

## Supply of New Office Space 2020

January 8, 2020

Xymax Real Estate Institute (hereinafter, "Xymax REI") hereby releases a report on the Supply of New Office Space 2020 covering the 23 wards of Tokyo (hereinafter, "Tokyo 23 Wards") and the city of Osaka (hereinafter, "Osaka City"). The amount 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 supply-demand balance of the office market. Xymax REI aggregates the rentable areas of office space in buildings that are mainly for office-use with a gross floor area of 3,000 tsubo or more completed in the Tokyo 23 Wards and Osaka City each year.

1 tsubo = approx. 3.3 sqm

### Main Findings

#### 1. TOKYO 23 WARDS | Supply of New Office Space 2020

- ✓ Supply of 261,000 tsubo is scheduled in 2020, which is on par with the largest supply to date (275,000 tsubo in 2012). However, supply in 2021 and 2022 is forecast at 105,000 tsubo and 95,000 tsubo, respectively, the smallest since 2010.
- ✓ The average annual supply in 2020–2023 is forecast at 148,000 tsubo. This is less than the average annual supply of the past 10 years, which was 172,000 tsubo.
- ✓ 81% of the supply in 2020–2023 is concentrated in the five central wards of Chiyoda, Chuo, Minato, Shinjuku, and Shibuya.
- ✓ The new supply rate (supply in 2020–2023 versus office stock at end of 2019) in Tokyo 23 Wards is expected to be around 4.6% (annual average: 1.2%).

#### 2. OSAKA CITY | Supply of New Office Space 2020

- ✓ Supply of 6,000 tsubo is scheduled in 2020.
- ✓ The average annual supply in 2020–2023 is forecast at 16,000 tsubo. This is less than the average annual supply of the past 10 years, which was 22,000 tsubo.
- ✓ The average annual supply in 2020–2023 (16,000 tsubo) is a ninth of that of Tokyo 23 Wards (148,000 tsubo).
- ✓ The new supply rate (supply in 2020–2023 versus office stock at end of 2019) in Osaka City is expected to be around 2.3% (annual average: 0.6%).

# 1. TOKYO 23 WARDS | Supply of New Office Space 2020

The supply of office buildings with a gross floor area of 3,000 tsubo or more is expected to be 261,000 tsubo in Tokyo 23 Wards in 2020, which is on par with the largest supply to date (275,000 tsubo in 2012). This is more than the average annual supply for 2010–2019 (hereinafter, the “10-year average”), which was 172,000 tsubo (Figure 1).

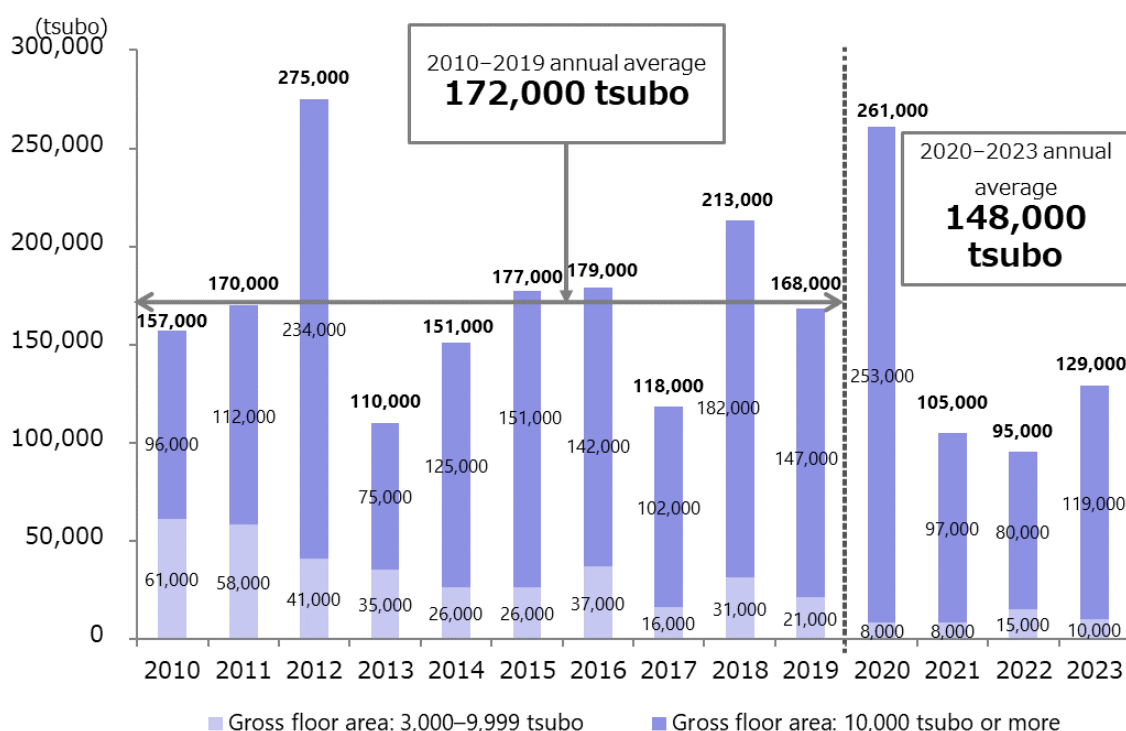
However, the supply in 2021 and 2022 is expected to be the smallest since 2010 at 105,000 tsubo and 95,000 tsubo, respectively. The average annual supply in 2020–2023 is forecast at 148,000 tsubo, which is less than the 10-year average.

As for large buildings with a gross floor area of 10,000 tsubo or more, supply of 253,000 tsubo is scheduled in 2020 due to completions of large developments in the Toranomon, Marunouchi, Shibaura/Kaigan, and Toyosu areas.

Meanwhile, the expected average annual supply of buildings with a gross floor area between 3,000 tsubo and 10,000 tsubo is expected to be 10,000 tsubo in 2020–2023, which is less than 35,000 tsubo, the average annual supply of medium-sized buildings in 2010–2019.

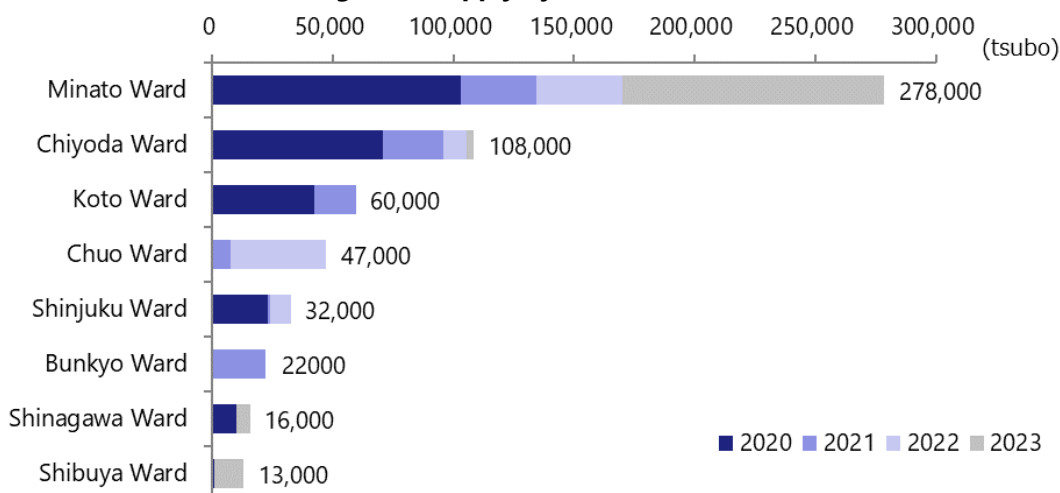
The new supply rate, which is the percentage of supply in 2020–2023 to the office stock at the end of 2019, is 4.6% (annual average: 1.2%).

**Figure 1: Supply in Tokyo 23 Wards (Net Rentable Area)**

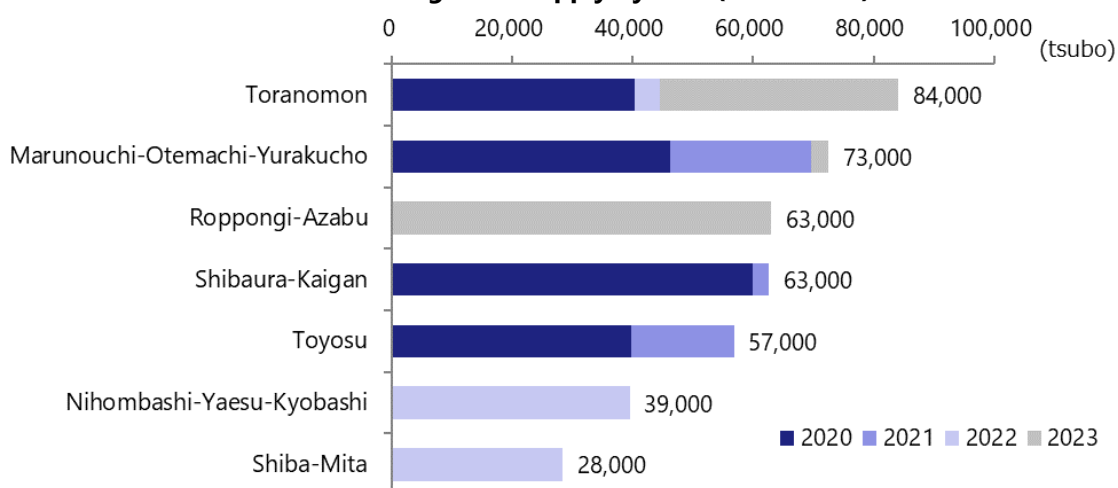


By ward, 73% of the total supply in 2020–2023 will be in the three central wards (Chiyoda, Chuo and Minato) (Figure 2). Minato Ward accounts for 47%, the largest share of supply among all wards. When we look at the five central wards (the three central wards plus Shibuya and Shinjuku wards), 81% of total supply will be in these areas, which indicates that supply is concentrated in central Tokyo.

**Figure 2: Supply by ward (2020–2023)**



**Figure 3: Supply by area (2020–2023)**



The highlights of the major areas are as follows (**Figure 3**):

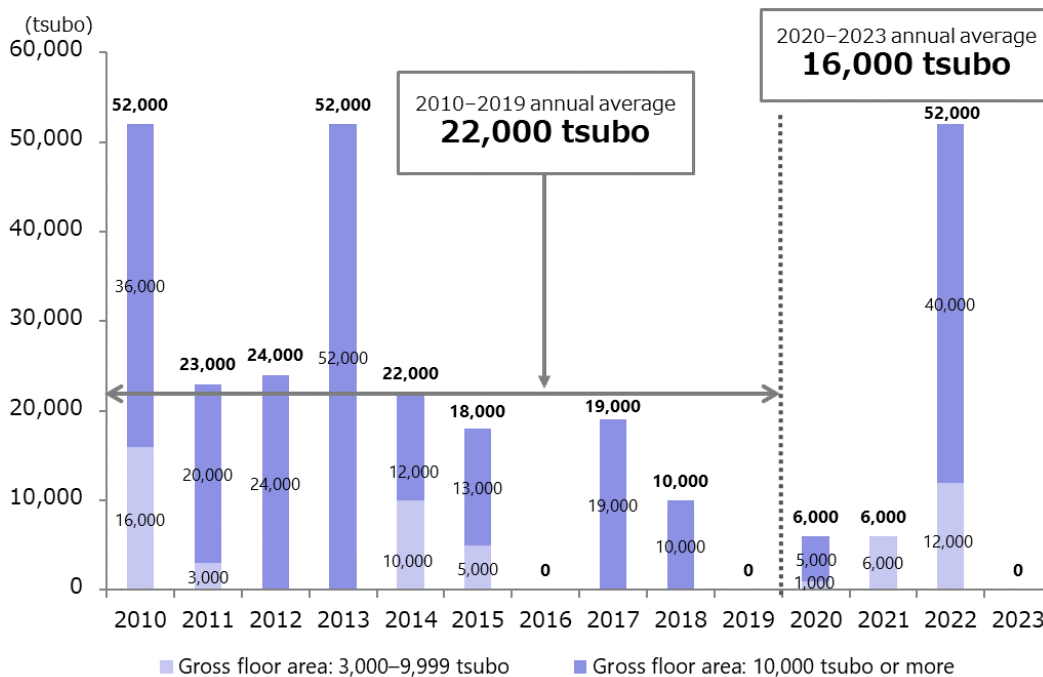
- The Toranomom area has the largest supply at 84,000 tsubo. The area will see continued supply due to comprehensive, large-scale redevelopment projects that include infrastructure such as Beltway 2, a new subway station and the Bus Rapid Transit (BRT) system, as well as offices, hotels, and medical institutions.
- The Marunouchi-Otemachi-Yurakucho area, the prime office district in central Tokyo, is seeing a chain of redevelopment projects. Several other large development projects are also planned but many of them are not reflected in the supply volume since they are owner-occupied buildings.
- In Roppongi-Azabu, large supply is scheduled in 2023 due to the Toranomom & Azabudai Class One Urban Redevelopment Project, which includes a hotel and an international school.
- Shibaura-Kaigan will see supply due to multiple large development projects in 2020.
- In Nihombashi-Yaesu-Kyobashi, large supply is scheduled in 2022 due to the Yaesu 2-chome North District Class One Urban Redevelopment Project.

## 2. OSAKA CITY | Supply of New Office Space 2020

The supply of office buildings with a gross floor area of 3,000 tsubo or more is expected to be 64,000 tsubo in Osaka City in 2020–2023, an average of 16,000 tsubo per year (Figure 4). The average annual supply in 2020–2023 is expected to fall below 22,000 tsubo, the annual average of the past 10 years (2010–2019), since supply in both 2020 and 2021 is expected to be 6,000 tsubo and no supply is planned in 2023, although 2022 is expected to see one of the largest amounts of supply in the past 10 years (52,000 tsubo).

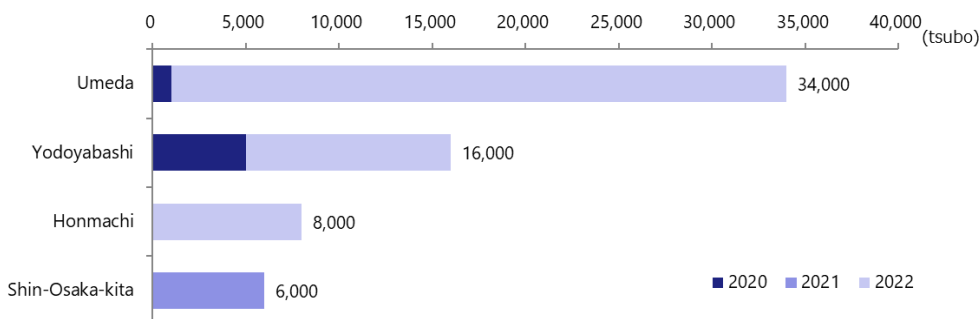
The average annual supply in 2020–2023 of 16,000 tsubo is a ninth of that of Tokyo 23 Wards (148,000 tsubo). The new supply rate (supply in 2020–2023 versus office stock at end of 2019) in Osaka City is expected to be 2.3% (annual average: 0.6%), about half of that in Tokyo 23 Wards (4.6% (annual average: 1.2%)).

Figure 4: Supply in Osaka City (Net Rentable Area)



By area, new office space will be supplied in the Umeda, Yodoyabashi, Honmachi, and Shin-Osaka-kita areas (Figure 5).

Figure 5: Supply by area (2020–2023)



The highlights of the major areas are as follows:

○Umeda will see the largest supply at 34,000 tsubo. Osaka Umeda Twin Towers South, which will have one of the largest rentable areas in western Japan, is scheduled for completion in 2022.

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## Survey Overview

<b>Survey timing</b>	December 2019
<b>Area</b>	23 wards of Tokyo, city of Osaka
<b>Target properties</b>	Properties with a gross floor area of 3,000 or more that are used mainly as office space (excluding owner-occupied buildings)
<b>Target data</b>	Rentable office area (tsubo)
<b>Method</b>	Through publicly available information such as newspaper articles, in addition to on-site surveys and interviews with operators

\* The target of this survey is the floor area of buildings to be newly supplied. Note that this is not a complete survey.

\* Published rentable areas are used in the study, if available. If not, the study uses the area estimated from gross floor area based on a formula derived from a joint development with Naoki Kato Lab, Architecture and Architectural Engineering, Kyoto University Graduate School of Engineering.

\* The amount of new supply in this survey is the estimated amount as of the date of the survey. The figure of new supply changes as information is added and updated on a daily basis.

## Contact for inquiries on this report

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