

Current Stock of Large-scale Office Buildings, and a Ranking of 'Prime Business Areas' in Tokyo

The office market in Tokyo remained strong in 2007, but there were some signs of weakening as the sub-prime mortgage crisis in the United States cast its shadow over the world's economy. In addition, the percentage of new office supply being generated by reconstruction and redevelopment projects is increasing rapidly. This means that growth in new supply no longer translates directly into growth in total office stocks.

In view of this situation we re-examined the current status of large-scale office stocks in the Tokyo area. Further, we divided Tokyo's 6 central wards (Chiyoda, Chuo, Minato, Shinjuku, Shibuya and Shinagawa) into 43 sub-districts, and compared the concentrations of large-scale office buildings and corporate headquarter buildings in these districts in order to quantitatively identify Tokyo's prime business areas (PBA).

1. Current stock of large-scale office buildings in Tokyo

There are 1,018 large-scale office buildings in Tokyo's 6 central wards

We conducted site surveys and examined land registries to determine the intended use (zoning status), ownership, floor space, year of construction, and type of construction of all 1,018 large-scale office buildings (those with a floor space of 10,000 m² or greater) in Tokyo's 6 central wards. We found that 76% of the total floor space was concentrated in Tokyo's 3 most central wards (Minato, Chiyoda, and Chuo). The results also showed that 31% of the total stock of large-scale office buildings was built prior to the introduction of current seismic resistance standards. Most of these older buildings are located in the 5 central wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya), particularly Chiyoda, where 47% of the total stock consists of older generation buildings with inferior seismic resistance. On the other hand, the scale of office building complexes is increasing year by year. SS Class (floor space $\geq 60,000$ m²) buildings accounted for 64% of all floor space in large-scale office buildings constructed since 2001.

Ratio of self-ownership is falling due to diversification in ownership structures

In view of the ongoing diversification in ownership structures we re-examined the ratio of self-owned office buildings by comparing the primary owner with the primary tenant. We found in the case of general companies and banks that approximately 29% of the buildings (in terms of total office space) were occupied by the same company that was listed as the primary owner. Twenty-one percent (21%) of the total were owned by investment funds (including J-REITs).

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2. Prime Business Areas

Concentrations of large-scale office buildings by sub-district

We divided Tokyo's 6 central wards into 43 smaller sub-districts and determined the concentration of large-scale office buildings in each district.

[Top 3 districts with the highest concentrations of large-scale office buildings (floor space basis)]

1. Otemachi/Marunouchi/Yurakucho.	5.73 million m ²
2. Nishi-Shinjuku	3.23 million m ²
3. Uchisaiwaicho/Kasumigaseki/Nagatacho	1.91 million m ²

[Top 3 districts with the highest average floor space per large-scale office building]

1. Nishi-Shinjuku	67,000 m ² /building
2. Otemachi/Marunouchi/Yurakucho	61,000 m ² /building
3. Osaki/Kita-Shinagawa	58,000 m ² /building

Concentrations of large-scale corporate headquarters by sub-district

We identified 985 major corporations whose headquarters are located in large-scale office buildings in Tokyo's 6 central wards, and we determined the concentration of large-scale corporate headquarters in each of the 43 sub-districts in the 6-ward area.

[Top 3 districts with the highest concentrations of major corporate headquarters]

1. Otemachi/Marunouchi/Yurakucho	154 companies
2. Nishi-Shinjuku	67 companies
3. Nihombashi/Yaesu/Kyobashi	62 companies

The office self-ownership ratio among the above companies was 23%.

(Subjects of the study: Corporations whose headquarters were located in the 6 central wards, and which were either listed on the First Section of the Tokyo Stock Exchange, or which had a total capitalization of 2 billion yen or greater)

Prime Business Areas

We calculated a Business Area (BA) score for each of the 43 sub-districts in the 6-ward area, based on the concentrations of large-scale office buildings and major corporate headquarter buildings. The 15 areas that scored higher than the average (50 points) were identified as 'Prime Business Areas'.

[Top 3 Prime Business Areas]

1. Otemachi/Marunouchi/Yurakucho	100 points
2. Nishi-Shinjuku	70 points
3. Uchisaiwaicho/Kasumigaseki/Nagata-cho	60 points

Konan, Roppongi, and Osaki/Kita-Shinagawa, which have seen a sharp rise in large-scale office buildings since 2001, have now joined the list of Prime Business Areas.

For more information see our 'Investment Review 2008 Summer Edition: Part I'

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