

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 Tokyo's 23 wards, based on various published materials, field surveys, and interviews. The results of the most recent surveys (including the survey of mid-size office buildings) 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 2016]

Supply to increase in 2018–20 ahead of Tokyo Olympics —Supply in 2020 to be the third highest ever—

👉 Main Results of This Survey

1. Supply of large-scale office buildings

Supply of large-scale office space in 2016 in Tokyo's 23 wards was 0.99 million square meters, falling short of the past 20-year average of 1.05 million square meters. While supply in 2017 is projected to be 0.79 million square meters, lower than the past average, it is expected to increase significantly to 1.39 million square meters in 2018 and 1.77 million square meters in 2020, which would be the third highest ever. However, in 2021, supply is projected to drop sharply to 0.51 million square meters, due in part to a negative rebound after the Olympics.

2. Supply trends by area

In 2017–21, the shift toward greater concentration of supply in central Tokyo will continue, and supply in Tokyo's three central wards is projected to be 70% of total supply. Minato Ward's share of supply will come close to the level of Chiyoda Ward, which has the top share, as a result of its share increasing sharply to approximately 30%. By district, the districts within Minato Ward, led by the Toranomon/Shinbashi district, will account for the majority of supply. Outside the three central wards, supply will increase sharply in Shibuya, where station area development is expected.

3. Supply trends by type of development site

In Tokyo's three central wards in 2017–2021, supply provided through rebuilding will remain at around 60%. Other than rebuilding, supply through redevelopment is expected to increase significantly. Outside the three central wards, supply on undeveloped/underdeveloped land, including redevelopment, etc., will account for approximately 80% of total supply.

4. Supply of mid-size office buildings

Supply in 2016 was 116,000 square meters, lower than the 10-year average (133,000 square meters per year) for the third consecutive year. In 2017, supply is also expected to be lower than the past average, but, in 2018, it is expected to exceed the average for the first time in five years. In terms of supply share by ward, Chuo Ward will have the highest share.

1 . Supply of large-scale office buildings

In 2016, the supply of large-scale office space in Tokyo's 23 wards was 0.99 million square meters, below the average of the past 20 years of 1.05 million square meters.

Supply in 2017 is also expected to be lower than the past average, at 0.79 million square meters, but, in 2018, it is projected to exceed the average, at 1.39 million square meters. Thereafter, in 2019, supply is expected to reach the average, at 1.06 million square meters, and, in 2020, it is projected to increase sharply to 1.77 million square meters, the third highest ever. However, in 2021, supply is projected to drop sharply to 0.51 million square meters, due in part to a negative rebound after the Tokyo Olympics. **(See Chart 1-1 on the next page.)**

If we divide supply trends from 2017 onward into trends for Tokyo's three central wards and trends for other locations, supply in the three central wards will greatly exceed the past average in 2018 and 2020, and outside the three central wards, demand will be highest in 2019, when multiple development projects around Shibuya Station are completed. **(See Chart 1-2 on the next page.)**

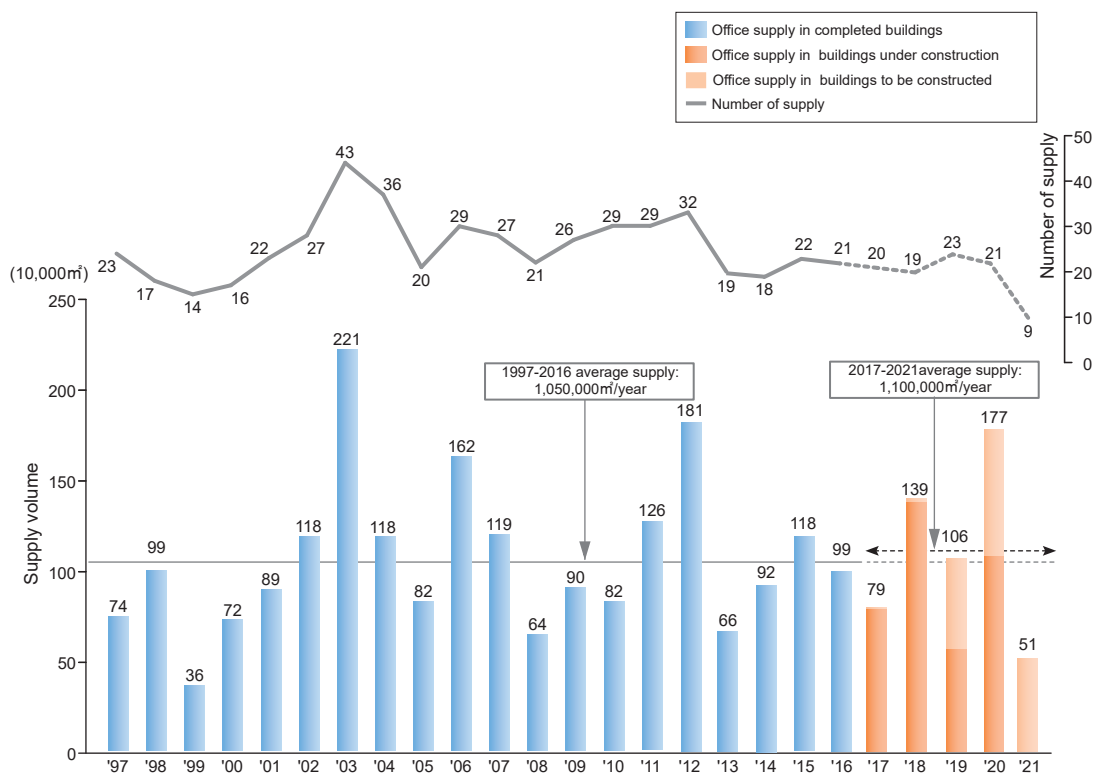
With respect to supply trends by building scale, supply in 2017–21 is expected to continue to center on large-scale buildings of 50,000 square meters or more. Among these, ultra-large-scale buildings of 100,000 square meters or larger are expected to account for a record-high share of 60%. **(See Chart 1-3 on the next page.)**

2 . Supply trends by area

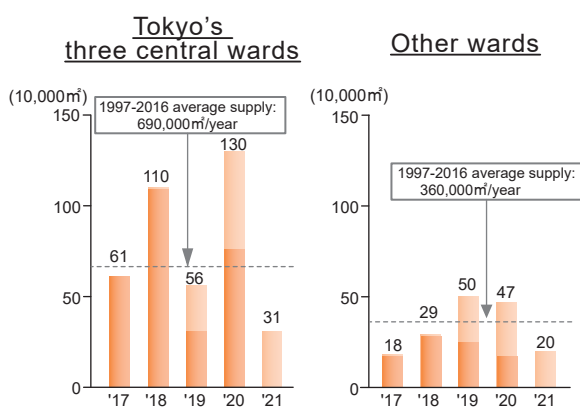
The concentration of supply in central Tokyo is expected to continue in 2017–20, and supply in Tokyo's three central wards is projected to be 70% of total supply. Minato Ward's share of supply will come close to the level of Chiyoda Ward, which has the top share, as a result of its share increasing sharply and reaching approximately 30%. Outside the three central wards, Shibuya Ward's share will exceed 10% and supply will be greater than Chuo Ward, but shares of Shinjuku Ward, Shinagawa Ward, and Koto Ward will remain under 10%, respectively. **(See Chart 2-1 on the 4th page.)**

Looking at supply by business district, supply in the Otemachi/Marunouchi/Yurakucho district is expected to be at a high, prominent level, while four districts in Minato Ward, led by Toranomon/Shinbashi, will be ranked in the top 10, owing in part to development around Hamamatsucho Station and Tamachi Station. In districts outside the three central wards, supply will increase sharply in Shibuya, where development is expected around Shibuya Station. **(See Chart 2-2 on the 4th page.)**

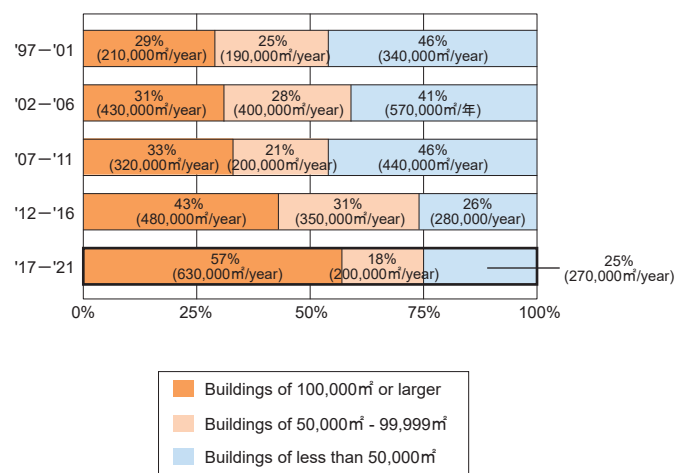
【Chart 1-1】 Supply trends for large-scale office buildings in Tokyo's 23 wards



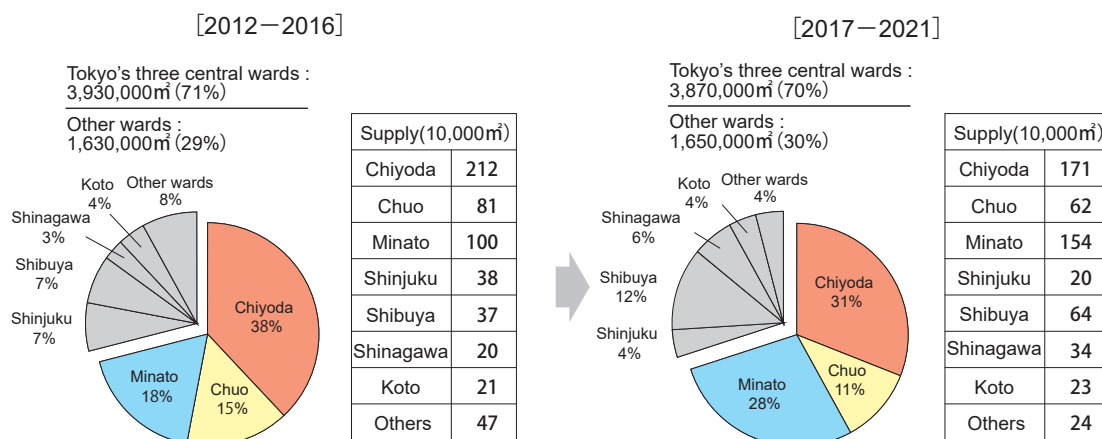
【Chart 1-2】 Tokyo's three central wards and other wards



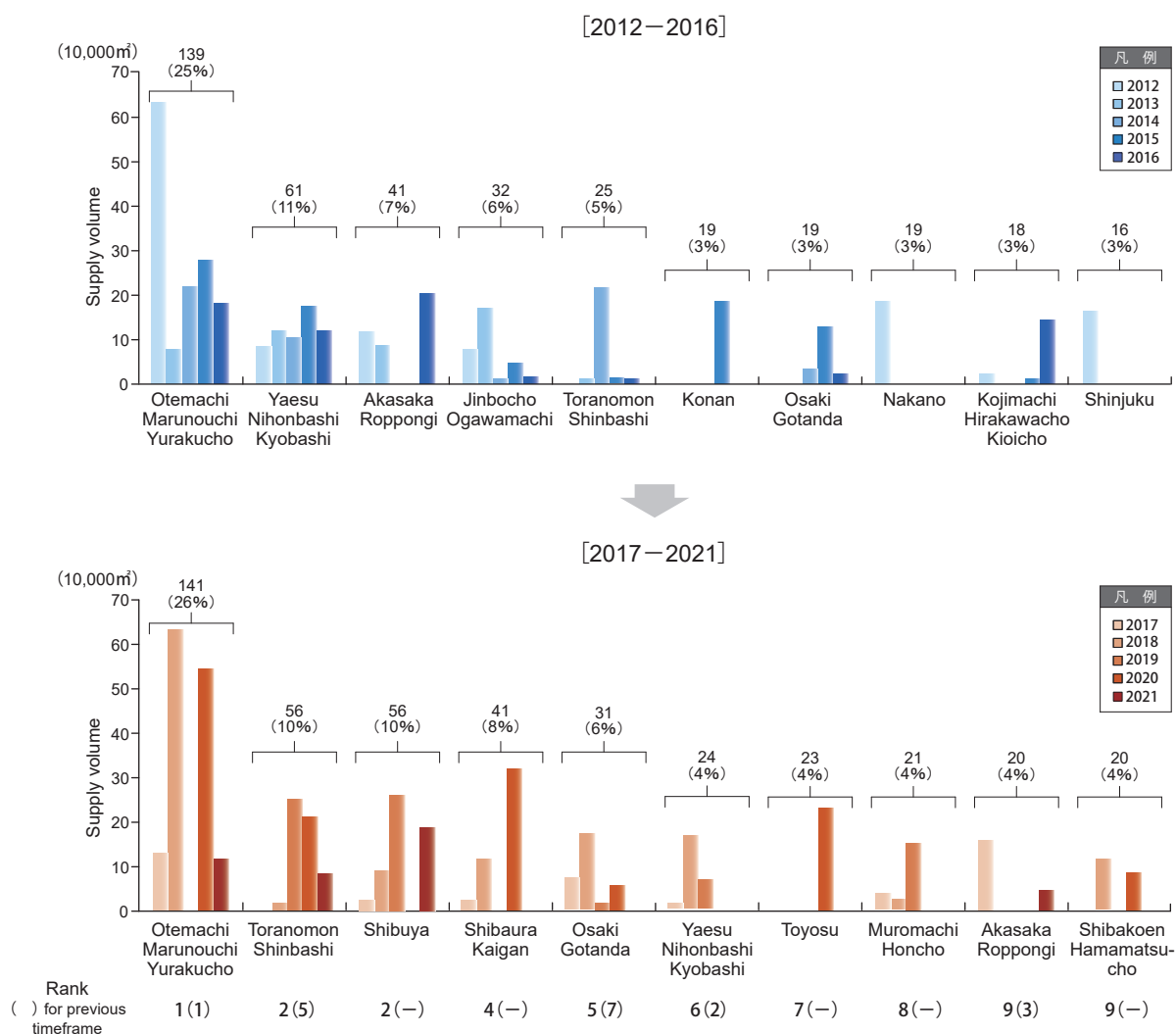
【Chart 1-3】 Supply and ratio by building scale



【Chart 2-1】 Supply of large-scale office space by ward

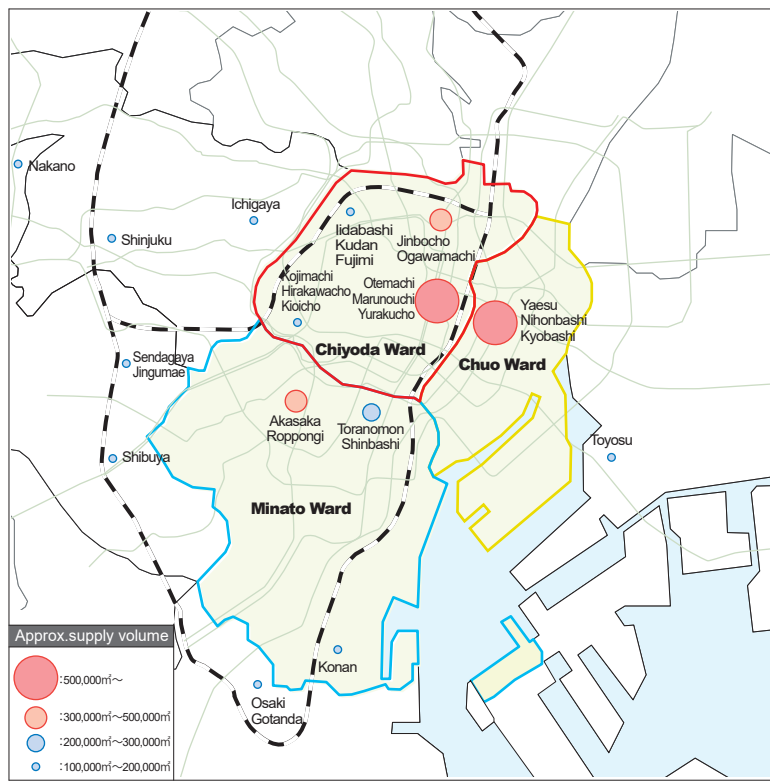


【Chart 2-2】 Top ten districts

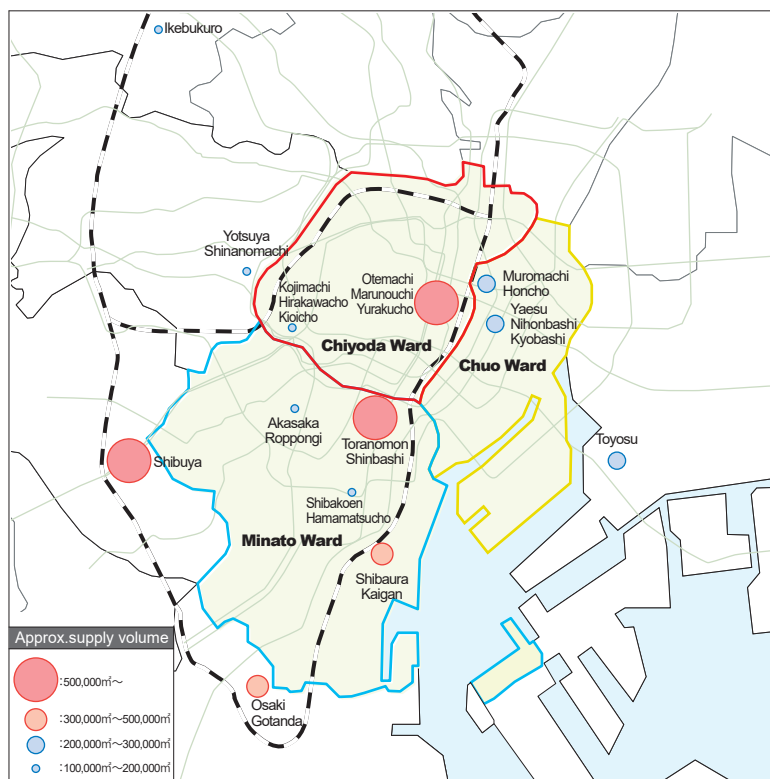


【Chart 2-3】 Supply volume in the key business districts

[2012–2016]



[2017–2021]

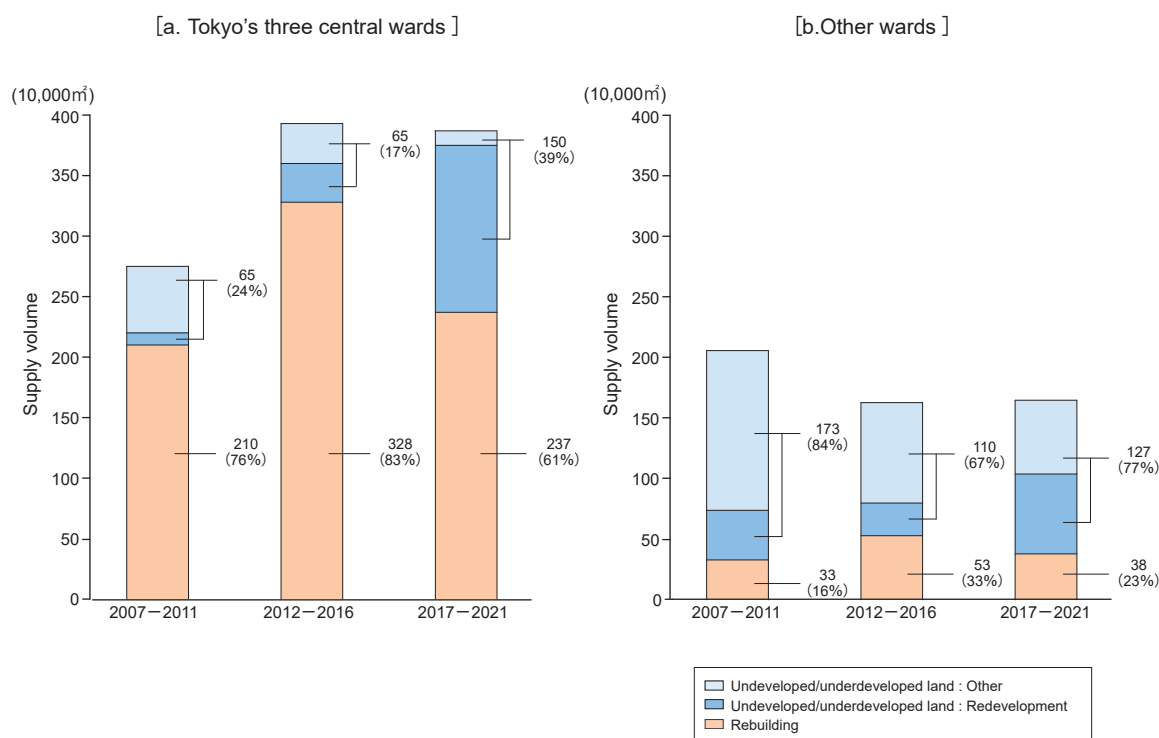


3. Supply trends by type of development site

In Tokyo's three central wards, supply through rebuilding will be approximately 60%, continuing to account for over half of total supply. Other than rebuilding, supply through redevelopment will increase significantly. (See **Chart 3-1.a.**)

Outside Tokyo's three central wards, in 2017–21, supply on undeveloped/underdeveloped land will account for approximately 80% of total supply, while supply through rebuilding will remain low, at approximately 20%. As has been the case, most supply will be on "Other" undeveloped/underdeveloped land, such as idle land. (See **Chart 3-1.b.**)

【Chart3-1】 Supply volume and ratio by land for development



【Definition】

Rebuilding :

Land (or the development of such land) previously used as one site, occupied by a building for office, hotel, or residence which has been demolished.

Undeveloped/underdeveloped land :

Land (or the development of such land) not used effectively; for instance, mixed zones of parking lots and older buildings, densely populated residential areas, former plant sites, railway sites, or idle land.

4. Supply trends for mid-size office buildings in Tokyo's 23 wards

This section discusses supply trends for mid-size buildings with office space of 5,000 square meters to less than 10,000 square meters.

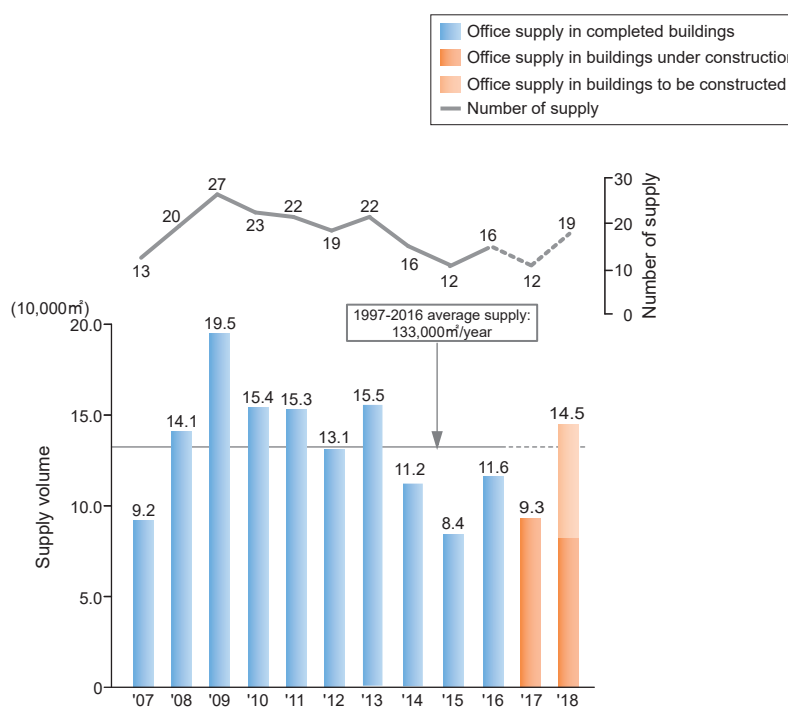
The supply of office space in mid-size office buildings in 2016 was 116,000 square meters, below the past 10-year average of 133,000 square meters for the third consecutive year. In 2017, supply is expected to remain below the past average, but, in 2018, it is expected to exceed the average for the first time in five years. **(See Chart 4-1.)**

By supply area, in 2017–18, supply in Tokyo's three central wards will continue to account for around 70% of total supply, as development will continue to be focused in central areas. In terms of supply by ward, Chuo Ward will rank highest, while Minato Ward, which, at 40%, had the top share in 2015–16, will decline sharply. By district, supply is expected to increase in the Chuo Ward districts of Kayabacho/Hatchobori/Shinkawa and Muromachi/Honcho. **(See Chart 4-2 on the next page.)**

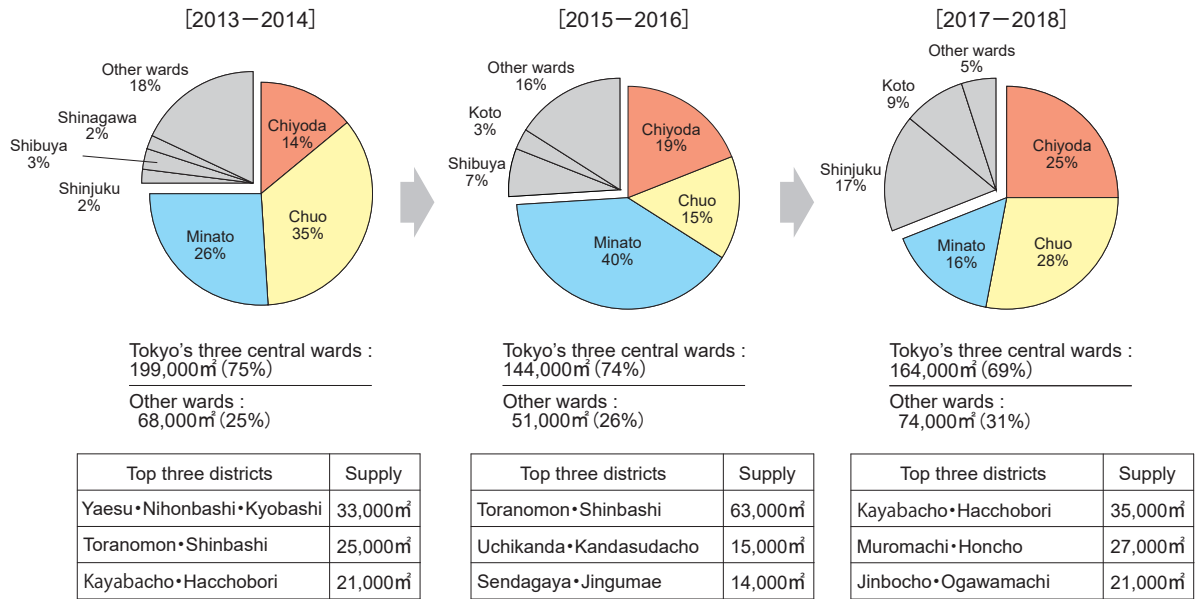
Looking at supply by type of development site, in 2017–18, supply through rebuilding will account for 80% of total supply in Tokyo's three central wards. Outside the three central wards, supply through rebuilding and supply on undeveloped/underdeveloped land are projected to each account for around half the total. This is the result of supply through rebuilding gaining a share larger than that for large-scale buildings. **(See Chart 4-3 on the next page.)**

In addition, in recent years, mid-size office buildings from major developers have increased, and, in 2017–18, their share of supply is expected to account for more than 30% of the total. **(See Chart 4-4 on the next page.)**

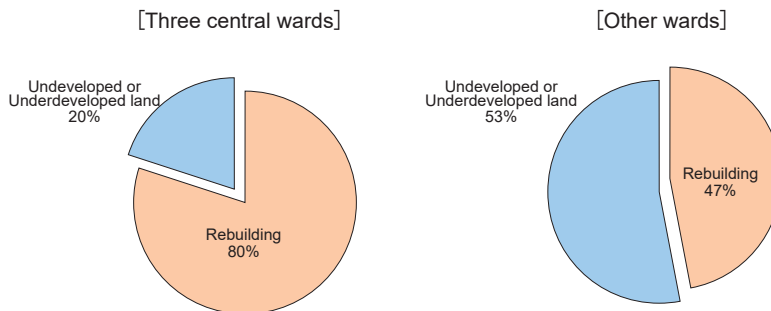
【Chart4-1】Supply trends for mid-size office buildings in Tokyo's 23 wards



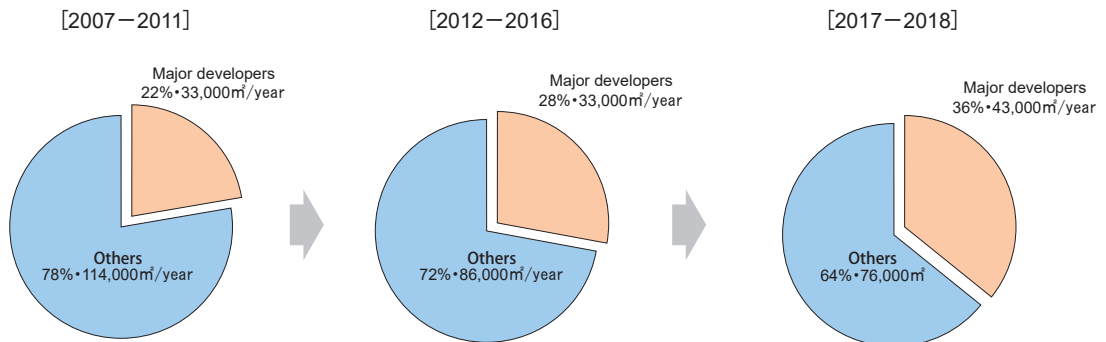
【Chart4-2】 Supply of mid-size buildings: Ratio by ward and top three districts



【Chart4-3】 Supply of mid-size buildings: Ratio by type of development site (2017-18)



【Chart4-4】 Supply of mid-size buildings: Ratio developed by major developers*



* Major developer: the developer capitalized at ten billion yen or more

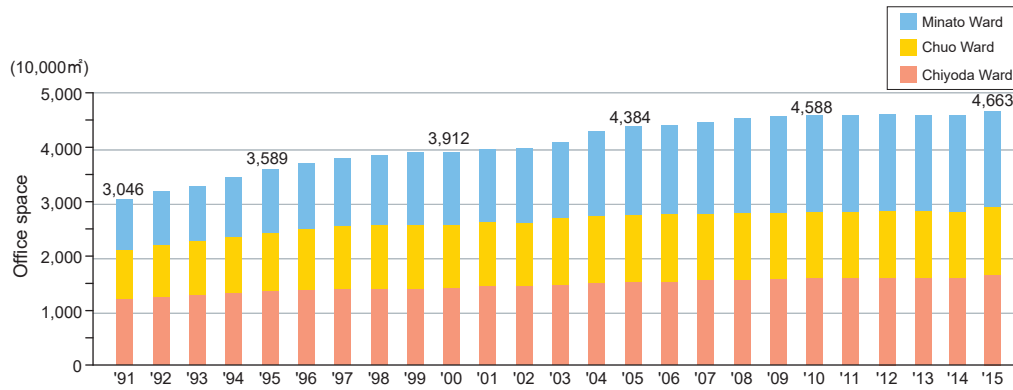
5. Conclusion

Tokyo's office space market is continuing to see strong demand for increased space due to corporate earnings growth, and vacancy rates remain low. New office buildings completed in 2016 have steadily eliminated vacancies.

Supply from 2017 onward will vary significantly from year to year, due in part to the impact of construction schedules being pushed back. In 2017, supply will be restricted and the market is expected to continue to be firm, but beginning in 2018, supply will increase substantially and peak in 2020, so competition is expected to intensify. At the same time, in Tokyo's three central wards, supply primarily comes through rebuilding and, although the increases in office stock in recent years have been lower than in the past, office stock is expected to increase going forward. **(See Chart 5-1, 2 on the next page.)**

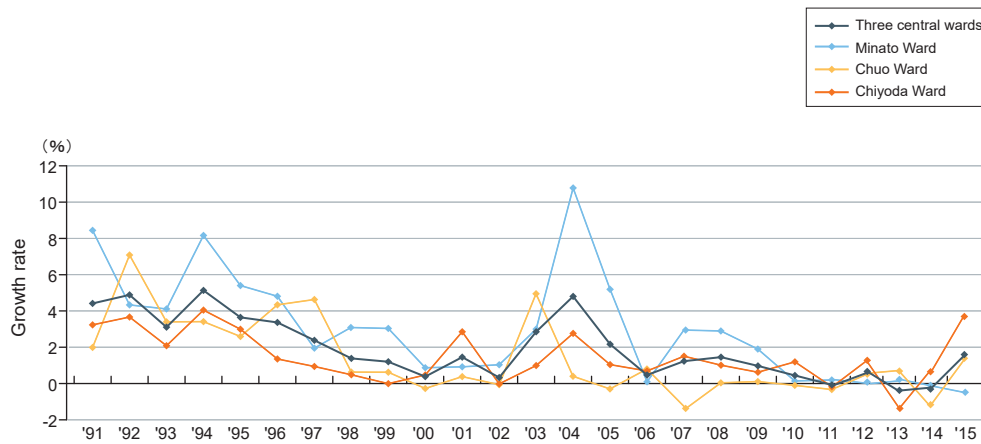
With companies reforming working styles in recent years and instituting remote work and other programs, offices are gradually being expected to play the role not only of conventional administrative spaces but also of creative spaces that facilitate communication. With supply also expected to increase, latent relocation demand will need to be stimulated and the appeal of each area further enhanced by developing office buildings that meet the changing needs of companies in terms of both facilities and systems. Additionally, infrastructure development is being carried out in connection with the Tokyo Olympics, but it will be necessary to continue strengthening Tokyo's urban qualities toward its establishment as an international business hub and to further stimulate demand, both foreign and domestic.

【Chart 5-1】 Office stock in Tokyo's three central wards



Source: Compiled by Mori Trust based on "An Overview of Tokyo's Land" (Tokyo Metropolitan Government)

【Chart 5-2】 Growth of office stock



Source: Compiled by Mori Trust based on "An Overview of Tokyo's Land" (Tokyo Metropolitan Government)