NEWS & RELEASE

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Survey of Use of Office Space 2014

Actual use of office spaces and needs of office tenants

Xymax Real Estate Institute constantly interviews and surveys corporate tenants occupying office buildings managed by Xymax Group. This year, we conducted a survey to discover the actual use of office spaces and needs of office tenants. The results are summarized in this report.

Xymax Real Estate Institute will continue the study based on results from this survey and report more constructive information on use of office spaces and needs of tenants.

Key Findings

Actual Use of Office Space

- Layout of Office
  The area not used as desk space is used as conference room by 90% of the respondents, as reception space by 70% and as documents room or storage by slightly below 60% of the respondents. The most common response to the question of the proportion of the desk space to the overall lease area is 70%.
- Changes in Number of Workers
  40% of the respondents said the number of their office workers increased from 2013 while 10% said the number decreased. A certain number of respondents said the size of their current office is not appropriate.
- Office Environment (Diverse Work Styles and Introduction of ICT)
  Many companies have introduced ICT in office. 70% of the respondents introduced mobile work and wireless LAN, 50% introduced online or video conference system.
- Disaster Prevention Measures
  60% of the respondents said they have water stock, 50% said they have food stock. Other measures are introduced by less than 50% of the respondents.
- Energy and Electricity Saving
  “Cool Biz” and “Warm Biz” campaign was the most commonly implemented action, implemented by 70% of the respondents. Companies are implementing actions that are easy to adopt.

Office Building Needs

- Important Criteria in Choosing Office Building
  Affordable rent, proximity to the train station, earthquake-resistance of the building, and quality of cleaning, sanitary and maintenance services are important.
- Systems or Functions Preferable Even If It Increases Rent
  High marks were given to safety-related systems such as earthquake resistance, power supply for blackouts and emergency stocks and convenience-related systems such as bicycle parking areas and rental conference rooms.

Outline

Period	September-October 2014
Respondents	Of the corporate tenants occupying the office buildings under management by Xymax Group, 2,379 companies were surveyed.
Valid Response	1,107 companies (response rate: 46.5%)
Area	Greater Tokyo (Tokyo, Kawasaki city, Yokohama city, Saitama city), Nagoya city, Osaka city, Fukuoka city
Survey Type	Online survey and questionnaire paper
Questionnaire	• Type of office use (desk-work oriented, out-of-office work oriented, visitor oriented) • Layout of the office space • Proportion of the desk space, the number of office workers • Changes in the number of office workers from 2013 and reasons for the changes • Opinion on the size of the current office space • Problems related to layout • Approaches to office environment that influences the work styles, their purposes and problems, and whether the size of rentable changed • Disaster prevention measures • Environmental actions including energy/electricity saving • Whether any changes were made to the standard interior • Important criteria in choosing office and unsatisfied parts of current building • Systems or functions preferable even if it increases rent • In-house team or person dedicated to corporate real estate

Profile & Attributes of Respondents

Area	Greater Tokyo: 617 companies (56%) Nagoya city: 173 companies (15%) Osaka city: 162 companies (15%) Fukuoka city: 155 companies (14%)	
Occupied Area	110 tsubo (median)	
Type of Office Use	Desk-work oriented At this type of office, workers rarely go out but mainly stay at the office.	518 companies (47%)
	Out-of-office work oriented At this type of office, workers often go out to visit sites or clients. Only a few workers are desk-work oriented.	474 companies (43%)
	Visitor oriented This type of office receives many visitors such as clients.	112 companies (10%)

Actual Use of Office Space

- **Layout of Office**

  The area not used as desk space is used as conference room by 90% of the respondents, as reception space by 70% and as documents room or storage by slightly below 60% of the respondents.

  The most common response to the question of the proportion of the desk space to the overall lease area is 70%.

The area not used as desk space is used as **conference room** or **drawing room** by 90% of the respondents, as **reception space** by 70% and as **documents room** or **storage** by slightly below 60% of the respondents. Other use follows in this order: **locker room**, **server room**, **refresh space**, **president's room** and **executive's room** (Figure 1). Only around 10% said they have **smoking area** within the lease area. This may be due to the cost barrier of installing the equipment.

The most common response to the question of the proportion of the desk space to the overall lease area is 70% (Figure 2).

Figure 1: Area Not Used as Desk Space (multiple answers)

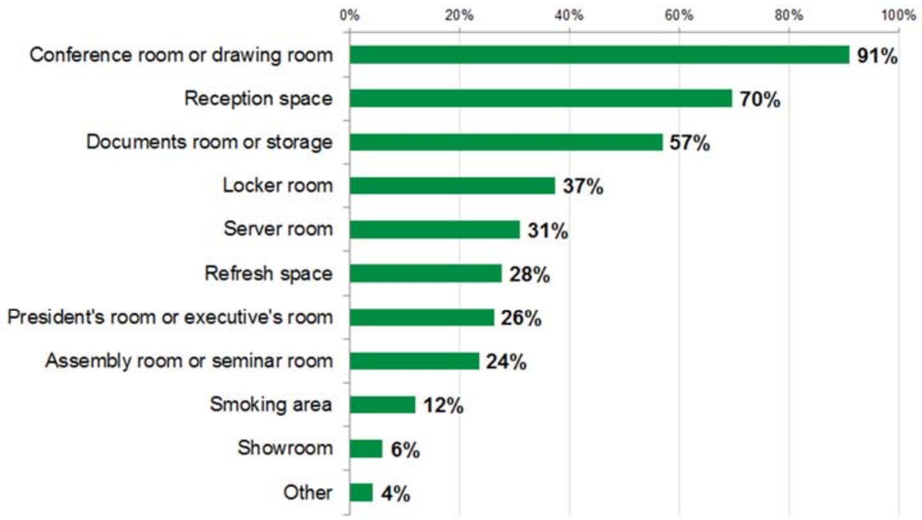
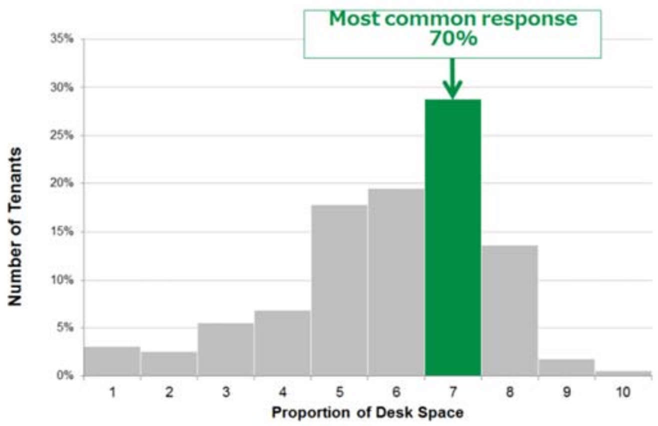


Figure 2: Proportion of Desk Space to Overall Lease Area



> **Changes in Number of Workers**
> **40% of the respondents said the number of their office workers increased from 2013 while 10% said the number decreased.**
> **A certain number of respondents said the size of their current office is not appropriate.**

In general, the size of required office space changes in accordance with the changes in the number of office workers. We asked the respondents whether the current number of workers changed from January 2013. Around 40% of the respondents said the number **increased** while 10% said the number **decreased** (Figure 3).

The respondents who said that the number of workers changed cited **mid-career recruitment** as a factor for the change (Figure 4). Several respondents said, other than mid-career and graduate recruitments, increase of temporary staff in relation to the start of new business and increased workload were the factor. Regarding the size of the current office space, slightly over 50% of the respondents said the size is **appropriate** whereas slightly over 40% said the size is not appropriate because it is **too small** or **too large**. This is probably because it is difficult to adjust the size of the office that best suits the number of workers at the same time the number of workers changes (Figure 5).

The area-by-area analysis shows that respondents in all the surveyed areas from Greater Tokyo to Nagoya, Osaka and Fukuoka cities who said the number of workers has **increased** exceeded those who said the number has **decreased**, indicating that, regardless of the area, the number of office workers is increasing.

Figure 3: Changes in Office Workers after January 2013

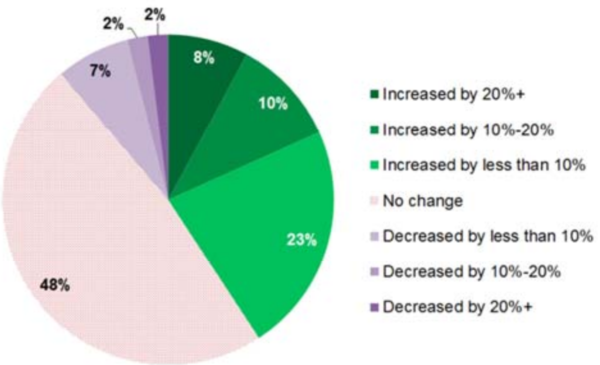


Figure 4: Reasons for Changes in Office Workers (multiple answers)

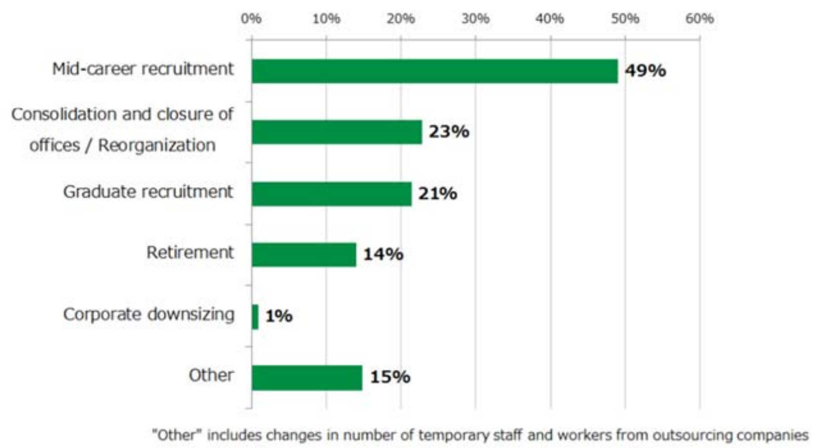
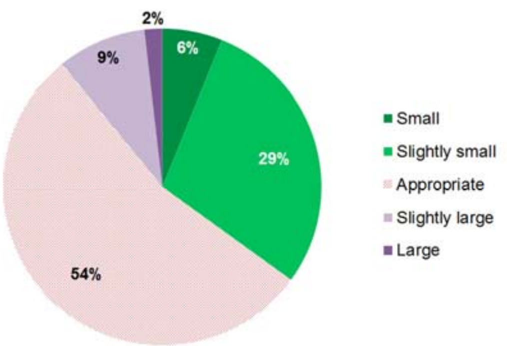


Figure 5: Opinion on Size of Current Office Space



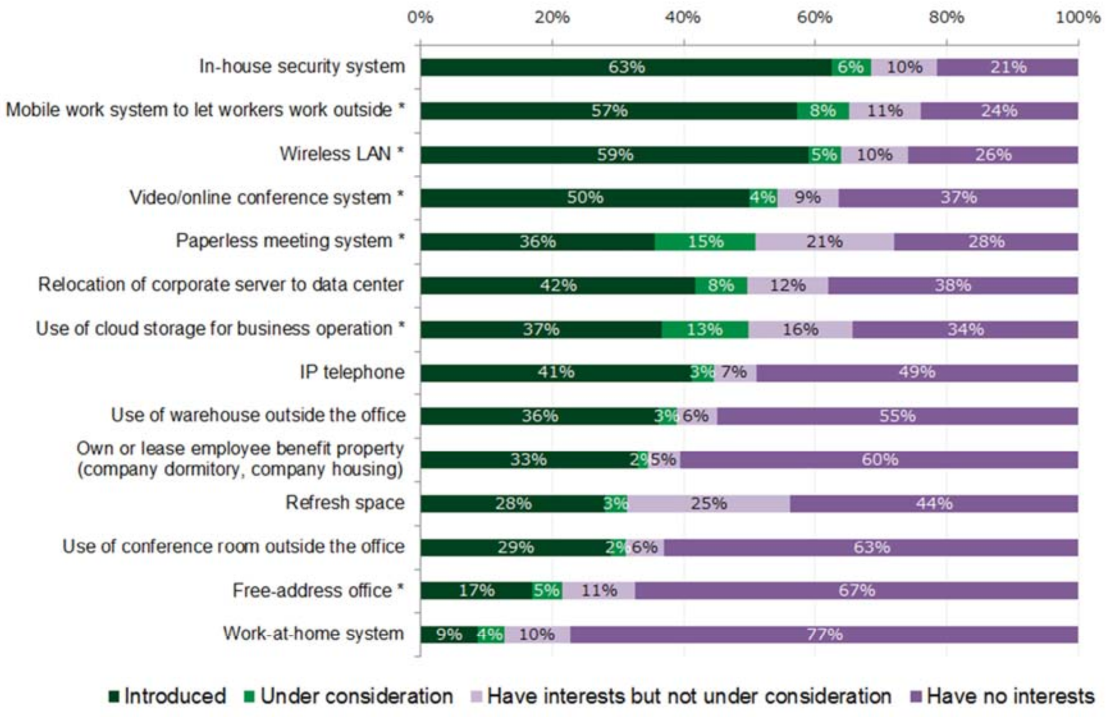
- **Office Environment (Diverse Work Styles and Introduction of ICT)**
  Many companies have introduced ICT in office. 70% of the respondents introduced mobile work and wireless LAN, 50% introduced online or video conference system.

Office work styles are changing, driven by the diversification of the employment system and rapidly emerging new technology including the information and communication technology (ICT). This section covers efforts of companies for better office environment, which is important in company's recruiting strategy and productivity improvements.

When asked about facilities or systems introduced in office or are in consideration, the most common response was the **in-house security system** which accounted for 69% ("introduced" and "in consideration" combined; the same applies hereinafter). Other facilities or systems introduced by respondents include a **mobile work environment that allows workers to work away from office**, **wireless LAN at office**, **paperless meeting system**, and **use of cloud storage in business operation**, all of which are adopted or to be adopted by over half of the respondents. As shown, many companies use ICT in business nowadays (Figure 6). The **free-address office system** and **work-at-home system**, which can drastically change the work style, are less popular. Companies showed low motivation to introduce them in the future too.

Around 90% of the respondents said the introduction of such systems or facilities is for the purpose of **efficient operation**, followed by around 50% introduced for **cost-cutting**; the two exceeded other purposes such as for **sales growth** or **improving communication**. The survey results indicate that companies are placing priority on items of which realistic effects are achievable. After introducing systems or facilities, 20% of the respondents said the size of their office and use of the office have changed.

Figure 6: Efforts for Better Office Environment (Diverse Work Styles and Introduction of ICT)



Note: Items marked with asterisks (*) are related to ICT.

➢ **Disaster Prevention Measures**

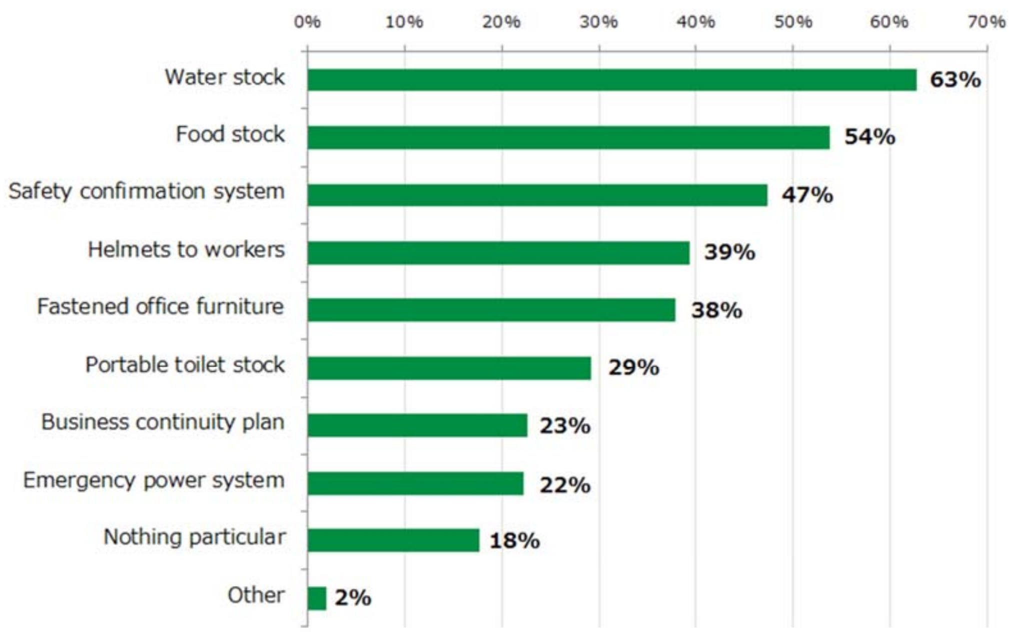
60% of the respondents said they have water stock, 50% said they have food stock.

Other measures are introduced by less than 50% of the respondents.

When asked about disaster prevention measures in office, 63% of the respondents said they have **water stock**, and 54% said they have **food stock** (Figure 7). Thus, relatively many companies are adopting disaster prevention measures; however, only around 40% of the respondents said they **provided helmets to workers** as proactive measures and/or they have **office furniture fastened to the floor or wall**. Also, only around 30% of the respondents have **portable toilet stock** which is highly necessary when workers stay at office on emergency. The survey indicated that measures other than water and food stock are introduced by fewer respondents. Moreover, the **business continuity plan (BCP)**, which is an important part of the post-emergency rehabilitation, is introduced by only 23% of the respondents.

The results remained the same as a similar survey conducted by Xymax Real Estate Institute in 2013[*1], showing little progress in introduction of disaster prevention measures.

Figure 7: Office Disaster Prevention Measures (multiple answers)



[*1] Office Disaster Prevention Survey 2013

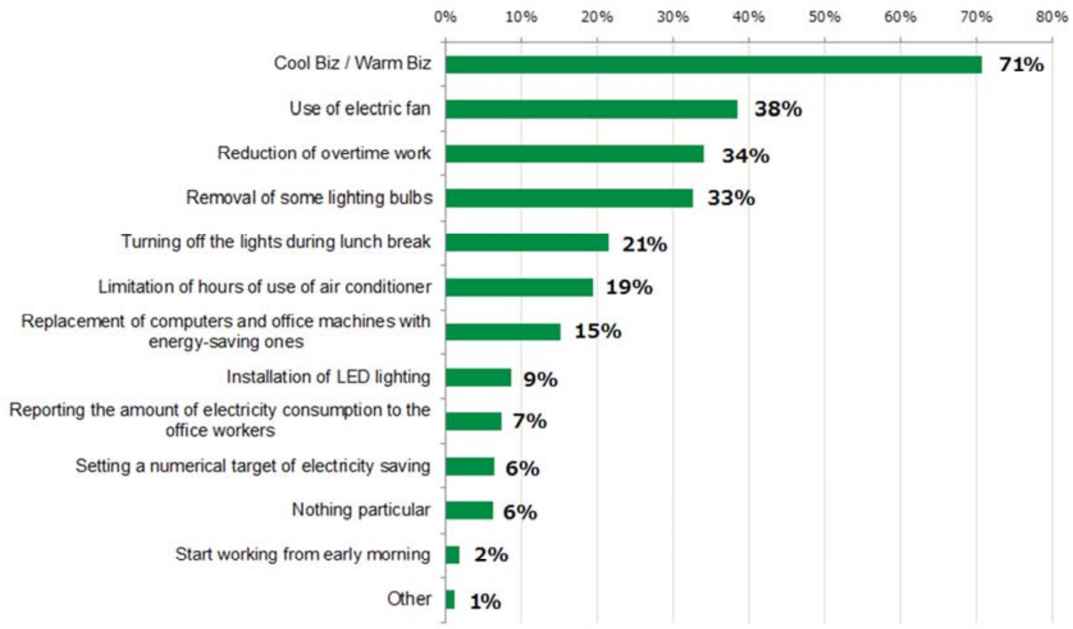
http://www.xymax.co.jp/english/research/images/pdf/131011_News-release.pdf

- **Energy and Electricity Saving**
  "Cool Biz" and "Warm Biz" campaign was the most commonly implemented action, implemented by 70% of the respondents. Companies are implementing actions that are easy to adopt.

When asked about the energy and electricity saving actions listed in Figure 8, cost-free actions including the **"Cool Biz"** and **"Warm Biz"** campaigns, which are the government-proposed ideas of wearing clothes that suit the season and reducing air conditioning load, the **use of electric fan and air conditioner together**, the **reduction of the overtime work**, the **removal of some lighting bulbs**, the **turning off of the lights during lunch break** and the **limitation of the hours of use of air conditioner** are introduced by a higher number of respondents whereas actions that are costly such as the **replacement of personal computers and office equipment with energy-saving machines** and the **installation of LED lights** are introduced by a fewer number of respondents. The survey shows that actions that are easy to adopt are more likely to have been implemented by respondents.

According to the quarterly reports on electricity consumption by tenants[*2] released by Xymax Real Estate Institute, the electricity consumption continued the level around 10%-20% lower than in 2010 before the earthquake.

Figure 8: Energy and Electricity Saving at Office (multiple answers)



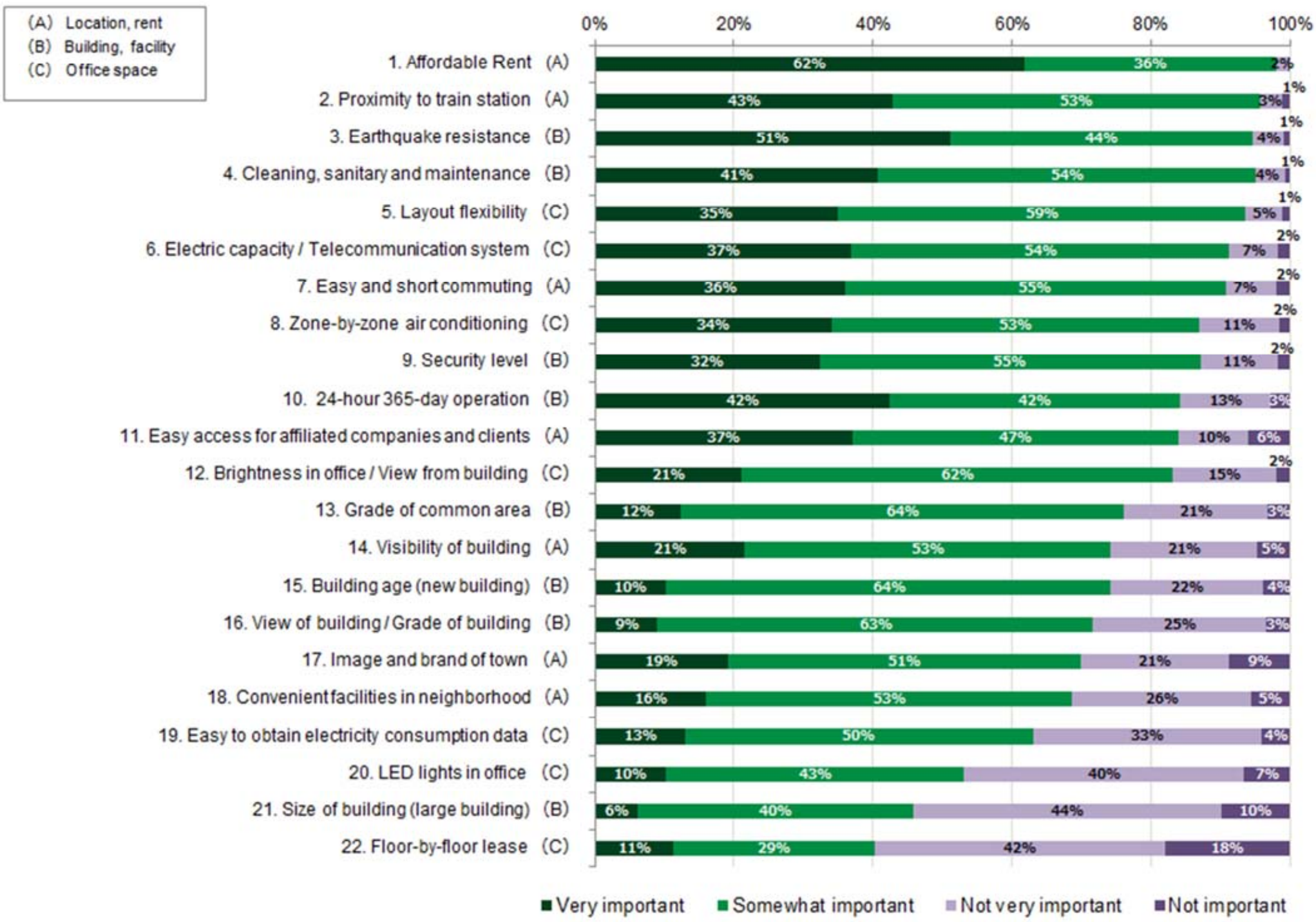
[*2] Electric Power Consumption by Office Tenants (September 2014) released in December 2014.

➢ Important Criteria in Choosing Office Building

Affordable rent, proximity to the train station, earthquake-resistance of the building, and quality of cleaning, sanitary and maintenance services are important.

Here are the important criteria in choosing office building given by a very high number of the respondents: **1. Affordable rent level** cited by 98% of the respondents ("very important" and "somewhat important" combined, the same applies hereinafter), **2. Proximity to the train station**, by 96%, **3. Earthquake-resistance of the building**, by 95%, **4. Cleaning, sanitary and maintenance of the building**, by 95%, and **5. Layout flexibility**, by 94%. In general, "proximity, new, and large" are said to be the typical criteria demanded by office tenants. However, as the survey shows, a more diverse criteria was cited by the respondents, rather than the typical criteria like **15. Building age** and **21. Size of the building (large building is preferred)**.

Figure 9: Important criteria in choosing office buildings



➢ **Systems or Functions Preferable Even If It Increases Rent**
High marks were given to safety-related systems such as earthquake resistance, power supply for blackouts and emergency stocks and convenience-related systems such as bicycle parking areas and rental conference rooms.

Although nearly all the companies place emphasis on rent affordability, there are some systems and functions that owners can provide and are highly regarded by tenants even if it increases rent. Such systems and functions include safety-related items like **earthquake resistance** (46%), **power supply for blackouts (private power generator, etc.)** (32%) and **emergency stock** (26%) (Figure 10). A variety of systems and functions that follows include the **grade of toilets** and the convenience-related items such as **bicycle parking areas** and **rental conference rooms**.

Figure 10: Systems and functions desired by respondents even if it increases rent (multiple answers)