

Flexible Office Market Survey 2022

Increased supply of flexible offices in Tokyo 23 Wards

February 25, 2022

Amid accelerated efforts for work style reforms in recent years, it is becoming increasingly important for companies to provide workers with workplace options. Following this trend, workplaces that can be used flexibly in terms of time and place according to the needs of workers (i.e., flexible offices) have been drawing attention, resulting in a rapid growth of the flexible office market.

Furthermore, the global spread of COVID-19 (hereinafter, the “pandemic”) that began to take hold in early 2020 has forced many companies to reconsider their work styles and workplaces. This has also had a huge impact on the flexible office market.

To quantify the growth trend of the flexible office market, Xymax Real Estate Institute (“Xymax REI”) has, every year since 2020, been gathering and analyzing quantitative data of flexible offices located in the 23 wards of Tokyo (hereinafter, “Tokyo 23 Wards”), such as the number of offices, floor area, and operator.*^{1,2} This 3rd report also examines the background to the growth of the flexible office market and the outlook of the market.

Flexible offices offer a diverse and segmentalized range of services and are called by different names such as rental offices, shared offices, serviced offices, satellite offices, and co-working offices, depending on the operator. In this report, we use the term “flexible office,” the target of the survey, as a generic term for workplaces provided by operators mainly to companies and self-employed individuals under various forms of contract, including service contracts, ordinary lease contracts, and fixed term lease contracts. One-person private boxes, which had previously not been subject to the survey, have been included in the survey from this year.

*1 *Flexible Office Market Survey 2020*, released on January 31, 2020
<https://www.xymax.co.jp/english/research/images/pdf/20200131.pdf>

*2 *Flexible Office Market Survey 2020*, released on February 17, 2021 (in Japanese only)
https://soken.xymax.co.jp/2021/02/17/2102-flexible_office_survey_2021/

Main Findings

(1 tsubo = approx. 3.3 sqm)

1. Expansion of the flexible office market

- There are 1,080 flexible offices in the Tokyo 23 Wards.
- They span approx. 214,000 tsubo, 1.6% of the office stock of Tokyo 23 Wards (12.98 million tsubo).
- There are 108 operators of flexible offices.

2. Area characteristics

- Of the flexible offices located in the Tokyo 23 Wards, more than 70% of the offices and more than 80% of total floor area are concentrated in the 5 central wards.
- The 18 peripheral wards have increased in percentage in terms of offices opened in 2021.

3. Observations

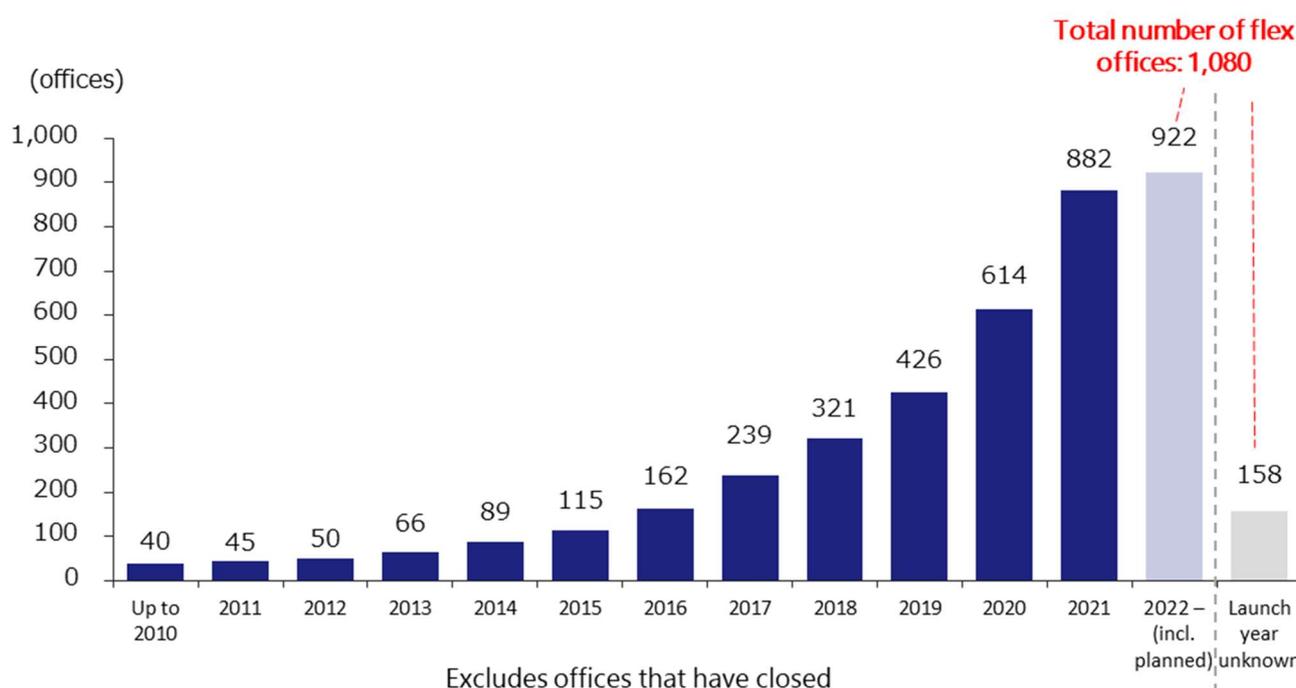
- A background to the growth of the market is that companies are beginning to understand the advantages and disadvantages of telework due to work style reforms and the pandemic.
- Demand for flexible offices in the suburbs is rising, since proximity of home and the workplace tends to lead to greater employee satisfaction.
- Going forward, we believe the flexible office market to continue to see quantitative growth while experiencing qualitative changes at the same time, such as in its services and facilities.

1. Expansion of the flexible office market

We will start by examining the trend of the expansion of flexible offices. **Figures 1 to 3** indicate the growth of the number, floor area, and number of operators of flexible offices located in the Tokyo 23 Wards that were in operation or scheduled for launch as at the time of the survey in January 2022. Flexible offices of which the launch year or the year when the operator entered the market is unknown are treated as “launch year unknown” or “entry year unknown.” We expect the number of offices, floor area, and number of operators to continue to increase going forward, since we believe many of the offices scheduled to open in and after 2022 have not yet been announced.

The total number of flexible offices in the Tokyo 23 Wards was 1,080 (**Figure 1**).

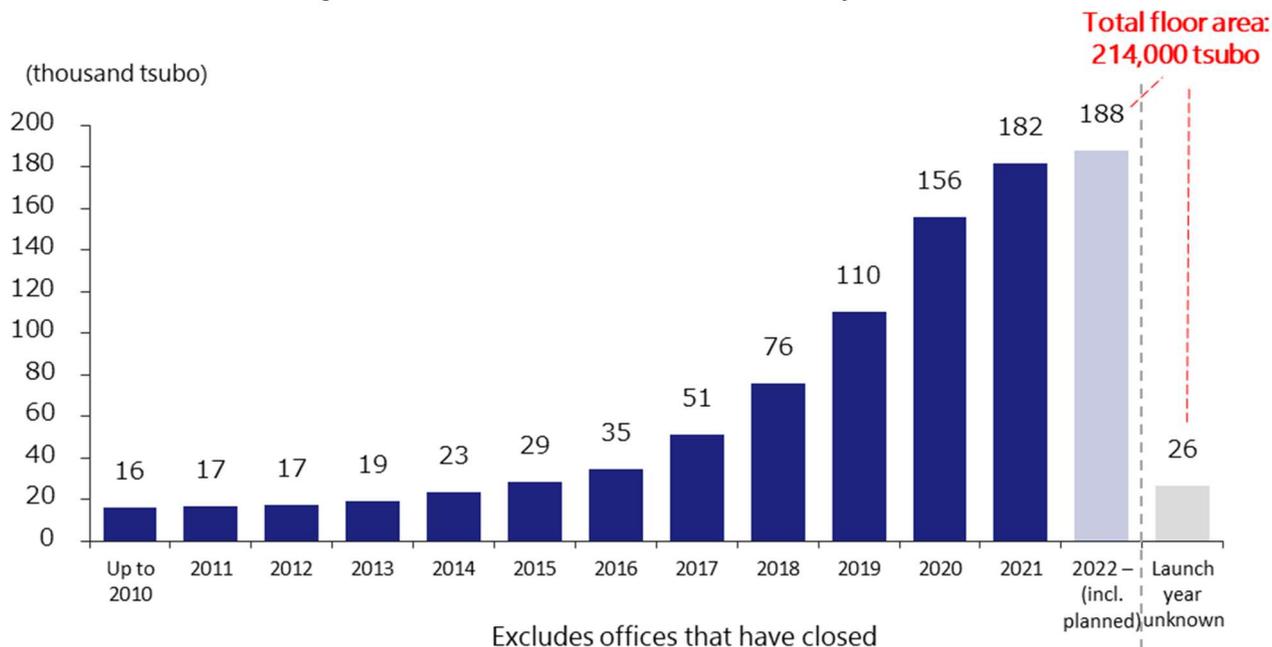
Figure 1: Number of Flexible Offices (Tokyo 23 Wards)



The total floor area of flexible offices in the Tokyo 23 Wards was approx. 214,000 tsubo, which is about 1.6% of the office stock of the 23 Wards (12.98 million tsubo)^{*3} (Figure 2).

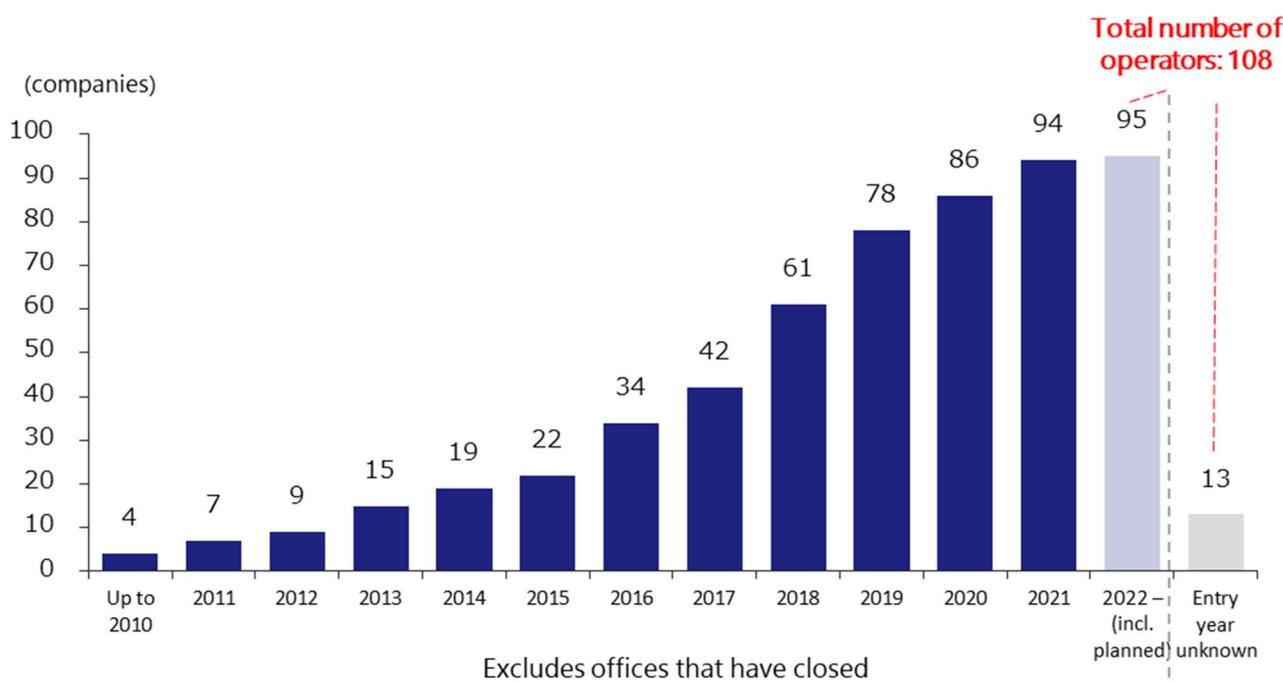
*3 See Office Stock Pyramid 2022, released on January 12, 2022
https://www.xymax.co.jp/english/research/images/pdf/20220112_2.pdf

Figure 2: Floor Area of Flexible Offices (Tokyo 23 Wards)



The total number of operators (including those whose year of entry is unknown) of flexible offices in the Tokyo 23 Wards was 108 (Figure 3).

Figure 3: Number of Operators of Flexible Offices (Tokyo 23 Wards)



2. Area characteristics

To examine the characteristics of the areas in which flexible offices are located, we compared the distribution of flexible offices in the 5 central wards (Chiyoda, Chuo, Minato, Shibuya, and Shinjuku wards) and the 18 peripheral wards.

The upper half of **Figure 4** indicates the percentage of the number and floor area of existing flexible offices (1,040 offices that opened by 2021, including those whose launch year is unknown) in the 5 central wards and 18 peripheral wards and the percentage of total. The lower half indicates the same for flexible offices that opened in the most recent year of 2021 (268 offices).

Of all existing flexible offices, 70.5% were in the 5 central wards and 29.5% were in the 18 peripheral wards. In terms of floor area, the 5 central wards accounted for 84.1%, while the 18 peripheral wards accounted for 15.9%.

When focusing on flexible offices that opened in 2021, 57.8% of the offices were in the 5 central wards and 42.2% were in the 18 peripheral wards. In terms of floor area, the 5 central wards accounted for 65.4%, while the 18 peripheral wards accounted for 34.6%. Although the 5 central wards outweighed the 18 peripheral wards in terms of both number of offices and floor area, the percentage of offices and floor space in the 18 peripheral wards was larger among offices that opened in 2021 than among all existing offices, indicating that flexible offices are increasing in the suburbs.

Figure 4: Distribution of Flexible Offices (5 Central Wards and 18 Peripheral Wards)

All (up to 2021)	No. of offices	%	Area (1,000 tsubo)	%
5 central wards	733	70.5%	175	84.1%
18 peripheral wards	307	29.5%	33	15.9%
23 wards total	1,040	100.0%	208	100.0%

2021	No. of offices	%	Area (1,000 tsubo)	%
5 central wards	155	57.8%	17	65.4%
18 peripheral wards	113	42.2%	9	34.6%
23 wards total	268	100.0%	26	100.0%

3. Observations

This survey has revealed that the flexible office market of the Tokyo 23 Wards in 2022 had increased in terms of the number of offices, floor area, and the number of operators compared to the previous year. In addition, more offices opened in the 18 peripheral wards in 2021 than in previous years, indicating a spread of the launch area to the suburbs. A background to this market expansion is that companies are beginning to understand the advantages and disadvantages of telework due to work style reforms and the pandemic.

According to the Greater Tokyo company survey that Xymax REI conducted in July 2021,^{*4} companies are feeling the benefits of telework in the form of improved employee satisfaction and greater office cost efficiency. Meanwhile, employees working from home as a form of telework cite dissatisfaction that includes the lack of a satisfactory work environment, such as furniture/fixtures, monitors, photocopiers, and internet connection, as well as the difficulty in concentrating, the lack of space suitable for work, and a small house.^{*5} Under such circumstances, the need for flexible offices has been increasing as a workplace option for addressing both employee satisfaction and a satisfactory work environment, which has resulted in the current, continuous growth of the market. Demand for flexible offices in the suburbs is rising most probably since proximity of home and the workplace tends to lead to greater employee satisfaction.

Going forward, we believe the flexible office market to continue to see quantitative growth while experiencing qualitative changes at the same time, such as in its services and facilities.

In terms of quantitative growth, flexible offices have opened in accommodation facilities, commercial facilities, and financial institutions in recent years, in addition to the conventional, exclusive areas of office buildings. Box-type flexible offices are also emerging in railway stations and communal areas of office buildings.

Although the flexible office market of the Tokyo 23 Wards has grown to around 1.6% of the office stock as mentioned earlier, it is still small compared to markets abroad,^{*6} suggesting large growth potential.

Since competition within the flexible office market is expected to intensify as the market expands quantitatively, an important theme will be qualitative changes, such as differentiating from competitors and addressing increasingly sophisticated customer needs. Specifically, we believe companies will introduce and/or enhance one-person private rooms that can accommodate online meetings, biophilic designs that create natural surroundings for workers, and office amenities such as lounge space and drinks.

As observed above, the flexible office market is expected to become established as a workplace platform and continue to grow as it experiences diversification in the areas the offices operate, the asset types, services, and facilities.

*4 *Greater Tokyo Company Survey on Work Styles and the Workplace | July 2021*, released on August 13, 2021 (in Japanese only)

https://soken.xymax.co.jp/2021/08/13/2108-greatertokyo_workstyle_survey_2107/

*5 *Greater Tokyo Office Worker Survey 2021*, released on December 17, 2021

<https://www.xymax.co.jp/english/research/images/pdf/20211217.pdf>

*6 In the U.K., flexible offices account for 5% of the office market as of 2018–2019.

See *[WORKTREND ⑮] Global: Prediction of the Future of Flex Offices in the U.K.* (in Japanese only)

<https://soken.xymax.co.jp/hataarakikataoffice/viewpoint/worktrend/column16.html>

Survey Overview

Period	January 2022
Target	<p>Workplace services in offices, commercial facilities, service outlets, railway stations, and public facilities provided by operators mainly to companies and self-employed individuals</p> <ul style="list-style-type: none"> * Excludes telework arrangements in karaoke stores, hotels, and restaurants as a rule * Includes one-person private boxes * Offices in operation or scheduled to launch as of January 2022 were subject to the survey, but offices that have closed or moved as of January 2022 were not. * The total figures may not equal the sum of individual figures due to rounding. * The figures contained in this report are aggregate figures as at the time of the survey. Data is added and updated on a daily basis. * The floor area of each office is the published floor area, if available. If it is not available, any of the following was used as an estimate figure: <ul style="list-style-type: none"> • If the entire building is used: The rentable area estimated from the gross building area • If the number of floors is known: The product of the standard story area and the number of floors of the building • The average floor area of other offices of the same brand of which the floor area is published • The average floor area of offices excluding those of a large brand (i.e., average office floor area of 1,000 tsubo or more) and one-person private boxes.
Coverage	23 wards of Tokyo
Method	Online survey, inquiries and interviews with operators

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%.

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