

Regional News

Firms may shun Tokyo for a while yet

By JONATHAN DEHART in OSAKA

In the days following the March 11 earthquake in eastern Japan, worried individuals were not the only ones to flee Tokyo for safer climes. Safety concerns and the prospect of rolling blackouts that could linger on through summer, spurred many companies to flee as well. Many companies intend to stay away for some more time.

"More and more companies are realizing that concentrating on only one location is dangerous," says Kazuko Kamado, deputy secretary general of Osaka Business and Investment Center (OBIC). "The companies which consulted us about the possibility of relocating after the earthquake cited risk management as their main motivation."

Now that fears about radiation and aftershocks have largely subsided, concerns over electricity drought have taken center stage. Faced with the prospect of a tough summer, many companies are opting to grab office space while it's still available in cities to the west such as Osaka, Nagoya and Fukuoka.

"When it started to warm up in Tokyo, people started really worrying," said Kureha Ogawa, senior manager at Servcorp, a serviced office provider with branches in Tokyo, Yokohama, Nagoya, Osaka and Fukuoka.

"Since then, many people have begun to ask for price quotations. After the Golden Week (holidays in early May), I believe many of these companies are planning to finalize lease agreements."

Ogawa says an onslaught of enquiries came from Tokyo-based securi-



An excavator works at a tsunami devastated area in Sendai, Miyagi prefecture. Japan is still faced with the Herculean task of clearing millions of tons of debris from the earthquake and tsunami. AFP

ties, insurance, service, finance and foreign government offices, soon after the earthquake.

"We had so many enquiries – more than 50 at least – that we quickly filled up all our spaces in Osaka, Nagoya and Fukuoka," she says. "We even ended up trying to convince some companies to consider going elsewhere in Asia once our spaces were at full capacity."

Before the earthquake, Servcorp's Osaka occupancy rates were 65-70 percent, she says. Post-quake, however, they shot up to 100 percent. In Fukuoka's Hakata office, a new floor

of office space went from 30 percent occupancy before the earthquake to 100 percent afterwards.

"Most of these companies are still in Osaka, but some have gone back to Tokyo," Ogawa says. "Many have simply sent employees back to Tokyo, while maintaining office space to be on the safe side for the potentially challenging summer months. We're continuing to get even more new enquiries even as April comes to an end, with many of the companies planning to stay longer term, even beyond summer. And this includes the office spaces

in Nagoya, Osaka and Fukuoka; all of them."

Deonesh Prasad, who works in the IT department of Morgan Stanley's Tokyo office, says, "The majority of the staff was encouraged to work remotely. Remote access approvals were being expedited until towards the end of March. But there were no plans to permanently shut down the Tokyo office and relocate."

A host of economic organizations have opened hotlines to assist businesses interested in opening secondary offices outside Tokyo. OBIC and the Osaka city government received

more than 50 inquiries. Meanwhile, Nagoya and Fukuoka have also seen an influx of companies from Tokyo. While Fukuoka's transplants were largely short-term at first – even this is changing according to Ogawa – the Aichi-Nagoya International Business Access Center has been inundated from the get go.

"We don't know a concrete number, but many businesses have relocated to Aichi Prefecture for the short-term," says Akira Shamoto, a representative of the Aichi-Nagoya International Business Access Center. "It's mainly been foreign companies. It seems that many Japanese companies are staying in Tokyo and toughing it out."

Panasonic is a case in point. "The company didn't move anyone from Tokyo," says Tetsuo Egawa, who works in the firm's Osaka office. "A few factories in Tohoku closed for a week. They are all up and running again now, though. We just toughed it out and made do with the electricity supply and infrastructure as is."

This approach might well work. "Tokyo is returning to normal in many ways," says Horiuchi Yasukiyo, manager of the Economic Partnership Group, Japan Business Federation. "But there is still an electricity shortage, which will be especially felt this summer."

However things shape up, the reality is that Japan's business base remains highly Tokyo-centric. So a hit to Tokyo is a hit to the nation.

With this in mind, perhaps businesses would be wise to heed Ogawa's advice: "It's necessary to have some safe space in order to be able to continue running a business in any situation."