

Metropolitan Areas Office Demand Survey Spring 2022 – (1) Demand Trends



76% of companies intend to continue implementing telework after the pandemic

June 15, 2022

1. Introduction

Due to the rapid spread of telework due to the COVID-19 pandemic, a flexible work style not constrained by place or time is gradually taking root, leading to changes in companies' office demand.

Since Autumn 2016, Xymax Real Estate Institute has conducted questionnaire surveys on companies' use of offices and work styles on a semi-annual basis to carry out a continuous analysis of the relationship with office demand. Of the results of the 12th survey, this report, **"(1) Demand Trends,"** summarizes the state of office demand and its future direction. The **"(2) Work Styles and the Workplace"** (*1) volume of the report released on the same day covers companies' usage patterns of the office and telework.

*1 *Metropolitan Areas Office Demand Survey Spring 2022 – (2) Work Styles and the Workplace*, released on June 15, 2022

https://www.xymax.co.jp/english/research/images/pdf/20220615_2.pdf

(1 Tsubo = approx. 3.3 sqm)

Main Findings

- In terms of the change in the number of office occupants over the past year, companies that saw an increase (22.4%) outweighed companies that saw a decrease (17.4%) for the first time since the Autumn 2020 survey. In terms of the change in office size, the percentage of companies that downsized (8.1%) decreased marginally.
- In terms of companies' intentions toward their office for size for the next 2–3 years, more companies wanted to expand (12.0%) than downsize (10.7%) for the first time in three years.
- The average coming-to-office ratio was 64.3% at the time of the survey, with 27.1% of the companies reducing the ratio to less than 40%. 24.1% of the companies want to raise the coming-to-office ratio to "100% (come to the office only)," with the remaining 75.9% intending to adopt telework more or less.
- 46.0% of the companies intend to reduce the ratio of number of desks to office occupants to less than 100%. This is double the percentage of companies that currently keep the ratio at less than 100% (20.0%).

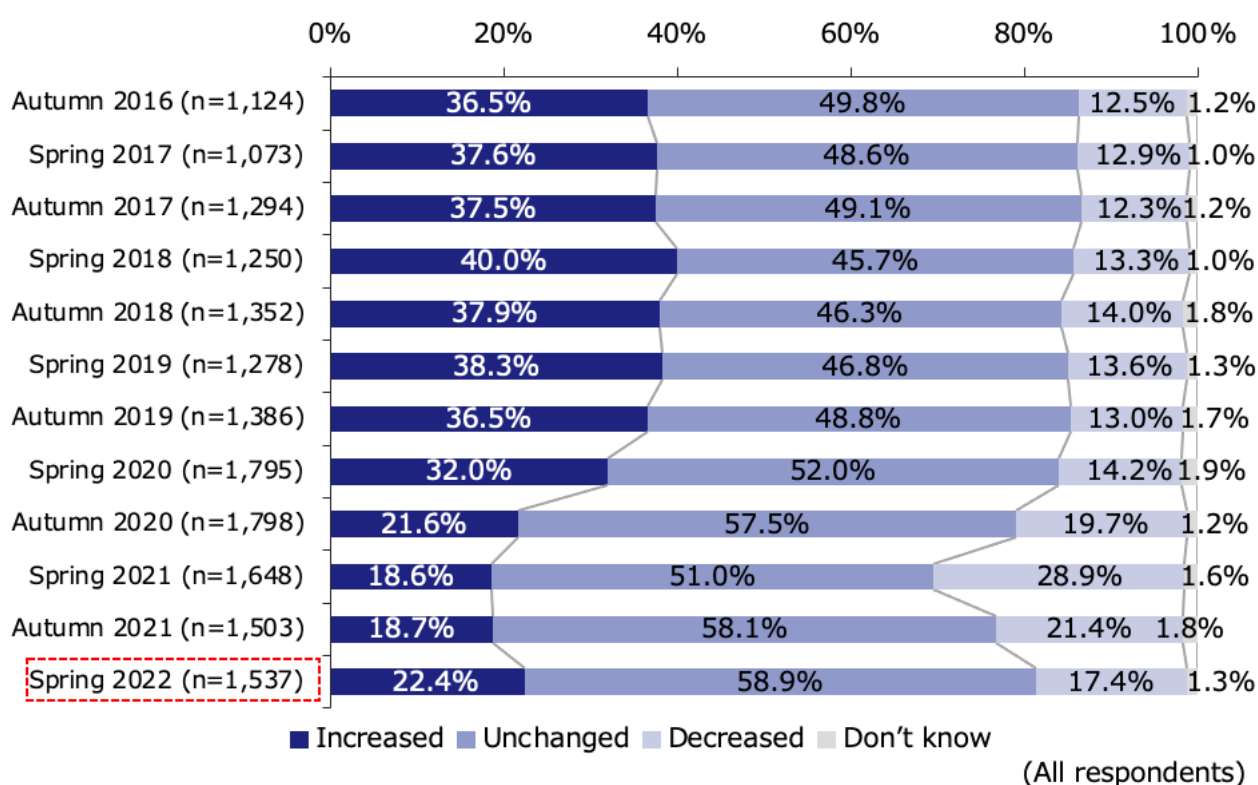
2. Findings

2.1. Changes in number of office occupants, office size, and rent per tsubo over the past year

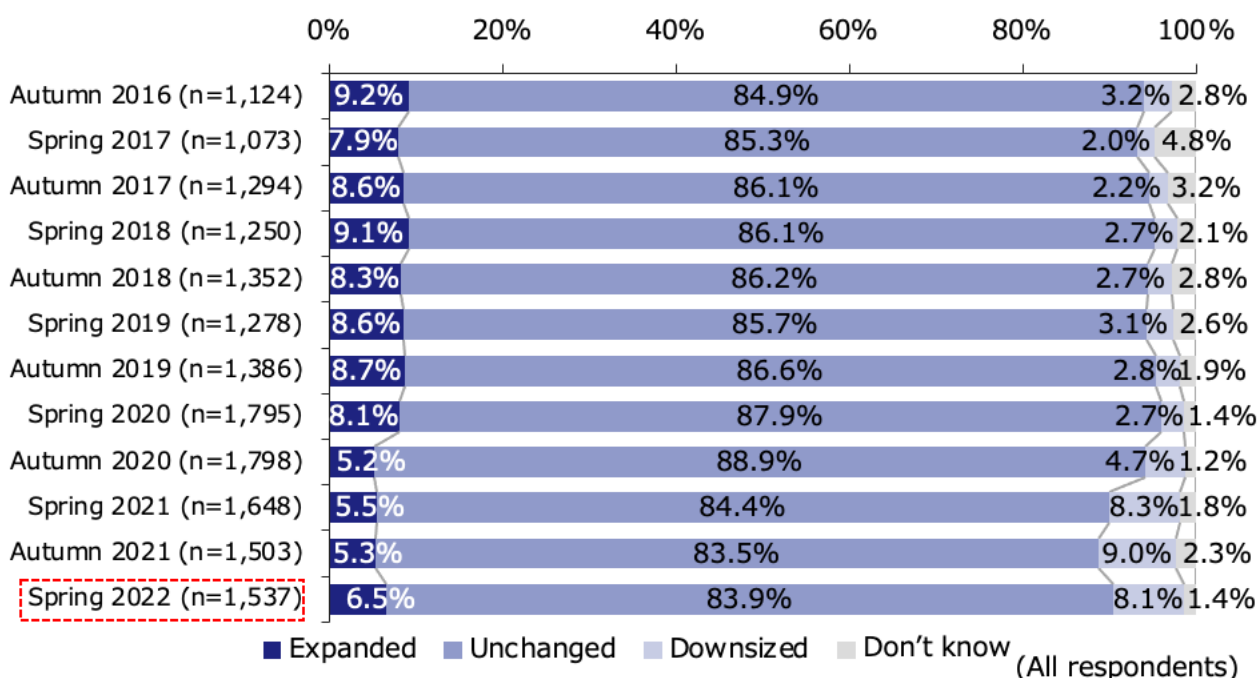
The changes in the number of office occupants (i.e., the number of people who belong to the office, regardless of whether they come to the office or not), office size, and rent per tsubo (including CAM charges; the same applies hereinafter) over the past year (April 2021–March 2022) were as shown in **Figures 1, 2, and 8**.

22.4% of the companies replied that the number of office occupants “increased,” while 17.4% replied that it “decreased.” The percentage of companies that saw an increase outweighed the percentage of those that saw a decrease for the first time since the Autumn 2020 survey (**Figure 1, bottom bar**).

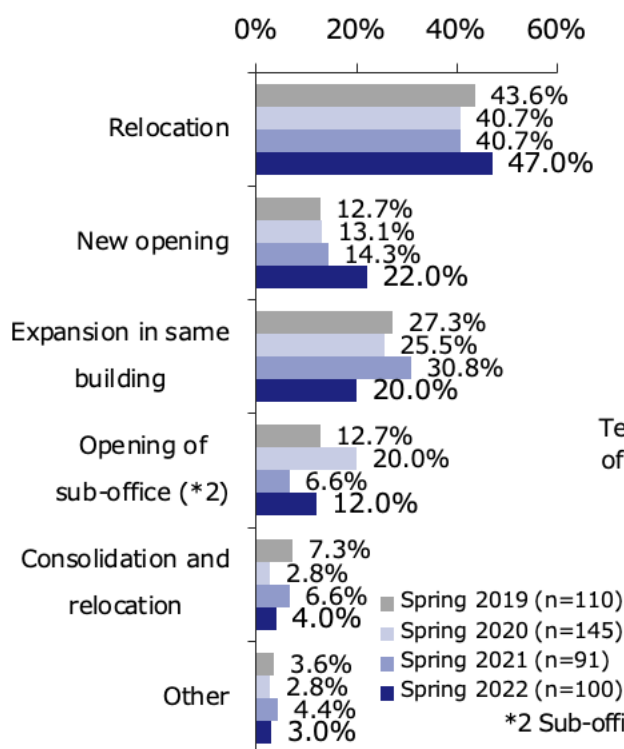
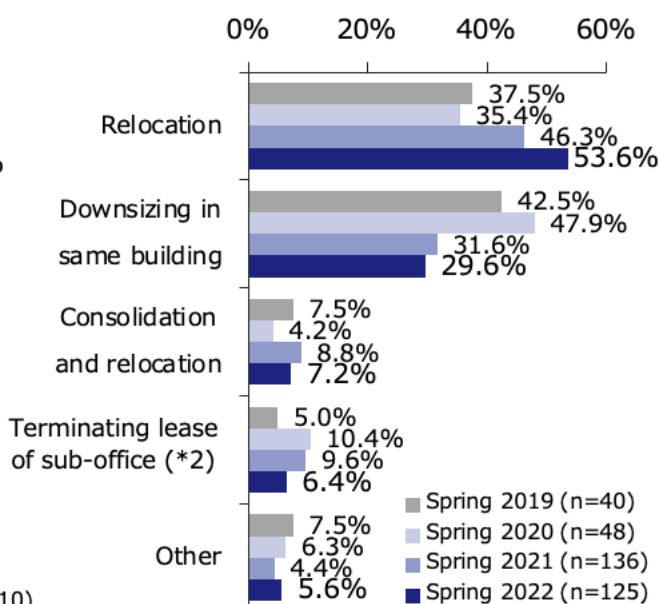
Figure 1: Change in Number of Office Occupants



As for office size, the percentage of companies that “expanded” their office (6.5%) increased marginally from the previous survey, the percentage of those that “downsized” saw a mild drop to 8.1% (**Figure 2, bottom bar**).

Figure 2: Change in Office Size

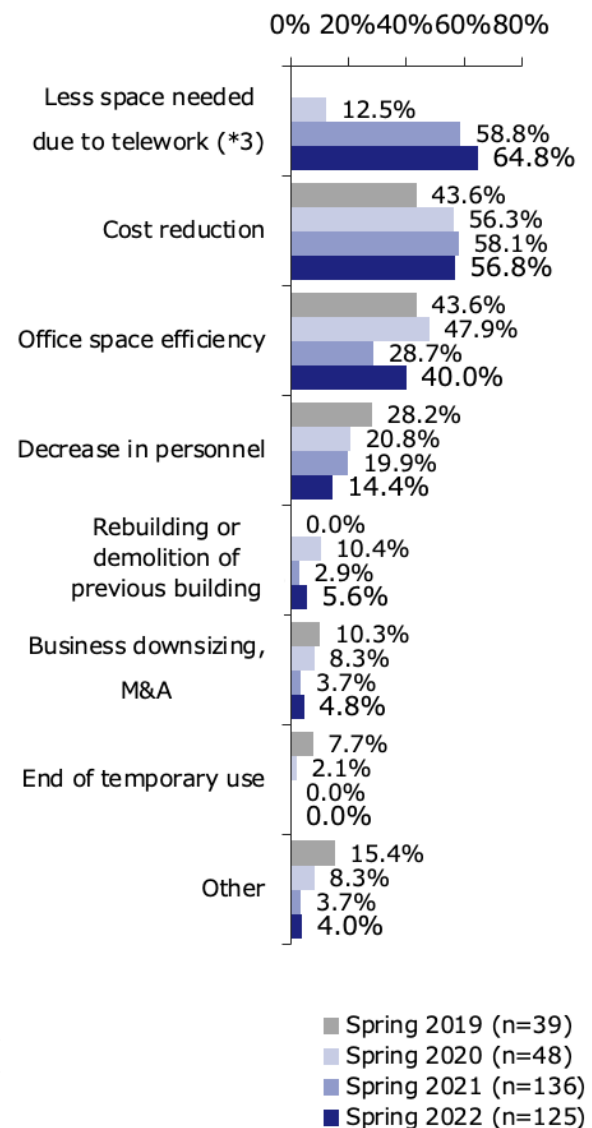
The most popular style of office size expansion was “Relocation” (47.0%), followed by “New opening” (22.0%) (**Figure 3**). The most popular style of office downsizing was “Relocation” (53.6%) (**Figure 4**).

Figure 3: Style of Office Expansion**Figure 4: Style of Office Downsizing**

(Figure 3: Companies that expanded; MA)

(Figure 4: Companies that downsized; MA)

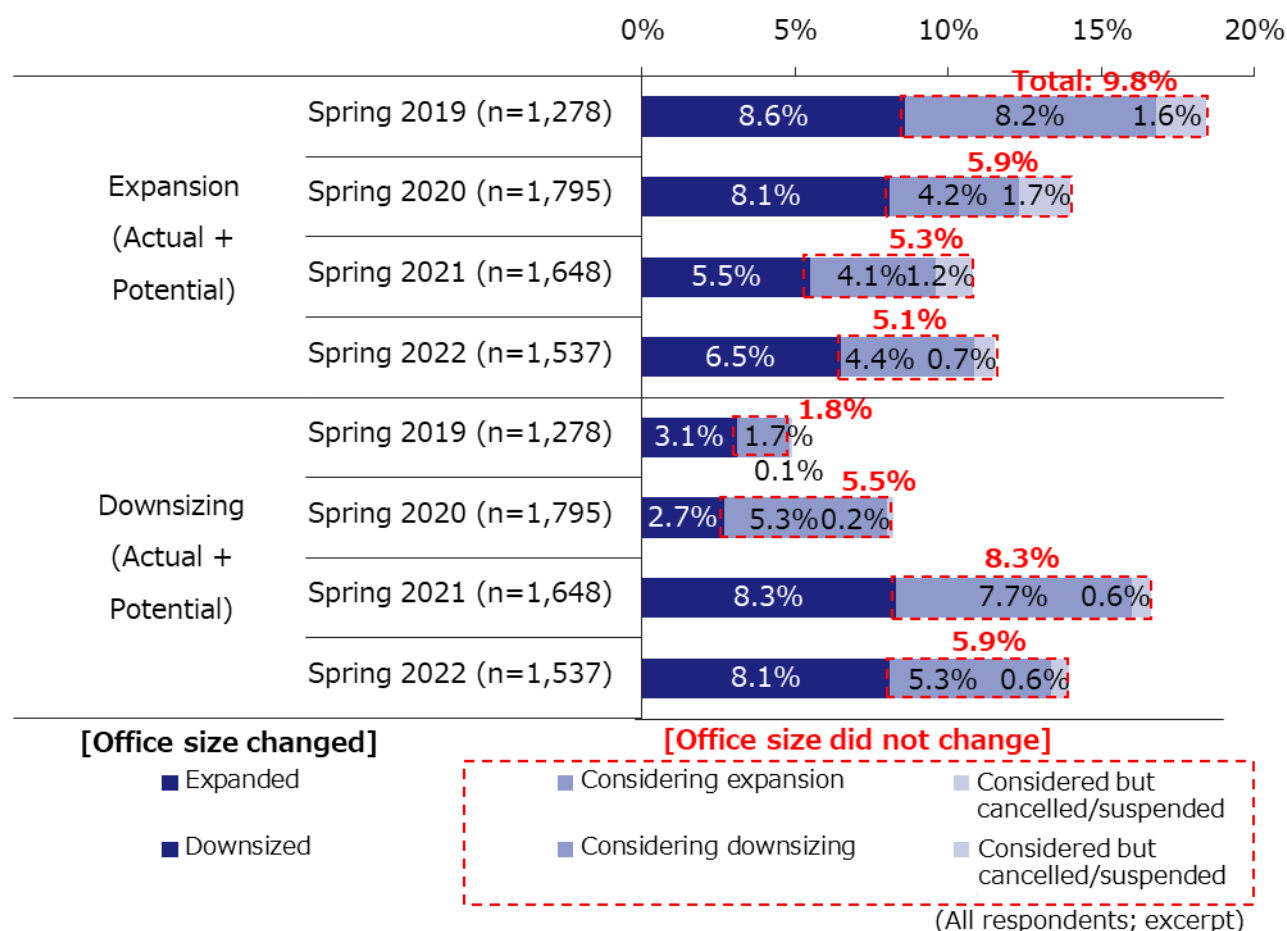
The most popular reason for the office size expansion was "Office became too small due to increase in personnel (Increase in personnel)" (50.0%), followed by "To enhance comfortability" (40.0%) (**Figure 5**). The top reasons for office downsize included "Less space needed due to telework" (64.8%) and "Cost reduction" (56.8%) (**Figure 6**).

Figure 5: Reason for Office Expansion**Figure 6: Reason for Office Downsizing**

(Figure 5: Companies that expanded; excerpt; Figure 6: Companies that downsized; excerpt; MA)
 *3 No chart for the years when the choice did not exist in the survey

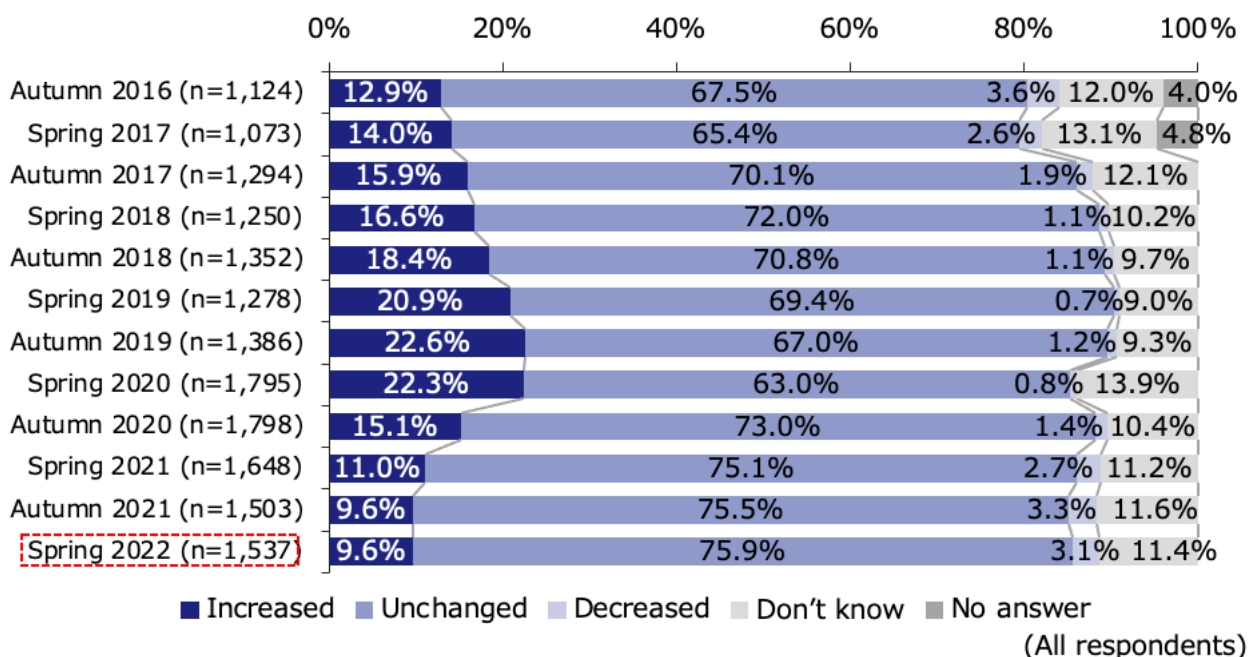
Of the companies that replied their office size was “unchanged” over the past year, 5.1% either was “considering expansion” or “considered expansion but cancelled or suspended,” and the percentage of “Expansion (Actual + Potential)” increased from a year ago (**Figure 7**). Meanwhile, the combined percentage of companies that were “considering downsizing” and those that had “considered downsizing but cancelled or suspended” was 5.9%, and the percentage of “Downsizing (Actual + Potential)” dropped from a year ago. This may be interpreted as the trend of office downsizing, which had continued since the outbreak of the COVID-19 pandemic, having run its course.

Figure 7: Change in Office Size over Past Year (Actual + Potential)



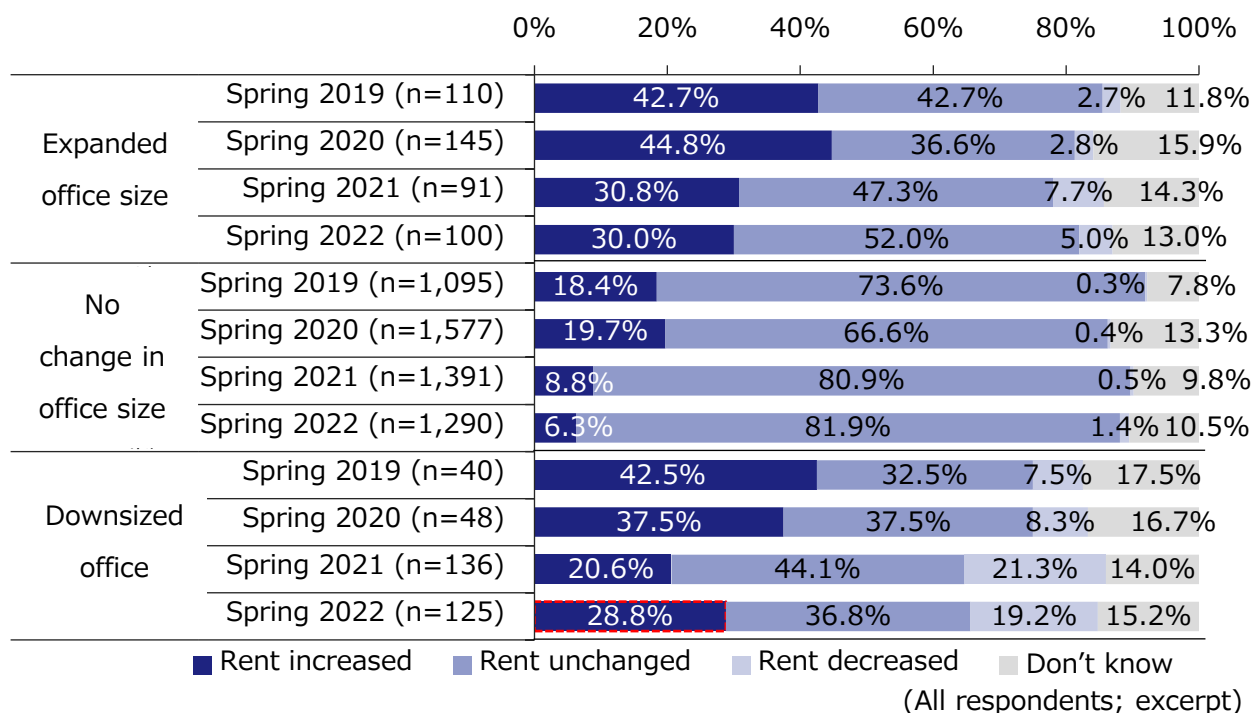
9.6% of the companies saw an increase in rent per tsubo, outweighing those that saw a decrease (3.1%). However, the difference in the percentage is smaller compared to before the pandemic (**Figure 8, bottom bar**).

Figure 8: Change in Rent per Tsubo



When we look at the change in rent per tsubo by the change in office size, the percentage of companies that downsized their office and experienced a rise in rent increased from the previous survey (**Figure 9**).

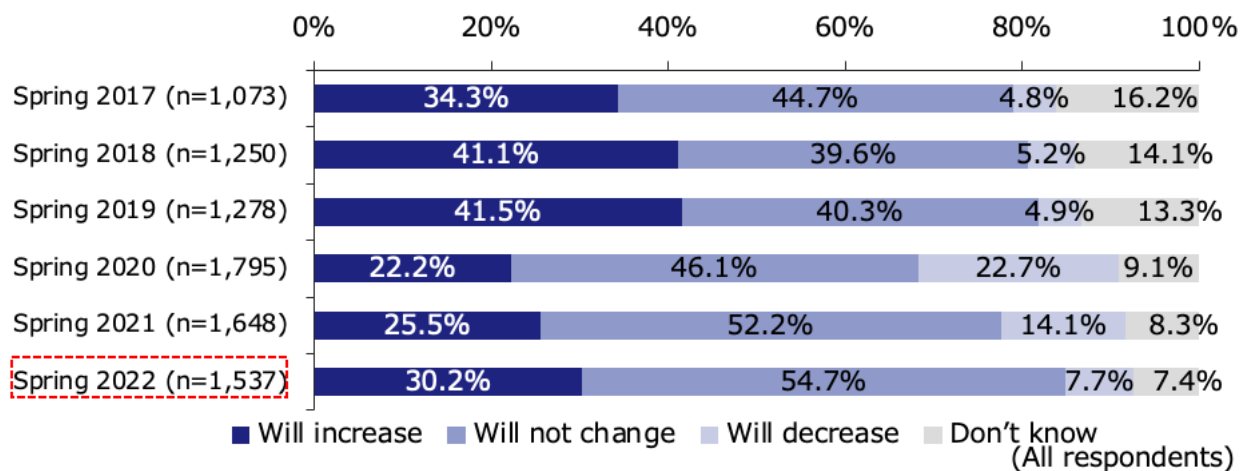
Figure 9: Changes in Office Size and Rent per Tsubo



2.2. Number of office occupants and office size going forward

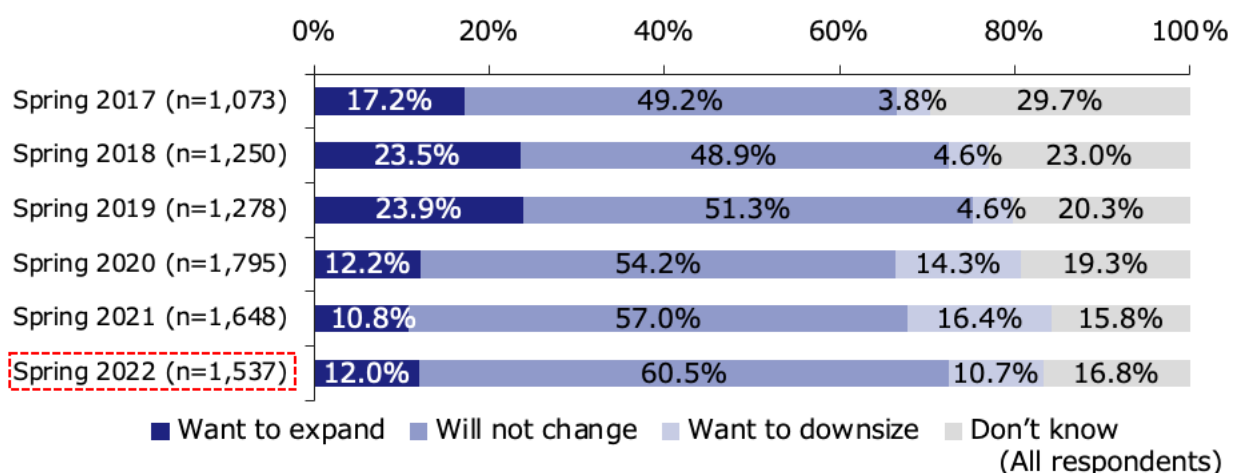
We asked companies their 1–2 year outlook on the number of office occupants (including employees who will not come to the office due to telework) of their current office. 30.2% of the companies replied that the number will increase, while 7.7% replied it will decrease (**Figure 10**). In Spring 2020, which immediately followed the outbreak of the pandemic, the percentage of “Will increase” and that of “Will decrease” were even at the 22% level. In this survey, “Will increase” outweighed “Will decrease” as it did last year.

Figure 10: Future Number of Office Occupants



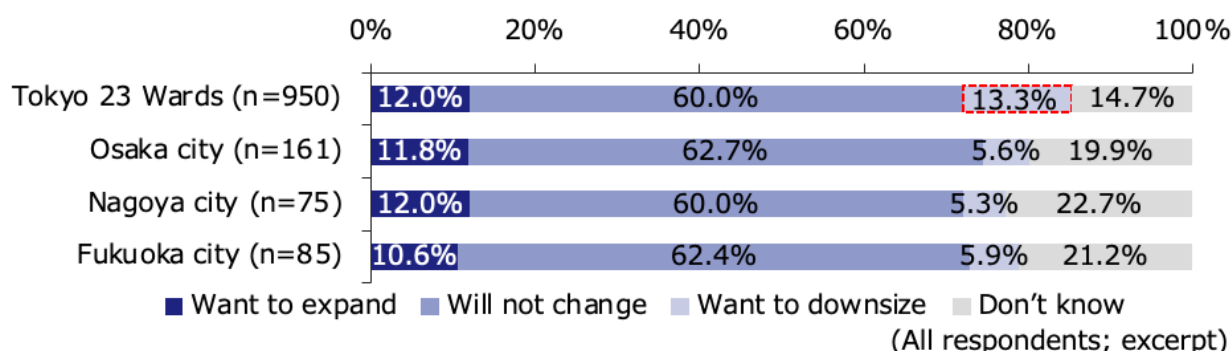
Similarly, in terms of companies' intentions toward their office size 2–3 years ahead, “Want to expand” (12.0%) outweighed “Want to downsize” (10.7%) for the first time in three years (**Figure 11**). However, the fact that the difference in percentage is not as large as in the percentage of the number of office occupants, as shown in **Figure 10**, suggests the possibility that an increase in the number of office occupants may not directly lead to an increase in office size going forward due to the spread of telework, among other factors.

Figure 11: Future Change in Office Size



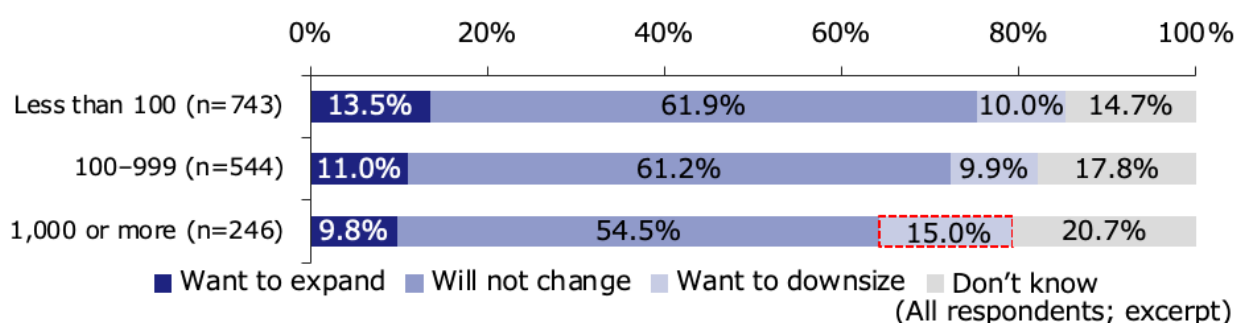
Here we compare companies' intentions toward their future office size by company attribute. By office location, only companies with offices in the Tokyo 23 Wards had a stronger intention to downsize (13.3%) than to expand (12.0%), indicating a stronger intention to downsize compared to other regions (**Figure 12**).

Figure 12: Future Change in Office Size – By Office Location



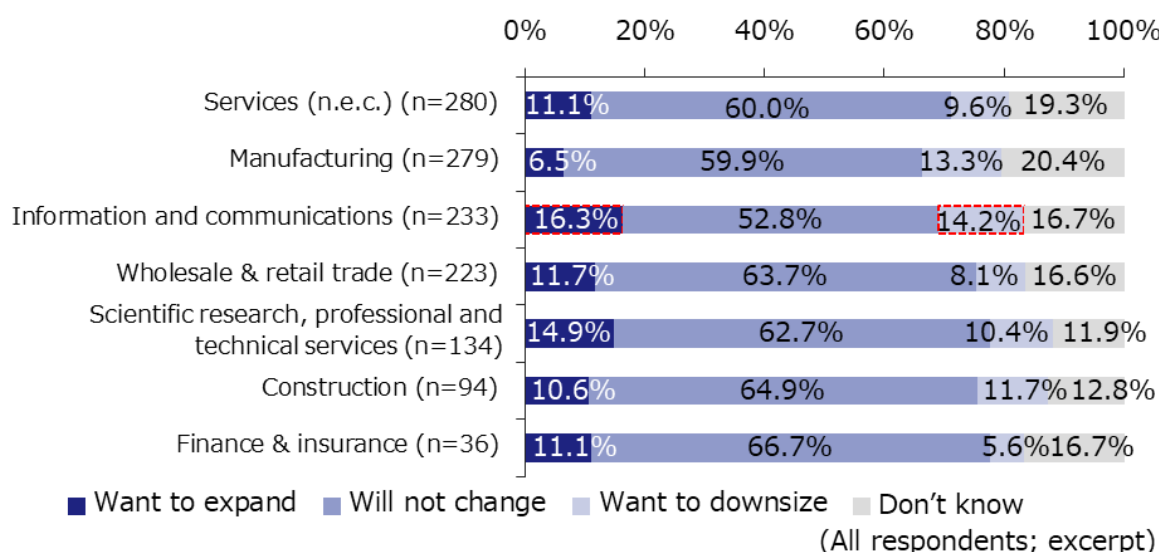
By number of employees, only large companies with 1,000 employees or more had a stronger intention to downsize (15.0%) than to expand (9.8%) (**Figure 13**).

Figure 13: Future Change in Office Size – By Number of Employees

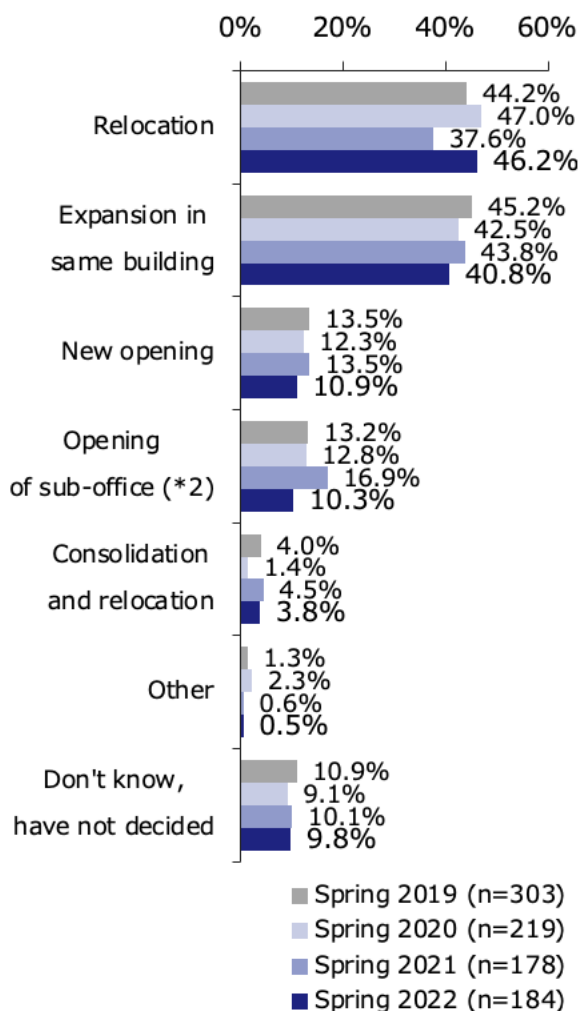
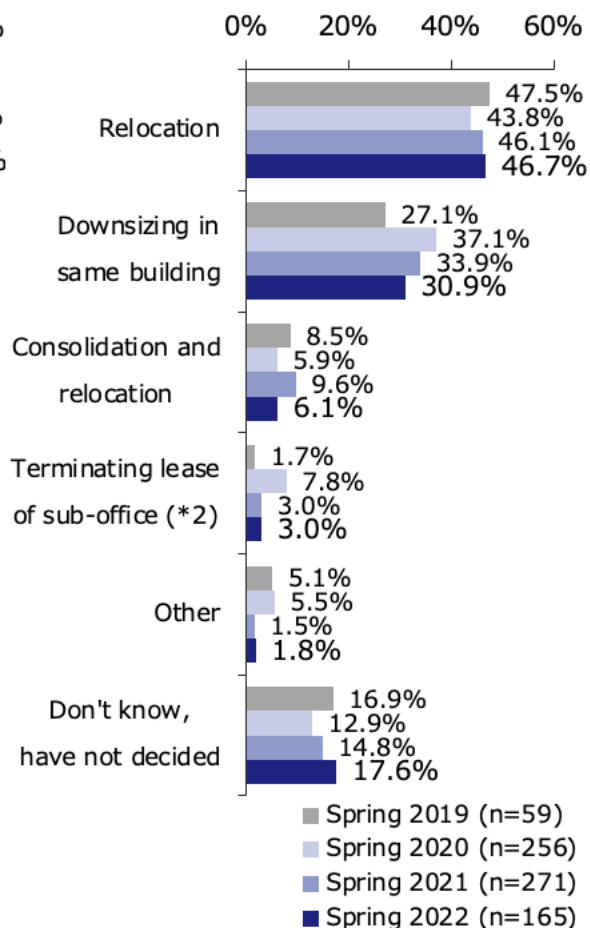


By sector, the information and communications sector had larger percentages of both "Want to expand" (16.3%) and "Want to downsize" (14.2%) than other sectors, indicating that more than 30% of the companies in that sector are thinking of changing their office in some way (**Figure 14**).

Figure 14: Future Change in Office Size – By Sector



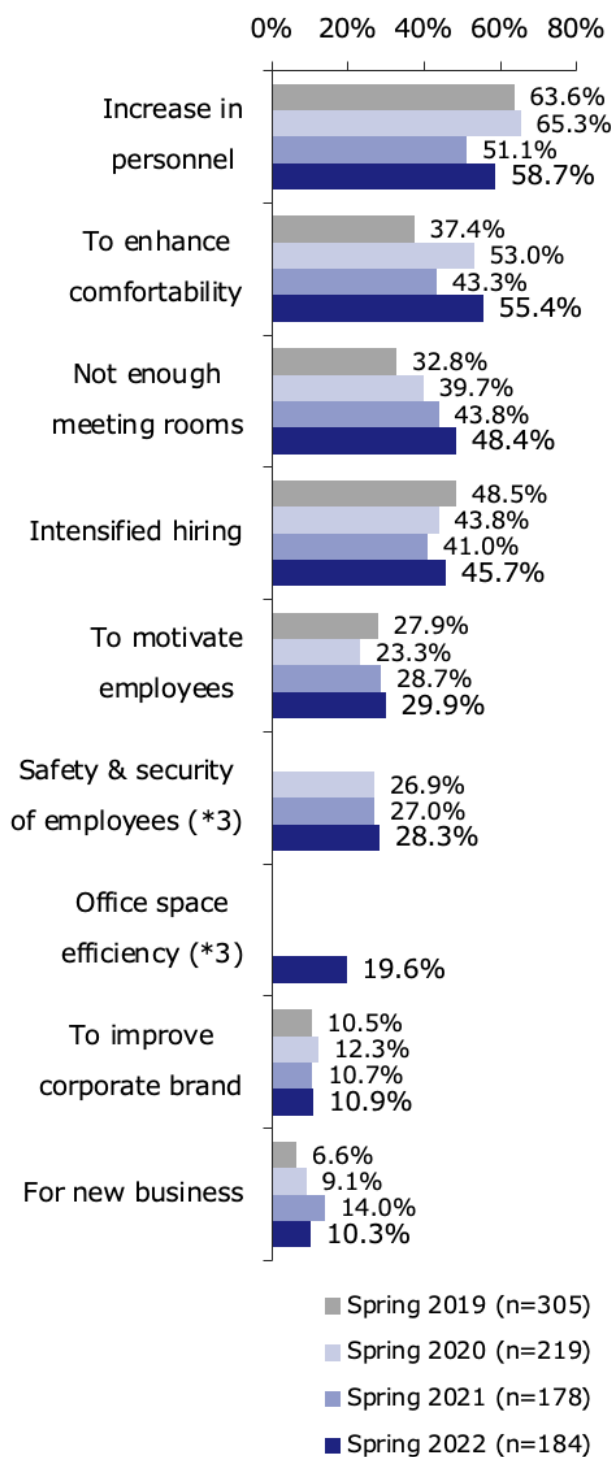
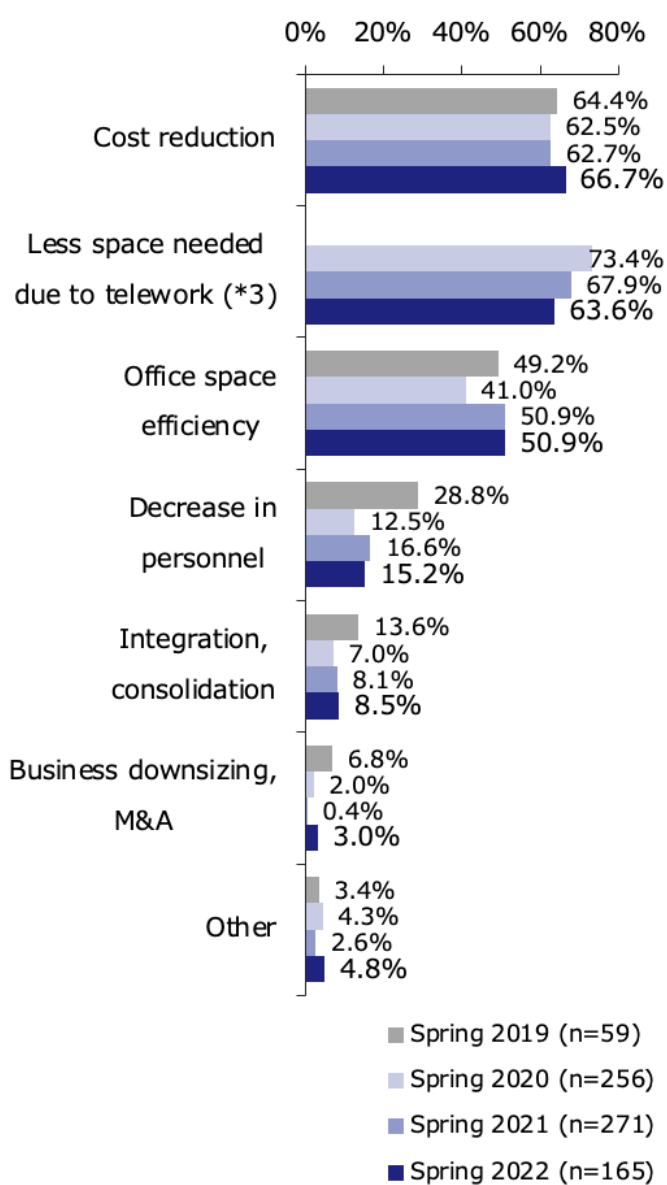
When we asked companies that “want to expand” their office size how they will do so, the top replies were “Relocation” (46.2%) and “Expansion in same building” (40.8%) (**Figure 15**). The most popular styles of downsizing were “Relocation” (46.7%) and “Downsizing in same building” (30.9%) (**Figure 16**).

Figure 15: Style of Future Expansion**Figure 16: Style of Future Downsizing**

(Figure 15: Companies that want to expand; MA)
(Figure 16: Companies that want to downsize; MA)

*2 Sub-office: A separate office located near the main office (e.g., head office) to handle some its functions

The most popular reason for wanting to expand the office was "Increase in personnel" (58.7%), as in the previous surveys, followed by "To enhance comfortability" (55.4%) and "Not enough meeting rooms" (48.4%) (**Figure 17**). The most popular reason for wanting to downsize was "Cost reduction" (66.7%), followed by "Less space needed due to telework" (63.6%) (**Figure 18**).

Figure 17: Reason for Future Expansion**Figure 18: Reason for Future Downsizing**

■ Spring 2019 (n=59)
 ■ Spring 2020 (n=256)
 ■ Spring 2021 (n=271)
 ■ Spring 2022 (n=165)

Figure 17: Companies that want to expand; MA; excerpt; Figure 18: Companies that want to downsize; MA
 *3 No chart for the years when the choice did not exist in the survey

2.3. Coming-to-office ratio

Figure 19 shows companies' "Current average coming-to-office ratio (Actual)" and the "Coming-to-office ratio after the end of the pandemic (Intention)," with 100% being all employees coming to the office. As for the "Actual" ratio, 19.6% of the companies replied "100% (Come to office only)," while 27.1% kept the ratio at "less than 40%" (a coming-to-office ratio of 40% is roughly equal to all employees coming to the office two days per week on average). The average coming-to-office ratio (actual) (*4) was 64.3%.

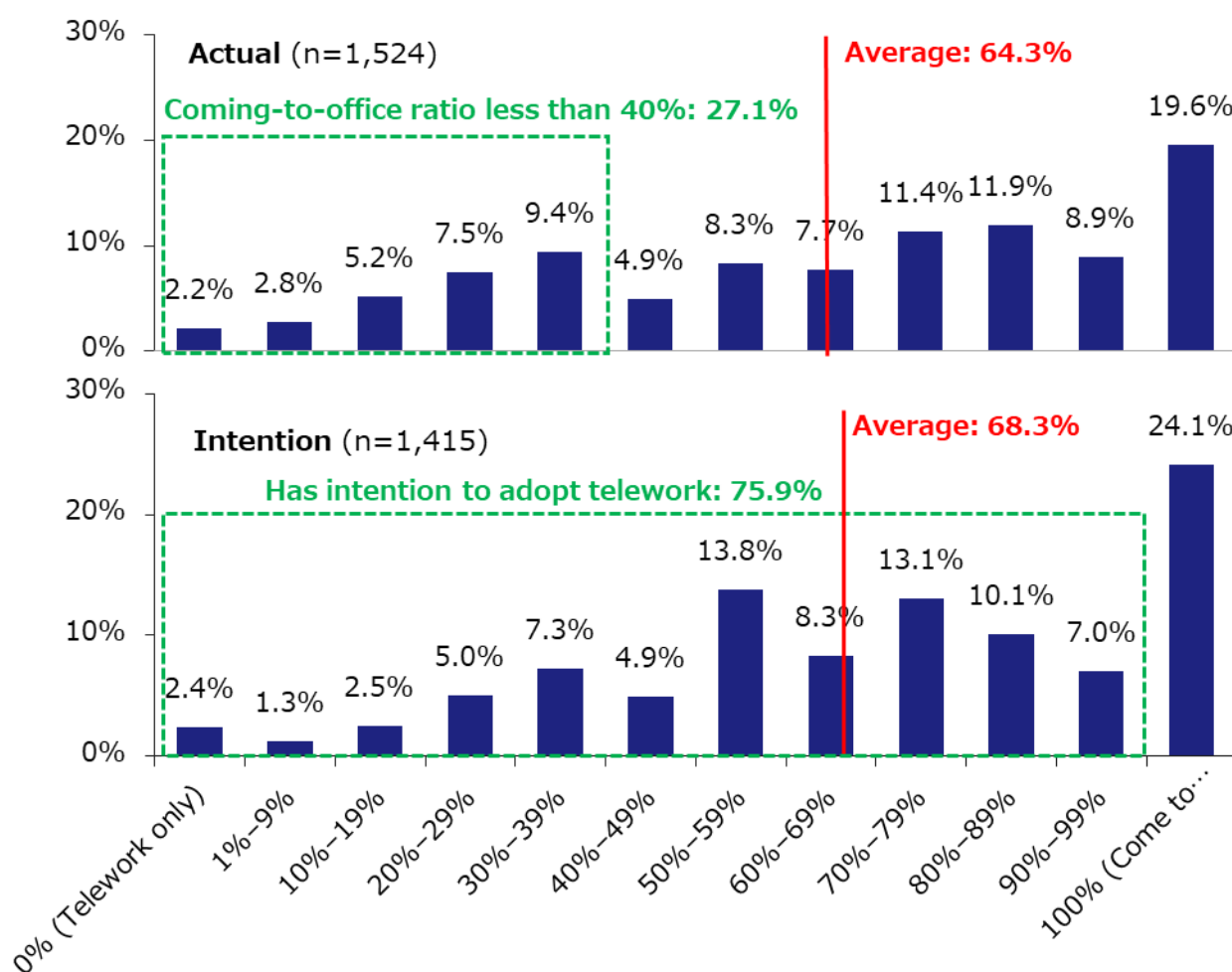
As for intentions for after the pandemic, "100% (Come to office only)" rose to 24.1%, though we can assume that the remaining 75.9% of the companies intend to adopt telework, albeit at varying frequencies and degrees. The average coming-to-office ratio (intention) was 68.3%, which was not significantly different from the average actual ratio. In general, these results exhibit the same trend as the results of the Autumn 2021 survey (*5).

*4 The average value is based on the median percentage of each choice (5% for "1%–9%," 14.5% for "10%–19%," 24.5% for "20%–29%," and so on).

*5 *Metropolitan Areas Office Demand Survey Autumn 2021*, released on December 22, 2021

<https://www.xymax.co.jp/english/research/images/pdf/20211222.pdf>

Figure 19: Coming-to-office Ratio (Actual and Intention)

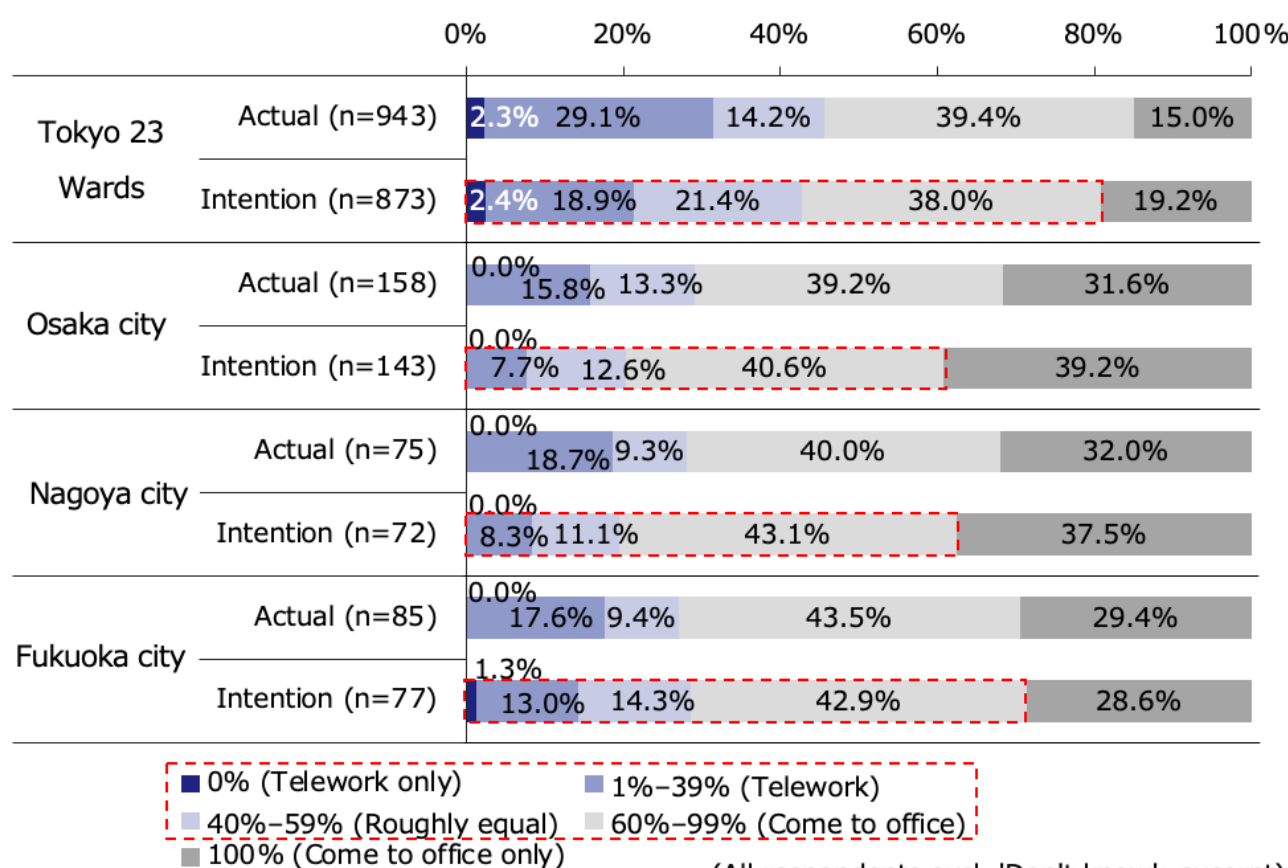


(All respondents excl. 'Don't know')

Figures 20, 21, and 22 examine the characteristics of the coming-to-office ratio by company attribute by sorting the coming-to-office ratio (actual and intention) of Figure 19 into the following five groups: "0% (Telework only)," "1%–39% (Telework)," "40%–59% (Roughly equal)," "60%–99% (Come to office)," and "100% (Come to office only)."

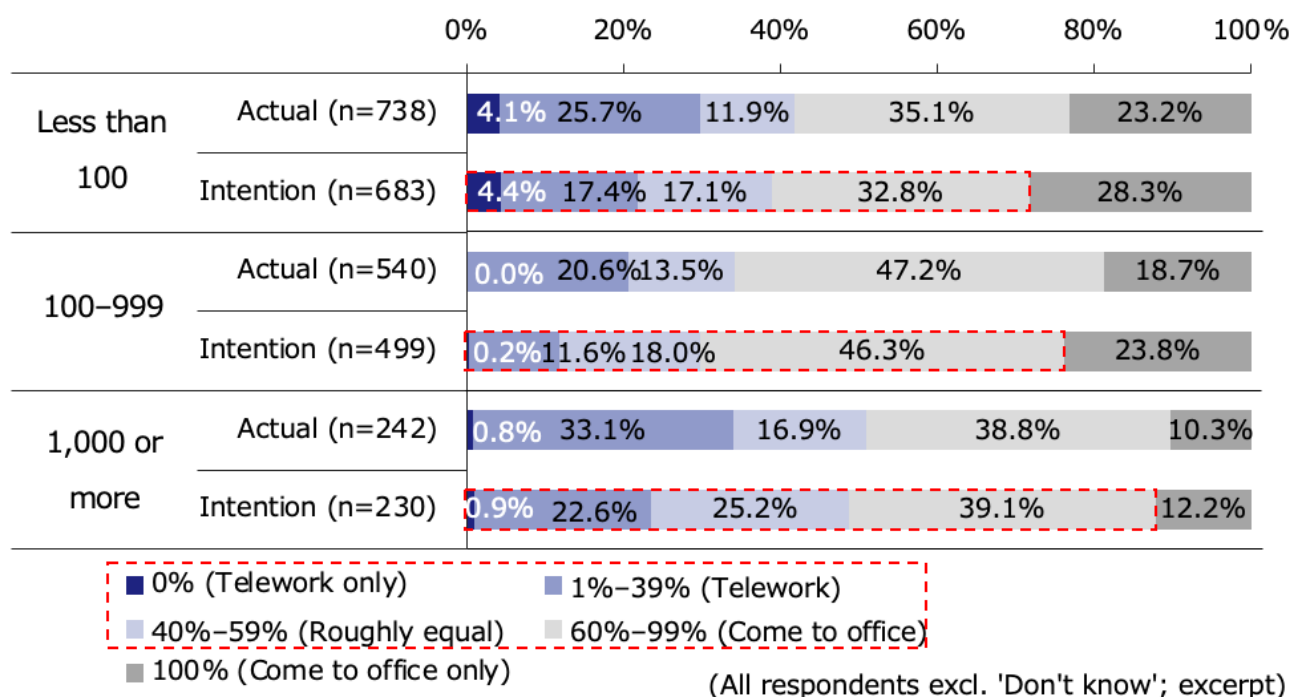
By office location, companies in the Tokyo 23 Wards tended to embrace telework more than companies in other regions, with the percentage of "100% (Come to office only)" low at the 10% level (Figure 20). However, the percentage of fully coming to the office after the pandemic remained at 30%–40% among companies with offices in other regions, with the remaining 60%–70% intending to adopt telework to a certain extent. Most of these companies, excluding those that replied "0% (telework only)," will adopt a hybrid work style that combines coming to the office and teleworking, which is expected to become a common choice going forward irrespective of region.

Figure 20: Coming-to-office Ratio (Actual and Intention) – By Office Location



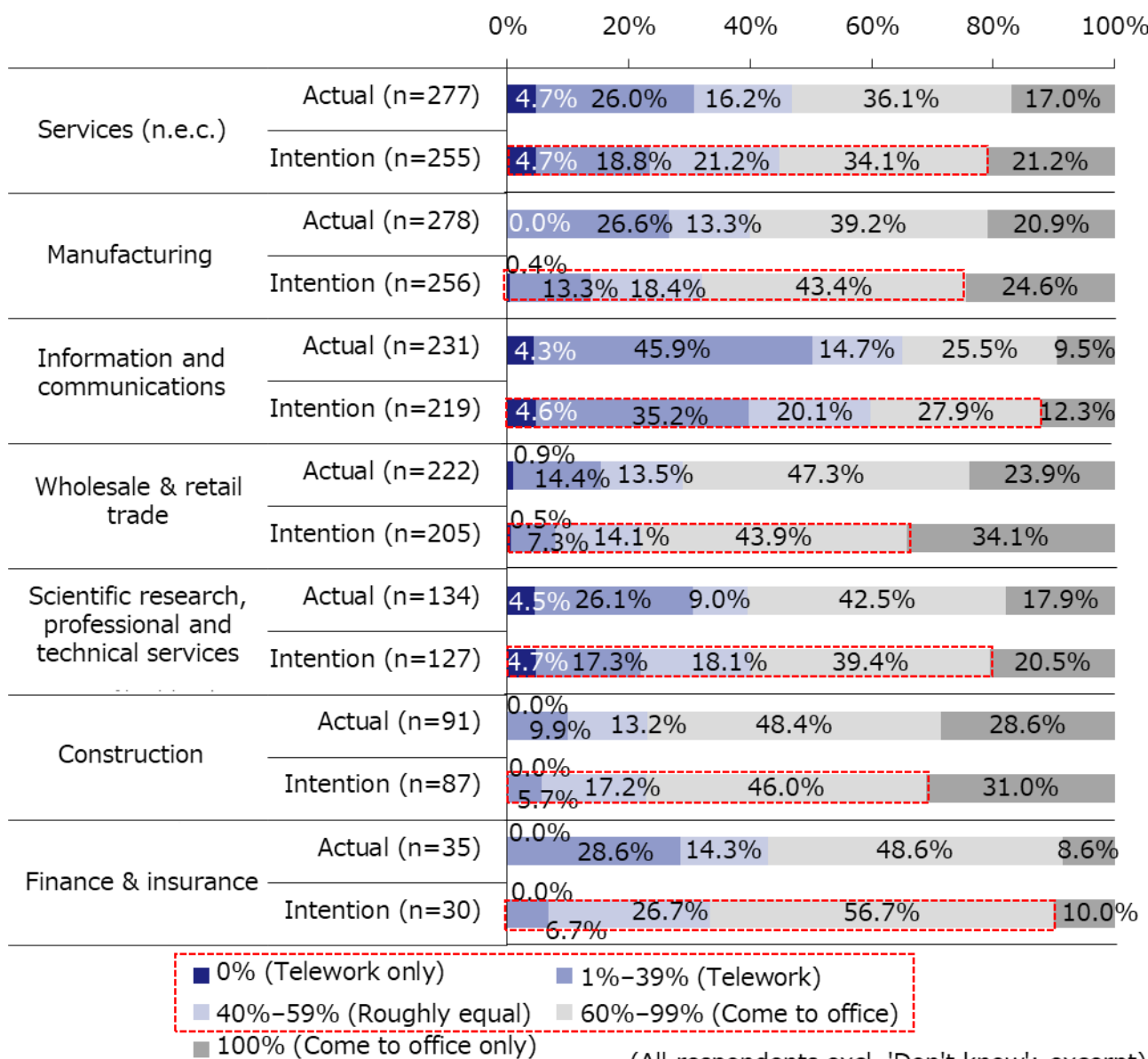
By number of employees, although the actual percentage of “100% (Come to office only)” was more than 20% among companies with less than 100 employees, we found that telework has proliferated irrespective of the size of company (**Figure 21**). We also found that 70%–90% of companies of each company size intend to adopt telework after the end of the pandemic.

Figure 21: Coming-to-office Ratio (Actual and Intention) – By Number of Employees



By sector, although both the actual and intended percentages of “100% (Come to office only)” were relatively large in the wholesale & retail trade and construction sectors, we found that a certain number of companies adopt telework in all of the sectors and that many companies intend to continue to adopt hybrid work after the end of the pandemic (**Figure 22**).

Figure 22: Coming-to-office Ratio (Actual and Intention) – By Sector

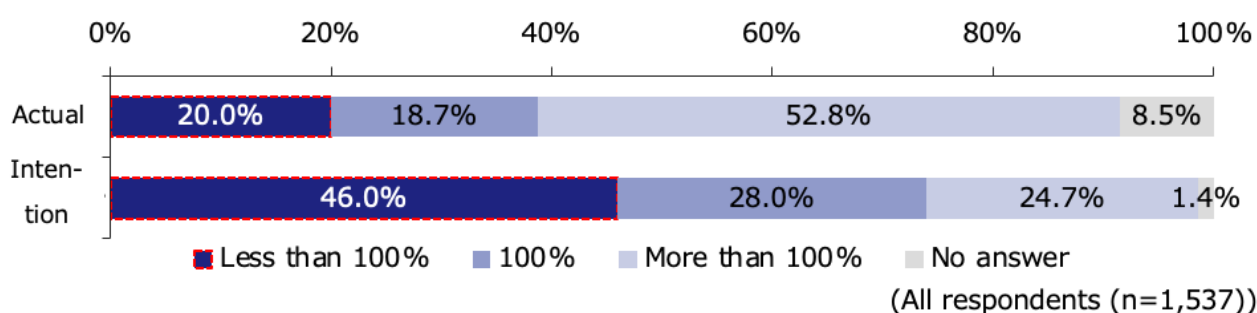


2.4. Percentage of desks, impression of office size, business sentiment

We calculated the actual percentage of desks that companies provided for their office occupants based on the numbers of office occupants and desks at the time of the survey, and the intended percentage of desks to the number of office occupants going forward, and grouped the results into "Less than 100%," "100%," and "More than 100%" (**Figure 23**).

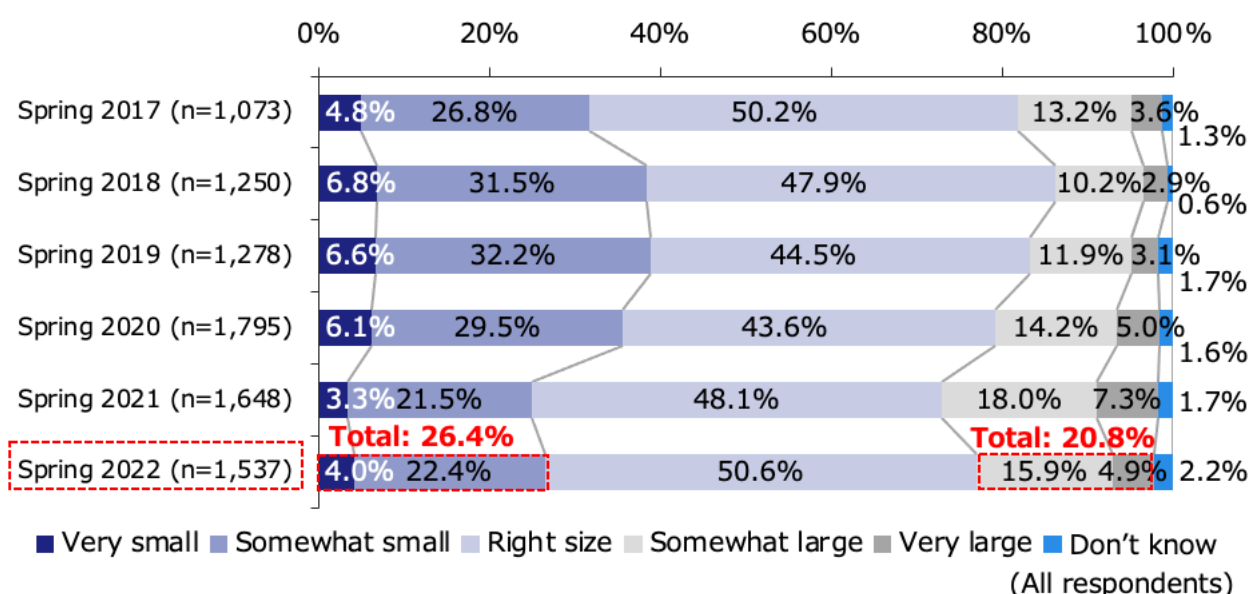
As for the actual percentage, desks provided for "more than 100%" of office occupants was the most common (52.8% of companies). As for the intended percentage, however, the percentage of "More than 100%" dropped to 24.7%, while "Less than 100%" rose to 46.0%, significantly higher than the actual percentage (20.0%). This indicates that more companies are reducing their number of desks, as fewer employees come to the office due to the progress of telework. This trend is likely to continue going forward.

Figure 23: Percentage of Desks to Number of Office Occupants (Actual and Intention)



When we asked respondents' impression of the size of their current office, 26.4% replied their office was either "very small" or "somewhat small," while 20.8% felt it was "very large" or "somewhat large" (**Figure 24**). The sum percentage of "Very large" and "Somewhat large" has decreased marginally from a year ago.

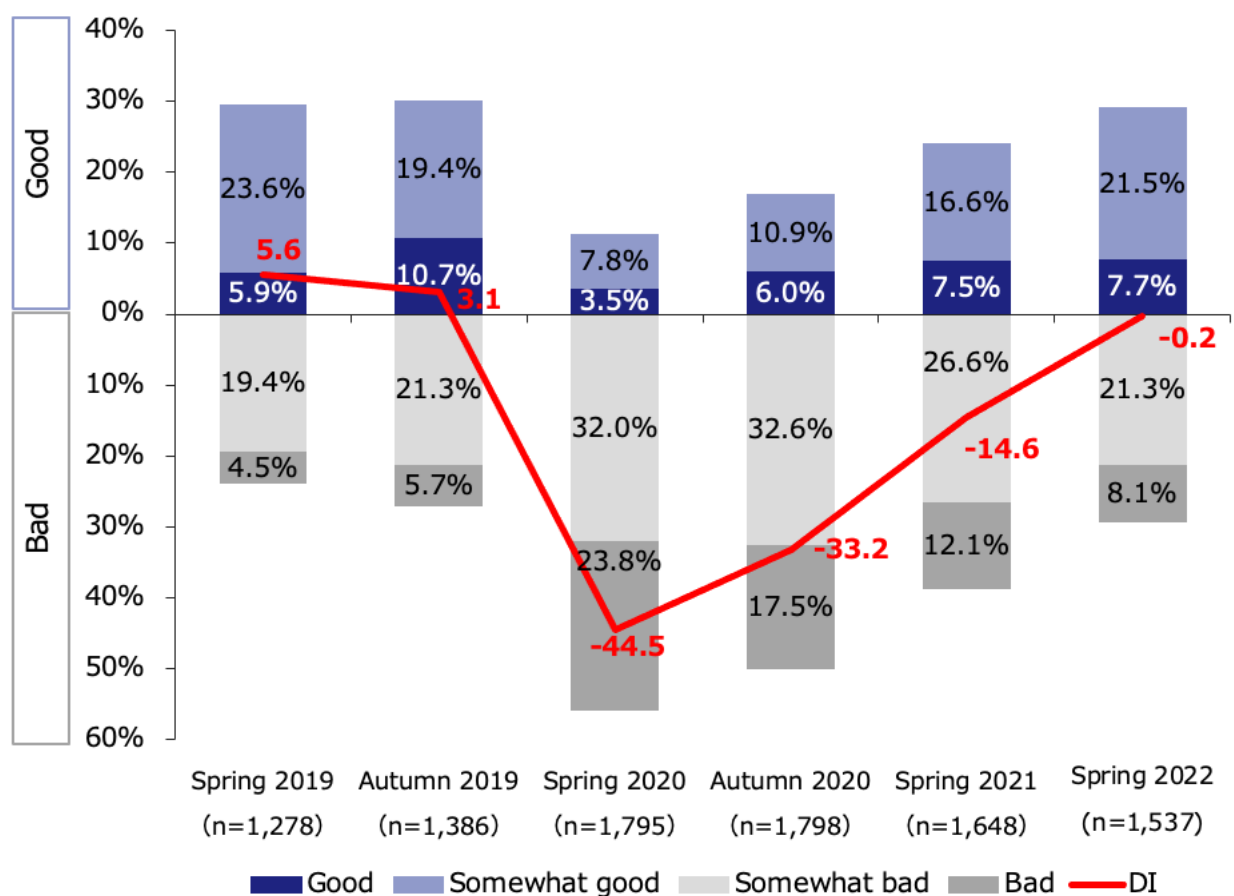
Figure 24: Impression of Office Size



Lastly, **Figure 25** indicates the "Business Sentiment DI," which is the sum of the percentages of "Good" and "Somewhat good" business sentiments (for own company) minus that of the percentages of "Bad" and "Somewhat bad" sentiments based on a five-scale rating of "Good," "Somewhat good," "Neither good nor bad," "Somewhat bad," and "Bad."

In this survey, the sum of the percentages of "Good" and "Somewhat good" was 29.2%, roughly on par with the sum of the percentages of "Bad" and "Somewhat bad" (29.4%), indicating a business sentiment DI of -0.2. The DI that turned substantially negative in the Spring 2020 survey, which immediately followed the outbreak of the COVID-19 pandemic, remains on a recovery trend. Attention must be paid to its development going forward.

Figure 25: Business Sentiment



(All respondents; excerpt)

3. Summary

The results of this survey indicate signs of recovery in companies' office demand, which had weakened since the outbreak of the pandemic. With regard to changes in office area under lease contract over the past year, the percentage of companies that "downsized" their office, which had continuously been on the rise, has decreased marginally, and the percentage of companies that "want to expand" their office area in the future outweighed the percentage of those that "want to downsize" for the first time in three years. This can be viewed as the trend of office downsizing, which had gathered pace at the early phase of the pandemic, having run its course for the time being due to the prolongation of the pandemic. However, we consider companies' ideas toward the office to have become more individualized, as we find different trends in each company type, such as large companies still having strong intentions to downsize their office. Going forward, we believe that each company will consider their own work styles in view of the times after the pandemic and re-construct a workplace that is required.

Then, what will a post-COVID work style look like? From the coming-to-office ratio data, we found that many companies intend to adopt telework not as a temporary strategy but as a permanent measure. Companies that have an intention to adopt hybrid work, which combines coming to the office and teleworking, after the end of the COVID-19 pandemic account for as much as 80% of companies in the Tokyo 23 Wards and 60% even among those in Osaka and Nagoya, where the pace of telework adoption has been relatively slow. In the **"(2) Work Styles and the Workplace"** volume of the report, we will examine what kind of a workplace companies will establish, as they require offices that suit a situation where there is a mixture of workers coming to the office and workers teleworking within the same company.

Survey Overview

| | |
|-------------------------------------|---|
| Survey period | April 12–April 24, 2022 |
| Target respondents | <p>44,324 companies in total that include the following:</p> <ul style="list-style-type: none"> • Companies that are tenants of office buildings managed by the Xymax Group • Companies subscribing to ZXY, a satellite office service for corporations • Client companies of XYMAX INFONISTA Corporation |
| Number of valid answers | 1,537 companies; response rate: 3.5% |
| Geographical coverage | Nationwide (Tokyo, Osaka, Aichi, Fukuoka, Kanagawa, Saitama, Chiba Prefectures and others) |
| Survey method | Email |
| Topics covered in the survey | <p>Current office</p> <ul style="list-style-type: none"> • Lease type, office type, location, office area under lease contract, rent per tsubo (incl. CAM charges), number of office occupants • Impression of size, coming-to-office ratio (actual and intention) <p>Usage patterns of the office and telework</p> <ul style="list-style-type: none"> • Availability of flexible space and number of desks (actual and intention), percentage of fixed desks and desks in flexible space (actual and intention) • Implementation of initiative on work styles and the place for telework, change in the provision of satellite offices • Advantages of telework <p>Change in office demand (April 2021–March 2022)</p> <ul style="list-style-type: none"> • Change in office size and the details and reasons of the change • Change in rent per tsubo • Change in number of office occupants <p>Outlook of office demand</p> <ul style="list-style-type: none"> • Business sentiment • Outlook of the number of office occupants • Intentions on office size and the details and reasons thereof • Preferable flexible space, initiative on the place for telework companies want to implement • Preferable conditions of the building for the main office, preferable conditions of the building for a satellite office • Location of the workplace <p>Company attributes</p> <p>Sector, number of employees, average age of employees</p> |

Attributes of Respondent Companies

| | | % | n | | | % | n |
|---------------------|---|-------|-----|---|--------------------|-------|-------|
| Sector | Agriculture and forestry | 0.1% | 1 | Type of office | Head office | 65.3% | 1,003 |
| | Mining and quarrying of stone and gravel | 0.1% | 2 | | Branch office | 22.8% | 351 |
| | Construction | 6.1% | 94 | | Sales office | 8.6% | 132 |
| | Manufacturing | 18.2% | 279 | | Sub-office | 1.3% | 20 |
| | Electricity, gas, heat supply and water | 0.3% | 4 | | Call center | 0.5% | 8 |
| | Information and communications | 15.2% | 233 | | Computer room | 0.1% | 1 |
| | Transport and postal services | 1.7% | 26 | | Other | 1.4% | 22 |
| | Wholesale and retail trade | 14.5% | 223 | Location of office | Tokyo 23 Wards | 61.8% | 950 |
| | Finance and insurance | 2.3% | 36 | | Nagoya city | 10.5% | 161 |
| | Real estate and goods rental and leasing | 4.7% | 72 | | Osaia city | 4.9% | 75 |
| | Scientific research, professional and technical services | 8.7% | 134 | | Fukuoka city | 5.5% | 85 |
| | Accommodations, eating and drinking services | 0.7% | 10 | | Other | 17.3% | 266 |
| | Living-related and personal services and amusement services | 1.7% | 26 | Size of office under lease contract (1 tsubo = 3.3 sqm) | Less than 30 tsubo | 17.4% | 268 |
| | Education, learning support | 1.3% | 20 | | 30–49 tsubo | 12.8% | 197 |
| | Medical, health care and welfare | 1.9% | 29 | | 50–99 tsubo | 16.9% | 259 |
| | Compound services | 1.2% | 19 | | 100–199 tsubo | 16.2% | 249 |
| | Services, n.e.c. | 18.2% | 280 | | 200 tsubo or more | 20.0% | 308 |
| | Governments and agencies (Excl. those classified elsewhere) | 0.5% | 7 | | No answer | 16.7% | 256 |
| | Unclassifiable | 2.7% | 42 | Average age of employees | 20–29 | 2.2% | 34 |
| Number of employees | Less than 100 | 48.3% | 743 | | 30–39 | 36.0% | 553 |
| | 100–999 | 35.4% | 544 | | 40–49 | 50.8% | 781 |
| | 1,000 or more | 16.0% | 246 | | 50–59 | 8.6% | 132 |
| | Unknown | 0.3% | 4 | | 60 or above | 2.0% | 30 |
| | | | | | No answer | 0.5% | 7 |

Related Surveys

[Metropolitan Areas Office Demand 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/release/170130.html>
- Spring 2017 (2nd survey) *Metropolitan Areas Office Demand Survey 2017 – Demand Trends*, released on August 2, 2017
https://www.xymax.co.jp/english/research/release/170802_2.html
- Autumn 2017 (3rd survey) *Metropolitan Areas Office Demand Survey Autumn 2017*, released on December 7, 2017
<https://www.xymax.co.jp/english/research/release/171207.html>
- Spring 2018 (4th survey) *Metropolitan Areas Office Demand Survey Spring 2018*, released on July 3, 2018
<https://www.xymax.co.jp/english/research/release/180703.html>
- 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>
- Spring 2020 (8th survey) *Metropolitan Areas Office Demand Survey Spring 2020 (Carried Out in June)*, released on July 29, 2020
<https://www.xymax.co.jp/english/research/images/pdf/20200729.pdf>
- Autumn 2020 (9th survey) *Metropolitan Areas Office Demand Survey Autumn 2020*, released on December 2, 2020
<https://www.xymax.co.jp/english/research/images/pdf/20201202.pdf>
- Spring 2021 (10th survey) *Metropolitan Areas Office Demand Survey Spring 2021*, released on June 9, 2021
<https://www.xymax.co.jp/english/research/images/pdf/20210609.pdf>
- Autumn 2021 (11th survey) *Metropolitan Areas Office Demand Survey Autumn 2021*, released on December 22, 2021
<https://www.xymax.co.jp/english/research/images/pdf/20211222.pdf>
- Spring 2022 (12th survey) *Metropolitan Areas Office Demand Survey Spring 2022 – (2) Work Styles and the Workplace*, released on June 15, 2022
https://www.xymax.co.jp/english/research/images/pdf/20220615_2.pdf

Related Surveys

[Greater Tokyo Company Survey on Work Styles and the Workplace]

- *Greater Tokyo Company Survey on Work Styles and the Workplace – August 2020*, released on September 18, 2020
<https://www.xymax.co.jp/english/research/images/pdf/20200918.pdf>
- *Greater Tokyo Company Survey on Work Styles and the Workplace – December 2020*, released on January 27, 2021
<https://www.xymax.co.jp/english/research/images/pdf/20210127.pdf>
- *Greater Tokyo Company Survey on Work Styles and the Workplace – January 2021*, released on March 10, 2021
https://soken.xymax.co.jp/2021/03/10/2103-greatertokyo_workstyle_survey_2101/ (in Japanese)
- *Greater Tokyo Company Survey on Work Styles and the Workplace – July 2021*, released on August 13, 2021
https://soken.xymax.co.jp/2021/08/13/2108-greatertokyo_workstyle_survey_2107/ (in Japanese)
- *Greater Tokyo Company Survey on Work Styles and the Workplace – January 2022*, released on March 3, 2022
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[TOPIC REPORTS]

- *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>
- *Workplace Strategy as a Managerial Issue*, released on March 22, 2021
<https://www.xymax.co.jp/english/research/images/pdf/20210322.pdf>
- *Reconsidering How to Assess Office Space Due to the COVID-19 Pandemic*, released on December 14, 2021
<https://www.xymax.co.jp/english/research/images/pdf/20211214.pdf>
- *Exploring the Optimal Form of Hybrid Work*, released on March 11, 2022
<https://www.xymax.co.jp/english/research/images/pdf/20220311.pdf>

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%.

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