

NEWS & RELEASE

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Office Stock Pyramid 2014

Small and medium office buildings in Tokyo 23 Wards are rapidly aging.

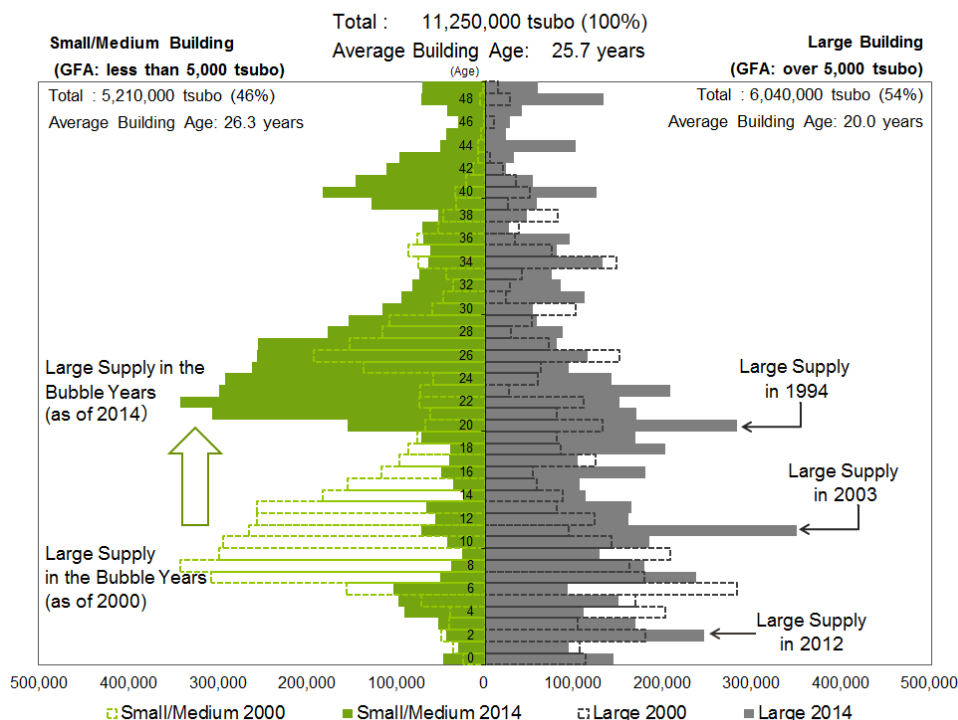
Xymax Real Estate Institute compiled “Office Stock Pyramid” of Tokyo 23 Wards (Figure 1). This pyramid chart, as in the population pyramid representing the distribution of age groups and gender in a population, shows the stock of office buildings (the rentable area and number of buildings) by the age of the building at a given point in time. In the chart, the office stock is divided into two categories: large-size buildings and small- and medium-size buildings for comparison.

Key Findings

- ❑ Breakdown of Tokyo 23 Wards Office Stock Pyramid as of 2014 is:
 - By Number of Buildings: **Large Buildings 10%, Small/Medium Buildings 90%**
 - By Net Rentable Area: **Large Buildings 54%, Small/Medium Buildings 46%**
- ❑ **Average age of Large Buildings** increased from **16.8 years in 2000** to **20.0 years in 2014**, as the supply of large buildings continued even after the bubble years.
- ❑ **Average age of Small/Medium Buildings** increased from **16.2 years in 2000** to **26.3 years in 2014**, as supplies in the years following the large-supplied bubble years were small.
- ✓ **Ageing of small/medium buildings is more prominent than that of large buildings.**

Small/Medium Building: GFA 300-5,000 tsubo (990-16,500 sqm) | Large Building: GFA over 5,000 tsubo (over 16,500 sqm)

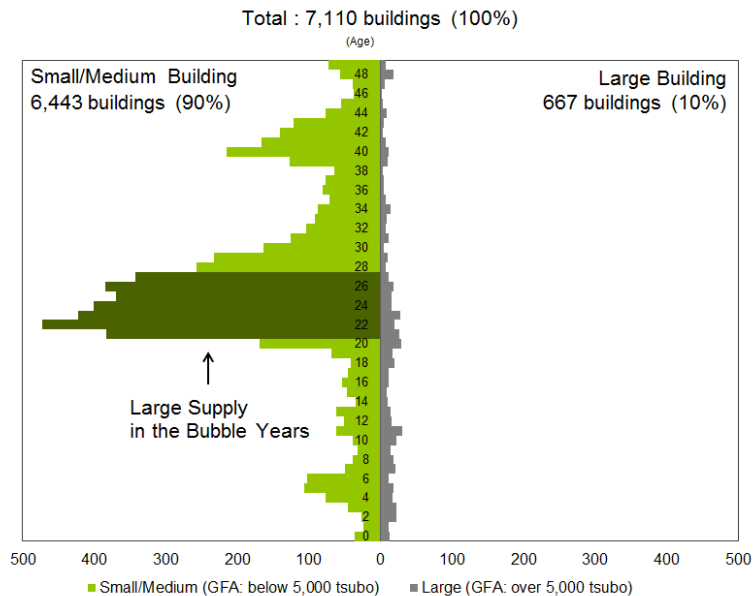
Figure 1: Tokyo 23 Wards Office Stock Pyramid 2014 by Net Rentable Area (Comparison with 2000)



Office Stock Pyramid by Number of Buildings

Office Stock Pyramid by Number of Buildings as of 2014 shows office buildings in Tokyo is mainly dominated by small and medium buildings accounting for 90% versus large buildings for 10% of the total (Figure 2). It also denotes that the construction of small and medium buildings in the bubble years was particularly large.

Figure 2: Tokyo 23 Wards Office Stock Pyramid 2014 by Number of Buildings



Office Stock Comparison between 2000 and 2014

Figure 3 compares the Office Stock Pyramid by Net Rentable Area as of 2000 and 2014.

In 2000, the total net rentable area of small and medium buildings slightly exceeded that of large buildings. The average building age of small and medium buildings was 16.2 years; 0.6 years less than that of large buildings. There was no significant difference in the building age between small/medium buildings and large buildings as over 60% of both were less than 20 years old.

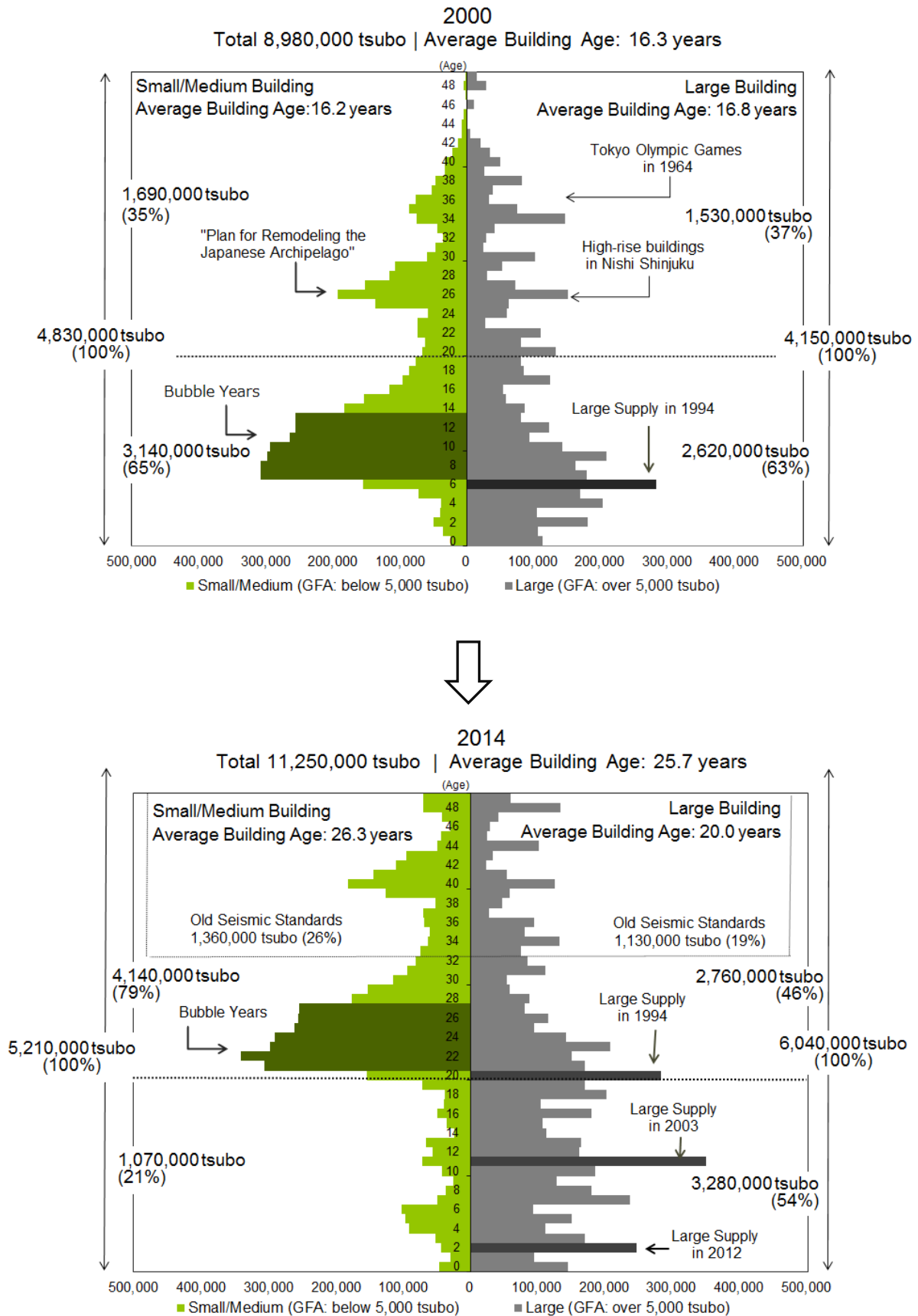
In 2014, the total net rentable area of large buildings surpassed that of small and medium buildings, but the difference is not significant. The difference in the average building age, however, widened to six years: the average age is 20 years for large buildings while it is 26.3 years for small/medium buildings.

After the bursting of the bubble, large buildings have been constantly supplied with especially large supply in 1994, 2003 and 2012. Of large building stock in 2014, more than half or 3,280,000 tsubo are less than 20 years old. In contrast, new supply of small and medium buildings has been slow after the bubble period. The buildings less than 20 years old are accounting for only 20% or 1,070,000 tsubo of total small/medium buildings, with the remaining 80% are over 20 years old, indicating signs of “aging” phenomenon in the small/medium office market. What is more, nearly 30% of the small/medium office buildings are over 33 years old and deemed constructed under the old seismic standards.

For the coming years, competitions among large buildings are expected to heat up as new supply continues*¹. The small and medium office buildings will continue to see aging of the buildings and face big issues such as the appropriate building maintenance and renovation to keep competitive.

*¹ Source: “New Office Supply Survey 2014” by Xymax Real Estate Institute released on January 15, 2014

Figure 3: Tokyo 23 Wards Office Stock Pyramid 2000 and 2014 by Net Rentable Area



Tokyo 23 Wards Office Stock Pyramid Outline (As of March 2014)

Subject Area: Tokyo 23 Wards

Subject Properties: Office buildings mainly used as office space with gross floor area of 300 tsubo or more and are less than 50 years old (statutory useful life) as of the relevant year of 2000/2014.

Subject of Research: The number of buildings and the size of net rentable area of large-size office buildings (gross floor area: 5,000 tsubo or more) and small- and medium-size office buildings (gross floor area: 300-5,000 tsubo).

- The data is collected from publicly available sources such as newspapers and office space listings (including those in the past). Buildings with building age information are only used in this research. Owner-occupied buildings are excluded.
- Data of reconstructions and demolished buildings have been collected to the extent possible and reflected in this research, but our data may not contain all the reconstructions and demolished buildings.
- If there are publicly available data of net rentable area, that area is applied in this research. If not, the net rentable area is estimated based on the gross floor area with the formula developed by our joint research with the laboratory of Dr. Naoki Kato, Professor at Graduate School of Engineering, Kyoto University.
- In general, “the bubble years” refers to 1985-1991. However, in this research, “large supply in the Bubble Years” refers to the new supply in 1987-1993, considering the length of the period from development planning to completion of the building.
- “Buildings constructed under the Old Seismic Standards” refers to the buildings constructed before the enforcement of the New Seismic Standards in 1981. In this research, buildings completed in 1981 or before are deemed constructed under the Old Seismic Standards.