

OSAKA CITY | Supply of New Office Space 2017 & Office Stock Pyramid 2017

December 26, 2016

Xymax Real Estate Institute released a report on **Supply of New Office Space 2017** and **Office Stock Pyramid 2017** covering the Osaka city office area. The volume of new supply in the coming years indicates a direct impact on the market balance in the future. The Office Stock Pyramid is an aggregation of all the rentable areas of office buildings in the market and it shows the breakdown of the office building stock (rentable area and number of buildings) by size of the building (small/medium/large) and by age, and the balance and proportion of office buildings in the market.

From this report, these two studies were combined into one report.

1 tsubo = approx. 3.3 sq m

SUMMARY OF RESULTS

OSAKA CITY | Supply of New Office Space 2017

- ✓ New supply in 2017 is 31,000 tsubo. This is roughly equivalent to the 10-year average.
- ✓ Average new supply in 2017-2020 is 17,000 tsubo per annum based on rentable area. This is approx. 50% of the 10-year average of 30,000 tsubo.
- ✓ Average new supply in 2017-2020 in Osaka city (17,000 tsubo per annum) is less than one-tenth of average new supply in Tokyo 23 Wards (181,000 tsubo per annum).
- ✓ New supply rate (new supply in 2017-2020 versus office stock at year-end 2016) is expected to be approx. 2.4% (0.6% per annum on average).

OSAKA CITY | Office Stock Pyramid 2017

- ✓ Office stock at year-end 2017 is 2.84 million tsubo based on the rentable area: 1.41 million tsubo in small and medium buildings and 1.43 million tsubo in large buildings; the volume is roughly the same.
- ✓ Office stock in Osaka city (2.84 million tsubo) is less than a quarter of office stock in Tokyo 23 Wards (12.26 million tsubo).
- ✓ In the number basis, the office stock is 1,712 buildings. Of them, small and medium buildings account for nearly 90% (1,522 buildings).
- ✓ Buildings' average age is 30.3 years for all the stock, 30.7 years for small and medium buildings and 26.6 years for large buildings. Aging of stock is prominent in small and medium buildings.

OSAKA CITY | Supply of New Office Space 2017

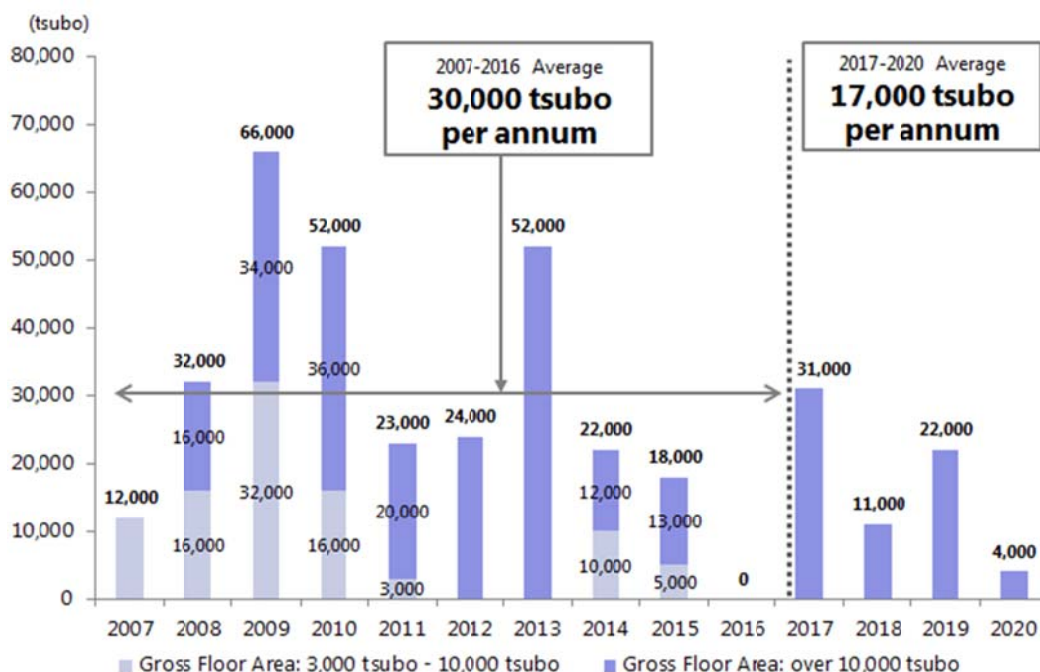
The new supply in 2017 is 31,000 tsubo, which is approximately equivalent to the average annual volume in 2007-2016 (hereinafter the "10-year average"). The average new supply in 2017-2020 is 17,000 tsubo per annum and is the same as our previous study in 2016*1 for 2016-2019 (Figure 1) and about 50% of 30,000 tsubo in the 10-year average.

If we look at large buildings with 10,000 tsubo or above gross floor area, the average supply in 2017-2020 is 17,000 tsubo per annum; somewhat below the 10-year average of 21,000 tsubo per annum. For your reference, if we compared the new supply in Osaka city with that of Tokyo 23 Wards, the average new supply in Osaka city in 2017-2020 is less than one-tenth of 181,000 tsubo in Tokyo 23 Wards.

The new supply rate, which is the rate of new supply in 2017-2020 versus the office stock at year-end 2016, is approximately 2.4% (0.6% per annum).

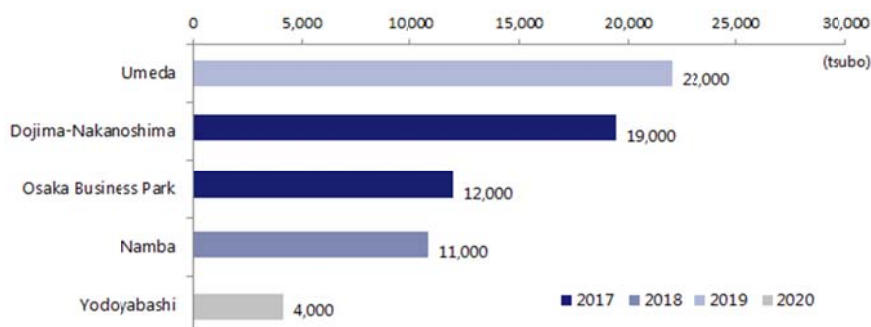
*1 Supply of New Office Space 2016 released on December 24, 2015 <https://www.xymax.co.jp/english/research/images/pdf/20151224.pdf>

Figure 1: Osaka City Supply of New Office Space (Net Rentable Area)



By area, the new supply is in Osaka's major office areas: Umeda, Dojima-Nakanoshima, Osaka Business Park, Namba and Yodoyabashi (Figure 2).

Figure 2: New Supply by Area (2017-2020)



OSAKA CITY | Office Stock Pyramid 2017

The Office Stock Pyramid follows the method of a population pyramid representing the distribution of age groups by gender. We divided the office building stock into small and medium buildings and large buildings and then compared their rentable area and the number of buildings by age. The pyramid shows the balance and proportion of the office stock.

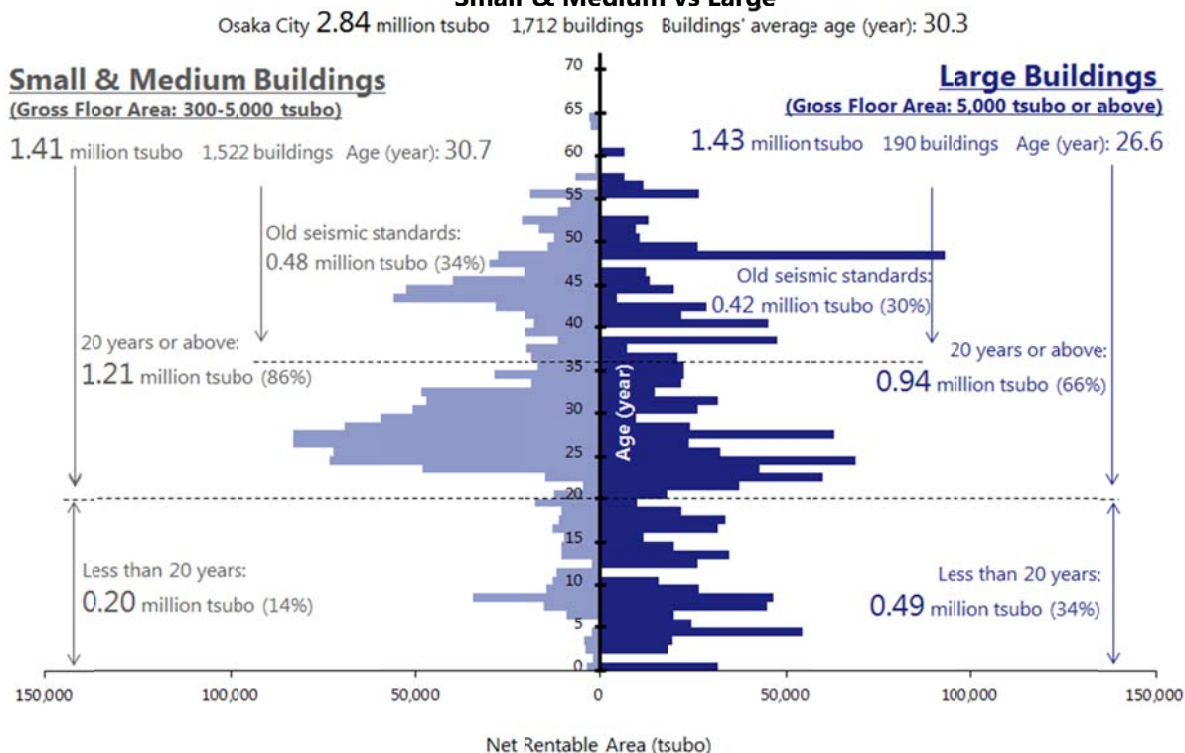
The office stock in Osaka city as of end of 2017 is 2.84 million tsubo based on rentable area. Of them, 1.41 million tsubo is small and medium buildings (gross floor area: less than 5,000 tsubo) whereas 1.43 million tsubo is large buildings (gross floor area: 5,000 tsubo and above); the rentable area of the two is approximately the same (**Figure 3**). The office stock in Osaka city (2.84 million tsubo) is less than a quarter of 12.26 million tsubo in Tokyo 23 Wards.

The average age of the buildings is 30.3 years. Of them, the average age is 30.7 years for small and medium buildings and 26.6 years for large buildings. The new supply continued for large buildings even after the bubble era but for small and medium buildings, the stock is aging since the supply has been weak after the large volume of supply in the bubble era.

By age, over 80% (1.21 million tsubo) of the small and medium buildings were constructed 20 years ago or before while 200,000 tsubo were constructed in the recent 20 years.

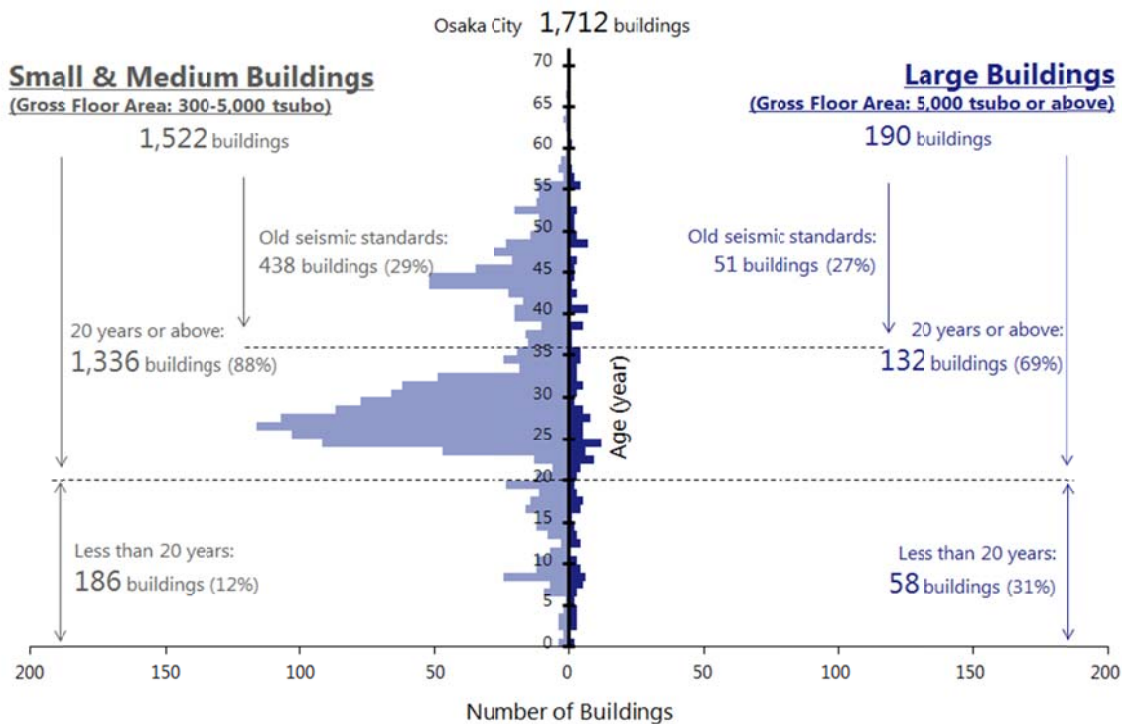
In large buildings, nearly 70% (940,000 tsubo) was constructed 20 years ago or before while 490,000 tsubo was constructed in the recent 20 years.

Figure 3: Osaka City Office Stock Pyramid 2017(Net Rentable Area)
Small & Medium vs Large



In the number basis, there are 1,712 buildings in Osaka city. The breakdown is as follows: 1,522 buildings (89%) are small or medium buildings and 190 buildings (11%) are large buildings (Figure 4).

Figure 4: Osaka City Office Stock Pyramid 2017 (Number of Buildings) Small & Medium vs Large



OVERVIEW OF STUDY

Supply of New Office Space

Date	November 2016
Area	Osaka city
Subject Building	3,000 tsubo or above gross floor area / Used mainly as office space (but excluding owner-occupied buildings)
Subject Data	Office rentable area (tsubo)
Method	Based on publicly available information such as newspaper articles. Also some site inspections and interviews with developers.

- The subject of this study is the floor area of new supply. This is not a complete survey.
- If the net rentable area is publicly available, that size is used in this study. If not, we estimated it based on the gross floor area with the formula jointly developed with the laboratory of Dr. Naoki Katoh, Professor of Kyoto University Graduate School of Engineering.
- The new supply estimated in this study is the estimated amount as of the date of this study. Actual new supply changes as new information becomes available.

Office Stock Pyramid

Date	November 2016
Area	Osaka city
Subject Building	As of the end of 2017 / 300 tsubo or above gross floor area / Construction completed in or after 1946 (incl. buildings to be completed within 2017) / Used mainly as office
Subject Data	Number of office buildings and rentable office areas of large buildings and small and medium buildings. Large buildings (gross floor area: 5,000 tsubo or above) Small and medium buildings (gross floor area: 300-5,000 tsubo)

- The data were collected from publicly available information such as newspaper articles and for-rent information (in the past too). We collected the data of buildings if their date of construction is available. Owner-occupied buildings were excluded.
- The data of new constructions replacing the old buildings and the data of demolished buildings have been collected and reflected to the extent possible.
- The amounts in this study are the amounts as of the date of this study and are subject to change as new information becomes available.
- The office stock in 2017 includes buildings which will be completed in 2017 if such completion schedule is available as of Nov. 2016.
- If the net rentable area is publicly available, that size is used in this study. If not, we estimated it based on the gross floor area with the formula jointly developed with the laboratory of Dr. Naoki Katoh, Professor of Kyoto University Graduate School of Engineering.
- Buildings constructed under the "old seismic standards" refer to the buildings constructed before the enforcement of the new seismic standards in 1981. In this study, buildings completed in 1981 or before were deemed as constructed in line with the old seismic standards.