

A Basic Survey of Large-Scale Logistics Facilities in Metropolitan Tokyo (2007)

Significance and Purpose of the Survey

The large-scale warehouse complexes that have sprouted up one after the other in recent years in port districts and near expressway interchanges give us the impression that major changes are taking place in the logistics industry in this country. However, until now there has been a lack of detailed information available about large-scale logistics facilities in Japan, and we have been forced to make educated guesses about market trends on the basis of macro-economic data from public agencies, and fragmentary information from individual cases. The purpose of the present study, therefore, was to determine the actual current status of large-scale logistics facilities in the greater Tokyo region, and to clarify in quantitative terms the changes that have occurred in the logistics environment in recent years.

Survey Subjects and Methods

Subjects of the survey were 847 large-scale logistics facilities (1,186 warehouses, total floor space 6.91 million tsubo) that met the criteria described below. Facilities were identified using housing maps and information publicly available from various public and private sources. The status of each facility was confirmed by examining information on the relevant land registry, and by an on-site survey.

(Criteria for inclusion in the study)

- ※ Facilities located in the Metropolitan Tokyo area (Tokyo, Kanagawa, Saitama, Chiba)
- ※ Large-scale facilities with a floor space of 3,000 tsubo (9,900 m²) or greater
- ※ Ordinary or refrigerated warehouses (specialty warehouses, warehouses located on factory premises, pier sheds and other port facilities were excluded)
- ※ Existing facilities and facilities scheduled for completion by 2009 (limited to those whose construction plans had been finalized as of the end of November 2007)

Survey Period: April ~ November 2007

Survey Identified Three Major Changes

1. **Increase in scale: Average warehouse floor space in 2005~2009 was 10,000 tsubo, about double the average size prior to 2005**

When we analyzed the stock of large-scale logistics facilities by decade of construction, we found that 12% of total stocks were constructed prior to 1979, 18% were built in the 1980s, 31% in the 1990s, and 39% in 2000-2009. This indicates that 70% of total stocks were constructed in the 1990s or later. Average warehouse floor space overall was about 5,800 tsubo, but in recent years the trend towards construction of larger-scale facilities has been accelerating, and the average floor space per warehouse constructed since 2005 has now reached 10,000 tsubo. This is about double the average size through the end of 2004.

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2. Shift to Leasing: The share of leased facilities is increasing, and accounts for 75% of all new supply since 2000

Leased facilities comprise 67% of overall stocks. Classified by decade of construction, in the 1990s about 60% of new supply was built for lease, but since 2000 this has increased to 75%. New supply in recent years is clearly shifting toward leasing.

3. Regime change: Four of the top 6 players are investment funds

We found by examining land registries that the top player in the market is Company 'A', a foreign investment fund. Number two is a transportation-based logistics company, and third is Company 'B', another foreign investment fund. Four of the top six companies in the market are investment funds (three are foreign investment funds). If we expand our view to include the top 15 companies, we still find that a majority of them are investment funds. The composition of the conventional warehouse industry is being completely transformed by the emergence of these new players.

The business environment surrounding large-scale logistics facilities, and topics for future study

Changes in the business environment that have stimulated the growth in large-scale logistics facilities include the increase in logistics efficiency achieved by the companies using those facilities through the adoption of supply chain management, a shift towards outsourcing, an increase in demand for more sophisticated facilities, and the introduction of asset impairment accounting. This trend towards increased logistics efficiency is expected to accelerate in the future. Some have voiced concern that the huge surge in new supply of large-scale facilities since 2005 may disrupt the balance between supply and demand, but we expect that there will be ample demand in the market for facilities that meet today's corporate needs.

In terms of location, the top five sources of new supply since 2005 have been in Tokyo area port districts, however, the lack of available land and rising land prices is making it extremely difficult to acquire properties in such areas, and this is driving a shift towards outlying districts. The shortage of highly functional facilities, deterioration in the local environment surrounding existing facilities due to the construction of residential condominiums and other buildings, the introduction on exhaust gas limits in downtown areas, and other factors can be expected to have some influence on future demand.

The present basic study has clarified the current status and general trends affecting large-scale logistics facilities in Tokyo and its three adjacent prefectures, but if this information is to be useful in identifying new sources of demand, further studies will be needed to clarify the types of problems facing companies that own and ship goods, as well as those facing 3PL firms.

For further details see *Japan Real Estate Investment Review-- Winter 2008* edition.