

Japan Office Real Estate Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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Report description:

The Japan office real estate market is expected to grow at a CAGR of over 4% during the forecast period.

In Japan, the COVID-19 pandemic has sparked dramatic shifts in workplace working practices and locations. In reaction to the pandemic, roughly 60% introduced remote working. In the office market, the number of relocations or new openings are placed on hold, delayed, or canceled due to the impact of pandemic. In October 2021, about 37% of companies used remote work for employees.

The Grade A office vacancy rate is predicted to climb through 2022, with a forecast of roughly 2%. Simultaneously, roughly 190,000 tsubo (6,28,900 square meters) of new Grade A office space is expected to be delivered in 2023, making it the second-highest total in history after 2018. The Grade A vacancy rate is expected to reach 3.5% in Q4 2023, up 2.3 percentage points from Q4 2020.

As the economy progressively improves, it is predicted that the office demand in regional cities to peak in 2022 or 2023, depending on the city. In most regional cities, vacancy rates should begin to drop in 2022. The rate of increase, on the other hand, is likely to be determined by the amount of new supply. In comparison to other cities, the quantity of additional office space anticipated for completion over the next three years in Yokohama, Kanazawa, and Fukuoka is higher.

Japan Office Real Estate Market Trends

Rise in Start-ups Driving the Market

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Japan is lagging far behind the rest of the world in nurturing start-ups. As of 2021, Japan has only 6 Unicorns. This is even fewer than the 41 in India and 11 in South Korea. In 2020, JPY 16.6 trillion (USD 136.1 billion) was invested in start-ups in the United States, as opposed to only JPY 150 billion (USD 1.2 billion) in Japan, a 110-fold disparity.

In 2021, SmartNews, Inc. topped the list of leading start-ups in Japan in terms of money raised, with a total of USD 228.78 million raised. Mobility Technologies Co., Ltd. came in second with a total of USD 159.93 million in investment.

In recent years, the number of university-based companies in Japan has steadily expanded, with an estimated 2.9 thousand such startups in the fiscal year 2020. In recent years, the number of newly founded university-based companies has also increased.

In 2022, the government plans to introduce a framework to provide financial support for large companies when they hire people who plan to later start businesses, and for start-ups that ask to borrow human resources from large companies.

Growth in Data Centre Industry Driving the Market

In the APAC region, Japan has a mature data centre industry with a strong presence as a corporate hub and global financial centre. It is a technological, robotics, and machine learning leader, in addition to being economically progressive. Over 22 third-party data centre service providers operate over 90 facilities in the country. In addition, local businesses own a number of on-premise or dedicated data centres in the country. Because of its strategic location, Japan is one of the most important connectivity hubs.

The demand for all flash storage devices is likely to rise as investors expand their investments in start-ups such as FinTech and e-commerce that use big data analytics and IoT applications. Because of the COVID-19 epidemic, the rise in digital transformation and enterprise adoption of cloud computing is expected to enhance cloud server adoption in Japan.

In 2020, Tokyo and Osaka were major data centre investment destinations. Other regions such as Kobe, Nagoya, and Yokohama are expected to grow during the forecast period. The cloud market in Japan was around USD 10 billion in 2020, including private and public clouds, which is expected to be valued at over USD 16 billion by 2023.

Japan has a strong presence of regional data center providers. It is one of the fastest-growing digital markets in the world. Japan has evolved into an international data center market driven by global hyperscale cloud providers such as Amazon Web Services (AWS), Google, Microsoft Azure, and IBM, expanding in the Tokyo and Osaka regions.

Japan Office Real Estate Market Competitor Analysis

The Japan office real estate market is highly fragmented with the presence of both global players and regional players and the competition in the market is very high. Some of the major players like Mitsui Fudosan, Mitsubishi Estate, Sumitomo Realty & Development, Tokyu Land Corporation, etc. The market is anticipated to regain normalcy by the end of 2022. Companies are gearing up to meet future needs, and many companies are entering the market for further opportunities.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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