

**Office Market Demand  
Comparison of Three Major Cities**

Market Review

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We generally use rent and vacancy rate in order to study the office market trend. Today however, I would like to focus on the occupancy area instead of vacant area or vacancy rate. Comparison of occupancy area of three major cities enabled us to have a clear understanding of office market trends especially in the demand side

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**Trend of occupied area from 1994 to 2001**

**Tokyo 5 central wards - Chiyoda, Chuo, Minato, Shinjuku, and Shibuya**

1) **Increase in the demand for office building - constant increase in occupancy area (≒ demand)**

- Demand for Tokyo office building is increasing regardless of the economic situation
- Demand for new large-scale building is **approximately 1 million m<sup>2</sup> each year** (source Mori Building), regardless of the continuous recession

2) **Decrease in vacancy rate - demand overwhelming supply**

- Improvement in vacancy rate of new office building
- Small but also improvement in the vacancy rate of existing office building



There will be large supply of office building in 2003. This may have a negative effect in the short-term, however, a demand for 6 years from 2000 to 2005 would be **approximately 6 million m<sup>2</sup>** (1 million m<sup>2</sup> annually). Therefore, demand and supply should balance in a mid-term.

**Demand for Tokyo office building, especially for new large-scale building is very strong**

**Osaka major 4 wards - Kita, Chuo, Nishi, and Yodogawa**

1) **Demand for office building is roughly constant - decrease in demand had stopped (recent few years trend)**

- No sign of decrease in market size for four major wards, as it been said

2) **Increase in vacancy rate - overwhelming supply**

- Vacancy area is still increasing



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In the polarizing Osaka office market, looser group (buildings with bad qualities such as small-mid size) would face more difficulties. Further polarization should occur.

**Further polarization and moderation of market size and quality should continue.**

**Nagoya, major areas - Meieki, Fushimi, Sakae, Marunouchi**

**1) Small increase in demand for office building - small increase in occupancy area regardless of the economic recession**

- Structure of Nagoya market is unlikely to be influenced by the economic movement
- Large potential demand for new office building

**2) Vacancy rate is roughly constant - balance in demand and supply**

- Vacancy rate is stable around 5%
- Vacancy rate of new office building is overwhelmingly better than that of existing building



Even though the Nagoya office market is not influenced by the economic situation, the large potential demand for the new office building may change the market balance depending on the future supply.

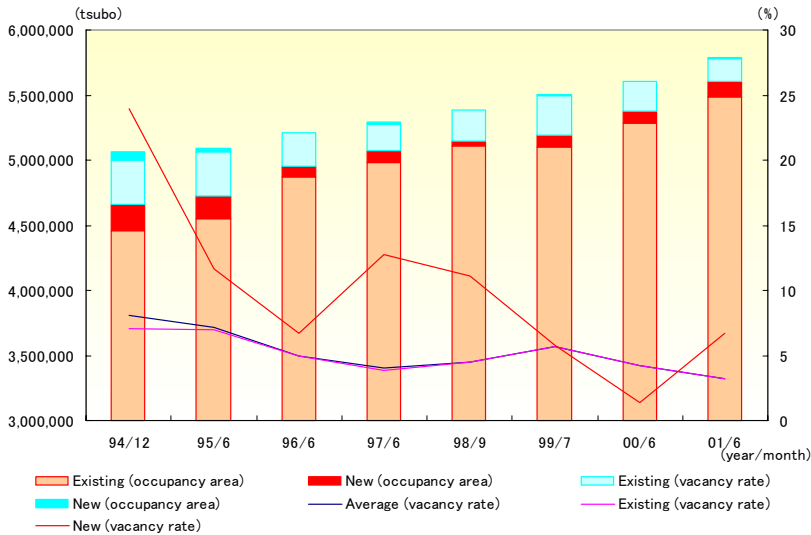
**Cautious watch is necessary for the rebuilding of existing building and redevelopment.**



**Office market of three major cities**

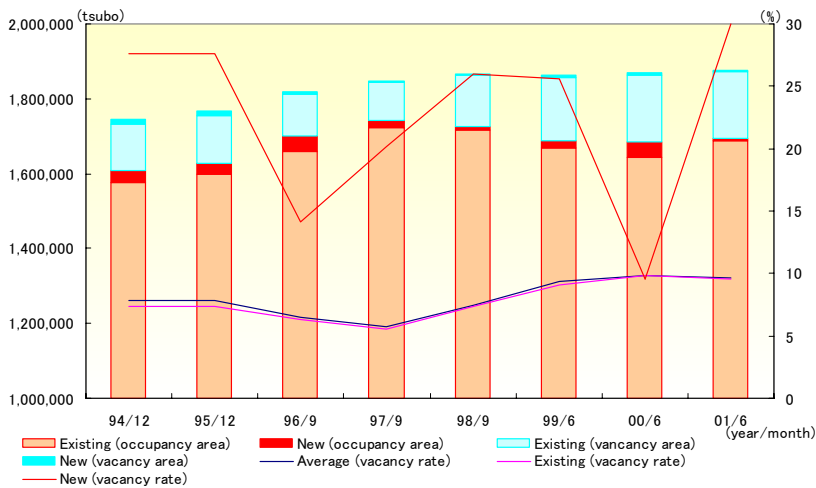
- Tokyo - Strong demand in office building, not influenced by the economy
- Osaka - Moderation of market size and quality is in progress due to the economic recession
- Nagoya - Future supply will influence the market rather than the economic situation

**Occupancy area and vacancy area of Tokyo 5 central wards**



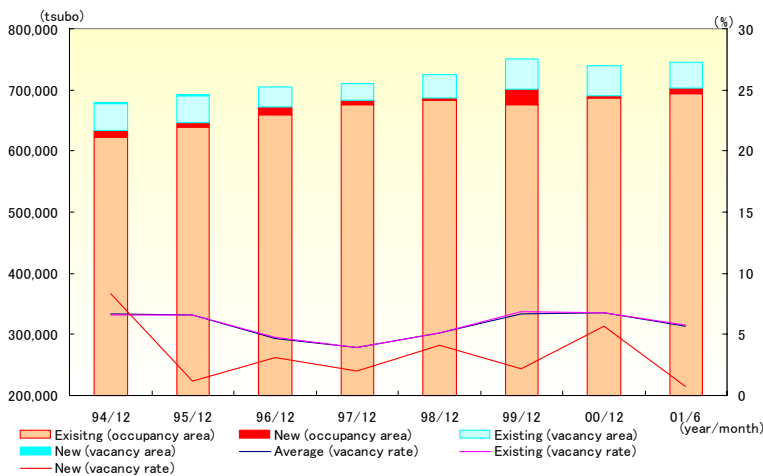
Note: 5 wards are Chiyoda, Chuo, Minato, Shinjuku, and Shibuya

**Occupancy area and vacancy area of Osaka major 4 wards**



Note: 4 wards are Kita, Chuo, Nishi, and Yodogawa

**Occupancy area and vacancy area of Nagoya's major area**



Note: Major areas are Meieki, Fushimi, Sakae, and Marunouchi

Graph created by NREIM based on data from Miki Shoji