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CBRE Releases "COWORKING OFFICE – A NEW ERA OF WORKING PLATFORM"

Tokyo Coworking Office Market Comprises of 346 Sites Totaling 66,000 Tsubo

Rapid Market Growth: 2017–2018 Growth Exceeded That of 17-year Period Leading Up to 2016

CBRE today released a special report entitled "COWORKING OFFICE - A NEW ERA OF WORKING PLATFORM." The report clarifies the definition of a coworking office and other types of flexible offices, and assesses the current state of the coworking office market in Tokyo.

As of September 2018, the coworking office market in Tokyo amounted to 346 sites totaling 66,000 tsubo. While this is only around 1.0% of the net leasable area of the entire office leasing market in the Tokyo 23 wards, the take-up by coworking office operators as a percentage of the leased floor area in the Tokyo 23 wards reached 7.9% in H1 2018 (Jan–Jun), and its presence is growing rapidly.

Previously, most coworking offices were small-scale offices used by individuals or start-ups with the aim of keeping down office costs. In recent years, however, there has been an emergence of large-scale coworking offices as large companies increasingly consider coworking offices as a means to improve productivity and convenience for employees.

With more companies adopting workplace policies that accommodate to various work locations and hours, flexibility is also being increasingly sought in lease agreements. Additional factors such as changes to IFRS lease accounting standards are also likely to drive further growth in the coworking office space.

■ Highlights

❖ Definition of Coworking Offices

A workspace in which individuals or persons from different companies share the same space; a space that provides hardware as well as software that encourage communication amongst its users.

❖ Coworking offices set for expansion phase following initial emergence and diffusion

The growth of coworking offices to date has been driven by: 1) the increase in the number of start-ups; 2) the high office vacancy rate; 3) the rising need for remote working; and 4) the need for corporates to improve productivity. CBRE foresees that the increase in start-ups is likely to continue; Tokyo is set to have an above-average new supply of offices in 2020; more companies are likely to

implement diverse working styles, including remote working; and improving productivity is emerging as a major priority for more companies amidst the tightening labor market. These factors suggest that coworking offices are likely to continue to expand in the coming years.

✧ **Coworking offices' preferred locations do not necessarily correlate with traditional office density**

By area, the coworking office market is at its largest in Marunouchi/Otemachi, followed by Roppongi/Akasaka, and Shibuya/Ebisu. As a proportion of the office leasing market, the largest areas in descending order are Tokyo West, Shibuya/Ebisu, Roppongi/Akasaka, and Marunouchi/Otemachi. Coworking offices are making inroads primarily in areas where IT, finance (Fintech), and start-up firms are concentrated.

✧ **Coworking offices from a building grade perspective – Coworking offices for large enterprises are still limited**

Among the 346 coworking office sites, 276 (80%) are located in sub-Grade B office buildings or facilities other than an office building (e.g. a residential property, hotel, logistics facility, public facility). While corporates increasingly emphasize employees' safety, space in buildings of an appropriate standard and grade is limited.

✧ **Coworking offices from a cost perspective – Running costs tend to be lower than typical offices**

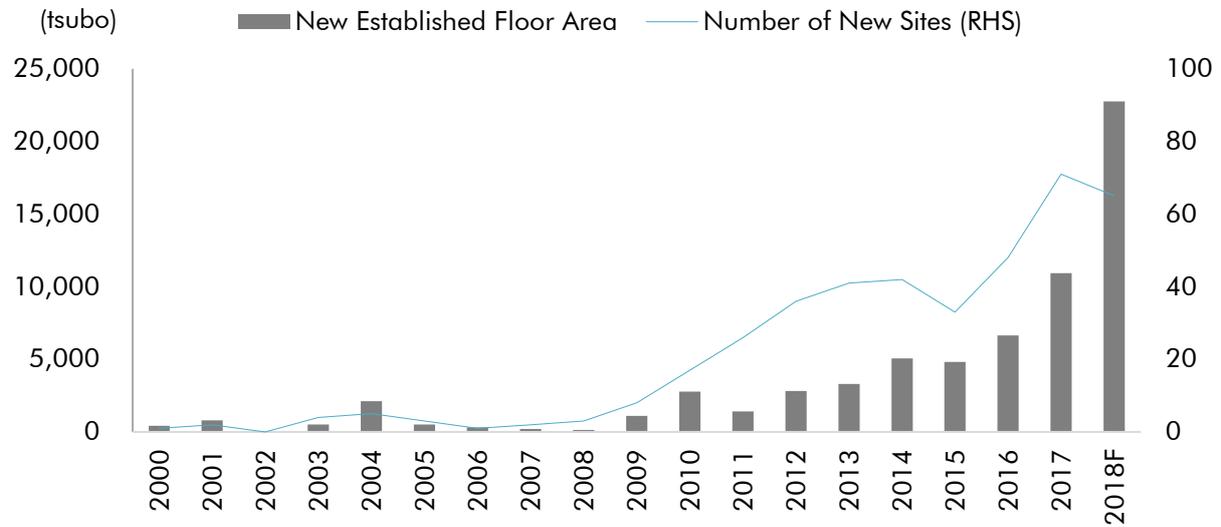
Estimating the per-tsubo price of coworking office usage fee* suggests that costs are slightly lower than the rent of a general office (*note: this refers to fee for hot-desk usage).

Laurent Riteau, Director of Workplace Strategy at CBRE, commented: "It is expected that the demographic using Coworking spaces will become broader, with increasing demand from general corporations, not just start-ups, entrepreneurs or IT companies.

With further diversification of workplaces, defining a clear strategy to plan new workspace and new ways of working is becoming increasingly important for corporations."

Yoshitaka Igarashi, Associate Director of CBRE Research, commented: "While the speed of technological innovation has accelerated, the lifecycle of companies' core business has shortened. This phenomenon is driving demand for flexibility in the contract term, in order to synchronize with the ebb and flow of business, and prompting more companies to consider the use of coworking offices."

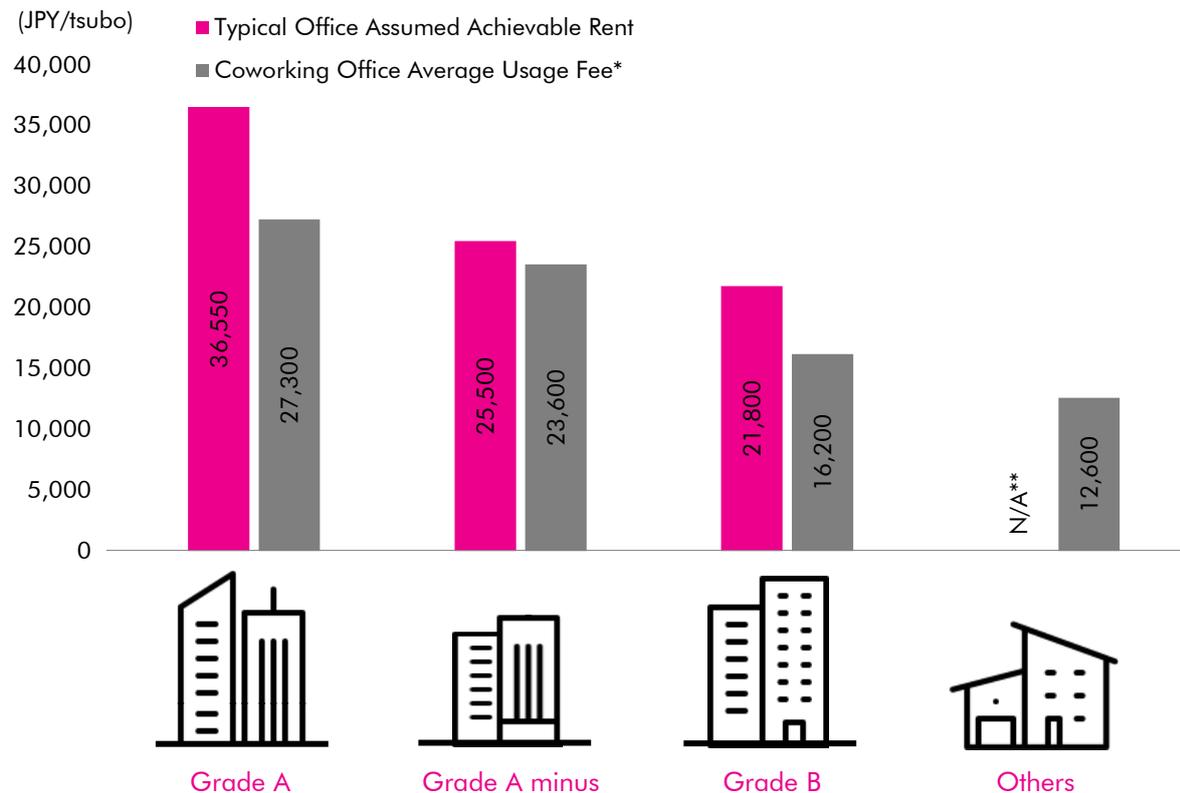
Figure 1: Established Coworking Office Floor Area and Number of Established Sites in Tokyo



Note: Does not include coworking offices where the timing of establishment is unknown

Source: CBRE, September 2018.

Figure 2: Type of Building Occupied and Usage Fee



*Monthly hot desk usage fee (publicly available data) is divided by average floor area per desk (1.6 tsubo) to obtain the tsubo unit price

**Typical office assumed achievable rent has not been calculated for Others

Source: CBRE, September 2018

For further details, refer to the report " COWORKING OFFICE - A NEW ERA OF WORKING PLATFORM " on the CBRE website at the link below.

<https://www.cbre.co.jp/en/research-reports/japan-research-archives>

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