

Office Market of Tokyo 23 Wards

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This document provides an analysis of the trends in the office market in the Tokyo 23 wards from June to September 2001.

1. Trends in Floor Space Contracted to Tenants

With the serious decline in katakana demand (foreign and IT companies), floor space contracted to tenants has declined dramatically

- According to the Commercial Property Research Institute, the quantity of contracted floor space for the third quarter of 2001 was down 65,000 tsubo, or 18.8%, on the same period last year.
 - The reduction in floor space was largest in Chiyoda-ku (down 5,7000 tsubo), Shibuya-ku and Shinjuku-ku.
 - Increases were only recorded in Chuo-ku (4,000 tsubo) and Taito-ku
- The rate of decrease is getting larger, centering on large buildings and buildings under construction.

- There has been little moving activity for domestic companies, with cancellation of moving plans coming to the surface as stock prices fall below the 10,000 yen barrier in some cases. Companies seem to be taking a wait-and-see approach particularly in view of the large-scale supply of large office buildings expected to hit the market in 2003. Especially after the New York terrorist attacks there has been hardly any movement at all.
- The only sector showing dynamic movement is increases in floor space and reorganization demand stemming from mergers of computer software and communications companies.
- Foreign firms continue to scale down, before and after the New York terrorist attacks.

2. Trends in Advertised Floor Space for Tenants

The advertised floor space for tenants in existing buildings is increasing, and the floor space newly advertised for buildings under construction is decreasing

- Main Factors
 - With the completion of new large buildings in Minato-ku, the area left after

advertising has entered the market for existing buildings

- Moves to newly constructed self-owned buildings
- New leases of self-owned buildings – companies are decreasing the area they use themselves and leasing the remainder (recession-type)
- Decline in demand from katakana companies (foreign and IT firms)
- NTT-related, etc.

3. Trends in Supply and Demand Balance

Vacancy rates in large buildings are increasing due to diverse circumstances

- According to the Commercial Property Research Institute, the average vacancy rate of large buildings is 2.9% (up 1.0% from the previous quarter)
 - Largest rises were recorded in Minato-ku and Chuo-ku, due to the following key actors.

In Minato-ku the completion of new large buildings with significant areas remaining after advertising had a large impact

In Chuo-ku, re-advertising due to withdrawal of large tenants from existing buildings and the cancellation of large increases in floor space had an impact