

Evolving Workforces

2024 Japan Office Occupier Survey

Management Edition

# Office Strategies and Talent Attraction

REPORT

CBRE RESEARCH  
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CBRE



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# Executive Summary

Using the answers provided to CBRE's "Japan Office Occupier Survey" <sup>\*1</sup> carried out in July 2024, this report examines the attitude of corporate management toward office usage and outlook against the backdrop of Japan's tight labor market.

## Factors underpinning Japan's robust office market

- Japan's office market remained in good health in 2024, driven by four major factors. The first of these is growing occupier demand for office space on the back of a recovery in corporate earnings and business sentiment. The second is an increase in the number of tenants looking to expand their existing leased office space on the back of employees' return to in-office work; a trend that has led many companies to find their current space is insufficient for their needs. Thirdly, delays and changes to plans for office building development projects have led to a perceived shortage of quality options for tenants, encouraging them to secure new premises as quickly as possible. The fourth and most significant factor is the emergence of strong demand for buildings in higher grades or with superior access as companies seek to gain an edge in recruitment amid a general lack of available workers. CBRE expects the role of the office to assume even greater importance in the coming years as a key means of securing and keeping talented workers in an era of chronic labor shortages.

## Strong demand for office upgrades and expansions

- With the labor shortage becoming increasingly severe, the management of companies in Japan is placing a stronger focus on factors related to employee work environment when choosing new office buildings. These factors include comfort, earthquake resistance, and commuting convenience. Desire to improve office environments remains strong, with one in two companies responding that they were planning improvements of some sort. Significantly more respondents indicated that they planned to increase investment in improving their office environments than those that planned to reduce spending. Office expansion plans are also widespread, with those indicating a desire to increase office space far outstripping those planning a reduction. CBRE projects tenant appetite for office improvements and expansions to remain robust.

## Office improvements that enhance employee engagement

- Improving employee engagement is the primary objective of office upgrades, with employee engagement seen as directly linked to solving the problem of labor shortages. As improvements in engagement levels are necessarily predicated on collaboration between the individual and the organization, the office is set to take on a more prominent role as a central location for the facilitation of communication. Indeed, past office improvements have been proven to provide a range of benefits in empirically measurable indices related to engagement.

## The increasing importance of green buildings in recruitment

- Environment, Social and Governance (ESG) has been shown to play a key role in staff retention. The survey found that the sustainability issue given the highest priority by company management in terms of business activity is employees' health and happiness. Office spaces which consider the health and well-being of building occupants are believed to make a positive contribution to employee engagement. Almost 50% of respondents agreed with the opinion that it is fair for office buildings fulfilling ESG criteria to charge higher rents, and for those that do not to provide discounts. Green buildings which fulfill such ESG criteria tend to be more commonly found among newer and larger office developments. With companies struggling to attract talented staff, green buildings are likely to assume increasing importance in the future.

<sup>\*1</sup> For a detailed analysis of engagement-related issues based on employee responses to the same survey, refer to CBRE's report entitled "[Enhancing Staff Engagement Through Office Design](#)" (December 2024).

01

Introduction:  
The Four Factors Underpinning  
Japan's Robust Office Market

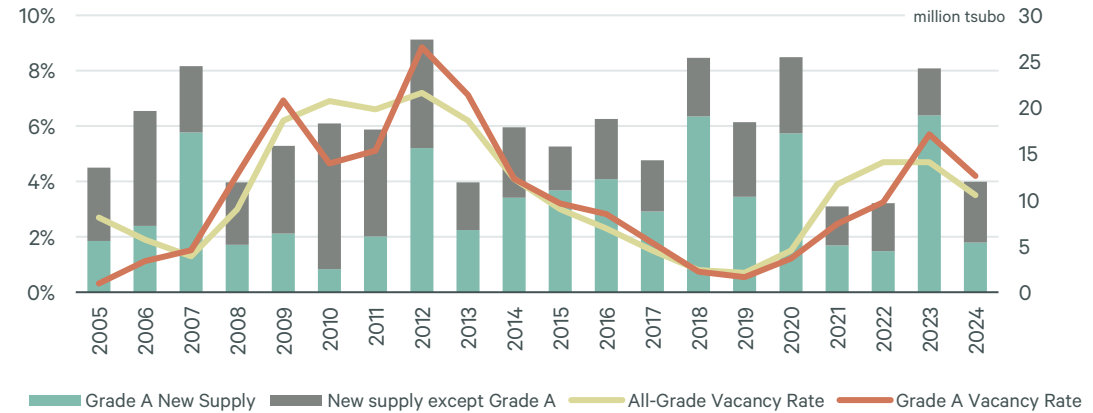
## The Four Factors Underpinning Japan’s Robust Office Market

Office leasing demand continued to recover strongly nationwide in 2024. The Tokyo All-Grade vacancy rate for Q4 2024 slid by 1.2 pp. y-o-y to 3.5%, dropping below the 4% threshold for the first time in three years. In the Grade A category, which saw the addition of significant new supply in 2023, the vacancy rate fell 1.5 pp. over the course of the year to 4.2% (Figure 1). In addition to companies moving to new premises in superior locations or higher-grade buildings, and those looking to expand their office space, vacancies were filled by firms opening new offices and those relocating from company-owned buildings.

The robust office leasing activity can be explained by four primary factors. The first of these is growing occupier demand for office space, driven by a recovery in corporate earnings and business sentiment. Relocations to larger offices or in-house expansions to accommodate increasing employee numbers have been observed across a wide range of industries.

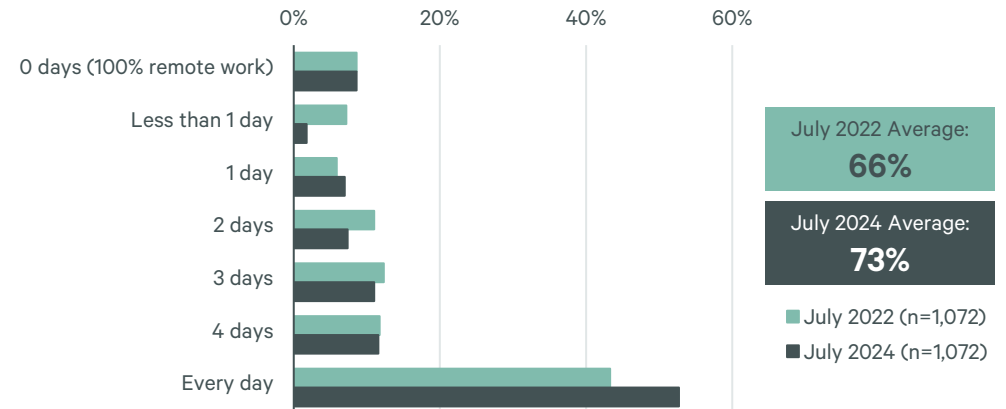
The second factor is the return of employees to the office. When office attendance rates are calculated from CBRE’s surveys conducted in 2022 and 2024 to gauge employee behavior, an increase of 7 pp. can be observed, growing from 66% in 2022 to 73% in 2024 (Figure 2). This rise in attendance rates has rendered many firms’ current office space insufficient for their requirements, encouraging companies to lease more space, and contributing to an increase in demand.

Figure 1: Vacancy Rates and New Supply for Tokyo Grade A and All-Grade Office Buildings



Source: CBRE, Q4 2024.

Figure 2: Comparison of Office Attendance Rates Between 2022 and 2024 (Greater Tokyo)



Source: Events and Planning Unit, Nikkei Inc./ Investigation: Nikkei Research Inc. Cooperation for investigation: CBRE "Survey on office usage", July 2024.

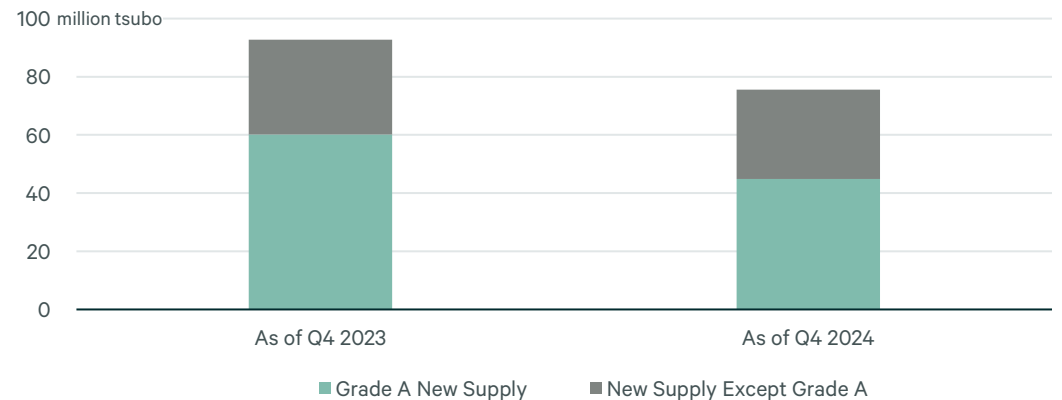
## The Four Factors Underpinning Japan’s Robust Office Market (cont.)

The third factor behind the surge in demand is the fact that many office building development projects have been either delayed or had their plans changed. Labor shortages and rising costs in the construction industry, as well as delays in the delivery of construction materials, have pushed back completion dates for many construction projects. Projected new supply for the five years between 2024 and 2028 inclusive fell by 170,000 tsubo, or almost 20%, between Q4 2023 and Q4 2024. Some 150,000 tsubo of this figure is in the Grade A segment, which would have been equivalent to 8% of the grade’s existing stock (Figure 3). These delays to the completion of new office buildings have led to a shortage of quality options for tenants; a situation which is compelling office occupiers to secure new premises as quickly as possible.

The fourth and most significant factor behind surging tenant demand is Japan’s ongoing labor shortage. BoJ’s employment conditions D.I. is at its worst point since the economic bubble period, with corporations reporting significant labor shortages (Figure 4). The unemployment rate also continues to fall to historically low levels, with December 2024’s mark standing at just 2.5%. As firms seek to gain an edge in recruitment amid the general lack of available workers, more corporations are taking the view that upgrading their office environments is more of an investment than an expense, with many companies looking to move to higher-grade buildings in more convenient locations. In addition to acting as a key driver of office demand, this has also prompted tenants to adopt a more selective attitude towards potential buildings and locations.

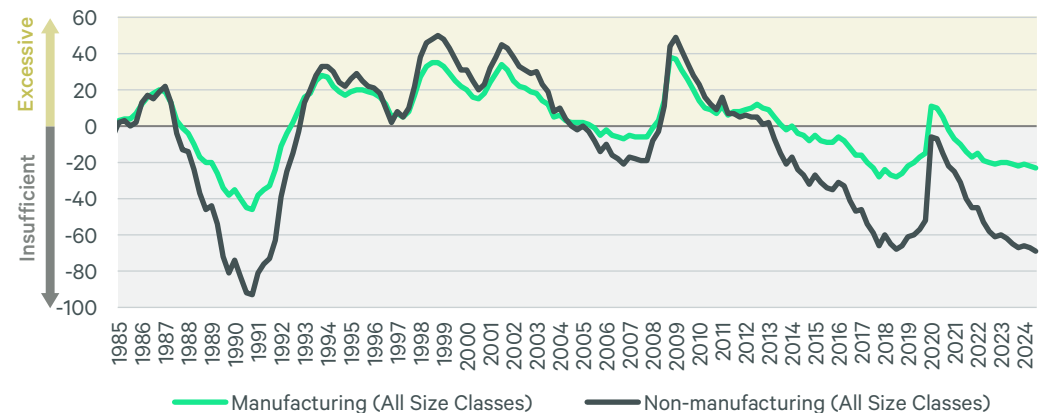
CBRE expects the role of the office to assume even greater importance as a means of attracting and retaining high quality workers in an era of chronic labor shortages. Using the answers provided to CBRE’s “Japan Office Occupier Survey” carried out in July 2024, this report examines the attitude of corporate management toward office usage against the backdrop of Japan’s robust office leasing market and tight labor market.

Figure 3: New Office Supply from 2024 to 2028 (comparison of Q4 2023 and Q4 2024 projections)



Source: CBRE, Q4 2024.

Figure 4: Employment Conditions D.I. (“excessive” – “insufficient” as percentage points)



Source: Bank of Japan “Short-term Economic Survey of Enterprises in Japan”, Macrobond, December 2024.

02

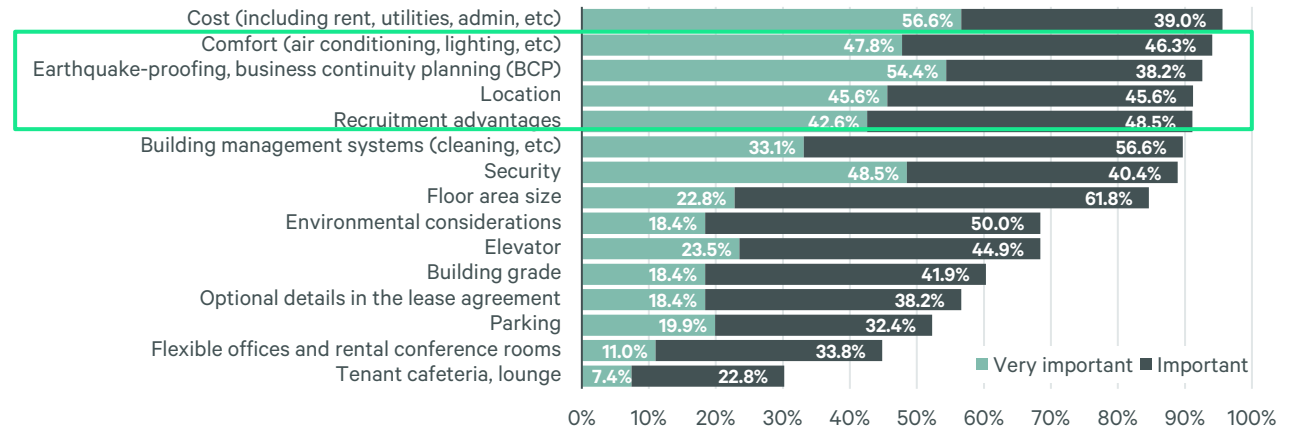
# Managerial Opinion and Future Projections for Office Use

# Factors Related to Employee Work Environment Prioritized when Choosing New Office Buildings

Amid Japan’s chronic labor shortage, corporate management is placing more emphasis on factors related to the work environment when choosing new office buildings. When asked what factors were prioritized during office relocations, among the most commonly given answers were those pertaining to employee working conditions such as “comfort” and “earthquake-proofing”, as well as “recruitment advantages” (Figure 5). All of these categories have increased in perceived importance since previous surveys,\*2. While “cost” retains its position as the single most important factor, this appears to be more of a reflection of a post-pandemic increase in the number of tenants seeking convenience and functionality commensurate with rental costs.

In terms of office location, workers’ commuting convenience is the most highly prioritized criterion (Figure 6). In a different question of the same survey, CBRE asked office workers what factors they prioritized when selecting a job, with “commuting convenience/distance from home” the second-most selected factor, only behind pay levels. Corporate leaders are clearly responding to the wishes of their workers in order to secure vital labor resources.

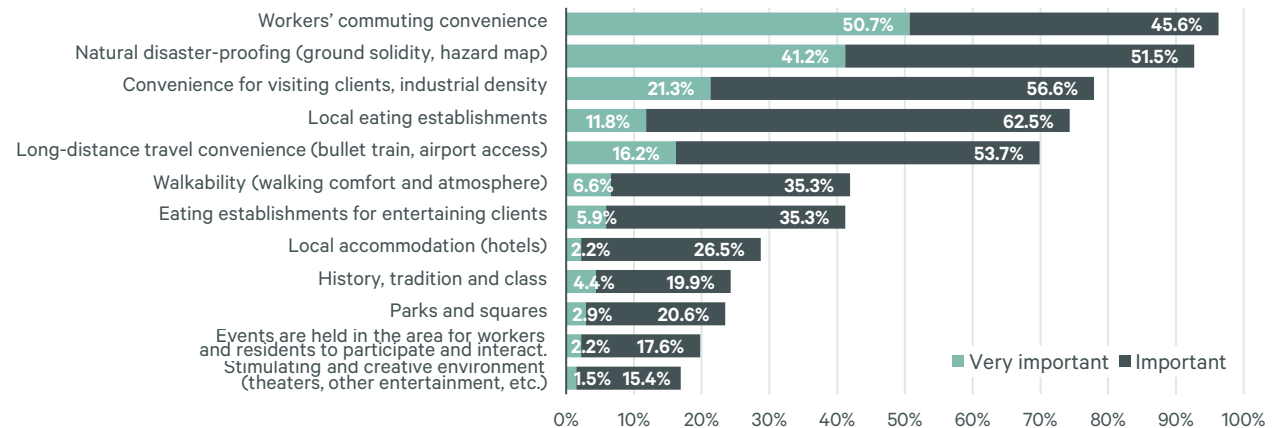
Figure 5: Prioritized Criteria for New Office Building Selection (Top 15)



n=136 (management)

Source: Events and Planning Unit, Nikkei Inc./ Investigation: Nikkei Research Inc./ Cooperation for investigation: CBRE "Survey on office usage", July 2024.

Figure 6: Prioritized Criteria for Office Location Selection



n=136 (management)

Source: Events and Planning Unit, Nikkei Inc./ Investigation: Nikkei Research Inc./ Cooperation for investigation: CBRE "Survey on office usage", July 2024.

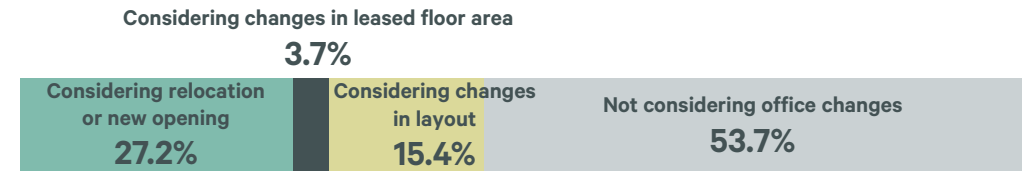
\*2 In the “Japan Office Occupier Survey” carried out by CBRE in 2015, “earthquake-proofing” was ranked 5th in importance when selecting a new office building, with “comfort” ranked 6th and “recruitment advantages” 8th.

## Strong Demand for Office Improvements and Expansions

Despite recent surges in costs related to relocations and fit-out, demand for office upgrades and improvements remains strong. When floor space increases and layout changes are included alongside relocations and new office openings, almost 50% of companies responded that they were planning improvements of some sort (Figure 7). Such robust demand reflects companies' strong desire to invest in improving their office environment. Some 39.7% of respondents indicated that they planned to increase investment in improving their office environment, well above the 5.1% planning to reduce spending in this area. With this trend observed among companies of all office sizes (Figure 8), demand to improve office environments is expected to spread from layout changes and upgrades of existing offices to encompass relocations to higher-grade or more convenient buildings.

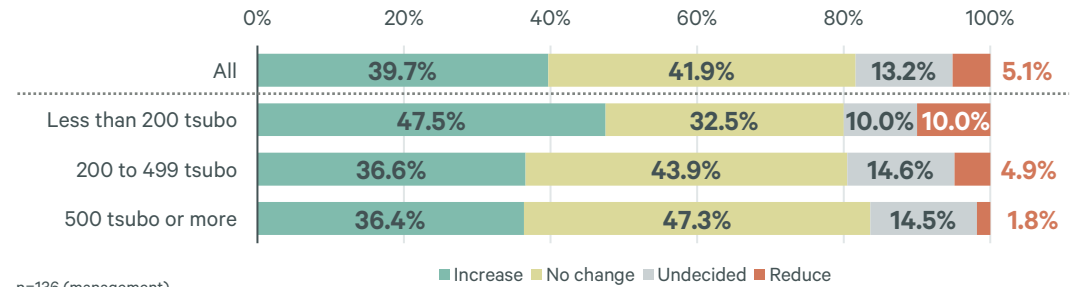
Demand for office expansion also remains strong, with 34.5% of respondents indicating that they expect their office floor space in Japan to either increase or increase significantly, well above the 15.5% who foresee overall floor space decreasing or significantly decreasing. As with investment volume, this trend also held true for respondents of all office size brackets (Figure 9). Following the pandemic, office expansions tended to be restricted to smaller offices of less than 500 tsubo, with those companies leasing space greater than 500 tsubo conversely looking to reduce their floor space. This was the result of office consolidations caused by the introduction of hybrid work programs, primarily by larger corporations. More recently, however, even companies already leasing over 1,000 tsubo of office space are displaying more interest in expansion. Among companies leasing over 500 tsubo of office space, expansion plans now outnumber contraction plans; a trend that underlines the general strength of future tenant expansion demand.

Figure 7: Future Office Changes Under Consideration



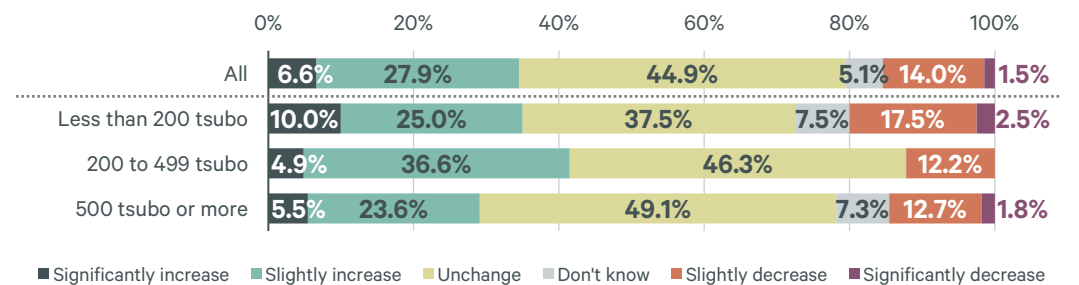
n=136 (management)  
 Source: Events and Planning Unit, Nikkei Inc./ Investigation: Nikkei Research Inc.  
 Cooperation for investigation: CBRE "Survey on office usage", July 2024.

Figure 8: Future Investment in Improving Office Environments



n=136 (management)  
 Source: Events and Planning Unit, Nikkei Inc./ Investigation: Nikkei Research Inc.  
 Cooperation for investigation: CBRE "Survey on office usage", July 2024.

Figure 9: Outlook for Overall Office Space in Japan

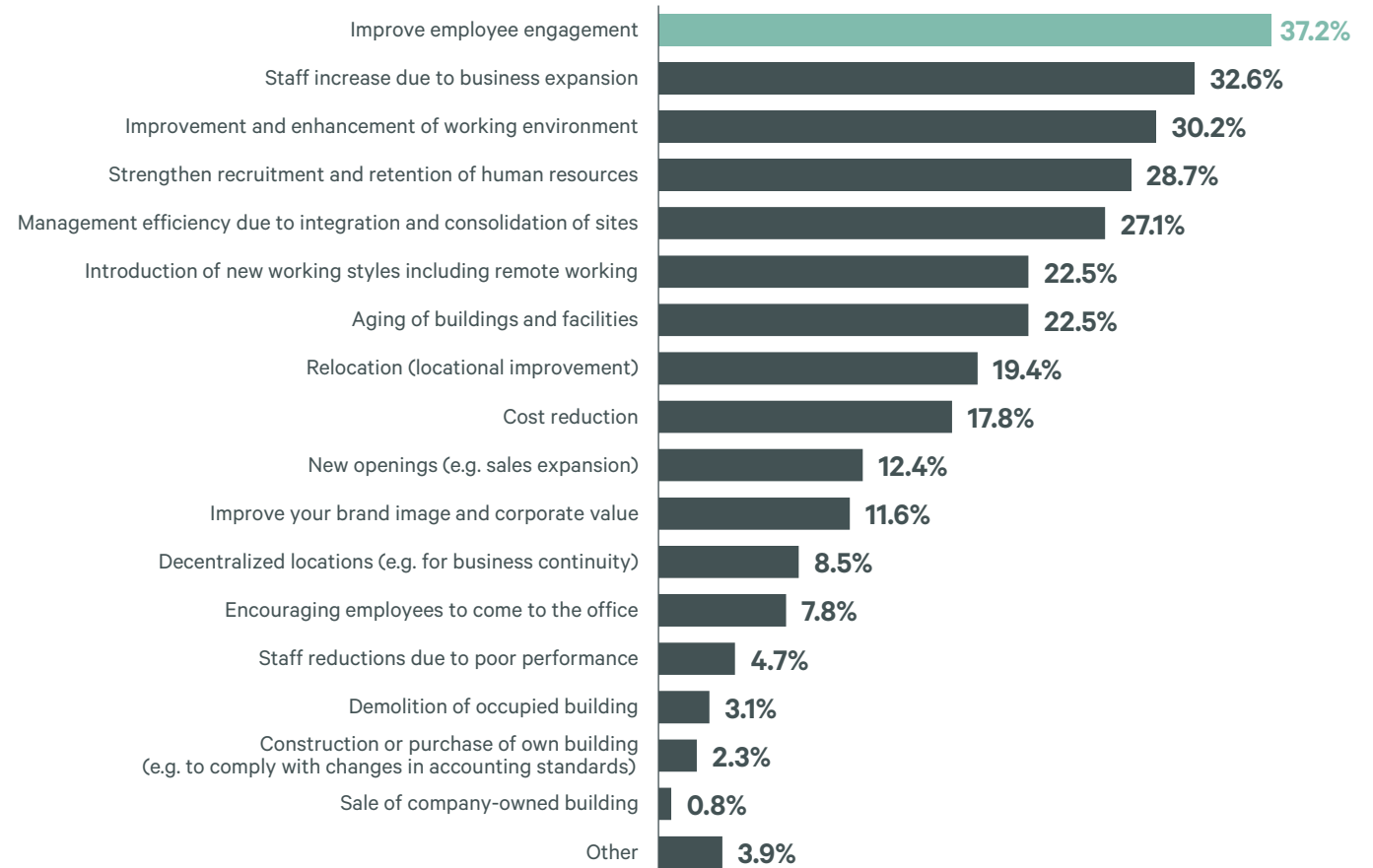


n=136 (management)  
 Source: Events and Planning Unit, Nikkei Inc./ Investigation: Nikkei Research Inc.  
 Cooperation for investigation: CBRE "Survey on office usage", July 2024.

## Improving Employee Engagement Identified as Primary Motivation for Office Relocation

When asked to name the key motivations behind making improvements to their offices, “improving employee engagement” was identified as the main objective (Figure 10). This is because employee engagement is seen as being directly linked to increased productivity and staff retention, with this factor increasingly viewed as imperative to solving the problem of labor shortages. Improvements in engagement levels are necessarily predicated on collaboration between the individual and the organization. An analysis by the Ministry of Health, Welfare and Labour\*<sup>3</sup> shows that companies whose employees report higher levels of engagement are more likely to have implemented measures to improve personal relations and communication within the workplace (Figure 11). With the office being the central location for employee-to-employee communication, it has a key role to play in improving worker engagement levels.

Figure 10: Reasons for Changes in Office Functionality or Floor space (question for management)



n=129 (management)

Source: Events and Planning Unit, Nikkei Inc./ Investigation: Nikkei Research Inc./ Cooperation for investigation: CBRE "Survey on office usage", July 2024.

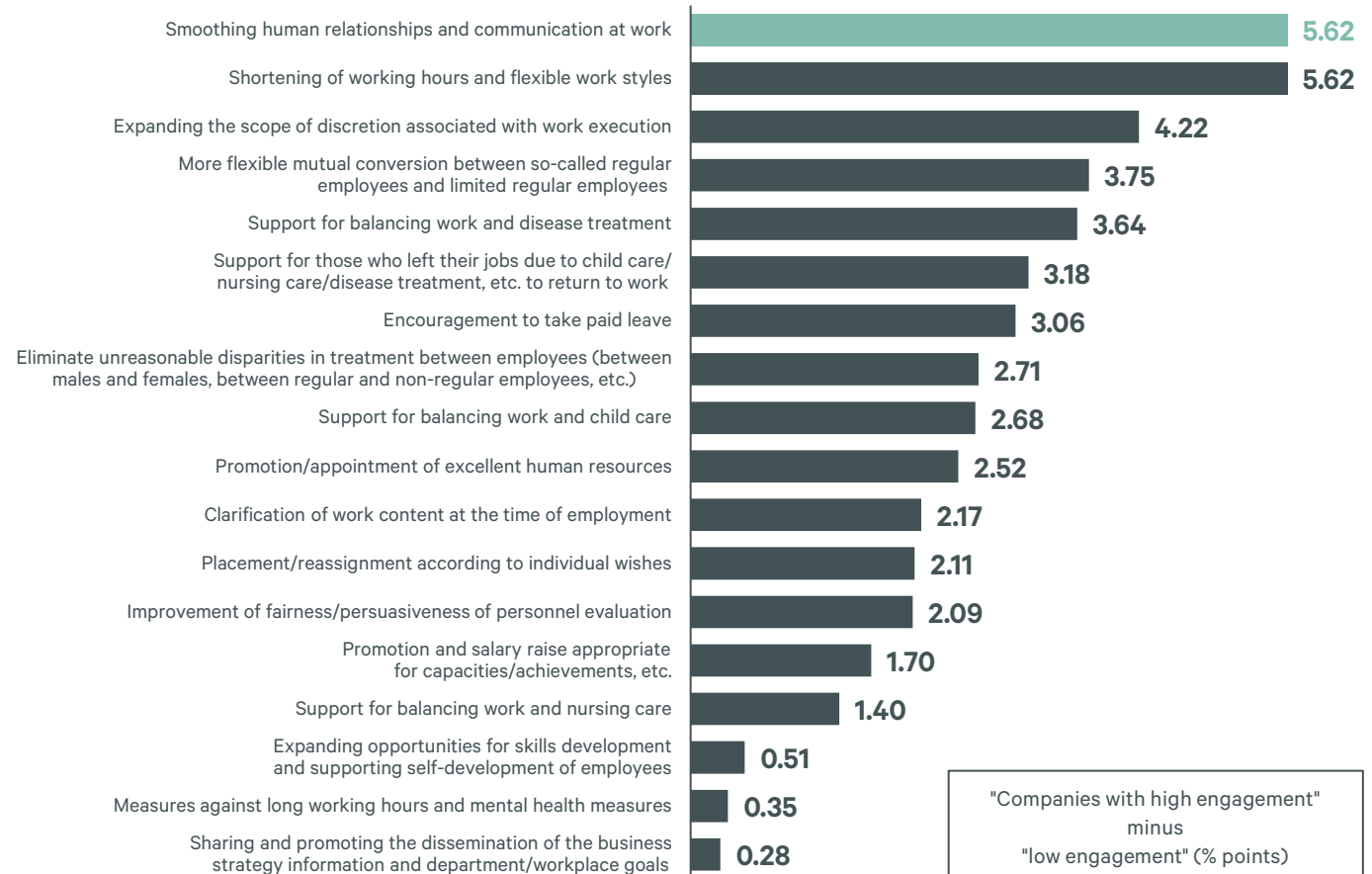
\*<sup>3</sup> The Ministry of Health, Welfare and Labour has analyzed the effects of "work engagement". "Work engagement" is a term first defined by Prof. Schaufeli and his team at Utrecht University as "a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption". It requires that employees are invigorated by their work, take pride and passion in it, and are absorbed in it.

## Improving Employee Engagement Identified as Primary Motivation for Office Relocation (cont.)

### What is engagement?

Willis Towers Watson\*4 defines engagement as the state of affairs when “employees understand and feel sympathy for the vision and direction pursued by the company and are motivated to make active contributions to achieving the vision and direction”. In terms of the effects of high engagement, a Gallup study found that companies with high engagement report productivity levels and profit margins 18% and 23% higher, respectively, than companies with low engagement. Absenteeism and employee turnover figures are lower by 78% and 21%, respectively.\*5 This data shows that improvements in engagement levels have a range of positive effects, from employee retention and performance to enhanced corporate results.

Figure 11: Gap Between Employment Relations Measures Implemented by “High Engagement” and “Low Engagement” Companies



\*4 Willis Towers Watson, “Engagement: back to basics! – Why have employee surveys focused on ‘engagement’ for the past 10 years? –” (October 2019)

\*5 Gallup, The Relationship Between Engagement at Work and Organizational Outcomes, Q12® Meta-Analysis (11th Edition, 2024)

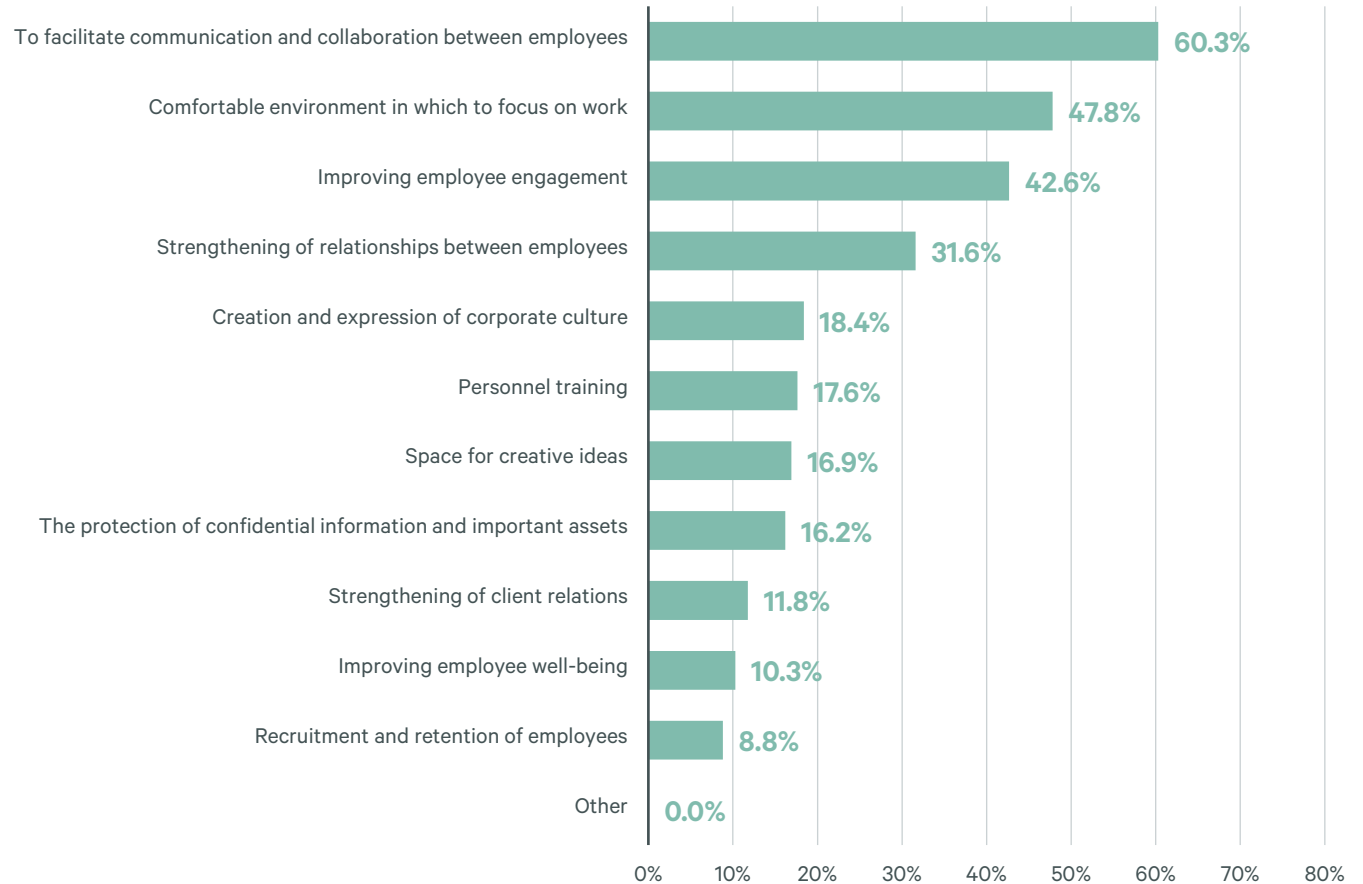
Source: Ministry of Health, Labour and Welfare "2019 Analysis of the Labour Economy", CBRE, September 2019.

# Office Improvements Contributing to Greater Employee Engagement

Corporate management tends to see communication as the primary function of the office. When respondents were asked to indicate what they saw as the office’s key roles, the most commonly selected answer was “to facilitate communication and collaboration between employees”, followed by its role as a “comfortable environment in which to focus on work” (Figure 12).

Recent office improvements have been made in line with these philosophies. Among new office openings and office improvements such as expansions implemented in Japan during the past four to five years, “communication spaces” and “collaboration spaces” ranked highly among the most added areas (Figure 13). The primary function of such spaces is to facilitate communication and collaboration between employees. The top answer given to this question was “a space for individual workers to use for telephone and web meetings”, reflecting the post-pandemic expansion of office space dedicated to telephone and online meetings.\*<sup>6</sup>

Figure 12: The Role of the Office as Seen by Management (up to three answers permitted)



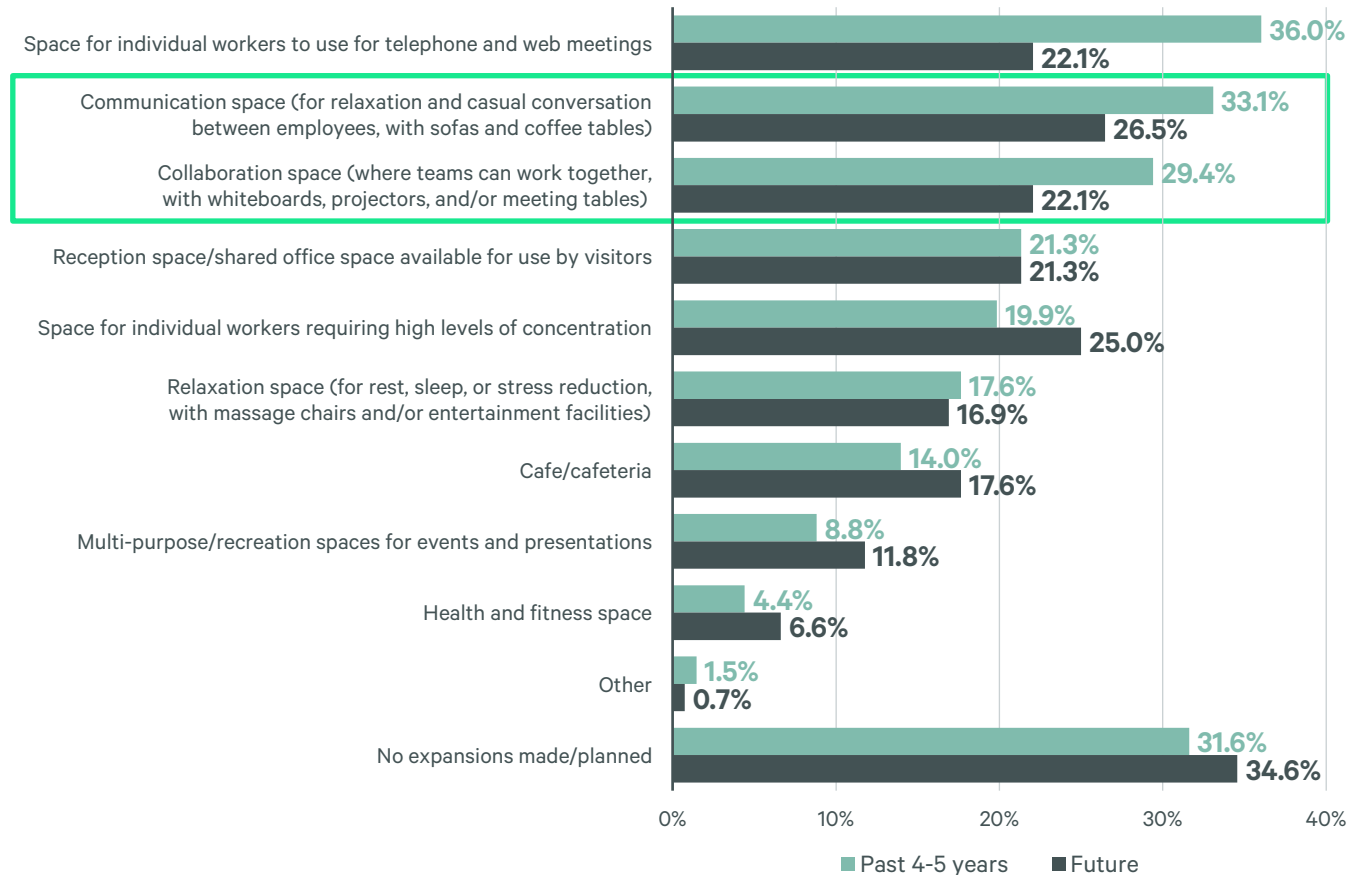
\*<sup>6</sup> [“Office Strategies in the Age of Human Capital Management”](#) (CBRE, October 2023, Figure 18), [“Japan Report - Work Beyond COVID Mar 2022”](#) (CBRE, March 2022, Figure 10), etc.

n=136 (management)  
Source: Events and Planning Unit, Nikkei Inc./ Investigation: Nikkei Research Inc./ Cooperation for investigation: CBRE "Survey on office usage", July 2024.

## Office Improvements Contributing to Greater Employee Engagement (cont.)

“Communication spaces” and “collaboration spaces” were mentioned by many respondents in reference to future office improvement plans (Figure 13). For these two categories, there were some respondents that indicated that they had already made such improvements in the past four to five years, but they had plans for more in the future. This suggests that the success of previous moves to implement spaces specifically for communication and collaboration has encouraged them to retain this strategy. “Cafe/cafeteria” and “multi-purpose/recreation spaces for events or presentations” recorded much higher scores for planned future implementations than for those which have already been put in place, reflecting a desire to expand informal spaces where spontaneous conversations not strictly related to business matters can take place. The other response type for which future plans outstripped past implementations was “space for individual workers requiring high levels of concentration”. This suggests that in addition to encouraging communication, many companies are keen to establish specific spaces to help individual employees improve their efficiency and productivity.

**Figure 13: Spaces Newly Implemented or Expanded Within the Office in the Past Four to Five Years, or Planned for Future Implementation (multiple answers permitted)**



n=136 (management)

Source: Events and Planning Unit, Nikkei Inc./ Investigation: Nikkei Research Inc./ Cooperation for investigation: CBRE "Survey on office usage", July 2024.

## Office Improvements Contributing to Greater Employee Engagement (cont.)

Past office improvements have been proven to provide a range of benefits in empirically measurable indices related to engagement and business performance. Figure 14 shows the results received after asking corporate management what changes they had observed in the six categories of “employee motivation”, “collaboration between individuals and organizations”, “per capita sales”, “employee overtime”, “employee turnover” and “health-related absences”, before and after office relocations, layout changes or renewals. Their answers were then averaged to provide the data points used in the graph. As can be clearly seen, improvements were observed in all six categories, providing compelling evidence of the central role the office plays in improving employee engagement.

Figure 14: Company Changes Before and After the Implementation of Office Relocations, Layout Changes or Renewals



n=136 (management)

Note: For the categories of “employee motivation”, “collaboration between individuals and organizations” and “per capita sales”, the answers “decreased significantly”, “decreased somewhat”, “remained unchanged”, “unknown”, “increased somewhat”, and “increased significantly” were quantified as -2 pts, -1 pt, 0 pts, 0 pts, +1 pt, and +2 pts respectively, and the averages of these figures calculated. For the categories of “employee overtime”, “employee turnover” and “health-related absences”, the answers “decreased significantly”, “decreased somewhat”, “remained unchanged”, “unknown”, “increased somewhat”, and “increased significantly” were quantified as +2 pts, +1 pt, 0 pts, 0 pts, -1 pt, and -2 pts respectively, and the averages of these figures calculated.

Source: Events and Planning Unit, Nikkei Inc./ Investigation: Nikkei Research Inc./ Cooperation for investigation: CBRE "Survey on office usage", July 2024.

03

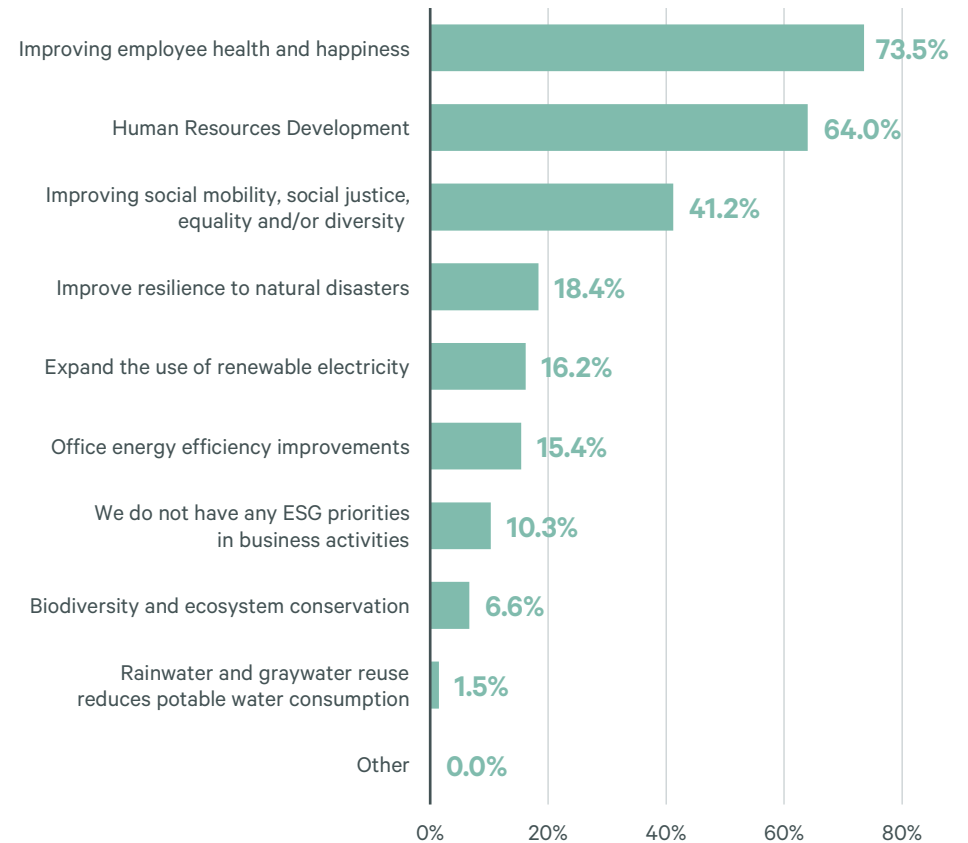
# The Increasing Importance of Green Buildings Amid Recruitment Challenges

## The Increasing Importance of Green Buildings Amid Recruitment Challenges

ESG is playing an increasingly important role in personnel retention. With adoption of ESG criteria becoming more widely accepted as a business practice, interest has gradually increased in office buildings with environmental certifications. The sustainability issue given the highest priority by company management in terms of their actual business activity is the health and happiness of their employees (Figure 15), and the key fundamental concept at the heart of improving employee health and happiness is well-being. Well-being is defined as “a positive state of physical, mental, and social health”<sup>\*7</sup>. This is considered a broader concept than engagement, which focuses more specifically on the relationship between workers and their job and organization. For this reason, well-being is often considered to relate closely to engagement.

One metric that can provide a measure of how well an office environment is promoting worker well-being is the building’s environmental certifications. While several different types of environmental certification are available, WELL Certification and CASBEE-Wellness Office Certification are focused primarily on the concept of well-being, and have seen greater adoption in Japan in recent years. LEED Certification is another popular rating system which, while not focused specifically on well-being, provides a general assessment of environmental performance based on factors including energy efficiency. Data suggests that employees working in buildings with LEED Certification report higher levels of happiness, health, and intellectual productivity.<sup>\*8</sup> For these reasons, buildings which have attained such environmental certifications are likely to attract stronger leasing demand amid the tight labor market.

Figure 15: ESG Priorities for Business Activities (up to three responses allowed)



n=136 (management)  
 Source: Events and Planning Unit, Nikkei Inc./ Investigation: Nikkei Research Inc.  
 Cooperation for investigation: CBRE "Survey on office usage", July 2024.

\*7 Friends of WHO JAPAN website, "[What is the WHO Charter?](#)"

\*8 GREEN BUILDING JAPAN website, "[Employees are Happier, Healthier and More Productive in LEED Green Buildings](#)"

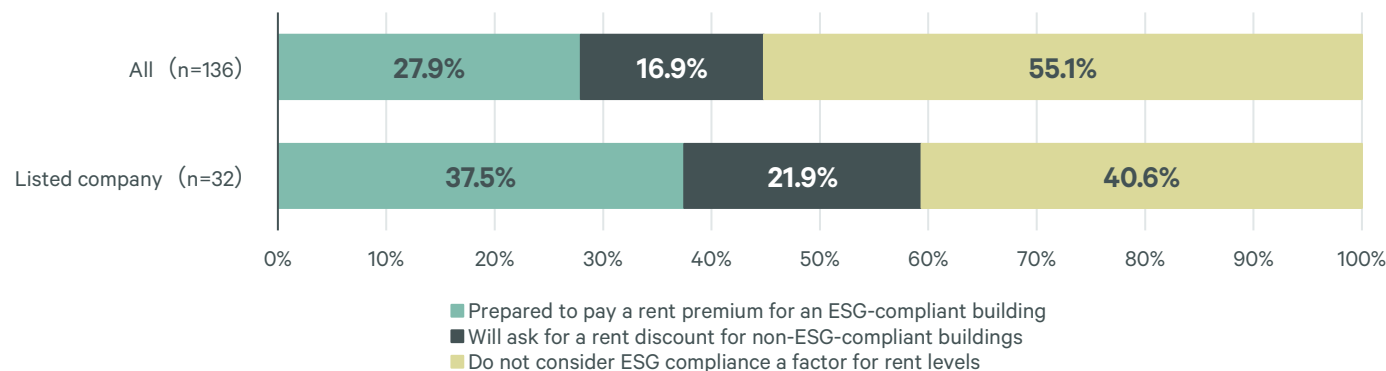
## The Increasing Importance of Green Buildings Amid Recruitment Challenges (cont.)

Corporate managements' high regard for green buildings is also reflected in their stance toward rent levels. Almost 50% of respondents believed it is fair for office buildings fulfilling ESG criteria to charge higher rents, and for those that do not to provide discounts. This figure rose to 60% for publicly listed companies, whose leaders are required to secure accountability to stakeholders around corporate decision making, underscoring the significance of ESG compatibility (Figure 16).

Green office buildings which fulfill such ESG criteria tend to be newer and larger developments. Figure 17 shows green building percentages in Japan by total floor area and building age. This data shows that green buildings are more prevalent among properties with more than 10,000 tsubo of office floor space, and among those completed after 2010. An increasing number of newer buildings within larger cities are equipped with a variety of convenient facilities designed to contribute to occupants' health and well-being, such as cafes, lounges, multi-purpose spaces, medical clinics and gyms. These facilities play a key role in promoting worker engagement.

While Japan's tight office leasing market is making it difficult for tenants to secure sizable space within such properties, there are some smaller or slightly older buildings which feature such facilities or contain ESG-compliant architectural features, which can help improve engagement levels. CBRE expects that in addition to traditional factors such as location, size and age, companies will need to assess how well a potential relocation can improve employee engagement.

Figure 16: Impact of ESG Compliance on Rent Levels



n=136 (management)

Source: Events and Planning Unit, Nikkei Inc./ Investigation: Nikkei Research Inc./ Cooperation for investigation: CBRE "Survey on office usage", July 2024.

Figure 17: Green Building Percentages by Total Floor Area and Building Age (as of end of March 2023, percentages are by building nationwide)

	Up to 1989	1990 to 1999	2000 to 2009	2010 or later	
Below 3,000 tsubo	5.7%	7.3%	20.2%	38.6%	11.8%
Above 3,000 tsubo	13.1%	17.3%	40.9%	57.3%	26.6%
Below 5,000 tsubo	16.3%	23.3%	54.5%	58.7%	37.0%
Above 5,000 tsubo	32.4%	38.2%	64.2%	63.9%	53.3%
Below 10,000 tsubo	8.9%	12.5%	37.0%	51.0%	21.4%
Above 10,000 tsubo					

Note: While some buildings have received more than one different type of environmental certification, they have only been counted once. The denominator for these percentage calculations is defined as the floor space in all rental office buildings of at least 1,000 tsubo in total floor area constructed after the introduction of the new earthquake-proofing standards of 1981.

Source: "Japan Report Japan Green Building Certification Trends Jun 2023" CBRE, March 2023.

04

Appendix

# Appendix

## 01 Survey Method

Internet survey  
(e-mail distribution and web-based responses)

## 02 Survey Period

July 8<sup>th</sup>, 2024 to July 30<sup>th</sup>, 2024

## 03 Survey Target

Database of Nikkei Research Inc.

## 04 Respondent region (based on location of work)

Tokyo Metropolis, Osaka Pref., Aichi Pref., Saitama Pref., Kanagawa Pref., Chiba Pref., Sapporo City, Hiroshima City, Fukuoka City

## 05 Number of Valid Responses

Management 136

## 06 Respondent Profile

Figure 18: Respondent Region (based on location of work)

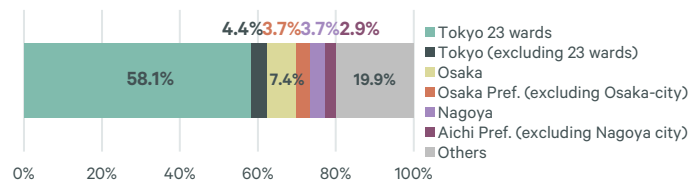


Figure 19: Size of the Workforce of the Company

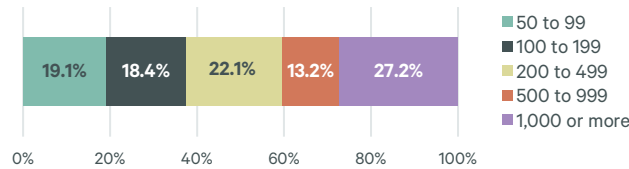


Figure 20: Rental contract status

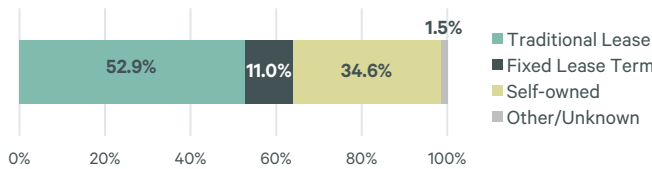


Figure 21: Office building floor space

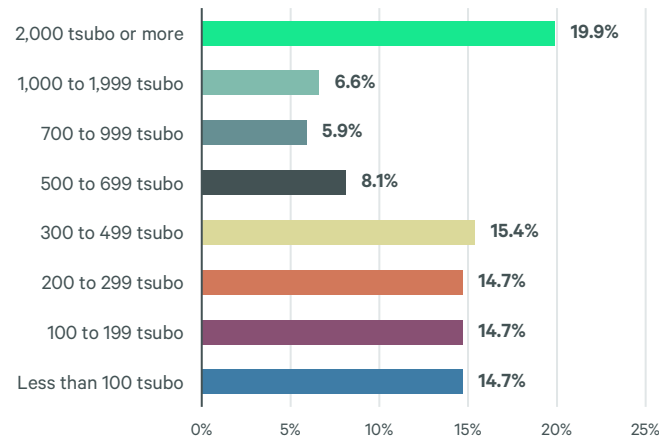


Figure 22: Percentage of listed and unlisted companies

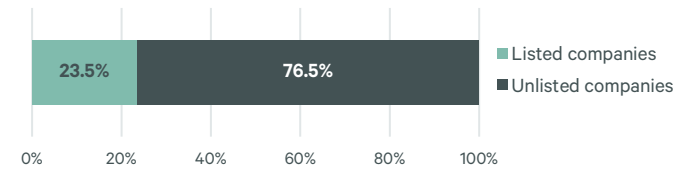
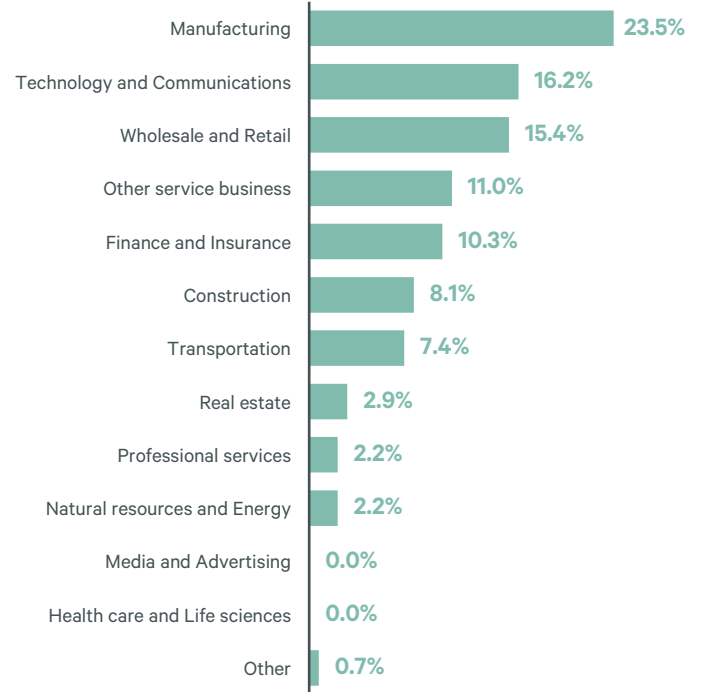


Figure 23: Respondents by Industry



All Figures n=136 (management)

Source: Events and Planning Unit, Nikkei Inc./ Investigation: Nikkei Research Inc./ Cooperation for investigation: CBRE "Survey on office usage", July 2024.

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