Xymax Real Estate Institute
**RESEARCH REPORT**

# Supply of New Office Space 2021

January 15, 2021

Xymax Real Estate Institute (hereinafter, "Xymax REI") hereby releases a report on the Supply of New Office Space 2021 covering the 23 wards of Tokyo (hereinafter, "Tokyo 23 Wards") and the city of Osaka (hereinafter, "Osaka City"). The amount of new office supply, which is an aggregation of rentable areas of offices that will be newly constructed in the coming years (hereinafter, "new supply"), has a direct impact on the supply-demand balance of the office market going forward. Xymax REI aggregates the rentable areas of office space in buildings that are mainly for office-use with a gross floor area of 3,000 tsubo or more completed in the Tokyo 23 Wards and Osaka City each year.

1 tsubo = approx. 3.3 sqm

## Main Findings

### 1. TOKYO 23 WARDS | Supply of New Office Space 2021

- ✓ A supply of 105,000 tsubo is scheduled in 2021, the smallest amount of supply in the past 10 years. 2023 is expected to see the largest supply in the next four years at 186,000 tsubo, which is on par with the average supply of the past 10 years.
- ✓ The average annual supply between 2021 and 2024 is forecast at 104,000 tsubo, less than the average annual supply of the past 10 years, which was 184,000 tsubo.
- ✓ 80% of the supply between 2021 and 2024 is concentrated in the five central wards of Chiyoda, Chuo, Minato, Shinjuku and Shibuya.
- ✓ The new supply rate (new supply between 2021 and 2024 versus the office stock at the end of 2020) in Tokyo 23 Wards is expected to be around 3.2% (annual average: 0.8%).

### 2. OSAKA CITY | Supply of New Office Space 2021

- ✓ A supply of 11,000 tsubo is scheduled in 2021.
- ✓ The average annual supply between 2021 and 2024 is forecast at 34,000 tsubo, more than the average annual supply of the past 10 years, which was 17,000 tsubo.
- ✓ The average annual supply between 2021 and 2024 (34,000 tsubo) is a third of that of Tokyo 23 Wards (104,000 tsubo).
- ✓ The new supply rate (new supply between 2021 and 2024 versus office stock at the end of 2020) in Osaka City is expected to be around 4.8% (annual average: 1.2%).

# 1. TOKYO 23 WARDS | Supply of New Office Space 2021

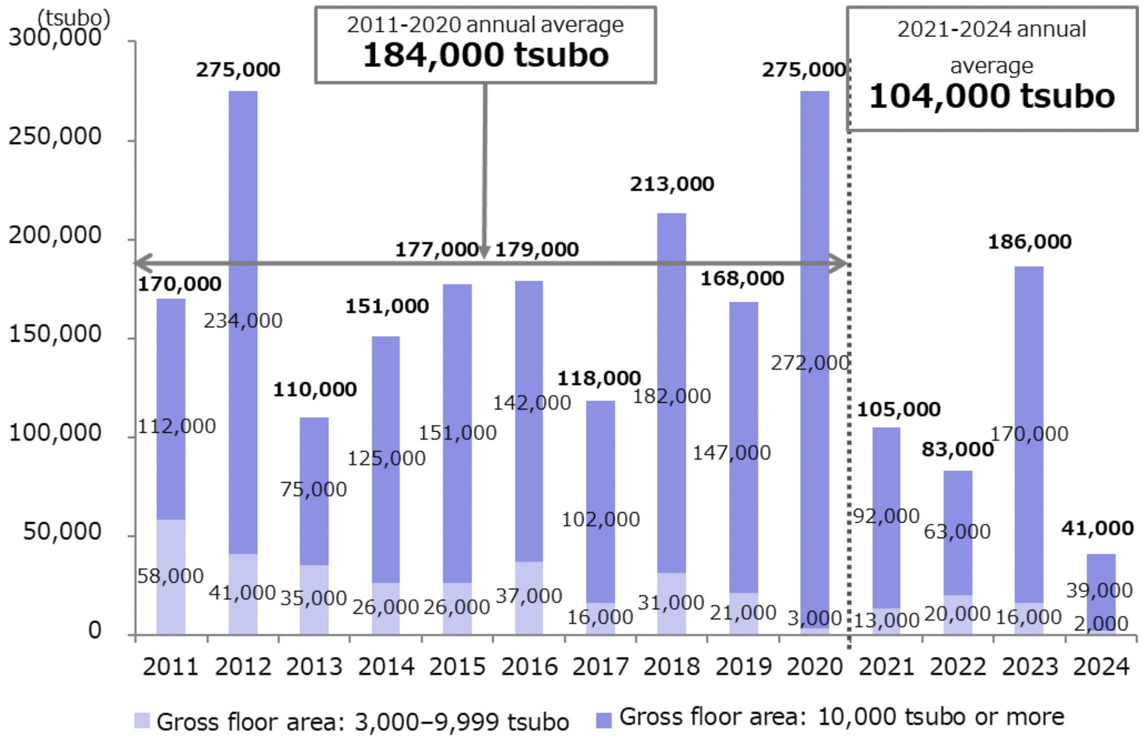
The supply of office buildings with a gross floor area of 3,000 tsubo or more is expected to be 105,000 tsubo in Tokyo 23 Wards in 2021, less than the smallest supply in the past 10 years, which was 110,000 tsubo in 2013 **(Figure 1)**. 2023 is expected to see a supply of 186,000 tsubo, which is on par with the average annual supply between 2011 and 2020 (hereinafter, the "10-year average"), which was 184,000 tsubo. The average annual supply between 2014 and 2024 is expected to be 104,000 tsubo, which is less than the average of the past 10 years.

As for large buildings with a gross floor area of 10,000 tsubo or more, a supply of 92,000 tsubo is scheduled in 2021 due to the completion of large developments in the Otemachi, Koraku-Kasuga, Hamamatsucho, Shimbashi and Toyosu areas.

The expected average annual supply of medium-sized buildings with a gross floor area between 3,000 tsubo and 10,000 tsubo is expected to be 13,000 tsubo in 2021–2024, less than half of the average annual supply in 2011–2020, which was 29,000 tsubo.

The new supply rate, which is the percentage of supply in 2021–2024 to the office stock at the end of 2020, is 3.2% (annual average: 0.8%).

**Figure 1: Supply in Tokyo 23 Wards (Net Rentable Area)**




By ward, 73% of the total supply in 2021–2024 will be in the three central wards (Chiyoda, Chuo and Minato) **(Figure 2)**. Minato Ward accounts for 46%, the largest share of supply among all wards. When we look at the five central wards (the three central wards plus Shibuya and Shinjuku wards), 80% of the total supply will be in these areas, which indicates a concentration of supply in central Tokyo.

**Figure 2: Supply by Ward (2021–2024)**

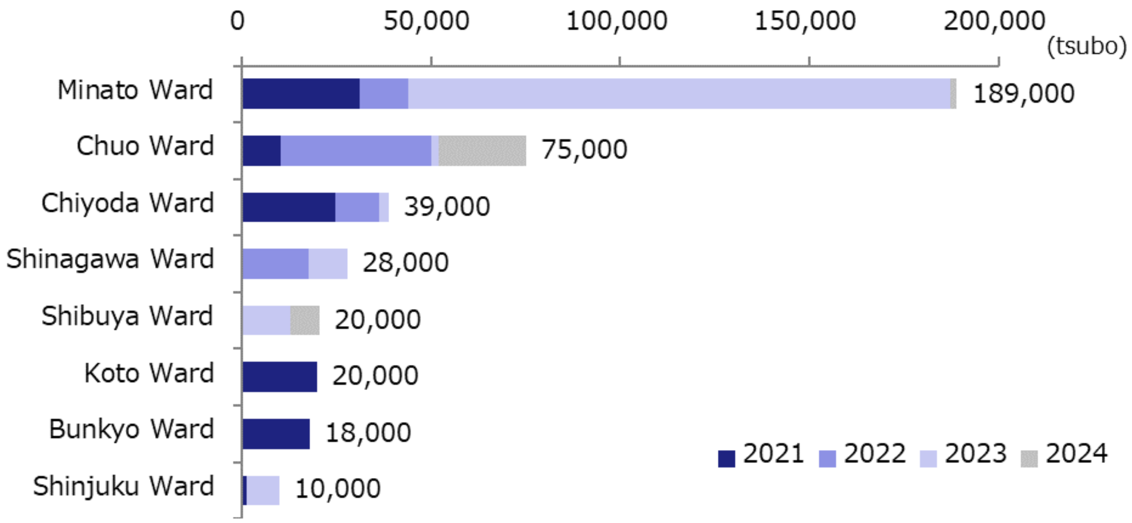
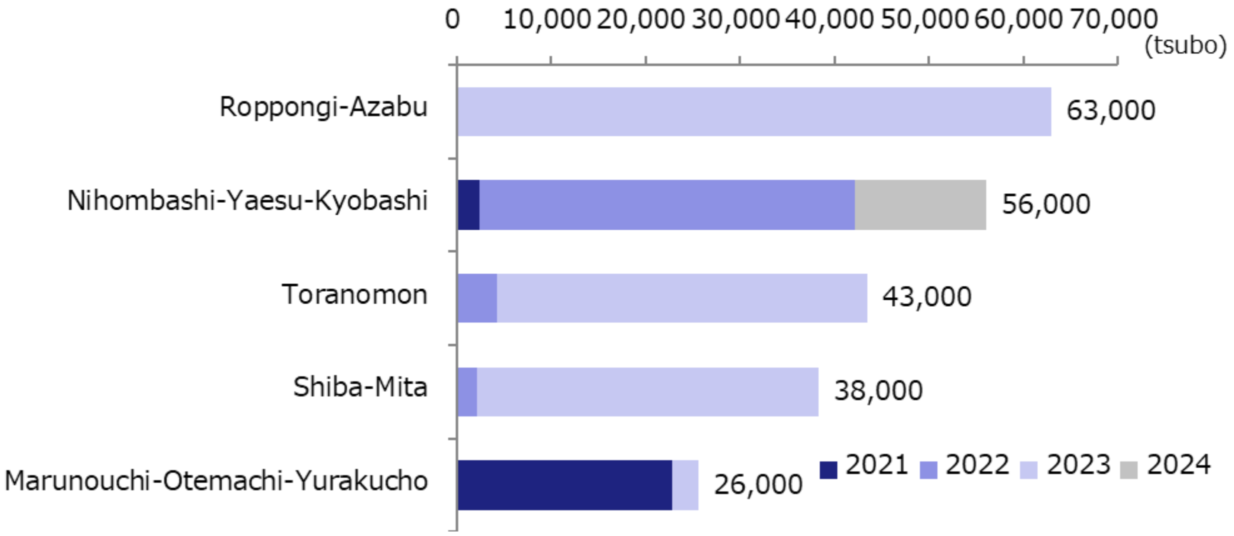



**Figure 3: Supply by Area (2021–2024)**




The highlights of the major areas are as follows **(Figure 3)**:

〇The Roppongi-Azabu area has the largest supply at 63,000 tsubo. A large supply is scheduled in 2023 due to the Toranomon & Azabudai Category One Urban Redevelopment Project, which includes a hotel and an international school.

〇In Nihombashi-Yaesu-Kyobashi, a large supply is scheduled in 2022 due to the Yaesu 2-chome North District Category One Urban Redevelopment Project.

〇The Toranomon area will see continued supply due to comprehensive, large-scale redevelopment projects that include infrastructure development such as Beltway 2 and the Bus Rapid Transit (BRT) system, as well as offices and medical institutions.

〇In Shiba-Mita, a large supply is planned in 2023 due to the Mita 3 & 4-chome District Category One Urban Redevelopment Project.

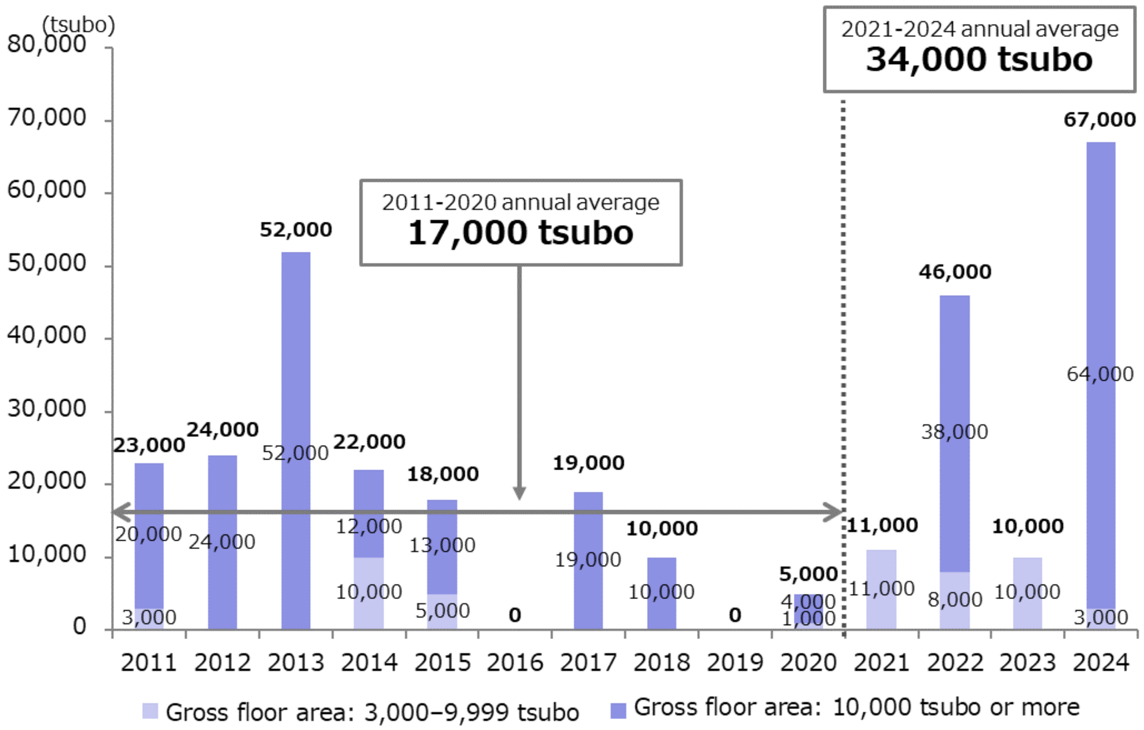
〇In Marunouchi-Otemachi-Yurakucho, the prime office district in central Tokyo, the Tokiwabashi Tower is scheduled to be completed in 2021. This is part of the Otemachi 2-chome Tokiwabashi District Category One Urban Redevelopment Project.

## 2. Osaka City | Supply of New Office Space 2021

With regard to the supply of office buildings with a gross floor area of 3,000 tsubo or more in Osaka City, large supplies of 46,000 tsubo and 67,000 tsubo are scheduled in 2022 and 2024, respectively. The total supply between 2021 and 2024 is expected to be 134,000 tsubo **(Figure 4)**. The average annual supply between 2021 and 2024 is expected to be 34,000 tsubo, which is double the average of the past 10 years of 17,000 tsubo and a third of the average annual supply in Tokyo 23 Wards between 2021 and 2024 of 105,000 tsubo.

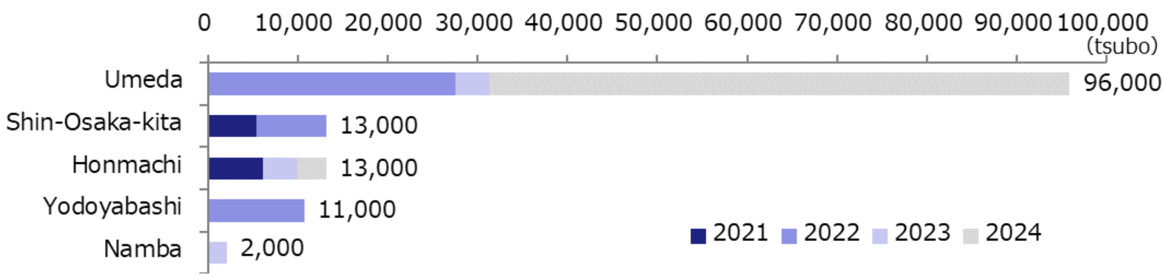
The new supply rate (new supply between 2021 and 2024 versus the office stock at the end of 2020) in Osaka City is expected to be 4.8% (annual average: 1.2%).

**Figure 4: Supply in Osaka City (Net Rentable Area)**




By area, new office space will be supplied in the Umeda, Shin-Osaka-kita, Honmachi, Yodoyabashi and Namba areas **(Figure 5)**.

**Figure 5: Supply by Area (2021–2024)**



The highlights of the major areas are as follows:

〇Umeda will see the largest supply of 96,000 tsubo. Large supplies are scheduled in the area due to the Osaka Umeda Twin Towers South in 2022, and the Umeda 3-chome Plan (tentative name) and Umekita Phase 2 Development Project in 2024.

## Survey Overview

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|---|---|
| **Survey timing** | December 2020 |
| **Area** | 23 wards of Tokyo, city of Osaka |
| **Target properties** | Properties with a gross floor area of 3,000 or more that are used mainly as offices (excluding owner-occupied buildings) |
| **Target data** | Rentable office area (tsubo) |
| **Method** | Through publicly available information such as newspaper articles, in addition to on-site surveys and interviews with operators |

* The target of this survey is the floor area of buildings to be newly supplied. Note that this is not a complete survey.
* Published rentable areas are used in the study, if available. If not, the study uses the area estimated from gross floor area based on a formula derived from a joint study with the Naoki Kato Lab, Architecture and Architectural Engineering, Kyoto University Graduate School of Engineering.
* The amount of new supply in this survey is the estimated amount as of the date of the survey. The figure of new supply changes as information is added and updated on a daily basis.

## For further inquiries please contact:

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