

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

74.7% of companies intend to adopt telework even after the pandemic

December 15, 2022

1. Introduction

Due to the rapid spread of telework in the wake of the COVID-19 pandemic, flexible work styles not constrained by location or time are taking root, leading to changes in companies' office demand.

Since autumn 2016, Xymax Real Estate Institute has been conducting a questionnaire survey of companies across Japan on their use of offices and their employees' work styles on a semi-annual basis to analyze the relationship with office demand on a continuous basis. This report, **"(1) Demand Trends,"** summarizes the results of the 13th survey that indicates companies' actual office demand and its future directions. **"(2) Work Styles and the Workplace"**^{*1} released on the same day summarizes the results that indicate companies' actual usage of telework and their workplace strategies.

*1 *Metropolitan Areas Office Demand Survey Autumn 2022 – (2) Work Styles and the Workplace*, released on December 15, 2022
https://www.xymax.co.jp/english/research/images/pdf/20221215_2.pdf

Main Findings

- Continuing from the previous survey, companies that saw an increase (24.8%) in the number of office occupants over the past year outweighed those that experienced a decrease (15.8%). As for changes in office size, the percentage of "Downsizing (actual + potential)" is decreasing.
- The average coming-to-office ratio was 66.7% at the time of the survey, with 23.0% of the companies keeping the ratio at less than 40%. 25.3% of the companies want to increase the rate at which their employees come to the office to "100% (come to the office full time)" after the end of the pandemic, with the remaining 74.7% intending to adopt telework to some degree.
- 24.0% of the companies have "less than 100%" of desks relative to the number of office occupants. The percentage has been rising since past surveys.

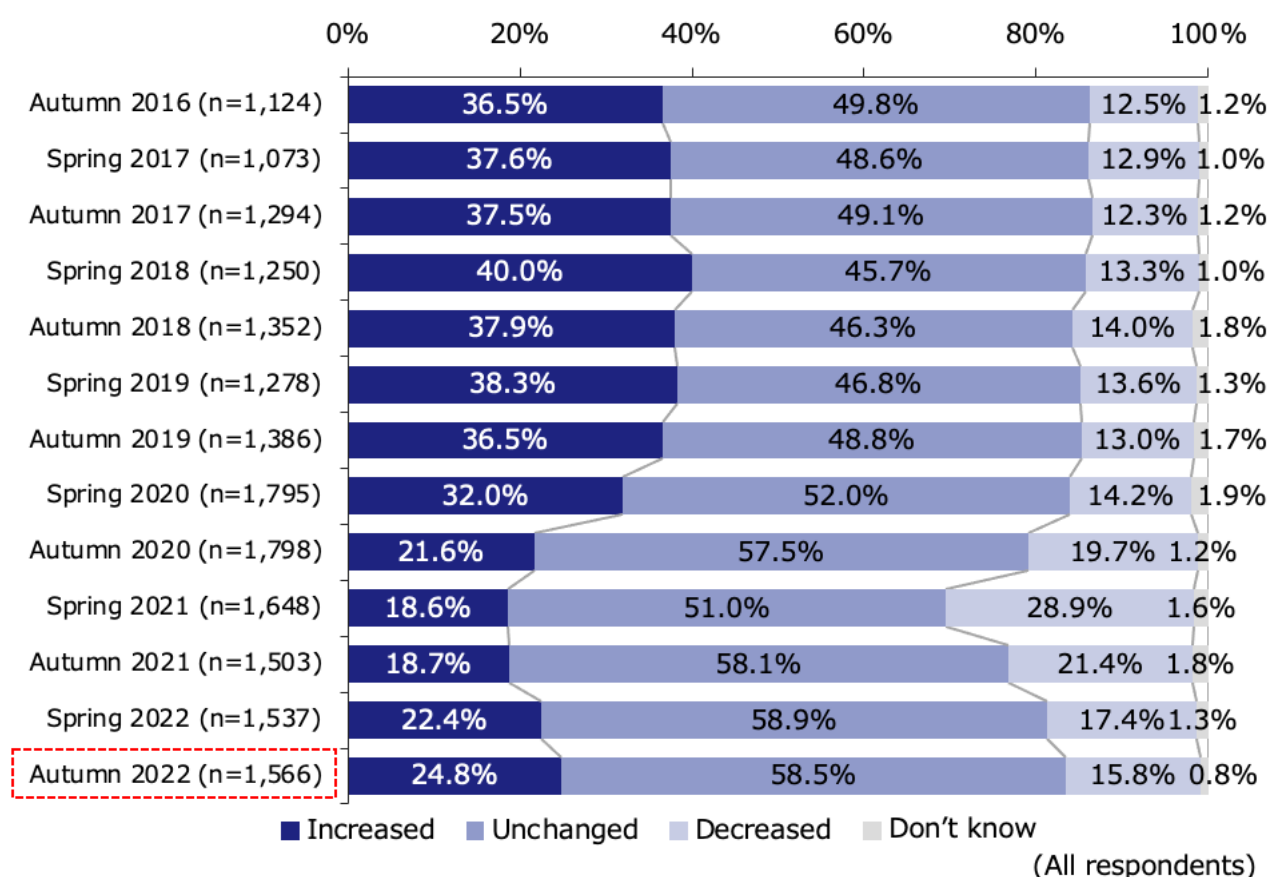
2. Findings

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 (October 2021–September 2022) are as shown in **Figures 1, 2, and 6**.

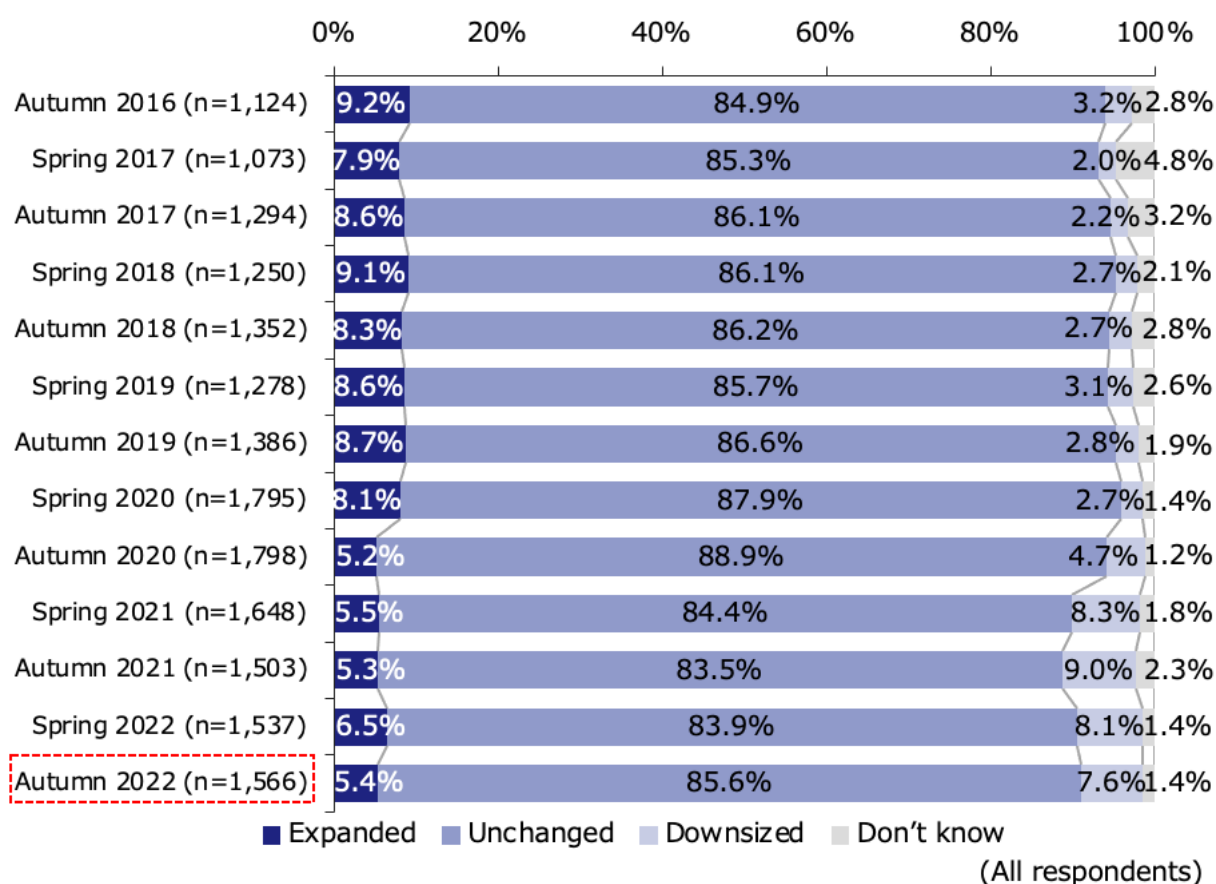
First of all, 24.8% of the companies replied that their number of office occupants “increased,” while 15.8% replied that it “decreased,” indicating a further acceleration in the tendency of the increase outweighing the decrease from the previous survey (**Figure 1, bottom bar**).

Figure 1: Change in Number of Office Occupants



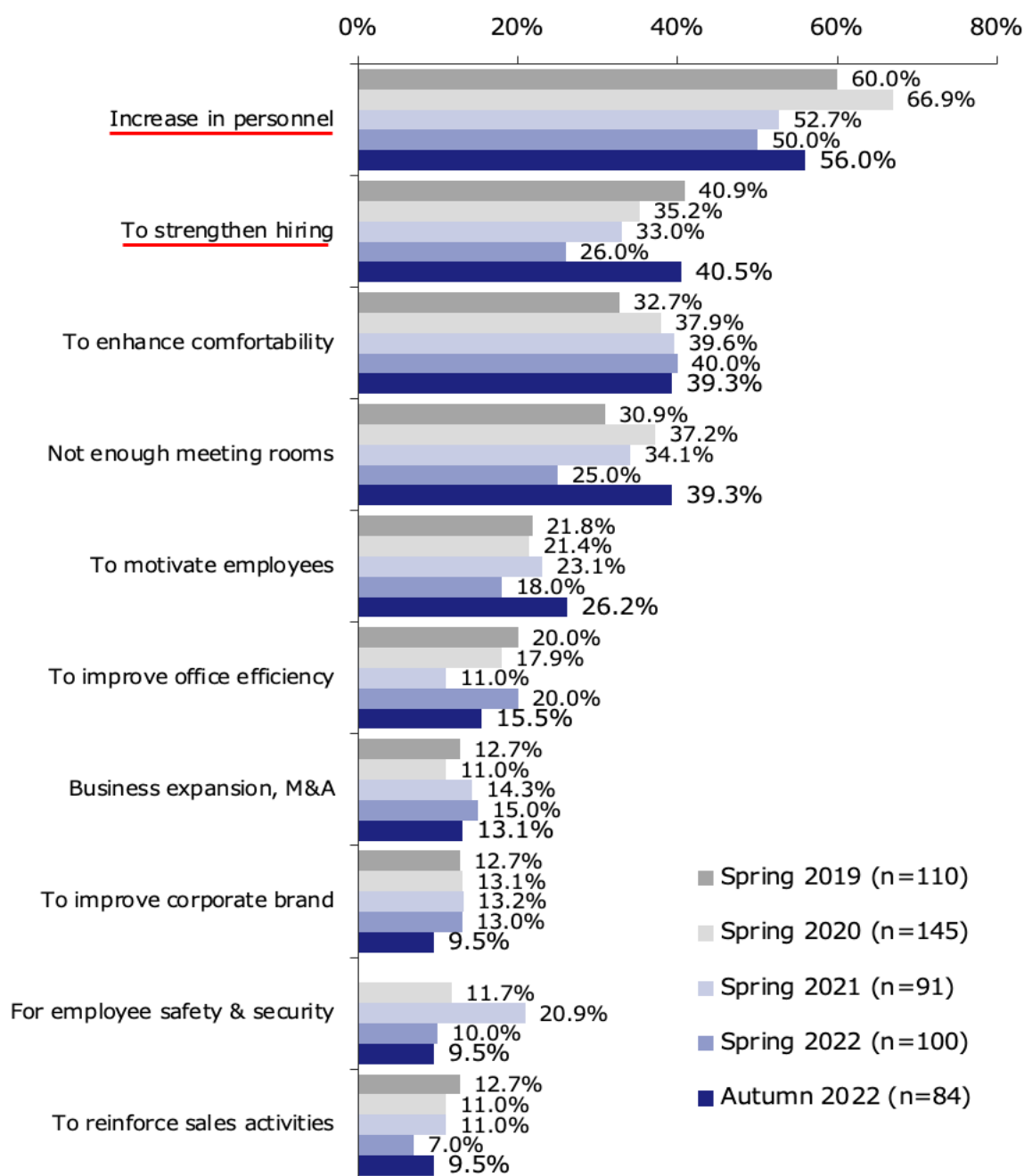
As for office size, 5.4% of the companies replied that they “expanded” their office, while 7.6% “downsized” (Figure 2, bottom bar).

Figure 2: Change in Office Size



The most popular reason for office size expansion was "Increase in personnel" (56.0%), followed by "To strengthen hiring" (40.5%), "To enhance comfortability" (39.3%), and "Not enough meeting rooms" (39.3%) (**Figure 3**). Among them, "Increase in personnel," "To strengthen hiring," and "Not enough meeting rooms" have increased after a continuous decrease since the outbreak of the COVID-19 pandemic. This suggests that companies are not only addressing the increase in office occupants with telework but are assuming that a certain number of employees will come to the office, implying that employees' place of work is returning to the office. The percentages of "Not enough meeting rooms" and "To motivate employees" (26.2%) were the highest ever.

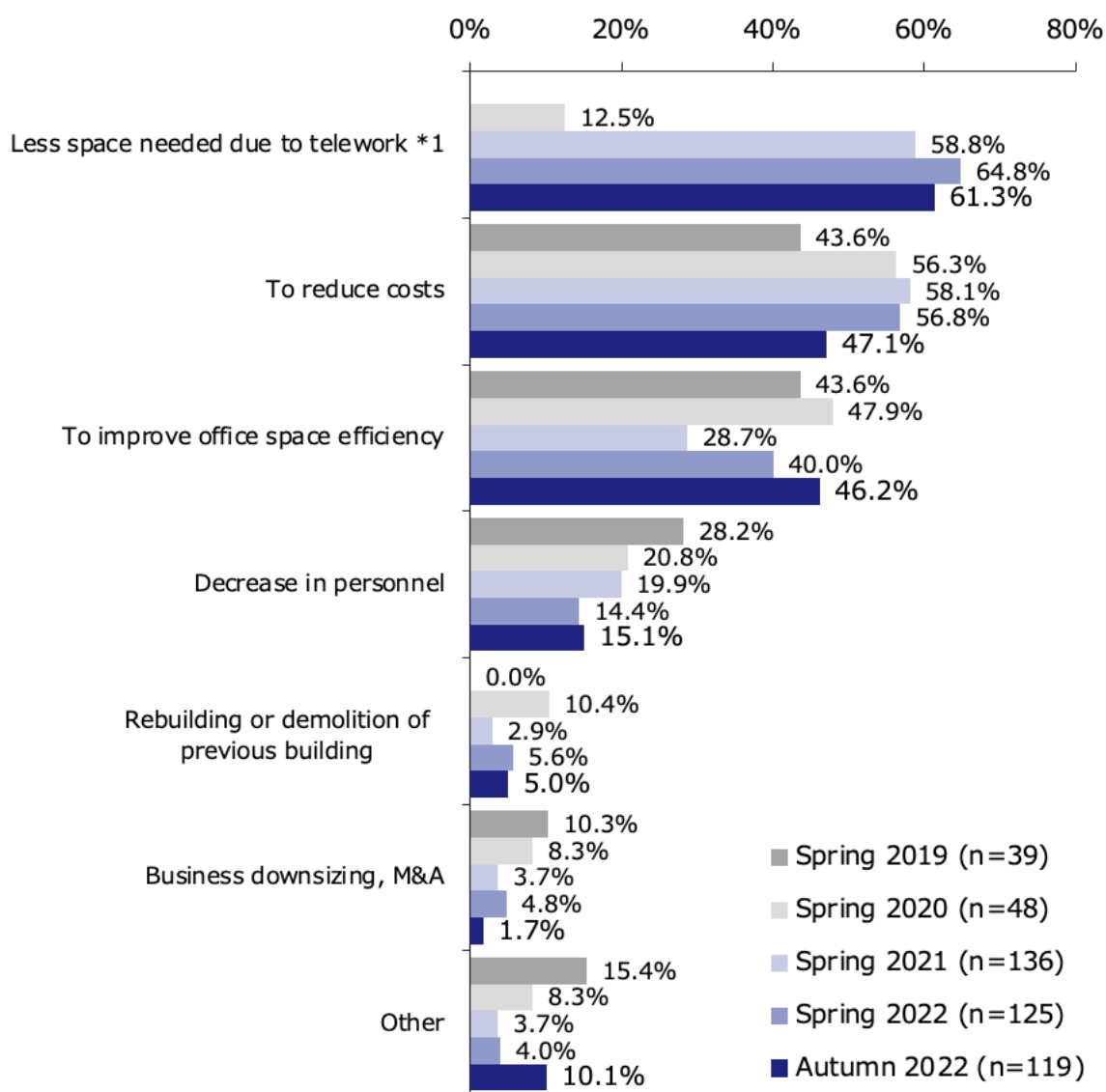
Figure 3: Reason for Office Expansion



(Companies that expanded; MA; excerpt)

The top reason for office downsizing included “Less space needed due to telework” (61.3%) and “To reduce costs” (47.1%) (**Figure 4**). The percentage of “To reduce costs,” which had remained at nearly 60% since the outbreak of the pandemic, dropped sharply to 47.1%, with “To improve office space efficiency” closing in at 46.2%.

Figure 4: Reason for Office Downsizing

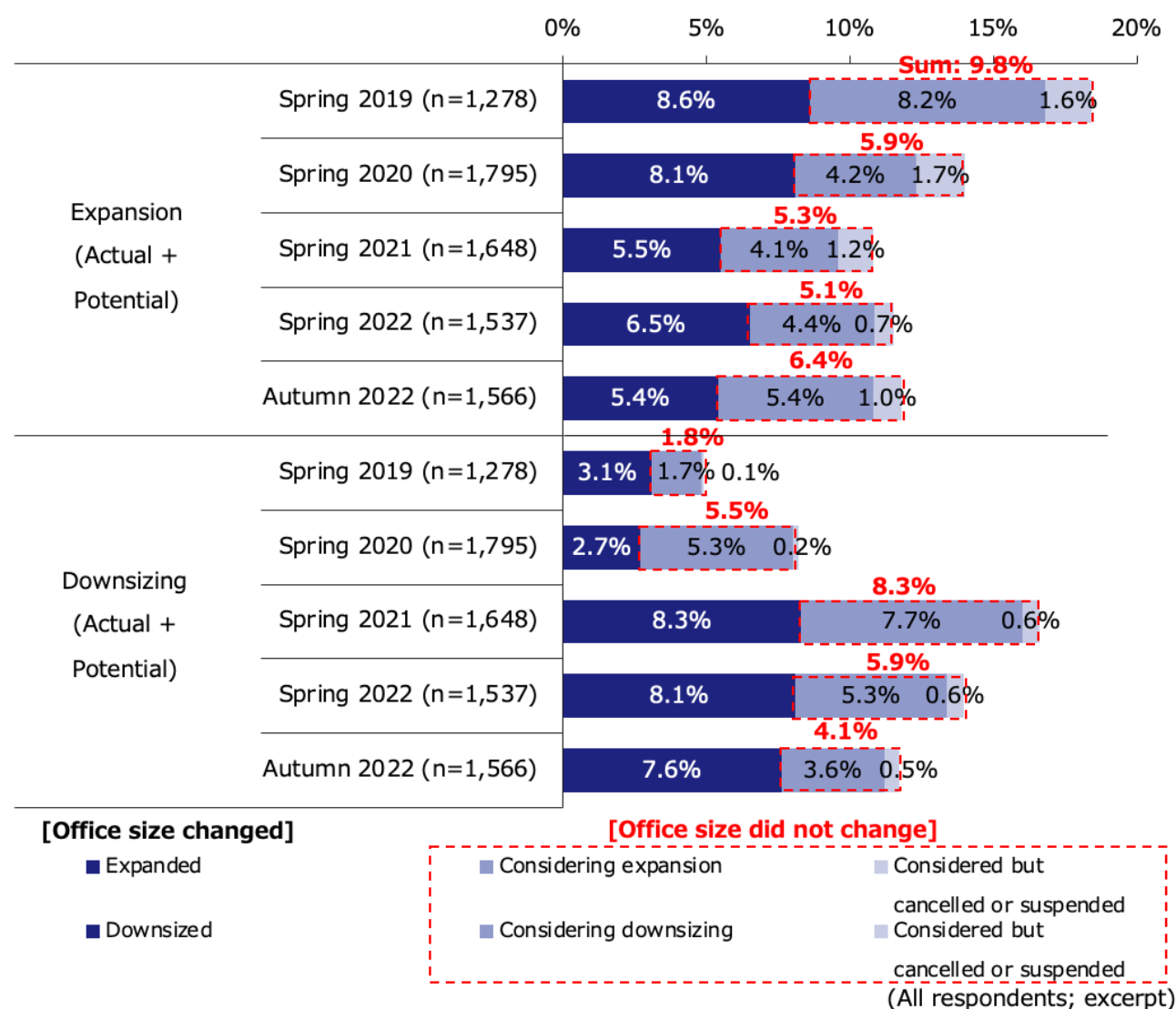


(Companies that downsized; excerpt; MA)

*1 No chart for the year when the choice did not exist in the survey

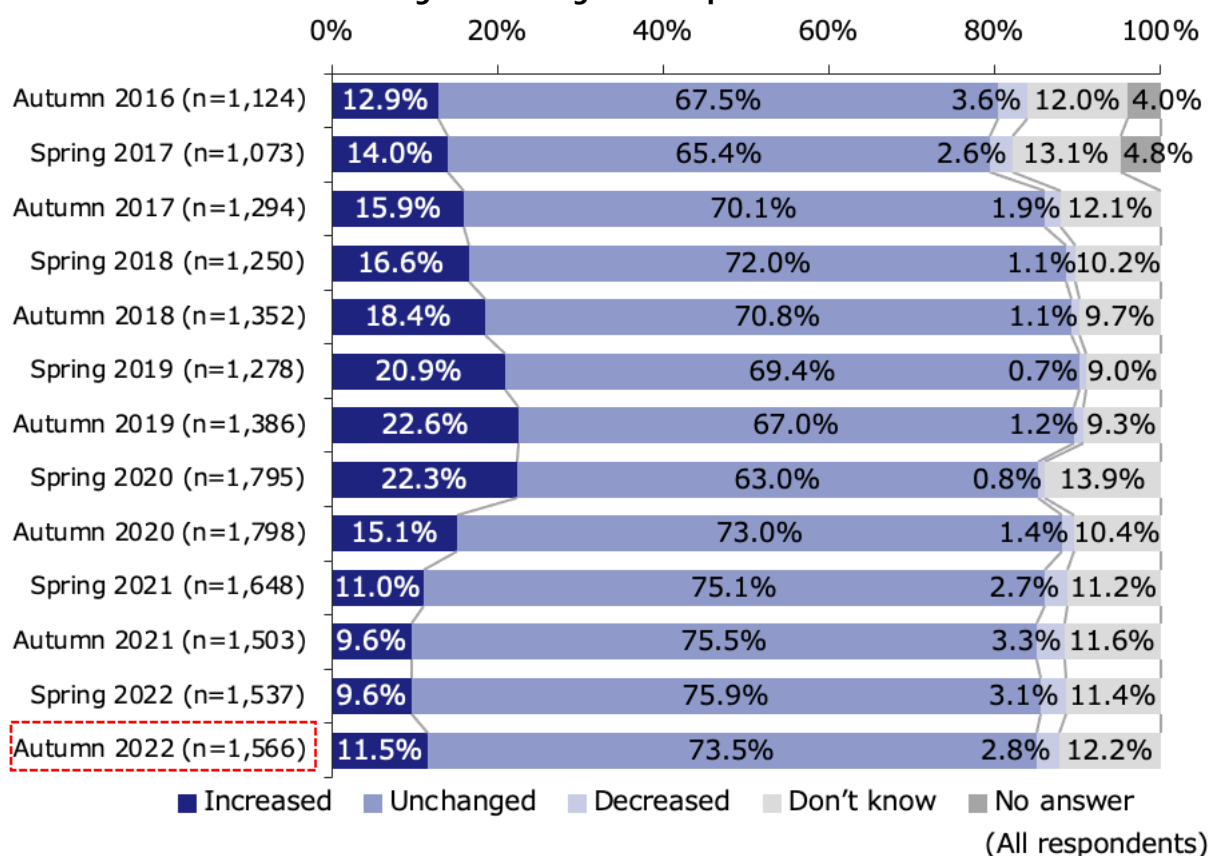
The percentage of companies whose office size was “unchanged” over the past year but was either “considering expansion” or “considered expansion but cancelled or suspended” was 6.4%, bringing the percentage of office size “Expansion (Actual + Potential)” to the same level as in the previous survey (**Figure 5**). Meanwhile, the combined percentage of companies that were “considering downsizing” and those that had “considered downsizing but cancelled or suspended” was 4.1%, bringing the percentage of office “Downsizing (Actual + Potential)” lower than in the previous survey. It can be said that the downsizing trend that had continued since the outbreak of the COVID-19 pandemic is beginning to diminish.

Figure 5: Change in Office Size over the Past Year (Actual + Potential)



When we look at rent per tsubo, the percentage of companies that replied it “increased” was 11.5%, outweighing those that replied it “decreased” (2.8%), albeit at a smaller difference compared to before the pandemic (**Figure 6, bottom bar**).

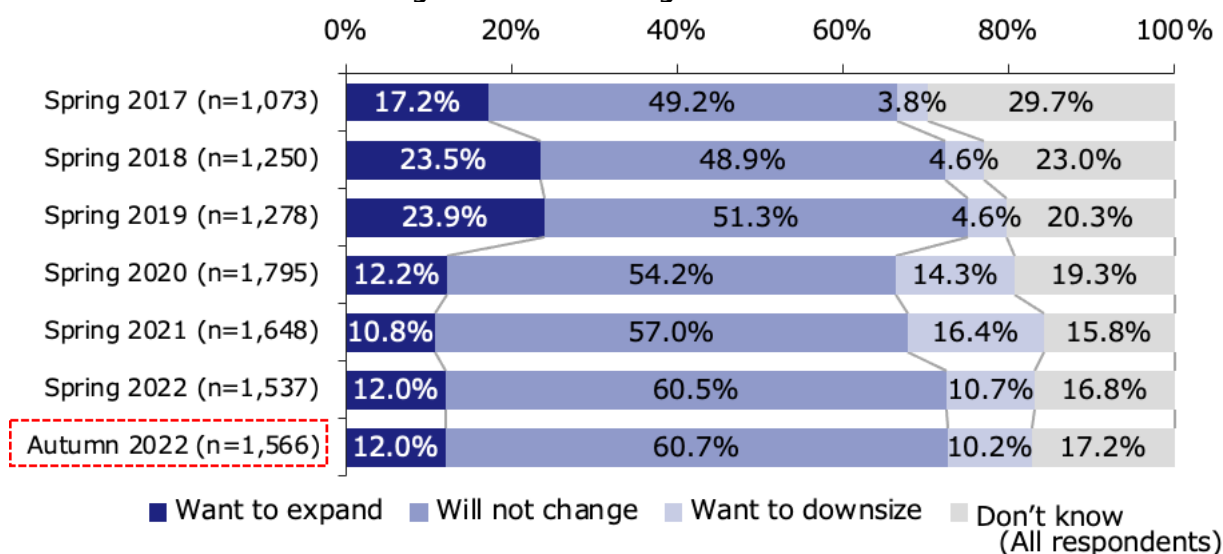
Figure 6: Change in Rent per Tsubo



2.2. Future change in office size

As for companies' intentions on office size going forward (up to 2–3 years ahead), “Want to expand” was 12.0% and “Want to downsize” was 10.2%, roughly unchanged from the previous survey (**Figure 7, bottom bar**).

Figure 7: Future Change in Office Size

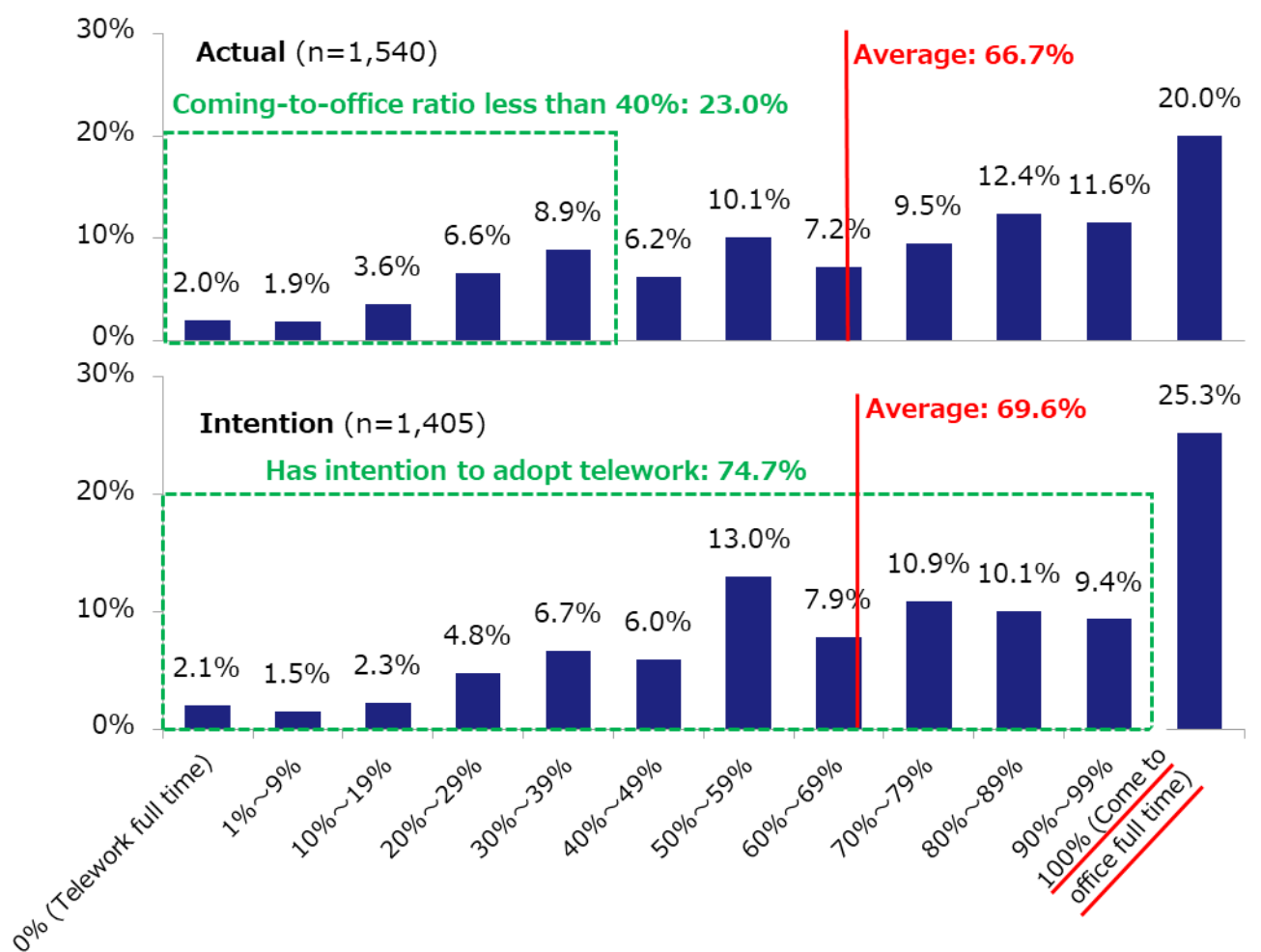


2.3. Coming-to-office ratio

Figure 8 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, 20.0% replied that "100% (Come to the office full time)," while 23.0% 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)^{*2} was 66.7%. As for intentions for after the end of the pandemic, "100% (Come to the office full time)" rises to 25.3%, though we can assume that the remaining 74.7% of the companies intend to adopt telework at varying frequencies and degrees. The average coming-to-office ratio (intention) was 69.6%, which does not significantly differ from the average actual ratio.

*2 The average value was calculated by adopting the median value of each choice (5% for "1%~9%," 14.5% for "10%~19%," 24.5% for "20%~29%," and so on).

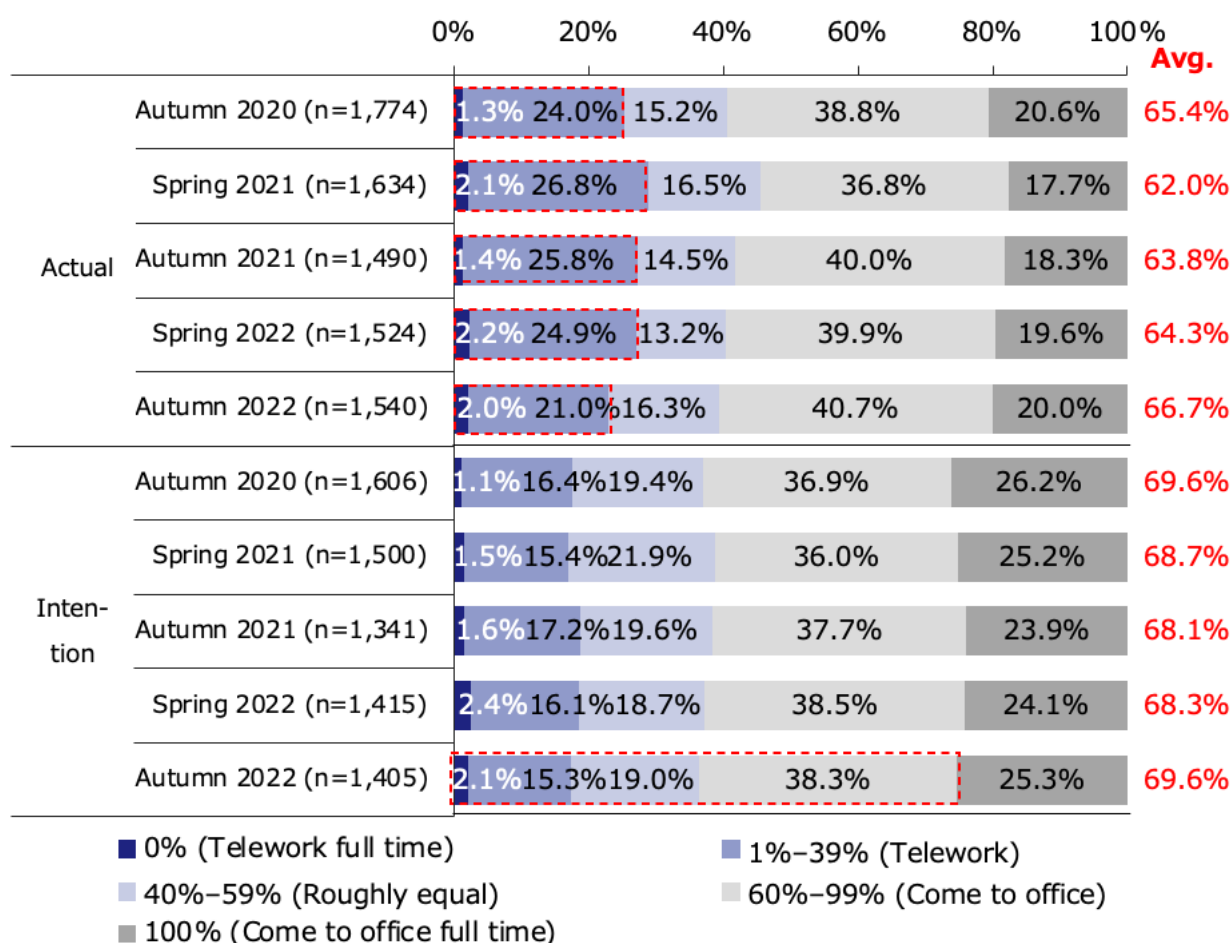
Figure 8: Coming-to-office Ratio (Actual and Intention)



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

Figure 9 compares the coming-to-office ratio (actual and intention) of **Figure 8** with the results of past surveys by sorting the ratios into the following five groups: "0% (Telework full time)," "1%–39% (Telework)," "40%–59% (Roughly equal)," "60%–99% (Come to office)," and "100% (Come to office full time)." In the actual ratio, the percentage of companies with a coming-to-office ratio of less than 40% has been declining since its peak in the Spring 2021 survey, suggesting that employees are gradually returning to the office. In terms of intention, the percentage of companies intending to adopt telework for any length of time has remained roughly unchanged, and we believe that, ultimately, approximately 75% of companies will adopt telework.

Figure 9: Coming-to-office Ratio (Actual and Intention; Comparison with Past Surveys)



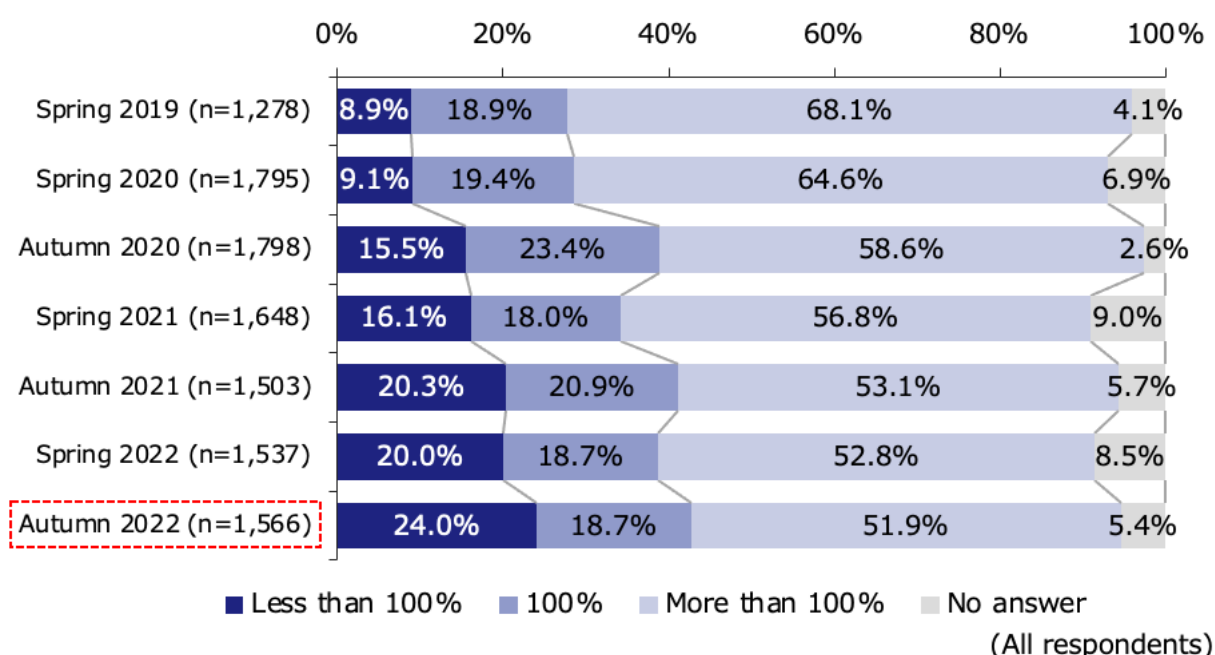
(All respondents excl. 'Don't know')

2.4. Percentage of desks, business sentiment

We calculated the percentage of desks provided by the companies for their office occupants based on the numbers of office occupants and desks at the time of the survey. **Figure 10** compares the results, which were divided into three groups ("Less than 100%", "100%," and "More than 100%"), with past surveys.

Continuing from past surveys, the largest percentage (51.9%) of companies provided desks for "more than 100%" of office occupants; however, the percentage is on a declining trend. Meanwhile, the percentage of "Less than 100%" has been increasing since the 2019 survey (8.9%), reaching the highest ever in this survey at 24.0%. This indicates that more companies are reducing their number of desks as fewer employees are coming to the office due to the advance of telework.

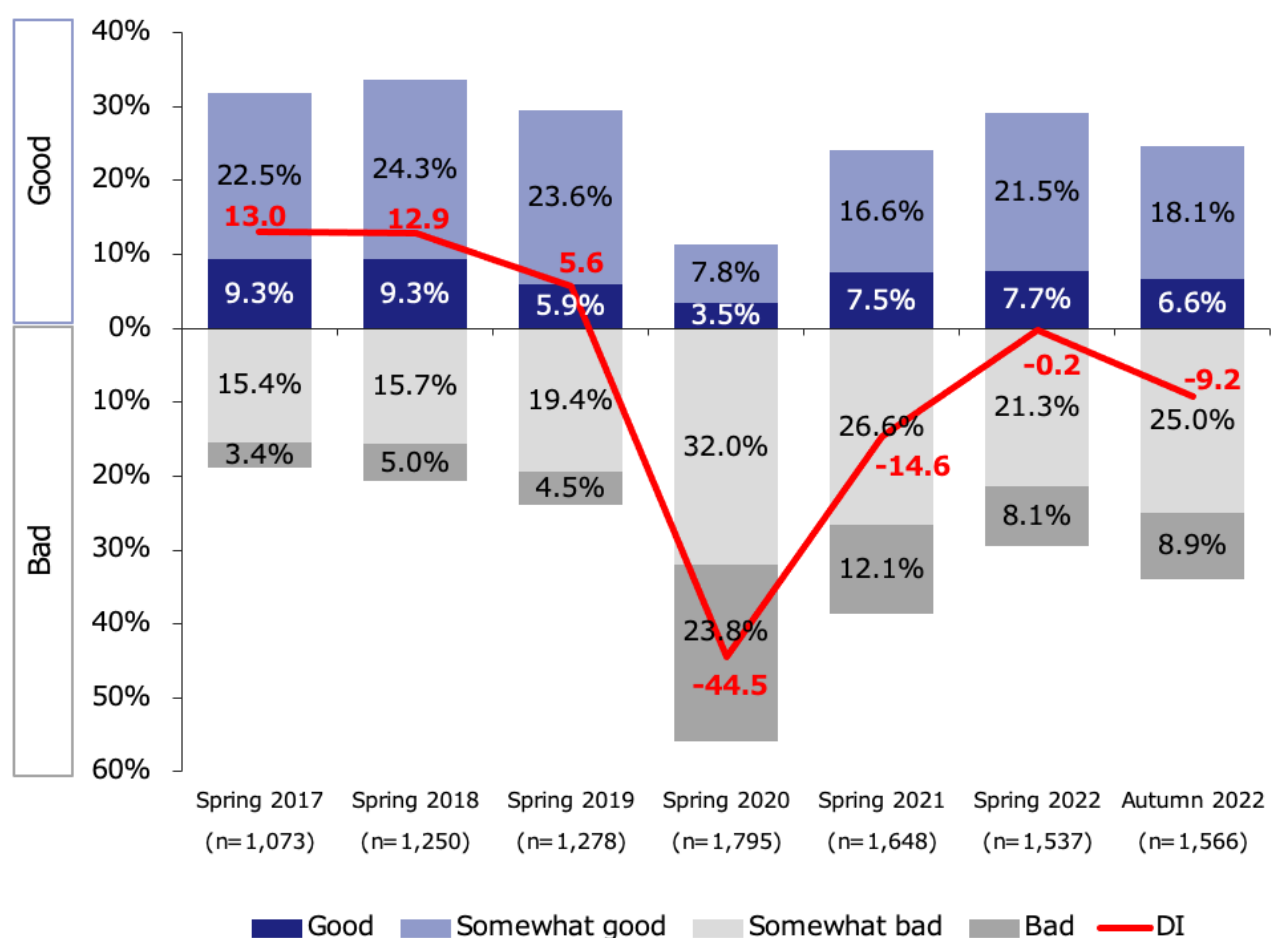
Figure 10: Percentage of Desks to Number of Office Occupants



Lastly, **Figure 11** shows 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 "Good" and "Somewhat good" was 24.7%, while the sum of "Bad" and "Somewhat bad" was 33.9%, indicating a business sentiment DI of -9.2. The DI, which turned sharply negative in the Spring 2020 survey that immediately followed the outbreak of the COVID-19 pandemic, had been on a recovery trend until the previous survey, but turned downward this time.

Figure 11: Business Sentiment



(All respondents; excerpt)

3. Summary

In this report we examined the actual state and future direction of office demand. In particular, the results suggest that the downsizing trend in office size, which had continued since the outbreak of the COVID-19 pandemic, has run its course, as is implied by the continuous decline in the percentage of office “Downsizing (actual + potential)” since the Spring 2021 survey and the percentage of companies that “want to expand” their office size in the future continuing to outweigh the percentage of those that “want to downsize” as in the previous survey. The reasons for office size expansion show signs that workers are returning to the office. However, as is evident from facts such as more than 60% of the companies that downsized their office attributing it to “Less space needed due to telework,” office demand has become highly susceptible to the work styles and workplace strategies adopted by each company, making it difficult to make a sweeping judgment on demand as a whole. In our future surveys we will keep a close eye on changes in the trend, in addition to changes in the number of office occupants and rent per tsubo.

While office demand has reached a turning point and a gradual trend of returning to the office has become evident, we found that many companies intend to continue adopting telework, although there are differences by office location and sector (**Reference 4–6**). As a hybrid work style of combining telework and coming to the office takes root, we believe that work styles will have an impact on the state of the office as we confirmed in the percentage of number of desks relative to the number of office occupants. In “(2) Work Styles and the Workplace” that follows, we examine the actual usage of telework and companies’ workplace strategies.

Survey Overview

Survey period	October 18–October 30, 2022
Target respondents	<p>47,115 companies in total that include the following:</p> <ul style="list-style-type: none"> • Tenants of office buildings managed by the Xymax Group • Companies subscribing to ZXY, a satellite office service for corporate customers • Client companies of XYMAX INFONISTA Corporation
Number of valid answers	<p>1,566; response rate: 3.3%</p> <p>(Aggregated in office units; therefore, answers from different offices of the same company are treated as separate answers.)</p>
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), no. of office occupants, no. of workers coming to the office, no. of desks • Coming-to-office ratio (actual and intention) <p>Change in office demand (October 2021–September 2022)</p> <ul style="list-style-type: none"> • Change in office size and the style and reasons of the change • Change in rent per tsubo • Change in number of office occupants <p>Work style during the COVID-19 pandemic</p> <ul style="list-style-type: none"> • Implementation of work style initiatives, implementation of measures concerning the place for telework, availability of work-from-home policy and satellite offices • Change in employees' performance • Issues and challenges in administering telework • Implementation, issues, and challenges of reconsidering workplace strategies <p>Outlook of office demand</p> <ul style="list-style-type: none"> • Business sentiment, theme to focus on • Intentions on office size • Intentions on measures concerning the office, intentions on measures concerning work styles, intentions on measures concerning the place for telework, preferred type of satellite office and reason thereof • Measures interested in concerning providing workplaces in the countryside, expected advantages of providing workplaces in the countryside <p>Company attributes</p> <ul style="list-style-type: none"> • Sector, number of employees, average age of employees

Respondent attributes

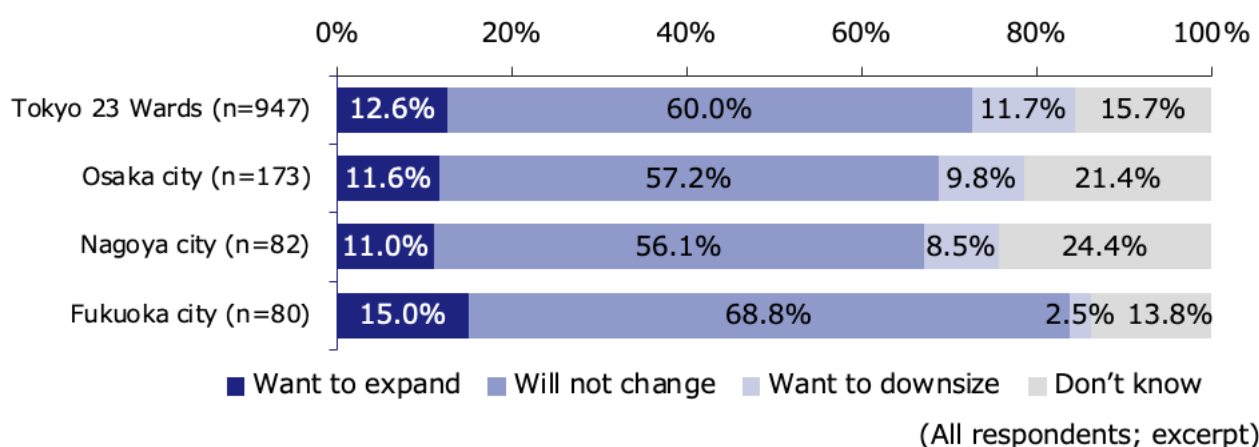
- Department, job position

Attributes of Respondent Companies

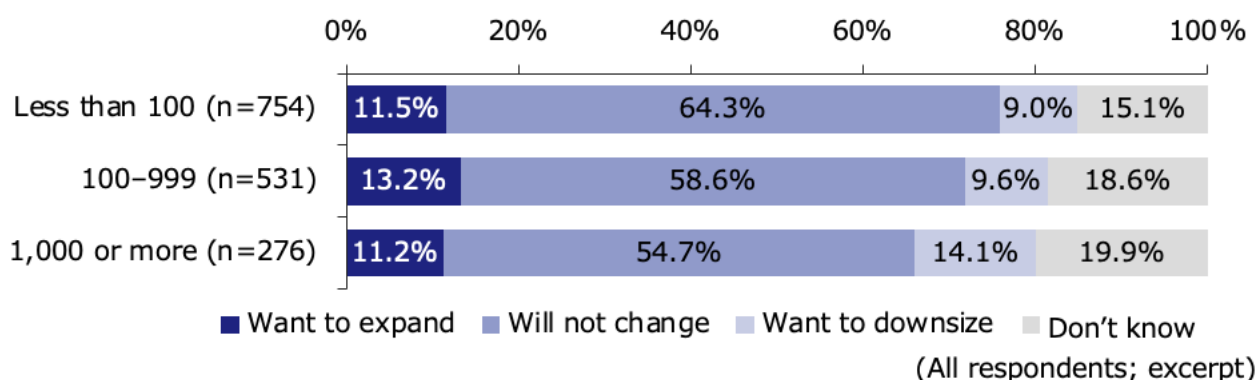
		%	n			%	n
Sector	Agriculture and forestry	0.2%	3	Type of office	Head office	65.7%	1,029
	Mining and quarrying of stone and gravel	0.2%	3		Branch office	23.0%	360
	Construction	5.9%	93		Sales office	8.3%	130
	Manufacturing	17.3%	271		Sub-office *1	0.8%	13
	Electricity, gas, heat supply and water	0.5%	8		Call center	0.2%	3
	Information and communications	16.0%	250		Computer room	0.1%	2
	Transport and postal services	1.9%	29		Other	1.9%	29
	Wholesale and retail trade	13.8%	216	Location of office	Tokyo 23 Wards	60.5%	947
	Finance and insurance	3.3%	51		Osaka city	11.0%	173
	Real estate and goods rental and leasing	5.4%	85		Nagoya city	5.2%	82
	Scientific research, professional and technical services	8.0%	126		Fukuoka city	5.1%	80
	Accommodations, eating and drinking services	1.1%	18		Other	18.1%	284
	Living-related and personal services and amusement services	1.0%	16	Size of office under lease contract (1 tsubo = 3.3 sqm)	Less than 30 tsubo	16.9%	265
	Education, learning support	1.1%	18		30–49 tsubo	13.2%	207
	Medical, health care and welfare	2.0%	31		50–99 tsubo	17.4%	272
	Compound services	1.1%	18		100–199 tsubo	14.4%	226
	Services, n.e.c.	18.3%	287		200 tsubo or more	20.1%	315
	Governments and agencies (Excl. those classified elsewhere)	0.2%	3		No answer	17.9%	281
	Unclassifiable	2.6%	40				
Number of employees	Less than 100	48.1%	754	Average age of employees	20–29	1.5%	23
	100–999	33.9%	531		30–39	33.2%	520
	1,000 or more	17.6%	276		40–49	53.8%	843
	Unknown	0.3%	5		50–59	8.7%	136
					60 or above	2.3%	36
					No answer	0.5%	8

Reference Material

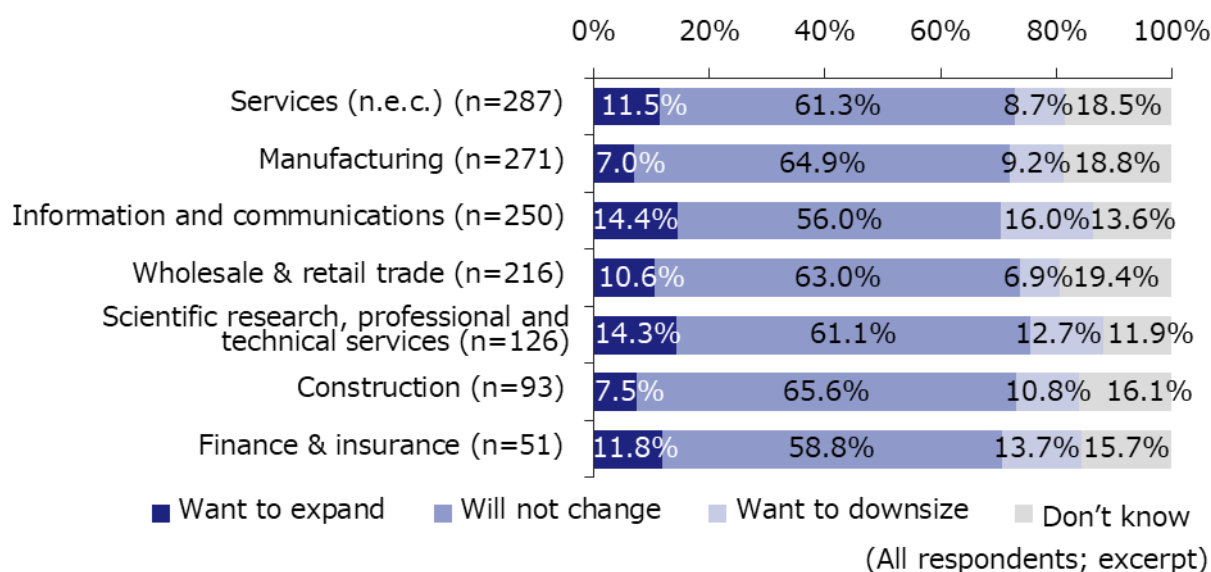
Reference 1: Future Change in Office Size – By Office Location



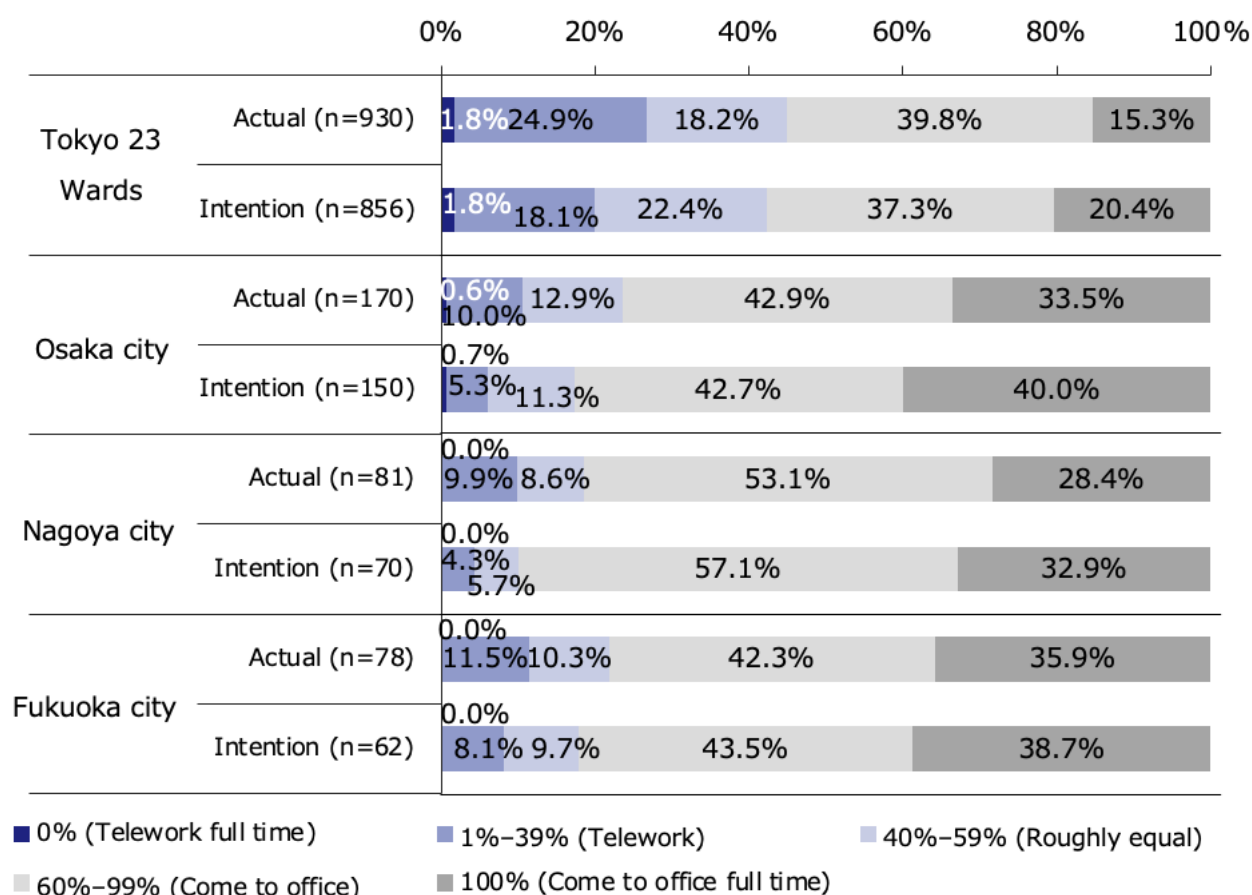
Reference 2: Future Change in Office Size – By Number of Employees



Reference 3: Future Change in Office Size – By Sector

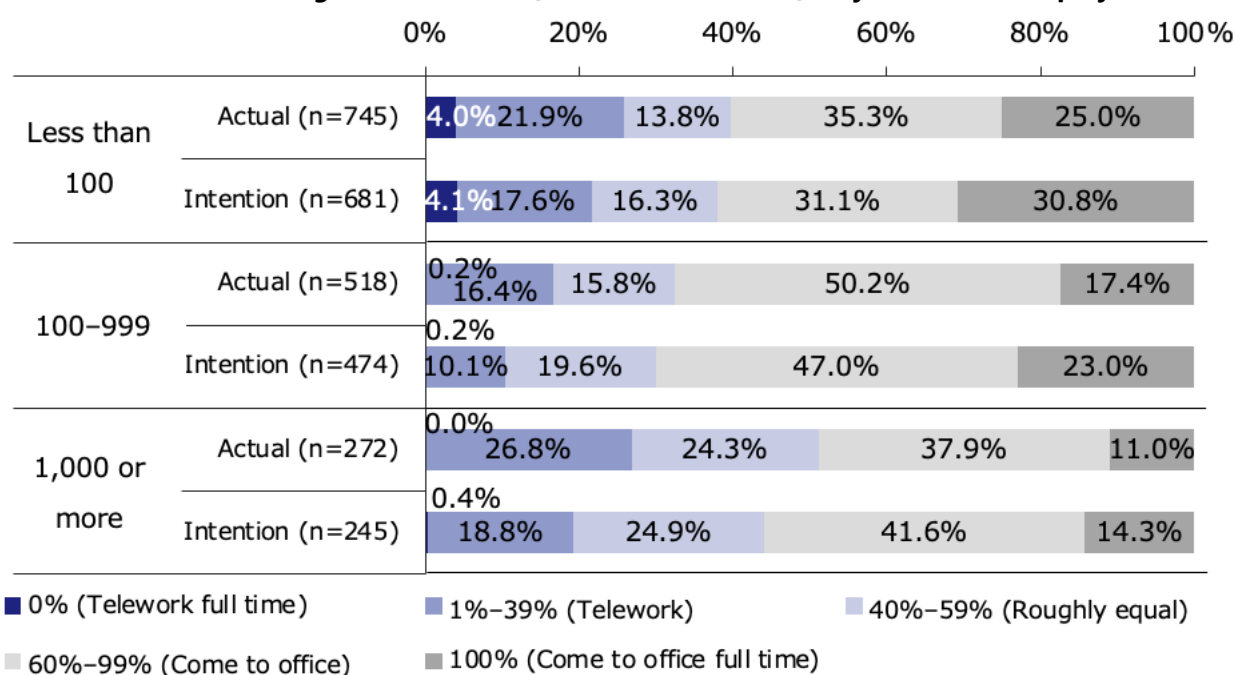


Reference 4: Coming-to-office Ratio (Actual and Intention) – By Office Location



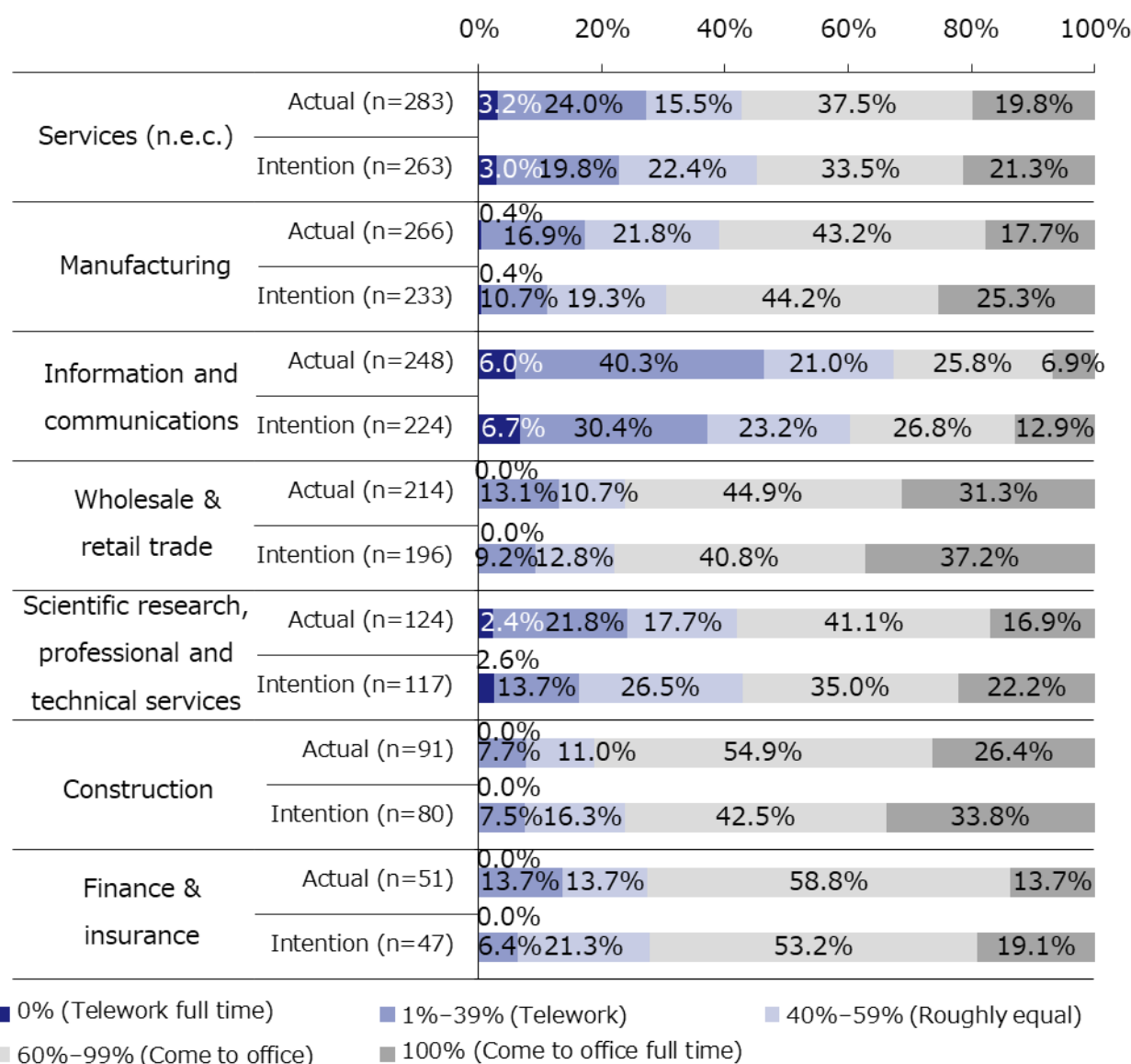
(All respondents excl. 'Don't know'; excerpt)

Reference 5: Coming-to-office Ratio (Actual and Intention) – By Number of Employees



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

Reference 6: Coming-to-office Ratio (Actual and Intention) – By Sector



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

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 – (1) Demand Trends*, released on June 15, 2022
https://www.xymax.co.jp/english/research/images/pdf/20220615_1.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
- Autumn 2022 (13th survey) *Metropolitan Areas Office Demand Survey Autumn 2022 – (2) Work Styles and the Workplace*, released on December 15, 2022
https://www.xymax.co.jp/english/research/images/pdf/20221215_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
https://soken.xymax.co.jp/2022/03/03/2203-greatertokyo_workstyle_survey_2201/ (in Japanese)

[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>
- *Will Office Space Shrink Due to Hybrid Work?*, released on September 9, 2022
<https://www.xymax.co.jp/english/research/images/pdf/20220909.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%.

For further inquiries please contact below:

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