Xymax Real Estate Institute
RESEARCH REPORT

Metropolitan Areas Office Demand Survey Autumn 2020

Changes in work styles and workplaces caused by the COVID-19 pandemic

December 2, 2020

In the past several years, companies have been promoting work style reforms aimed at acquiring personnel and improving productivity, with more companies aiming to shift from the conventional, inflexible work style to one that is not constrained by place or time. Amid these developments, the global outbreak of the novel coronavirus (COVID-19) in early 2020 has forced many companies to review the work styles of their employees and prompted active discussions concerning the workplace.

Since Autumn 2016, Xymax Real Estate Institute (hereinafter, "Xymax REI") has conducted questionnaire surveys on companies' use of offices and work styles on a semi-annual basis to continuously analyze their relationship between office demand. This report covers the results of the 9th survey and forecasts the future of the workplace market, which is at a turning point.

Summary of Survey Results

(1 tsubo=approx. 3.3 sqm)

1. Change in Office Demand (October 2019–September 2020) (Pages 3–10)

21.6% of the companies saw an increase in the number of users* of their office over the past year and 5.2% expanded their office space, both the smallest percentage since the start of the survey. 15.1% saw an increase in rent per tsubo (including CAM charges), indicating a pause in the rising trend that has lasted for the past four years. [Figures 1, 2, 5]

*In this report, the users are the employees who are eligible to use the office though may not be using it every day.

- As the reason for downsizing the office, 40.5% of the companies replied, "Less space will be needed due to telework," representing a significant increase from the Spring 2020 survey (12.5%).
- The most popular percentage for the average percentage of employees currently coming to the office to work and the percentage of employees working in the office after the end of the pandemic was "100% (work in the office entirely)." However, 73.8% of the companies intend to have a certain number of their employees continue teleworking after the end of the pandemic.
- The most popular percentage of desks to users of the office was "More than 100%" (58.6%). However, "Less than 100%" increased from the last two surveys.
- 30.3% of the companies felt their current office was "very small" or "somewhat small."
- As for business sentiment, "Bad" and "Somewhat bad" totaled 50.1%, significantly outweighing the sum of "Good" and "Somewhat good," indicating a business sentiment DI of -33.2.

2. Current Status and evaluation of the Workplace (Pages 11–19)

89.5% of the respondent companies were implementing some kind of measures to enable their employees to telework, such as investing in ICT and providing a place or program for telework. The percentage has been rising each year. [Figure 14]

- 85.5% of the companies invested in ICT to support telework and 54.7% provided a place/program for telework. The top reply for the telework place/program provided by companies was "Work-from-home program" (51.2%), a significant rise in percentage compared to the Autumn 2019 survey.
- The top work style measures implemented were related to telework, such as "Developing/using systems that enable telework" (57.1%) and "Paperless" (43.9%).

- As for whether companies thought they offered their workers a safe and secure office environment, 59.9% replied "Very much" or "Somewhat," while 20.2% replied "Not at all" or "Not that much."
- Regarding whether companies thought their productivity will improve with telework, 31.9% replied "Very much" or "Somewhat." This percentage was larger at companies that provided a place or program for telework, and among them, larger at companies that provided a satellite office than those that only provided a work-from-home program.
- The top issues and challenges in workplace operation were telework-related, such as "Employee management is difficult in telework (work, attendance, evaluation, etc.)" (38.2%), which ranked top.

3. Outlook of the Workplace after the End of the COVID-19 Pandemic (Pages 20–28)

As for the outlook of the workplace after the end of the pandemic, 40.2% of the companies replied that they will use both the main office and telework. [Figure 27]

- The top work style measures companies were interested in for after the end of the pandemic were those based on telework, such as "Introduce attendance/work management tools" (30.2%) and "Switch to evaluation system based on telework (e.g., merit/job-based employment)" (27.0%).
- The top value or role companies required in both their main office and satellite offices was "Greater work efficiency." This was followed by "More active internal communication" and "Enhancing employee motivation" for the main office and "Shortening commute/travel time" and "Flexible workplaces and work hours" for satellite offices.
- As for the interest in using the five major types of satellite offices, 40–50% of the companies replied "Want to use" or "Want to use somewhat" for all types. Interest was especially high in "Close to home: Concentrated solo-work type" (54.7%) and "Efficient travel: City-center touch-down type" (52.1%).

Related surveys:

- Autumn 2016 (1st survey) *Metropolitan Areas Office Demand Survey 2016 – Demand Trends*, released on January 12, 2017
  https://www.xymax.co.jp/english/research/release/170112.html
- Autumn 2016 (1st survey) *Metropolitan Areas Office Demand Survey 2016 – New Ways of Working and Office*, released on January 30, 2017
  https://www.xymax.co.jp/english/research/release/170130.html
- Spring 2017 (2nd survey) *Metropolitan Areas Office Demand Survey 2017 – Demand Trends*, released on August 2, 2017
  https://www.xymax.co.jp/english/research/release/170802_2.html
- Autumn 2017 (3rd survey) *Metropolitan Areas Office Demand Survey Autumn 2017*, released on December 7, 2017
  https://www.xymax.co.jp/english/research/release/171207.html
- Spring 2018 (4th survey) *Metropolitan Areas Office Demand Survey Spring 2018*, released on July 3, 2018
  https://www.xymax.co.jp/english/research/release/180703.html
- Autumn 2018 (5th survey) *Metropolitan Areas Office Demand Survey Autumn 2018*, released on December 18, 2018
  https://www.xymax.co.jp/english/research/release/181218.html
- Spring 2019 (6th survey) *Metropolitan Areas Office Demand Survey Spring 2019*, released on June 26, 2019
  https://www.xymax.co.jp/english/research/images/pdf/20190626.pdf
- Autumn 2019 (7th survey) *Metropolitan Areas Office Demand Survey Autumn 2019*, released on November 27, 2019
  https://www.xymax.co.jp/english/research/images/pdf/20191127.pdf
- *TOPIC REPORT Companies' Work Styles and the Workplace under the Corona Crisis*, released on July 15, 2020
  https://www.xymax.co.jp/english/research/images/pdf/20200715.pdf
- Spring 2020 (8th survey) *Metropolitan Areas Office Demand Survey Spring 2020 (Carried Out in June)*, released on July 29, 2020
  https://www.xymax.co.jp/english/research/images/pdf/20200729.pdf
- *Greater Tokyo Company Survey on Work Styles and the Workplace*, released on September 18, 2020
  https://www.xymax.co.jp/english/research/images/pdf/20200918.pdf

1. Change in Office Demand (October 2019–September 2020)

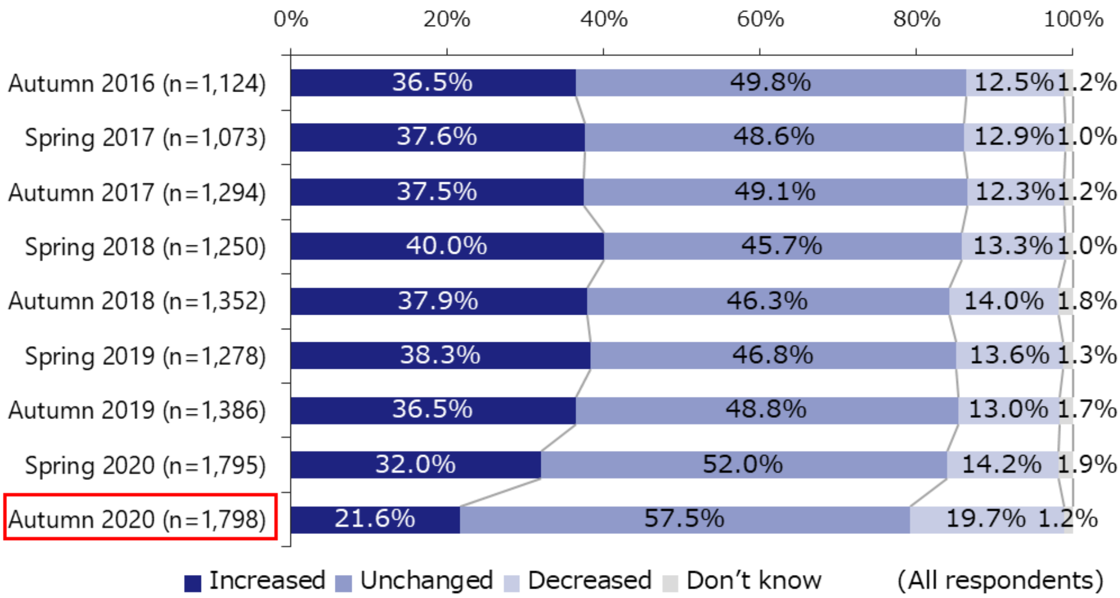
1-1. Number of users, size, and rent

- ✓ 21.6% of the companies saw an increase in the number of users of their office, the smallest percentage since the start of the survey.
- ✓ 5.2% of the companies expended their office size, while 4.7% downsized. As the reason for downsizing the office, 40.5% of the companies replied, "Less space will be needed due to telework," representing a significant increase from the Spring 2020 survey (12.5%).
- ✓ 15.1% of the companies saw an increase in rent per tsubo (including CAM charges), which outweighed companies that saw a drop (1.4%) but indicated a pause in the rising trend that has lasted for the past four years.
- ✓ "100%" was the most popular percentage for both the current average percentage of employees coming to the office to work and the percentage of employees working in the office after the end of the pandemic. However, 73.8% of the companies intend to have a certain number of their employees continue teleworking after the end of the pandemic.
- ✓ Although the largest percentage (58.6%) of companies provided "more than 100%" of desks to the users of their office, the percentage of companies providing "less than 100%" increased from the last two surveys.

The changes in the number of users of the office, office size and rent per tsubo (including CAM charges; the same applies hereinafter) over the past year (October 2019–September 2020) were as shown in **Figures 1 and 2**. The results of all items indicate a change of tide in office demand, which had been robust since the start of the survey, compared to the last eight surveys (from Autumn 2016 to Spring 2020).

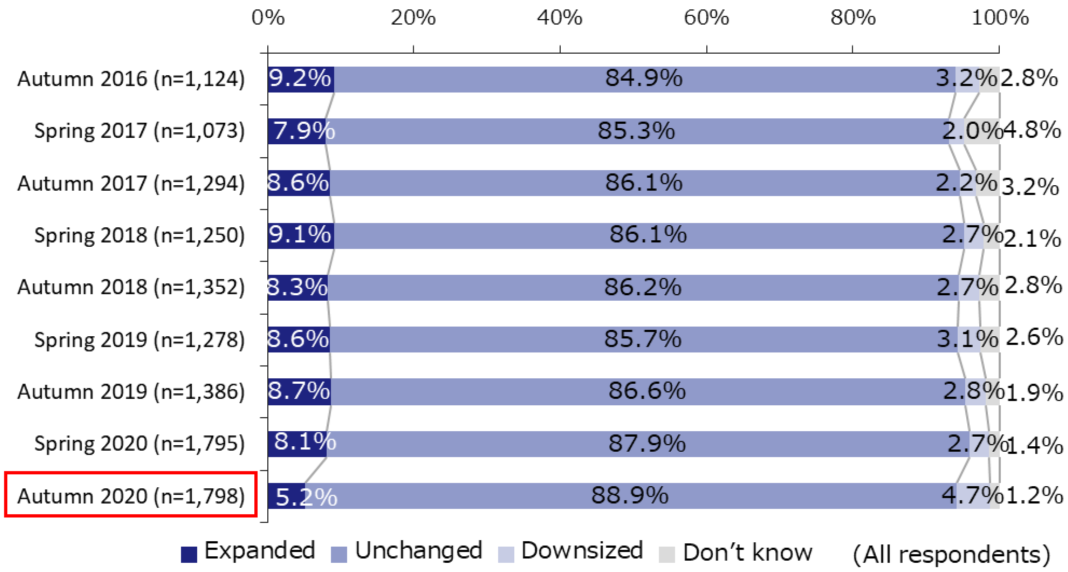
A record low 21.6% of the companies replied that they saw an increase in the number of users of their office **(Figure 1 (bottom bar))**. Meanwhile, 19.7% saw a decrease. However, this may include companies where the number of users has not actually decreased, since not a few respondents commented as the reason for the decrease that some employees were not coming to the office due to telework.

Figure 1: Change in Number of Users of the Office



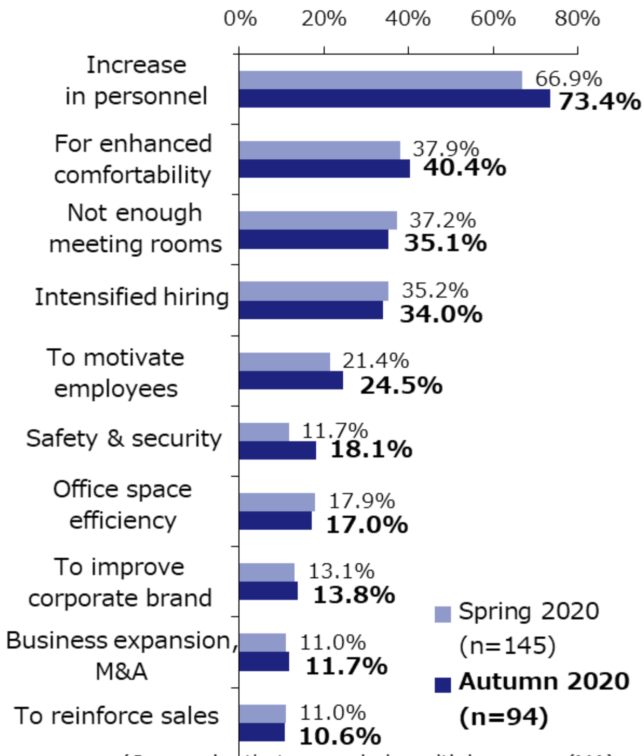
As for the office size, 5.2% of the companies replied that they expanded their office size, while 4.7% replied that they downsized **(Figure 2 (bottom bar))**.

Figure 2: Change in Office Size



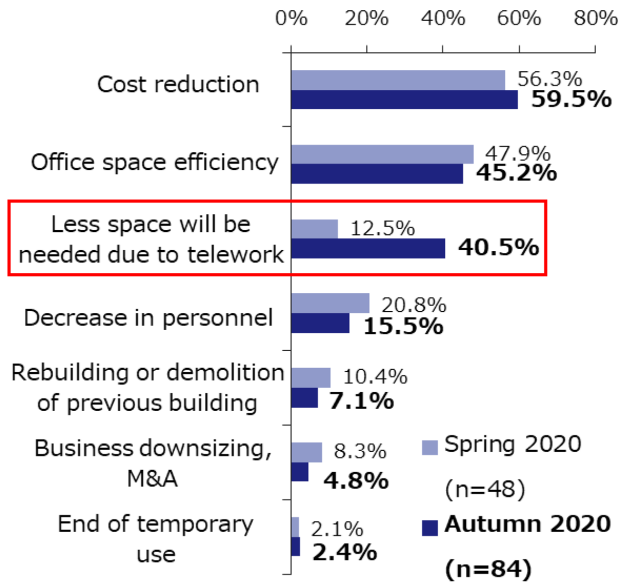
The most popular reason for office expansion was, "Office space became too small due to an increase in personnel (Increase in personnel)" (73.4%) **(Figure 3)**. The most popular reason for downsizing was, "To reduce office costs (Cost reduction)" (59.5%), as in previous years. "Less space will be needed due to telework" was 40.5%, a significant increase from Spring 2020 (12.5%) **(Figure 4)**.

Figure 3: Reason for Expansion



(Companies that expanded; multiple answer (MA); excerpt of top choices)

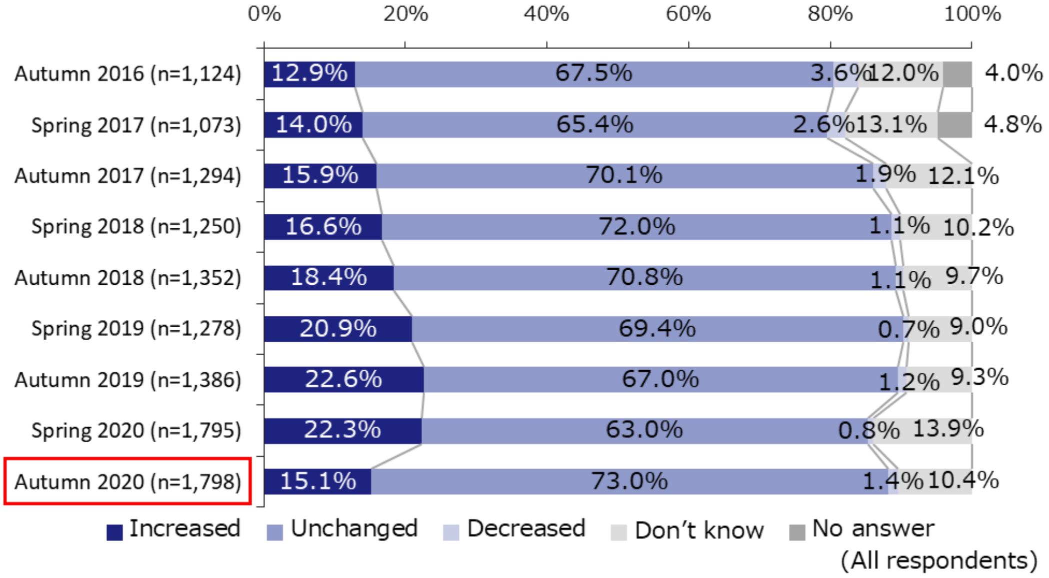
Figure 4: Reason for Downsizing



(Companies that downsized; multiple answer (MA); excerpt of top choices)

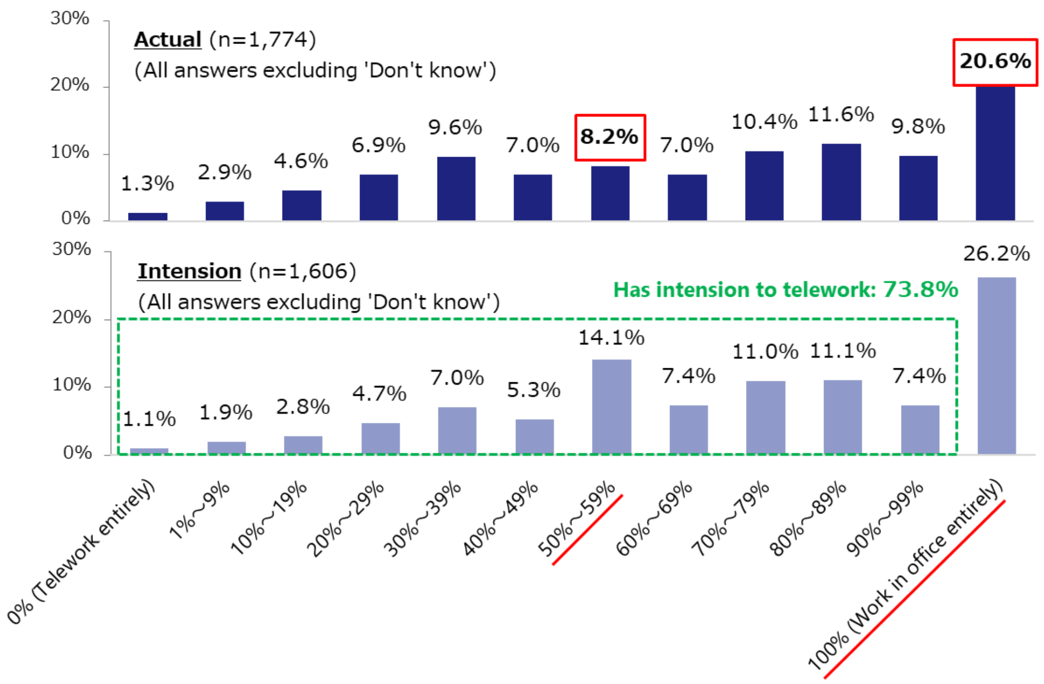
15.1% of the companies replied that rent per tsubo increased, which outweighed companies that saw a drop (1.4%) but indicated a pause in the rising trend that has lasted for the past four years **(Figure 5 (bottom bar))**.

Figure 5: Change in Rent per Tsubo



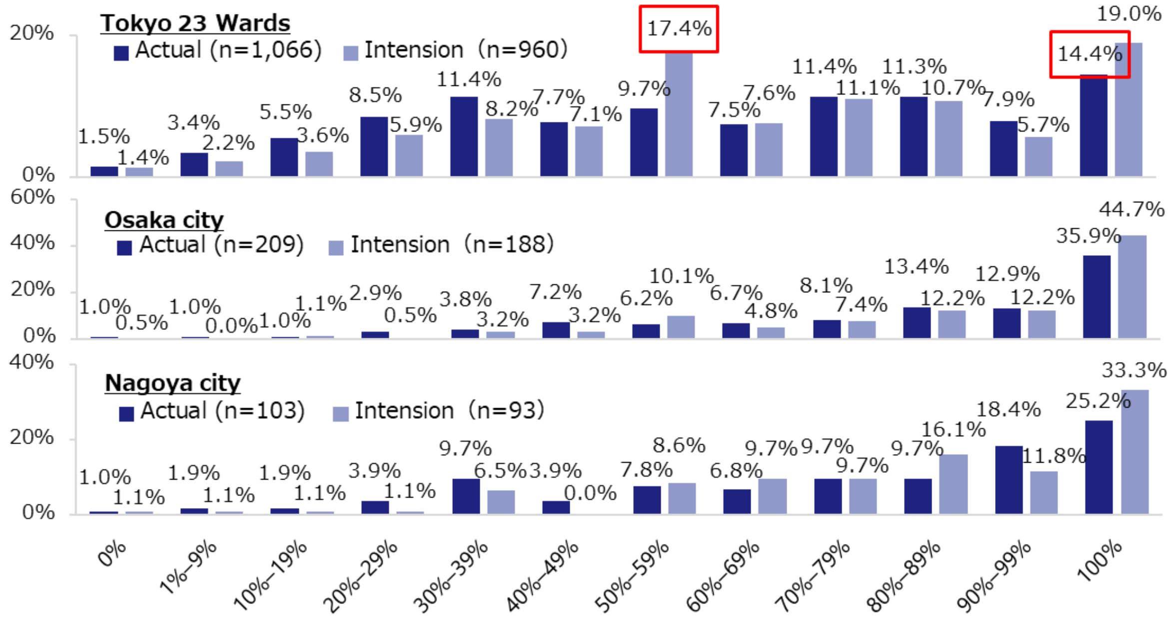
We then asked the companies their "Current average percentage of employees coming to the office to work (Actual)" and the "Percentage of employees working in the office after the end of the pandemic (Intension)," with 100% being all employees working the office. The most popular percentage was "100% (Work in office entirely)" for both Actual and Intension **(Figure 6)**. On the other hand, we found that the remaining 73.8% of the companies intend to have a certain number of their employees continue teleworking after the end of the pandemic and that quite a few companies want the percentage to be "50%–59%" (14.1%), the second most popular percentage after "100%."

Figure 6: Percentage of Employees Working in the Office (Actual and Intension)



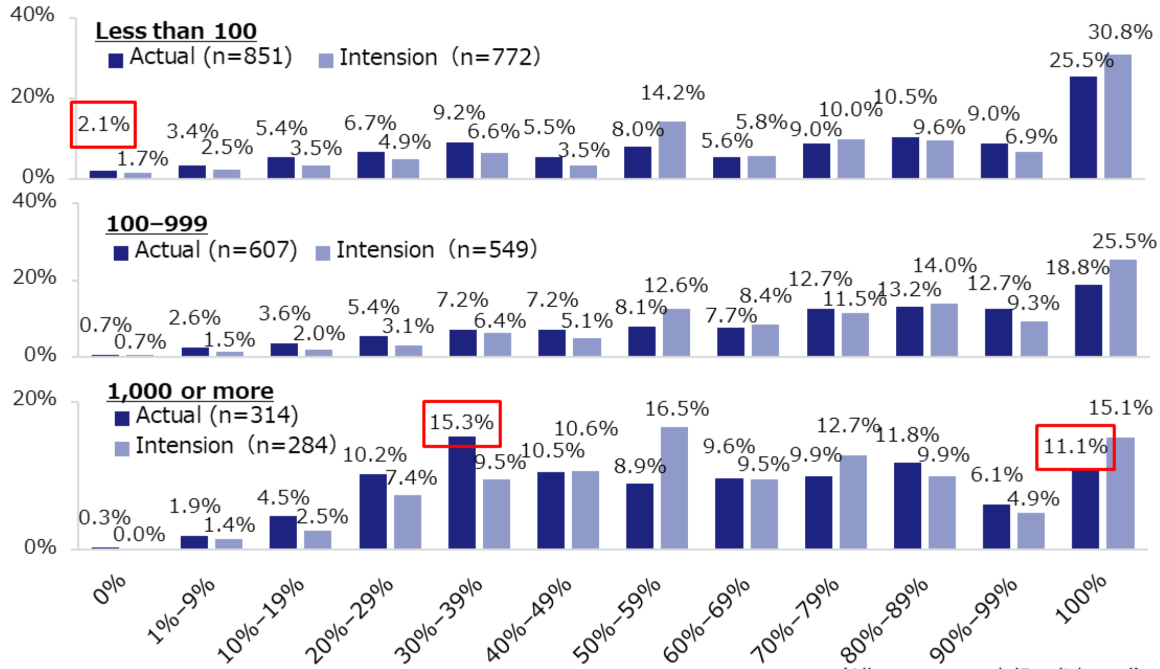
Different characteristics can be seen between different company attributes. In terms of the location of the office, companies with offices in the Tokyo 23 Wards showed a greater tendency toward telework, with "100%" (Actual) remaining at 14.4% and 17.4% of the companies intending to bring the percentage to "50%–59%" after the end of the pandemic **(Figure 7)**. In terms of the number of employees, "30%–39%" was the most popular percentage of employees currently working in the office among large companies with 1,000 employees or more (15.3%), outweighing "100%" (11.1%), while "0% (Telework entirely)" accounted for 2.1% among companies with less than 100 employees, which is more than double the percentage of other groups of companies **(Figure 8)**.

Figure 7: Percentage of Employees Working in the Office (Actual and Intension)– By Office Location



(All answers excl. 'Don't know'; excerpt of major locations)

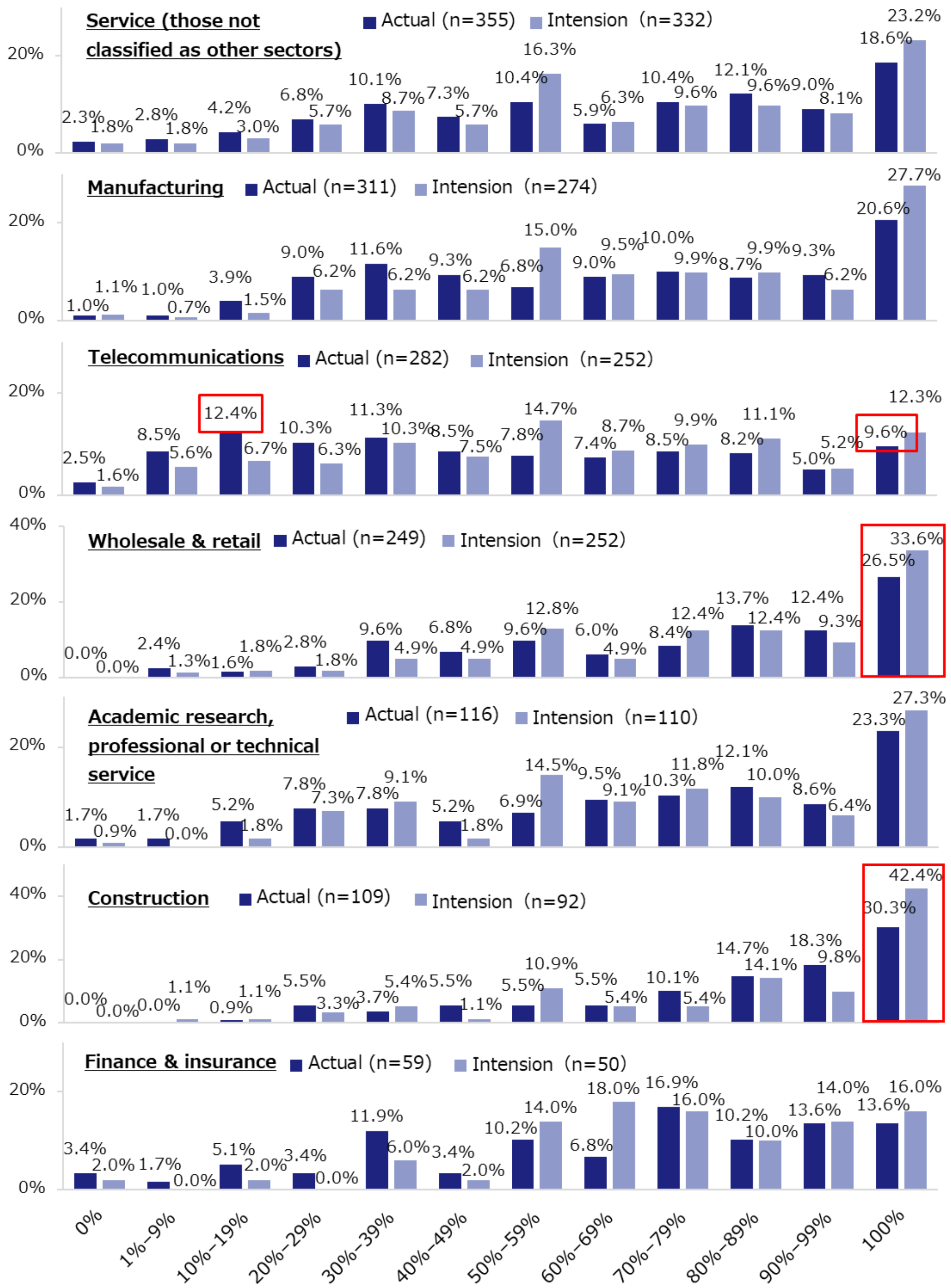
Figure 8: Percentage of Employees Working in the Office (Actual and Intension) – By Number of Employees



(All answers excl. 'Don't know')

By sector, "100% (Work in office entirely)" was the most popular among the construction and wholesale & retail sectors both in Actual and Intension. In the telecommunications sector, "10%–19%" was the top percentage of the current percentage of employees working in the office (12.4%), with "100%" remaining at 9.6%, indicating that telework has especially proliferated in this sector **(Figure 9)**.

Figure 9: Percentage of Employees Working in the Office (Actual and Intension)– By Sector

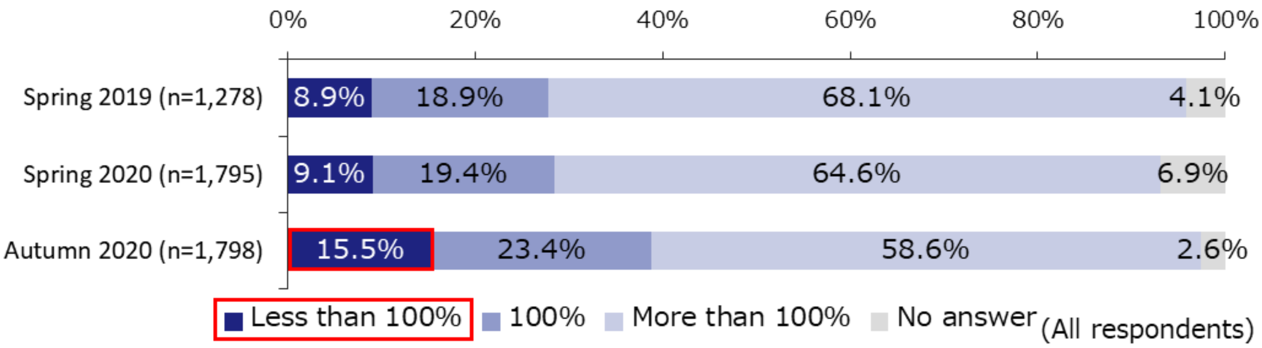


(All answers excl. 'Don't know'; excerpt of major sectors)

We then asked the companies their number of users and number of desks in their office to calculate the percentage of desks provided for the users, and grouped the results into "Less than 100%," "100%" and "More than 100%." We found that companies that provided desks for "more than 100%" of their users accounted for the largest percentage **(Figure 10 (bottom bar))**.

Compared to the results of the last two surveys, however, the percentage of "Less than 100%" companies has increased, which suggests that more companies may be reducing their number of desks as less employees come to the office due to the spread of telework.

Figure 10: Percentage of Desks to Office Users

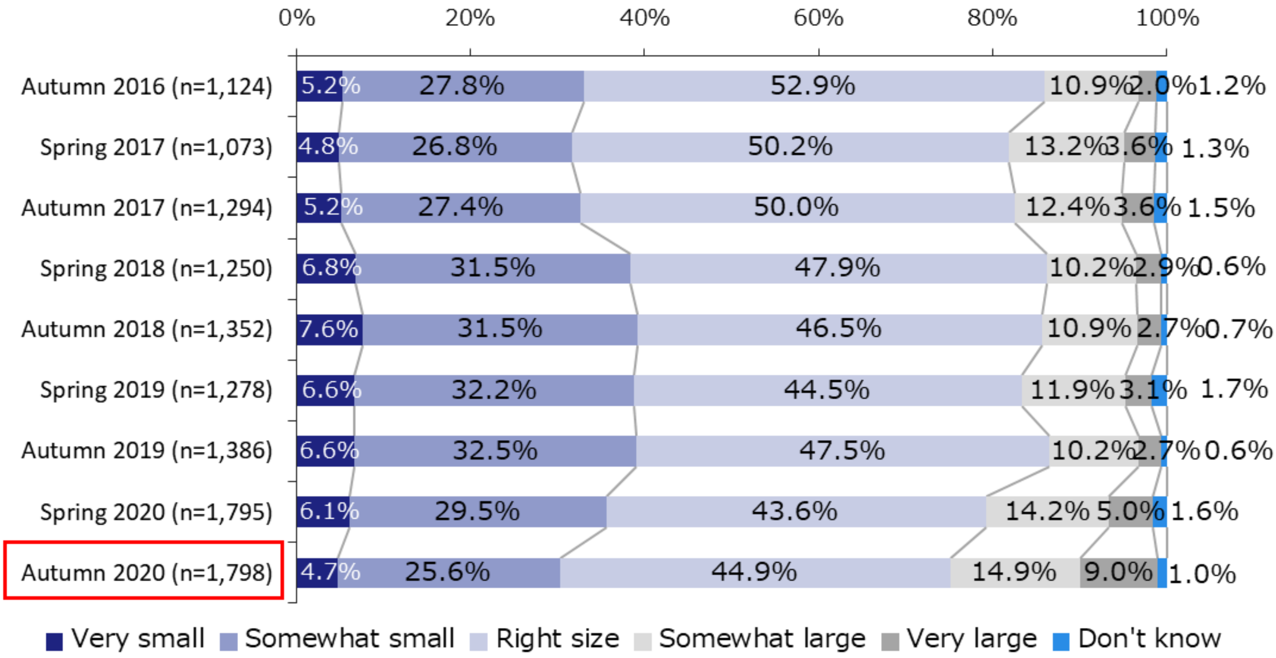


1-2. Impression of office size, business sentiment

- ✓ 30.3% of the companies felt that their current office was "very small" or "somewhat small."
- ✓ In terms of business sentiment, the sum of "Good" and "Somewhat good" was 16.9%, while that of "Bad" and "Somewhat bad" was significantly larger at 50.1%, indicating a business sentiment DI of -33.2.

When we asked how the companies felt about their current office size, 30.3% replied that they felt their office was "very small" or "somewhat small," outweighing the percentage of companies that felt their office was "very large" or "somewhat large" (23.9%) **(Figure 11)**.

Figure 11: Impression of Office Size

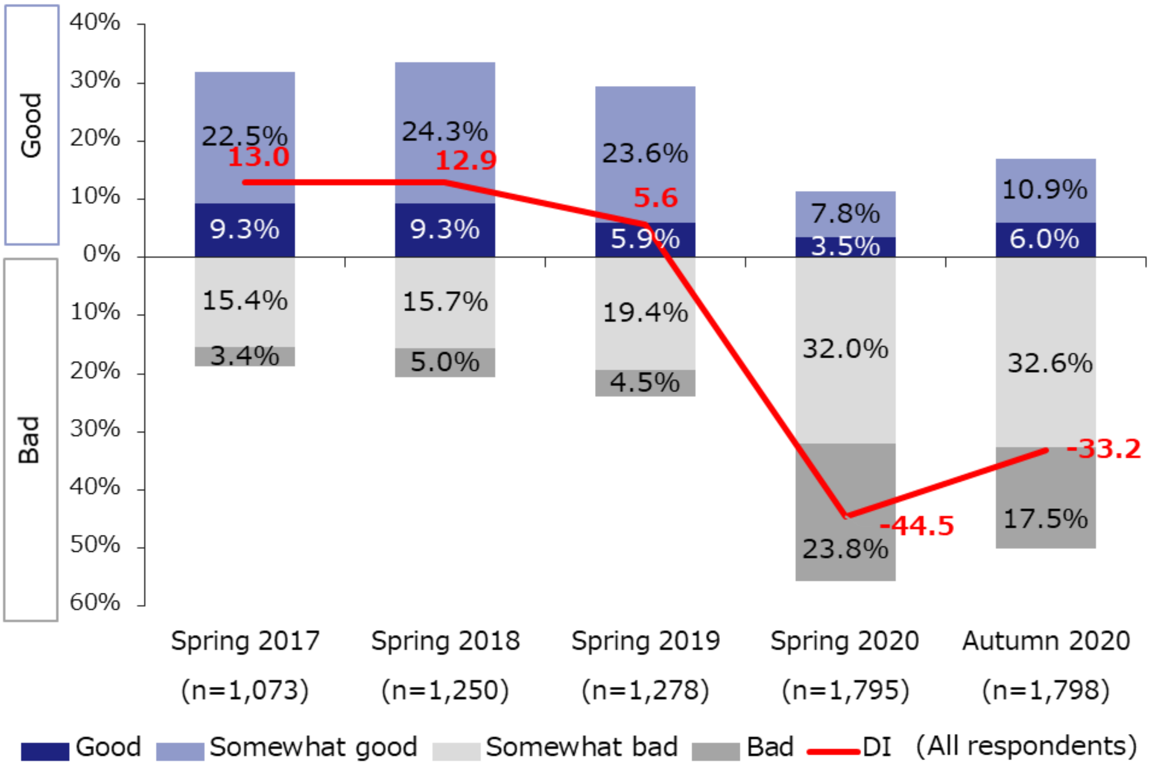


(All respondents)

Figure 12 indicates the "Business Sentiment DI," which is the sum of the percentage of "Good" and "Somewhat good" minus that of "Bad" and "Somewhat Bad," to see the difference in the percentage of companies that felt business was "good" or "somewhat good" and that of companies that felt business was "bad" or "somewhat bad."

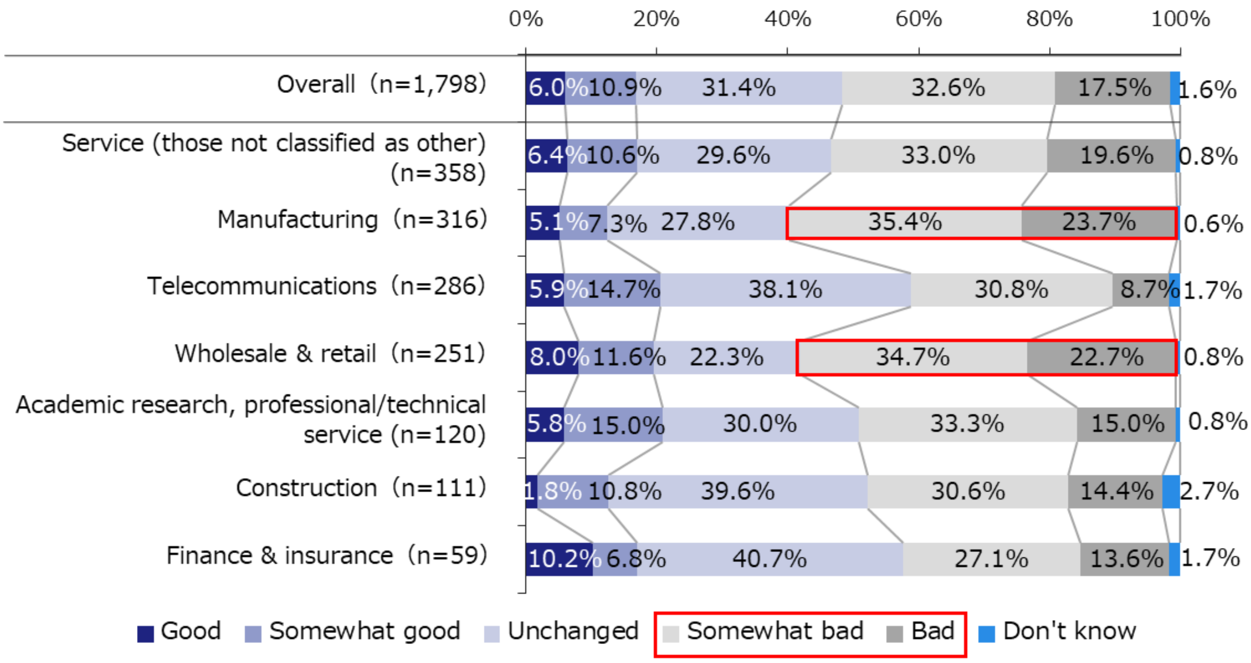
In this survey, the sum of "Good" and "Somewhat good" was 16.9%, while that of "Bad" and "Somewhat bad" was significantly higher at 50.1%, indicating a business sentiment DI of -33.2. The business sentiment DI that turned substantially negative in the Spring 2020 survey, which was conducted immediately after the outbreak of COVID-19, has recovered somewhat but remains negative, indicating that more companies have a negative business sentiment than a positive sentiment.

Figure 12: Business Sentiment DI



A comparison of business sentiment by sector shows different results between sectors, such as a larger percentage of "Bad" and "Somewhat bad" among the manufacturing and wholesale & retail sectors than other sectors, and "Good," "Somewhat good" and "Unchanged" accounting for more than 50% in the telecommunications and finance & insurance sectors **(Figure 13)**.

Figure 13: Business Sentiment – By Sector



(All respondents'; excerpt of major sectors)

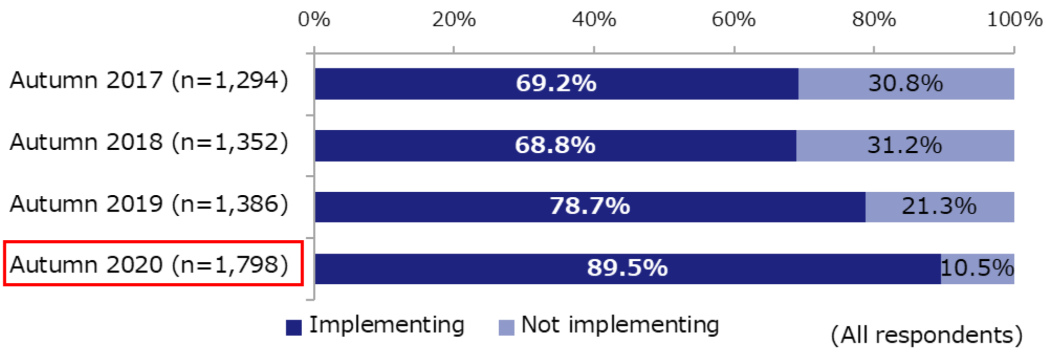
2. Current Status and evaluation of the Workplace

2-1. Promotion of telework

- ✓ 89.5% of the respondent companies were implementing some kind of measures to enable their employees to telework, such as investing in ICT and providing a place or program for telework. The percentage has been rising each year.
- ✓ 85.5% of the companies invested in ICT to support telework and 54.7% provided a place/program for telework. The top reply for the telework place/program provided by companies was "Work-from-home program" (51.2%), a significant rise in percentage compared to the Autumn 2019 survey.
- ✓ In terms of the availability of a place or program for telework by sector, the availability of the work-from-home program was especially large in the telecommunications sector (66.8%), a 25.4 percentage point difference from the construction sector, which had the lowest availability at 41.4%. However, the availability of the program was significantly greater than in Autumn 2019 in all sectors. This indicates that telework has spread due to the pandemic regardless of sector.
- ✓ The top work style measures implemented were related to telework, such as "Developing/using systems that enable telework" (57.1%) and "Paperless" (43.9%).

89.5% of the respondent companies implement some kind of measures to enable their employees to telework, such as investing in ICT and providing a place or program for telework. The percentage is rising compared to the results of the past three years **(Figure 14)**.

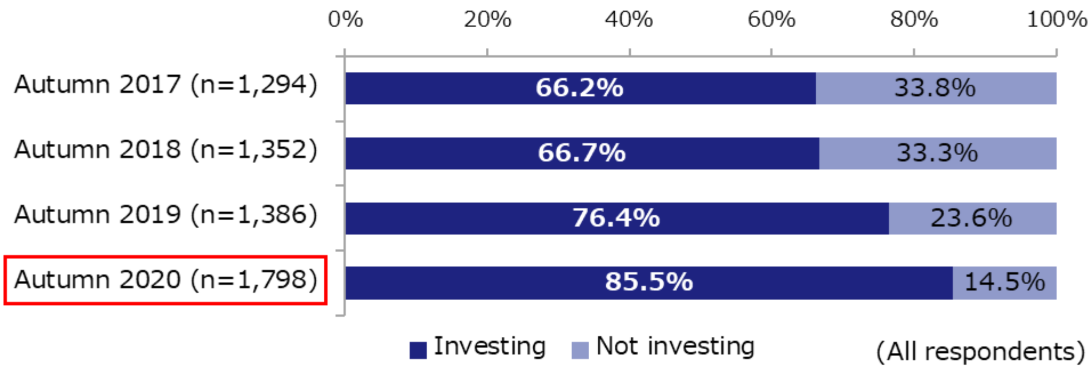
Figure 14: Implementation of Measures for Telework



In the following pages, we will examine the details of companies' telework initiatives in terms of (1) ICT investment, (2) providing a place or program, and (3) initiatives on work styles.

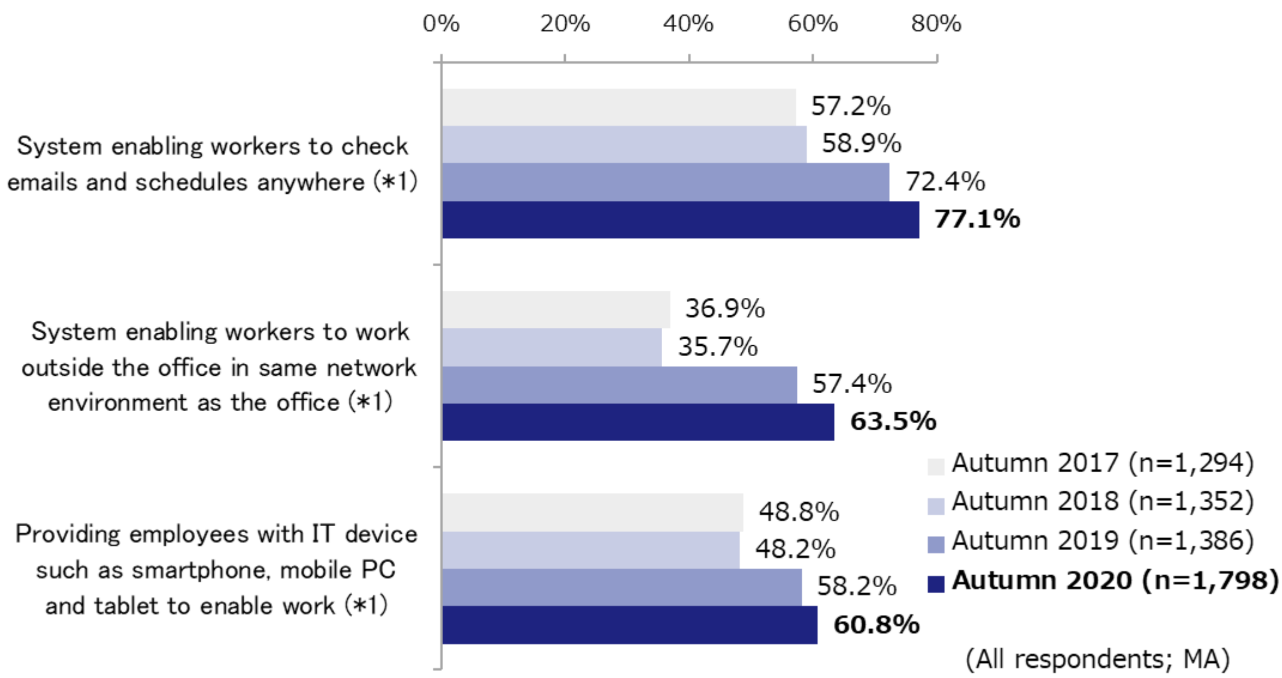
First of all, as for ICT investment, 85.5% of the respondent companies replied that they had introduced at least one of the following: "System enabling workers to check emails and schedules anywhere," "System enabling workers to work outside the office in same network environment as the office," and "Providing employees with IT device such as smartphone, mobile PC and tablet to enable work" **(Figure 15)**. The percentage was 9.1 percentage points more than in Autumn 2019.

Figure 15: Implementation of ICT Investment to Support Telework



The implementation rates of all types of investment have also increased from the surveys of the last three years **(Figure 16)**.

Figure 16: Breakdown of ICT Investment to Support Telework

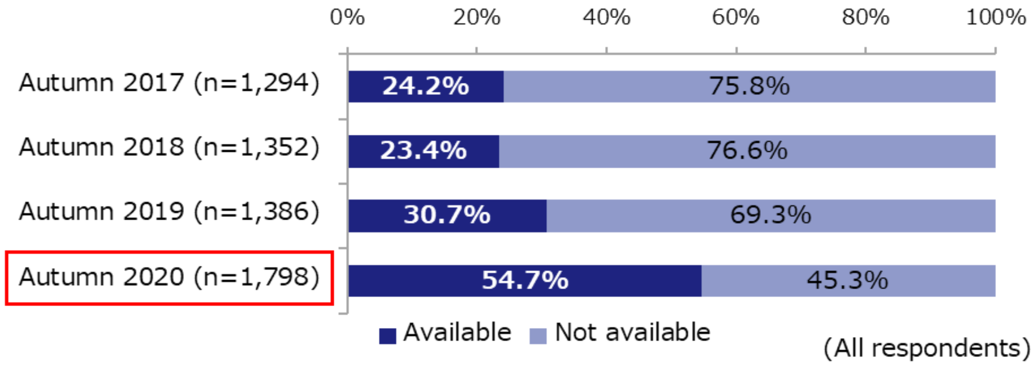


*1 Smartphones have been added to the definition of IT device since the Spring 2019 survey.

With regard to providing a place or program for employees to telework, 54.7% of the respondent companies replied that they had provided at least one of the following three: "Work-from-home program," "Satellite office (*2), etc. provided by a specialized operator, etc." and "Satellite office, etc. owned or rented by own company" **(Figure 17)**.

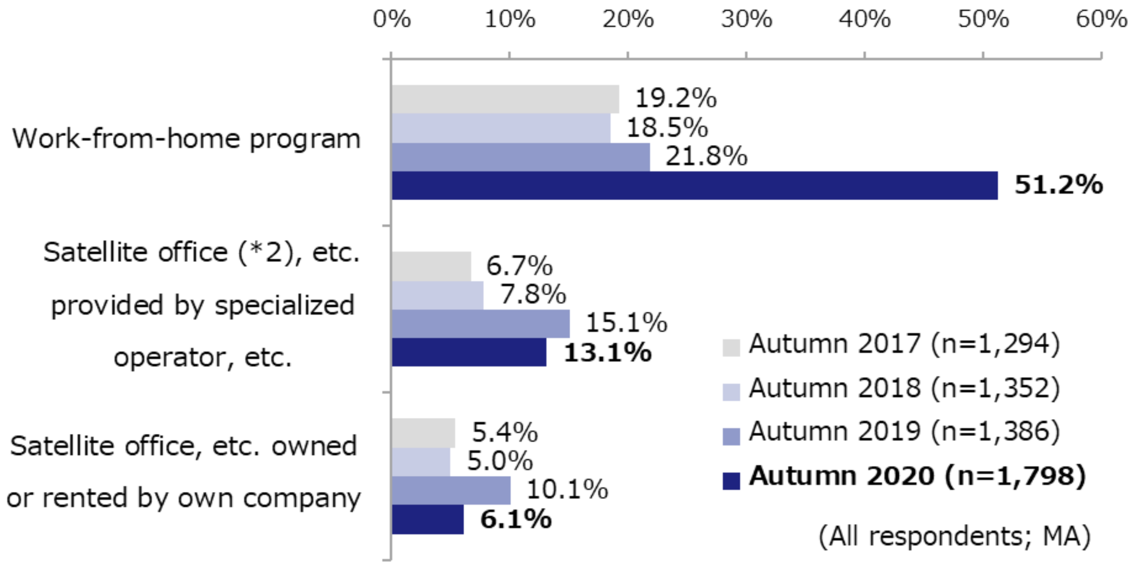
*2 Satellite office: A collective term for workplaces established for telework, apart from the main office or the home. There are those that are provided by specialized service operators and those that are provided by the company.

Figure 17: Availability of Place or Program for Telework



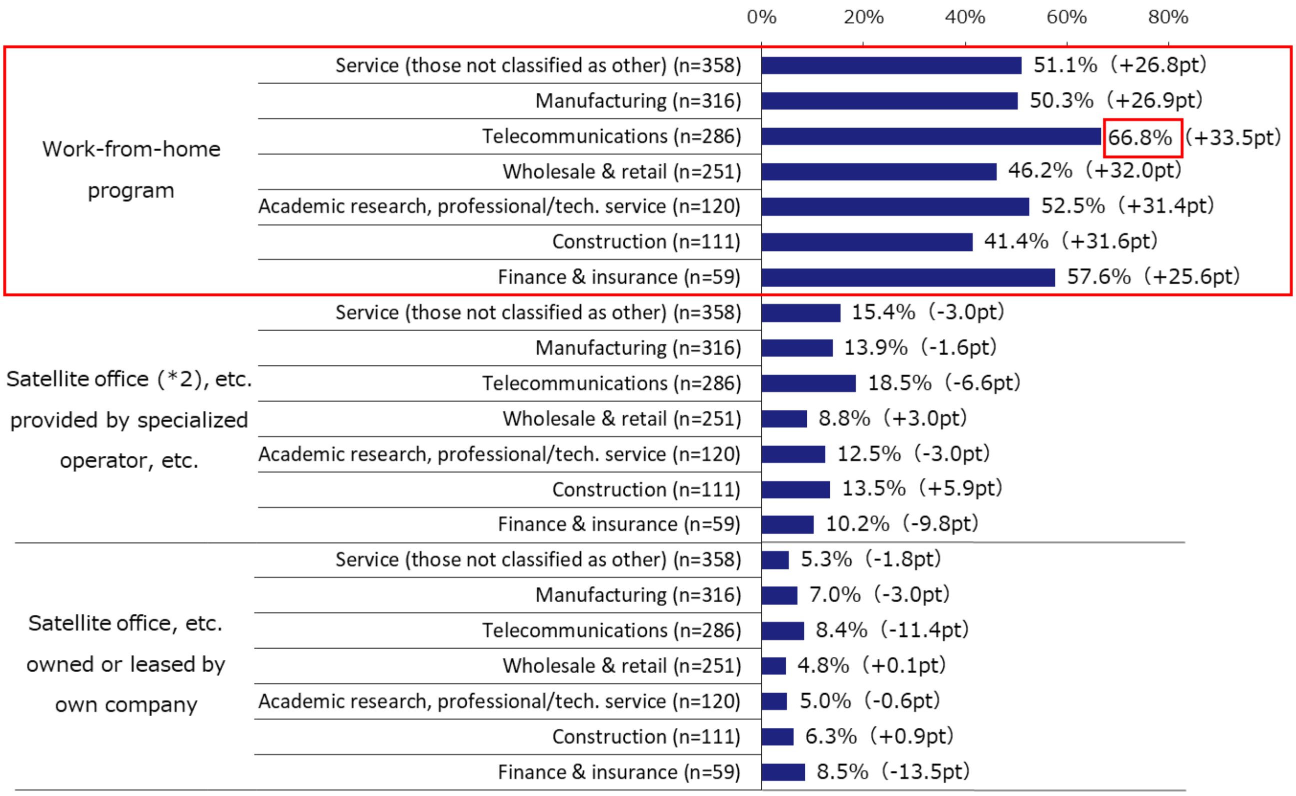
The program or place that was introduced the most was "Work-from-home program" (51.2%), which increased rapidly compared to Autumn 2019. Meanwhile, "Satellite office, etc. provided by a specialized operator, etc." and "Satellite office, etc. owned or rented by own company," which had grown each year, dropped slightly from the previous survey, most likely as a temporary effect of the COVID-19 pandemic **(Figure 18)**.

Figure 18: Breakdown of Available Place/Program for Telework



Differences can be seen in the availability of a place or program for telework between different sectors **(Figure 19)**. For example, the availability of the work-from-home program was especially large in the telecommunications sector (66.8%), a 25.4 percentage point difference from the construction sector, which had the lowest availability at 41.4%. However, the availability of the program was significantly greater than in Autumn 2019 in all sectors. This indicates that telework has spread rapidly due to the pandemic regardless of sector.

Figure 19: Breakdown of Available Place/Program for Telework – By Sector

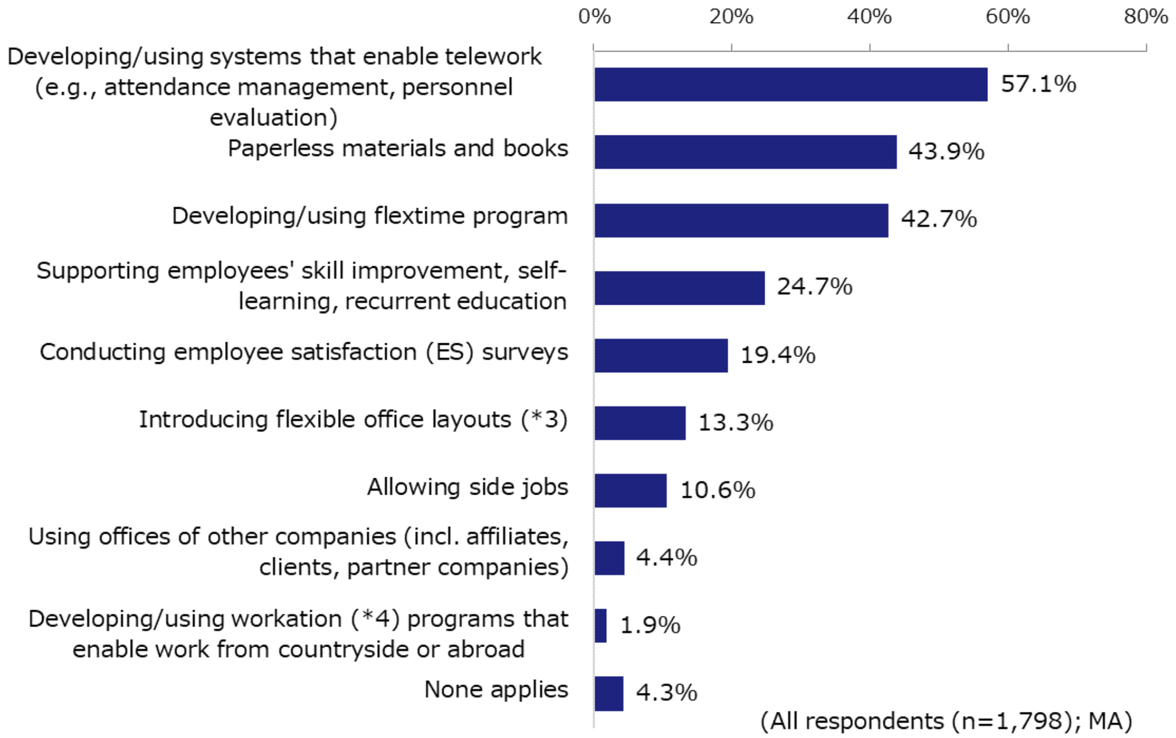


(All respondents; MA; excerpt of major sectors)
(Figures in brackets are difference from Autumn 2019)

*2 Satellite office: A collective term for workplaces established for telework, apart from the main office or the home. There are those that are provided by specialized service operators and those that are provided by the company.

Finally, the top initiatives on work styles included "Developing/using systems that enable telework" (57.1%) and "Paperless" (43.9%), indicating that many companies were engaged in measures related to telework **(Figure 20)**.

Figure 20: Initiatives on Work Styles



*3 Flexible office layout: Hot-desking, group-based hot-desking, open meeting space, space for refreshing, ABW, canteen & café space, etc.

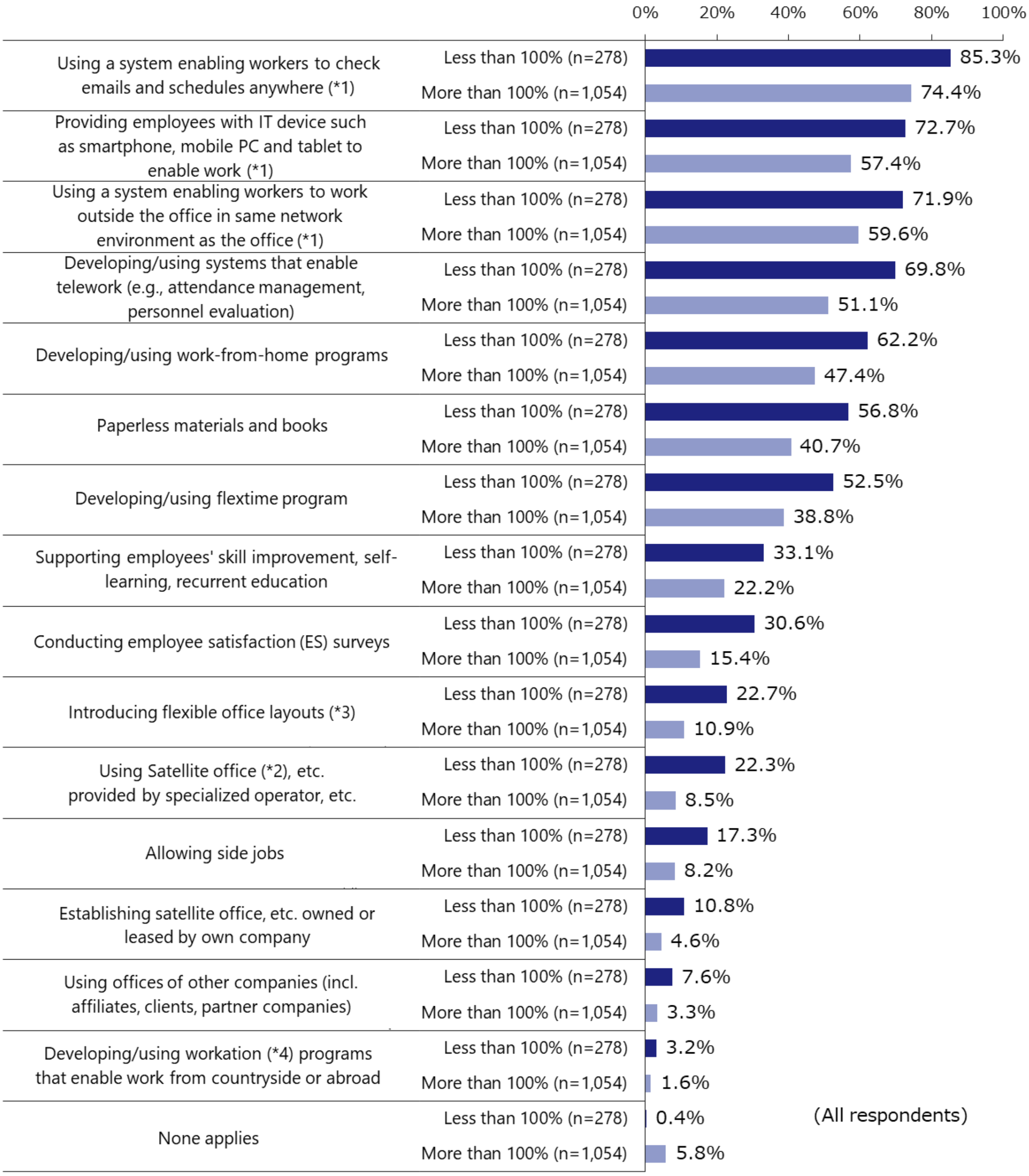
*4 Workation: A portmanteau of working vacation, meaning to work from a travel destination, etc.

PICK UP

Initiatives on Work Styles by Percentage of Desks to Users of the Office

We found that companies providing desks for "less than 100%" of the users of their office had a greater implementation rate in all work style initiatives than those providing desks for "more than 100%" of their office users **(Figure 21)**. This suggests that companies that have increased the efficiency of office space are also more aggressive in introducing flexible work styles such as telework. If flexible and diverse work styles continue to spread, it may have an impact on how companies use their fixed office space, such as the head office, and on office demand.

Figure 21: Initiatives on Work Styles – By Percentage of Desks to Office Users

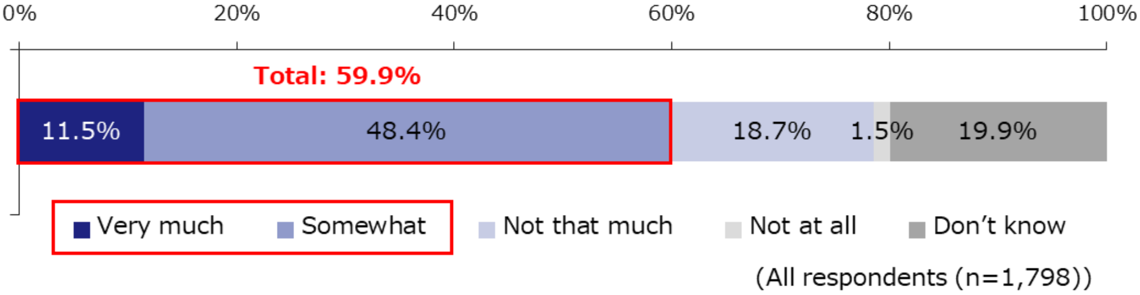


2-2. Evaluation of the workplace

- ✓ As for whether companies thought they offered their workers a safe and secure office environment, 59.9% replied "Very much" or "Somewhat," while 20.2% replied "Not at all" or "Not that much."
- ✓ Regarding whether companies thought their productivity will improve with telework, 31.9% replied "Very much" or "Somewhat." This percentage was larger at companies that provided a place or program for telework, and among them, larger at companies that provided a satellite office than those that only provided a work-from-home program.
- ✓ The top issues and challenges in workplace operation were telework-related, such as "Employee management is difficult in telework (work, attendance, evaluation, etc.)" (38.2%), which ranked top.

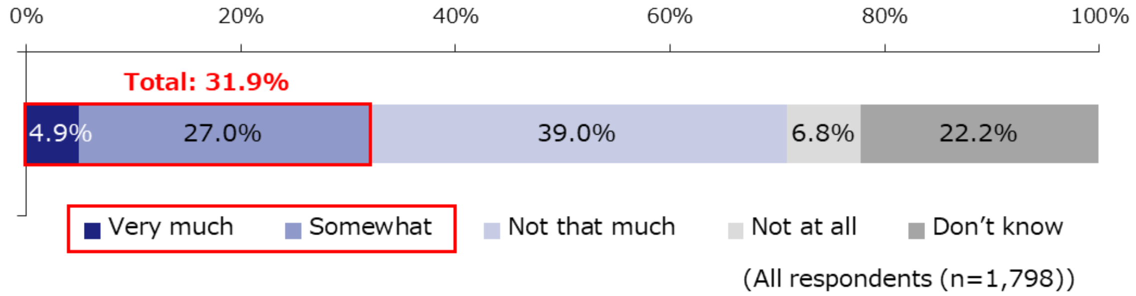
As for whether companies thought their current office offered their workers a safe and secure office environment, 59.9% replied "Very much" or "Somewhat," while 20.2% replied "Not at all" or "Not that much" and 19.9% answered "Don't know" **(Figure 22)**. Companies' and individuals' requirements in offices may have risen due to a rise in their concept of hygiene and awareness toward safety and security following the corona pandemic.

Figure 22: Evaluation of Safety and Security of Office Environment



Regarding whether companies thought their productivity will improve with telework, 31.9% replied "Very much" or "Somewhat," while 45.8% answered "Not at all" or "Not that much" and not a few 22.2% replied "Don't know" **(Figure 23)**.

Figure 23: Evaluation of Productivity of Telework



When we asked the respondents to write down the reason for their evaluation of the productivity of telework, a popular reason for thinking productivity will improve with telework ("Very much" and "Somewhat" replies) was that their experience of telework enabled them to feel the positive effect of a reduction in travel time and of being able to choose where to work depending on the work content. On the other hand, a popular reason for thinking productivity will not improve ("Not at all" or "Not that much" replies) was their lack of the impression that work can actually be done by telework due to their lack of or temporary experience of telework. The following are some of the comments.

Reasons for thinking productivity will improve (Excerpt)

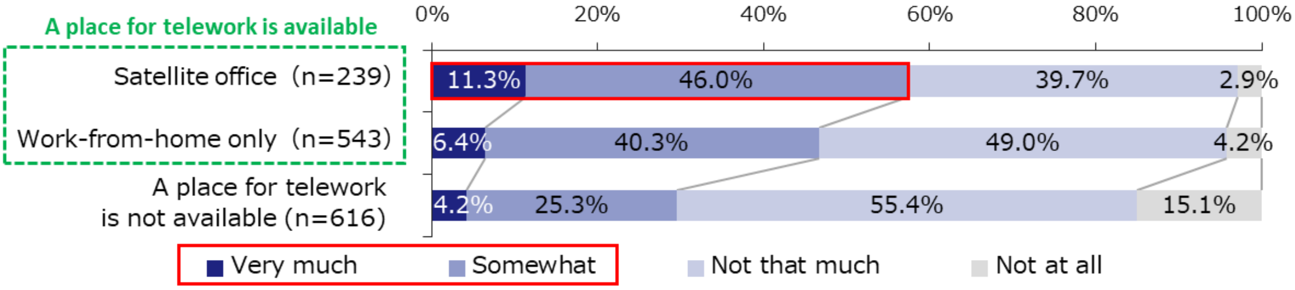
- The time and labor that had been spent on commuting and traveling can be spent on other work.
- Employees can concentrate on their work since no one contacts them for an urgent request, they don't have to respond to visitors and don't have to move to a meeting room.
- The ability to respond online has enabled employees to save time spent on commuting or traveling to visit a customer. It has also enabled them to hold business meetings and negotiations without being concerned about the weather, etc.
- Sales activities can be carried out according to clients' schedules since employees don't have to come to the office.
- Some people might be freed of a kind of awkward pressure when they are at home and find it easier to switch between concentrating and relaxing.
- I feel that the reduction in commuting time and an increase in time for private life have given employees more leeway in their daily life and work, resulting in greater motivation toward work.
- By incorporating telework as a work style option and allowing employees to choose between coming to the office and teleworking according to their work, they are responding by carrying out intensive work at home and collaboration work at the office.

Reasons for not thinking productivity will improve (Excerpt)

- Although we tried out teleworking for a while, we faced challenges in the lack of communication and difficulty in fostering a culture of telework.
- We have not introduced any scheme that would enable productivity improvement with telework.
- Telework will not work for us since our work mainly involves answering questions using printed matter and we need to ask how people around us have answered.
- Work efficiency will drop significantly since we cannot access the internal server from the outside.
- I think employees' perspectives will narrow.
- We will not be able to get anything done without meeting people and seeing the work site.

There was also a difference in the evaluation of productivity by the availability of the different places for telework. Companies providing a satellite office provided by a specialized operator or a satellite office owned or rented by own company (regardless of whether they enabled work-from-home) had a higher evaluation of the productivity of telework than those that only provided work-from-home as a place for telework **(Figure 24)**. This also suggests that the effects and benefits of telework can be felt more by actually experiencing it.

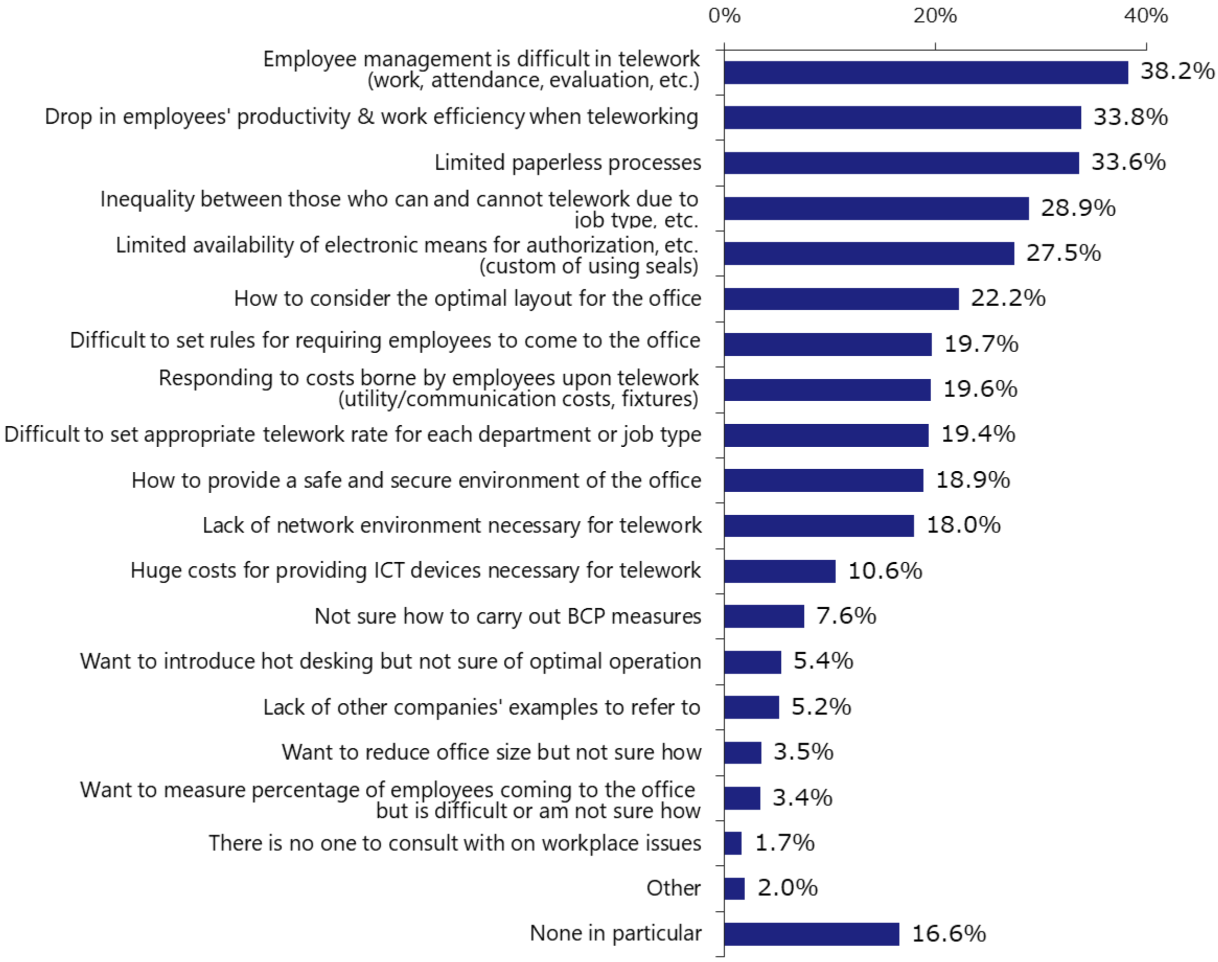
Figure 24: Evaluation of Productivity – By Availability of Type of Place for Telework



(All answers except 'Don't know' in productivity evaluation (n=1,398))

As for issues and challenges in workplace operation, the top replies were telework-related, such as “Employee management is difficult in telework (work, attendance, evaluation, etc.)” (38.2%), which ranked top **(Figure 25)**.

Figure 25: Issues and Challenges in Workplace Operation



(All respondents (n=1,798); MA)

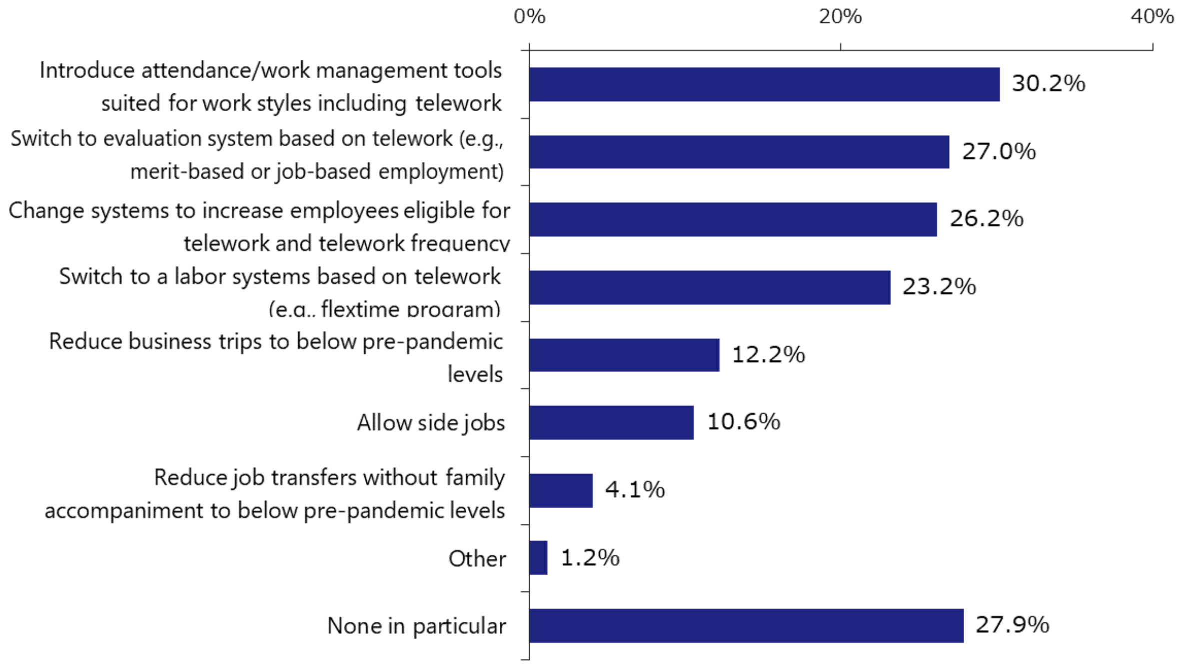
3. Outlook of the Workplace after the End of the COVID-19 Pandemic

3-1. Outlook of workplace strategies

- ✓ The top work style measures companies were interested in for after the end of the pandemic were those based on telework, such as “Introduce attendance/work management tools” (30.2%) and “Switch to evaluation system based on telework (e.g., merit/job-based employment)” (27.0%).
- ✓ The outlook of the workplace after the end of the pandemic that was the closest to the thoughts of the largest percentage of respondent companies was “Use both the main office and telework” (40.2%).
- ✓ In terms of the outlook of the workplace after the end of the pandemic by office location, companies with offices in Tokyo 23 Wards showed a greater tendency toward a distributed work style than those with offices in regional cities, such as “Promote working from home or in satellite offices and reduce number of employees coming to the office” and “Increase telework and downsize the office.” By number of employees, large companies with 1,000 employees or more showed a greater response rate in many options than other sizes of companies, suggesting they had already begun considering their workplace strategies for after the end of the pandemic.

The top work style measures companies were interested in for after the end of the pandemic were those based on telework, such as “Introduce attendance/work management tools” (30.2%) and “Switch to evaluation system based on telework (e.g., merit/job-based employment)” (27.0%) **(Figure 26)**. In addition, we found that some companies, albeit a small percentage, were considering reducing the number of business trips and job transfers without family accompaniment to below pre-pandemic levels. On the other hand, companies that replied “None in particular” also accounted for nearly 30%.

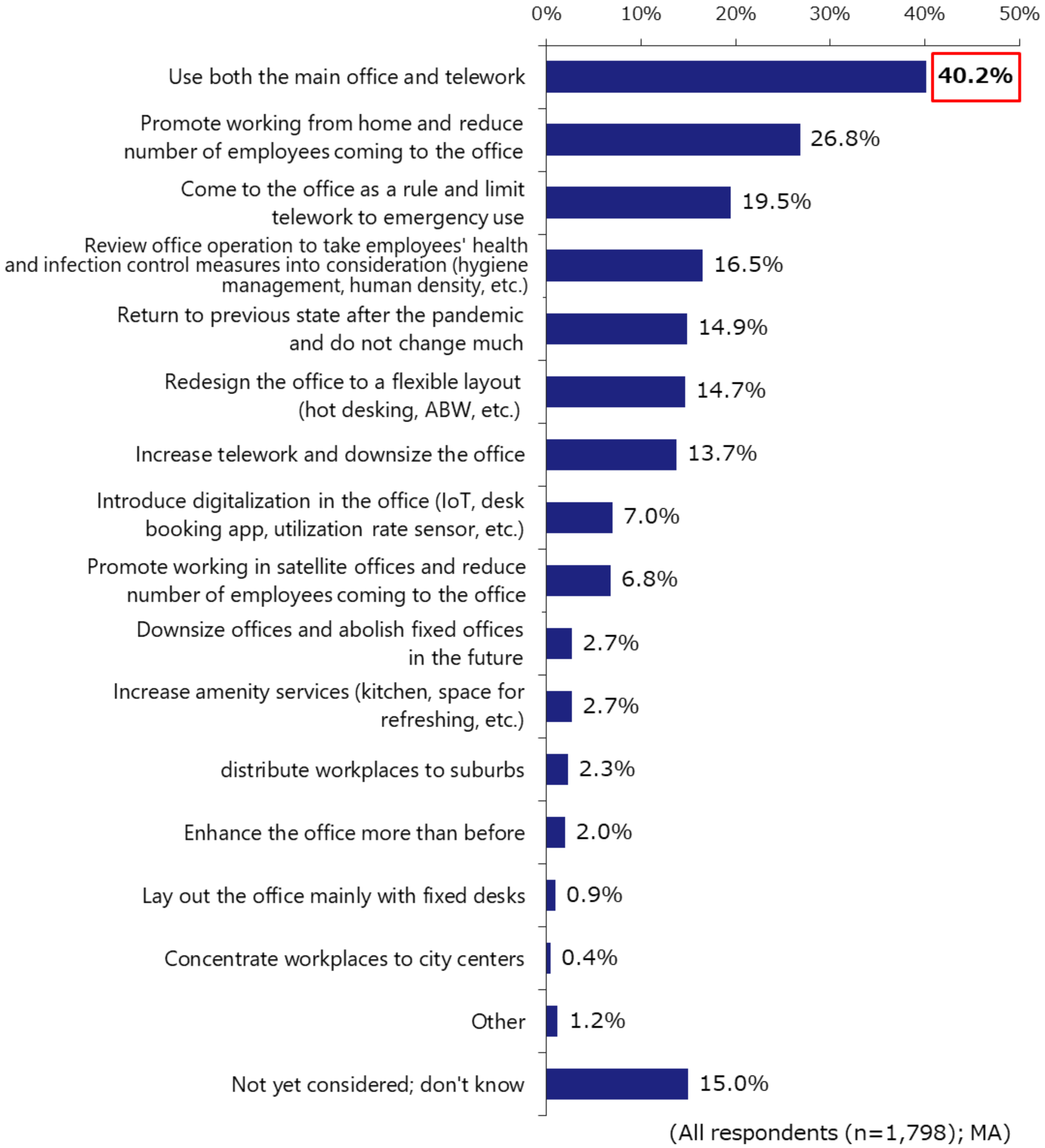
Figure 26: Work Style Measures Interested in



(All respondents (n=1,798); MA)

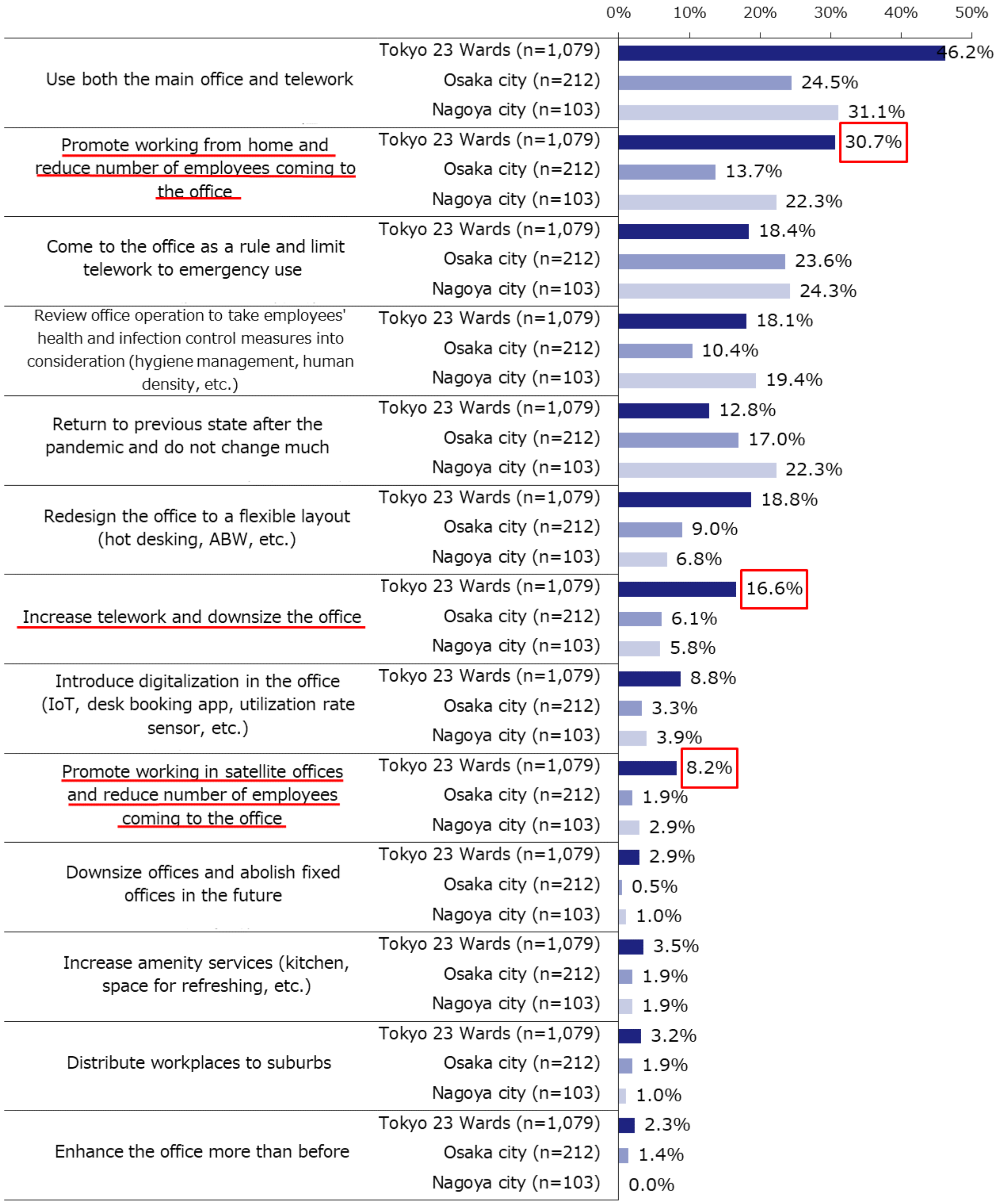
The outlook of the workplace after the end of the pandemic that was the closest to the thoughts of the largest percentage of respondent companies was "Use both the main office and telework" (40.2%) **(Figure 27)**.

Figure 27: Outlook of the Workplace after the End of the Pandemic



When we look at these results by office location, companies with offices in Tokyo 23 Wards showed a greater tendency toward a distributed work style than those with offices in regional cities, such as “Promote working from home or in satellite offices and reduce number of employees coming to the office” and “Increase telework and downsize the office” **(Figure 28)**.

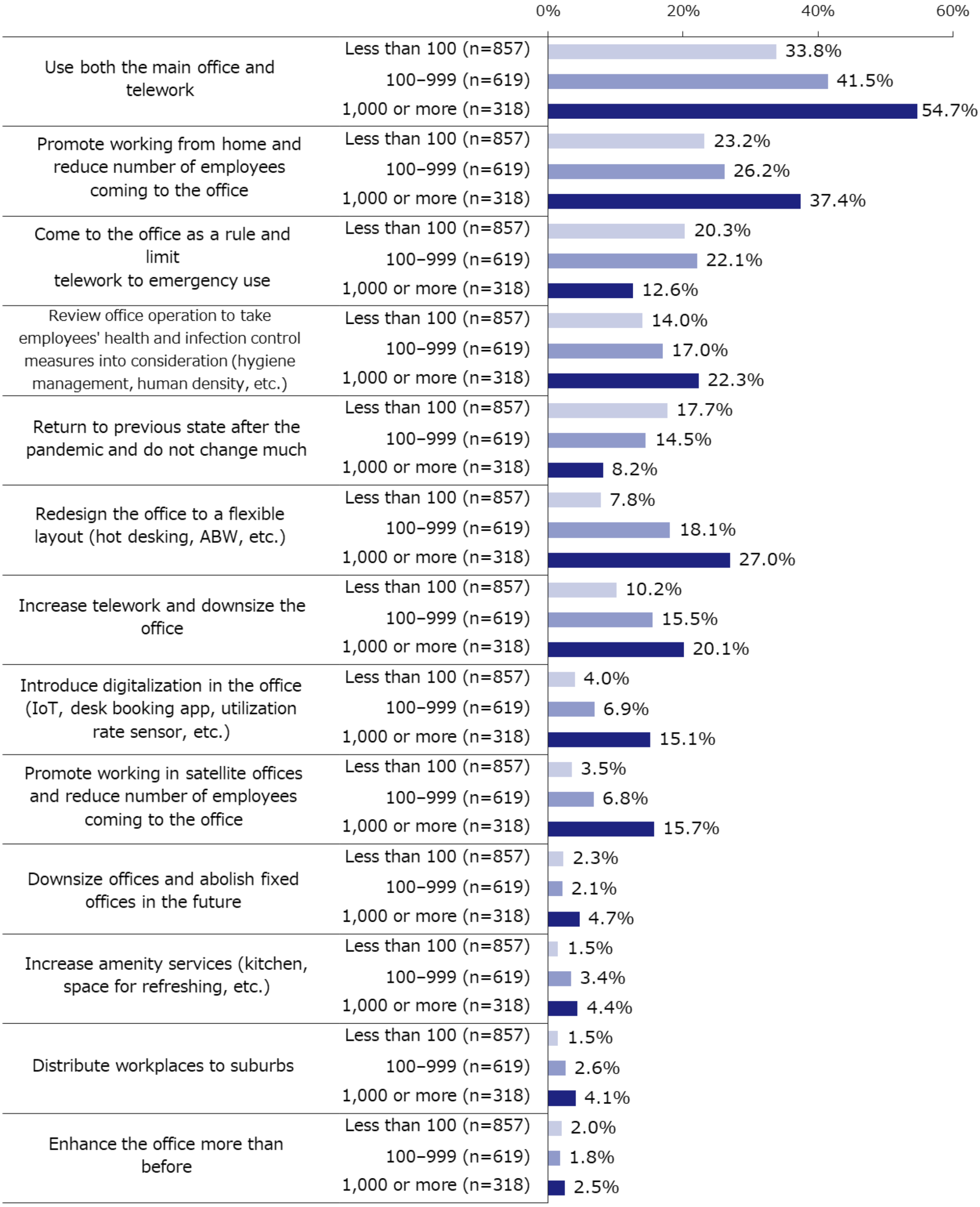
Figure 28: Outlook of the Workplace after the End of the Pandemic – By Office Location



(All respondents; excerpt of major locations; excerpt of major items)

By number of employees, large companies with 1,000 employees or more showed a greater percentage of choosing the options than other sizes of companies, suggesting they had already begun considering their workplace strategies for after the end of the pandemic **(Figure 29)**. On the other hand, smaller companies showed a larger percentage of "Return to previous state after the pandemic and do not change much."

Figure 29: Outlook of the Workplace after the End of the Pandemic – By Number of Employees



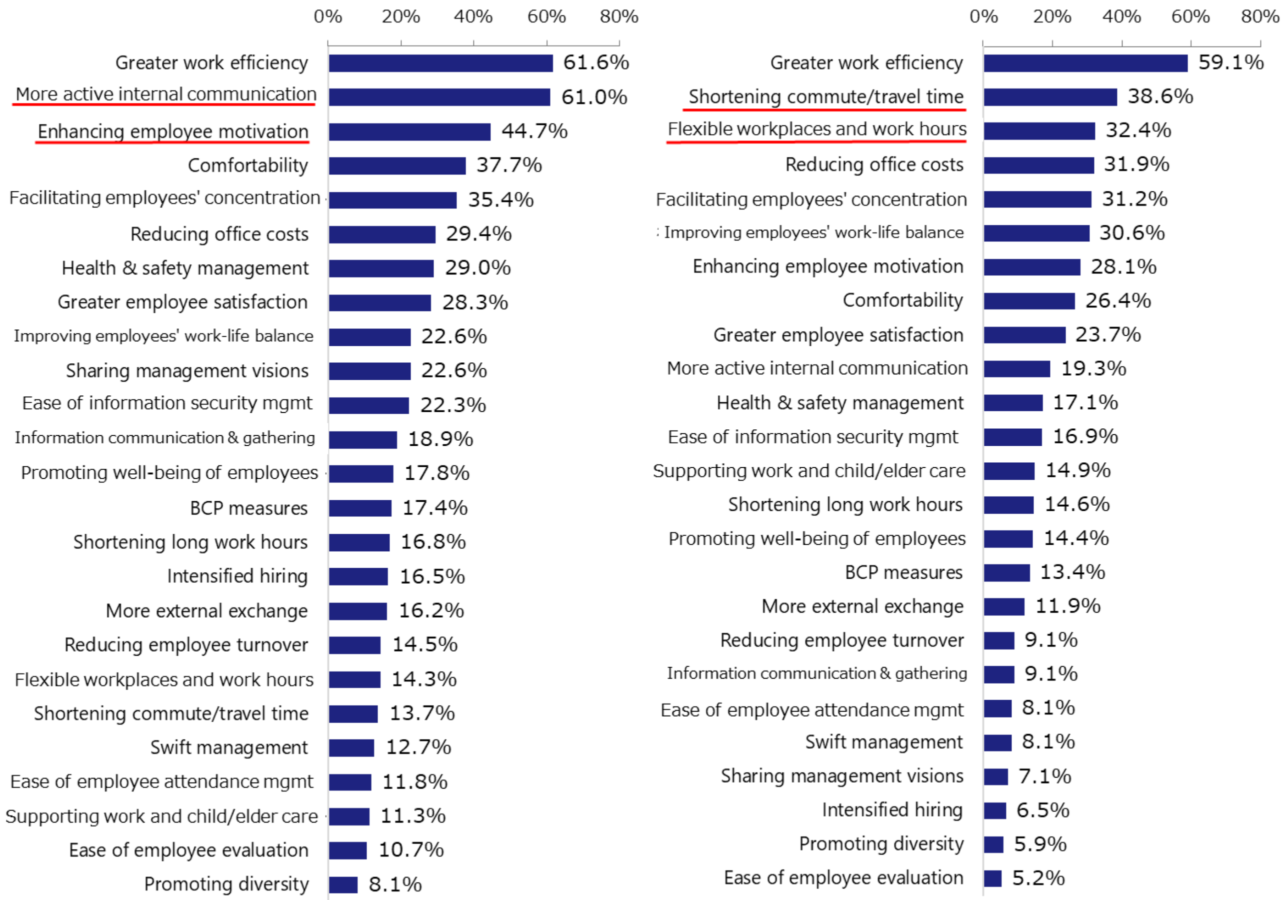
(All respondents excl. those whose number of employees was unknown; excerpt of major items)

> 3-2. Roles of a satellite office required by companies
>
> ✓ The top value or role companies required in both their main office and satellite offices was "Greater work efficiency." This was followed by "More active internal communication" and "Enhancing employee motivation" for the main office and "Shortening commute/travel time" and "Flexible workplaces and work hours" for satellite offices.
>
> ✓ As for companies' interest in using the five major types of satellite offices, 40–50% of the companies replied "Want to use (somewhat)" for all types. Interest was especially high in "Close to home: Concentrated solo-work type" (54.7%) and "Efficient travel: City-center touch-down type" (52.1%).

The spread of telework has prompted the use of not only conventional offices for congregating but also satellite offices, which are places for employees to telework, and has resulted in a greater variety of workplaces. **Figure 30** is the result of the values or roles that companies require in the main office and satellite offices.

The top reply for both offices was "Greater work efficiency," which was followed by "More active internal communication" and "Enhancing employee motivation" for the main office and "Shortening commute/travel time" and "Flexible workplaces and work hours" for satellite offices, revealing a difference in the roles required in the two types of offices.

Figure 30: Values and Roles Required in the Main Office (Left) and Satellite Offices (Right)



(All respondents excl. those who chose 'None in particular' and 'Don't know' (n=1,657); MA)

(All respondents excl. those who chose 'None in particular' and 'Don't know' (n=1,105); MA)

When we look at this result by availability of place or program for telework (**Figure 17**), companies that had provided a place for telework required "More active internal communication" the most in their main office **(Figure31)**. As for satellite offices, there was a large difference between companies that had provided a place for telework and those that had not in options such as "Shortening commute/travel time," Flexible workplaces and work hours," "Facilitating employees' concentration," and "Improving employees' work-life balance," which indicate a difference in their positioning of the workplace **(Figure 32)**.

Figure 31: Values and Roles Required in the Main Office – By Availability of Place/Program for Telework

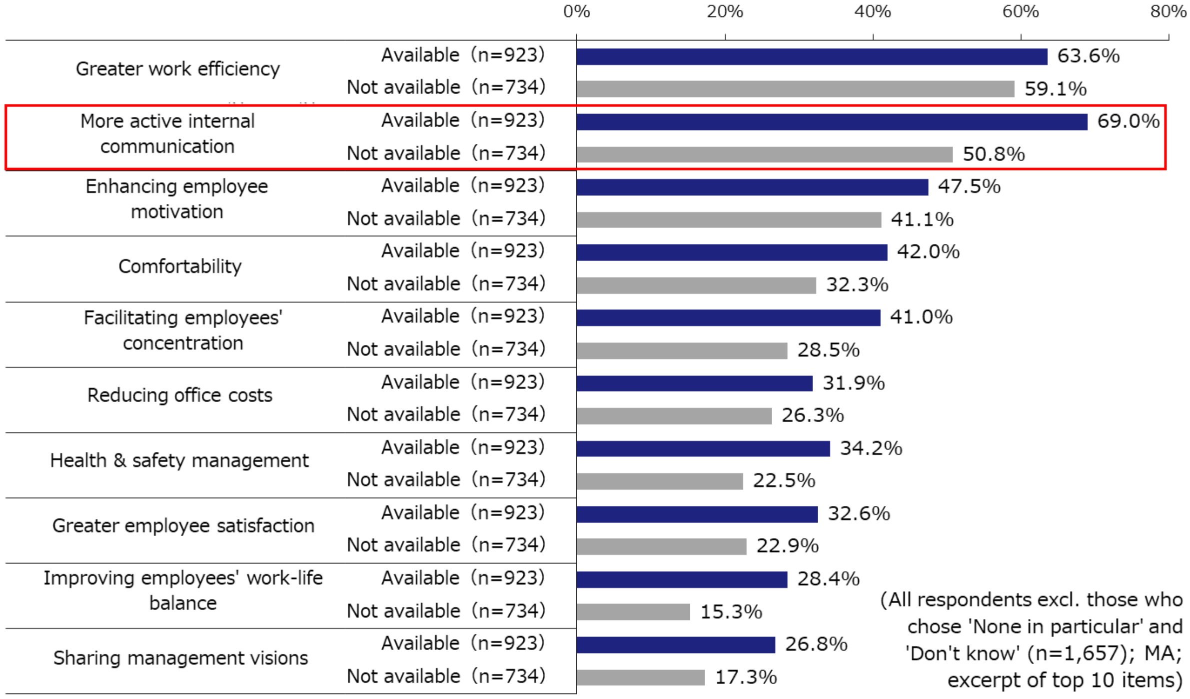
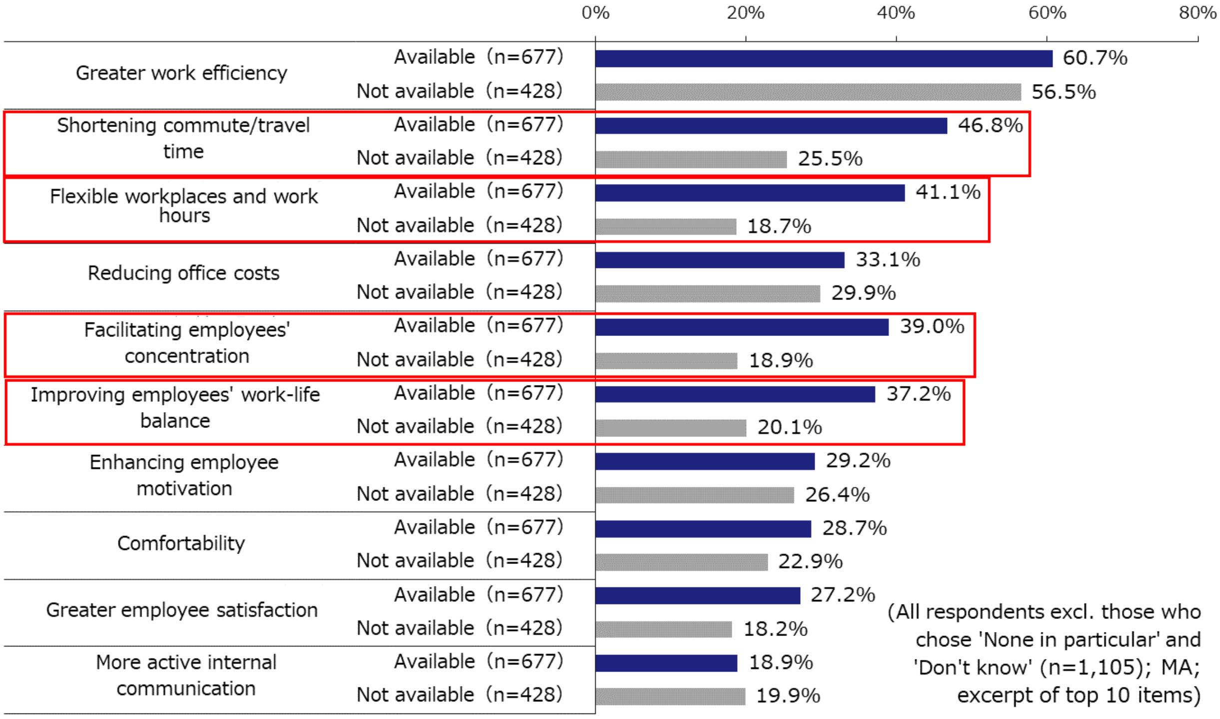


Figure 32: Values and Roles Required in Satellite Offices – By Availability of Place/Program for Telework



The spread of telework has resulted in a greater significance of satellite offices as a workplace option other than the home. As a wider variety of satellite offices become available with the rising momentum of the market, which satellite office do companies' office managers want their employees to use?

We asked their interest in each of the following five major types of satellite offices for after the end of the pandemic.

1. Close to home: Concentrated solo-work type

- It is within walking/biking distance from home, which **reduces commute time**.
- There is a **private room for one person that is suitable for intensive work** and where phone calls and online meetings are also possible.
- There are multifunctional copiers and lounge space, etc., enabling users to engage in a full day of work.
- There are features that support a **better balance with private life**, such as nursery services and being located within buildings where shopping can be done such as shopping malls.

2. Efficient travel: City-center touch-down type

- Multiple offices are provided in **major city-center office areas**.
- They are used mainly by sales representatives who drop in between client visits or on days when they go directly to their clients and return home directly, enabling a **reduction of travel time**.
- Users can choose whichever location of office that suits them on that day and drop in even for a short time.
- There are **private rooms and booths** suitable for individual work, as well as **soundproof booths** for phone calls and online meetings.

3. Any duration at any location: Project base type

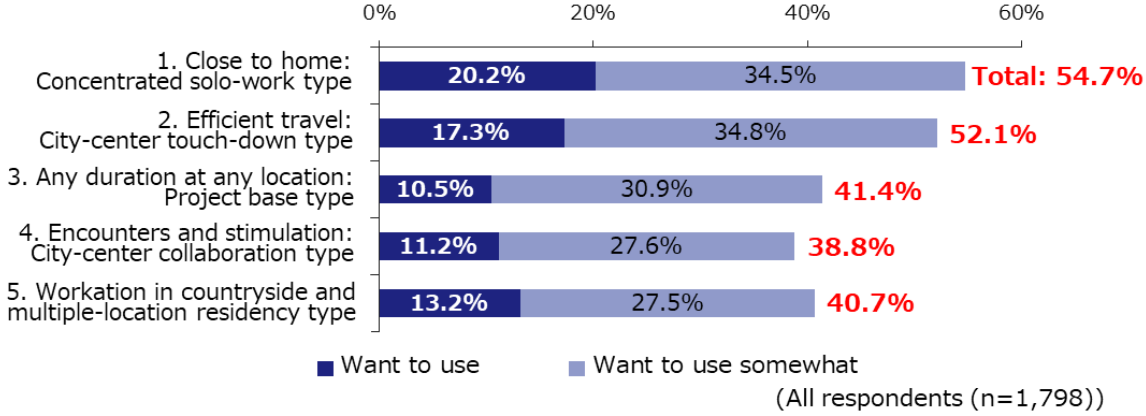
- There are **exclusive sections**, which are suitable for system development or fixed-term projects.
- It can be **located where it is convenient for the project**, such as where it is easy for project members to commute to or near the client.
- There are private rooms or meeting space suitable for working or holding meetings with multiple persons.

• It is easy to **work with people** not only within the company but also **from outside the company**.	
4. Encounters and stimulation: City-center collaboration type • It is located in **areas with brand value or character**, mainly in city centers (e.g., IT companies in Shibuya, financial companies in Marunouchi) • It is shared by people from various industries and professions, offering opportunities for **collaboration or innovation**. • It features open spaces with attention to comfort and design. • It also offers plenty of **intangible services**, such as food and drink, events, and community-building opportunities.	
5. Workation in countryside and multiple-location residency type • Located in the lush countryside, it enables **work-life balance**. • You can **work close to home**, as it enables you to work for companies in urban centers while living in the countryside either temporarily or for the long-term. • It can be shared by multiple companies, which offers opportunities for **cross-industry exchanges and exchanges with the local community**.	

We asked companies to rate their interest in using each of the five types on a five-point scale. In all types, 40–50% of the companies replied that they "want to use" or "want to use somewhat" **(Figure 33)**.

Interest was the highest in "Close to home: Concentrated solo-work type" (54.7%), which indicates companies' awareness toward their employees' work-life balance and childcare support. A majority (52.1%) of the companies replied that they wanted to use the "City-center touch-down type," which will lead to greater travel efficiency of employees who spend a lot of time outside the office, such as sales representatives.

Figure 33: Interest in the Five Types of Satellite Offices



4. Summary

In this survey, which is the second in the series carried out after the global outbreak of COVID-19, we identified a clear change of tide in office demand. The percentage of companies that saw an increase in the number of users of the office and of those that expanded their office size over the past year were both the smallest since the start of the survey in 2016. The rising trend of rent per tsubo, which had continued for the past four years, has also paused, showing signs of flattening or declining.

This survey also displayed a distinct characteristic in the increase in the availability of the work-from-home program and weakness in business sentiment DI, suggesting that the full-scale impact of the COVID-19 pandemic on corporate management has begun to manifest itself. For example, the percentage of companies that cited “Less space will be needed due to telework” as the reason for downsizing their office in the past year surged from 12.5% in Spring 2020 to 40.5% this time, indicating the possibility that the spread of telework might lead to a reduction in the size of conventional offices where employees congregate.

At the same time, we found that companies require different values and roles in satellite offices and their main office and that a majority of the companies want to use a satellite office that was close to employees’ homes after the pandemic has abated, confirming signs of workplace diversification and dispersion. Depending on situations going forward, companies’ awareness toward cost reduction may rise due to a downturn in the economy caused by the pandemic and accelerate the downsizing of companies’ main offices in city centers in favor of telework.

However, the current state we are in is an emergency situation, and our new daily habit of placing top priority on preventing infection will not last forever. In the long term, companies’ top priorities are continuity and securing profits, and we might experience a swing back in work styles when we overcome this longstanding threat of infection. For example, the value of people congregating might be rediscovered, encouraging companies to require their employees to come to the office physically. In such cases, offices will probably not be used in exactly the same way as before the pandemic, but new values will likely be established for offices where employees congregate, promoting the evolution of the workplace and work styles.

The workplace affects the mind of the people who work there, defines their work styles, and influences their performance as a result. It is a managerial issue that deserves more focus in corporate activity. By having experienced the COVID-19 crisis, we also expect many companies to begin redefining the roles of the office and tackling issues such as optimizing the balance between the main office and telework. We intend to continue our research from the perspective of company demand and provide information on how the conventional office market will be affected by these developments.

Survey Overview

Survey period	October 2020
Target respondents	Emails were sent and questionnaire forms distributed to 42,775 companies in total that include: ・Companies that are tenants of office buildings managed by the Xymax Group ・Companies subscribing to ZXY, a satellite office service for corporations ・Client companies of XYMAX INFONISTA Corporation
Number of valid answers	1,798 companies; response rate: 4.2%
Geographical coverage	Nationwide (Tokyo, Osaka, Aichi, Fukuoka, Kanagawa, Saitama, Chiba Prefectures and others)
Topics covered in the survey	Current office ・ Contract type, office type, location, office area under lease contract, rent per tsubo (incl. CAM charges), number of users of the office*, percentage of employees coming to the office to work (current, intention), impression of office size, number of desks *In this report, the users are the employees who are eligible to use the office though may not be using it every day. About the company ・ Business sentiment ・ Themes focusing on Change in office demand (October 2019–September 2020) ・ Change in the number of users of the office ・ Change in office size ・ Change in rent per tsubo Current workplace environment ・ Implementation of telework initiatives ・ Implementation of initiatives on work styles ・ Evaluation ・ Problems and issues in workplace operation Intentions for after the COVID-19 pandemic ・ Work style measures interested in ・ Values and roles required in the main office and satellite office ・ Interest in five satellite office types Company attributes ・ Sector, location of head office, number of employees, average age of employees

Attributes of Respondent Companies

		%	n
Sector	Agriculture & forestry	0.2%	3
	Mining & quarrying of stone and gravel	0.1%	2
	Construction	6.2%	111
	Manufacturing	17.6%	316
	Electricity, gas, heat, water supply	0.6%	10
	Telecommunications	15.9%	286
	Transportation & postal service	2.1%	38
	Wholesale & retail	14.0%	251
	Finance & insurance	3.3%	59
	Real estate & lease of goods	5.1%	91
	Academic research, professional/technical service	6.7%	120
	Accommodation & restaurants	0.4%	8
	Daily life services & entertainment	0.9%	16
	Education & learning support	1.3%	23
	Medical & welfare	1.7%	30
	Multi-service business	1.1%	19
	Service (those not classified as other sectors)	19.9%	358
	Civil service (excl. those classified as other sectors)	0.3%	6
	Unclassifiable	2.8%	51
Number of employees	Less than 100	47.7%	857
	100–999	34.4%	619
	1,000 or more	17.7%	318
	Unknown	0.2%	4

		%	n
Type of office	Head office	62.8%	1,130
	Branch office	24.6%	443
	Sales office	9.1%	163
	Sub-office	1.2%	21
	Call center	0.5%	9
	Computer room	0.2%	4
	Other	1.6%	28
Location of office	Tokyo 23 Wards	60.0%	1,079
	Osaka city	11.8%	212
	Nagoya city	5.7%	103
	Fukuoka city	5.1%	92
	Other	17.4%	312
Size of office under lease contract (1 tsubo=3.3 sqm)	Less than 30 tsubo	16.2%	292
	30–49 tsubo	15.1%	271
	50–99 tsubo	17.1%	307
	100–199 tsubo	16.7%	300
	200 tsubo or more	21.5%	386
	No answer	13.5%	242
Average age of employees	20–29	2.7%	48
	30–39	35.9%	646
	40–49	52.3%	940
	50–59	7.7%	138
	60 or above	1.2%	21
	No answer	0.3%	5

The percentage mix in the charts contained in this report are rounded to the first decimal place and therefore may not add up to 100%.

For further inquiries please contact:

Xymax Real Estate Institute
https://soken.xymax.co.jp E-MAIL: **info-rei@xymax.co.jp**