

Office Space per Person 2016

Record low size (3.80 tsubo) and rent decrease

September 21, 2016

Xymax Real Estate Institute has been doing a study on office tenants to figure out how they use the office space. We analyze the size of the office space per office worker ("Office Space per Person") in typical office buildings in Tokyo every year. The result of the 2016 study is presented below.

Study Results

- Tokyo 23 Wards Office Space per Person in 2016: 3.80 tsubo, a record low since the study started.
- Tokyo 23 Wards Office Rent per Person in 2016: JPY 64,697 per month (incl. CAM charge)
- These results were likely to have been influenced by the increase in the number of office workers following the recovery in corporate earnings.

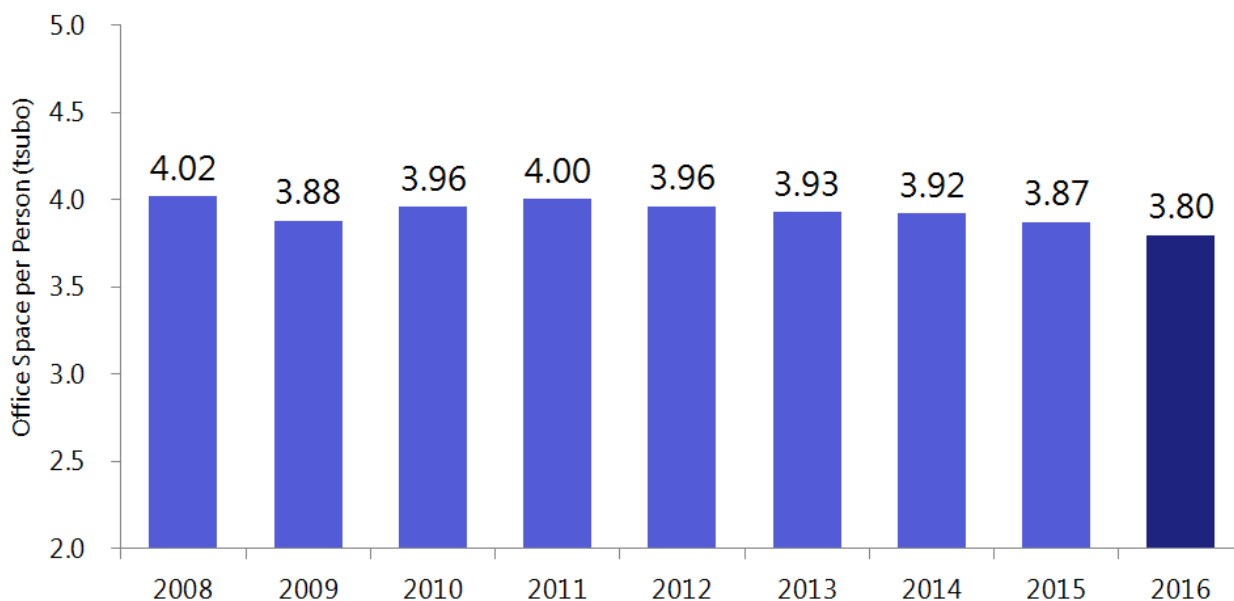
(1 tsubo=approx. 3.3 sqm)

1. Office Space per Person

We collected the data of the size of tenant's office space and the number of workers who worked there as of April 2016 and calculated the Office Space per Person. The median of the data was 3.80 tsubo, which means that the Office Space per Person of half of the tenants is smaller than 3.80 tsubo while that of the rest of the tenants is larger than 3.80 tsubo.

Figure 1 shows the Office Space per Person by year. The size started to decrease in 2011. It decreased year-on-year in 2016 by 0.07 tsubo to 3.80 tsubo, which is the smallest size ever in this study.

Figure 1: Office Space per Person in Tokyo 23 Wards 2008-2016



Office Space per Person 2016

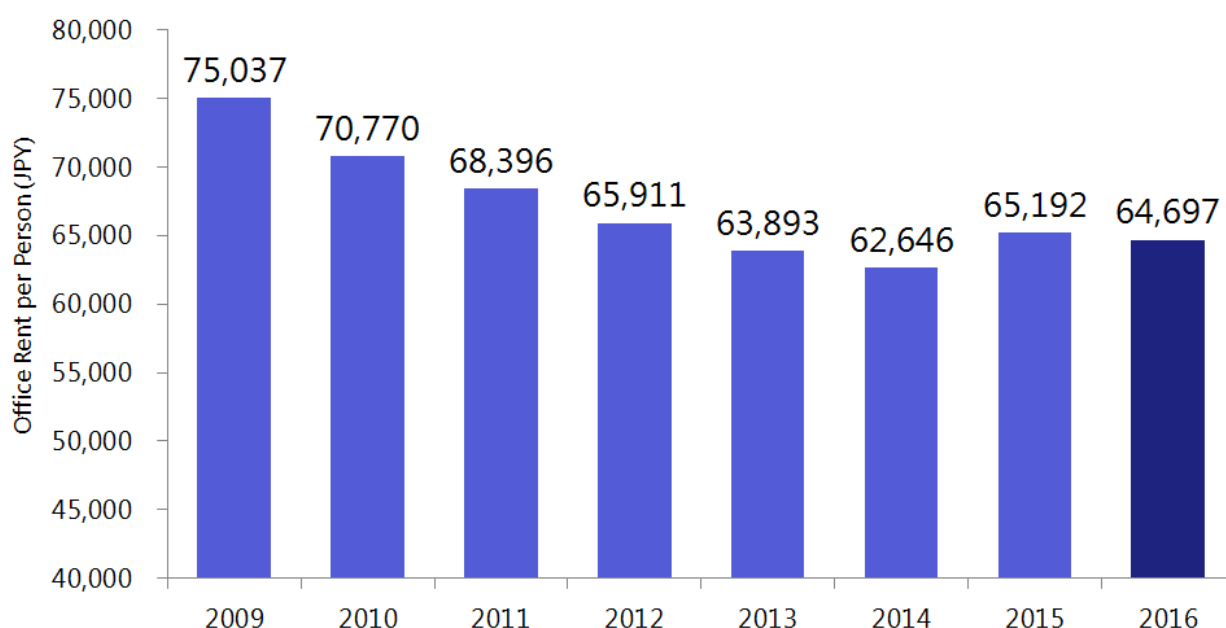
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2. Office Rent per Person

We calculated the Office Rent per Person by dividing the monthly rent paid by tenants as of April 2016 by the number of office workers who worked there. The median was JPY 64,697, which means that the Office Rent per Person of half of the tenants is smaller than JPY 64,697 while that of the rest of the tenants is greater than JPY 64,697.

Figure 2 shows the Office Rent per Person by year. The rent started to decrease in 2011 and then increased in 2015 following the market recovery. In 2016, however, it decreased again by 0.76% (JPY 495).

Figure 2: Office Rent per Person in Tokyo 23 Wards 2009-2016



Office Space per Person 2016

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3. Commentary

Changes in Number of Office Workers: Distribution Chart

The hiring of more workers as a result of the improved corporate earnings is one of the factors behind the decrease in the Office Space per Person and Office Rent per Person. The job market in Japan is definitely improving; the overall unemployment rate in April 2016 was 3.2% and the job-to-applicant ratio was 1.34 (meaning 1.34 job positions for every job applicant), according to the study* by the Ministry of Internal Affairs and Communications and Ministry of Health, Labour and Welfare. In Tokyo, the job-to-applicant ratio marked 2.02, the highest level since June 1974.

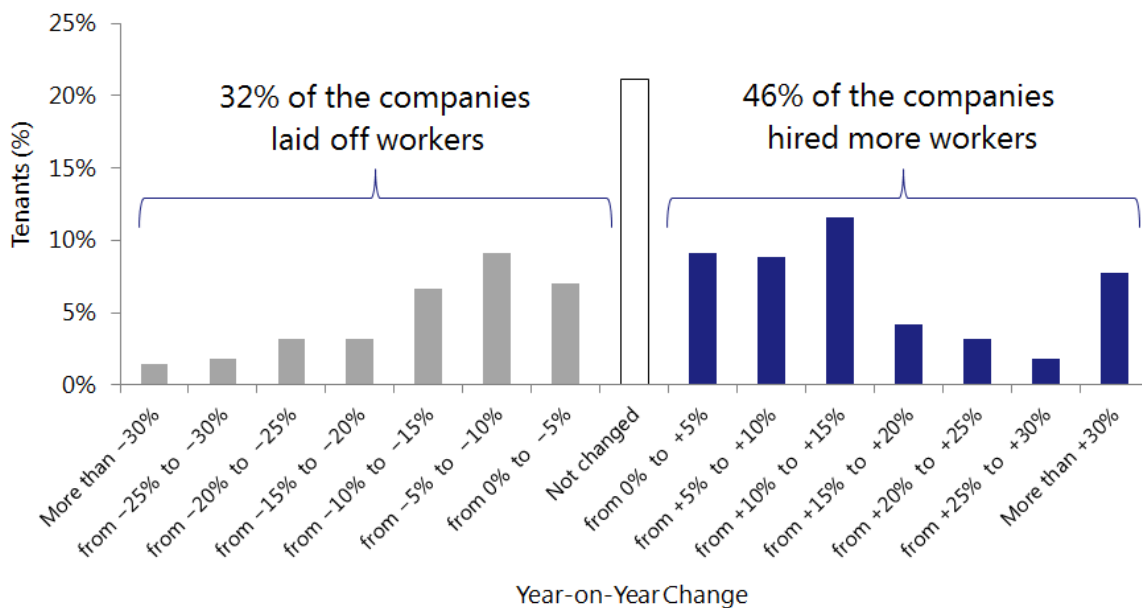
Figure 3 shows the year-on-year change of the comparable data (the data of tenants who stayed in the same office space for two consecutive years.).

The data shows that 46% of the companies added workers; this is exceeding the companies that reduced the workers (32%). Although these percentages did not change from the data in 2015, changes were observed elsewhere: the ratio of companies that added a great number of workers increased in 2016 while the ratio of companies that reduced a great number of workers decreased.

The analysis by tenant also found that the decrease in the size and rent was influenced by the increase in the number of office workers.

* Labor Force Survey by Statistics Bureau of Ministry of Internal Affairs and Communications
<http://www.stat.go.jp/english/data/roudou/index.htm>
 Job Security Statistics by Ministry of Health, Labour and Welfare
<http://www.mhlw.go.jp/english/database/db-l/index.html>

Figure 3: Change in Number of Office Workers 2015-16



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Office Space per Person: New Tenants and Existing Tenants

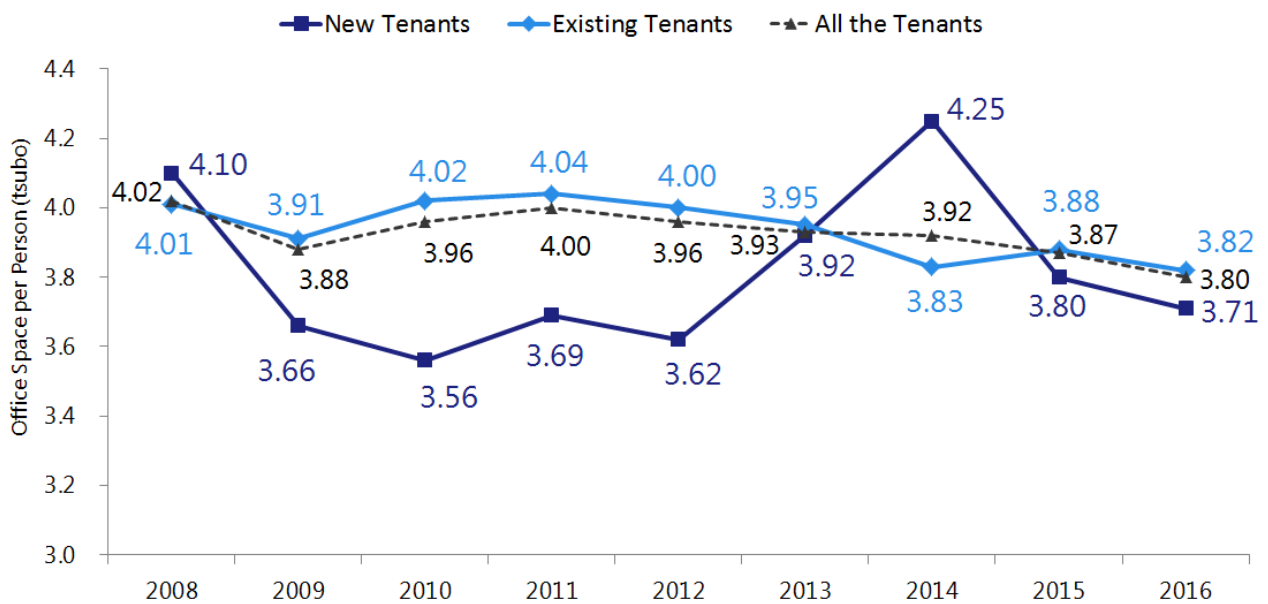
Figure 4 shows the Office Space per Person of new tenants and that of tenants who were already there the year before.

The Office Space per Person of new tenants started to shrink in 2009 following the trend of tenants moving to a smaller office space, reflecting the economic slowdown after the global financial crisis. In 2010, the size decreased to 3.56 tsubo, which was smaller than that of existing tenants.

The size started to grow in 2013 and marked 4.25 tsubo in 2014; this size was a plenty of space for office workers. The increase was likely to have been influenced by the large supply of office buildings in 2012 and because the companies saw the economic recovery and tried to have a large office space for business expansion and additional workers.

In 2015 forward, although the Office Space per Person of new tenants is slightly smaller than that of existing tenants, they are now almost equal. The factors behind this include: the decreasing vacancy rates and shortage of availabilities; the stronger cost-consciousness against the rising market rents; the hot-desking office; and the slowdown of the hiring boom.

Figure 4: Office Space per Person of New Tenants and Existing Tenants 2008-2016



Office Space per Person 2016

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Study Overview

Period	2008 – 2016 (annual)
Subject of Study	Office tenants of office buildings in Tokyo 23 Wards
Effective Data	6,862 tenants (total of 2008-2016) 397 in 2008 / 790 in 2009 / 852 in 2010 / 894 in 2011 / 909 in 2012 / 987 in 2013 / 872 in 2014 / 637 in 2015 / 524 in 2016
How to Calculate	The median of the data. The Office Space per Person and Office Rent per Person are estimated by dividing the size or rent of the office space by the number of workers.
Notes	<ul style="list-style-type: none"> The size of the office space is the area leased under a contract. The areas included, other than the office area, are the entrance area (reception), conference room, refreshment area, document storage, warehouse, exclusive-use corridors, etc. The rent includes the CAM charge. The number of workers refers to the "number of users" reported by the tenant. Some of our data for 2009 and 2010 in the previous report were reviewed and corrected.

For questions on this report, please contact us.

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