

Supply of New Office Space 2022

January 12, 2022

Xymax Real Estate Institute (hereinafter, "Xymax REI") hereby releases a report on the Supply of New Office Space 2022 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"), has a direct impact on the supply-demand balance of the office market going forward. Each year, Xymax REI aggregates the rentable areas of office space in buildings completed in the Tokyo 23 Wards and Osaka City that have a gross floor area of 3,000 tsubo or more and are mainly for office-use.

1 tsubo = approx. 3.3 sqm

Main Findings

1. TOKYO 23 WARDS | Supply of New Office Space 2022

- A supply of 80,000 tsubo is scheduled in 2022, the smallest amount of supply in the past 10 years. 2023 is expected to see the largest supply in the next four years (from 2022 to 2025) at 231,000 tsubo.
- The average annual supply between 2022 and 2025 is forecast at 152,000 tsubo, less than the average annual supply of the past 10 years of 178,000 tsubo.
- 87% of the supply between 2022 and 2025 is concentrated in the 5 central wards of Chiyoda, Chuo, Minato, Shinjuku, and Shibuya.
- The new supply rate (new supply between 2022 and 2025 versus the office stock at the end of 2021) in Tokyo 23 Wards is expected to be around 4.7% (annual average: 1.2%).

2. OSAKA CITY | Supply of New Office Space 2022

- A supply of 46,000 tsubo is scheduled in 2022.
- The average annual supply between 2022 and 2025 is forecast at 43,000 tsubo, more than the average annual supply of the past 10 years of 16,000 tsubo.
- The average annual supply between 2022 and 2025 (43,000 tsubo) is approximately a third of that of Tokyo 23 Wards (152,000 tsubo).
- The new supply rate (new supply between 2022 and 2025 versus the office stock at the end of 2021) in Osaka City is expected to be around 6.1% (annual average: 1.5%).

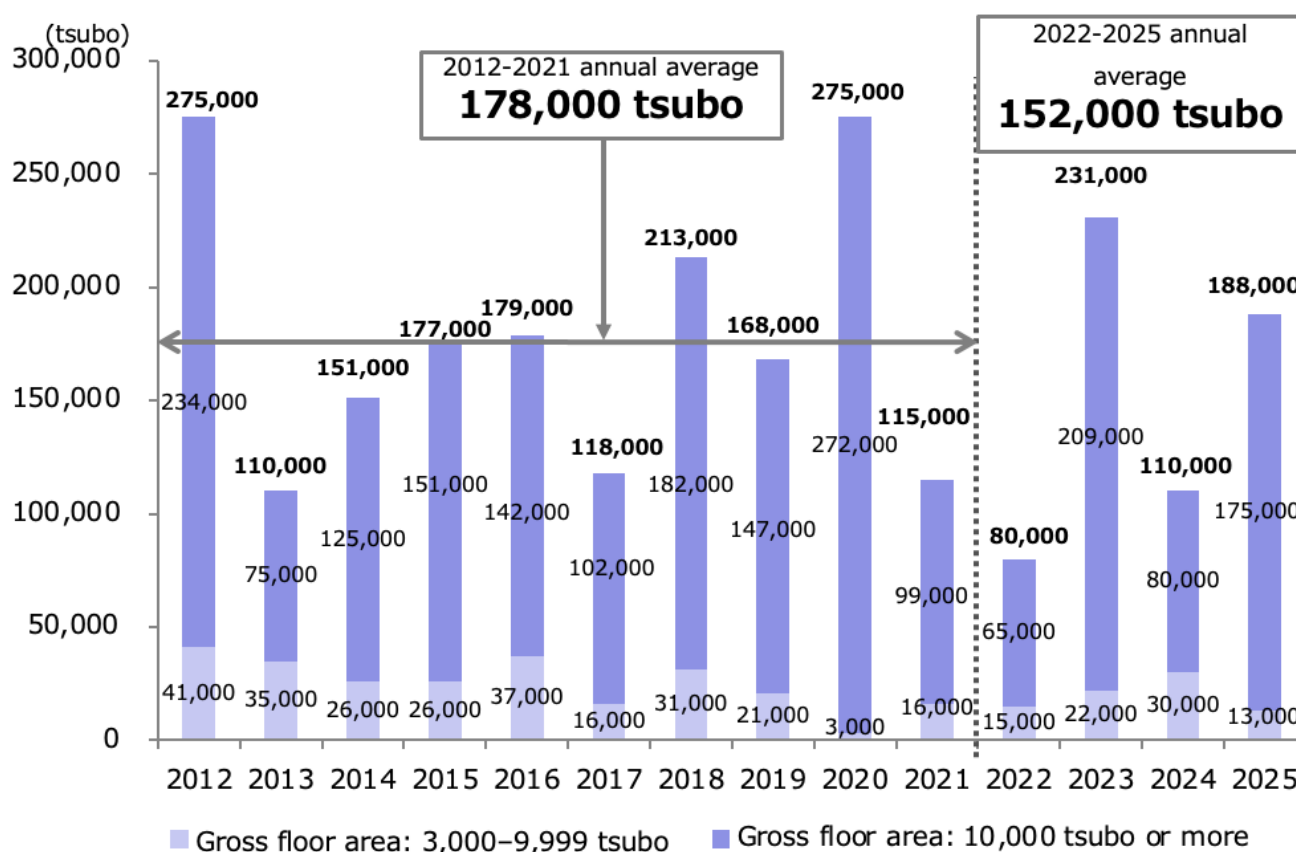
1. TOKYO 23 WARDS | Supply of New Office Space 2022

The supply of office buildings with a gross floor area of 3,000 tsubo or more is expected to be 80,000 tsubo in Tokyo 23 Wards in 2022, less than the smallest supply of the past 10 years, which was 110,000 tsubo in 2013 (**Figure 1**). 2023 is expected to see a supply of 231,000 tsubo, which is more than the average annual supply between 2012 and 2021 (hereinafter, the “10-year average”), which was 178,000 tsubo. The average annual supply between 2022 and 2025 is expected to be 152,000 tsubo, which is less than the 10-year average.

The expected average annual supply of medium-sized buildings with a gross floor area between 3,000 tsubo and 10,000 tsubo is 20,000 tsubo in 2022–2025, less than the average annual supply in 2012–2021, which was 25,000 tsubo. The average annual supply of large buildings with a gross floor area of 10,000 tsubo or more in 2022–2025 (132,000 tsubo) is also expected to be less than the 2012–2021 annual average of 153,000 tsubo.

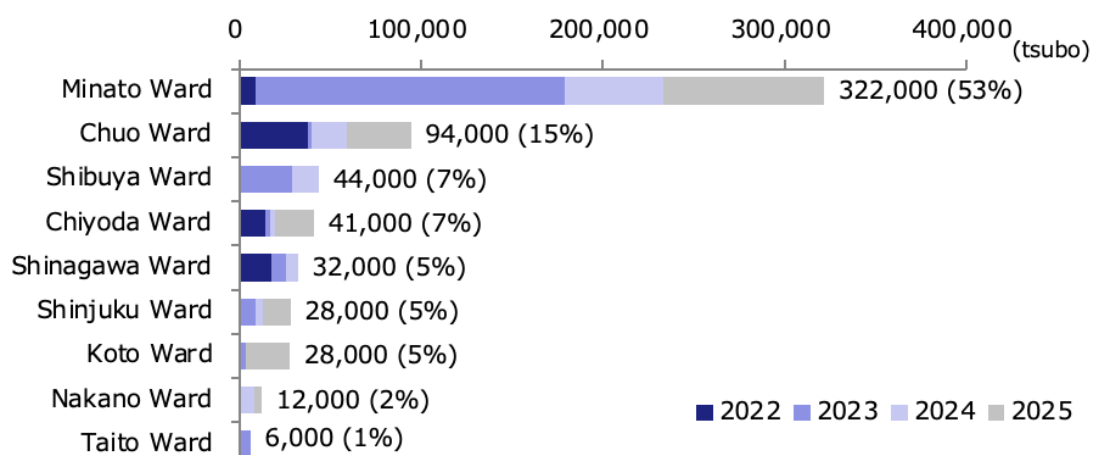
The new supply rate, which is the percentage of supply in 2022–2025 to the office stock at the end of 2021 (13 million tsubo) is expected to be 4.7% (annual average: 1.2%).

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



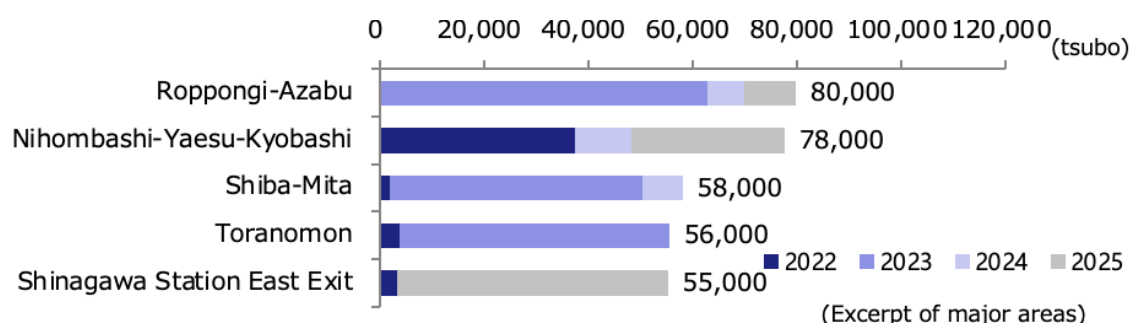
By ward, 75% of the total supply in 2022–2025 is expected in the 3 central wards (Chiyoda, Chuo and Minato) (**Figure 2**). Minato Ward accounts for 53% of total, the largest share of supply among all wards. If we expand the range to the 5 central wards (the 3 central wards plus Shibuya and Shinjuku wards), 87% of the total supply is expected in these areas, indicating that supply is concentrated in central Tokyo.

Figure 2: Supply by Ward (2022–2025)
(Figures in brackets represent the percentage to total supply in 2022–2025)



By area, supply is expected in areas including the Roppongi-Azabu, Nihombashi-Yaesu-Kyobashi, Shiba-Mita, Toranomom, and Shinagawa Station East Exit areas (**Figure 3**).

Figure 3: Supply by Major Area (2022–2025)



The highlights of the major areas are as follows:

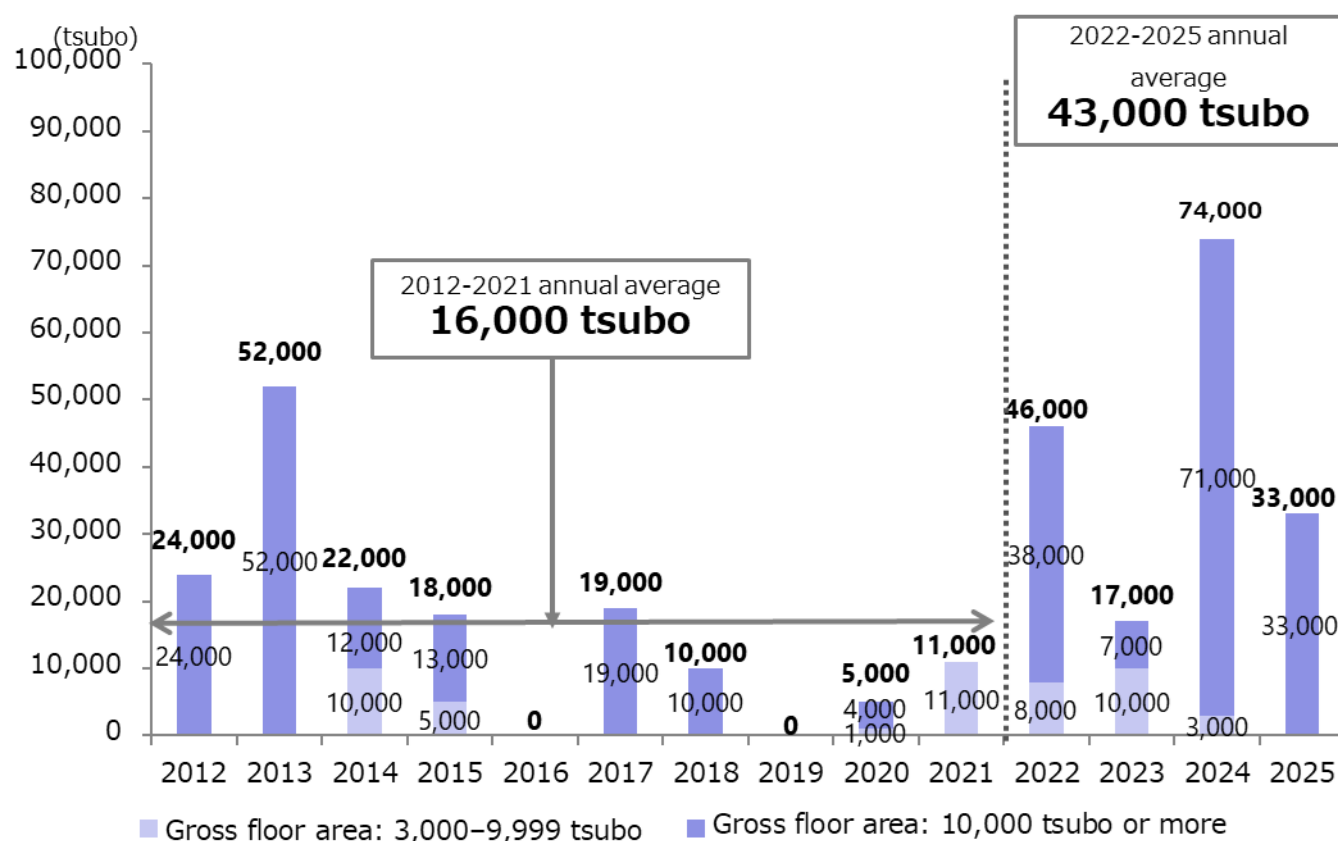
- The Roppongi-Azabu area has the largest supply of 80,000 tsubo. Large supply is scheduled in 2023 due to the Toranomom & Azabudai Category One Urban Area Redevelopment Project, which includes a hotel and an international school.
- In Nihombashi-Yaesu-Kyobashi, large supply is scheduled in 2022 due to the A-1 zone of Tokyo Midtown Yaesu, which is directly connected to Tokyo Station.
- In Shiba-Mita, large supply is planned in 2023 due to the Mita Redevelopment Project (tentative name).
- The Toranomom area is undergoing comprehensive redevelopment that includes infrastructure, such as Beltway 2 and the Bus Rapid Transit (BRT) system, as well as offices and medical institutions, and will continue to see supply due to large redevelopment projects such as the Toranomom Hills Station Tower (tentative name).
- At Shinagawa Station East Exit, large supply is scheduled in 2025 due to Shinagawa Development Project Phase I.

2. Osaka City | Supply of New Office Space 2022

With regard to the supply of office buildings with a gross floor area of 3,000 tsubo or more in Osaka City, large supplies of 46,000 tsubo and 74,000 tsubo are scheduled in 2022 and 2024, respectively, bringing the expected total supply between 2022 and 2025 to 170,000 tsubo (**Figure 4**). The average annual supply between 2022 and 2025 is expected to be 43,000 tsubo, which is approximately three times the 10-year average of 16,000 tsubo and approximately a third of the average annual supply in Tokyo 23 Wards in 2022–2025 of 152,000 tsubo.

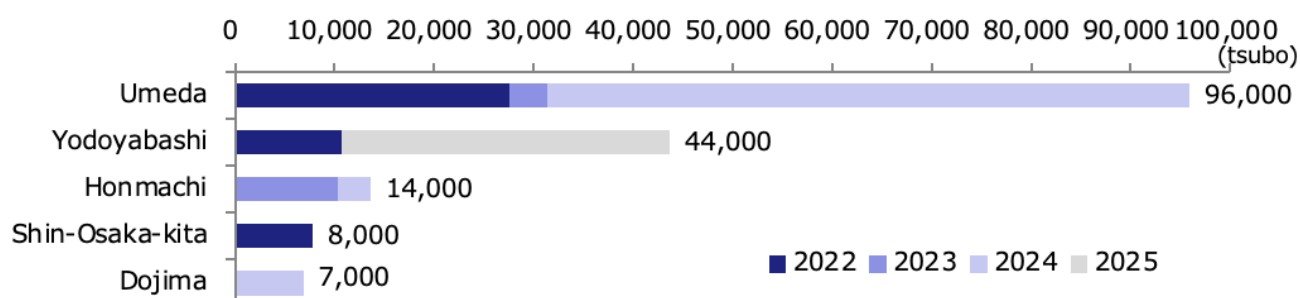
The new supply rate, which is the percentage of supply in 2022–2025 to the office stock at the end of 2021 (2.79 million tsubo) is expected to be 6.1% (annual average: 1.5%).

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



By area, supply is expected in the Umeda, Yodoyabashi, Honmachi, Shin-Osaka-kita, and Dojima areas (Figure 5).

Figure 5: Supply by Area (2022–2025)



The highlights of the areas are as follows:

- Umeda is expected see the largest supply of 96,000 tsubo. Large supplies are scheduled in the area due to the Osaka Umeda Twin Towers South in 2022 and the Umeda 3-chome Plan (tentative name) and Umekita Phase 2 Development Project in 2024.
- In Yodoyabashi, large supply is expected in 2025 due to the Yodoyabashi Station East District Urban Renewal Project and the Yodoyabashi West District Urban Area Redevelopment Plan.

Survey Overview

Survey timing	December 2021
Coverage	23 Wards of Tokyo, city of Osaka
Target properties	Properties with a gross floor area of 3,000 or more that are used mainly as office space (excludes owner-occupied buildings)
Target data	Net rentable area for offices (tsubo)
Method	Mostly based on publicly available information such as newspaper articles, with some field surveys and interviews with business operators
Remarks	<ul style="list-style-type: none"> * This survey targets the 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 study with the Naoki Kato Lab, Architecture and Architectural Engineering, Kyoto University Graduate School of Engineering. * The amount of new supply in this survey is an estimate at the time of the survey. The figure of new supply fluctuates as information is added and updated on a daily basis. * The sum figures may not match due to rounding.

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