

Metropolitan Areas Office Demand Survey Spring 2020 (Carried Out in June)

Changing office demand due to COVID-19

July 29, 2020

In the past several years, companies have been promoting workstyle reforms aimed at acquiring personnel and improving productivity, with more companies shifting from the conventional, inflexible workstyle to one that is not constrained by place or time. More recently, many companies may have been forced to review the workstyles of their employees and the direction of their workplace due to the Japanese government's declaration of a state of emergency and its request for office workers to telework following the outbreak of the new coronavirus (COVID-19).

Since Autumn 2016, Xymax Real Estate Institute (hereinafter, "Xymax REI") has been conducting questionnaire surveys on companies' use of offices and workstyles on a semi-annual basis*¹ to continuously analyze their relationship between office demand. This report covers the results of the eighth survey.

*¹ Since the Autumn 2017 survey, Xymax REI had been carrying out its spring survey in April or May and its autumn survey in October. However, this spring survey was carried out in June 2020 to take into account the impact of the outbreak of COVID-19.

Summary of Survey Results

(1 tsubo=approx. 3.3 sqm)

1. Change in Office Demand (April 2019–March 2020) (Pages 3–16)

There are signs of a change in demand. Compared to the Autumn 2019 survey, less companies saw an increase in the number of office users (-4.5 percentage points).

Number of office users: Increased (32.0%) Decreased (14.2%)

Office size: Expanded (8.1%) Downsized (2.7%)

Rent per tsubo (incl. CAM): Increased (22.3%) Decreased (0.8%) **[Figures 1, 2, 3]**

- 60.9% of the companies intended to provide desks for "100% or less" (the sum of "less than 100%" and "100%" replies) of the number of people using the office. Compared to Spring 2019, more companies intended to provide desks for "less than 100%" of office users (+12.7 percentage points). Companies that provided desks for "less than 100%" of their office users have introduced flexible workplaces more than companies that provided desks for "more than 100%" of their office users.
- Some companies thought their current office was not large enough (35.6%). There was no large difference in the impression of the size of office between companies that provided desks for "less than 100%" of office users and those that provided enough desks for all users.
- In terms of business sentiment, the percentage of "good" and "somewhat good" declined, while "bad" and "somewhat bad" increased significantly. The business sentiment DI was -44.5, the lowest since the start of the survey.

2. Diversification of Workplaces (Pages 17–25)

Companies with flexible spaces in their office had higher office comfortability ratings. As for places for telework, "work-from-home program" doubled due to the outbreak of COVID-19. **[Figures 28, 29]**

- Open meeting space, space for refreshing, and shared desks (hot-desking) are increasing

compared to previous surveys.

- Among the places/programs for telework, the most popular was “developing/using a work-from-home program” (47.5%). The percentage has more than doubled from previous surveys.
- Companies that thought they provided a comfortable office environment were more likely to believe they provided a productive work environment.

3. Outlook of Office Demand (Pages 26–36)

Expectations of an increase in the number of office users were roughly the same as expectations of a decrease. Intentions to expand office size halved from previous surveys. Intentions to downsize outweighed intentions to expand for the first time.

Number of office users: Increase (22.2%) Decrease (22.7%)

Office size: Expand (12.2%) Downsize (14.3%) [Figures 39, 40]

- The most popular reason for downsizing was “less space will be necessary due to telework” (73.4%).
- Companies that felt the economy was bad were more likely to expect a decrease in the number of office users (36.2%). They were also more likely to downsize (22.7%).
- The percentages of the major focuses in implementing office strategies were greater in general compared to Spring 2019, indicating that awareness toward office strategies may be rising. The top concern/obstacle was “not sure of best balance between working at the office and teleworking” (28.9%).
- The most popular direction of the workplace post-COVID was “use both the main office and telework,” regardless of business sentiment or expected changes in office size.

Related surveys:

- Autumn 2016 (1st survey) *Metropolitan Areas Office Demand Survey 2016 – Demand Trends*, released on January 12, 2017
<https://www.xymax.co.jp/english/research/images/pdf/20170112.pdf>
- Autumn 2016 (1st survey) *Metropolitan Areas Office Demand Survey 2016 – New Ways of Working and Office*, released on January 30, 2017
<https://www.xymax.co.jp/english/research/images/pdf/20170130.pdf>
- Spring 2017 (2nd survey) *Metropolitan Areas Office Demand Survey 2017 – Demand Trends*, released on August 2, 2017
https://www.xymax.co.jp/english/research/images/pdf/20170802_2.pdf
- Autumn 2017 (3rd survey) *Metropolitan Areas Office Demand Survey Autumn 2017*, released on December 7, 2017
<https://www.xymax.co.jp/english/research/images/pdf/20171207.pdf>
- Spring 2018 (4th survey) *Metropolitan Areas Office Demand Survey Spring 2018*, released on July 3, 2018
<https://www.xymax.co.jp/english/research/images/pdf/20180703.pdf>
- Autumn 2018 (5th survey) *Metropolitan Areas Office Demand Survey Autumn 2018*, released on December 18, 2018
<https://www.xymax.co.jp/english/research/images/pdf/20181218.pdf>
- Spring 2019 (6th survey) *Metropolitan Areas Office Demand Survey Spring 2019*, released on June 26, 2019
<https://www.xymax.co.jp/english/research/images/pdf/20190626.pdf>
- Autumn 2019 (7th survey) *Metropolitan Areas Office Demand Survey Autumn 2019*, released on November 27, 2019
<https://www.xymax.co.jp/english/research/images/pdf/20191127.pdf>
- *TOPIC REPORT Companies' Work Styles and the Workplace under the Corona Crisis*, released on July 15, 2020
<https://www.xymax.co.jp/english/research/images/pdf/20200715.pdf>

1. Change in Office Demand (April 2019–March 2020)

1-1. Number of users, size, and rent

- ✓ More companies saw an increase in the number of office users (32.0%) than a decrease (14.2%).
- ✓ More companies expanded their office size (8.1%) than downsized (2.7%).
- ✓ More companies saw an increase in rent per tsubo (incl. CAM) (22.3%) than a decrease (0.8%).

The changes in the number of users, office size and rent per tsubo (including CAM charges; the same applies hereinafter) over the past year (April 2019–March 2020) were as follows.

The percentage of companies that saw an increase in the number of users of their office exceeded that of companies that saw a decrease by 17.8 percentage points (**Figure 1 (bottom bar)**). Compared to the Autumn 2019 survey, however, the percentage of companies that experienced an increase dropped by 4.5 points to the lowest level since the start of the survey series.

The percentage of companies that expanded their office size exceeded that of companies that downsized by 5.4 percentage points (**Figure 2 (bottom bar)**). There were also more companies that experienced a rise in rent per tsubo than a decline by 21.5 percentage points (**Figure 3 (bottom bar)**). The change in office size was largely consistent with the trend of the past seven surveys (Autumn 2016, Spring 2017, Autumn 2017, Spring 2018, Autumn 2018, Spring 2019, Autumn 2019), while the “increase” in rent per tsubo, the percentage of which had consistently increased in the past, saw a flat growth for the first time.

Figure 1: Change in Number of Office Users

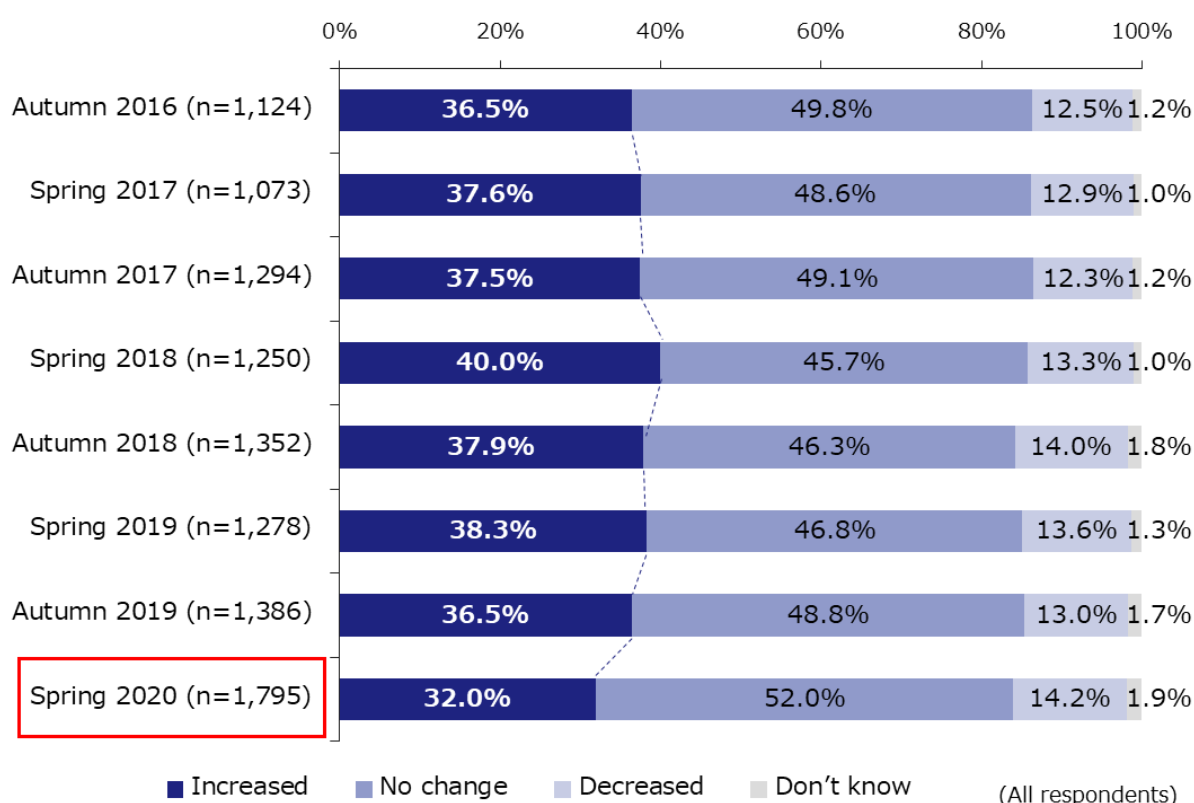
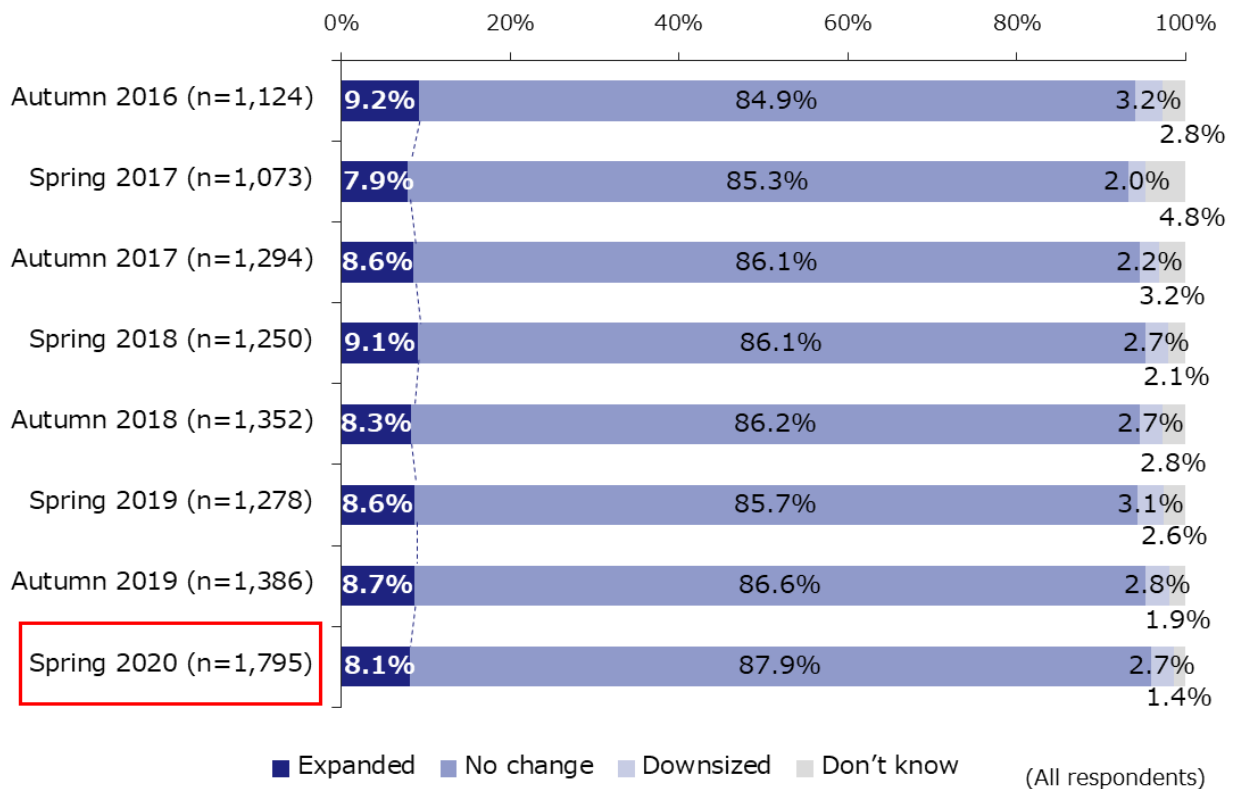
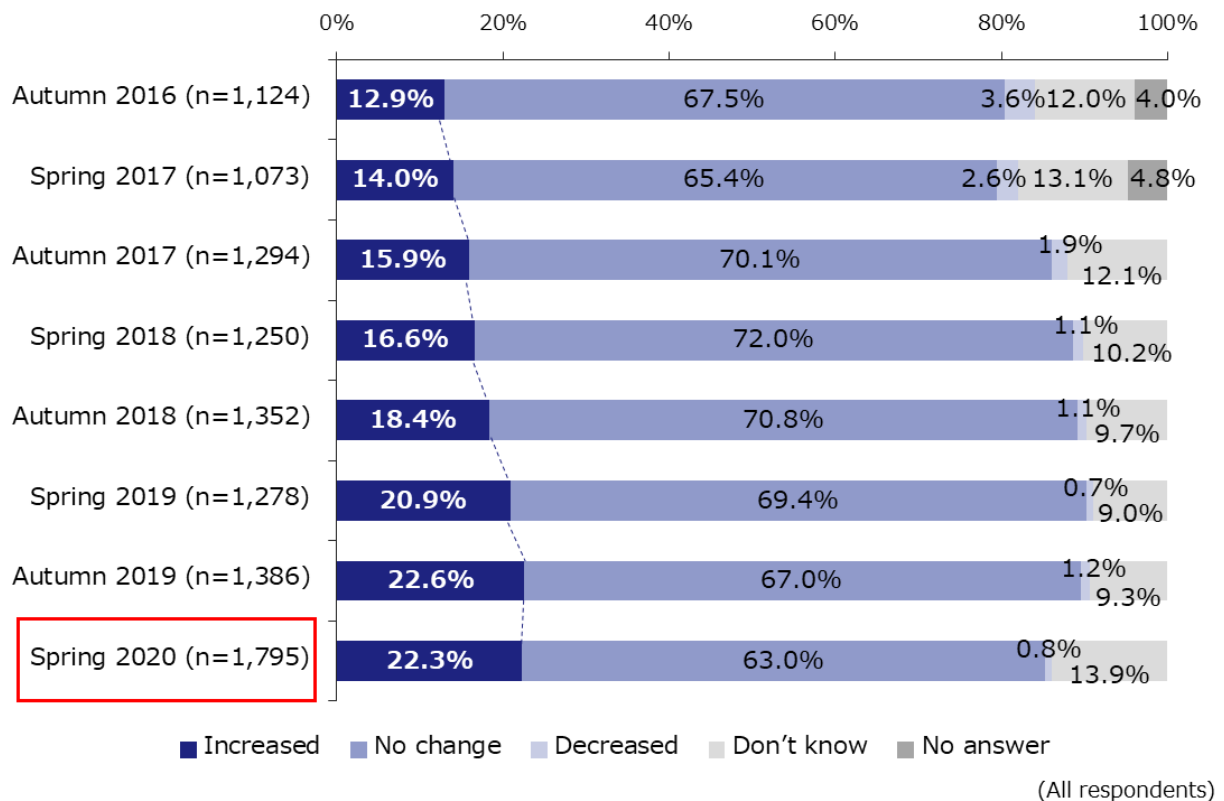


Figure 2: Change in Office Size**Figure 3: Change in Rent per Tsubo**

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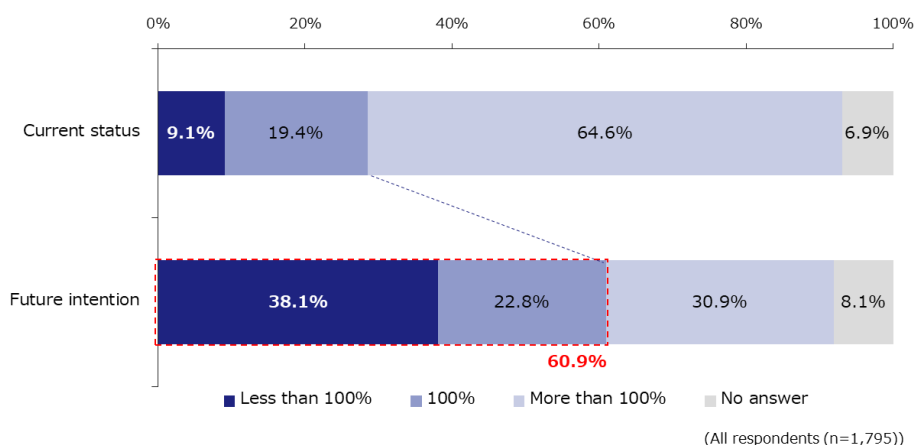
Relationship between the number of desks to the number of office users and the implementation of initiatives concerning the workplace

We asked companies the number of users of their office and the number of desks they had provided for the users and calculated the ratio of desks to the current number of users. We also asked their ideal ratio of desks to users going forward. A comparison of the results, which were sorted into three groups of "less than 100%," "100%" and "more than 100%," indicated a gap between the reality and the ideal.

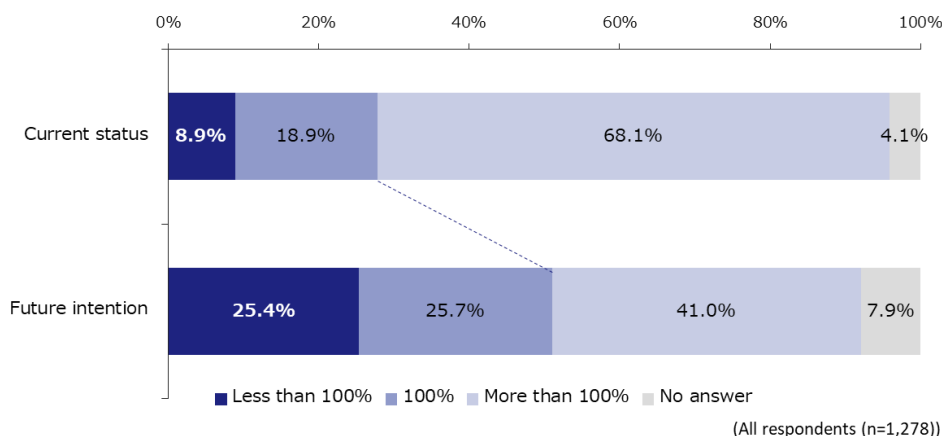
In terms of the current number of desks, the largest percentage of companies (64.6%) have provided desks for "more than 100%" of their office users (**Figure 4**). When comparing the current situation and future intentions, however, the percentage of companies that intended to provide desks for "more than 100%" of their office users in the future halved to 30.9%, while that of companies with intentions to provide desks for "less than 100%" or "100%" of office users increased, indicating that more than 60% of the companies (60.9%=the sum of "less than 100%" and "100%") intended to reduce the provision of desks to 100% or less.

In comparison to Spring 2019 (**Reference**), while there was no significant change in the current ratio of desks to users, "100% or less" as a future intention increased by 12.7 percentage points, which shows that companies are more willing to reduce the number of desks.

Figure 4: Number of Desks to Number of Office Users – Current Status and Future Intention



Reference: Number of Desks to Number of Office Users –Current Situation and Future Intentions (Spring 2019)



Furthermore, we compared companies currently providing “less than 100%” desks and those providing “more than 100%” desks regarding their initiatives in flexible office layouts and telework (**Figures 5 and 6**). The results show that companies providing “more than 100%” desks introduced such initiatives more than companies that provided “less than 100%” desks in all flexible office layouts. The difference in the introduction rate was especially large (37.3 percentage points) in shared desks (hot-desking).

Figure 5: Initiatives in Office Layout – By Desk-to-User Ratio

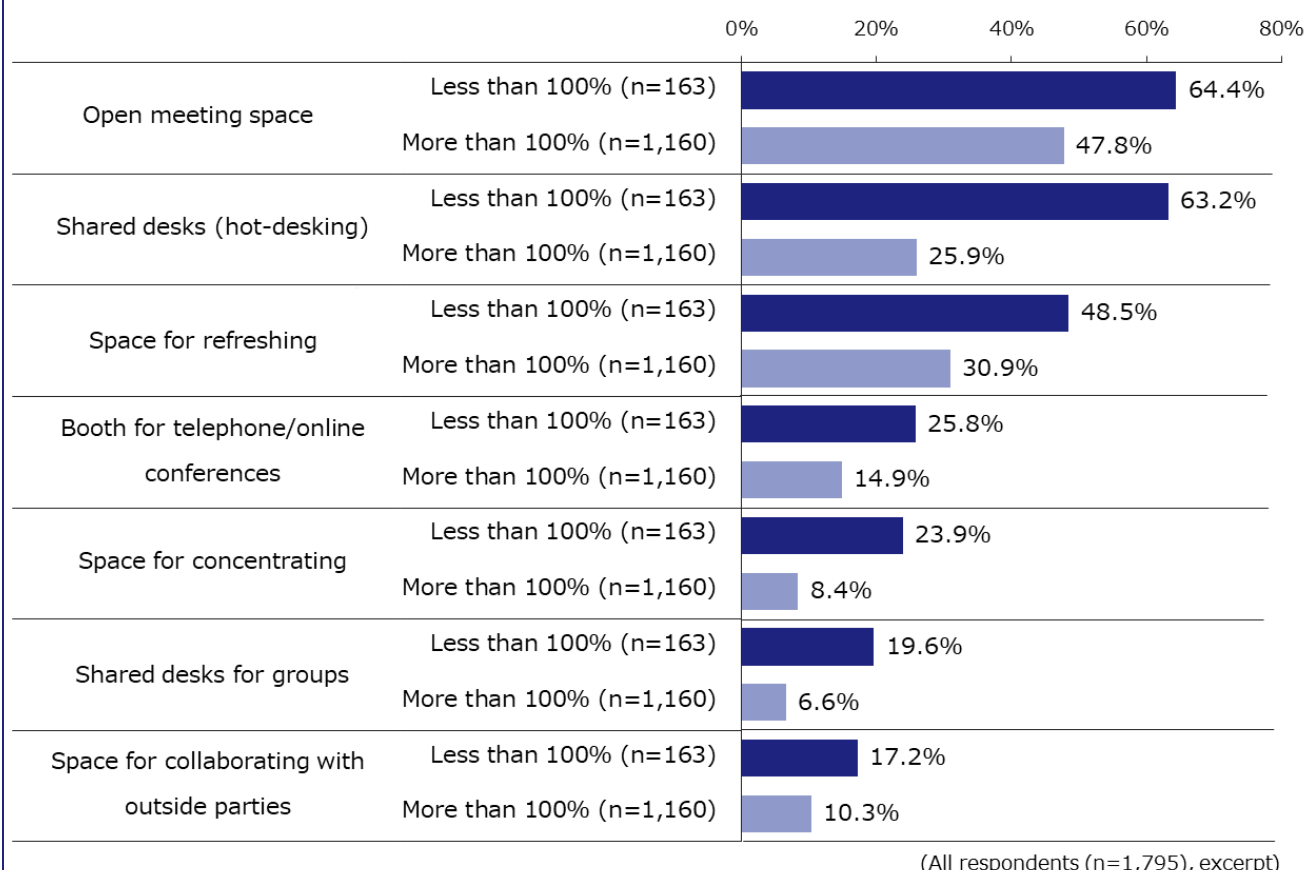
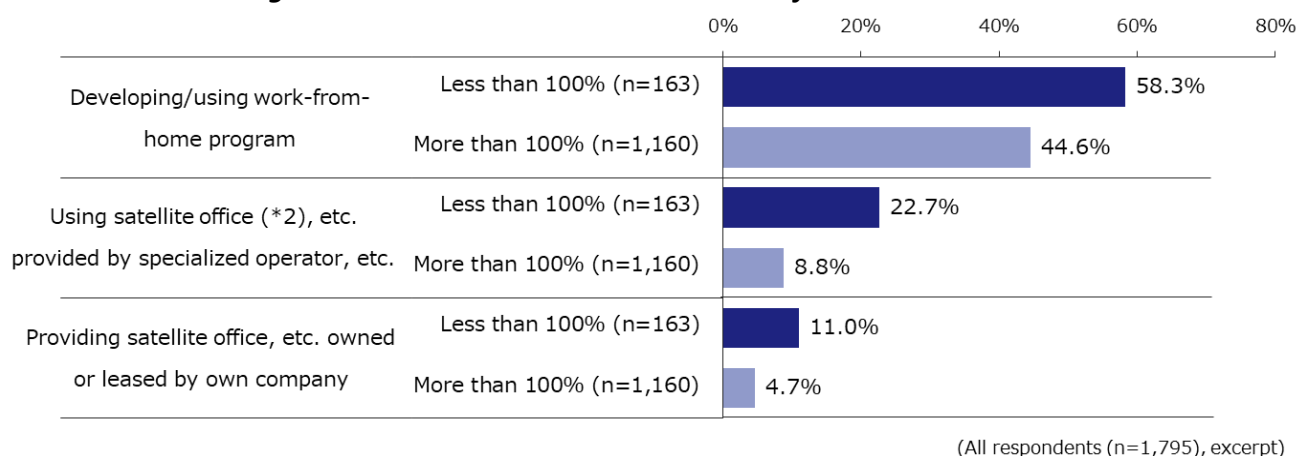


Figure 6: Initiatives in Place for Telework –By Desk-to-User Ratio

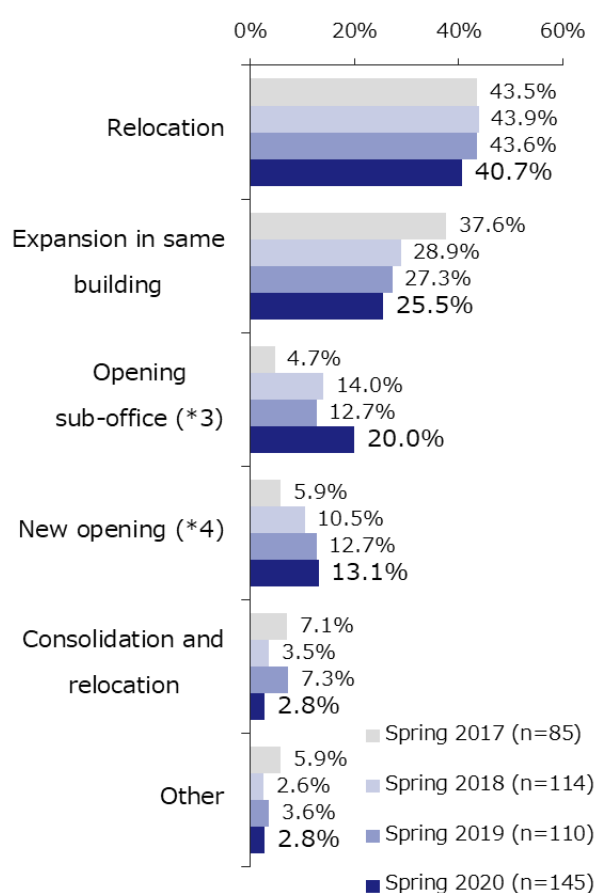
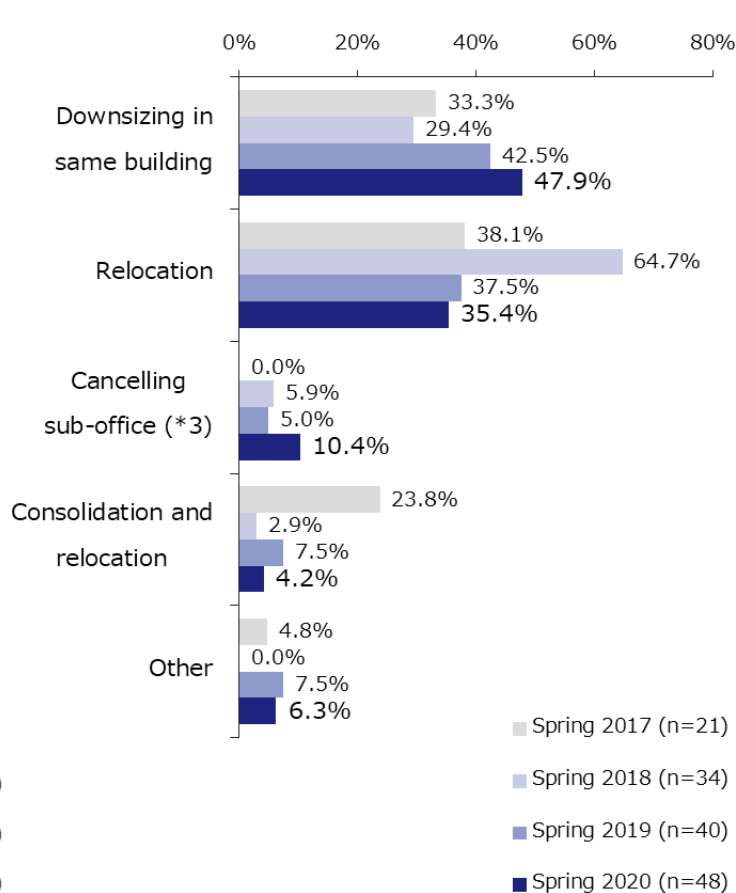


*2 Workplace services such as serviced offices and shared office based on non-lease usage agreements

1-2. Change in office size (details)

- ✓ The most popular styles of office size expansion were “relocation” (40.7%) and “in the same building” (25.5%). The top reason for expansion was “office space became too small due to increase in personnel” (66.9%).
- ✓ The most popular styles of office downsizing were “in the same building” (47.9%) and “relocation” (35.4%). The top reason for downsizing was “to reduce office costs” (56.3%).

The most popular style of office size expansion was “relocation” (40.7%), followed by “expansion in the same building” (25.5%) (**Figure 7**). The most popular styles of downsizing were “downsizing in the same building” (47.9%) and “relocation” (35.4%) (**Figure 8**).

Figure 7: Style of Office Expansion**Figure 8: Style of Office Downsizing**

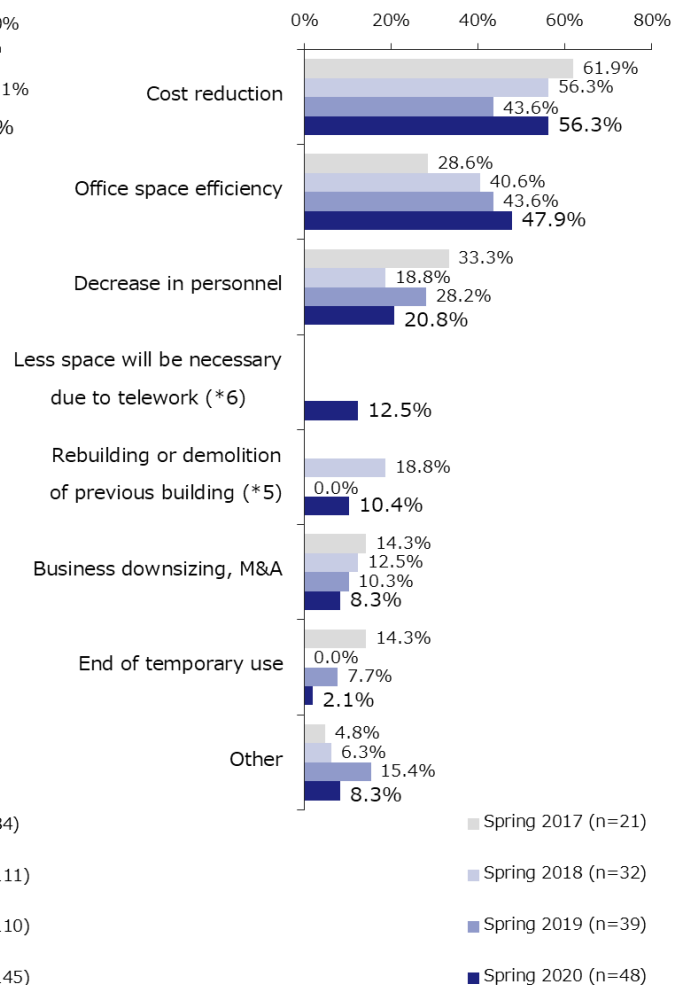
(Figure 7: Companies that expanded; Figure 8: Companies that downsized; multiple answers)

*3 Sub-office: A separate office located near the head office or other main office to handle some of the functions of the main office

*4 New opening: Opening a new office in the same building

The most popular reason for office expansion was “office space became too small due to increase in personnel” (66.9%) (**Figure 9**). Compared to previous surveys, the percentage of “for enhanced comfortability of office environment” (37.9%) has risen, suggesting a greater attention to the impact of offices on workers. “Not enough meeting rooms” (37.2%) also increased from the Spring 2019 survey (+6.3 percentage points).

Meanwhile, the most popular reasons for downsizing were “to reduce office costs” (56.3%) and “to improve office space efficiency” (47.9%) (**Figure 10**). “Less space will be necessary due to telework,” which was newly added from this survey, was chosen by a certain number of companies (12.5%), indicating that office size may become smaller going forward as work styles become more flexible.

Figure 9: Reason for Expansion**Figure 10: Reason for Downsizing**

(Figure 9: companies that expanded; Figure 10: companies that downsized; multiple answers)

*5 The result for Spring 2017 is not indicated since the choice was added from the Spring 2018 survey.

*6 The results for Spring 2017, Spring 2018 and Spring 2019 are not indicated since the choice was added from the Spring 2020 survey.

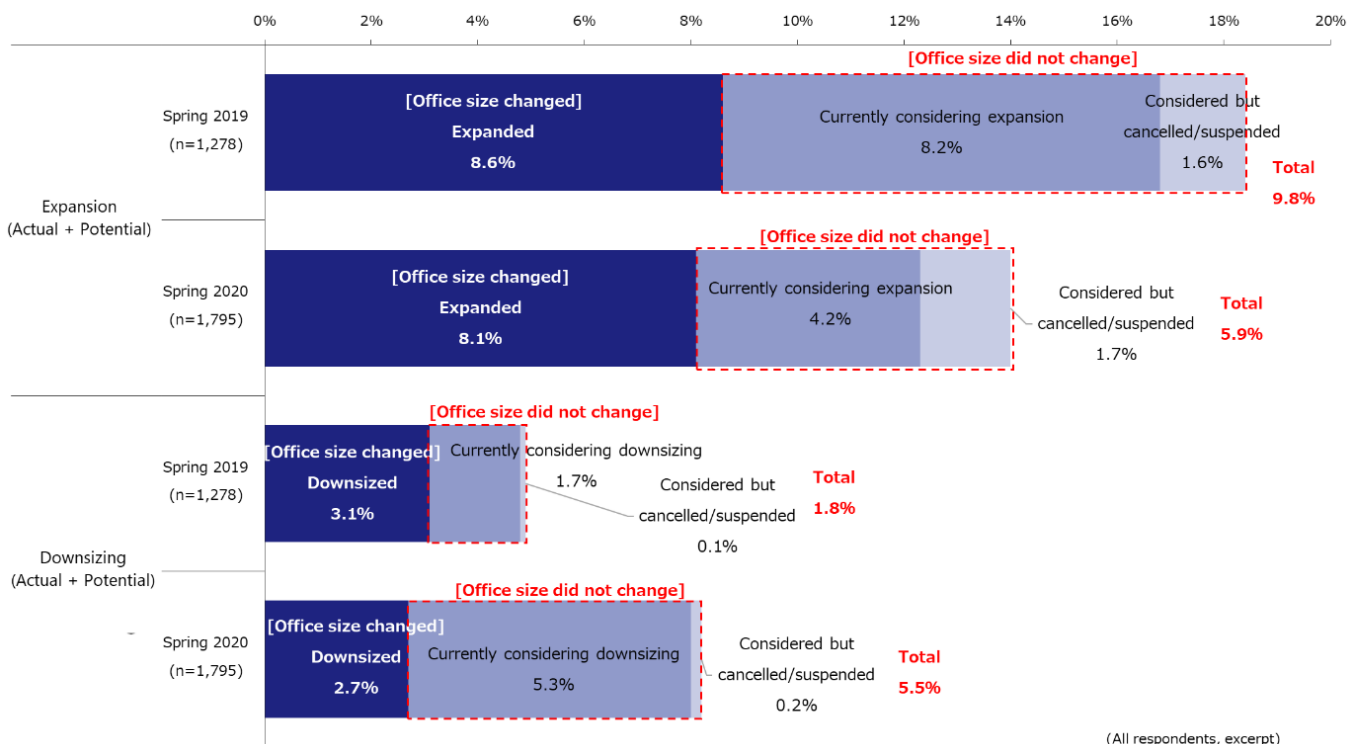
1-3. Change in office size (actual and potential)

- ✓ A certain number of companies had the potential to expand or downsize their office size even though they did not do so this time. The percentage of companies that were considering expansion decreased by 3.9 percentage points, while those that were considering downsizing increased by 3.7 points.

5.9% of the companies that did not change their office size over the past year either were considering expanding or had considered expanding but cancelled or suspended the plan (**Figure 11**). The percentage dropped by 3.9 percentage points from Spring 2019.

Meanwhile, 5.5% of the companies either were considering downsizing their office or considered downsizing but cancelled or suspended the plan. The percentage rose by 3.7 points compared to Spring 2019. Although there have been no large shifts in the percentages of companies that “expanded” and “downsized” their office space over the past year since the start of the survey (**Figure 2**), the percentage of companies downsizing their office may increase in the future.

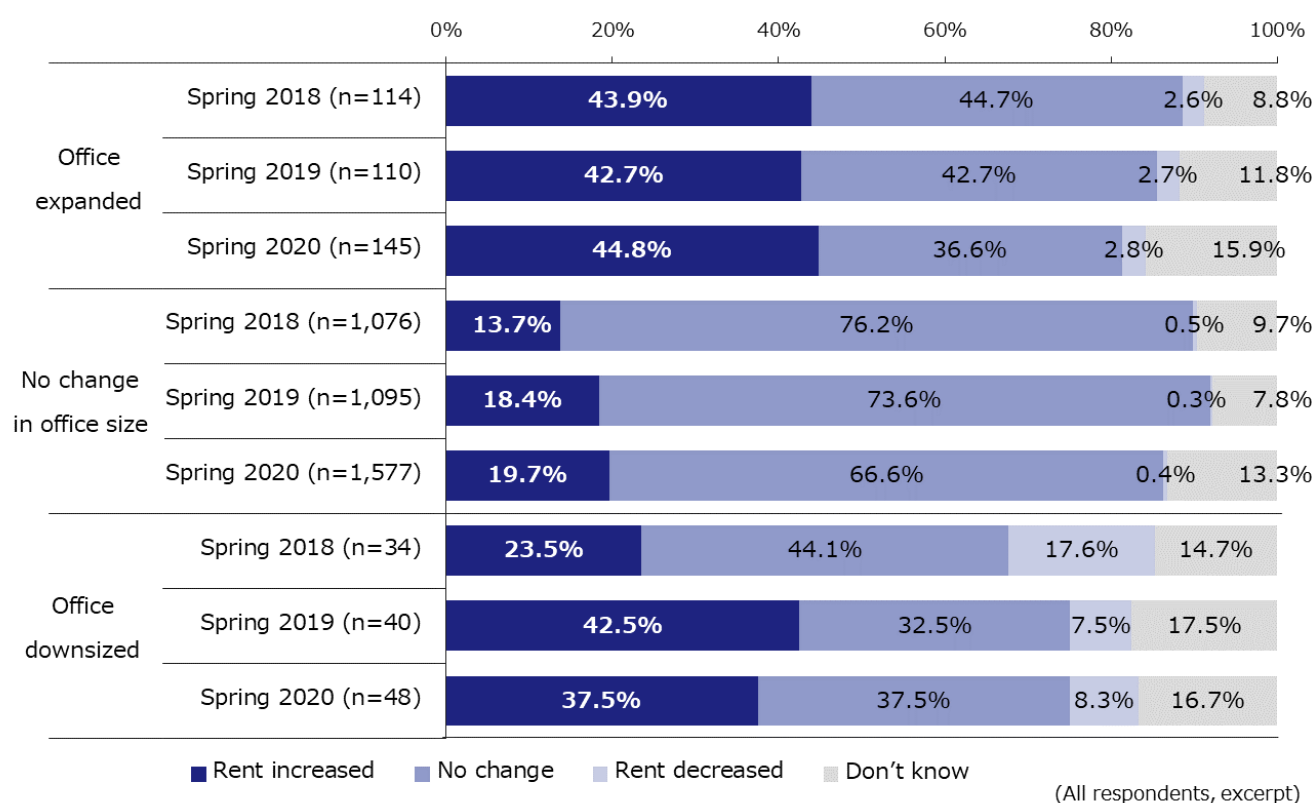
Figure 11: Change in Office Size over Past Year (Actual + Potential)



1-4. Change in rent per tsubo (details)

- ✓ 44.8% of the companies that expanded their office space and 37.5% of companies that downsized experienced an increase in rent per tsubo.
- ✓ 19.7% of the companies that had no change in their office size experienced an increase in rent per tsubo.

Among the companies that expanded or downsized their office space, companies that experienced an increase in rent per tsubo far outweighed companies that experienced a decrease (**Figure 12 (bottom bars)**). Similarly, among companies that had no change in office size, the percentage of a rent increase (19.7%) exceeded that of a rent decrease (0.4%) by 19.3 percentage points, suggesting a rising trend not only for newly-signed lease but also for existing lease. This result corresponds with the result of *Office Market Report Tokyo | Q1 2020* released by Xymax REI on April 28, 2020, which indicates that the market was robust and rents remained on a rising trend over the past year.

Figure 12: Changes in Office Size and Rent per Tsubo

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Changes in Office Size and Rent per Tsubo by Company Attribute

Some characteristics were identified in the changes in office size and rent per tsubo by company size, sector, and office location.

Figures 13 to 22 are the Office Size Diffusion Index (DI), the change in office size (the percentage of "expanded" minus that of "downsized"), and the Rent DI, the change in rent per tsubo (the percentage of "increase" minus that of "decrease"), of the past year for each of the eight surveys that began in Autumn 2016, plotted and connected with a line by attribute.

▲ By company size (number of employees) (Figure 13)

Rent per tsubo is on a rising trend in general, but it peaked out in Spring 2019 at companies with 1,000 or more employees. The Office Size DI was the highest at companies with 1,000 or more employees in Spring 2020.

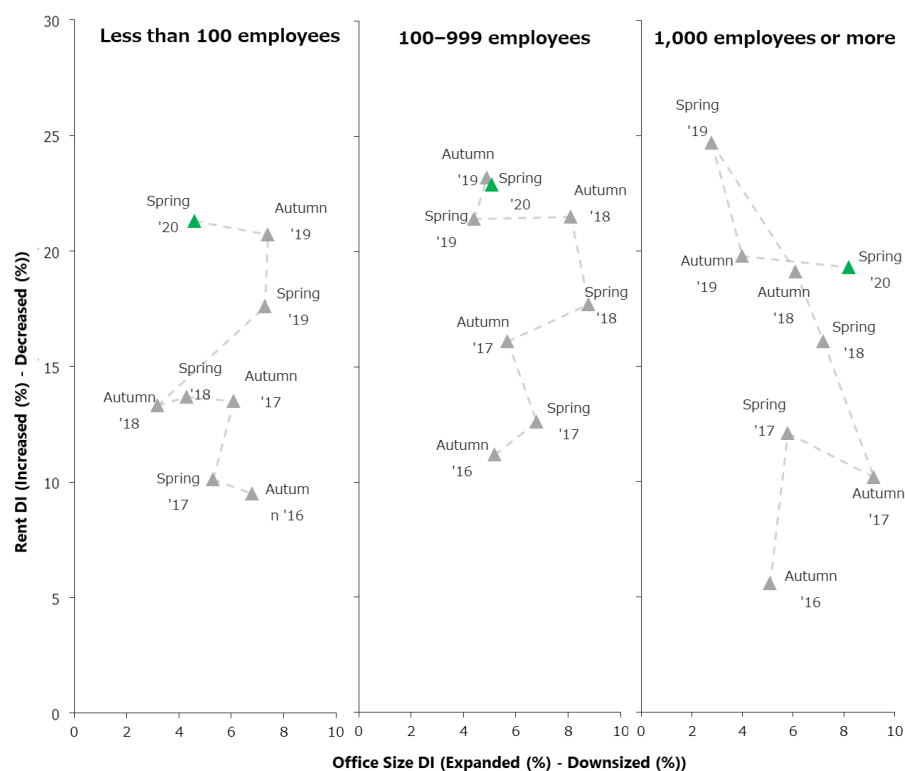
◆ By sector (Figures 14 to 21)

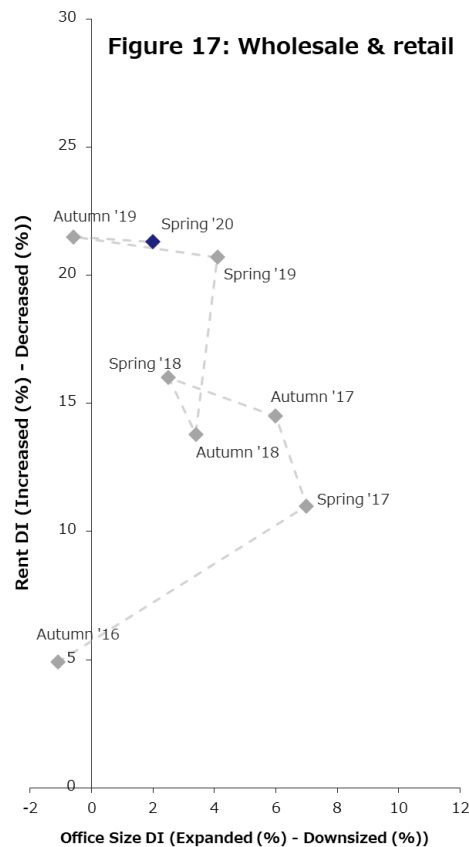
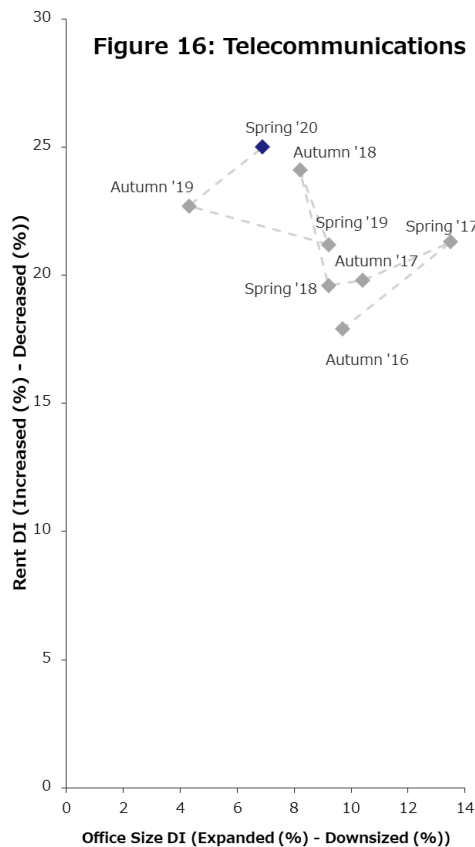
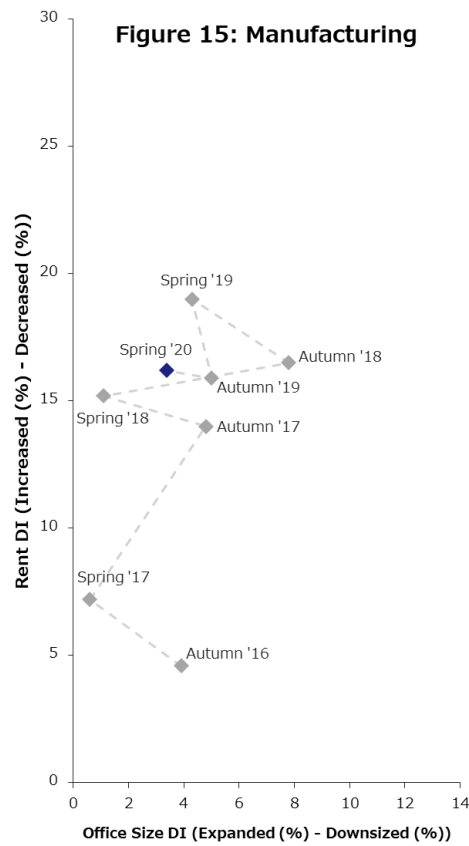
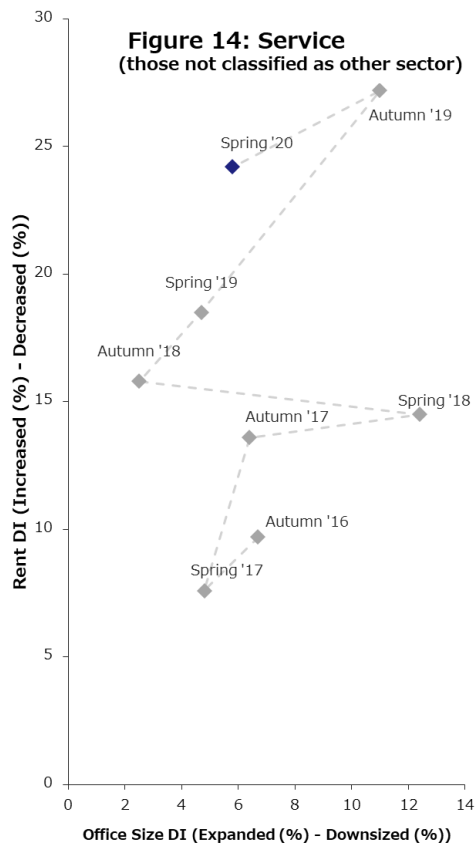
The telecommunications sector has seen a rising trend in both rent and office size. The trend has fluctuated significantly in other sectors, but many of them have seen a rise in rent over time, with the Rent DI for the construction sector showing the largest change between the first survey and the latest survey (22.3 points).

● By office location (Figure 22)

The Rent DI is on a rising trend in all areas, with Osaka and Nagoya showing especially large changes. In the past several surveys, the Office Size DI was the highest in the Tokyo 23 Wards, followed by Nagoya and Osaka.

Figure 13: Office Size DI and Rent DI (Both Indicate Changes in the Past) – By Company Size



Figures 14 to 21: Office Size DI and Rent DI (Both Indicate Changes in the Past) – By Sector

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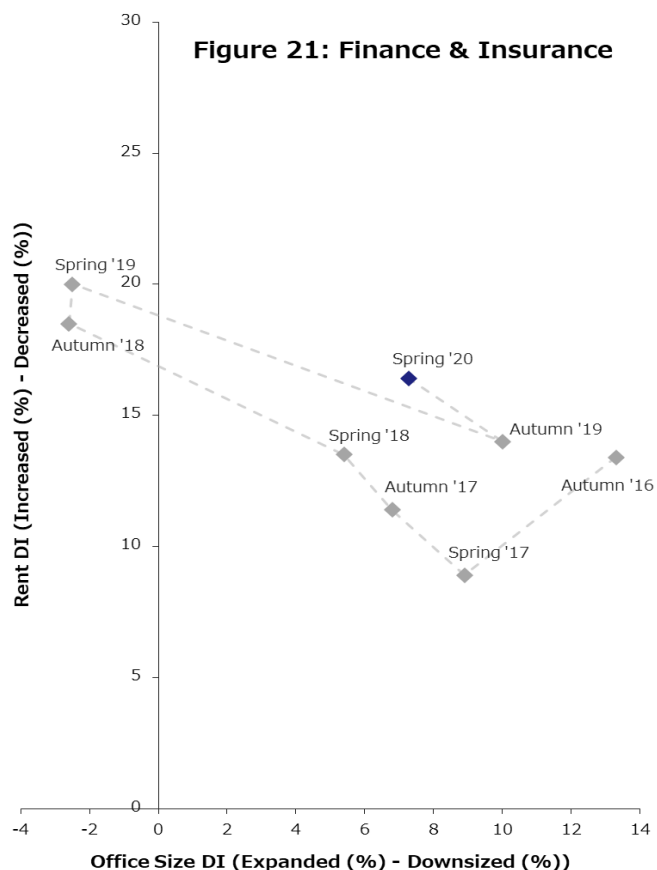
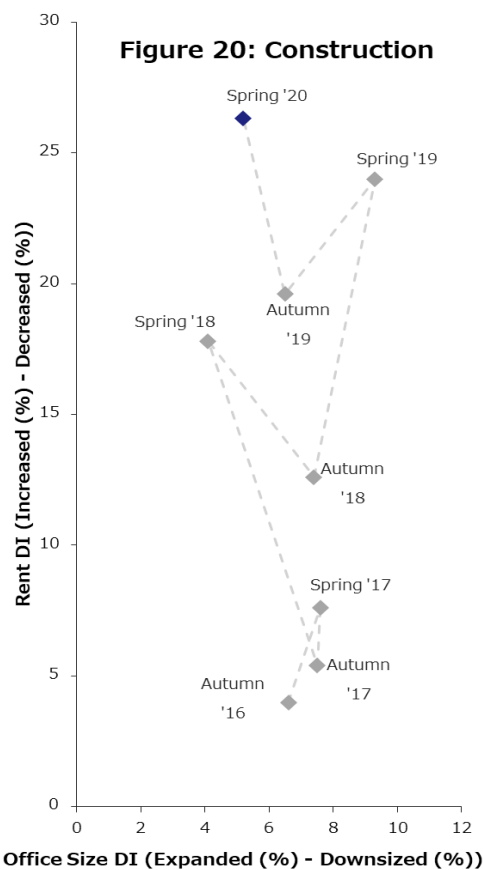
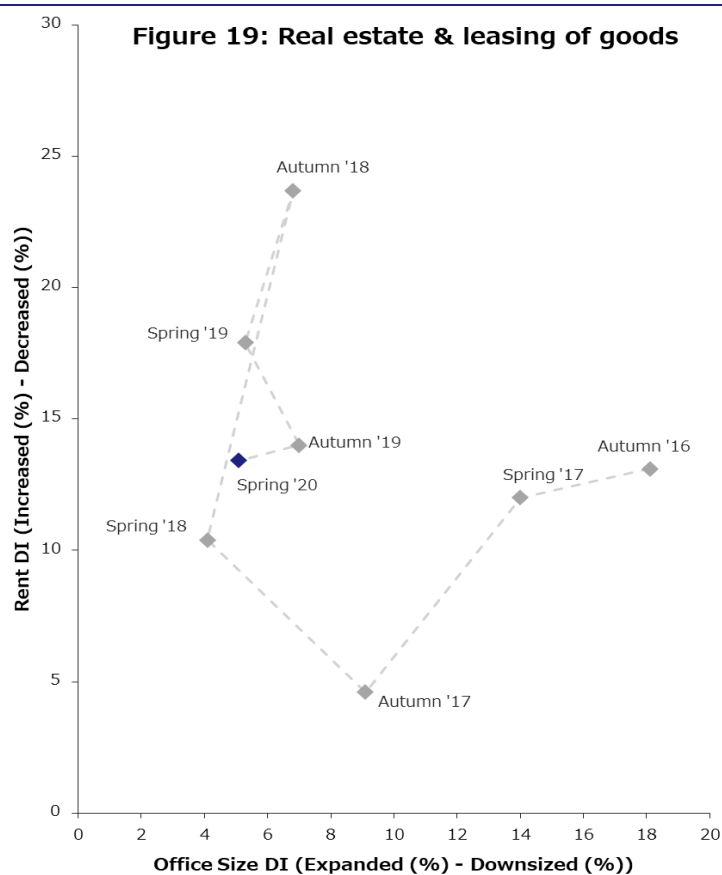
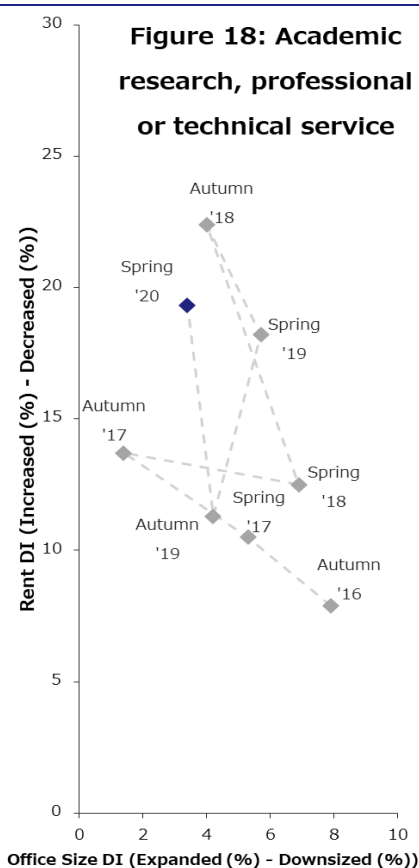
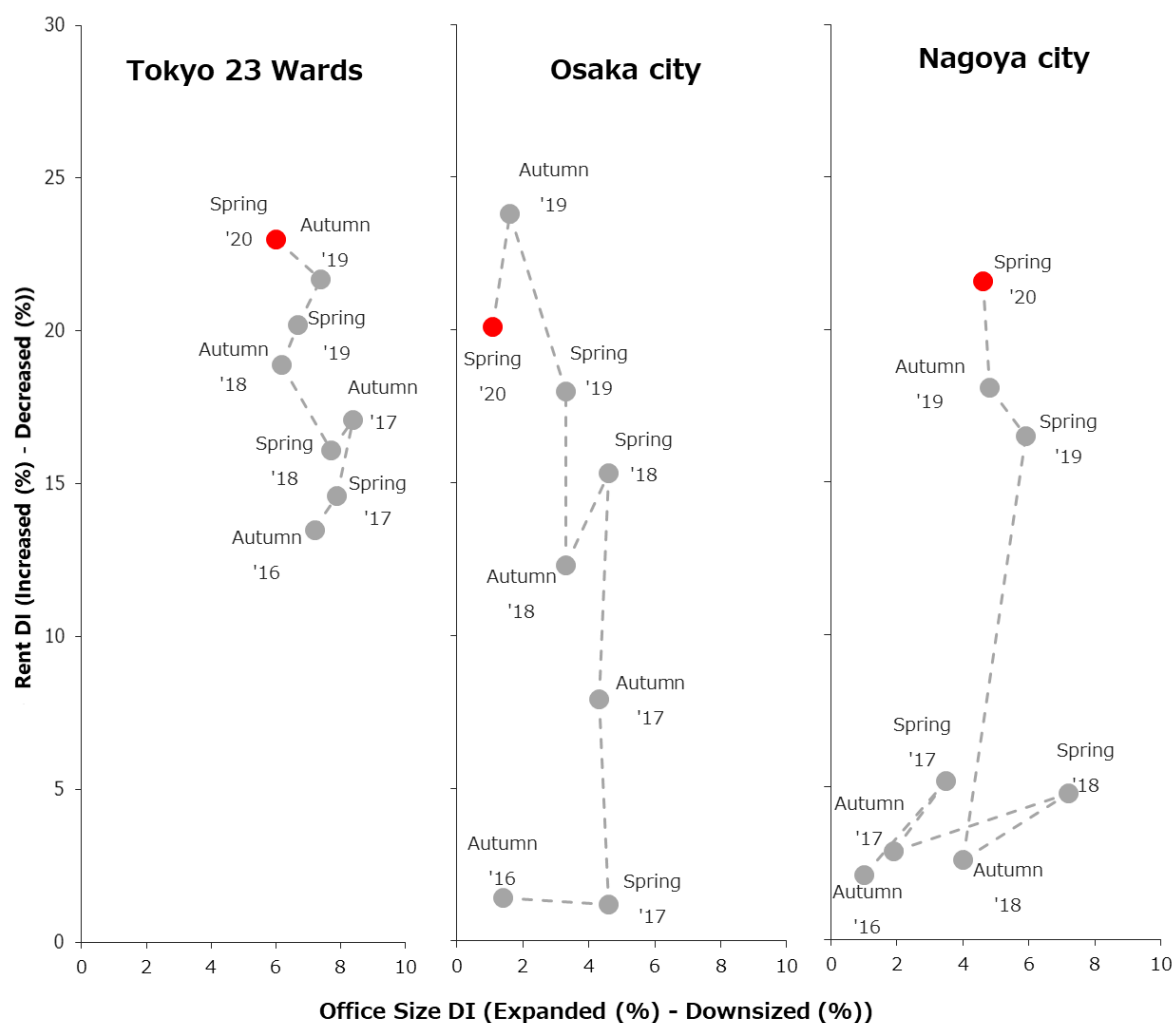
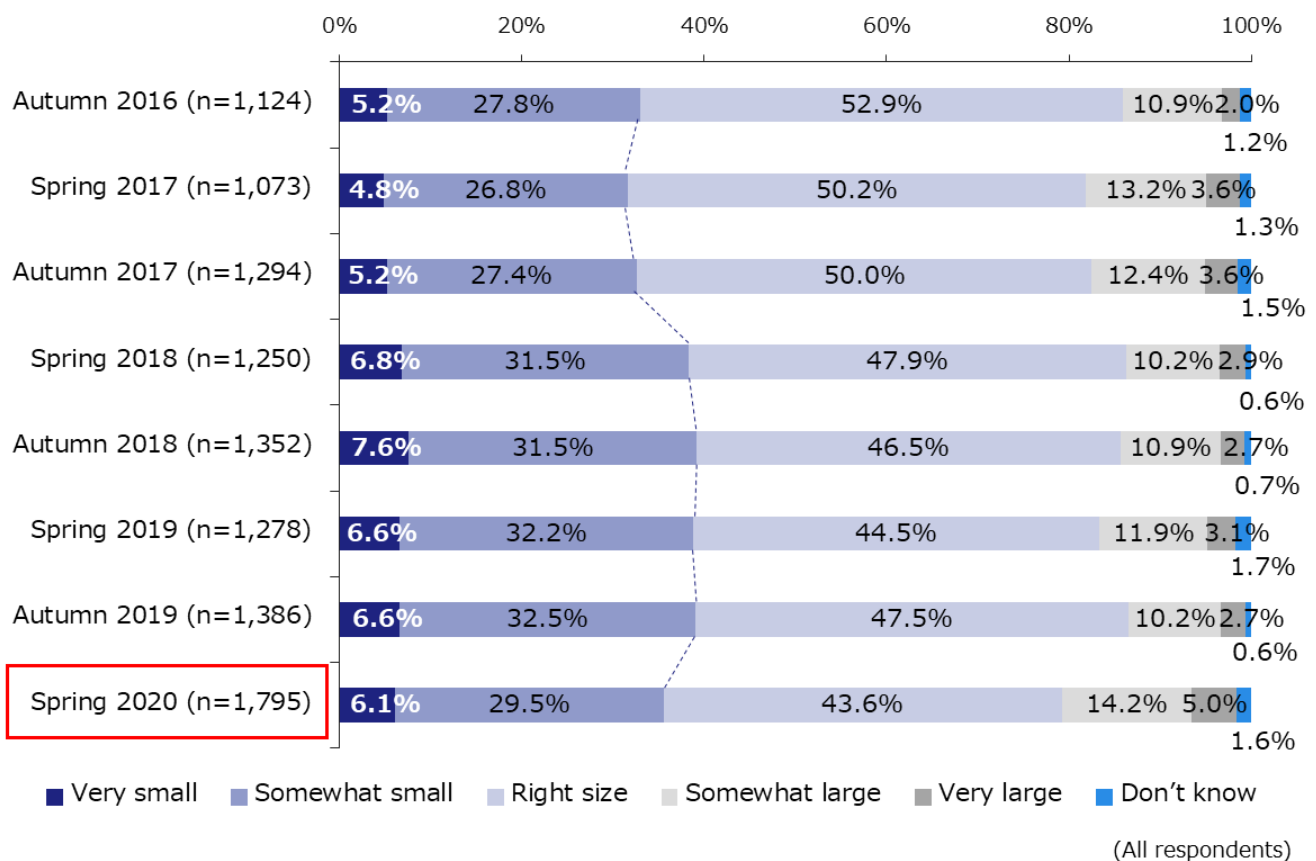


Figure 22: Office Size DI and Rent DI (Both Indicate Changes in the Past) – By Office Location

1-5. Impression of office size, business sentiment

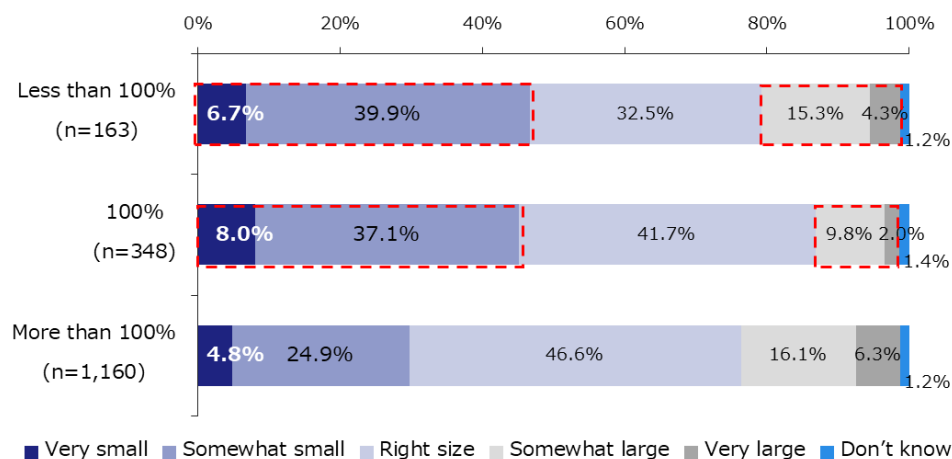
- ✓ 35.6% of the companies felt that their current office was too small.
- ✓ The percentage of the companies with a "good" or "somewhat good" business sentiment was 11.3%, less than in previous surveys. On the other hand, the percentage of companies with a "bad" or "somewhat bad" business sentiment was 55.8%, significantly more than in the past.

When we asked how the companies felt about their current office size, 35.6% of them in total replied that they felt their office was "very small" or "somewhat small." The percentage exceeded that of the companies that felt their office was "very large" or "somewhat large" (19.2%) (**Figure 23**). However, the potential need for expansion may have changed, since the difference between the above two groups, which had remained at around 25% since the Spring 2018 survey, shrank to 16.4% in the Spring 2020 survey.

Figure 23: Impression of Office Size

When we looked at companies' impression of office size by the ratio of desks to office users (**Figure 4**), there was hardly any difference in the percentage of companies that felt their office was small between those that provided desks for "less than 100%" of their office users and those that provided desks for "100%" of the users (**Figure 24**). Moreover, the percentage of companies that felt their office was large was higher among companies providing desks for "less than 100%" of their office users than those providing desks for "100%" of office users. As mentioned above, companies with less desks relative to the number of office users provided flexible workspaces more than other companies (**Figures 5 and 6**). Such measures in workspaces may have reduced their sense of the office being small or made them feel their office was large, while aiming for office space efficiency.

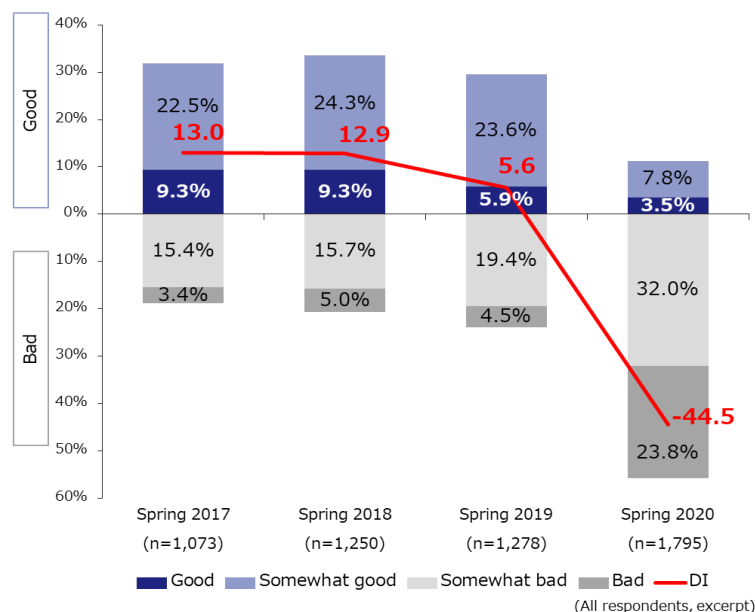
Figure 24: Impression of Office Size – By Desk-to-User Ratio



(All respondents, excerpt)

Figure 25 indicates the "Business Sentiment DI," which is the percentage of "good" and "somewhat good" minus that of "bad" and "somewhat bad," to see the difference in the percentage of companies that felt business was "good" or "somewhat good" and the percentage of companies that felt business was "bad" or "somewhat bad." Compared with the last three surveys, the percentage of companies that chose "good" or "somewhat good" decreased to 11.3%, while companies that chose "bad" or "somewhat bad" significantly increased to 55.8%. As a result, the Business Sentiment DI, which had remained positive albeit on a downward trend, turned substantially negative in this survey.

Figure 25: Business Sentiment DI



(All respondents, excerpt)

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2. Diversification of Workplaces

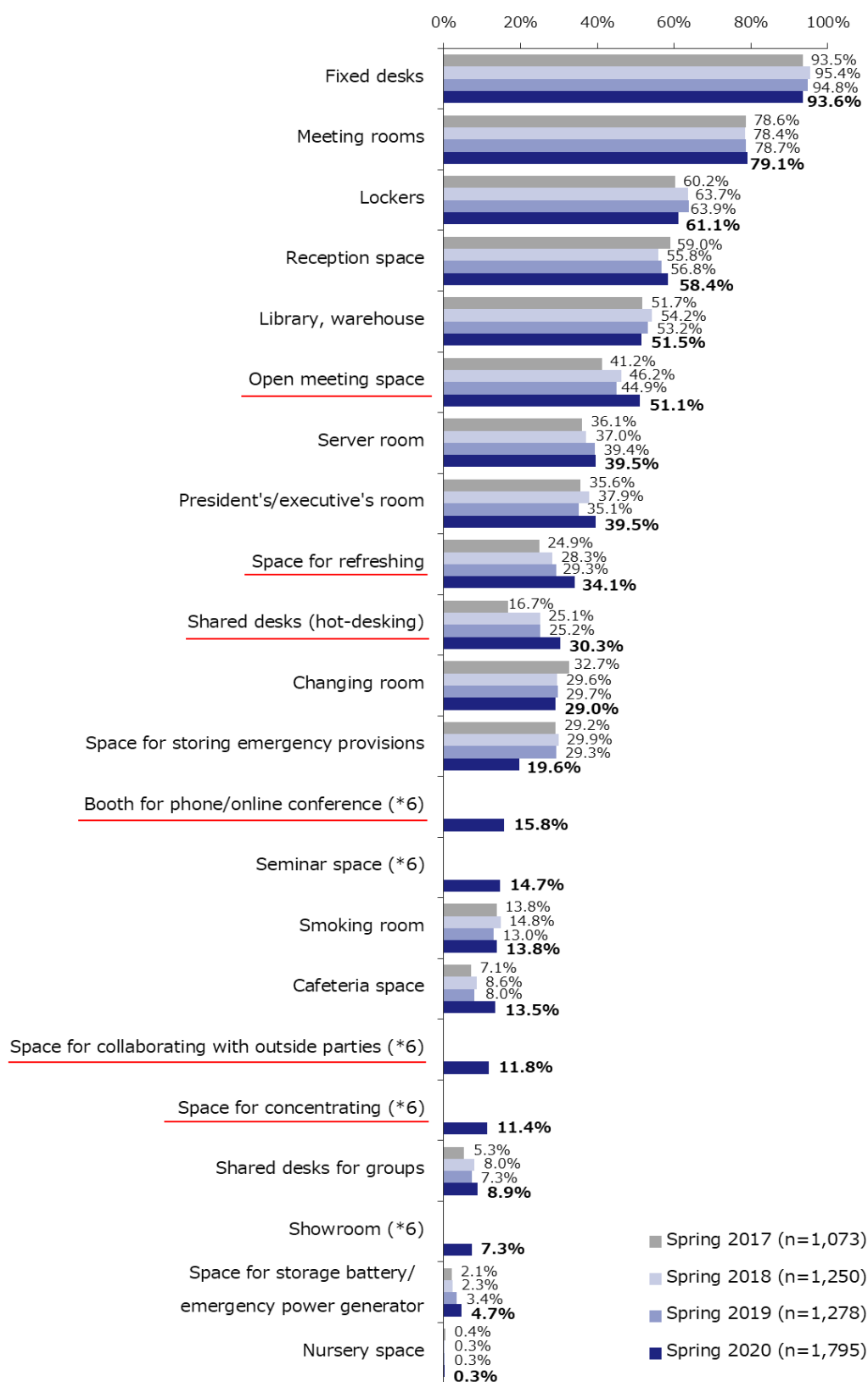
2-1. Office layout

- ✓ Although no major difference was seen from previous surveys, spaces for flexible usages such as open meeting space, space for refreshing, and shared desks (hot-desking) all increased by 5 percentage points.
- ✓ The percentage of companies that thought they provided their workers with a comfortable office environment was 56.4%. Companies that introduced a flexible office layout showed a higher percentage.

Figure 26 (bottom bar) indicates what the companies' current offices consist of.

Although no major difference was seen from previous surveys, spaces that allow flexible use according to users' needs, such as open meeting space (51.1%), space for refreshing (34.1%), and shared desks (hot-desking) (30.3%), all increased by around 5 percentage points from Spring 2019.

There were also a certain number of companies that had introduced layouts that could be used according to the purpose, such as booths for telephone/online conferences (15.8%), space for collaborating with outside parties (11.8%), and space for concentrating (11.4%).

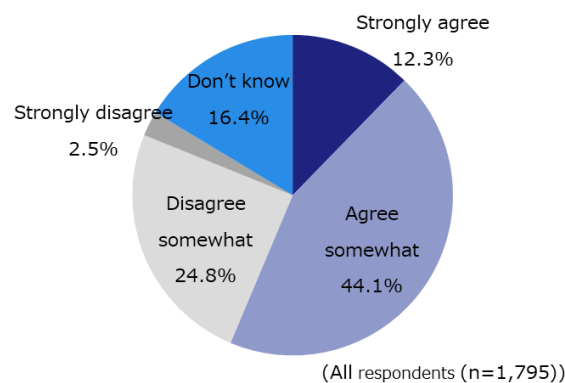
Figure 26: Layout of Current Office

(All respondents, multiple answers, excerpt)

*6 The results for Spring 2017, Spring 2018 and Spring 2019 are not indicated since the choice was added from the Spring 2020 survey.

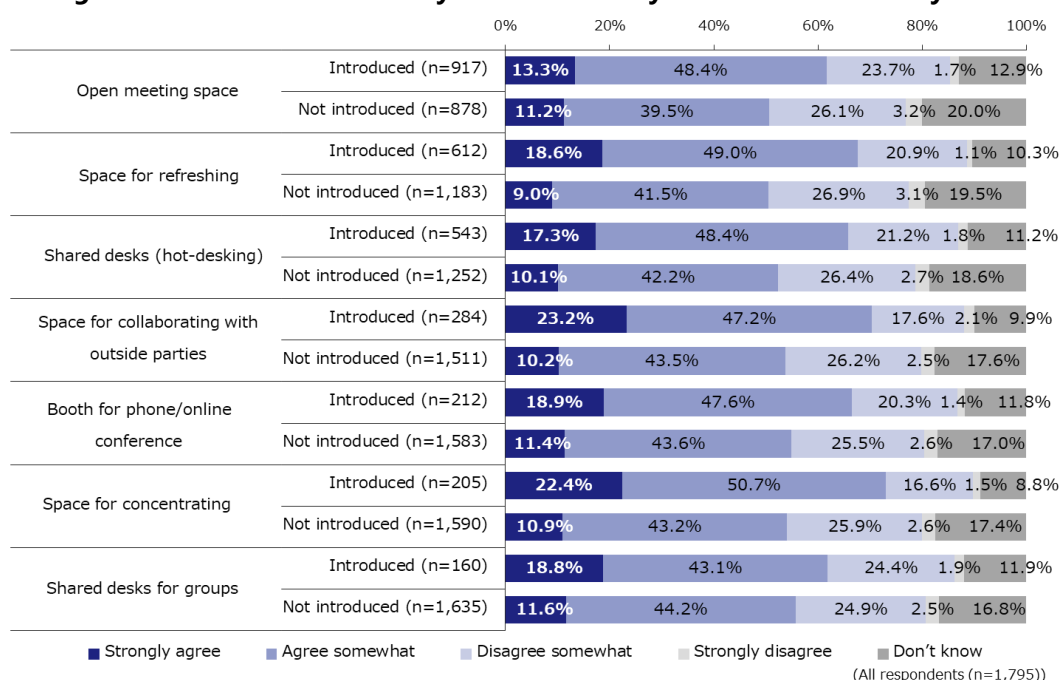
Figure 27 indicates whether the companies thought their current office provided workers with a comfortable office environment. 56.4% of the companies strongly agreed or agreed somewhat that they did so. The reasons for thinking so included size-related reasons, such as “the office is spacious” and “the floor area per person is large,” as well as the introduction of a wide variety of workspaces, such as “space for refreshing” and “all the necessary spaces including shared desks (hot-desking), spaces for concentrating, and meeting areas.” On the other hand, 27.3% of the companies strongly disagreed or disagreed somewhat that they offered a comfortable environment, with the most common reasons being the lack of the factors mentioned above by companies that rated their office comfortability high, such as “the office is small” and “there is no space for refreshing.” Many companies also cited the lack of not only space for refreshing but also meeting rooms, which suggest that many companies have been forced to place priority on providing work desks due to the lack of space and have not been able to afford other types of spaces.

Figure 27: Assessment of Office Environment Comfortability



When we examined the assessment of office comfortability by initiative in flexible layouts, we found that more companies that had introduced such layouts strongly agreed or agreed somewhat that their office environment offered comfortability than companies that had not introduced a flexible layout (**Figure 28**). Companies that had not introduced such layouts not only had a low assessment of their office comfortability but also replied “don’t know” more than other companies, which suggests that such companies may have little interest office comfortability in the first place.

Figure 28: Office Comfortability Assessment – By Initiative in Office Layout



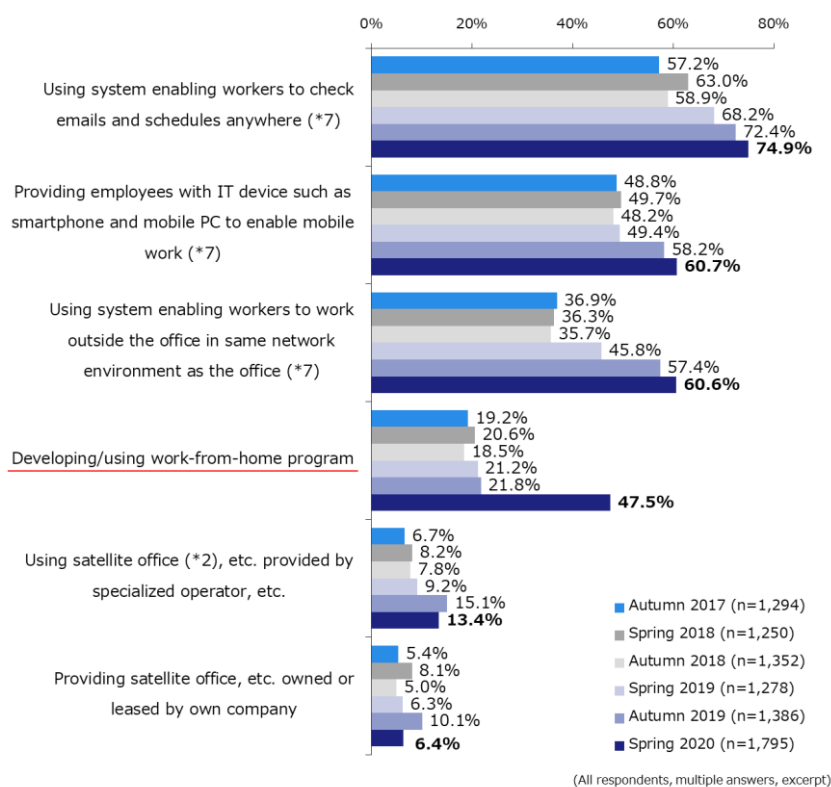
2-2. Initiatives to support telework

- ✓ The most popular initiative was “utilizing a system enabling workers to check emails and schedules anywhere with a smartphone, mobile PC, etc. (mobile work)” (74.9%). Other mobile work-related initiatives also ranked high and have been on a rising trend over time.
- ✓ The most popular place/program for telework was “developing/using a work-from-home program” (47.5%), whose percentage more than doubled from previous surveys.
- ✓ 58.6% of companies thought they provided an environment that enabled workers to work productively. The percentage was higher among companies that provided flexible office layouts or places for telework.

We asked companies if they provided any means to support telework, regardless of whether the means accommodated all or some of the target persons.

The most popular initiative was “utilizing a system enabling workers to check emails and schedules anywhere with a smartphone, mobile PC, etc. (mobile work)” (74.9%). Other mobile work-related initiatives also ranked high and seem to be introduced by many companies (**Figure 29**). We found that their percentages have been increasing when examining the changes over time. Among the places for telework, “developing/using a work-from-home program,” whose percentage had remained at around 20% since Autumn 2019, more than doubled to 47.5%. On the other hand, the percentages of “satellite office or other similar facility provided by a specialized operator, etc.” and “satellite office or other similar facility owned or leased by own company” decreased from Autumn 2019. It can be assumed that the results of this Spring 2020 survey were affected by companies being forced to introduce working from home due to the government’s recommendation of telework following the outbreak of COVID-19.

Figure 29: Places and Programs for Telework



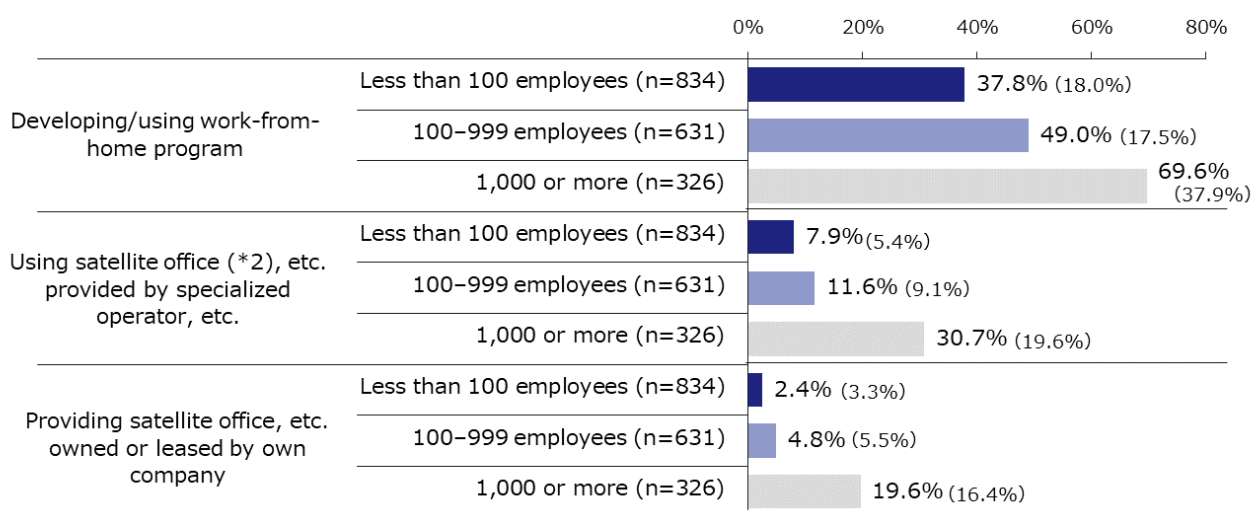
*2 Workplace services such as serviced offices and shared office based on non-lease usage agreements

*7 Smartphones have been included in the definition of IT devices since the Spring 2019 survey.

The initiatives to support telework varied depending on the attributes of the companies, such as company size and office location.

By company size (number of employees), large companies with 1,000 employees or more had the highest availability of all initiatives, such as “work-from-home program” (69.6%) and “using a satellite office or other similar facility provided by a specialized operator, etc.” (30.7%) (**Figure 30**).

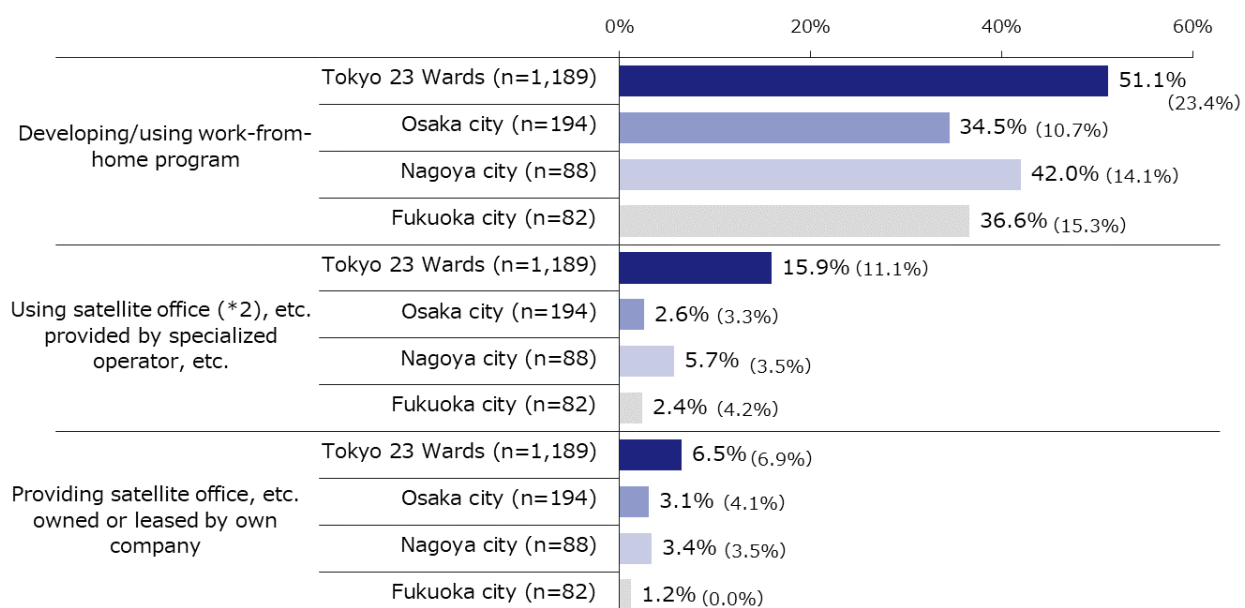
Figure 30: Availability of Place/Program for Telework – By Company Size
(% in brackets: Spring 2019 survey)



(All respondents, multiple answers, excerpt)

By office location, companies with offices in the Tokyo 23 Wards had a higher introduction rate (**Figure 31**).

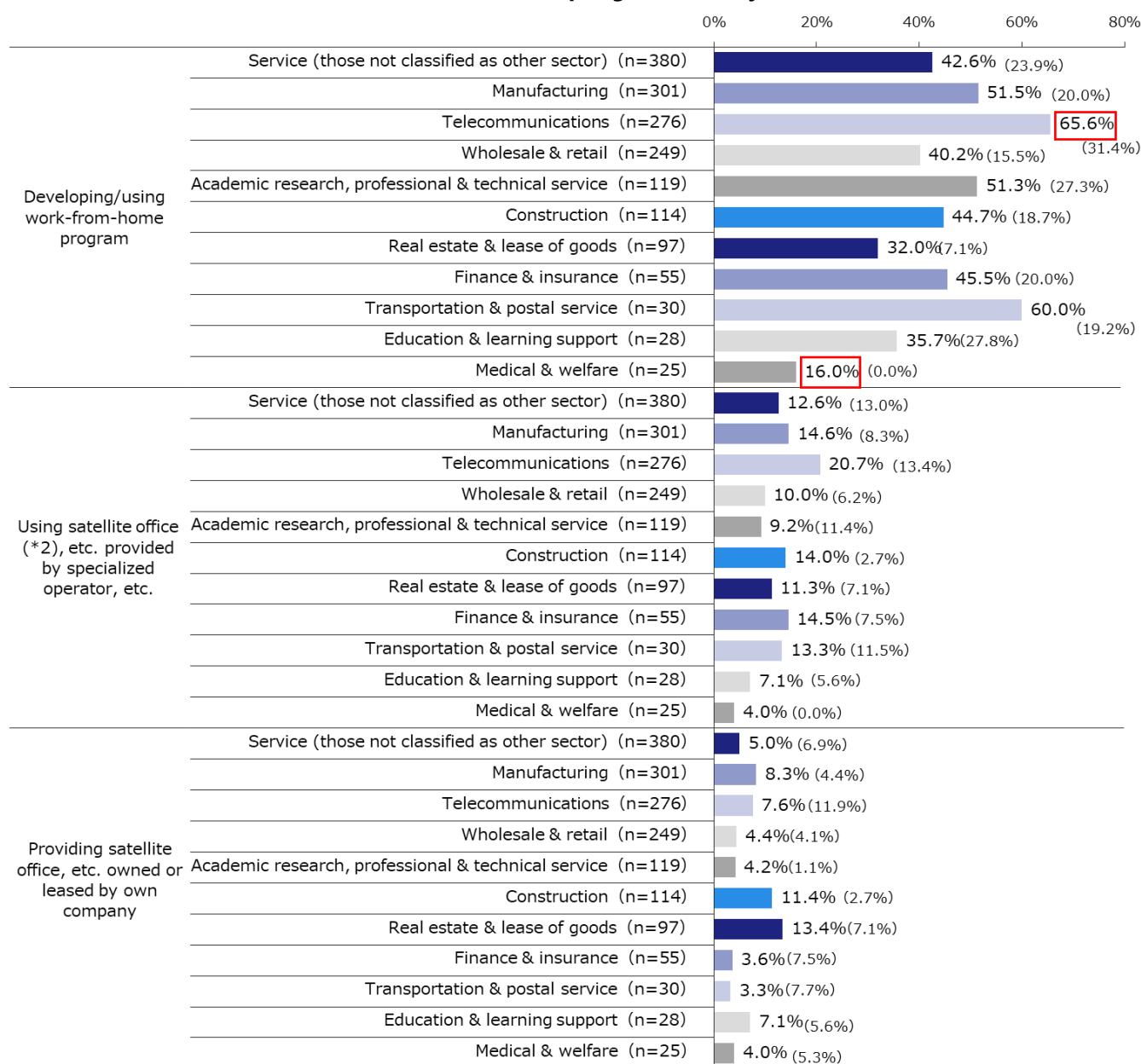
Figure 31: Availability of Place/Program for Telework – By Office Location
(% in brackets: Spring 2019 survey)



(All respondents, multiple answers, excerpt)

By sector, the difference between the highest introduction rate and the lowest introduction rate was large (**Figure 32**). In the “work-from-home program,” which was introduced at a high rate overall (47.5%), saw a 49.6-percentage point difference between the telecommunications sector (65.6%) and the medical & welfare sector (16.0%).

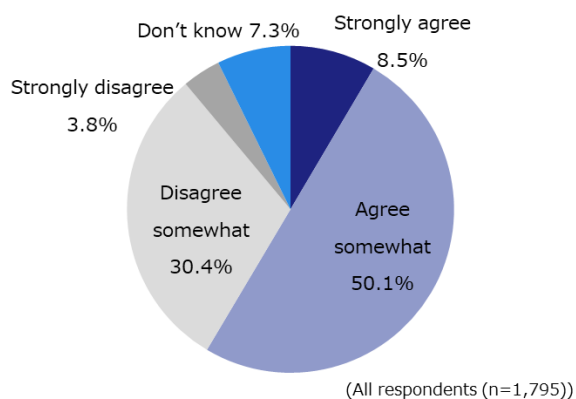
Figure 32: Availability of Place/Program for Telework – By Sector
(% in brackets: Spring 2019 survey)



(All respondents, multiple answers, excerpt)

Figure 33 indicates whether the companies thought their office and place/program for telework provided an environment that enabled workers to work productively. While 58.6% of the companies strongly agreed or agreed somewhat that their environment was productive, 34.2% of the companies strongly disagreed or disagreed somewhat that their environment was productive.

Figure 33: Assessment of Productivity of Work Environment



When we examined the assessment of work environment productivity by initiative in flexible layouts and places/programs for telework, we found that, in all initiatives, the companies that had introduced the initiatives felt they provided an environment that enabled workers to work productively more than other companies (**Figures 34 and 35**). The initiative with the largest difference in productivity assessment by status of introduction was space for concentrating, which showed a difference of 24.2 percentage points in the sum of "strongly agree" and "agree somewhat" replies. Moreover, as in the comfortability assessment (**Figure 28**), companies that had not introduced the initiatives not only tended to have a low productivity assessment but also replied "don't know" more than other companies, which suggests that such companies may have little awareness of the impact the work environment has on productivity.

Figure 34: Productivity Assessment – By Initiative in Office Layout

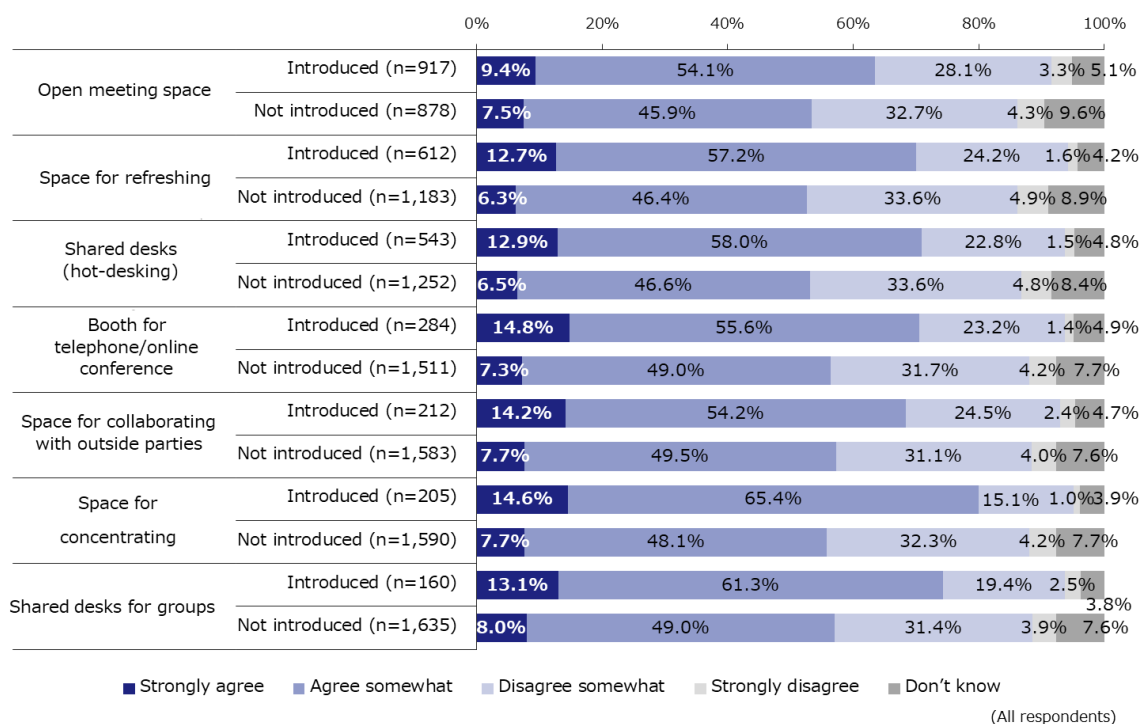
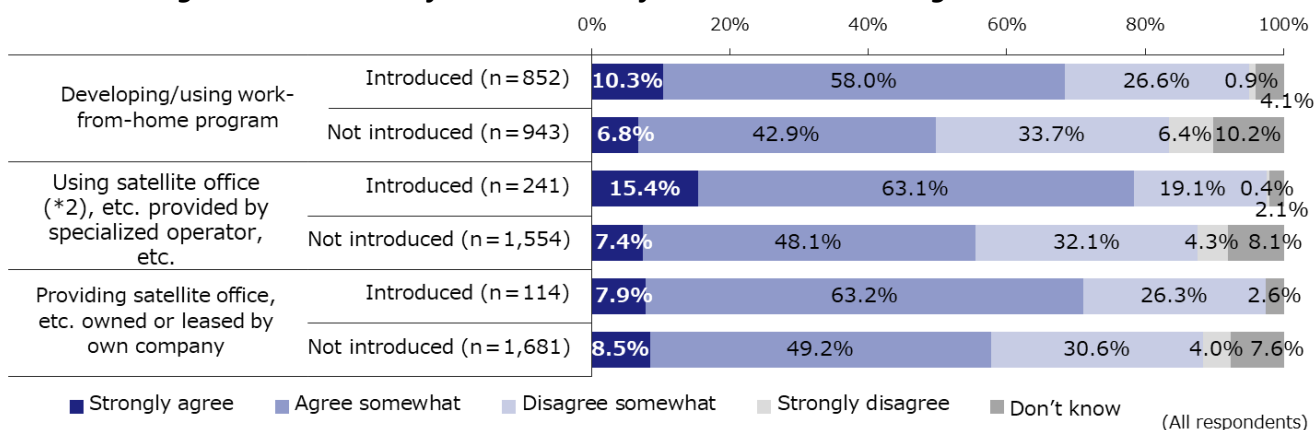
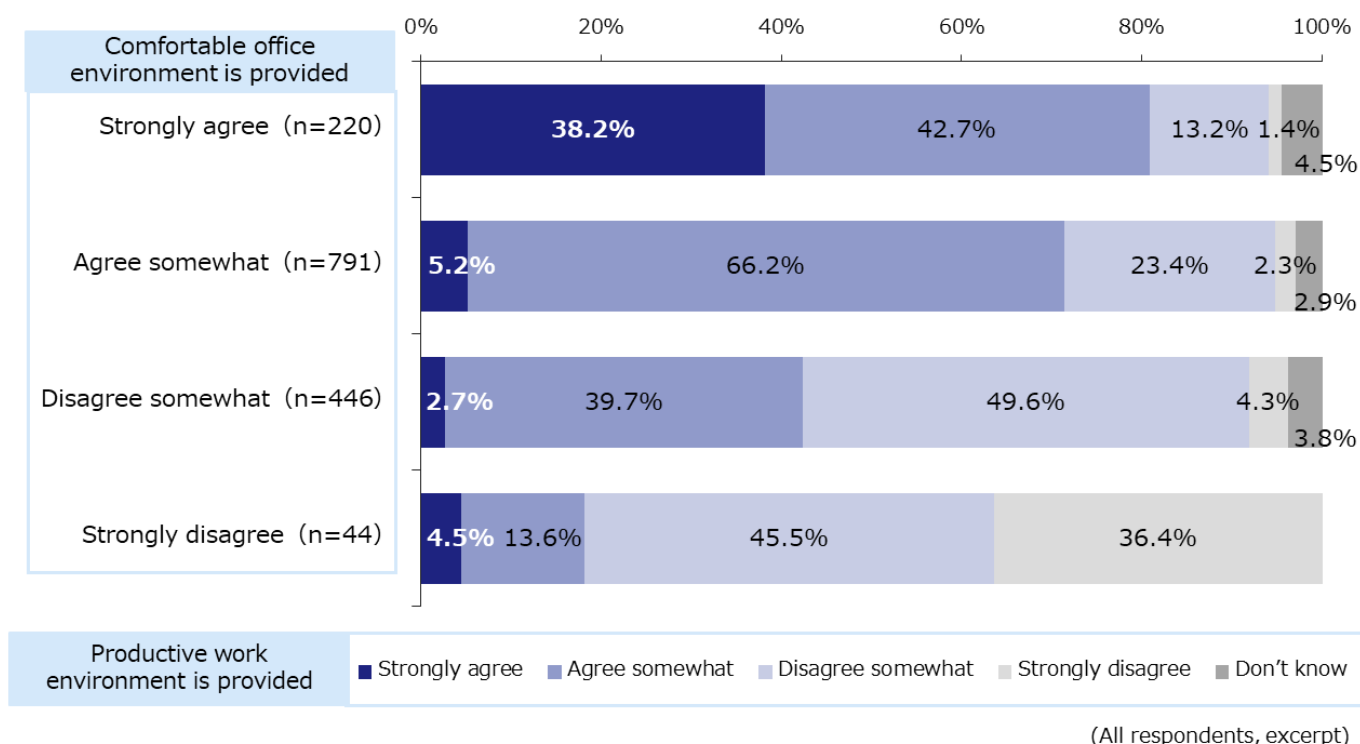


Figure 35: Productivity Assessment – By Initiative in Place/Program for Telework

*2 Workplace services such as serviced offices and shared office based on non-lease usage agreements

We then examined the assessment of productivity of the work environment by assessment of office environment comfortability. The result indicated that companies that offered a comfortable office environment had a higher assessment of the productivity of their work environment. In particular, 38.2% of the companies that answered "strongly agree" in terms of comfortability chose "strongly agree" in the productivity assessment, an overwhelmingly large percentage compared to the other groups of companies.

Figure 36: Comfortability Assessment and Productivity Assessment

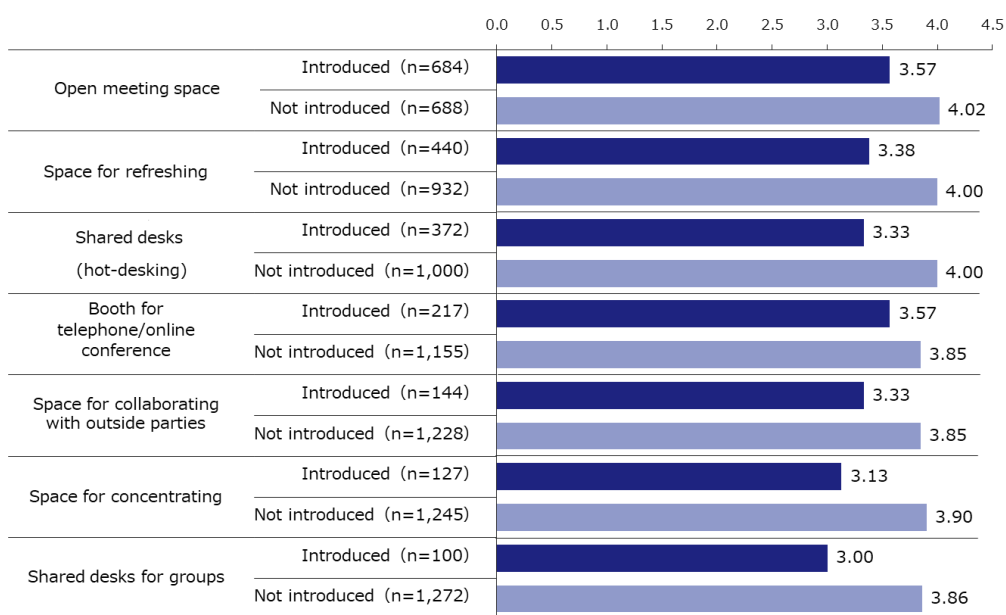
PICK UP

Office Space per Person by Initiative in Workplaces

A calculation of office space per person (median value) by the availability of a flexible office layout or telework indicates that in all layouts and types of telework, companies where such layout or telework was available had a smaller office space per person than companies where such initiatives were not available (Figure 37).

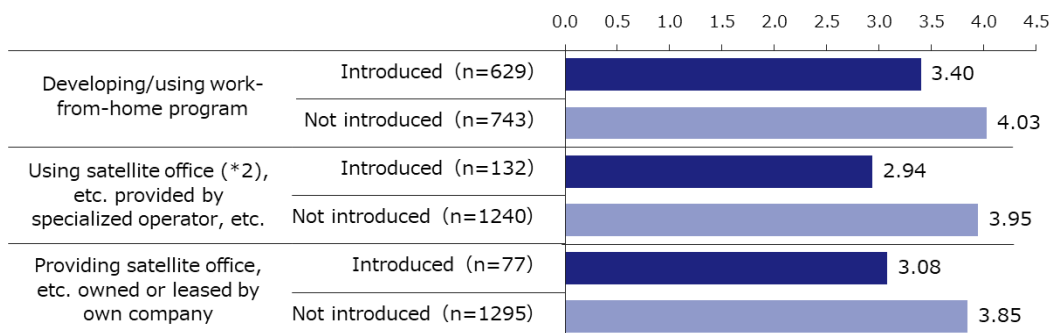
The largest difference in office space per person was seen in “using satellite office or other similar facility provided by a specialized operator, etc.” (1.01 tsubo). Companies that had provided a “satellite office or other similar facility owned or leased by own company” had an office space per person of 3.08 tsubo (a 0.77-tsubo difference from 3.85 tsubo at companies without such office), which implies that the dispersion of workplaces may be contributing to improved efficiency of conventional office space. If work styles 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 the demand for offices.

Figure 37: Office Space per Person (Median) – By Availability of Office Layout



(Companies with office size per person of 1.5 tsubo or more and less than 15 tsubo)

Figure 38: Office Space per Person (Median) – By Availability of Place/Program for Telework



(Companies with office size per person of 1.5 tsubo or more and less than 15 tsubo)

*2 Workplace services such as serviced offices and shared office based on non-lease usage agreements

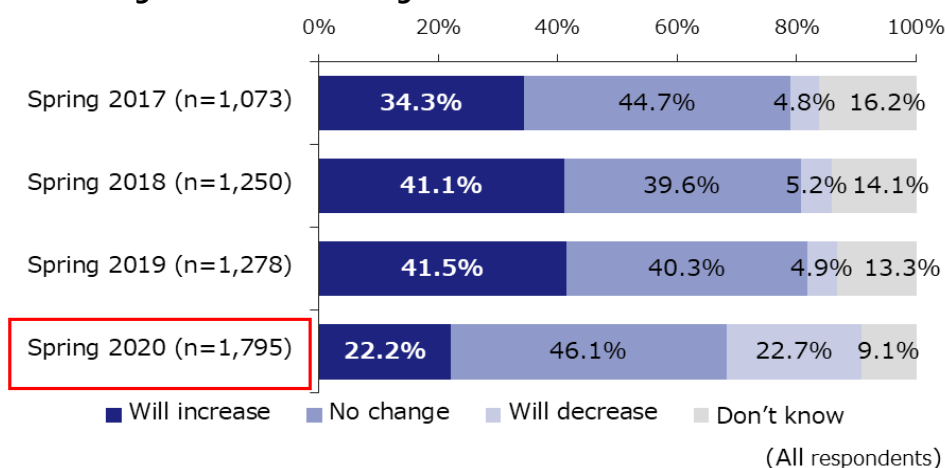
3. Outlook of Office Demand

3-1. Outlook of the number of office users and office size

- ✓ 22.2% of the companies replied that the number of office users will increase, roughly the same percentage of companies that replied the number will decrease (22.7%).
- ✓ The percentage of companies that wished to expand their office space (12.2%) halved from past surveys and was outstripped by that of companies that wished to downsize (14.3%) for the first time.

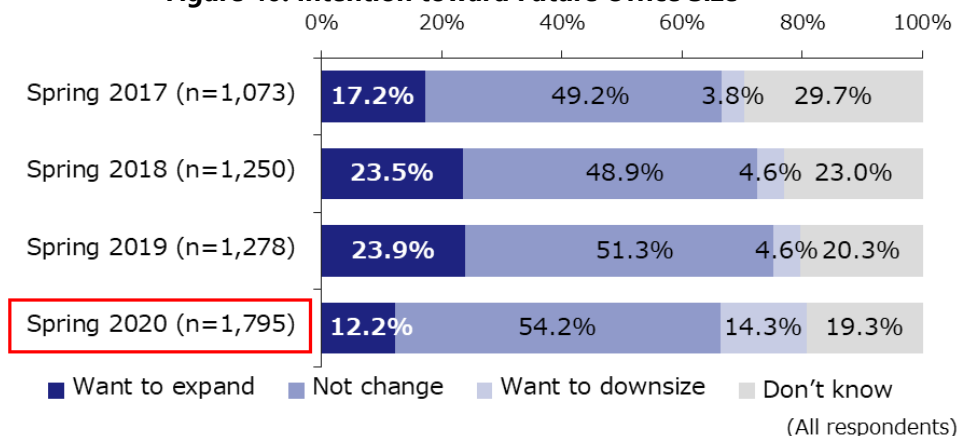
We asked the companies about their expectations on the number of users of their current office in about one to two years' time (the number includes those who telework and do not come to the office). 22.2% of the companies replied that the number of users will increase, considerably less than in previous surveys (**Figure 39**). On the contrary, the percentage of companies that expected the number of users to decrease rose significantly (22.7%), departing from the past trend to come level with the percentage of companies that expected an increase.

Figure 39: Future Change in Number of Office Users



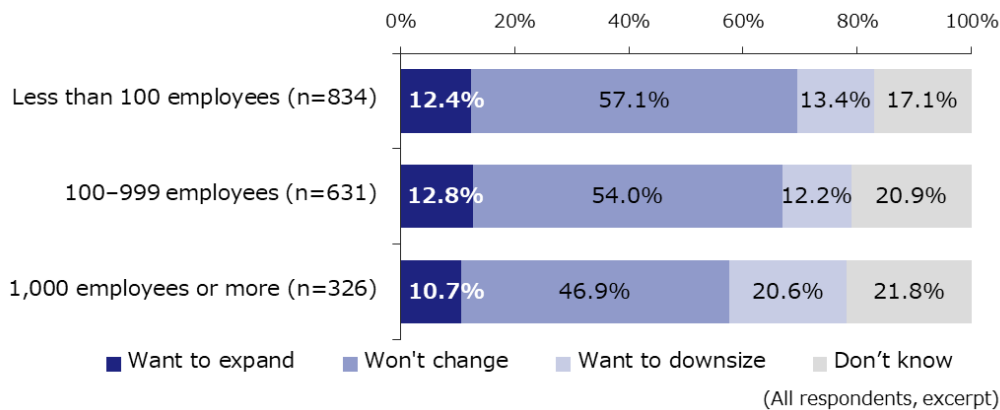
Companies' intentions toward their office size in two to three years' time also saw a departure from the past trend. The percentage of companies that wanted to expand their office space (12.2%) halved from previous surveys and was outstripped by that of companies that wanted to downsize (14.3%) for the first time (**Figure 40**).

Figure 40: Intention toward Future Office Size



By company size, 20.6% of large companies with 1,000 employees or more wanted to downsize, which was a stronger intention to downsize than companies of other sizes (**Figure 41**).

Figure 41: Intention toward Future Office Size – By Company Size



Regarding the style of expansion, the top replies were "relocation" (47.0%) and "in the same building" (42.5%) (**Figure 42**). The most popular styles of downsizing were "relocation" (43.8%) and "in the same building" (37.1%), the same as in previous surveys (**Figure 43**). While the percentages of both styles were declining in previous surveys, the need for "downsizing in the same building" increased in this survey.

Figure 42: Style of Future Expansion

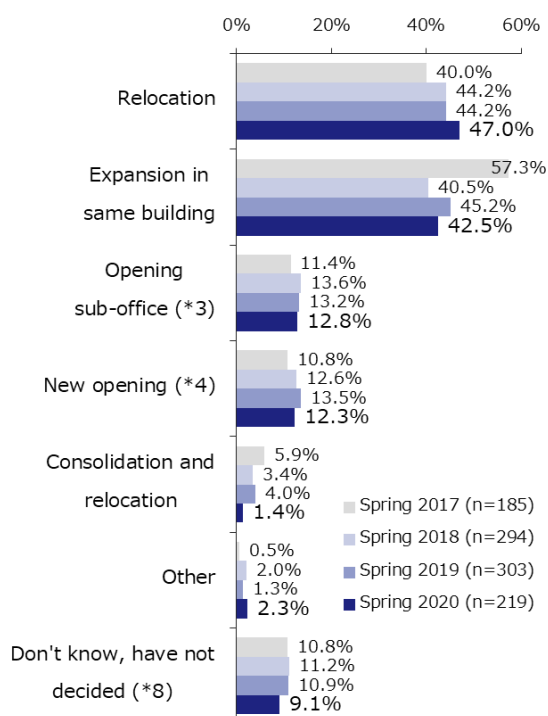
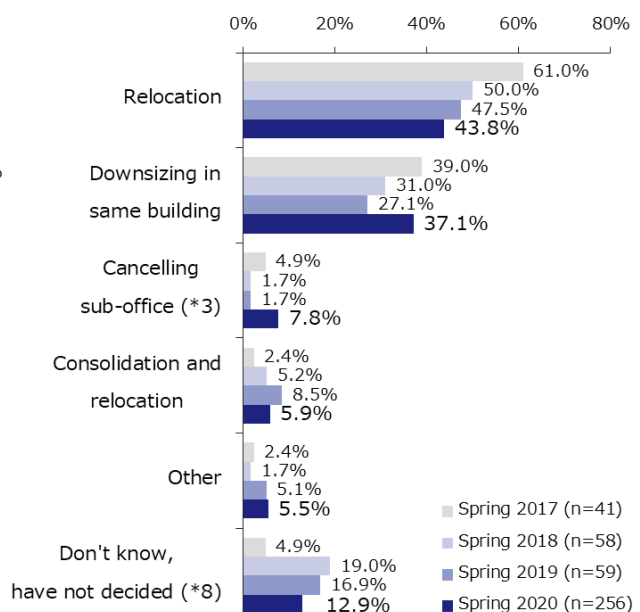


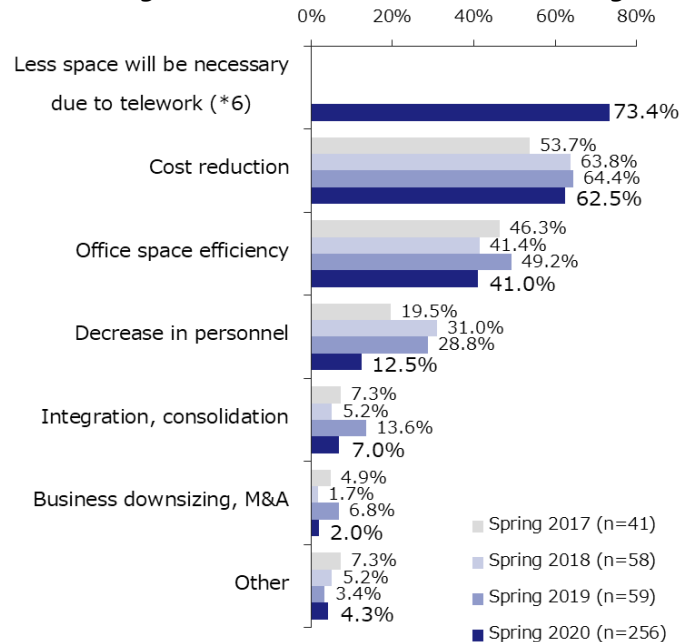
Figure 43: Style of Future Downsizing



(Figure 42: Companies that want to expand, multiple answers; Figure 43: Companies that want to downsize, multiple answers)

- *3 Sub-office: A separate office located near the head office or other main office to handle some of the functions of the main office
- *4 New opening: Opening a new office in a building different from the one which the company currently occupies
- *8 The figures for "Don't know, not yet decided" in Spring 2017 are not consistent with our past reports, since contradictory answers have been excluded from this survey.

The most popular reason for expanding the office was “increase in personnel” (65.3%), as in the previous surveys, followed by “for enhanced comfortability” (53.0%), which rose substantially from Spring 2019 (**Figure 44**). Furthermore, for the “safety & security” of employees, a new choice that we added this time, was chosen by 26.9% of the companies. The top reason for downsizing the office was “less space will be necessary due to telework” (73.4%), which was another choice we added this time (**Figure 45**). “Cost reduction” (62.5%) and “office space efficiency” (41.0%) were chosen by roughly the same percentage of companies as in the past.

Figure 44: Reason for Future Expansion**Figure 45: Reason for Future Downsizing**

(Figure 44: Companies that want to expand, multiple answers; Figure 45: Companies that want to downsize, multiple answers)

*6 The results for Spring 2017, Spring 2018 and Spring 2019 are not indicated since the choice was added from the Spring 2020 survey.

PICK UP

Past and Future Changes in Office Size by Company Attribute

Figures 46 to 48 show the Office Size DI of the past year (the percentage of “expanded” minus that of “downsized”) and the future Office Size Intention DI (the percentage of “want to expand” minus that of “want to downsize”) from the Spring 2020 survey and the Spring 2019 survey, plotted and connected with a line by attribute.

▲ **By company size (number of employees) (Figure 46)**

The Office Size DI for large companies with 1,000 employees or more was higher than the previous year; while such companies showed an expansion trend in the past year, their intention toward the future is to downsize.

◆ **By sector (Figure 47)**

All sectors show a stronger intention to downsize, with the telecommunications and service sectors seeing a sharp decline in Office Size Intention DI. On the other hand, the change in intention was not as substantial in the finance & insurance and real estate & leasing of goods sectors. As for the Office Size DI, the finance & insurance sector showed a significant expansive trend.

● **By office location (Figure 48)**

Intentions to expand have subsided in all areas, with the Tokyo 23 Wards turning to an intention to downsize.

Figure 46: Office Size DI – By Company Size (Past and Future)

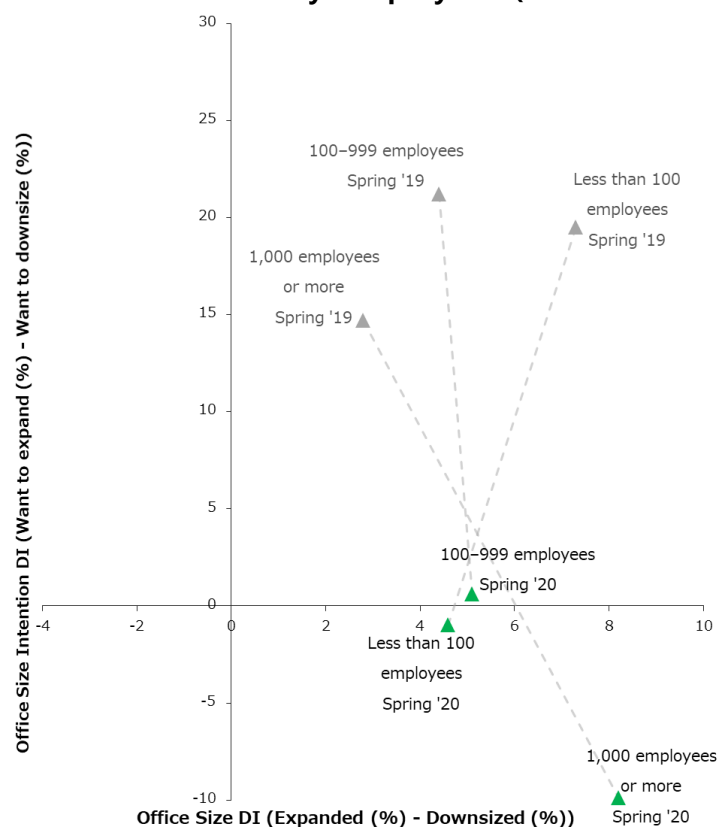
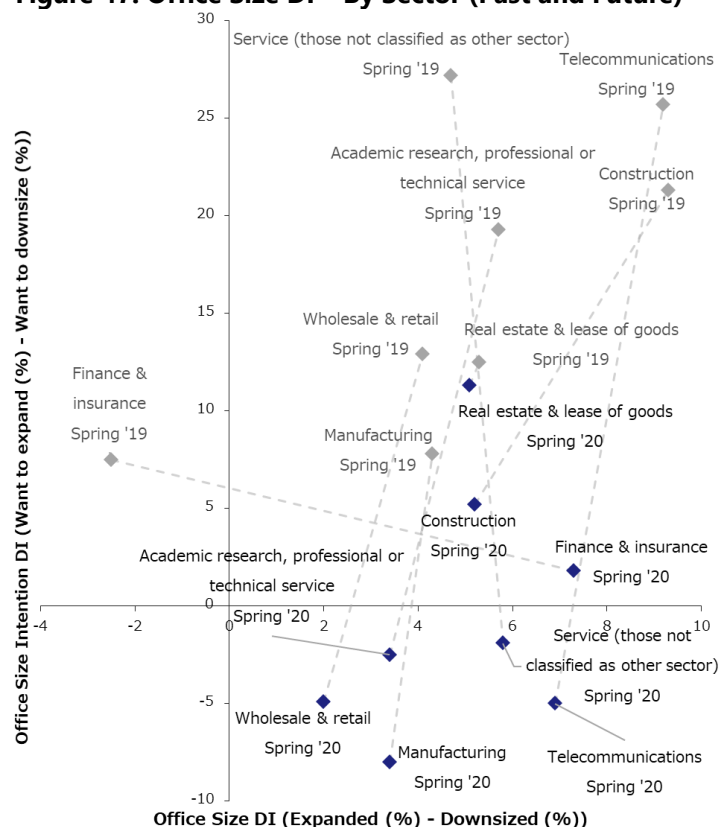
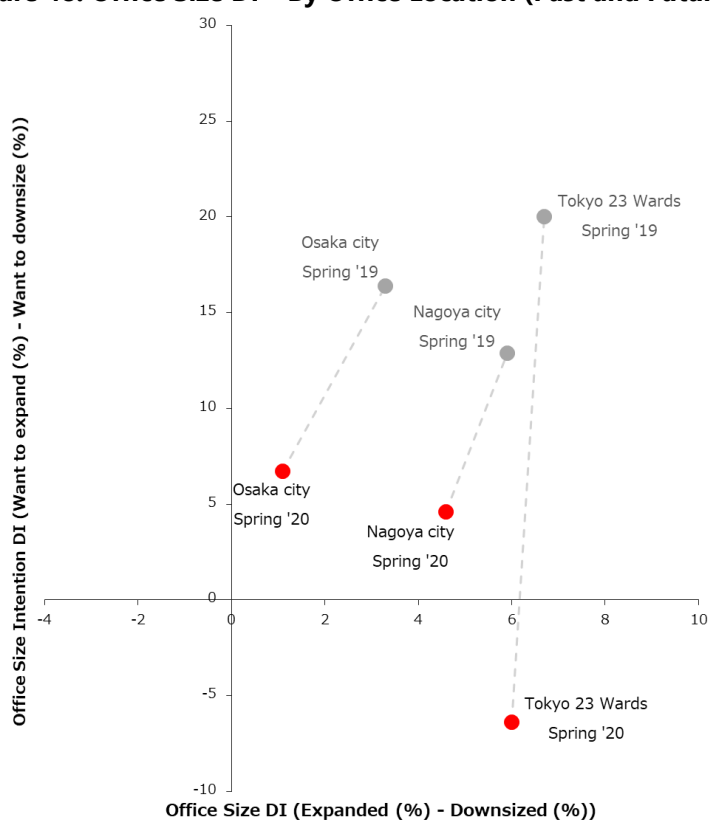
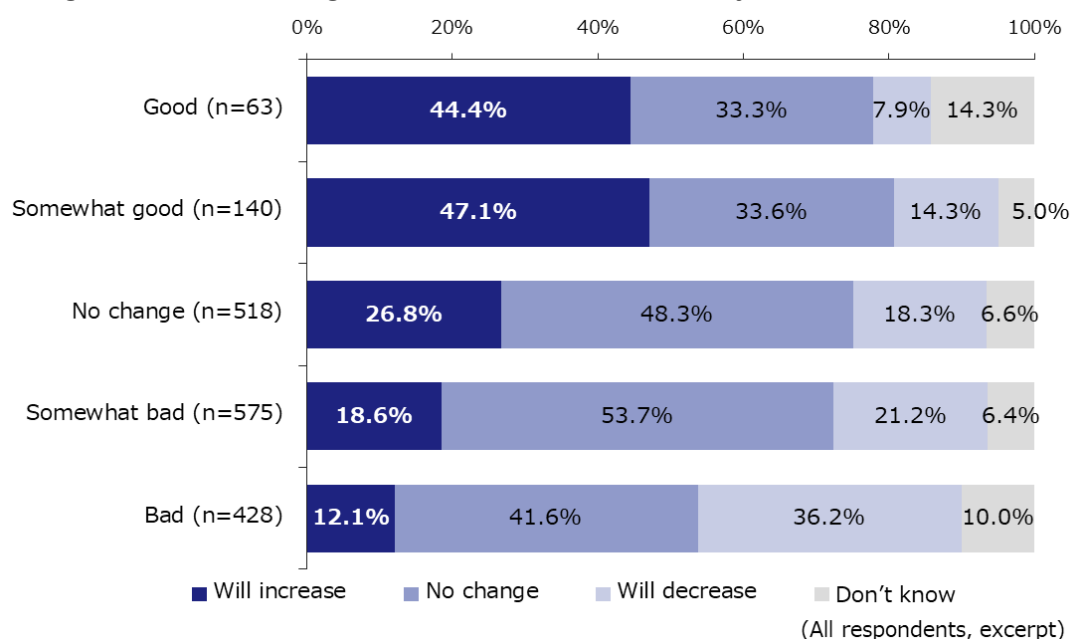


Figure 47: Office Size DI – By Sector (Past and Future)**Figure 48: Office Size DI – By Office Location (Past and Future)****Metropolitan Areas Office Demand Survey Spring 2020 (Carried Out in June)**

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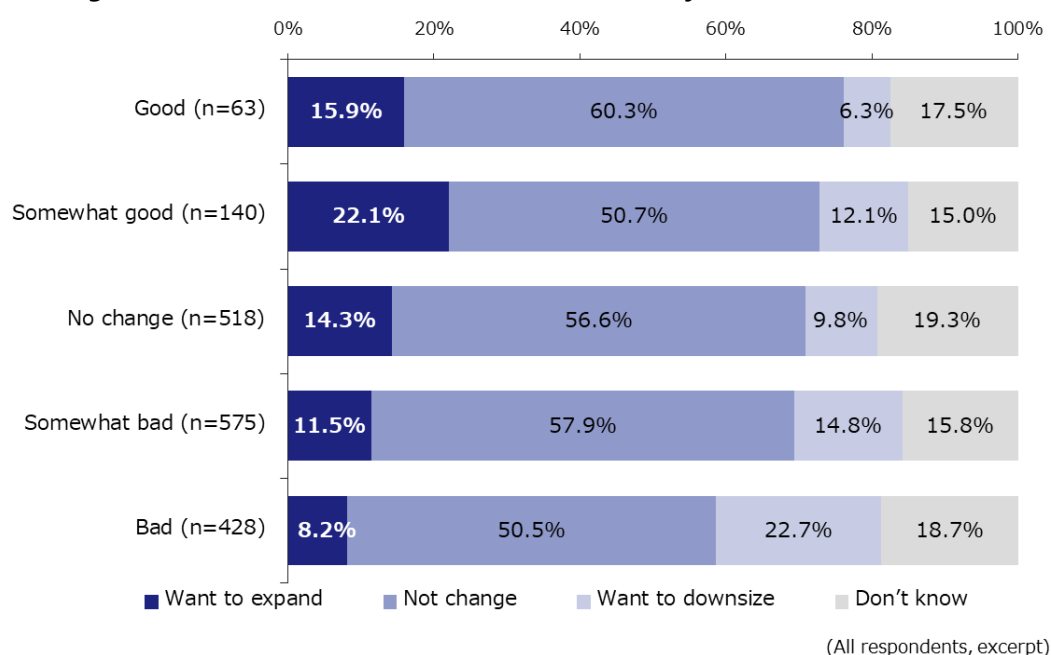
When comparing future changes in the number of office users by business sentiment, the group with a low business sentiment were more likely to expect a decrease in the number of office users (36.2%) than other groups of companies (**Figure 49**). Moreover, the groups of companies with a “good” or “somewhat good” business sentiment showed a high percentage of expecting that the number of office users “will increase” in the future.

Figure 49: Future Change in Number of Office Users – By Business Sentiment



Similarly, when comparing future changes in office size by business sentiment, the group with a low business sentiment was more intent on downsizing their office space (22.7%) than other groups of companies (**Figure 50**).

Figure 50: Intention toward Future Office Size – By Business Sentiment

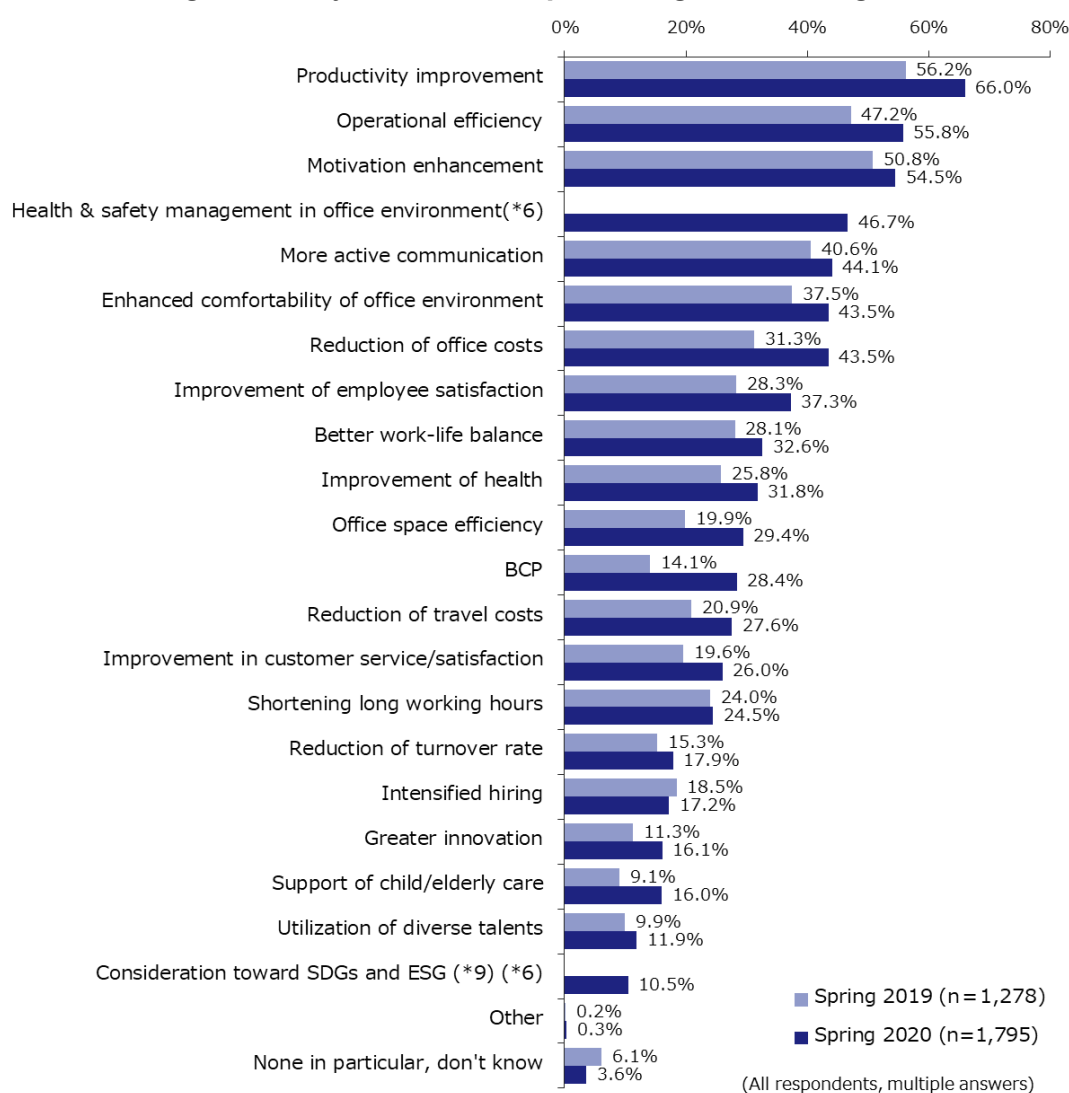


3-2. Major focuses, concerns and obstacles in implementing office strategies

- ✓ Companies' response rates in the major focuses in implementing office strategies increased in general, which suggests a rise in awareness in implementing office strategies.
- ✓ The top concern or obstacle in implementing office strategies was "not sure of best balance between working at the office and teleworking" (28.9%).

Companies' major focuses in implementing office strategies were as shown in **Figure 51 (lower bar)**. The percentages have increased in almost all items compared to the Spring 2019 survey, suggesting that companies have become more aware of the importance of developing a better office environment. In particular, the percentage for "BCP" (28.4%) has doubled, which implies a rise in companies' awareness due to the outbreak of COVID-19. "Health and safety management in office environment," a new item added from Spring 2020, was a focus of 46.7% of companies and ranked fourth.

Figure 51: Major Focuses in Implementing Office Strategies

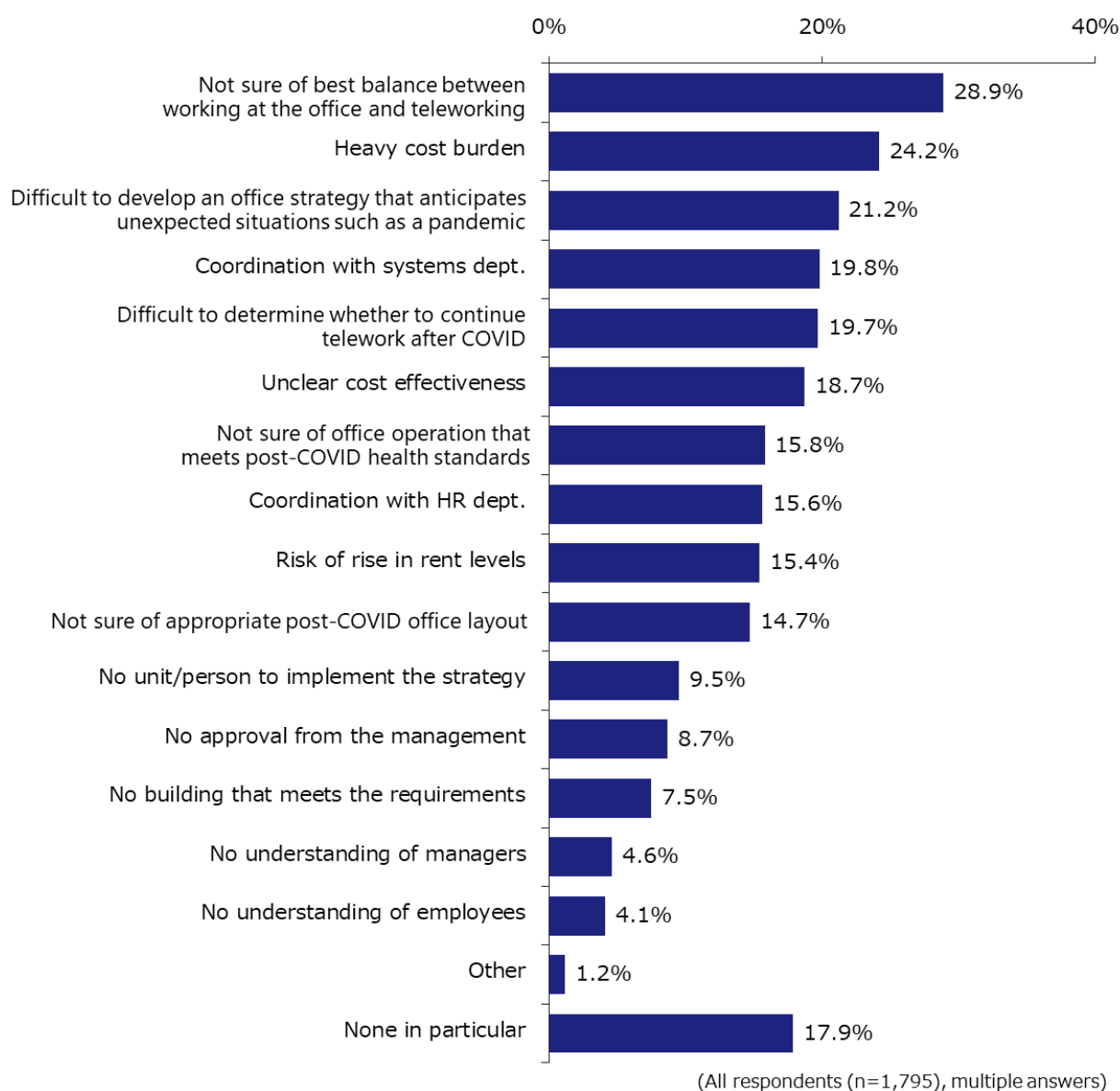


*6 The result for Spring 2019 is not indicated since the choice was added from the Spring 2020 survey.

*9 SDGs stands for Sustainable Development Goals. ESG stands for Environment, Social and Governance, and is an indicator for assessing corporate value based on non-financial information

As for the concerns and obstacles in implementing office strategies, the top reply was “not sure of best balance between working at the office and teleworking” (28.9%) (**Figure 52**). Other major concerns and obstacles included “difficult to develop an office strategy that anticipates unexpected situations such as a pandemic” (21.2%) and “difficult to determine whether to continue telework after COVID” (19.7%), which indicate that companies are facing new concerns as they review their previous work styles due to the outbreak of COVID-19.

Figure 52: Concerns and Obstacles in Implementing Office Strategies



PICK UP

Direction of the Workplace Post-COVID

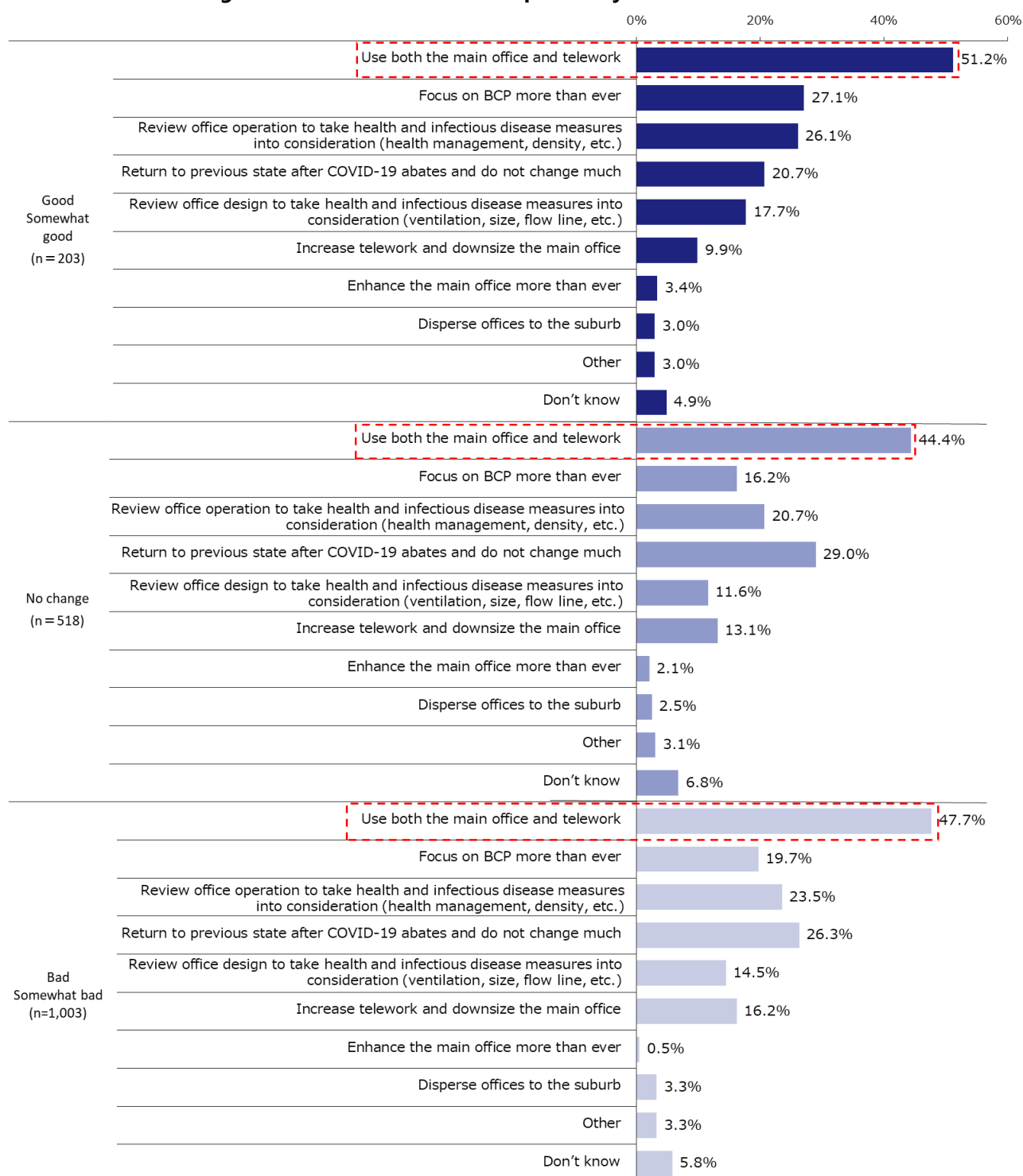
Thus far, we have caught a glimpse that the outbreak of COVID-19 has triggered companies to review their work styles and the direction of their workplace. We have also confirmed that companies with a lower business sentiment had stronger intentions to downsize their office (**Figure 50**) and have seen an emergence of the idea that offices are unnecessary due to the need to cut fixed costs, which are a burden to companies. What are the actual thoughts of the companies?

When we asked companies about the direction of their workplace after COVID-19 has abated, 46.5% replied that they would "use both the main office and telework."^{*10} **Figure 53** compares the result by business sentiment.

To sum it up, about a half of the companies replied that they would use both the main office and telework, regardless of business sentiment. This is, so to speak, picking the best from both. Although this survey revealed that more than 90% of the companies introduced work-from-home as a response to the outbreak of COVID-19,^{*10} only 47.5% were implementing it at the time of the survey (**Figure 29**), which suggests that emergency work-from-home measures will change over time under the corona crisis. Under these circumstances, companies will be seeking the appropriate direction of the workplace toward the future.

^{*10} Companies' Work Styles and the Workplace under the Corona Crisis, released on July 15, 2020

<https://www.xymax.co.jp/english/research/images/pdf/20200715.pdf>

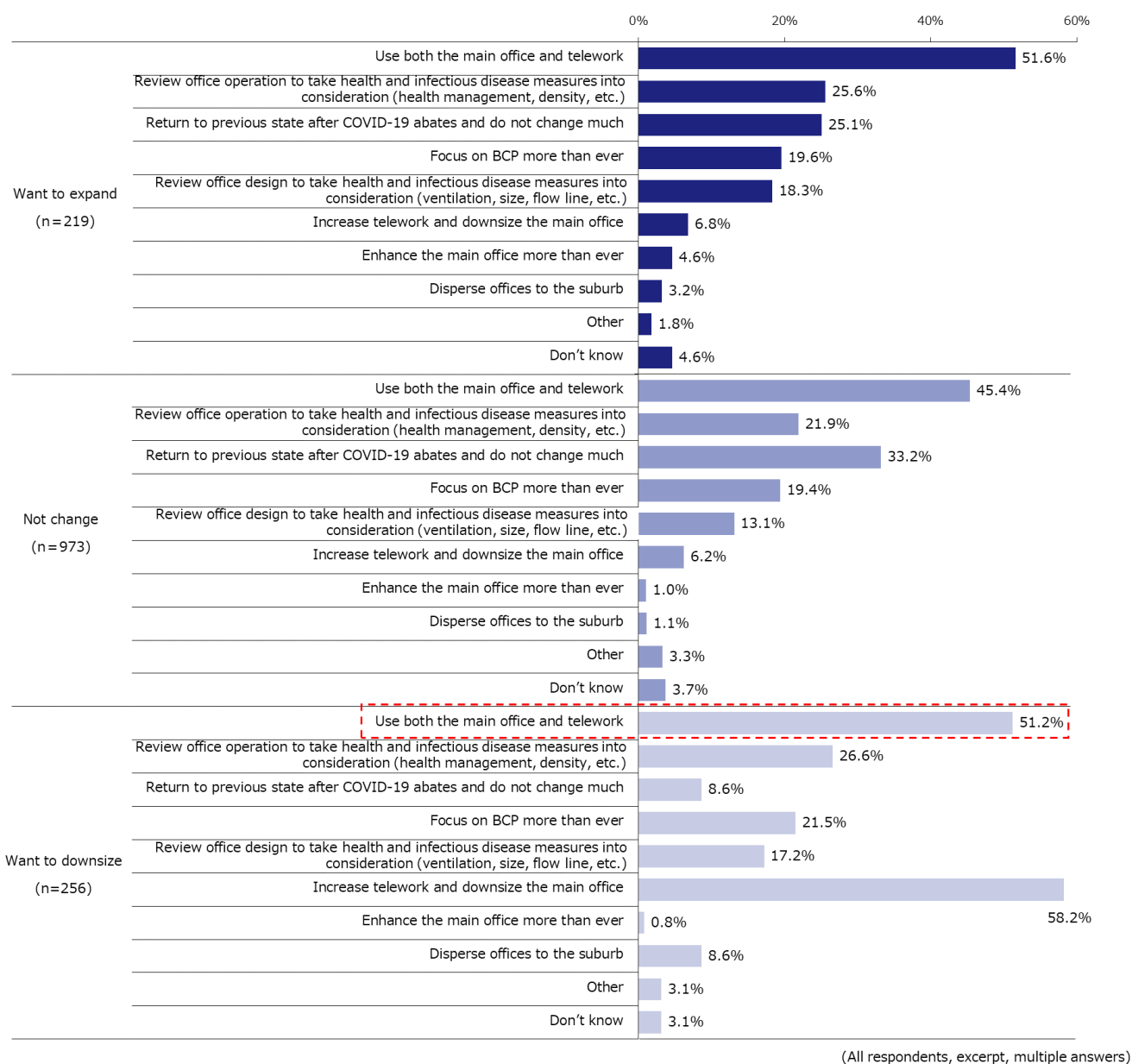
Figure 53: Direction of the Workplace – By Business Sentiment

(All respondents, excerpt, multiple answers)

Furthermore, the percentage of “increase telework and downsize the main office” rose as business sentiment dropped (9.9% for “(somewhat) good” sentiment, 13.1% for “no change,” 16.2% for “(somewhat) bad”) (**Figure 53**), which suggests a certain relationship between business sentiment and the downsizing of the main office.

On the other hand, when we aggregated and analyzed the direction of the workplace by intention toward the future office size, the most popular choice among companies that wanted to downsize their office space was “increase telework and downsize the main office” (58.2%), while “use both the main office and telework” accounted for a similar percentage (51.2%). This implies that the main office will still be in demand even if it will be downsized and that it will continue to be used for different usages (**Figure 54**).

Figure 54: Direction of the Workplace – By Intention toward Future Office Size



4. Summary

Carried out during the global outbreak of COVID-19, the Spring 2020 survey has revealed a clear change of tide in office demand from previous surveys. Although changes in the number of office users, office size, and rent per tsubo over the past year all showed a larger increase than the decrease as in previous surveys, there were some shifts in the trend, such as the percentage of companies that saw an increase in the number of office users dropping to the lowest ever and the percentage of companies that experienced an increase in rent per tsubo, which had been on a rising trend, not increasing and remaining unchanged (**Figures 1 to 3**).

Furthermore, companies' intentions toward the future office size (**Figure 40**) departed from the previous expansive trend and saw intentions to downsize exceed intentions to expand for the first time.

This survey also exposed various changes such as a substantial deterioration in business sentiment and a surge in the implementation of work-from-home. We believe that these changes that were caused by the corona crisis are beginning to have some impact on companies' workplace strategies. For example, although the top reasons for downsizing the office over the past year (**Figure 10**) included "to reduce office costs" and "to improve office space efficiency" as in previous surveys, and "less space will be necessary due to telework" remained at 12.5%, the latter was the most popular reason for wanting to downsize the office in the future (73.4%) (**Figure 45**). This suggests that more companies may downsize offices as well as increase telework going forward.

However, regardless of business sentiment and the intentions toward future office size, the majority of companies intend to use both the main office and telework (**Figures 53 and 54**), and office demand would not suddenly disappear. Also, in consideration of the fact that the work environment affects the performance of workers, it will be necessary for companies to distinguish between and appropriately use the office and telework by focusing not only on expanding telework but also on establishing a comfortable and productive environment in their conventional offices for "congregating" purposes.

We believe that the comfortability of the work environment is heavily influenced by the impression of office size and the layout of the office. Companies with a low evaluation of their office's comfortability felt that their office was small but could not afford to provide various layouts due to prioritizing the provision of work desks. The lack of meeting rooms also seemed to be an issue. Companies that provided desks for less than 100% of the number of office users have implemented initiatives such as introducing various office layouts and places for telework (**Figures 5 and 6**), and the companies that introduced such office layouts tended to have higher evaluation toward comfortability and productivity (**Figures 28 and 34**). These results indicate that it is important for companies not to simply downsize their office space but to continue focusing on innovative ways to lay out the office in consideration of the roles of the office for the company.

As companies review the direction of the workplace due to the corona crisis and become more aware toward office strategies, there has also been a rise in new concerns and obstacles. As we confirmed in **Figure 52**, seeking the "best balance between working at the office and teleworking" will become an urgent issue for companies. Amid drastic changes in work styles and the workplace, Xymax REI intends to continue providing useful information by capturing the quantitative aspects of the office, such as the office size and number of users, as well as the qualitative changes in office demand by carrying out questionnaires and interviews on a regular basis.

Survey Overview

| | |
|-------------------------------------|---|
| Survey period | June 2020 |
| Target respondents | 4,040 companies in total that include: <ul style="list-style-type: none"> • Companies that are tenants of office buildings managed by the Xymax Group • Client companies of XYMAX INFONISTA Corporation • ZXY member companies |
| No. of valid responses | 1,795 companies; response rate: 44% |
| Geographical coverage | Nationwide (Tokyo, Osaka, Aichi, Fukuoka, Kanagawa, Saitama, Chiba Prefectures and others) |
| Survey method | By email |
| Topics covered in the survey | <p>Current office</p> <ul style="list-style-type: none"> • Contract type, office type, location, office area under lease contract, rent per tsubo (incl. CAM charges), number of users • Number of work desks, intentions toward the number of work desks, impression of office size <p>Current status of office use and telework</p> <ul style="list-style-type: none"> • Current status of office layout, comfortability of office environment • Current status of places for telework • Comfortability of work environment <p>Change in office demand (April 2019–March 2020)</p> <ul style="list-style-type: none"> • Change in the number of users • Change in office size and the details and reasons thereof • Change in rent per tsubo <p>Outlook of office demand</p> <ul style="list-style-type: none"> • Business sentiment • Outlook of change in the number of office users • Intention to change the office size and the details and reasons thereof • Major focuses, concerns and obstacles of office strategies <p>Responses to the outbreak of COVID-19</p> <ul style="list-style-type: none"> • Measures implemented, issues in work-from-home, safety and security of the office, direction of the workplace after the virus has abated <p>Company attribute</p> <ul style="list-style-type: none"> • Sector, number of employees, average age of employees, percentage of female employees, year of establishment |

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

[Sector]

| Agriculture & forestry | Mining & quarrying of stone and gravel | Construction | Manufacturing | Electricity, gas, heat, water supply | Telecommunications | Transportation & postal service | Wholesale & retail | Finance & insurance | Real estate & lease of goods |
|------------------------|--|--------------|---------------|--------------------------------------|--------------------|---------------------------------|--------------------|---------------------|------------------------------|
| 0.1% | 0.1% | 6.4% | 16.8% | 0.7% | 15.4% | 1.7% | 13.9% | 3.1% | 5.4% |
| 1 | 2 | 114 | 301 | 12 | 276 | 30 | 249 | 55 | 97 |

| Academic research, professional or technical service | Accommodation & restaurants | Daily life services & entertainment | Education & learning support | Medical & welfare | Multi-service business | Service (those not classified as other sectors) | Civil service (excl. those classified as other sectors) | Unclassifiable sectors |
|--|-----------------------------|-------------------------------------|------------------------------|-------------------|------------------------|---|---|------------------------|
| 6.6% | 0.8% | 1.1% | 1.6% | 1.4% | 1.3% | 21.2% | 0.3% | 2.5% |
| 119 | 14 | 19 | 28 | 25 | 23 | 380 | 6 | 44 |

[Number of employees]

| Less than 100 | 100-999 | 1,000 or more | Unknown |
|---------------|---------|---------------|---------|
| 46.5% | 35.2% | 18.2% | 0.2% |
| 834 | 631 | 326 | 4 |

[Type of office]

| Head office | Branch office | Sales office | Sub-office | Call center | Computer room | Other |
|-------------|---------------|--------------|------------|-------------|---------------|-------|
| 65.3% | 23.3% | 8.2% | 0.8% | 0.2% | 0.1% | 2.1% |
| 1173 | 418 | 147 | 14 | 4 | 1 | 38 |

[Location of office]

| Tokyo 23 Wards | Nagoya city | Osaka city | Fukuoka city | Other |
|----------------|-------------|------------|--------------|-------|
| 66.2% | 4.9% | 10.8% | 4.6% | 13.5% |
| 1189 | 88 | 194 | 82 | 242 |

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

| Less than 30 | 30 or more and less than 50 | 50 or more and less than 100 | 100 or more and less than 200 | 200 tsubo or more | No answer |
|--------------|-----------------------------|------------------------------|-------------------------------|-------------------|-----------|
| 15.5% | 13.0% | 16.9% | 14.9% | 23.0% | 16.8% |
| 279 | 233 | 303 | 267 | 412 | 301 |

[Average age of employees]

| 20-29 | 30-39 | 40-49 | 50-59 | 60 or above | No answer |
|-------|-------|-------|-------|-------------|-----------|
| 2.7% | 38.9% | 48.2% | 7.4% | 1.7% | 1.0% |
| 49 | 699 | 866 | 133 | 30 | 18 |

- 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 5, 6, 28, 30, 31, 32, 34, 35, 37 and 38 are excerpts of the main places and programs for telework or office layout.

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