
Overview of Office Market in Tokyo 23 Wards

Yuichi Kasai

Trends in the office market in the Tokyo 23 wards from October to December 2001 are analyzed below based on the Commercial Property Research Institute, Inc.

1. Trends in Tenant Contracted Area

Overall demand contracted, and tenant contracted area dropped dramatically - demand became latent

- Contracted area for 23 wards of Tokyo in Q4 2001: down 33,000 tsubo, or 10.2% compared to same quarter in previous year
 - * Wards with large reductions were Chiyoda, (down 73,000 tsubo), Shibuya and Shinjuku
 - * Wards that experienced increases were Shinagawa (3,000 tsubo), Taito (2,000 tsubo) and Chuo (1,000 tsubo)
- As was the case in the previous quarter, the rate of decrease is greater in large buildings and buildings under construction
 - Due to the economic recession, on the whole there is a lackluster movement among Japanese companies to relocate, and demand is on the decline.
 - A probing situation has arisen with attention fixed on 2003, when there are plans for large-scale supply of large buildings.
 - Foreign firms and other katakana companies continue to contract demand.
 - Almost all of the large contracts closed are biased towards reorganization related to mergers and increasing floor area of computer software and communications companies.

2. Trend in Area Advertised for Tenants

The area and number of buildings advertised for tenants increased for the second consecutive quarter, and the area of new buildings starting to be advertised for buildings under construction started to increase again

- Main Factors
 - * Succession of scaling-down and withdrawal of branch offices in ultra-high rise buildings in Nishi-Shinjuku, resulting in large areas of vacant office space
 - * Decline in demand from domestic companies in general, and continuing fall in

demand from so-called katakana companies (foreign companies and IT firms)

- * Start of advertising for large newly constructed office building in Ebisu, Shibuya-ku

3. Trends in Supply and Demand Balance

Vacancy rates in large office buildings increased for the second consecutive quarter, reaching 3.3%

- * Average vacancy rate for large buildings: 3.3% (up 0.4 points from previous quarter)
 - * Large rises were recorded in Shinjuku-ku and Chiyoda-ku, with the main reasons for this being as follows.
 - In Shinjuku-ku the scaling-down and withdrawal of branch offices in ultra high-rise buildings in Nishi-Shinjuku had a great impact
 - Chiyoda-ku was affected by the vacant inventory area of new buildings and the scaling-down of financial tenants

Not only have rent levels returned to levels prior to 1997 when Hokutaku Bank and Yamaichi Securities went bankrupt, but the economic environment surrounding the office market is deteriorating further.

Speedy and effective economic measures from the government are eagerly awaited.