

Flexible Office Market Survey 2023

Increased supply of flexible offices in Tokyo's 23 Wards

February 7, 2023

Through the work style reform initiatives that have been implemented thus far, it has become increasingly important for companies to provide workers with workplace options. The spread of COVID-19 that began to take hold in early 2020 has also forced many companies to reconsider their employees' work styles and workplaces. Furthermore, the spread of telework has attracted attention to workplaces that can be used flexibly in terms of time and place according to the needs of the workers (i.e., flexible offices), leading to a rapid growth of its market.

To quantify the growth trend of the flexible office market, Xymax Real Estate Institute ("Xymax REI") has, every year since 2020, been gathering and analyzing quantitative data of flexible offices located in the 23 wards of Tokyo (hereinafter, "Tokyo 23 Wards"), such as the number of offices, floor area, and number of operators. In this 4th report, we release the aggregation results of data gathered by December 2022.

Flexible offices offer a diverse and segmentalized range of services and are called by different names such as rental offices, shared offices, serviced offices, satellite offices, and co-working offices, depending on the operator. In this report, we use the term "flexible office," which is the target of the survey, as a generic term for workplaces provided by operators mainly to companies and self-employed individuals under various forms of contract, including service contracts and fixed term building lease contracts, instead of a typical office lease contract.

(1 tsubo = approx. 3.3 sqm)

Main Findings

1. Expansion of the Flexible Office Market

- There are 1,260 flexible offices spanning approx. 239,000 tsubo in the Tokyo 23 Wards. The number has been increasing year by year.
- The total floor area of flexible offices in the Tokyo 23 Wards is approximately 1.8% of the office stock (13.11 million tsubo).
- There are 116 operators of flexible offices.

2. Area Characteristics

- Of the flexible offices located in the Tokyo 23 Wards, 66.3% of the total number of offices and 84.1% of total floor area are concentrated in the 5 central wards.
- In terms of the trend from past surveys, the share of the 18 peripheral wards has been increasing in both the number of offices and floor area.

3. Observations

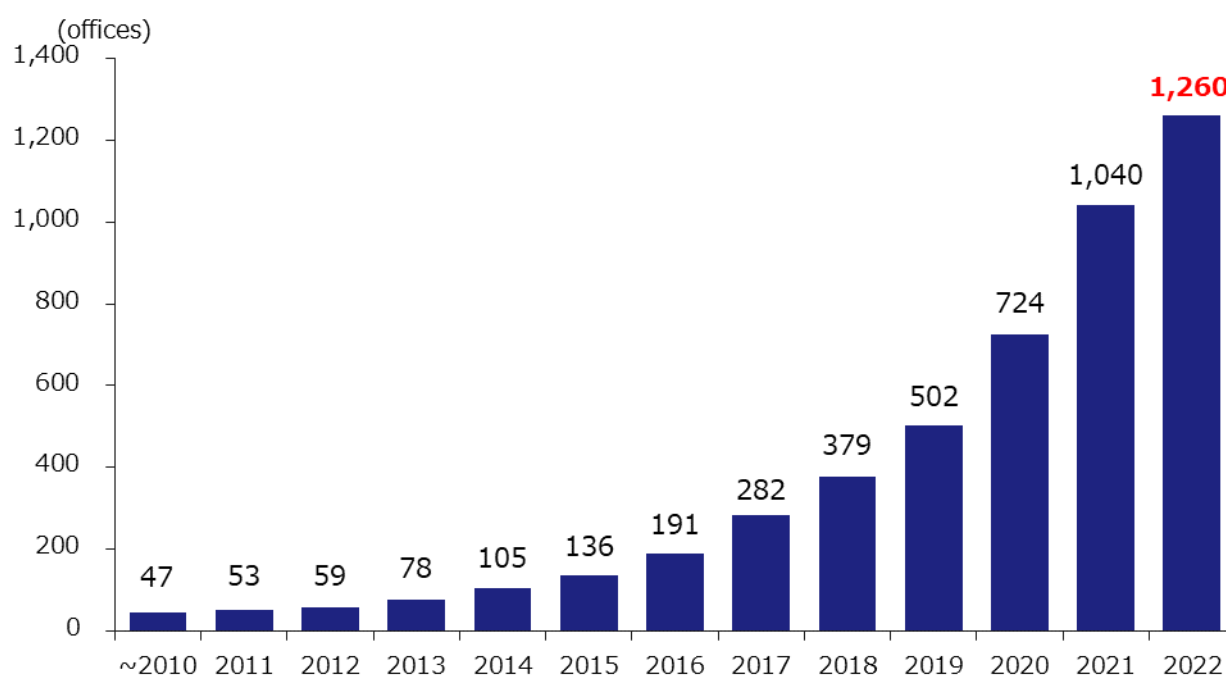
- Backgrounds to the market expansion include the spread of flexible offices into not only offices' exclusive areas but also a variety of other places, such as offices' common areas, railway stations, accommodation facilities, retail facilities and financial institutions, and the greater diversity in office types.

1. Expansion of the Flexible Office Market

We will start by examining the trend of the expansion of the flexible office market. **Figures 1 to 3** indicate the stock (number of offices and floor area) and the number of operators (including estimates) of flexible offices in the Tokyo 23 Wards that were confirmed to have been in operation in each year.

The total number of flexible offices in the Tokyo 23 Wards that were confirmed to have been in operation in the survey conducted in October to December 2022 was 1,260. The number has been growing each year (**Figure 1**).

Figure 1: Number of Flexible Offices (Tokyo 23 Wards)

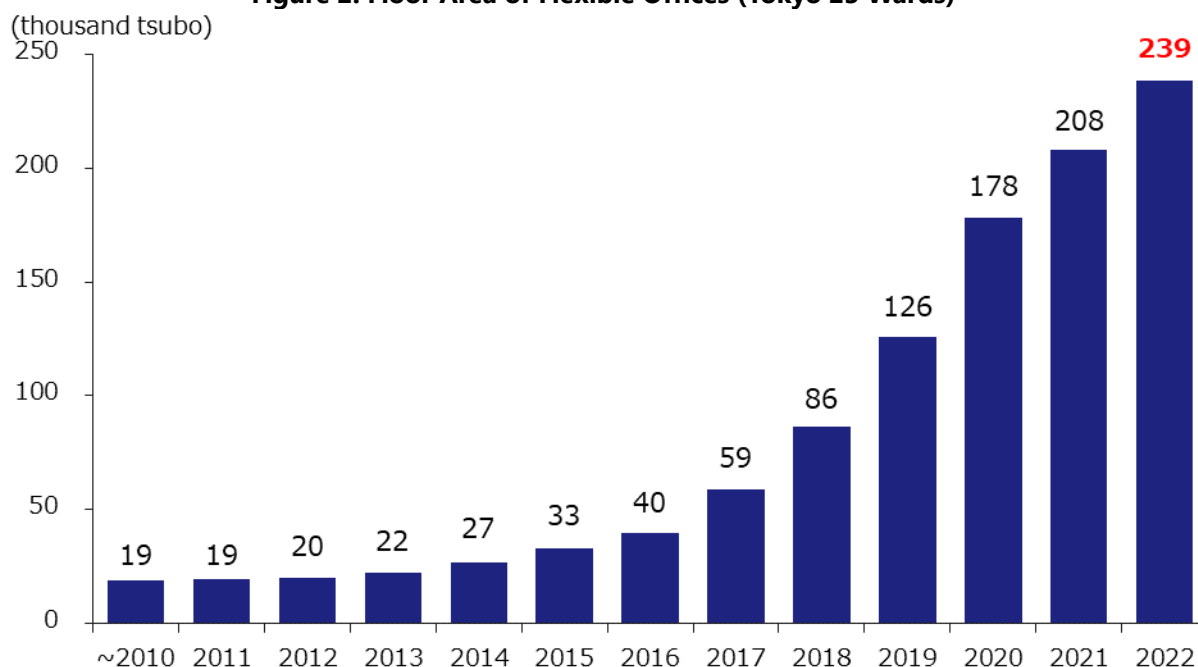


The total floor area of flexible offices in the Tokyo 23 Wards is also increasing each year and was approximately 239,000 tsubo. This is around 1.8% of the office stock of the Tokyo 23 Wards (13.11 million tsubo)*¹ (**Figure 2**).

*1 See *Office Stock Pyramid 2023*, released on January 18, 2023

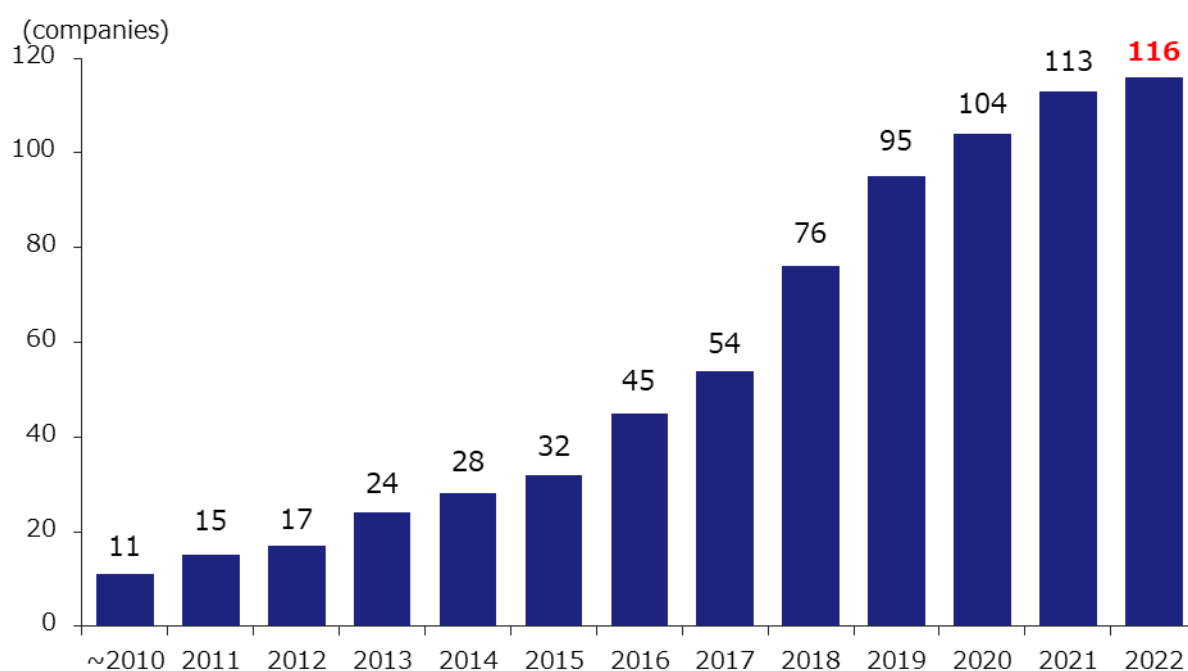
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Figure 2: Floor Area of Flexible Offices (Tokyo 23 Wards)



The total number of operators of flexible offices in the Tokyo 23 Wards was 116 (**Figure 3**).

Figure 3: Number of Operators of Flexible Offices (Tokyo 23 Wards)



2. Area Characteristics

To examine the characteristics of the areas in which flexible offices are located, we compared the distribution of flexible offices in the 5 central wards (Chiyoda, Chuo, Minato, Shibuya, and Shinjuku wards) and the 18 peripheral wards.

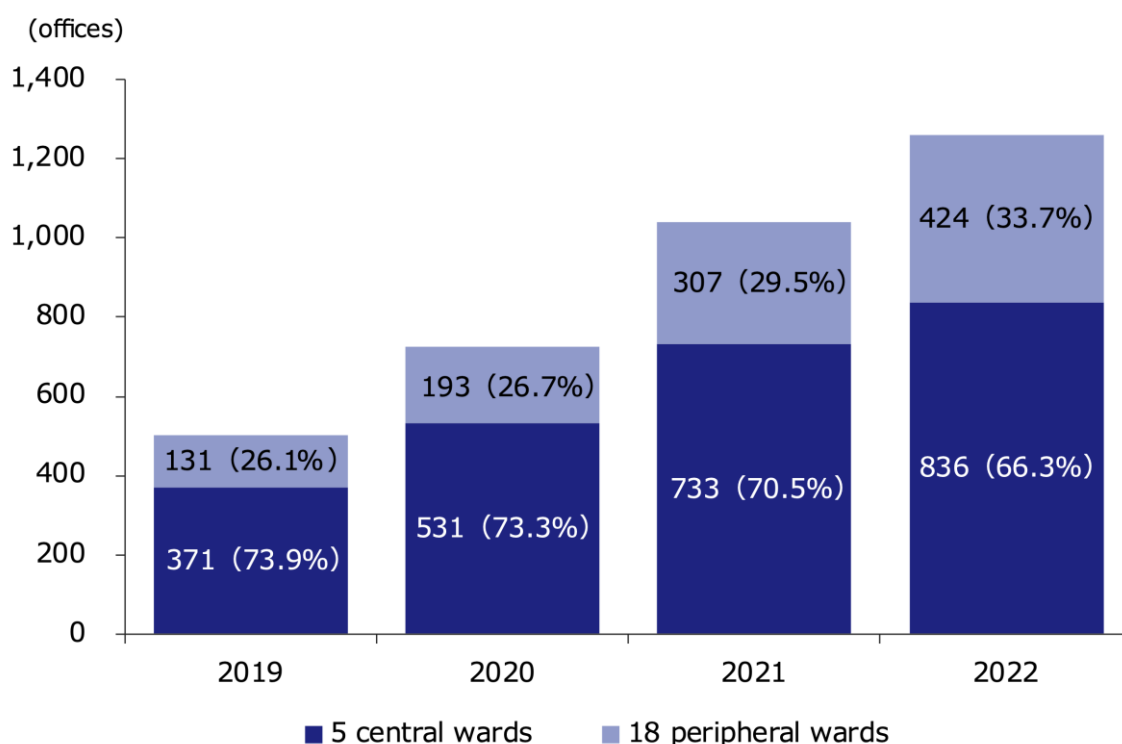
Figure 4 shows the number of offices and floor area in the 5 central wards and the 18 peripheral wards as a percentage to the 1,260 flexible offices in the Tokyo 23 Wards. In terms of the number of offices, the 5 central wards accounted for 66.3% while the 18 peripheral wards accounted for 33.7%. In terms of floor area, the former accounted for 84.1% and the latter 15.9%. The average floor area per office in the 5 central wards and the 18 peripheral wards was 240.0 tsubo and 89.8 tsubo, respectively.

Figure 4: Distribution of Flexible Offices (5 Central Wards and 18 Peripheral Wards)

	No. of offices	%	Area (1,000 tsubo)	%
5 central wards	836	66.3%	201	84.1%
18 peripheral wards	424	33.7%	38	15.9%
23 wards total	1,260	100.0%	239	100.0%

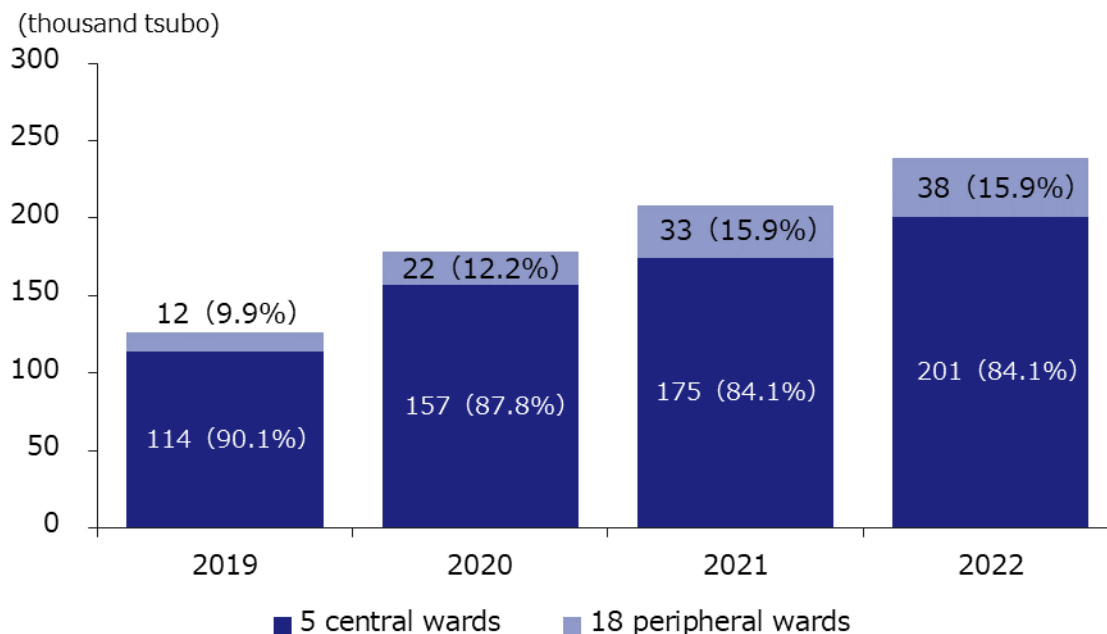
If we look at the trend of the number of offices and floor area in the 5 central wards and the 18 peripheral wards, the percentage of offices in the 18 peripheral wards has risen from 26.1% to 33.7% over the past three years, indicating that flexible offices are spreading to the suburbs (**Figure 5**).

Figure 5: Number of Flexible Offices (5 Central Wards and 18 Peripheral Wards)
(Figures in brackets are the percentage of 5 central wards and 18 peripheral wards to the year's stock)



Meanwhile, although the 18 peripheral wards have also seen an increase in its percentage of floor area over the past three years, from 9.9% to 15.9%, the 5 central wards still account for more than 80% (**Figure 6**).

Figure 6: Floor Area of Flexible Offices (5 Central Wards and 18 Peripheral Wards)
(Figures in brackets are the percentage of 5 central wards and 18 peripheral wards to the year's stock)



3. Observations

This survey has revealed that the flexible office market of the Tokyo 23 Wards has continued to grow in both the number of offices and floor area. The backgrounds to the market growth include the spread of flexible offices into not only offices' exclusive areas but also places such as accommodation facilities, retail facilities, and financial institutions. In particular, private booths for one person are being increasingly installed in railway stations and the common areas of office buildings. The survey also indicates that the market expansion is based on expansions and new openings of offices by existing operators and not on an increase in new entrants, as the pace of growth in the number of operators, which is continuing, is slower than that in the number of offices and floor area. As for operators, there have been moves to increase the number of available offices and diversify office types through partnerships between operators in an effort to offer more convenient services.

In terms of the number of offices and floor area in the 5 central wards and the 18 peripheral wards, the percentage of the 18 peripheral wards has been increasing, which indicates that flexible offices are spreading to the suburbs. As telework takes root due to the COVID-19 pandemic, it can be assumed that the supply of flexible offices is being dispersed into areas where many workers reside. In terms of floor area, however, more than 80% are still concentrated in the 5 central wards. The fact that there is a difference in floor area per office of more than 2.5 times between the 5 central wards and the 18 peripheral wards suggests that the types of flexible offices provided in the two areas are different.

Flexible offices are expected to continue to take root and grow as a workplace platform as they become more diverse in terms of asset type, service, facility, and geographic area. Xymax REI will continue to release useful findings by observing the quantitative changes in the flexible office market, as covered in this report, as well as qualitative changes including services, facilities, geographic areas, and business operator trends.

Related surveys

Flexible Office Market Survey 2020, released on January 31, 2020

<https://www.xymax.co.jp/english/research/images/pdf/20200131.pdf>

Flexible Office Market Survey 2021, released on February 17, 2021 (in Japanese only)

https://soken.xymax.co.jp/2021/02/17/2102-flexible_office_survey_2021/

Flexible Office Market Survey 2022, released on February 25, 2022

<https://www.xymax.co.jp/english/research/images/pdf/20220225.pdf>

Survey Overview

Period	October to December 2022
Target	<p>Workplace services provided by operators mainly to companies and self-employed individuals under various forms of contract, including service contracts and fixed term building lease contracts, instead of a typical office lease contract.</p> <ul style="list-style-type: none"> * Offices that had closed or had not yet opened at the time of the survey were excluded from the stock. * The data of offices prior to 2020 are based on the confirmed launch year (includes some estimates). * Excludes telework arrangements by karaoke stores, hotels, eating and drinking establishments, etc. * Includes private booths for one person. * The sum figures may not match due to rounding. * The figures contained in this report are aggregate figures as at the time of the survey. Data is added and updated on a daily basis. * The floor area of each office is the published floor area, if available. If it is not available, one of the following was used as an estimate: <ul style="list-style-type: none"> · If the entire building is used: The rentable area estimated from the gross building area. · If the number of floors is known: The product of the standard story area and the number of floors of the building. · The average floor area of other offices of the same brand of which the floor area is published. · The average floor area of offices excluding large offices (i.e., average office floor area of 1,000 tsubo or more) and small offices such as private booths for one person (i.e., average office floor area of less than 10 tsubo).
Coverage	23 wards of Tokyo
Method	Online survey, inquiries and interviews with operators

For further inquiries please contact below

Xymax Real Estate Institute

<https://soken.xymax.co.jp> | E-MAIL: info-rei@xymax.co.jp