counter disaster risks, including advanced, high-level seismic control structures and base-isolated structures; augmentation of emergency power supplies; and enhanced emergency supplies for employees facing difficulty returning home after a disaster. This in turn is expected to create a wider performance gulf between new and old buildings, eventually prompting the rebuilding of older buildings associated with inferior disaster performance.

A look at office stocks in the 23 wards of Tokyo shows that 30% of this space consists of buildings completed in the 1970s or before, before the enactment of the new earthquake standards. There is a clear and pressing need to renew this older office stock. The recent earthquake also revealed the weakness of the infrastructure supporting key urban functions, highlighting a need to strengthen a broad range of the social infrastructure. To lure back the personnel and investment from overseas expected to prove essential in restoring and developing the Japanese economy, public and private sectors will need to work jointly to advance urban reconstruction, based on a new grand design unfettered by preconceived notions. This will be a prerequisite for building safe, disaster-proof cities.

Figure 1: Office supply trends at large office building in the 23 wards of Tokyo

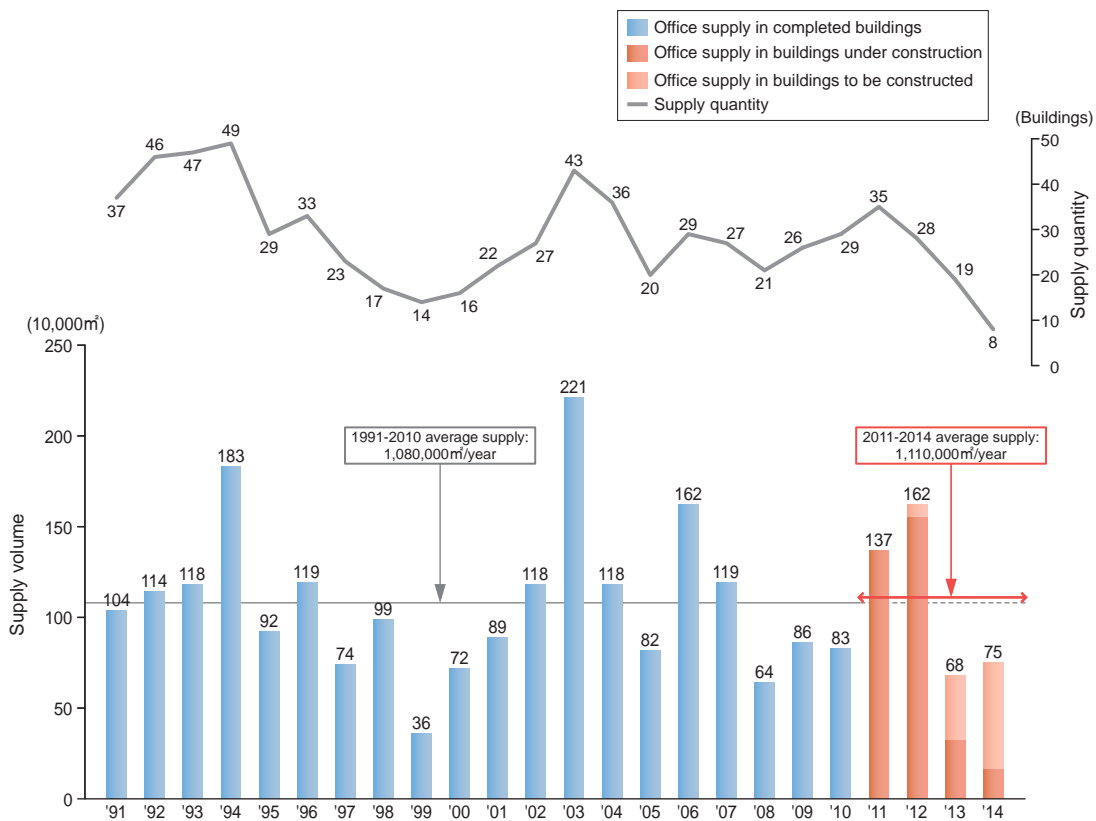


Figure 2: Office supply in the three central wards of Tokyo and in other areas

[Three central wards of Tokyo]

[Outside the three central wards]



Figure 3: Office supply volumes and shares by building size

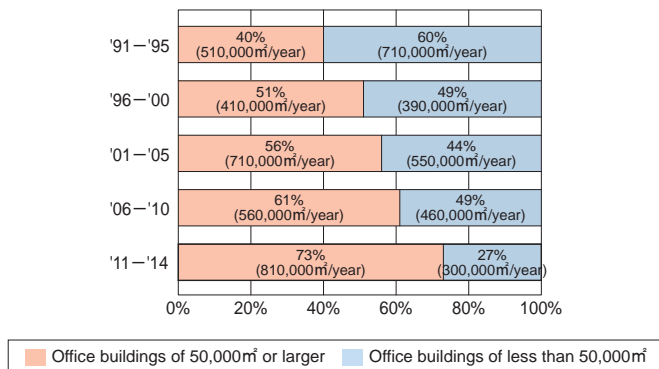
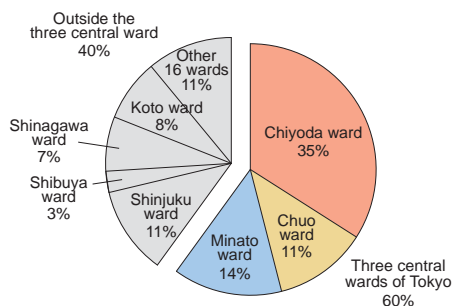


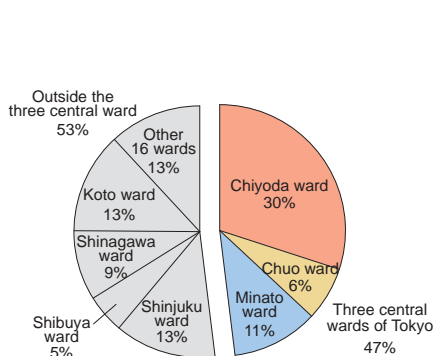
Figure 4: Large-scale office supply by ward

[a. 2011-2014]



Three central wards of Tokyo	2,640,000㎡	Chiyoda ward	1,540,000㎡
		Chuo ward	490,000㎡
		Minato ward	610,000㎡
Outside the three central ward	1,780,000㎡	Shinjuku ward	470,000㎡
		Shibuya ward	160,000㎡
		Shinagawa ward	300,000㎡
		Koto ward	380,000㎡
		Other 16 wards	470,000㎡

[b. 2011-2012]



[c. 2013-2014]

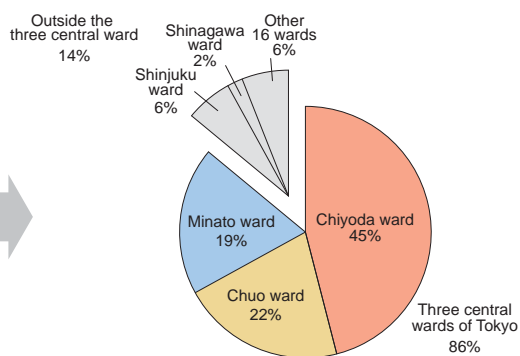
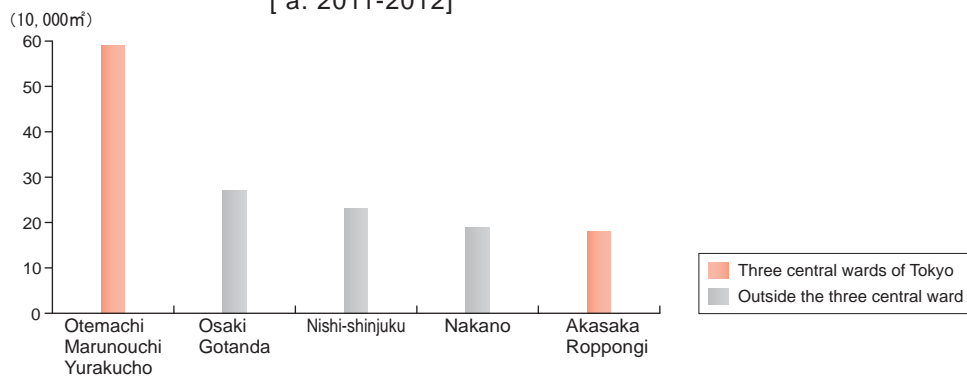


Figure 5: Volume of office supply in large office buildings by area (top five areas)

[a. 2011-2012]



[b. 2013-2014]

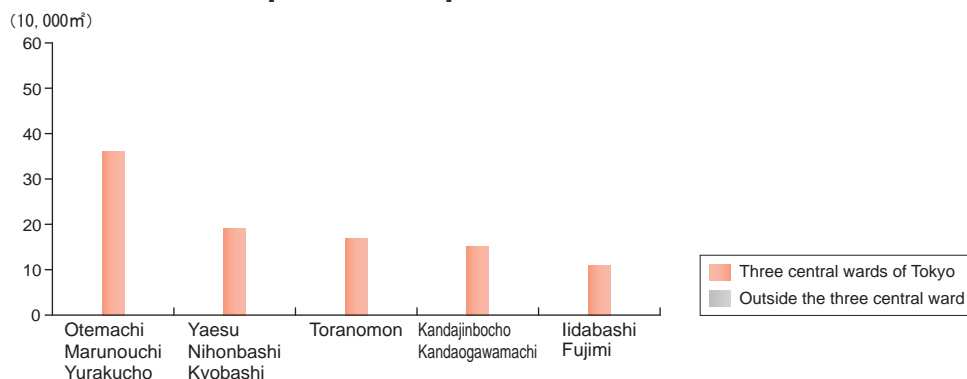


Figure 6: Large-scale office supply volume in the individual key business districts

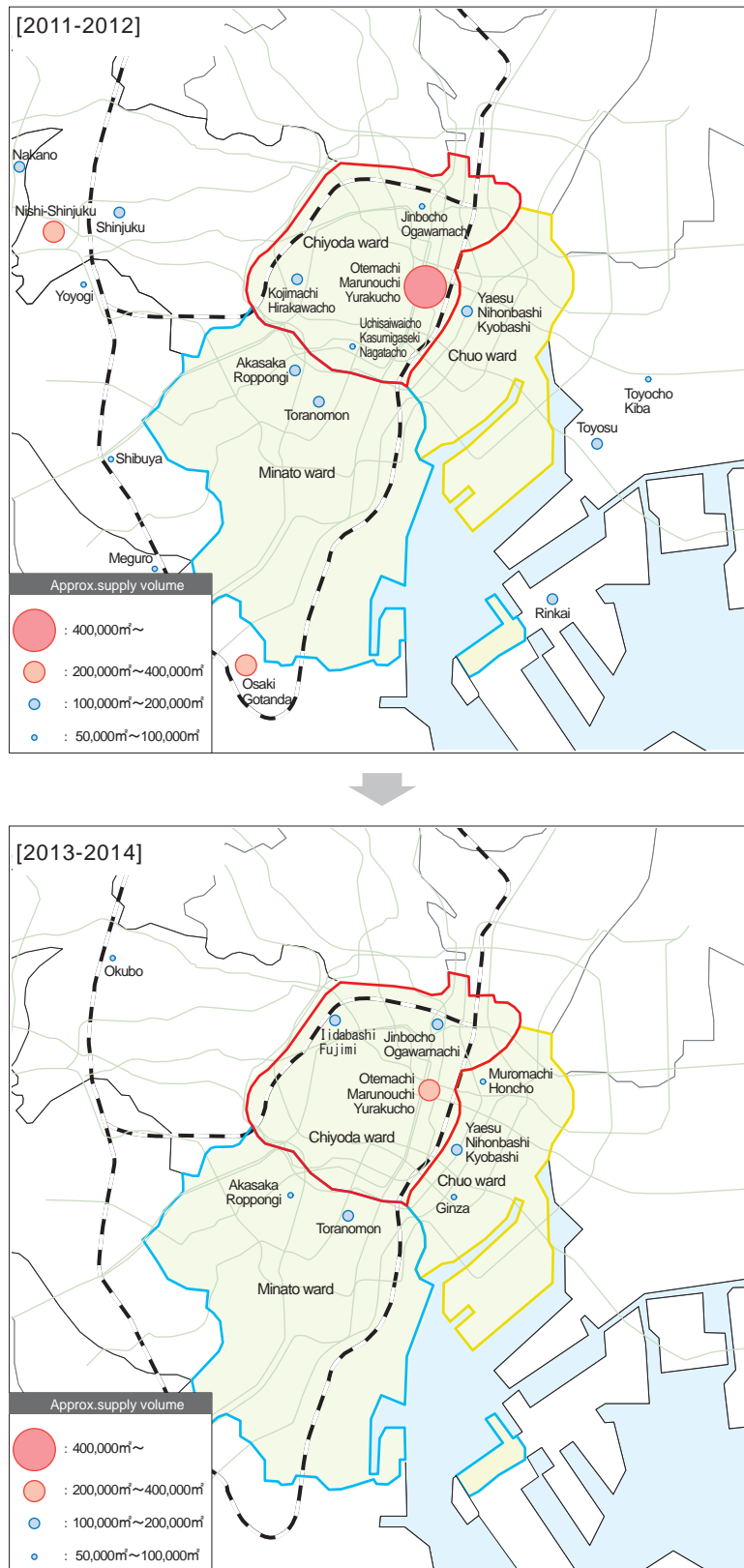
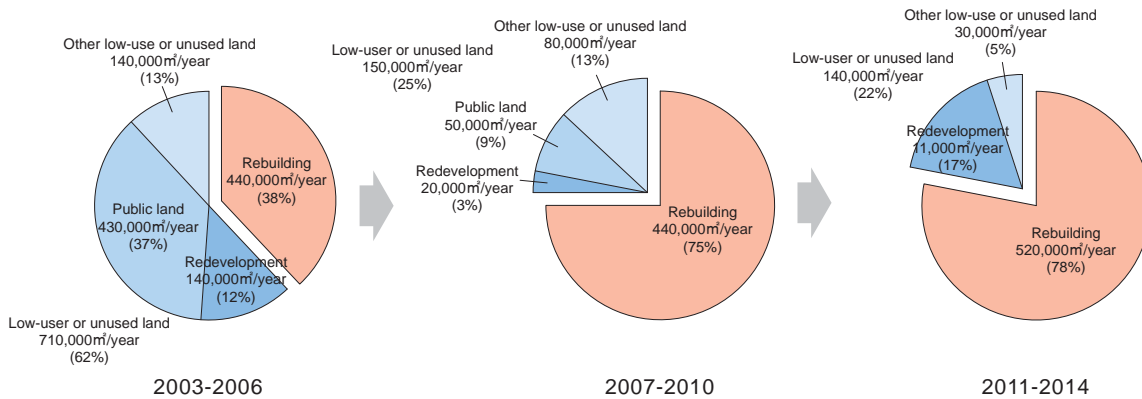
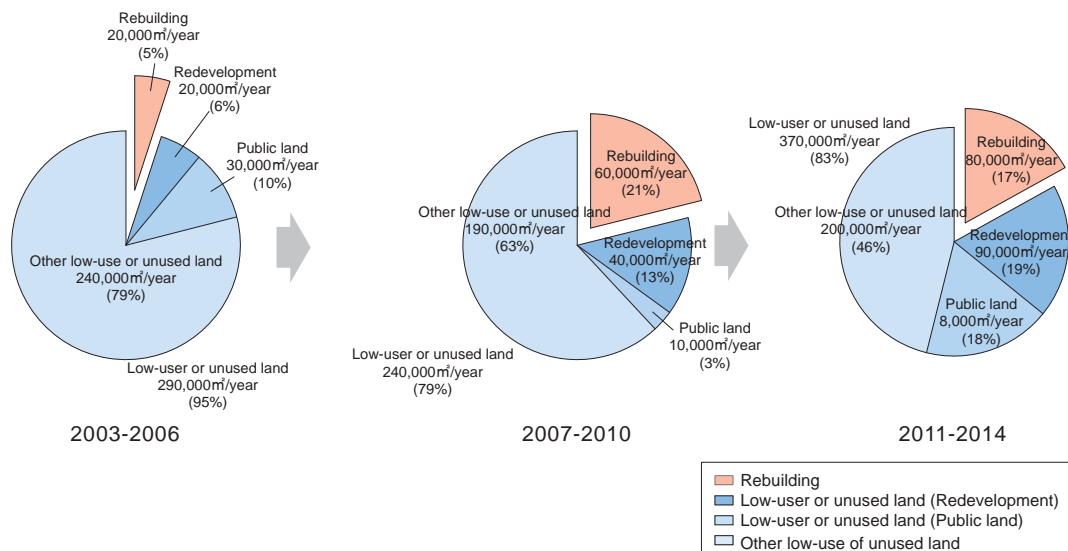


Figure 7: Volume of office supply and shares by type of land for development

[a. Three central wards of Tokyo]



[b. Outside the three central wards]



[Terminology]

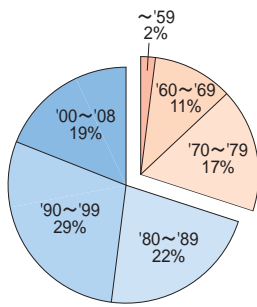
Rebuilding:

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: Shares of office floor by decade of construction



Source: Prepared by Mori Trust Co., Ltd. Based on
"Tokyo Land 2009" (Tokyo Metropolitan Government).