

Metropolitan Areas Office Demand Survey Autumn 2018

The expansion of workstyle reforms and changes in office demand

December 18, 2018

In the past several years, companies have been promoting workstyle reforms aimed at securing personnel on the back of increased revenues and improving productivity, with more companies shifting from the conventional, inflexible workstyle to one that is not constrained by place or time. These trends are likely to have quantitative and qualitative effects on office demand.

Since autumn 2016, Xymax Real Estate Institute (hereinafter, "Xymax REI") has been conducting surveys on companies' use of offices and workstyles on a semi-annual basis and has continuously analyzed their relationship between office demand. This report covers the results of the fifth survey.

Related surveys:

- Autumn 2016 (1st survey) *Metropolitan Areas Office Demand Survey 2016 – Demand Trends*, published January 12, 2017
- Autumn 2016 (1st survey) *Metropolitan Areas Office Demand Survey 2016 – New Ways of Working and Office*, published January 30, 2017
- Spring 2017 (2nd survey) *Metropolitan Areas Office Demand Survey 2017 – Demand Trends*, published August 2, 2017
- Autumn 2017 (3rd survey) *Metropolitan Areas Office Demand Survey Autumn 2017*, published December 7, 2017
- Spring 2018 (4th survey) *Metropolitan Areas Office Demand Survey Spring 2018*, published July 3, 2018

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Summary of Survey Results

1. Change in office demand (October 2017–September 2018) (Pages 3–7)

37.9% of companies saw an increase in the number of office users over the past year, exceeding companies that saw a decrease (14.0%). 8.3% of companies expanded their office space, while 2.7% downsized, indicating that office demand was robust. (Figures 1, 2)

- The result was similar for rent per tsubo (incl. CAM): Increased (18.4%) Decreased (1.1%). The percentage of companies that saw an increase in rent per tsubo has been rising every half year.
- 39.1% of companies think their current office is not large enough.

2. Promoting workstyle reforms (Pages 8–13)

Companies that were currently promoting workstyle reforms and those that had already carried out workstyle reforms accounted for 41.5%. When including companies that were planning or considering promoting the reforms, around 60% of companies will promote or have promoted the reforms. (Figure 6)

- The top motive of carrying out workstyle reforms was "decision of management" (79.7%) and the top purpose was to "improve productivity" (70.7%).
- 70.7% of companies felt the effects of workstyle reforms "very much" or "somewhat."

3. Diversification of workplaces (Pages 14–22)

In terms of the layout of the current office, more companies are introducing spaces that can be used flexibly with no restriction of usage. More companies are also providing places and programs for telework, indicating that efforts to provide alternative workplaces are progressing both in and outside the office. (Figures 15, 19)

- Compared to the past two surveys, there was an increase in spaces for flexible usages, such as open meeting space, space for refreshing, and hot-desking.
- 26.6% of companies were making efforts to provide places and programs for telework. The work-from-home program (18.5%), which was the top reply for the type of telework, increased from two years ago and was unchanged from a year ago, while the use of serviced offices and satellite offices increased, indicating that alternative workplaces are becoming more available.
- Initiatives to offer more alternative workplaces are actively pursued by large companies (with 1,000 employees or more) and in the telecommunications industry, as a way to support telework.
- The most popular telework support measure by companies that had set eligibility criteria for telework or rules on the frequency of telework was the work-from-home program, while the least popular support measure was satellite offices.
- As for strategies companies were interested in toward the future, open meeting spaces may be implemented by a majority (56.4%) of companies at a future point in time, including those that have already provided such spaces and those that have not but are interested. The result also indicated that around 40% of the companies might implement space for refreshing (42.5%) and hot-desking (38.5%) in the future.
- Companies that had introduced flexible layouts, such as space for refreshing and hot-desking, had a smaller size of office per person than companies that had not introduced such layouts. The same trend was seen among companies that had introduced telework.

4. What companies require in an office (Pages 23–26)

In terms of the importance of requirements in offices, the total percentage of “very important” and “important” tangible and intangible elements grew in general compared to the Autumn 2017 survey, suggesting greater requirements in offices. (Figures 28, 29)

- The most required tangible element (e.g. building specifications) was “convenient location” (89.6%), while the most required intangible elements included “enables employees to work comfortably” (90.3%) and “motivates employees” (88.2%), indicating companies’ awareness of employee satisfaction.

5. Topic: Future office strategy (Pages 27–28)

In terms of future office strategies, the top reply for head offices was to consolidate in the city center with good accessibility (66.0%). On the other hand, the top replies for offices other than the head office were to enhance work from home (50.4%) and to provide workspaces in various locations outside the head office (44.2%), both exceeding the strategy of consolidating offices into the head office as much as possible (31.4%). (Figures 31, 32)

We believe that while head offices for “congregating” purposes will remain in demand, there will be more alternative workplaces as companies’ awareness changes.

1. Change in Office Demand (October 2017–September 2018)

1-1. Changes in the Number of Office Users, Size of Office, and Rent per Tsubo (Incl. CAM Charges)

- ✓ More companies saw an increase in the number of office users (37.9%) than a decrease (14.0%).
- ✓ More companies expanded their office space (8.3%) than downsized (2.7%).
- ✓ Similarly, more companies saw a rise in rent per tsubo (incl. CAM charges) (18.4%) than a decline (1.1%).

The changes in the number of office users, office size, and rent per tsubo (including CAM charges; the same applies hereafter) over the past year (October 2017–September 2018) were as below.

Companies that saw an increase in the number of office users far exceeded companies that saw a decrease by 23.9 points (**Figure 1, bottom bar**). Similarly, the percentage of companies that expanded their office space exceeded that of companies that downsized by 5.5 points (**Figure 2, bottom bar**). The percentage of companies that saw an increase in rent per tsubo outstripped that of companies that saw a decrease by 17.3 points (**Figure 3, bottom bar**).

This trend has been largely the same over the past four surveys (Autumn 2016, Spring 2017, Autumn 2017, and Spring 2018), with the percentage of companies seeing a rise in rent per tsubo increasing every half year, in particular. This indicates that demand continues to be robust. This growth in companies' demand would have led to the tight supply-demand situation in offices in metropolitan areas.

Figure 1: Change in the Number of Office Users (Replies of all respondents)

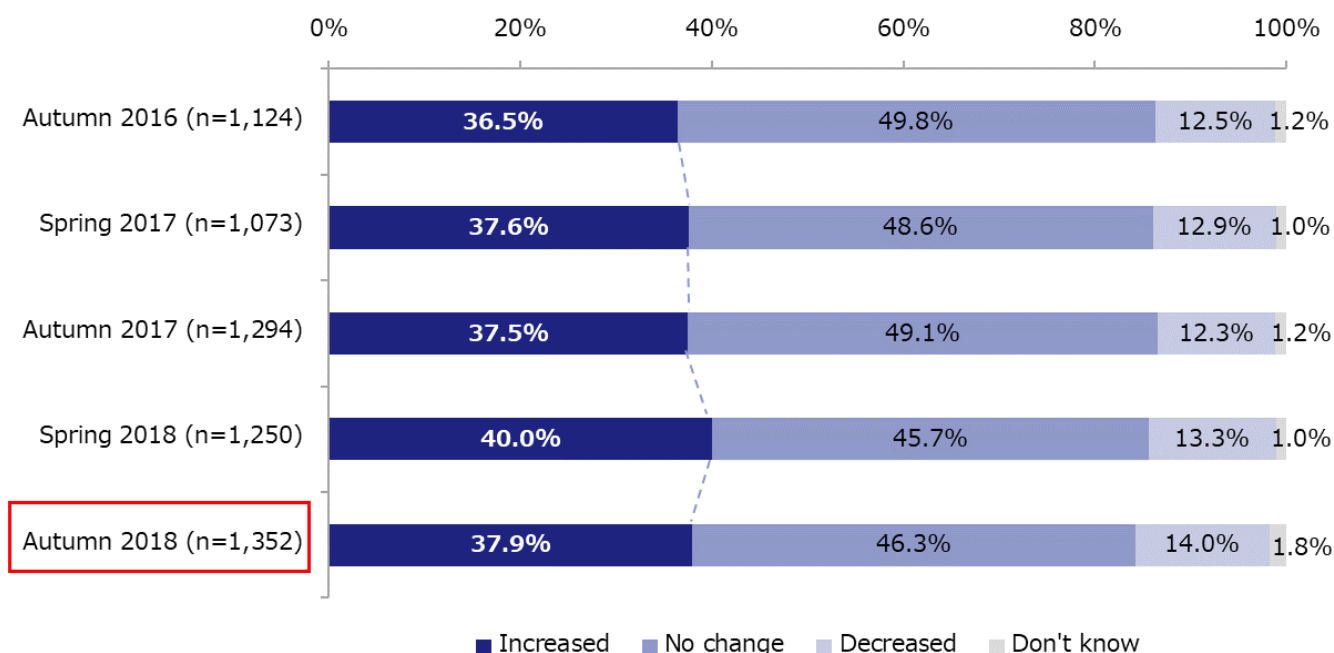


Figure 2: Change in Office Size (Replies of all respondents)

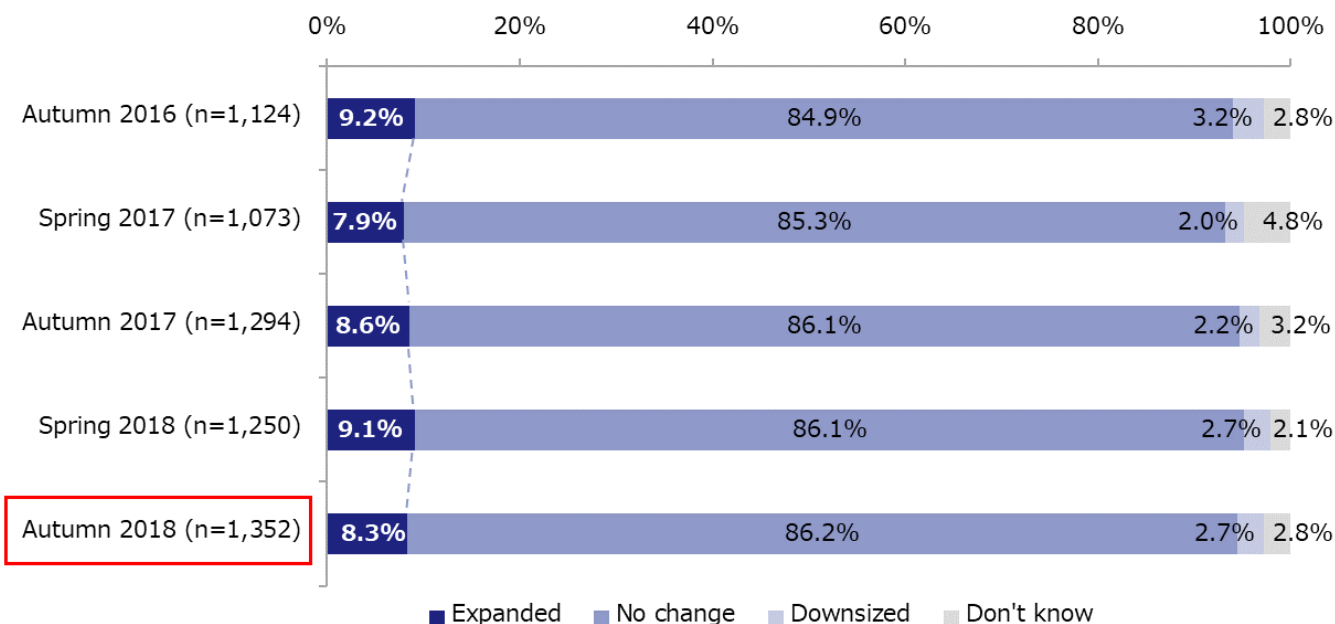
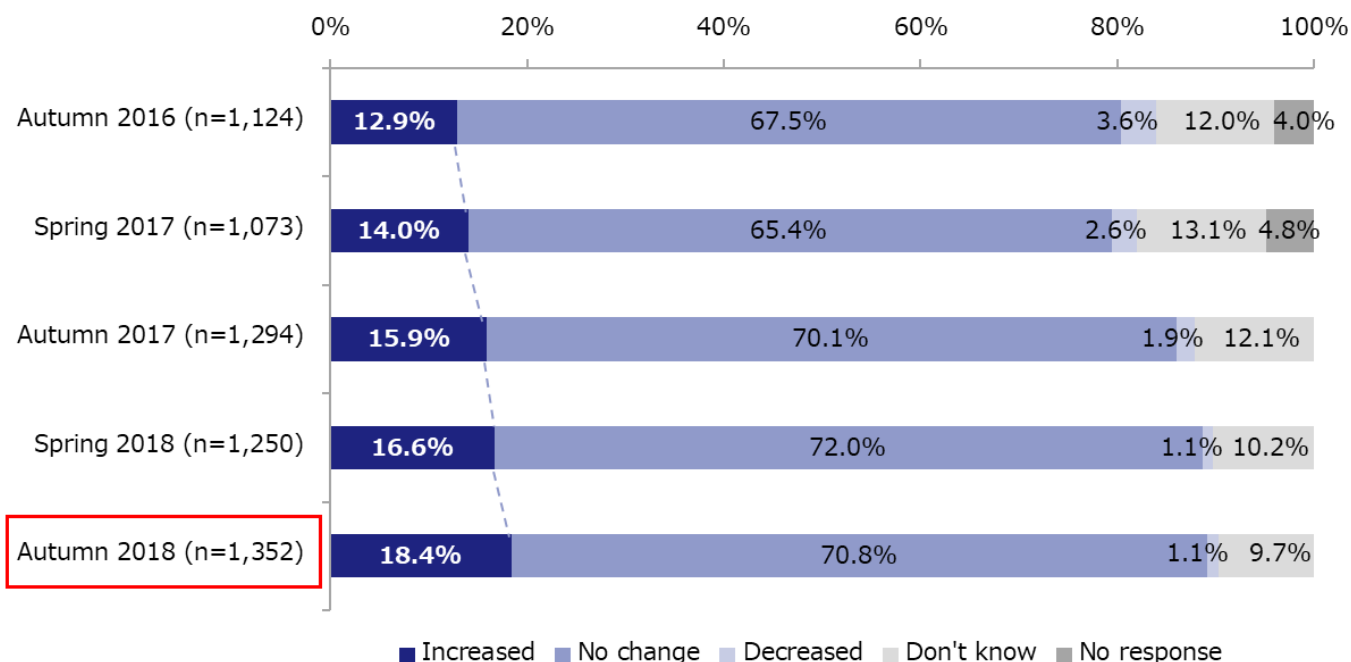


Figure 3: Change in Rent per Tsubo (Replies of all respondents)

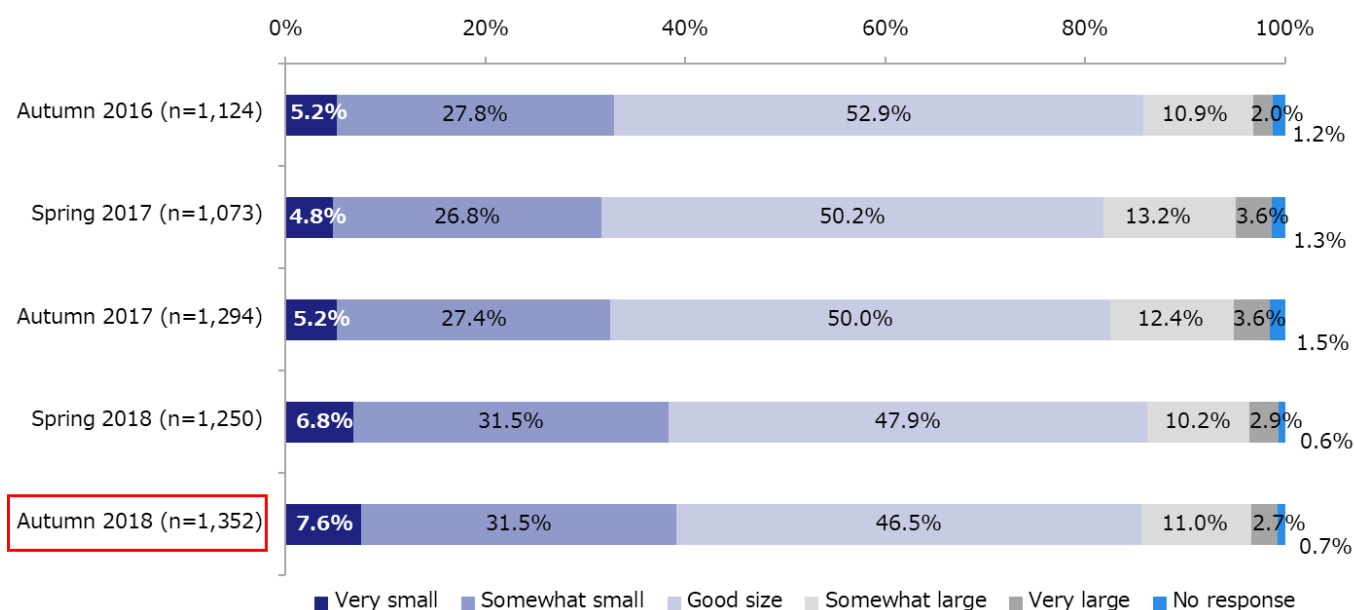


1-2. Impression of Size

- ✓ Approximately 40% of companies think their current office is “very small” or “somewhat small.”

When we asked companies how they felt about the size of their current office, 39.1% of the companies replied that their office was either “very small” or “somewhat small” (**Figure 4**). This is more than the percentage of companies that felt their office was “very large” or “somewhat large” (13.6%). This points to a potential need for expansion, which has continued since the start of this series of surveys. The percentage of companies that felt their office was not large enough has also increased compared to the past four surveys.

Figure 4: Impression of Office Size (Replies of all respondents)



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Changes in Office Size and Rent per Tsubo by Company Profile

There were differences in the changes in office size and rent per tsubo by company size, industry, and office location.

Figure 5 shows the "Office Size Diffusion Index (DI)," the change in office size (the percentage of "expanded" minus that of "downsized"), and the "Rent per Tsubo DI," the change in rent per tsubo (the percentage of "increase" in rent per tsubo minus the percentage of "decrease") over the past year (October 2017–September 2018).

▲ By company size (number of employees)

Companies with 100–999 employees saw the largest increase in both Office Size DI and Rent DI.

◆ By industry

The telecommunications industry showed higher Office Size DI and Rent DI than other industries. Overall, the Rent DI has risen significantly from the Autumn 2017 survey, especially in the real estate & leasing of goods industries. On the other hand, office sizes showed a declining trend in the financial and insurance industries.

● By office location

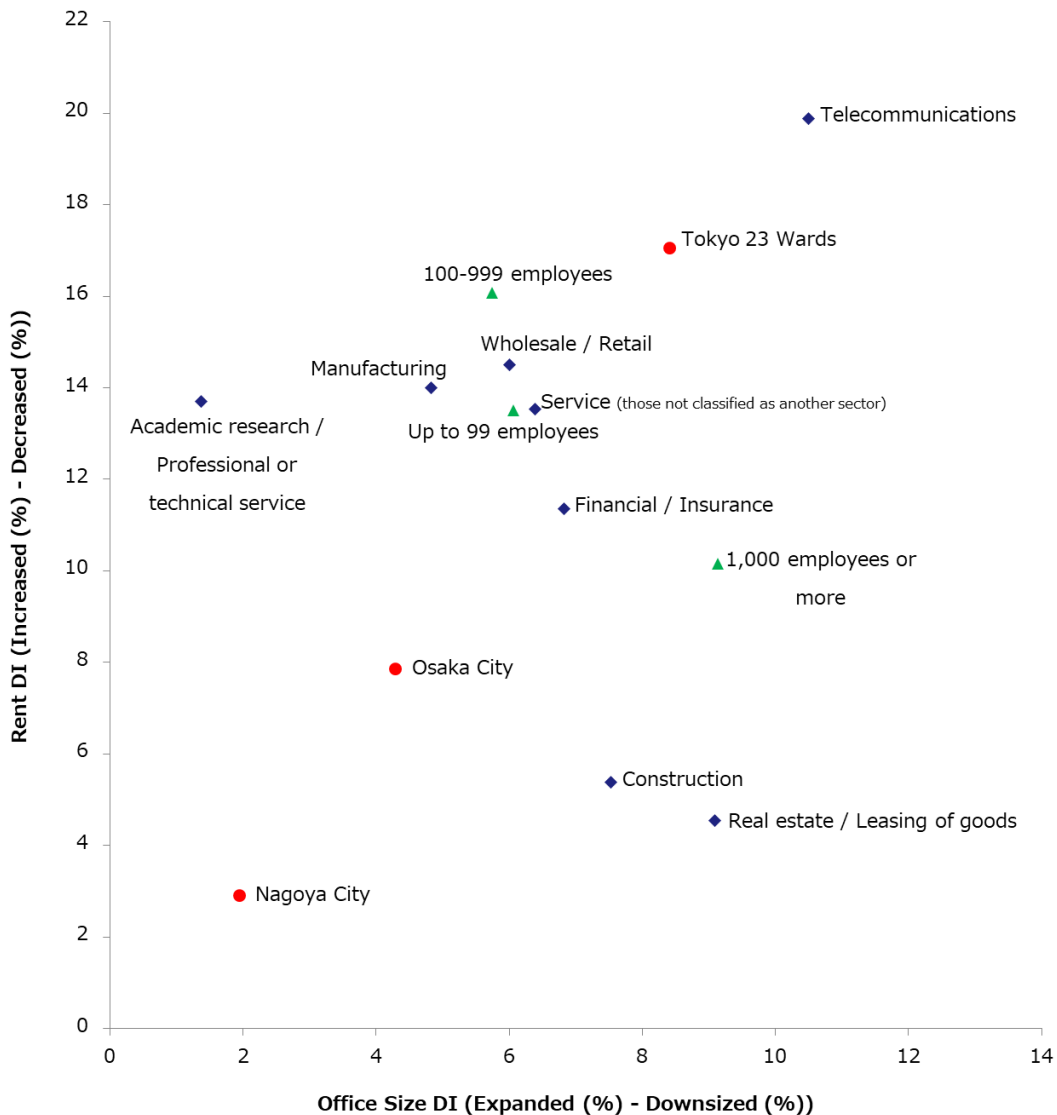
The Tokyo 23 Wards had high Office Size DI and Rent DI, as in the Autumn 2017 survey. The Rent DI of Osaka City saw a rise compared to the previous survey.

Figure 5: Office Size DI and Rent DI (Both Indicate Changes in the Past)

(Excerpt of major industries and office locations only)



[Reference] Office Size DI and Rent DI (Results of the Autumn 2017 survey)



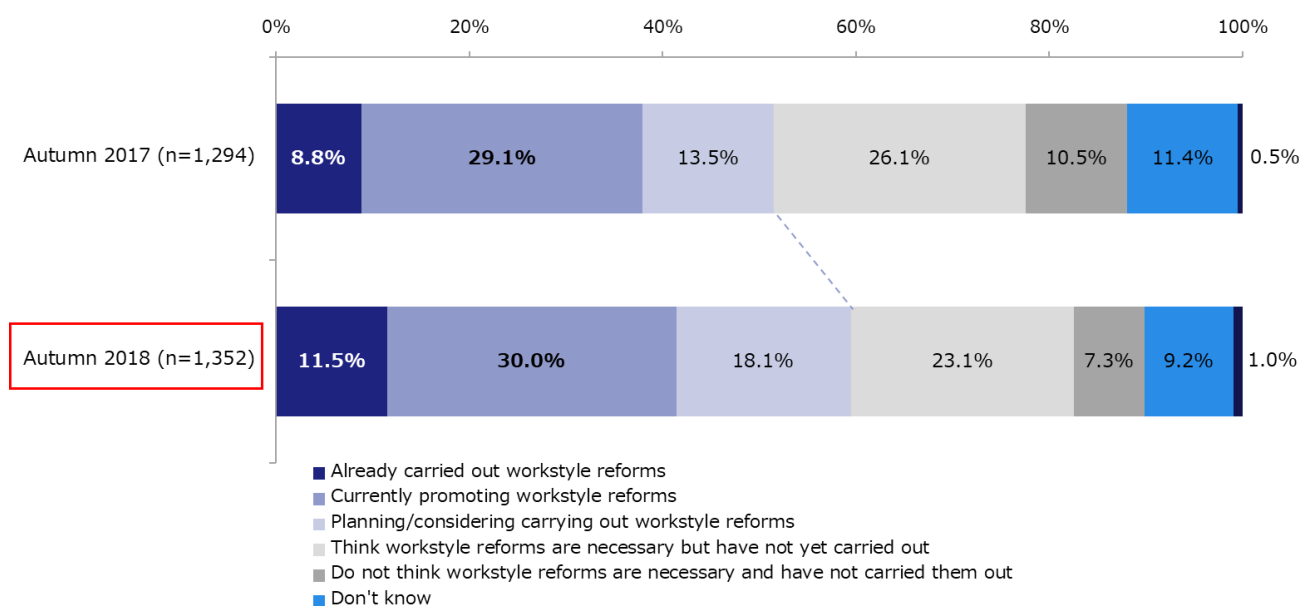
2. Promoting Workstyle Reforms

2-1. Promoting Workstyle Reforms

- ✓ 41.5% of companies were either currently promoting or had already carried out workstyle reforms.
- ✓ The most common motive for carrying out workstyle reforms was "decision of management" (79.7%). The top reply for the purpose of the reforms was to "improve productivity" (70.7%), followed by "improve employee satisfaction" (61.9%) and "achieve work efficiency" (61.7%).
- ✓ Approximately 70% of companies replied that they felt the effects of workstyle reforms either "very much" or "somewhat."

As much as 30.0% of companies replied that they were currently promoting workstyle reforms; the percentage rises to 41.5% when including companies that have already carried out the reforms (**Figure 6**). Compared to the Autumn 2017 survey, the percentage has risen by 3.6 points. Similarly, the percentage of companies that were planning or considering carrying out the reforms grew by 4.6 points. When including companies that are currently promoting the reforms and those that have already done so, approximately 60% (59.6%) of companies will promote or have promoted the reforms.

Figure 6: Implementation of Workstyle Reforms (Replies of all respondents)



The most common motive for carrying out workstyle reforms among companies that had already carried out, were currently promoting, or were planning or considering promoting the reforms was "decision of management" (79.7%) (**Figure 7**). The top purpose of the reforms was to "improve productivity" (70.7%), followed by "improve employee satisfaction" (61.9%) and "achieve work efficiency" (61.7%) (**Figure 8**). To "improve employee satisfaction" and "promote well-being of employees" (44.3%) grew by more than 10 points from the Autumn 2017 survey. While such purposes related to employee satisfaction ranked high, cost-related purposes such as "reduce office occupancy cost" (12.1%) and "reduce office space and achieve efficient use" (11.3%) remained low, indicating a rise in companies' awareness of employee satisfaction.

Figure 7: Motive for Workstyle Reforms

(Replies of companies that had already carried out, were currently promoting, were planning to promote, or were considering promoting the reforms; multiple answers)

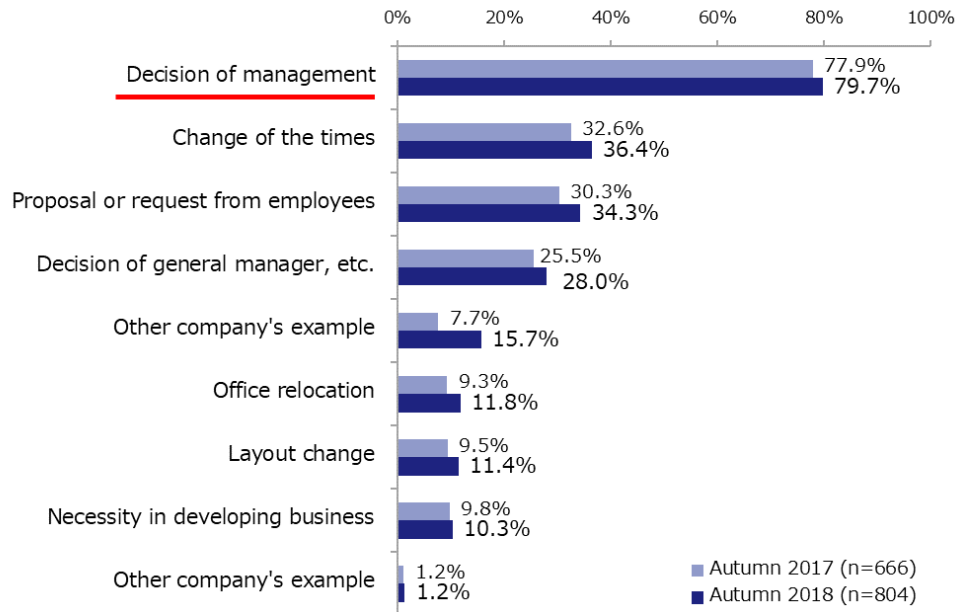
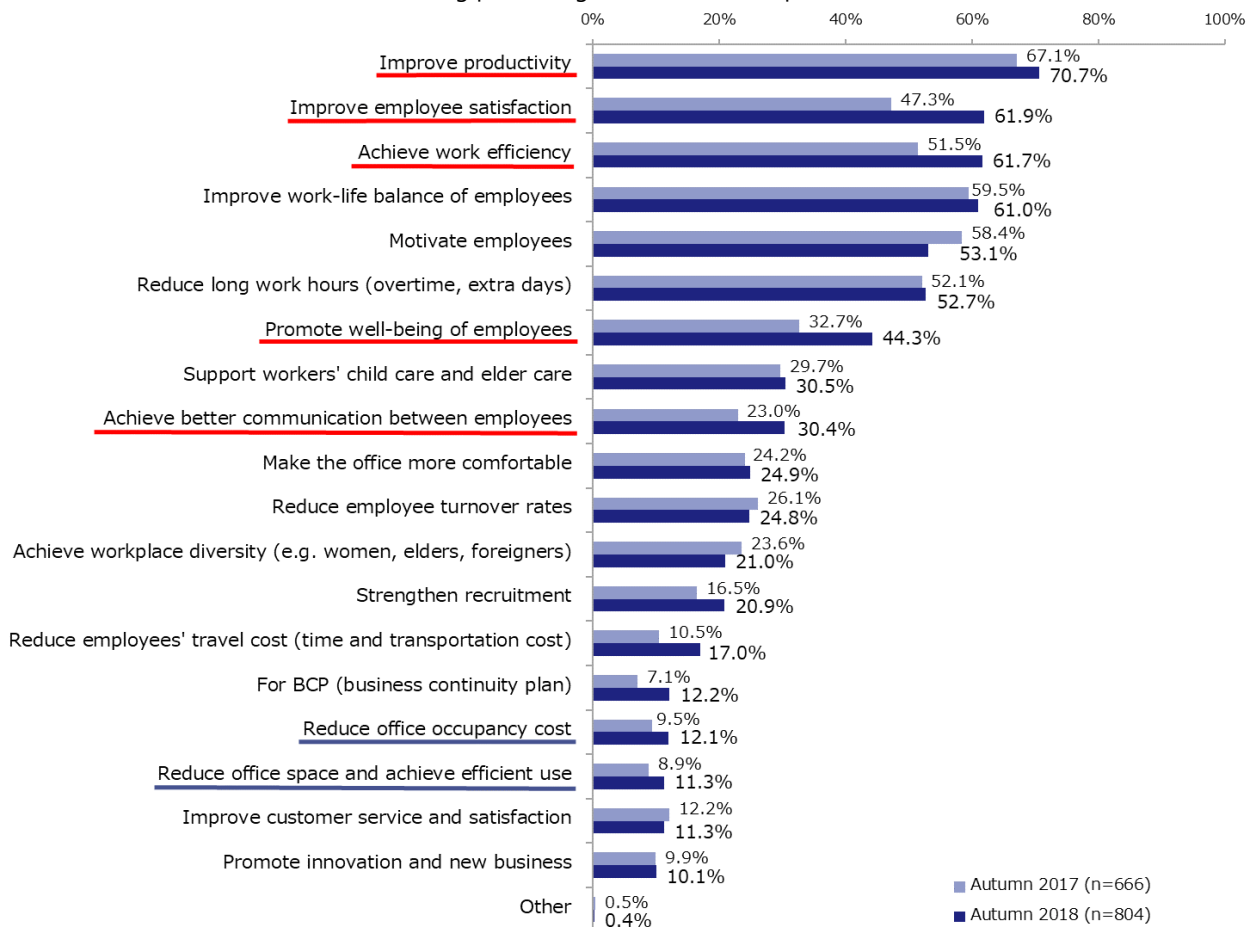


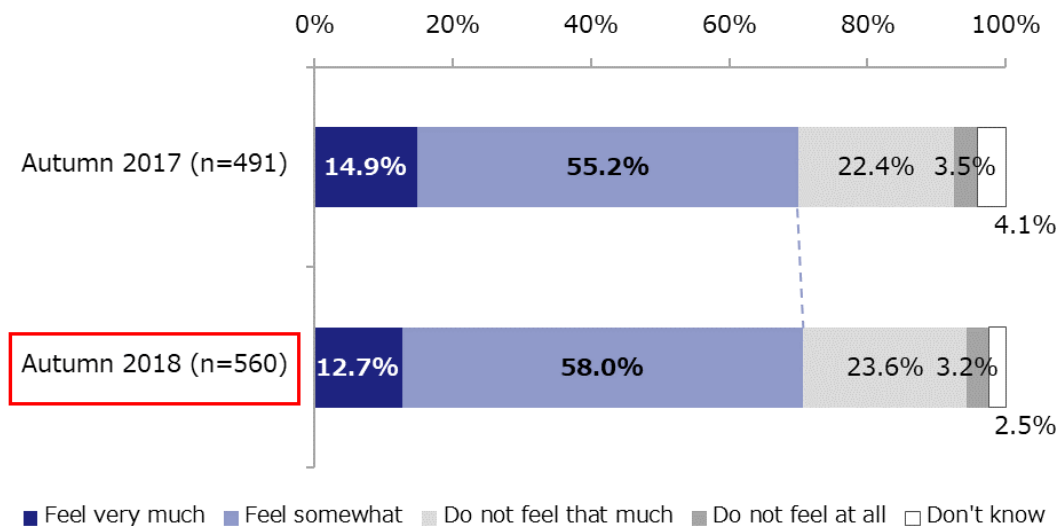
Figure 8: Purpose of Workstyle Reforms

(Replies of companies that had already carried out, were currently promoting, were planning to promote, or were considering promoting the reforms; multiple answers)



When we asked companies that had either already carried out or were currently promoting workstyle reforms about the effects of the reforms, approximately 70% replied that they felt the effects “very much” or “somewhat” (Figure 9).

Figure 9: Whether Companies Feel the Effects of Workstyle Reforms
 (Replies of companies that had already carried out or were currently promoting workstyle reforms)

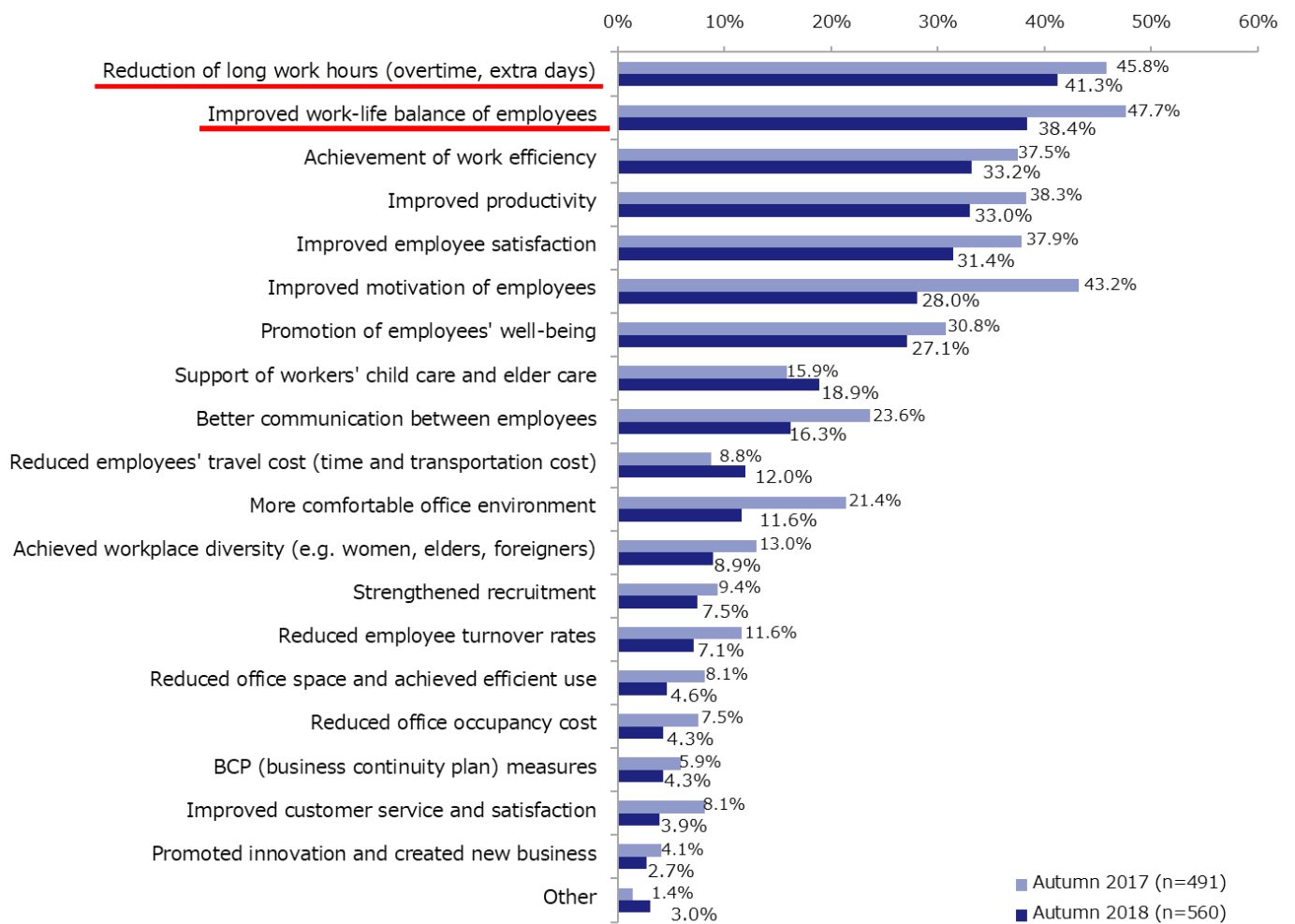


As for the specific effects, the top replies included “improved work-life balance of employees” (41.3%) and “reduction of long work hours (overtime, extra days)” (38.4%) (Figure 10).

Furthermore, it is worth noting that while the scores for the motive and purpose of workstyle reforms (Figures 7 and 8) have risen in general compared to the Autumn 2017 survey, the overall scores of the specific effects of the reforms have dropped. This may be interpreted as companies being less responsive to small changes due to greater expectations for the results of the reforms as the momentum for workstyle reforms rise in society and more companies carry out the reforms with a clear sense of purpose.

Figure 10: Specific Effects of Workstyle Reforms

(Replies of companies that had already carried out or were currently promoting workstyle reforms; multiple answers)

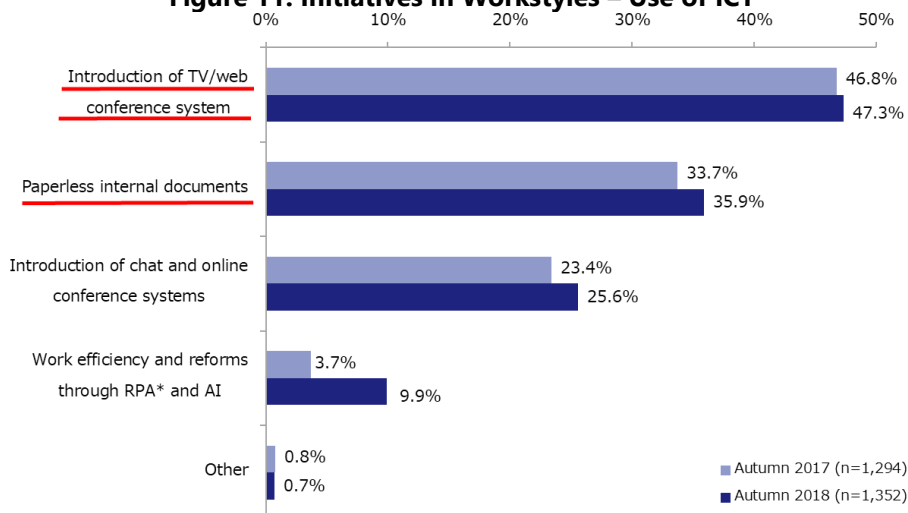


We also asked all respondents, including companies that have not implemented workstyle reforms, what efforts they were making in the following four areas to enable employees to work better: Use of ICT, commitment of management, human resources and labor, and education/enlightenment of workers.

In the use of ICT, relatively many companies promoted initiatives such as “introduction of TV/web conference system” (47.3%) and “paperless internal documents” (35.9%) (Figure 11). The use of ICT has grown in general compared to the Autumn 2017 survey, especially in “work efficiency and reforms through RPA and AI,” which rose by 6.2 points.

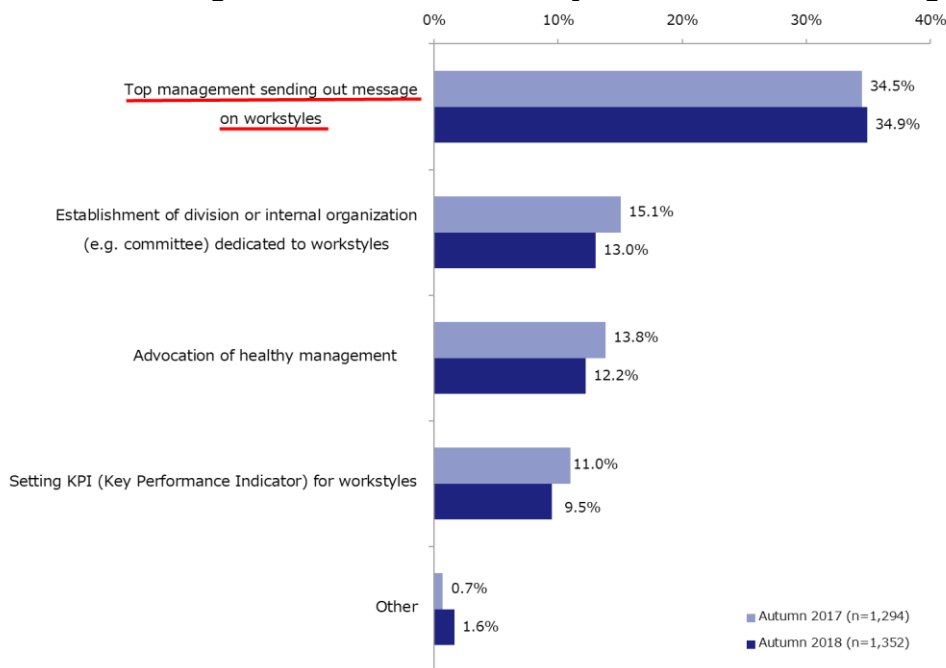
In terms of initiatives related to the commitment of management, 34.9% of the companies had their top management send out a message on workstyles, which indicates management’s large impact on companies’ workstyles (Figure 12), which is also evident in the “motive for promoting work style reforms” described earlier (Figure 7).

Figure 11: Initiatives in Workstyles – Use of ICT



*RPA (Robotic Process Automation): Automation of work processes using machine learning and cognitive technology

Figure 12: Initiatives in Workstyles – Commitment of Management



In terms of human resources and labor, 28.4% of the companies had introduced a flextime program (**Figure 13**). Regarding initiatives in education and enlightenment of workers, the education of managers was carried out slightly more than the education of members (**Figure 14**).

Figure 13: Initiatives in Workstyles – Human Resources and Labor

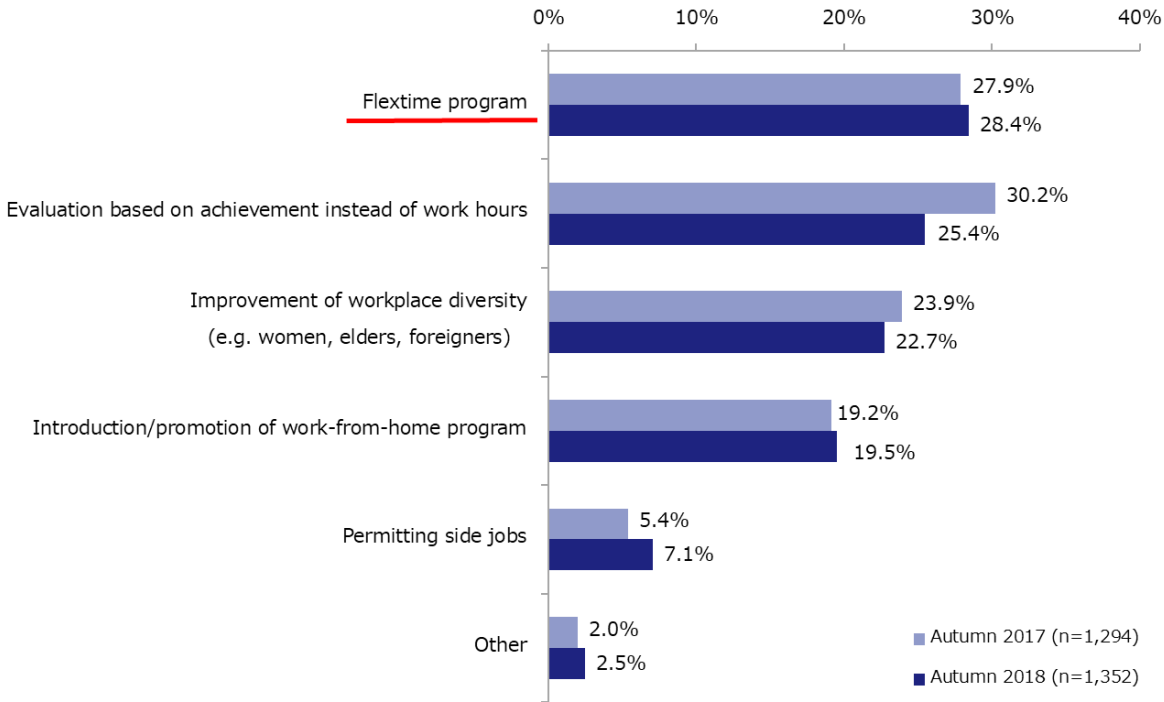
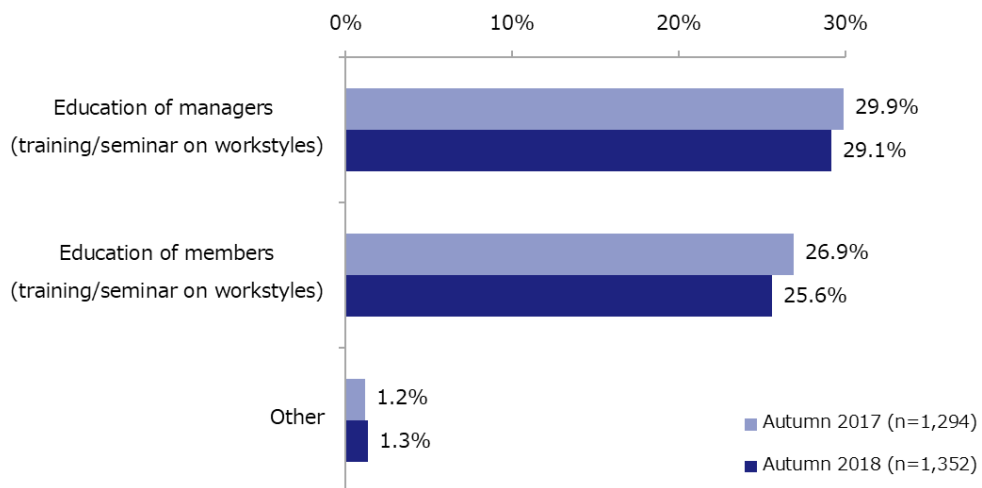


Figure 14: Initiatives in Workstyles – Education and Enlightenment of Workers



Figures 11–14: Aggregation of replies of all respondents; multiple answers

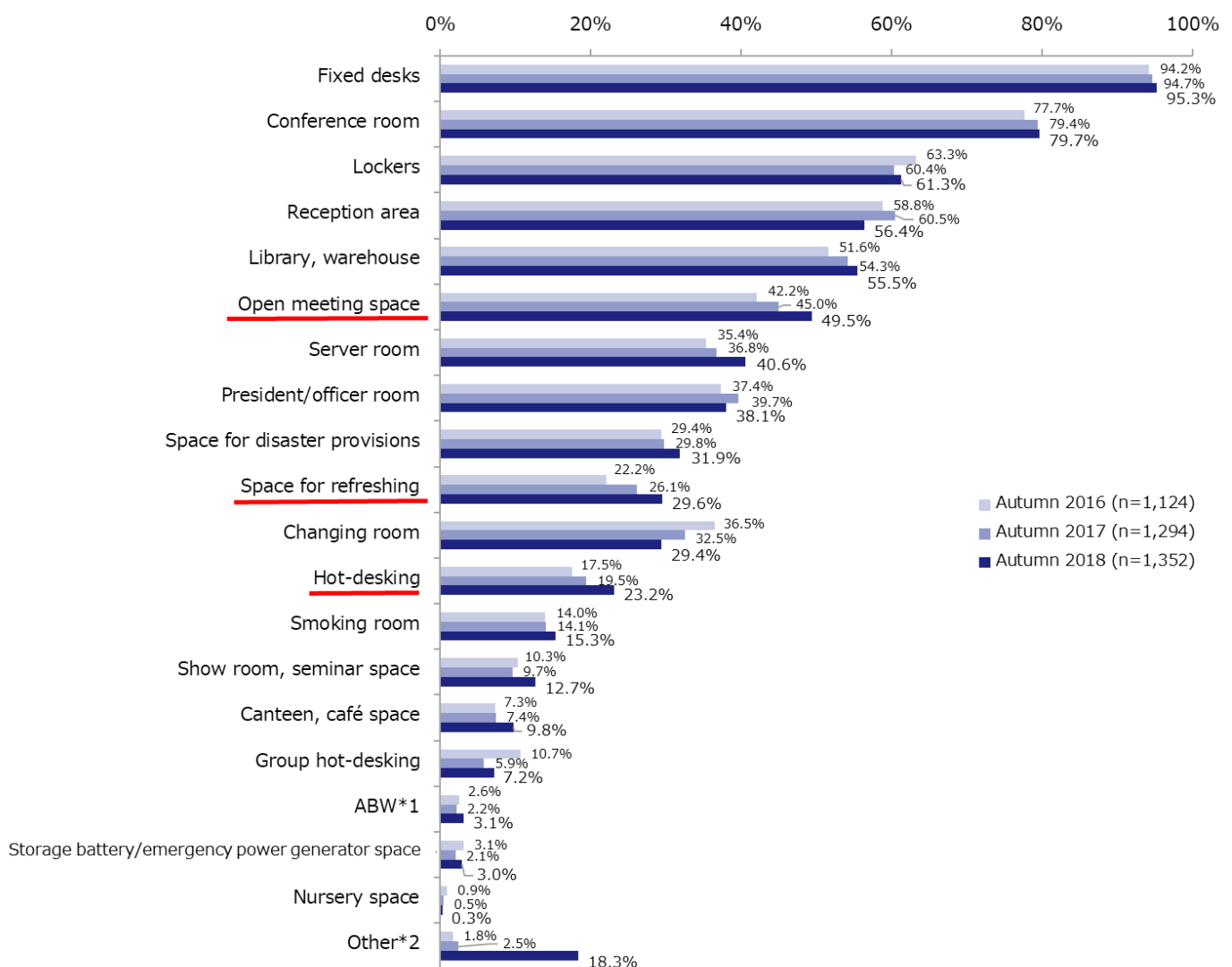
3. Diversification of Workplaces (Promoting Telework)

3-1. Office Layout

- ✓ Compared to the past two surveys, there is a rising trend in spaces for flexible usages, such as open meeting space, space for refreshing, and hot-desking.

Figure 15 (lower bar) indicates what companies' current offices have. The figure indicates that there are more open meeting space, space for refreshing, and hot-desking than in the Autumn 2016 survey (**Figure 15 (upper bar)**) and the Autumn 2017 survey (**Figure 15 (middle bar)**). Spaces that allow flexible use according to users' needs seem to be on a rising trend.

Figure 15: Layout of Current Office (Replies of all respondents; multiple answers)



*1 ABW (Activity Based Working): An office layout that features a variety of work areas within the office, such as booths that enable workers to concentrate and space for team work
 *2 Examples: Standing desks, nap room, plants

3-2. Initiatives to Promote Telework

- ✓ 66.7% of companies have made some kind of ICT investment to support telework of employees.
- ✓ 26.6% of companies replied that they were making efforts to provide places and programs for telework. The percentage of “work-from-home program” (18.5%), the top reply, increased from two years ago and was unchanged from a year ago, while a certain number of companies have adopted the use of “serviced office or shared office provided by specialized operator” (7.8%) and a “satellite office or other similar facility owned or leased by own company” (5.0%), which illustrate that alternative work places are becoming more available and dispersed.
- ✓ Large companies (with 1,000 employees or more) and companies in the telecommunications industry are making aggressive efforts to provide places and programs for telework.

66.7% of all companies were making at least one of the following efforts to support the telework of employees: “utilizing an IT environment or system that enables workers to check emails and schedules outside the office,” “providing employees with IT devices such as notebook computers and tablets to enable mobile work,” and “utilizing a system under which workers can work outside the office in the same network environment as in the office” (Figure 16 and 17). This suggests that a majority of companies have made some kind of ICT investment to achieve efficient workstyles.

Figure 16: ICT Investment to Support Telework (Results of all respondents; n=1,352)

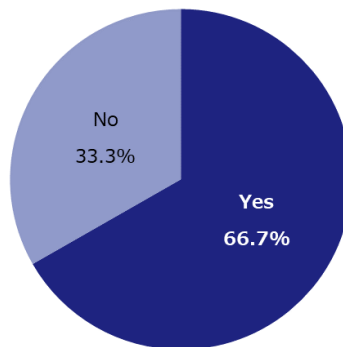
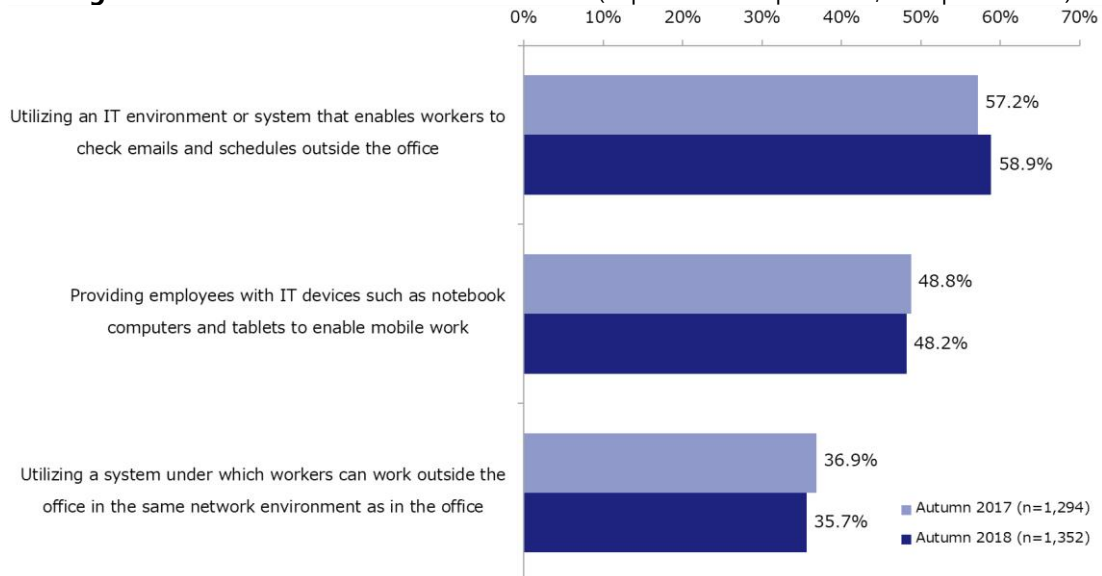


Figure 17: Breakdown of ICT Investment (Replies of all respondents; multiple answers)



Furthermore, 26.6% of all companies said they were making efforts in providing places and programs for employees to do telework (**Figure 18**).

The most popular place or program was the “work-from-home program” (18.5%), rising to nearly 20% compared to the Autumn 2016 survey. “Serviced office or shared office provided by specialized operator” (7.8%) showed a mild increase, while a certain number of companies provided a “satellite office or other similar facility owned or leased by own company” (5.0%). These results illustrate that alternative work places are gradually becoming more available and dispersed (**Figure 19**).

Figure 18: Providing Places and Programs for Telework (Replies of all respondents; n=1,352)

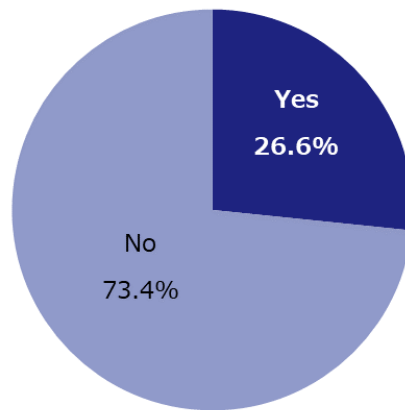
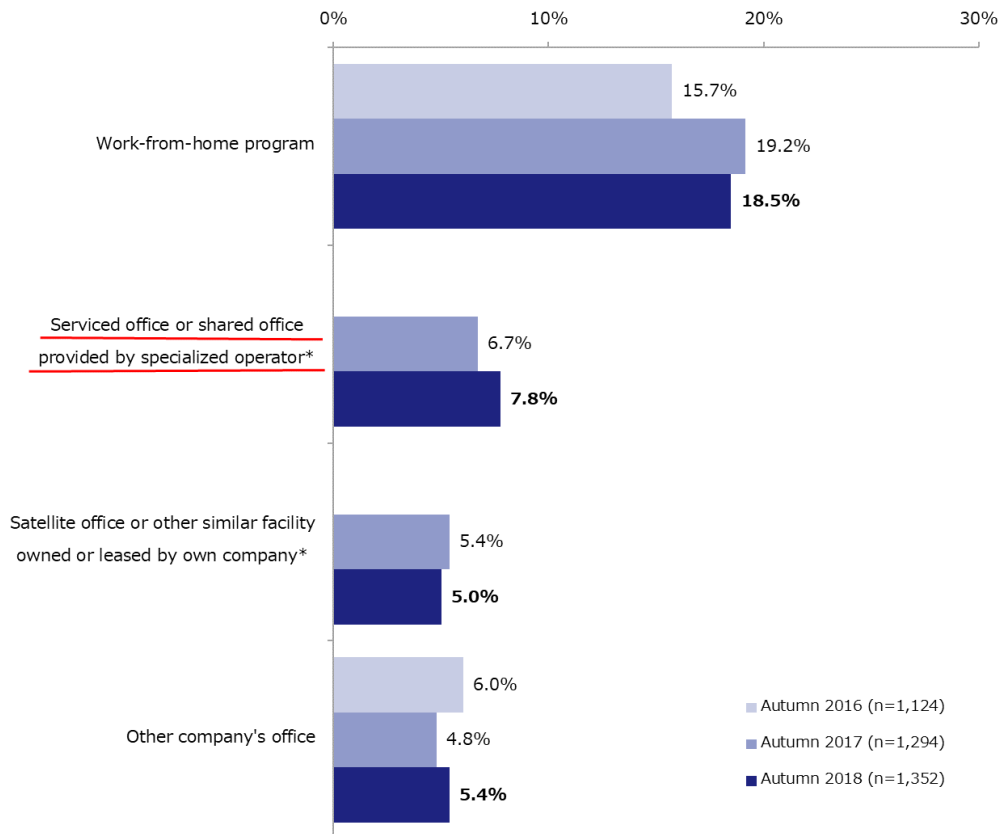


Figure 19: Types of Places and Programs for Telework (Replies of all respondents; multiple answers)



*The chart for Autumn 2016 is unavailable since the definition was changed starting the Spring 2017 survey.

These initiatives varied depending on the attributes of the companies, such as company size and industry.

By company size, larger companies were more likely to offer places and programs for telework. Among companies with 1,000 employees or more, the “work-from-home program” (34.2%) and “serviced offices, shared offices, etc.” (17.9%) grew from the Autumn 2017 survey by 2.2 points and 2.7 points, respectively. Similarly, among companies with 100-999 employees, “serviced offices, shared offices, etc.” (9.3%) increased by 3.1 points (Figure 20).

By industry, the telecommunications industry showed a relatively high percentage in all initiatives. Additionally, “serviced offices, shared offices, etc.” increased by 3.9 points in the manufacturing industry in comparison to the Autumn 2017 survey (Figure 21).

Figure 20: Availability of Places/Programs for Telework – By Company Size (% in brackets: Autumn 2017 survey)

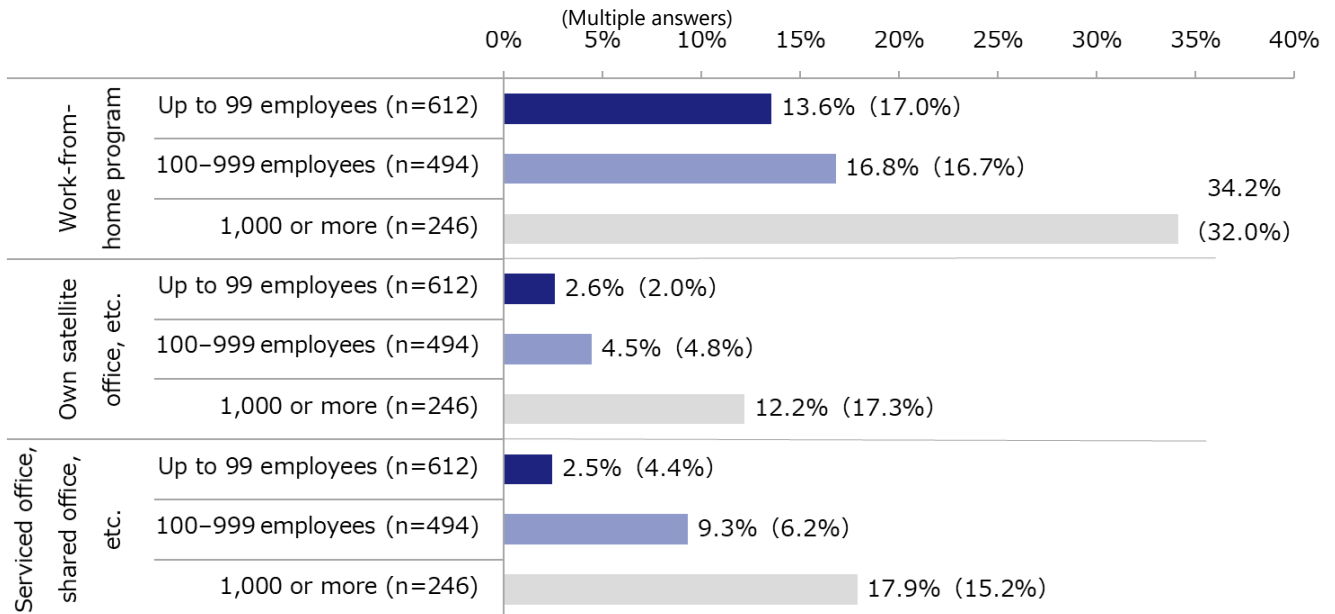
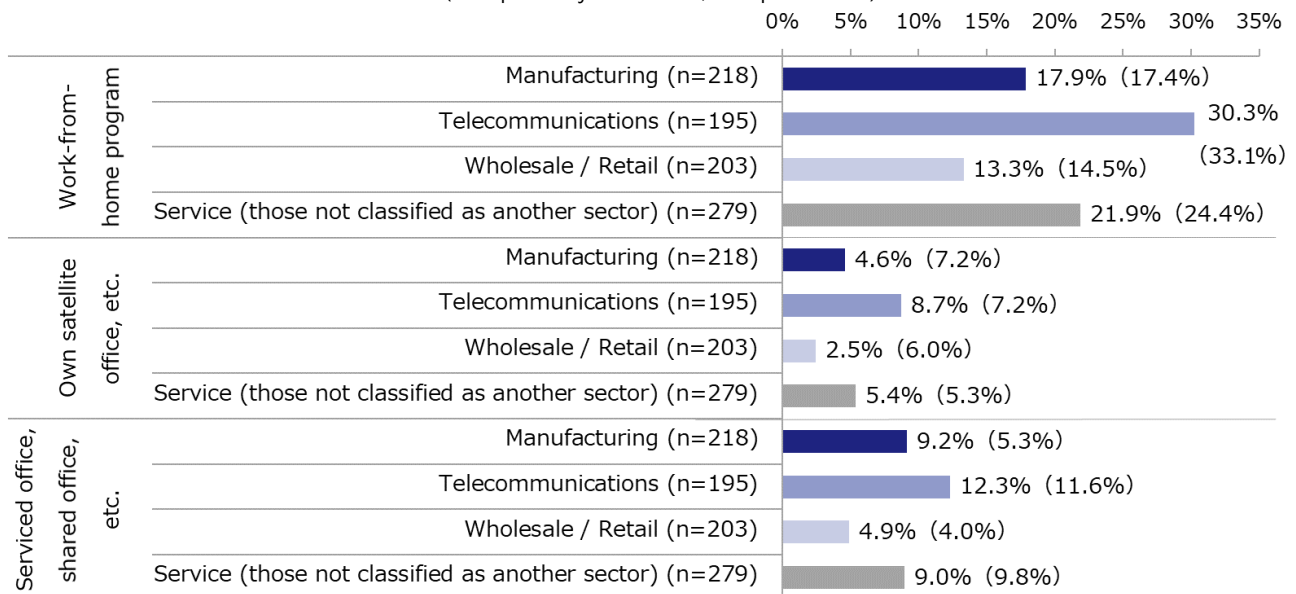


Figure 21: Availability of Places/Programs for Telework – By Industry (% in brackets: Autumn 2017 survey)

(Excerpt of major industries; multiple answers)

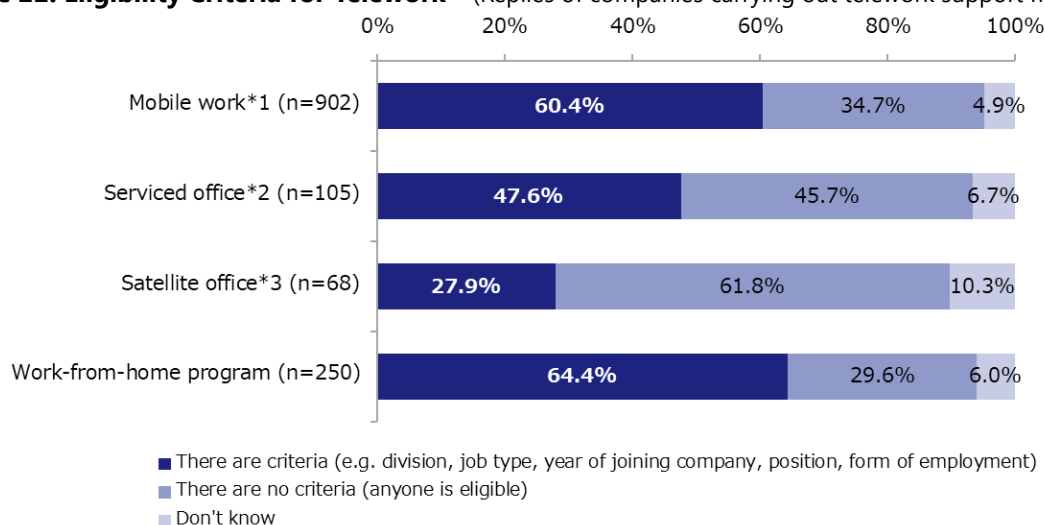


3-3. Specific Ways of Implementing Telework

- ✓ With regard to whether companies had set eligibility criteria for telework, approximately 60% of companies had done so for mobile work and working from home, which was more than for the use of serviced offices and satellite offices.
- ✓ The most common eligibility criterion for mobile work and the use of serviced offices was that the work requires a lot of time outside the office, such as in sales departments, while that for the work-from-home program was that there is a need due to child care or elder care, etc.
- ✓ With regard to whether companies had set rules on the frequency of telework, the only telework support measure for which companies with rules (59.2%) exceeded companies without rules (29.2%) was the work-from-home program. Companies without rules were the majority for mobile work and the use of serviced offices and satellite offices.
- ✓ With regard to the specific rules for frequency, the most common frequency was 1–2 times a week for mobile work, the use of serviced offices, and the work-from-home program. In terms of rules other than for frequency, many companies required prior application and approval.

We asked companies carrying out telework support measures whether they had set eligibility criteria and rules on the frequency of telework, etc., as well as the details of such criteria and rules. 60.4% of companies had eligibility criteria for mobile work and 64.4% of companies had set criteria for the work-from-home program. These were larger percentages than for serviced offices (47.6%) and satellite offices (27.9%) (**Figure 22**).

Figure 22: Eligibility Criteria for Telework (Replies of companies carrying out telework support measures)



*1 The company is making efforts in any of the following: “the use of mobile work (an IT environment or system that enables workers to check emails and schedules outside the office),” “the use of mobile work (a system under which workers can work outside the office in the same network environment as in the office),” or “providing employees with IT devices such as notebook computers and tablets to enable mobile work.”

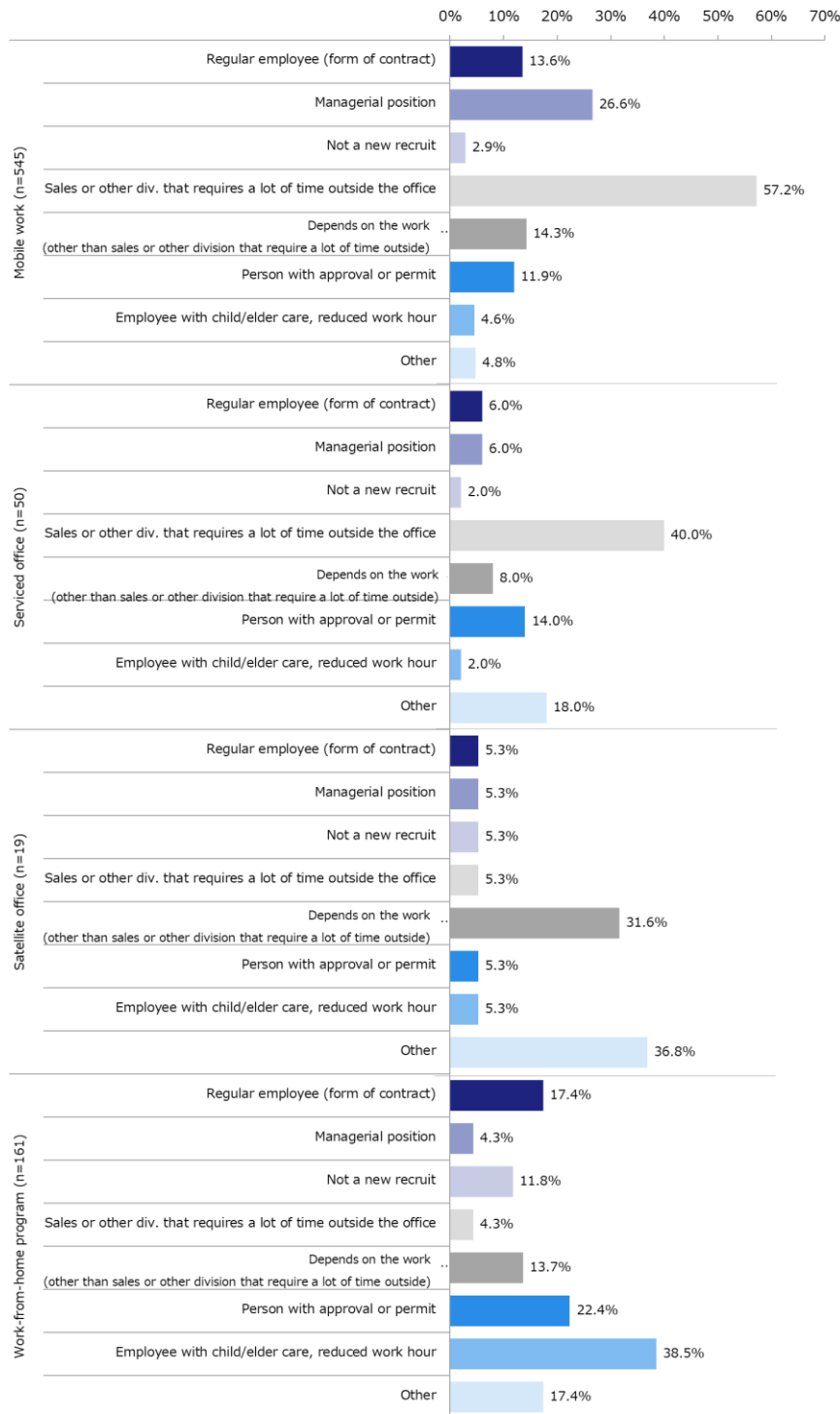
*2 Serviced office or shared office provided by specialized provider. The contract terms such as monthly or hourly contract do not matter.

*3 Satellite office or other similar facility owned or rented by own company. An office near terminal stations or suburbs with the same environment as the main office, provided mainly in consideration of employees’ travel time.

We then asked companies with eligibility criteria in each telework support measure to describe their specific criteria. **Figure 23** shows a classification of the top replies. In mobile work and serviced offices, the most popular criterion was that the work required a lot of time outside the office, such as in sales departments. For the work-from-home program, the top reply was that the employee was engaged in child or elder care or was working under reduced work hours.

Figure 23: Classification of Eligibility Criteria for Telework

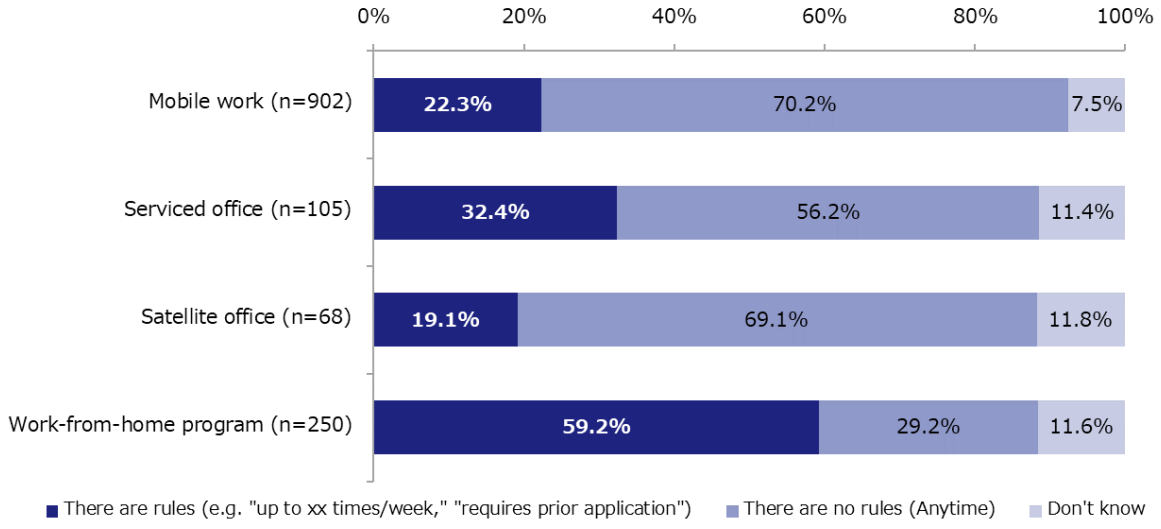
(Replies of companies that had set eligibility criteria for telework support measures; classification of similar write-in answers)



We also asked companies engaged in each of the telework support measures whether they had set rules on the frequency of telework, etc. The only telework support measure for which there were more companies with rules (59.2%) than those without rules (29.2%) was the work-from-home program, while companies without rules were the majority for mobile work and the use of serviced offices and satellite offices (**Figure 24**). For mobile work and satellite offices, in particular, companies without rules amounted to around 70%, suggesting that each worker is required to work autonomously.

Figure 24: Existence of Rules for the Frequency of Telework, etc.

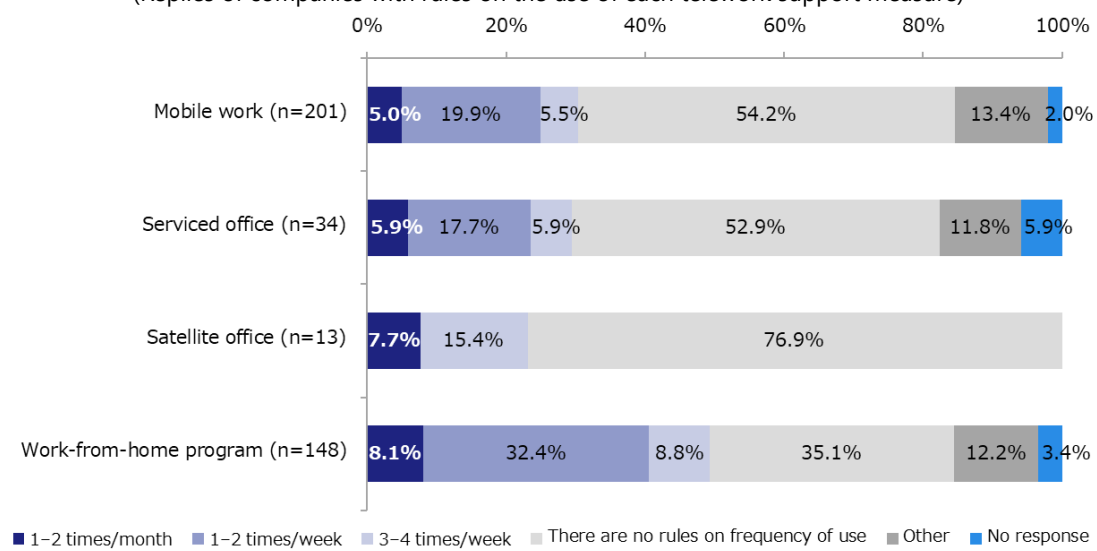
(Replies of companies engaged in each of the telework measures)



We then asked companies with some kind of rules on the use of telework about the rules on frequency, in particular. The result indicated that the work-from-home program had a high percentage of companies that had set rules on the frequency (the sum of "1–2 times/month," "1–2 times/week," and "3–4 times/week" was 49.3%) (**Figure 25**). In terms of the breakdown, many companies had set the frequency at "1–2 times/week" for mobile work, serviced offices, and the work-from-home program. When we asked companies with rules other than on frequency to describe the specific rules, relatively many companies required "prior application & approval," regardless of the place and system for telework.

Figure 25: Rules on the Frequency of Telework

(Replies of companies with rules on the use of each telework support measure)



3-4. Strategies Companies are Interested in Toward the Future

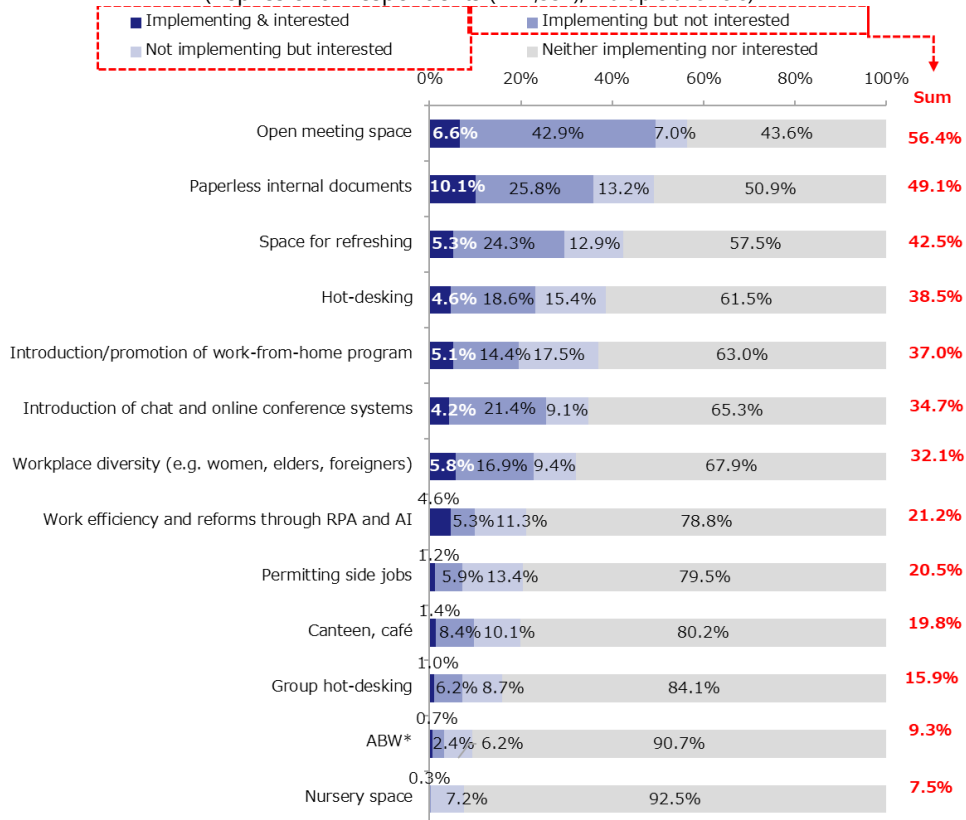
- ✓ More than half of the companies (56.4%), including those that have already provided such space as well as those that have not yet done so but are interested, are likely to implement “open meeting space” at a future point in time. For “space for refreshing,” “hot-desking,” and “introduction/promotion of work-from-home program,” companies that have not adopted the initiative but are interested accounted for 12.9%, 15.4%, and 17.5%, respectively, indicating that workplaces will become even more flexible in the future.

We asked companies whether they were interested in certain strategies on workstyles toward the future as well as the current status of the strategies (implementing/not implementing). **Figure 26** classifies the results.

For “open meeting space,” of the 49.5% of companies that had already implemented such space, 6.6% were still interested in the space toward the future, indicating their intention of further promoting the strategy. Including companies that had not yet adopted the strategy but were interested (7.0%), more than half of companies (56.4%) were likely to provide such space at a future point in time. For popular strategies such as “space for refreshing,” “hot-desking,” and “introduction/promotion of work-from-home program,” the percentage of companies replying they “(have not provided but are) interested toward the future” was relatively high, indicating that there may be more companies implementing the strategies in the future, resulting in more flexible workplaces. “Paperless internal documents,” which must be implemented together with these strategies, is similarly expected to see further growth.

Figure 26: Strategies Companies are Interested in Toward the Future

(Replies of all respondents (n=1,352); multiple answers)



*ABW (Activity Based Working): An office layout that features a variety of work areas within the office, such as booths that enable workers to concentrate and space for team work.

PICK UP

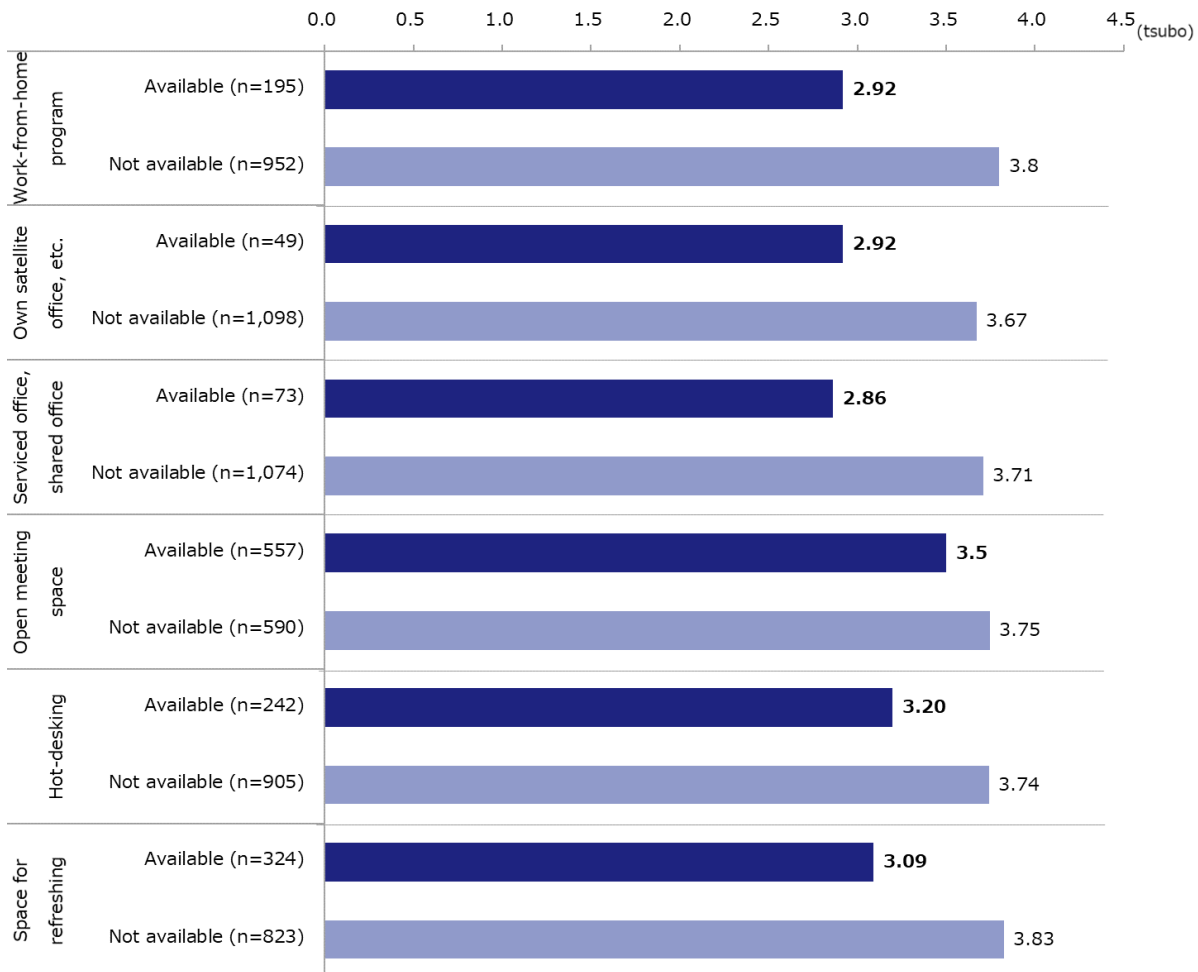
Office Space per Person by Initiative on Workplace

A calculation of office space per person (median value) by the availability of a flexible office layout and telework indicates that in all layouts and types of telework, companies where such layout or telework is available have a smaller office space per person than companies where such matters are not available (**Figure 27**).

The office space per person at companies that had introduced a flexible layout, such as space for refreshing and hot-desking was around 3 tsubo (1 tsubo = 3.3 sqm). This is smaller than at companies that have no such layout. In terms of the place for telework, the office space per person at companies that use serviced or shared offices was 2.86 tsubo (3.71 tsubo at companies that did not use such offices; the same applies hereafter), while it was 2.92 tsubo (3.8 tsubo) at companies with a work-from-home program. The dispersion of workplaces may be contributing to improved efficiency of conventional office space. If workstyles continue to become more flexible and diverse both in and outside the office, it may affect the use of fixed office space, such as head offices, as well as office demand.

Figure 27: Office Space per Person by availability of Initiative on Workplace (Median)

(Replies of companies with office space per person of 1.5–15 tsubo (n=1,147))



4. What Companies Require in an Office

4-1. What Companies Require in an Office

- ✓ The top tangible requirement was “convenient location” (89.6%), followed by “good cleaning, sanitation, and maintenance conditions” (84.0%), “high seismic capacity” (83.5%), and “high security performance” (81.6%).
- ✓ The top intangible requirements were “enables employees to work comfortably” (90.3%) and “motivates employees” (88.2%), indicating a rise in companies’ awareness of employee satisfaction.

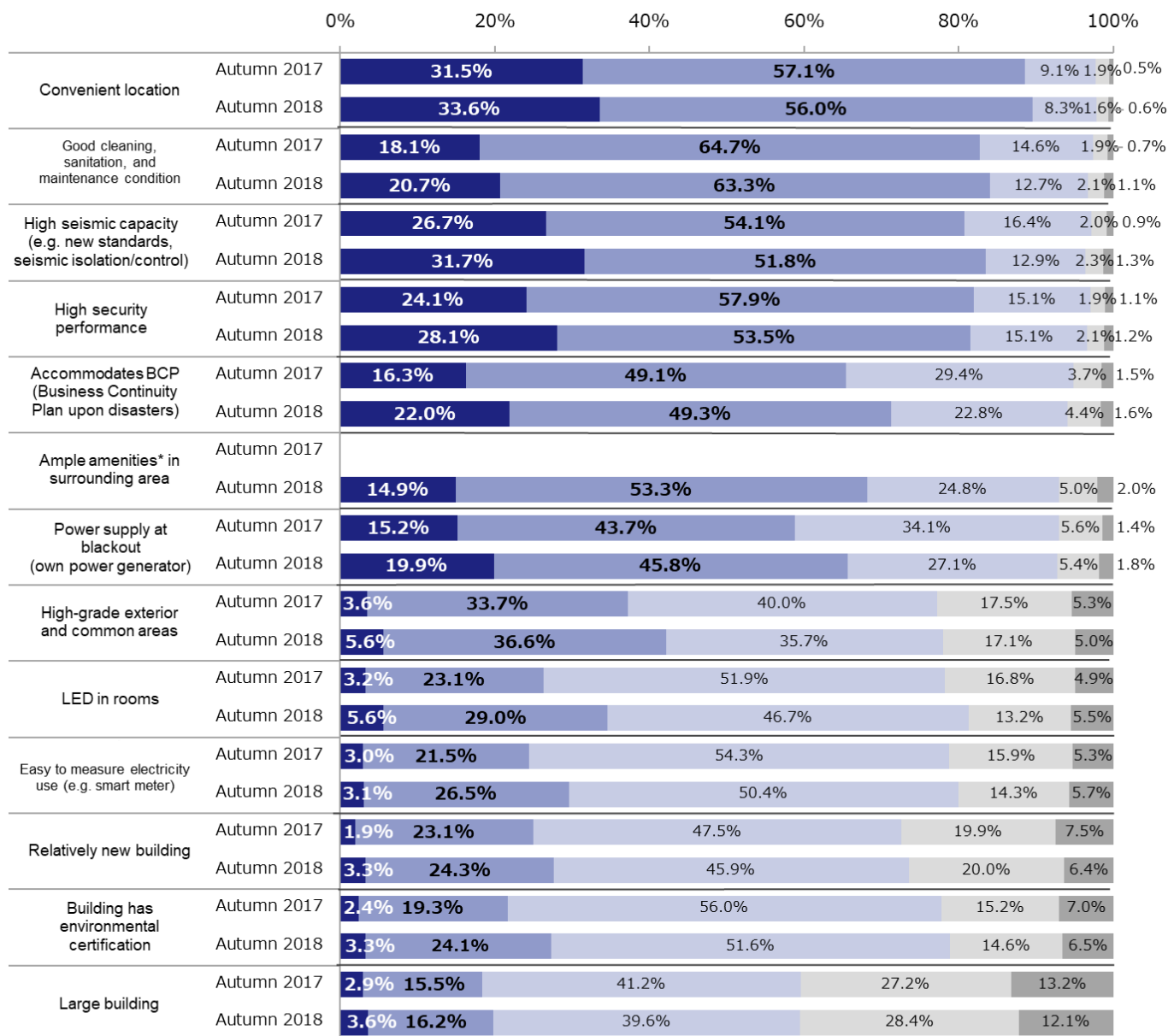
We asked companies how much importance they placed on major tangible elements (e.g. building specifications) and intangible elements (e.g. elements related to work styles) of offices.

The most required tangible element was “convenient location,” with 89.6% of companies saying they considered it very important or important, followed by “good cleaning, sanitation, and maintenance conditions” (84.0%) and “high seismic capacity” (83.5%) (**Figure 28 on next page**). We believe these elements have already become essential requirements in selecting an office. “Ample amenities (e.g. restaurants, post office, parks, banks, convenience stores) in surrounding area” accounted for 68.2% or nearly 70%, suggesting a rise in companies’ awareness of a convenient environment for work, including the environment outside the office.

In comparison to the Autumn 2017 survey, the total scores of “very important” and “important” elements have grown in general, especially in elements related to safety and environmental performance, such as “accommodates BCP,” “power supply at blackout,” and “LED in rooms,” suggesting that requirements in offices are becoming specific and sophisticated.

Figure 28: What Companies Require in an Office (Tangible Elements)

(Replies of all respondents: n=1,294 for Autumn 2017; n=1,352 for Autumn 2018)



■ Very important ■ Important ■ Neither important nor not important ■ Not that important ■ Not important

*There is no chart for Autumn 2017 since options were added from the Spring 2018 survey.

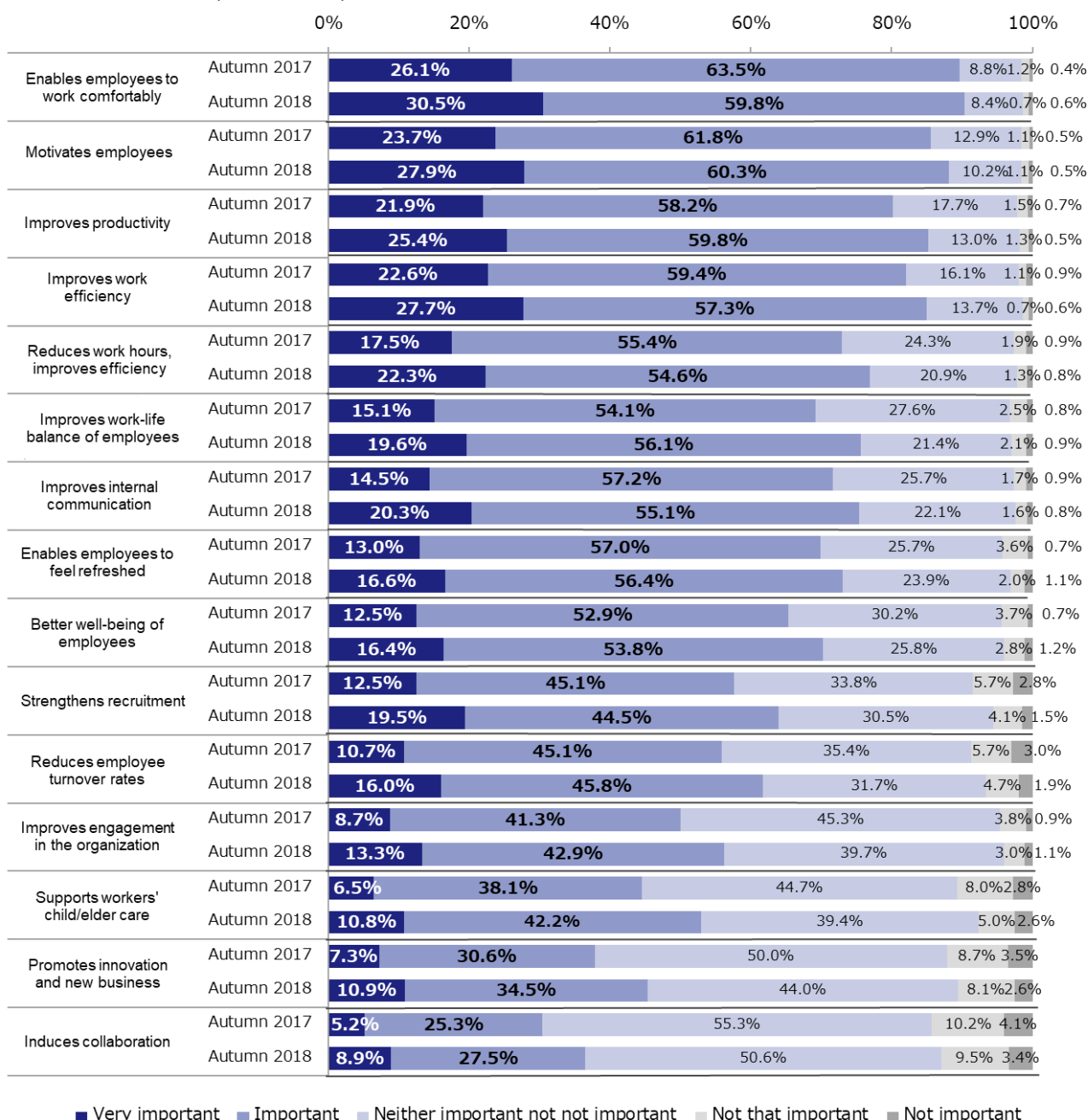
Examples of amenities in the surrounding area include restaurants, post office, parks, banks, and convenience stores.

On the intangible side, the most required element was “enables employees to work comfortably” (90.3%), followed by “motivates employees” (88.2%) (Figure 29).

The total scores of “very important” and “important” elements have also grown in all intangible elements compared to the Autumn 2017 survey. “Improves work-life balance of employees,” “better well-being of employees,” and “supports workers' child/elder care” grew by 6.5 points, 4.8 points, and 8.4 points, respectively, indicating that more companies are placing importance on elements related to employee satisfaction. This can also be interpreted as a rise in both tangible and intangible requirements in offices due to the spread of the recognition that offices focusing on workers eventually lead to improved productivity and work efficiency of companies.

Figure 29: What Companies Require in an Office (Intangible Elements)

(Replies of all respondents: n=1,294 for Autumn 2017; n=1,352 for Autumn 2018)



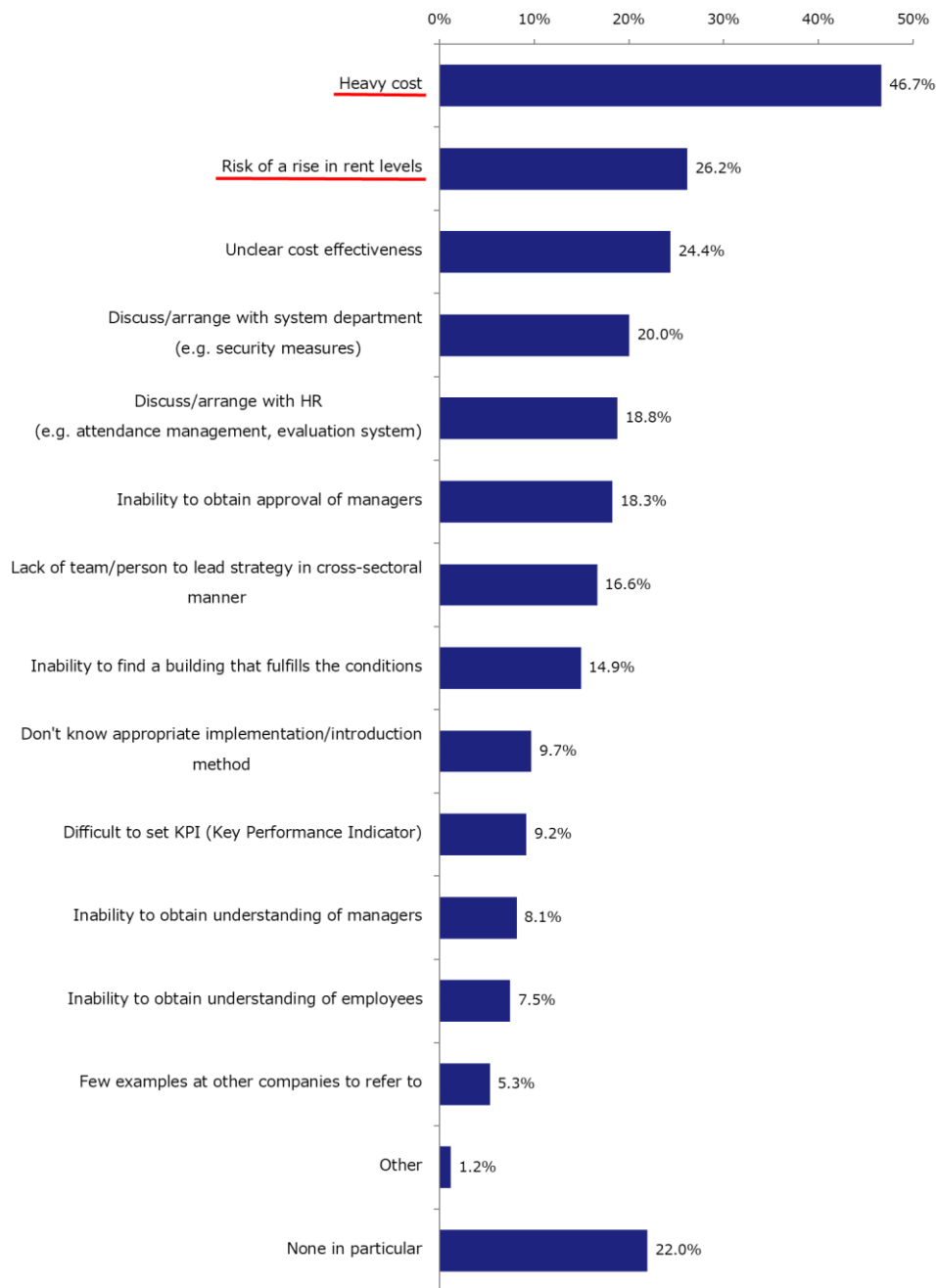
4-2. Concerns and Obstacles in Implementing Office Strategy

- ✓ Cost-related concerns and obstacles such as “heavy cost” (46.7%) and “risk of a rise in rent levels” (26.2%) ranked high.

Regarding the concerns or obstacles in implementing office strategy, around half of the companies replied “heavy cost,” which ranked top as in the Autumn 2017 survey (44.7%) (Figure 30). We also believe that concerns of the “risk of a rise in rent levels” is growing on the back of the continued tight supply-demand situation of offices in metropolitan areas.

Figure 30: Concerns and Obstacles in Implementing Office Strategy

(Replies of all respondents (n=1,352); multiple answers)



5. Topic: Future Office Strategy

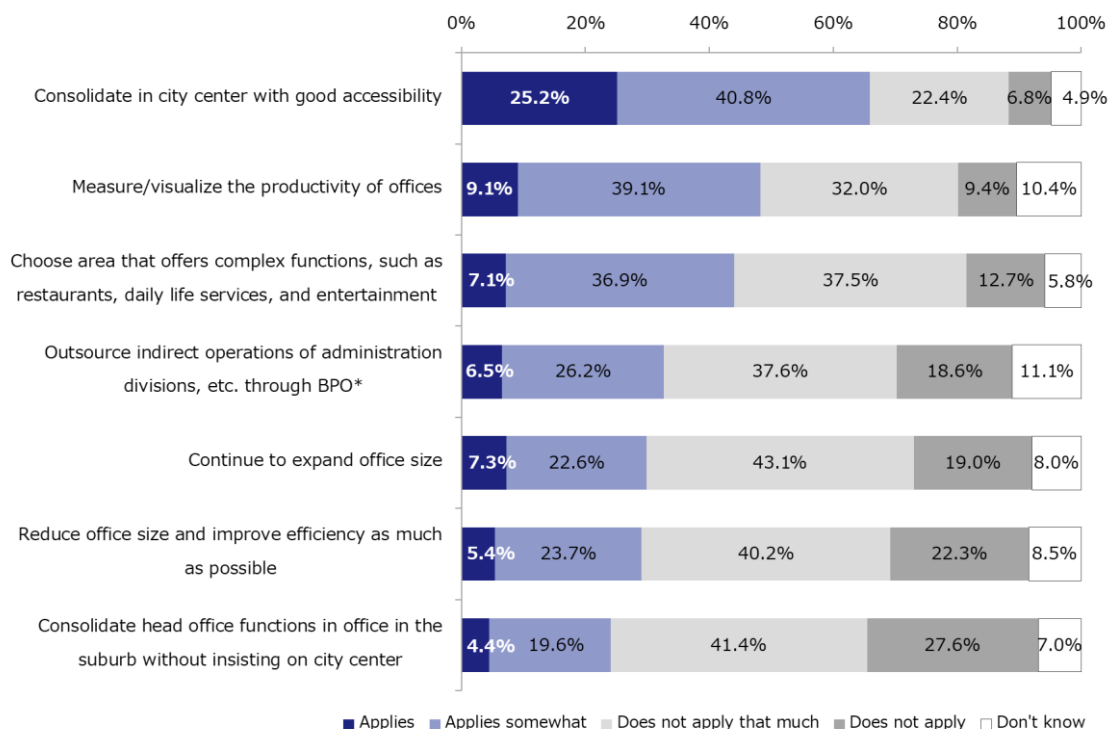
5-1. Future Office Strategy for Head Offices and Other Offices

- ✓ As the future strategy for the head office, the top reply was “consolidate in city center with good accessibility” (66.0%; the sum of “applies” and “applies somewhat” replies). The results also revealed that around half of the companies intended to “measure/visualize the productivity of offices.”
- ✓ As the future strategy for offices other than the head office, 50.4% of the companies chose “enhance work from home” and 44.2% chose “provide workspaces in various locations outside the head office.” Both strategies exceeded “consolidate offices into the head office as much as possible” (31.4%).

We asked companies’ thoughts on their head office strategy for 5–10 years ahead (**Figure 31**). The top reply was “consolidate in city center with good accessibility” (66.0%; the sum of “applies” and “applies somewhat” replies), followed by an intention to “measure/visualize the productivity of offices” by around half (48.2%) of the companies. Given that “improves productivity” came in third (85.2%) in “What Companies Require in an Office (Intangible Elements)” (**Figure 29**), such awareness of productivity may have affected the results.

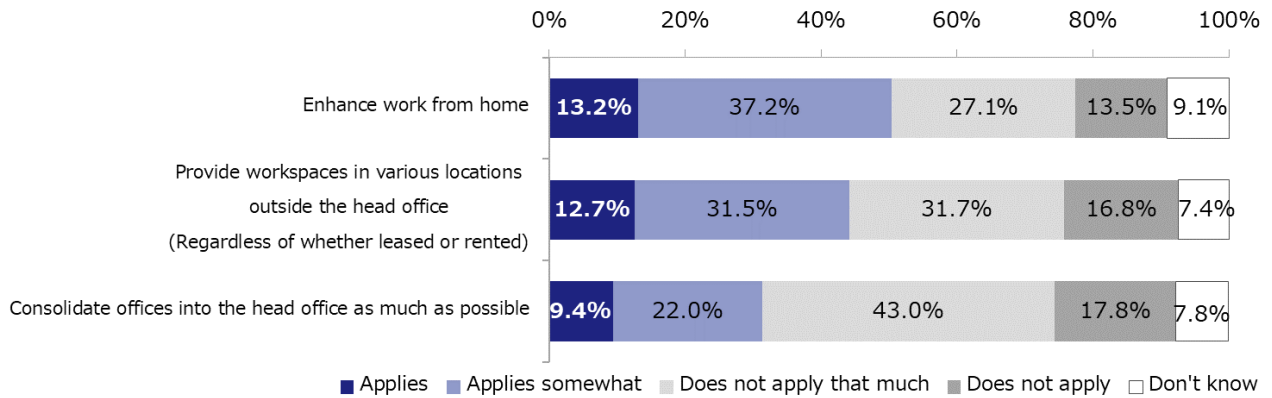
As for the future strategy for offices other than the head office, 50.4% replied that they would “enhance work from home” (**Figure 32**). Furthermore, 44.2% of the companies replied that they would “provide workspaces in various places outside the head office,” exceeding companies that would “consolidate offices into the head office as much as possible” (31.4%). Companies seem to be intending to provide environments where employees can work in various locations outside the head office rather than to consolidate functions in the head office.

Figure 31: Future Strategy for the Head Office (Replies of all respondents (n=1,352))



*BPO (Business Process Outsourcing): Outsourcing specific operations of a company to a specialized company

Figure 32: Future Strategy for Offices Other than the Head Office (Replies of all respondents (n=1,352))



6. Summary

As we have examined in 1-1. *Changes in the Number of Office Users, Size of Office, and Rent per Tsubo (Incl. CAM Charges)*, the increase exceeded the decrease in the number of office users, the size of office, and rent per tsubo over the past year, indicating continued robust demand for offices. Furthermore, as **Figure 6** indicates, companies are making more efforts in workstyle reforms, with around 70% of companies implementing the reforms actually feeling the effects of the reforms (**Figure 9**). On the other hand, the acknowledgement of the specific effects of workstyle reforms has dropped from a year ago, suggesting that expectations for the results of the reforms have risen as workstyle reforms gain momentum in society (**Figure 10**). With regard to office layouts, not only are more companies providing spaces for flexible use, such as open meeting spaces and spaces for refreshing, but places and programs for telework, such as the work-from-home program and serviced offices, are also gradually being offered outside the office (**Figures 15, 19**). Strategies to promote telework to achieve workstyle reforms are being implemented by more companies than ever, and we believe that alternative workplaces will continue to become more available.

In these series of surveys, we had examined whether companies were making efforts in telework. In this fifth survey we took a step further and examined the specific ways of implementing telework, such as the existence of eligibility criteria and rules for telework (**Figures 22, 24**). This revealed that a majority of companies with a work-from-home program had set eligibility criteria and rules, while a majority of companies had no rules for mobile work or the use of serviced and satellite offices. For mobile work and satellite offices, in particular, around 70% of companies had no rules, suggesting that each worker is required to work autonomously.

The office space per person at companies with a flexible layout, such as spaces for refreshing and hot-desking, was smaller than companies with no such layout. Looking outside the office, we also found that companies using serviced or shared offices, in particular, had smaller office space per person (**Figure 27**). The space per person in the main office tends to become smaller as more alternative workplaces become available, the effect of which on office demand we must examine.

As we saw in **Figures 31 and 32**, while head offices for “congregating” purposes will remain in demand, we expect the shift to more flexible workstyles without being bound to the place to accelerate. Workplaces will become available in many different places as more companies introduce and use work-from-home programs and serviced or shared offices. We intend to continue observing the quantitative changes in office demand, such as due to demographics, as well as qualitative changes due to social factors such as workstyle reforms.

Survey Overview

Survey period	October 2018
Target respondents	3,887 companies <ul style="list-style-type: none"> • Companies that are tenants of office buildings managed by the Xymax Group • Client companies of XYMAX INFONISTA Corporation
No. of valid responses	1,352 companies Response rate: 35%
Geographical coverage	Nationwide (Tokyo, Osaka, Aichi, Fukuoka, Kanagawa, Saitama, Chiba Prefectures and others)
Survey method	By email and questionnaire sheet
Topics covered in the survey	<p>Current office</p> <ul style="list-style-type: none"> • Office type, location, contracted area, rent per tsubo (incl. CAM charges), number of office users, number of work desks, impression of office size <p>Office use and telework</p> <ul style="list-style-type: none"> • Office layout • Places for telework • Eligibility and rules for telework support measures <p>Change in office demand (October 2017–September 2018)</p> <ul style="list-style-type: none"> • Change in number of office users • Change in office size • Change in rent per tsubo <p>Initiative in workstyle reforms</p> <ul style="list-style-type: none"> • Initiatives, motive, purpose, effects, and specific effects of workstyle reforms • Actual status of initiatives in workstyles • Strategies companies are interested in <p>What companies require in an office</p> <ul style="list-style-type: none"> • Priority items (tangible, intangible) • Concerns and obstacles <p>Future office strategy</p> <ul style="list-style-type: none"> • Head office strategy, office strategy for other offices <p>Company profile</p> <ul style="list-style-type: none"> • Industry, location of head office, number of employees, year of establishment <p>Respondent profile</p> <ul style="list-style-type: none"> • Department, position, age group

Profile of Respondent Companies (Upper row: percentage of total; Lower row: number of companies)

Industry

Service (those not classified as another sector)	Manufacturing	Wholesale / Retail	Telecommunications	Construction	Academic research / Professional or technical service	Real estate / Leasing of goods	Unclassifiable industries	Financial / Insurance	Transportation / Postal service
20.6%	16.1%	15.0%	14.4%	7.0%	5.6%	4.4%	3.7%	2.8%	2.6%
279	218	203	195	95	76	59	50	38	35

Education / Learning support	Daily life services / Entertainment	Multi-service business	Medical / Welfare	Electricity, Gas, Heat, Water	Civil service (excl. those classified as another sector)	Accommodation / Food & beverage service	Agriculture / Forestry
1.7%	1.6%	1.5%	1.3%	0.6%	0.6%	0.4%	0.0%
23	22	20	17	8	8	6	0

Number of employees

Up to 99	100-999	1,000 or more
45.3%	36.5%	18.2%
612	494	246

Type of office

Head office	Branch office	Sales office	Sub-office	Call center	Computer room	Other	No response
62.6%	25.7%	7.8%	1.6%	0.3%	0.1%	1.8%	0.1%
846	347	106	21	4	2	25	1

Location of office

Tokyo 23 Wards	Osaka City	Nagoya City	Fukuoka City	Other
64.3%	9.0%	5.6%	5.0%	16.1%
870	122	76	67	217

Size of office under lease contract in tsubo (1 tsubo = 3.3 sqm)

Less than 30 tsubo	30-50 tsubo	50-100 tsubo	100-200 tsubo	Over 200 tsubo	No response
16.6%	14.5%	18.3%	17.0%	24.7%	8.8%
225	196	248	230	334	119

The percentage mix in the charts contained in this report are rounded to the first decimal place and therefore may not add up to 100%. Figures 20 and 21 are excerpts of the main places and programs for telework.

Contact for inquiries concerning this report

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