

TOKYO 23 WARDS | Supply of New Office Space 2019

December 12, 2018

Xymax Real Estate Institute (hereinafter, "Xymax REI") hereby releases a report on the **Supply of New Office Space 2019** covering the **Tokyo 23 Wards**. The volume of new office supply, which is an aggregation of rentable areas of offices that will be newly constructed in the coming years (hereinafter, "new supply"), indicates the future direct impact of supply on the market balance. Xymax REI aggregates the rentable areas of office space in buildings that are mainly for office-use with a gross floor area of more than 3,000 tsubo completed in the Tokyo 23 Wards and Osaka City each year. The Osaka City version*¹ has been released on the same day.

*1 "OSAKA CITY | Supply of New Office Space 2019" December 12, 2018

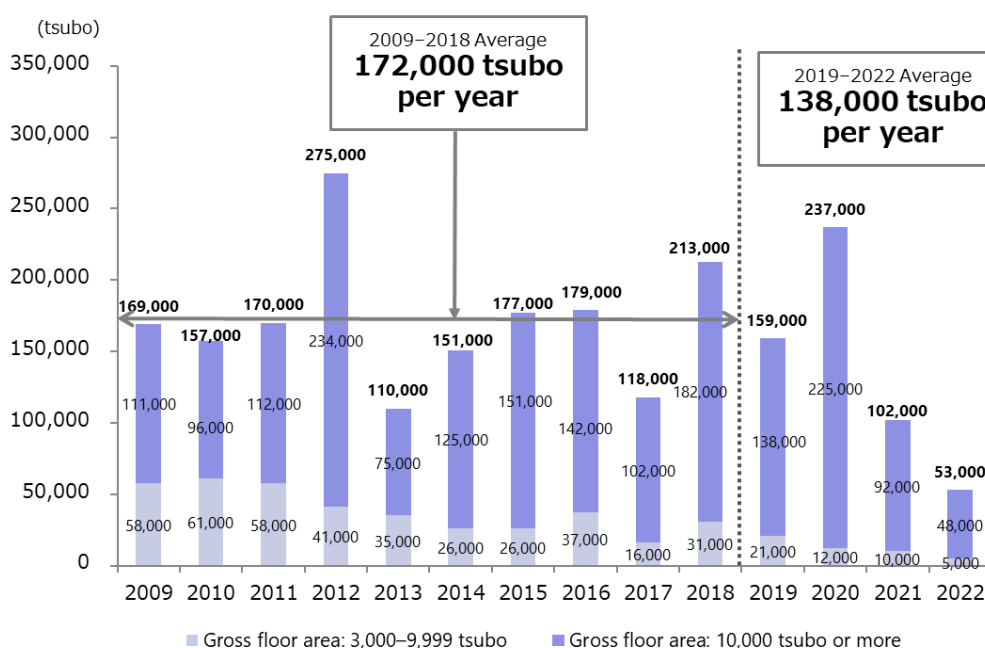
https://www.xymax.co.jp/english/news_research/?type=research

1 tsubo = approx. 3.3 sqm

SUMMARY OF RESULTS

- ✓ New supply of 159,000 tsubo and 237,000 tsubo are planned in 2019 and 2020, respectively, while new supply in 2021 and 2022 are currently forecast at 102,000 tsubo and 53,000 tsubo, respectively, both the smallest amounts since 2009 (**Figure 1**).
- ✓ The average annual new supply in 2019–2022 is 138,000 tsubo, falling below 172,000 tsubo, the annual average annual of the past 10 years.
- ✓ 63% of new supply in 2019–2022 is concentrated in the three central wards of Chiyoda, Chuo and Minato.
- ✓ The new supply rate (new supply in 2019–2022 versus office stock at year-end 2018) is expected to be approx. 4.4% (annual average: 1.1%) in the Tokyo 23 Wards.

Figure 1: Tokyo 23 Wards' Supply of New Office Space (Net Rentable Area)



1. TOKYO 23 WARDS | Supply of New Office Space

New supply of office buildings with a gross floor area of more than 3,000 tsubo is expected to be 159,000 tsubo in the Tokyo 23 Wards in 2019, falling below 172,000 tsubo, the annual average for 2009–2018 (hereinafter, the “10-year average”). The planned supply in 2020 is around 237,000 tsubo, exceeding the 10-year average.

However, new supply in 2022 is currently expected at 53,000 tsubo, the smallest amount since 2009. The annual average for 2019–2022 is 138,000 tsubo, falling below the 10-year average as well as decreasing from our previous study in 2017*2 for 2018–2021 (180,000 tsubo).

Looking at large buildings with a gross floor area of 10,000 tsubo or more, new supply of 138,000 tsubo is planned in 2019, which is a 29,000-tsubo decrease from our previous study, due to a change in the scheduled completion of a large development in Yotsuya to 2020 and some projects being owner-occupied buildings. 2020 is expected to see one of the largest supplies to date of 225,000 tsubo. However, the expected average annual volume in 2019–2022 is 126,000 tsubo, which is below the 10-year average of large buildings of 133,000 tsubo, since new supply will be small in 2021 and 2022 at 92,000 tsubo and 48,000 tsubo, respectively.

The new supply rate, which is the percentage of new supply in 2019–2022 to office stock at year-end 2018, is 4.4% (annual average: 1.1%) in the Tokyo 23 Wards.

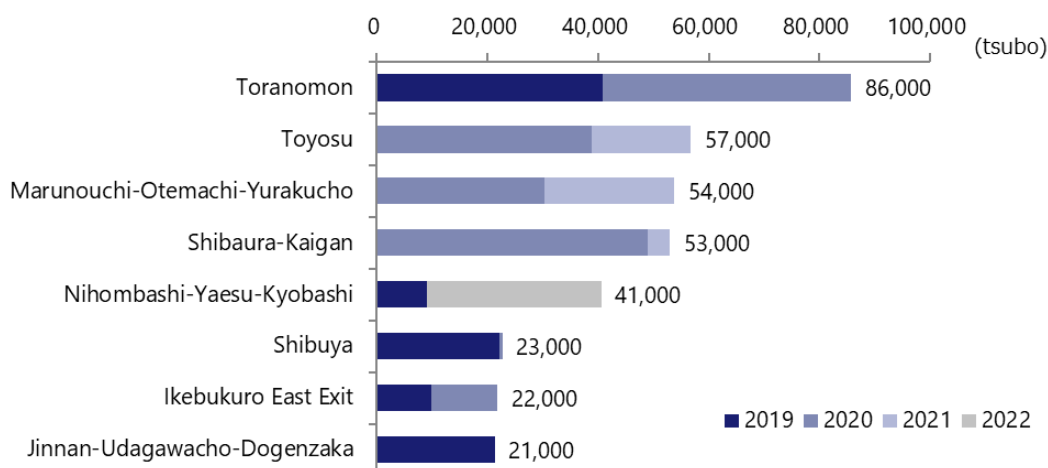
*2 “TOKYO 23 WARDS | Supply of New Office Space 2018 & Office Stock Pyramid 2018” December 7, 2017

https://www.xymax.co.jp/english/news_research/?type=research

2. New Supply by Area

By area, 63% of total new supply in 2019–2022 is planned in the three central wards (Chiyoda, Chuo and Minato). If we look at the five central wards (three central wards + Shibuya and Shinjuku), 79% of total new supply is planned in the wards, indicating a concentration of supply in central Tokyo (**Figure 2**).

Figure 2: New Supply by Area (2019–2022)



The highlights of the major areas are as follows.

- The Toranomon area will see continued supply due to large-scale redevelopments, including infrastructure developments such as Beltway 2, a new subway station and a Bus Rapid Transit (BRT) system, and hotel/medical compound facility developments.
- Marunouchi-Otemachi-Yurakucho, the prime office district in central Tokyo, will see an average annual new supply of 54,000 tsubo in 2019–2022, around half of the annual average in 2018–2021 released in our previous study in 2017, since large projects such as Otemachi Place, Marunouchi Nijubashi Building and Tokyo Midtown Hibiya were completed in 2018. Several large development projects are planned in 2020 but are not reflected in new supply since they are owner-occupied buildings.
- In Nihombashi-Yaesu-Kyobashi, a large amount of supply is planned in 2022 due to the Yaesu 2-chome North District Class One Urban Redevelopment Project.
- In Shibuya and Jinnan-Udagawacho-Dogenzaka areas, supply by several large-scale developments is planned in 2019.

Survey Overview	
Survey date	November 2018
Area	Tokyo 23 Wards
Target properties	Properties with a gross floor area of 3,000 or more that are used mainly as office space (excluding owner-occupied buildings)
Target data	Rentable office area (tsubo)
Method	Primarily through publicly available information such as newspaper articles, in addition to on-site surveys and interviews with developers
<p>* The target of this survey is the floor area of buildings to be newly supplied. Note that this is not a complete survey.</p> <p>* Published rentable areas are used in the study, wherever they are available. Where not, the study uses the area estimated from gross floor area based on a formula derived from the joint development with Naoki Kato Lab, Architecture and Architectural Engineering, Kyoto University Graduate School of Engineering.</p> <p>* The new supply estimated in this survey is the estimated amount as of the date of the survey. The figures of new supply change as information is added and updated on a daily basis.</p>	

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