

Supply of New Office Space 2023

January 18, 2023

Xymax Real Estate Institute ("Xymax REI") hereby releases the Supply of New Office Space 2023 covering the 23 wards of Tokyo ("Tokyo 23 Wards") and the city of Osaka ("Osaka City"). The supply of new office space, which is an aggregation of rentable areas of offices that will be newly constructed (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 with a gross floor area ("GFA") of 3,000 tsubo or more that are mainly for office-use and are to be completed in the Tokyo 23 Wards and Osaka City.

1 tsubo = approx. 3.3 sqm

Main Findings

1. TOKYO 23 WARDS | Supply of New Office Space 2023

- New supply in 2023 is expected to be 224,000 tsubo, exceeding the 10-year average of 159,000 tsubo. 2023 is expected to see the largest new supply in the next four years (from 2023 to 2026).
- New supply between 2023 and 2026 is expected to average 158,000 tsubo per year, roughly equal to the 10-year average (159,000 tsubo per year).
- 86% of the new supply between 2023 and 2026 is concentrated in the 5 central wards of Chiyoda, Chuo, Minato, Shinjuku, and Shibuya.
- New supply between 2023 and 2026 is expected to amount to 632,000 tsubo, with the percentage of new supply to the office stock at the end of 2022 of 12.98 million tsubo (new supply rate) expected to be approximately 4.9% (1.2% per year).

2. OSAKA CITY | Supply of New Office Space 2023

- New supply of 6,000 tsubo is scheduled in 2023.
- New supply between 2023 and 2026 is expected to average 35,000 tsubo per year, exceeding the 10-year average of 19,000 tsubo per year.
- The average new supply for 2023–2026 of 35,000 tsubo per year is 22% of that of the Tokyo 23 Wards (158,000 tsubo per year).
- New supply between 2023 and 2026 is expected to amount to 140,000 tsubo, with the percentage of new supply to the office stock at the end of 2022 (new supply rate) expected to be around 4.9% (1.2% per year).

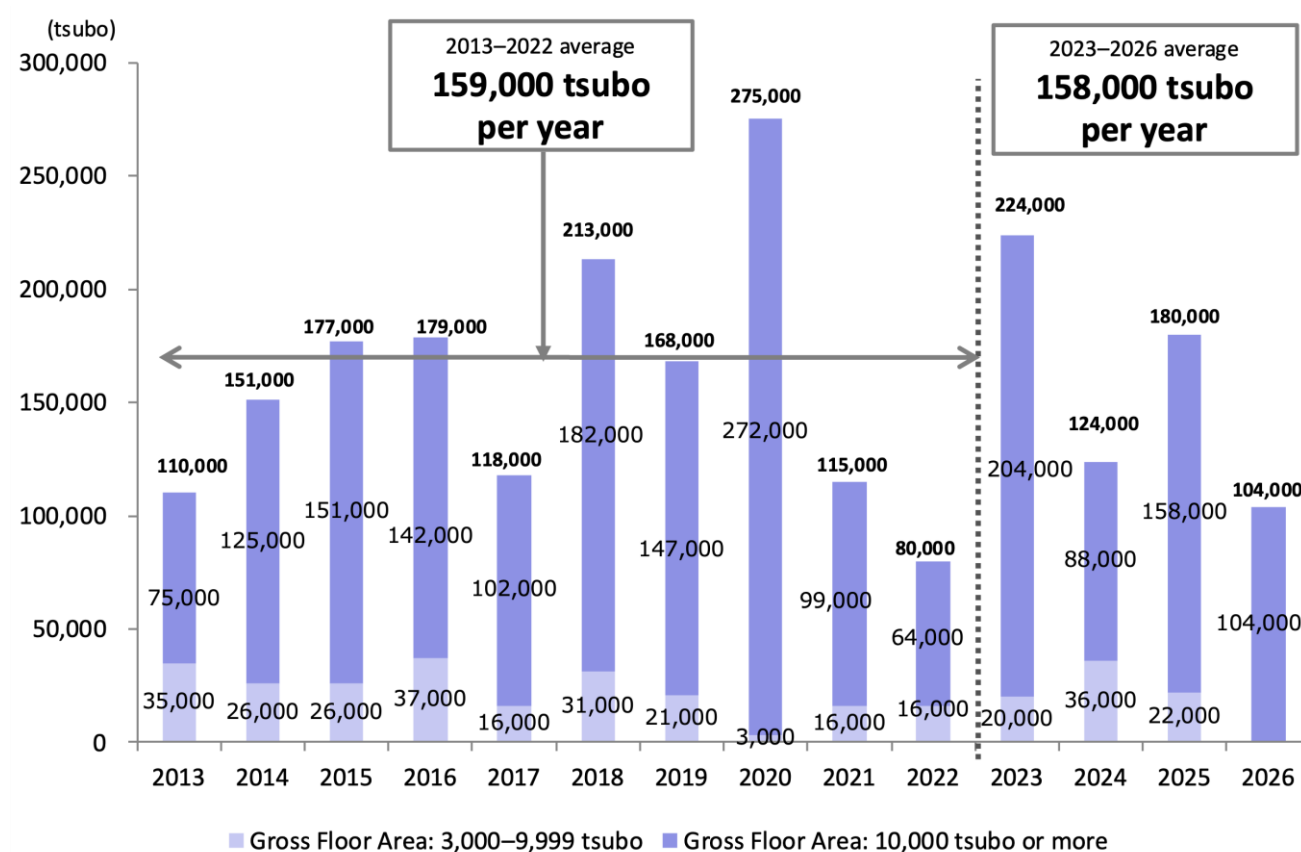
1. TOKYO 23 WARDS | Supply of New Office Space 2023

The new supply of office buildings with a GFA of 3,000 tsubo or more is expected to be 224,000 tsubo in the Tokyo 23 Wards in 2023, the second largest supply in the past 10 years after 2020 (275,000 tsubo) (**Figure 1**). New supply between 2023 and 2026 is expected to total 632,000 tsubo and average 158,000 tsubo per year, roughly equal to the 10-year average.

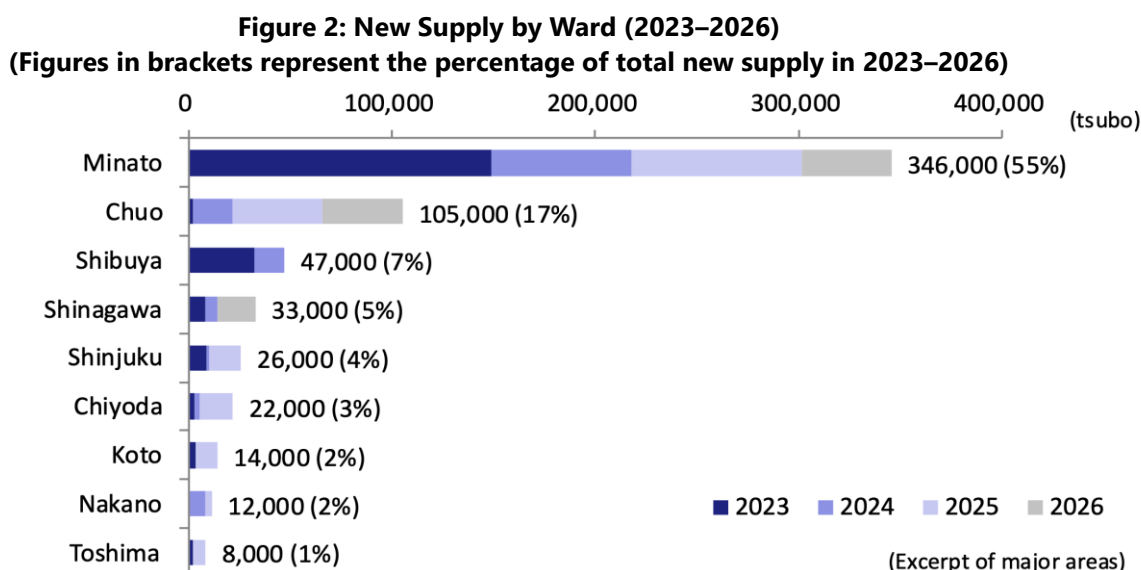
The average new supply of medium-sized buildings with a GFA between 3,000 tsubo and 10,000 tsubo is expected to be 20,000 tsubo per year for 2023–2026, less than the average of 23,000 tsubo per year for 2013–2022. On the other hand, the average new supply of large buildings with a GFA of 10,000 tsubo or more for 2023–2026 (139,000 tsubo per year) is expected to exceed the average for 2013–2022 (136,000 tsubo per year).

The new supply rate, which is the percentage of new supply (in 2023–2026) to the office stock at the end of 2022 (12.98 million tsubo), is expected to be approximately 4.9% (1.2% per year).

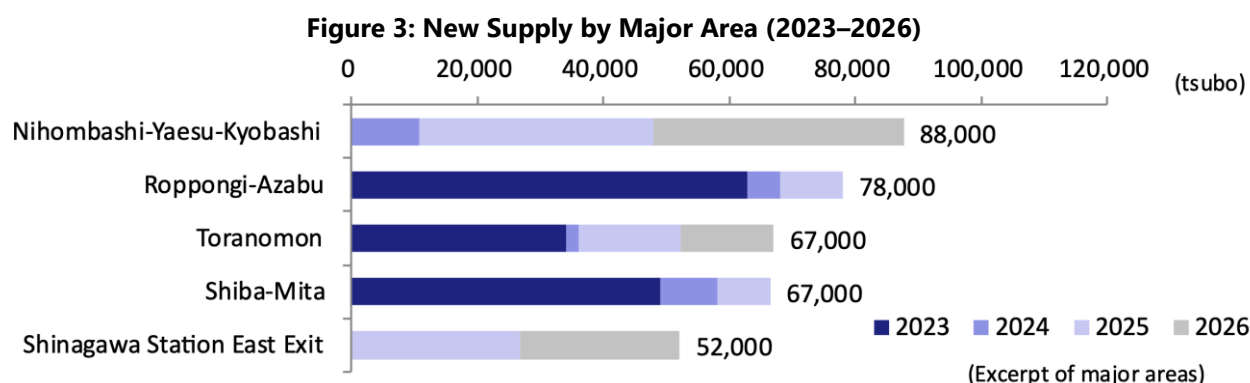
Figure 1: New Supply in Tokyo 23 Wards (Net Rentable Area)



In terms of new supply in 2023–2026 by ward, 75% of the total is expected to be in the 3 central wards (Chiyoda, Chuo, and Minato) (**Figure 2**). Minato Ward accounts for 55% of total, the largest share in new supply among the wards. When we look at the 5 central wards (the 3 central wards plus Shinjuku and Shibuya), 86% of the total new supply is expected in this area, indicating that supply is concentrated in central Tokyo.



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



The highlights of the major areas are as follows:

○The Nihombashi-Yaesu-Kyobashi area has the largest supply of 88,000 tsubo. Large supply is scheduled in 2025 from the Tokyo Ekimae Yaesu 1-chome East District Urban Redevelopment Project districts A and B, and in 2026 from the Nihombashi 1-chome Central District Urban Redevelopment Project district C.

○In Roppongi-Azabu, large supply is scheduled in 2023 from the Toranomon & Azabudai District Urban Redevelopment Project district A.

○The Toranomon area is undergoing integrated redevelopment, with supply expected to continue in 2023 from large-scale redevelopment projects such as the Toranomon Hills Station Tower.

○In Shiba-Mita, large supply is scheduled in 2023 from the Tokyo Mita Redevelopment Project (tentative name).

○At Shinagawa Station East Exit, large supply is scheduled in 2025 and 2026 from Shinagawa Development

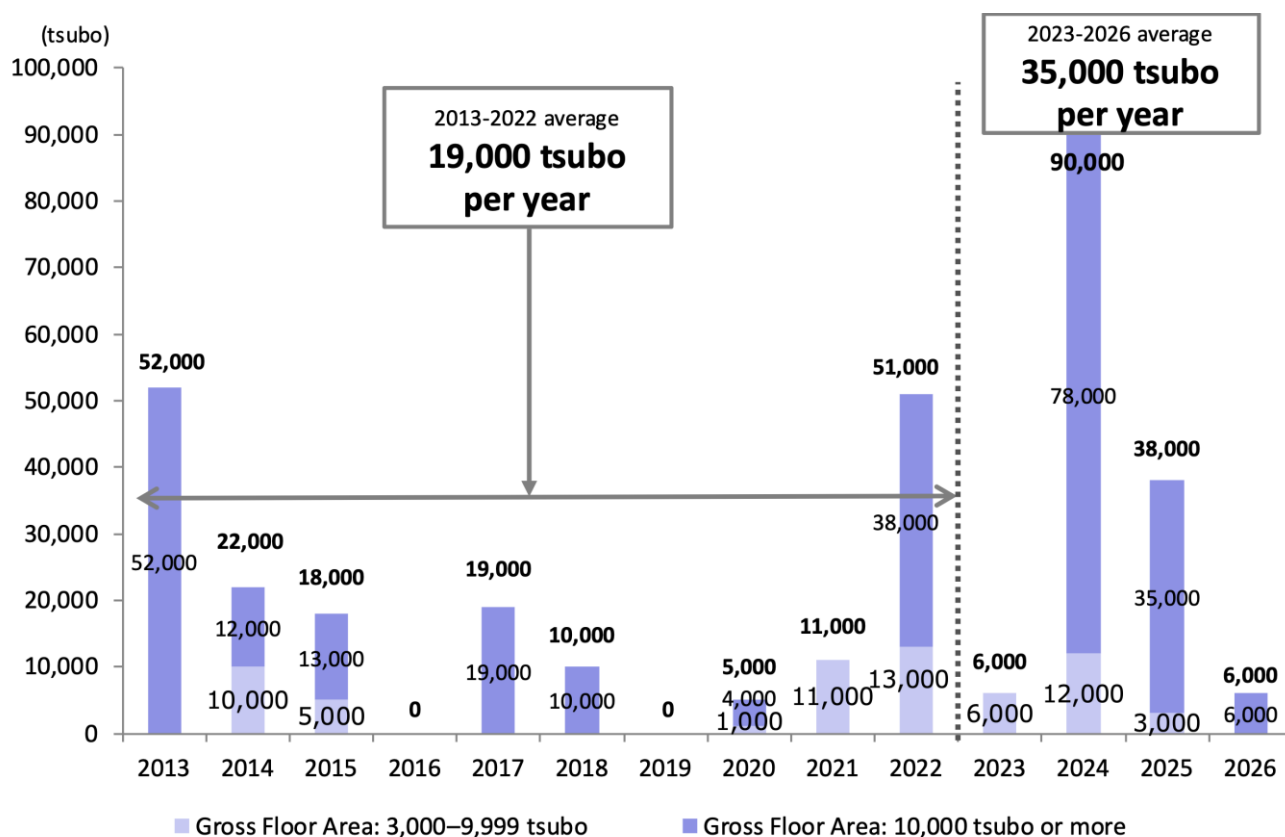
Project Phase I.

2. OSAKA CITY | Supply of New Office Space 2023

As for new supply of office buildings with a GFA of 3,000 tsubo or more in Osaka City, a large supply of 90,000 tsubo is scheduled in 2024, bringing the expected total new supply in 2023–2026 to 140,000 tsubo (**Figure 4**). The average for 2023–2026 is expected to be 35,000 tsubo per year, approximately 1.8 times the 10-year average of 19,000 tsubo per year and 22% of the average new supply in the Tokyo 23 Wards for 2023–2026 of 158,000 tsubo per year.

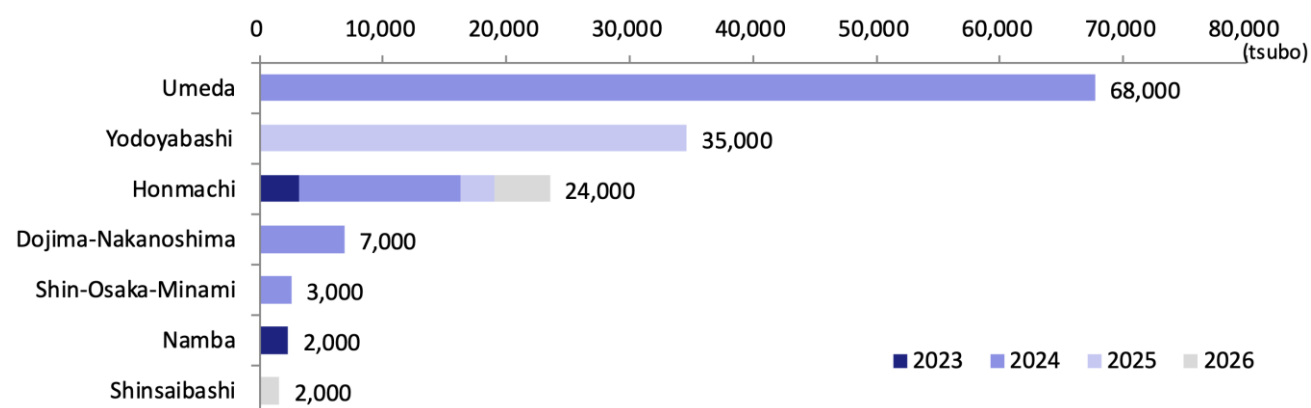
The new supply rate, which is the percentage of new supply (in 2023–2026) to the office stock at the end of 2022 (2.83 million tsubo), is expected to be approximately 4.9% (1.2% per year). This is equal to the new supply rate of the Tokyo 23 Wards.

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



By area, large supply is scheduled in the Umeda, Yodoyabashi, Honmachi, Dojima-Nakanoshima, Shin-Osaka-Minami, Namba, and Shinsaibashi areas, in this order (**Figure 5**).

Figure 5: New Supply by Area (2023–2026)



The highlights of the areas are as follows:

○Umeda is expected to see the largest supply of 68,000 tsubo. Large supply is scheduled in 2024 from the Umeda 3-chome Plan (tentative name) and the Umekita Phase 2 District Development Project.

○In Yodoyabashi, large supply is scheduled in 2025 from the Yodoyabashi Project (tentative name) and the Yodoyabashi Station West District Urban Area Redevelopment Plan.

Survey Overview

Survey period	December 2022
Coverage	23 wards of Tokyo, city of Osaka
Target properties	Properties with a gross floor area of 3,000 tsubo or more that are used mainly as office space (excludes owner-occupied buildings)
Target data	Net rentable area for offices (tsubo)
Survey 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 areas 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.

For further inquiries please contact below:

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